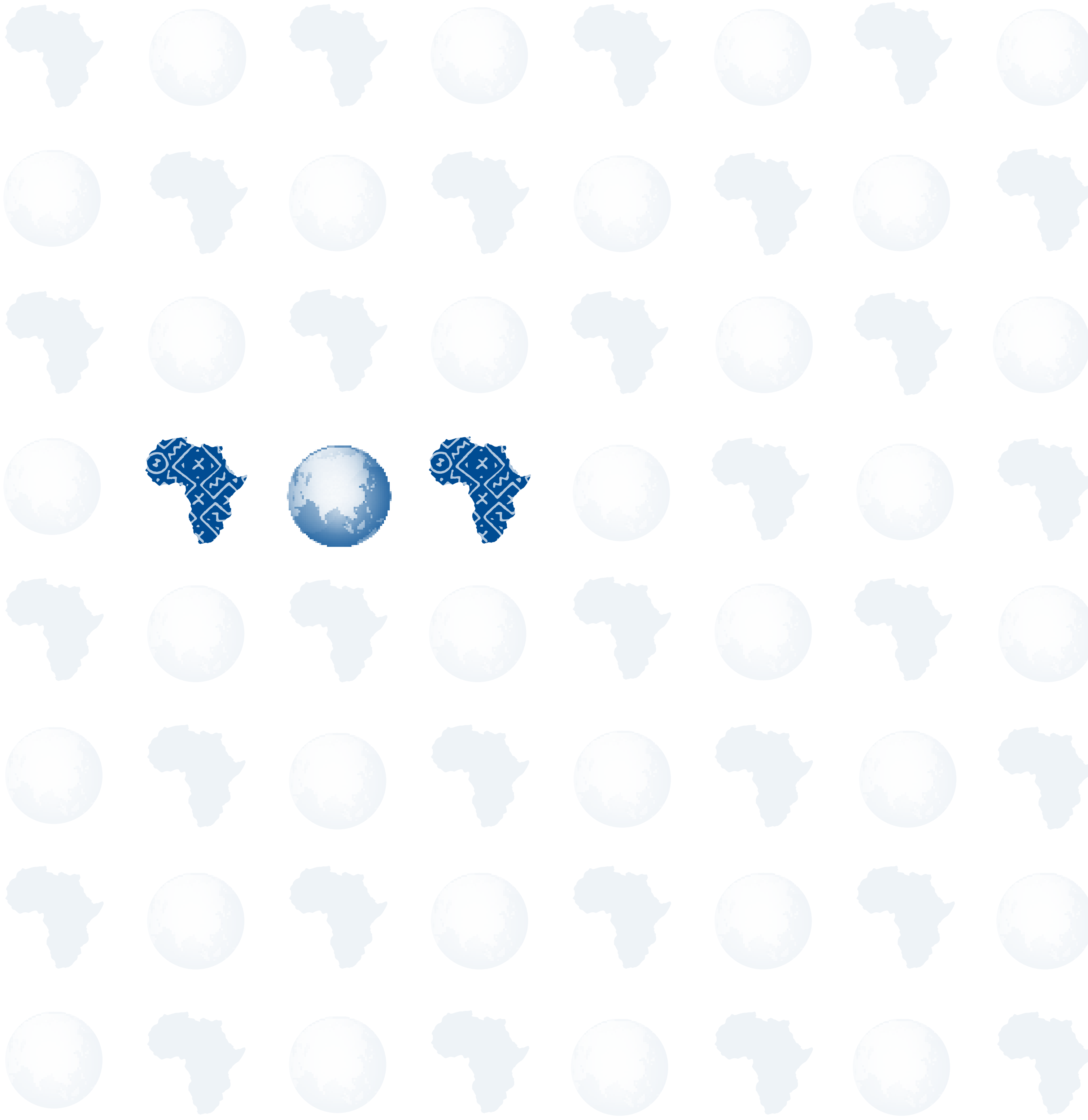


Annual Report 2009

Standard Bank

Corporate profile

Standard Bank Group is a leading African banking group focused on emerging markets.

→ One of the big four full-service South African banks
- 147 year history in South Africa
- Started building a franchise outside southern Africa in early 90s
- Listed on JSE since 1970

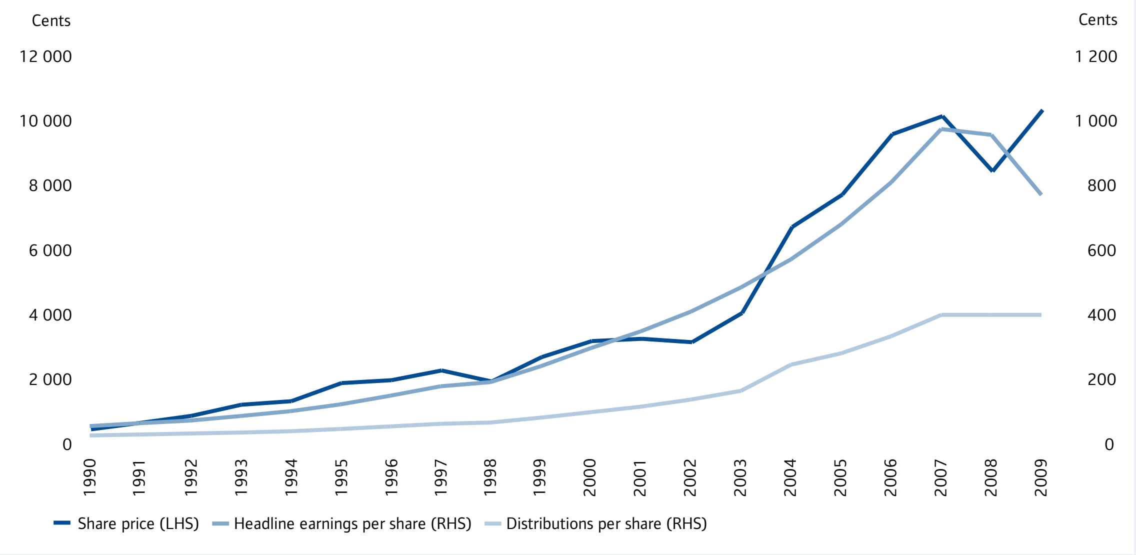
→ Offers a range of banking and related financial services and operates in
- 17 countries in Africa
- 16 countries outside Africa with an emerging markets focus
- Three business units: Personal & Business Banking, Corporate & Investment Banking and Wealth

→ Largest African banking group ranked by assets and earnings
- Total assets of R1 345 billion (USD183 billion)
- Headline earnings of R11,7 billion (USD1,4 billion)
- Market capitalisation of R159 billion (USD21,6 billion)
- Employs more than 50 000 people
- Tier I capital adequacy ratio 11,8%

→ Key strategic connections in emerging markets
- ICBC – the biggest bank in the world – is a 20% shareholder
- Strategic links to Brazil, Russia, Argentina, Turkey and high-growth markets in Africa.

Standard Bank over 20 years

Compound annual growth rate (CAGR) (1990 – 2009): Share price 20%
Headline earnings per share 16%
Distributions per share 19%



www.standardbank.com

“Let’s connect Africa to the world and the world to Africa”.

Jacko Maree
Group chief executive

About this report

→ Standard Bank’s reporting aims to provide a balanced, understandable, complete and easily comparable view of our business.

→ If you want a quick summary of the year, we recommend pages 2 to 19.

→ Alongside the ongoing stakeholder interaction and communication expected of a responsible organisation committed to accountability, Standard Bank produces a full suite of reporting publications which includes the sustainability report and an analysis of financial results and is available on the attached CD and online.

→ Visit our investor relations website for the latest financial information, current credit ratings and recent announcements.

Table of contents

Business model

We organise ourselves as three business units but present ourselves as one.

Standard Bank Group

Personal & Business Banking

Headline earnings

R3 835 million

2008: R4 739 million

Banking and other financial services to individual customers and small to medium-sized enterprises in South Africa, rest of Africa and Argentina

→ What we offer

- Mortgage lending
- Instalment sale and finance leases
- Credit cards
- Transactional banking products
- Other lending products
- Short-term and long-term insurance products and financial planning

Corporate & Investment Banking

Headline earnings

R7 507 million

2008: R7 948 million

Corporate and investment banking services to larger corporates, financial institutions and international counter-parties, in South Africa and other emerging markets

→ What we offer

- Global markets products and services
- Transactional products and services
- Investment banking

Wealth – Liberty

Headline earnings

R72 million

2008: R641 million

Life insurance, investment and wealth management solutions to individual and corporate customers in South Africa and selected African markets

→ What we offer

- Long-term investment
- Long-term risk – life and disability
- Pension fund management
- Endowment and retirement annuities
- Corporate benefits
- Health care and health insurance
- Investment-related advice and solutions

Footprint

South Africa

Headline earnings

R9 033 million

2008: R10 930 million

South Africa

A strong presence across South Africa, serving our client base with 664 branches and 4 810 ATMs.

Rest of Africa

Headline earnings

R1 206 million

2008: R1 842 million

An extensive network in Africa, with 348 branches and 770 ATMs

Angola
Botswana
Democratic Republic of the Congo
Ghana
Kenya
Lesotho
Malawi
Mauritius
Mozambique
Namibia
Nigeria
Swaziland
Tanzania
Uganda
Zambia
Zimbabwe

Outside Africa

Headline earnings

R1 479 million

2008: R1 378 million

Primarily a Corporate & Investment Banking franchise

The Americas

Argentina
Brazil
United States of America

Europe

Isle of Man
Jersey
Russian Federation
Turkey
Ukraine
United Kingdom

Middle East

Iran
United Arab Emirates

Asia

China (including Hong Kong)
Japan
Malaysia
Singapore
Taiwan

A favourable strategic position

We aspire to be a leading emerging markets financial services organisation.

- → **Use all our competitive advantages to the full.**
- → **Focus on delivering superior sustainable shareholder value by serving the needs of our customers and where appropriate, connecting them globally.**
- → **Key differentiator in achieving our strategy is our people.**

Key strategic deliverables

- → Promote a nimble and proactive approach to our customers.
- → Deliver superior return and sustainable growth for shareholders.
- → Constantly balance risk and return, as well as appropriate corporate governance.
- → Grow, develop and recognise our people.
- → Ensure that our values live and grow within the organisation.
- → Ensure that the three core business units work together and maximise synergies.
- → Build a strong and unified brand.
- → Deploy our scarce capital appropriately.
- → Create a world-class infrastructure, with the emphasis on cost efficiency.

Sustainable competitive advantages

- → We have a **unique African footprint.**
- → South Africa is an emerging market with well developed, leading edge and highly competitive financial markets. We have a **successful business with exportable and replicable**
  - **products and solutions**
  - **systems and infrastructure**
  - **risk and capital management practices.**
- → **High service ethic** in dealing with customers underscored by independent surveys.
- → We **understand the needs** of both international customers where connectivity is critical; and local customers, where product and service offerings benefit from scale advantages and local knowledge.
- → Our strategic relationship with ICBC provides us with one of the **strongest partners in the future global economy,** with a keen desire to participate in the next phase of development on the African continent.
- → **Track record in building some businesses on a global scale** as evidenced by our commodities and resources business.
- → **Proven community relevance** particularly given the complex socio-economic environment of South Africa.
- → **Experience in taking banking to the unbanked,** which is a key requirement in most emerging markets battling with the eradication of poverty.
- → **Successful track record in growing businesses organically** in new markets and geographies.
- → **Proven experience in making and integrating acquisitions in foreign markets** as evidenced by Argentina, Nigeria and Kenya in recent times.

Key strategic connections

Links to China through ICBC

ICBC 中国工商银行

- → The largest bank in the world by market capitalisation and a 20% shareholder of Standard Bank.
- → Meaningful **earnings synergies** expected from **business co-operation** agreement
  - China-Africa trade and business flows
  - Banking in Africa
  - Banking in China
  - Banking in other emerging markets.

Links to Russia through a strategic 36% interest in Troika Dialog

- The oldest and largest independent investment bank in the Commonwealth of Independent States.
- Russian companies are increasingly looking to Africa, where we have a significant presence.
- Standard Bank and Troika are well placed to capitalise on the considerable opportunities in emerging markets and **to provide genuinely full service banking to the Russian market and beyond.**
- Together with ICBC we are **uniquely positioned to capture flows** between China, Africa and Russia.

Growing network in Africa

- **Stanbic IBTC Bank Plc**
  - Nigeria is a **high potential, highly competitive African market** with **excellent long-term growth prospects.**
  - Banked population estimated at 16 million (only 19% of bankable population); current Stanbic IBTC customer base approximately 350 000 (2% of market share).
  - We hope to build a world class full service domestic franchise and leverage the emerging market franchise of the group to **capture cross-border opportunities.**
- **CfC Stanbic Bank Kenya Limited**
  - **Established household name** in Kenya.
  - Critical market in Africa.
- **Angola**
  - Standard Bank has been granted a banking licence in Angola, opening the way for it to start operating as a **full-service bank in Angola,** with an emphasis on Corporate & Investment Banking, by mid-2010.
- **Increased branches by 16 and ATMs by 150.**

Links to Turkey through Standard Ünlü

- Standard Ünlü is Turkey's **leading domestic investment banking house.**
- Standard Ünlü is a key link between **Turkey, Africa and other emerging markets.**

Links to Latin America through Brazil and Argentina

- Expanding our business in Brazil, **Latin America's largest economy.**
- Moved our headquarters for the Americas from New York to Sao Paulo.
- Expanded our ATM and branch network in Argentina by 7% and 5% respectively.
- **Concentration on direct "South-South" flows** between major developing economies.

Our strategy in action

Morupule B power station expansion project

- **First major transaction involving Standard Bank and ICBC** since the Chinese bank took a 20% stake in the bank in February 2008. This transaction demonstrates the **benefits of the Standard Bank and ICBC partnership to African companies** looking for financing and to the local communities whose quality of life is enhanced through increased expenditure on essential power and infrastructure projects.
- **USD1,6 billion** initiative to expand the Morupule B power station, driven by the Botswana Power Corporation (BPC).
- The China National Electric Equipment Corporation, one of ICBC's top corporate clients, was awarded a USD970 million contract to supply and build a significant portion of the power station.
- Standard Bank and ICBC submitted a single proposal to BPC to finance the project which **comprehensively covered all the solutions** that BPC were looking for.
- Standard Bank and ICBC have been mandated to arrange
  - USD825 million loan for 20 years, backed by a Botswana Ministry of Finance guarantee
  - USD140 million bridging finance facility
  - Currency and interest rate hedging solutions
- The Standard Bank Group's **on-the-ground presence** in Botswana and its **experienced global markets, debt capital markets and project finance expertise in Africa** helped secure the mandate.

Key performance indicators

All results are presented on a normalised basis, unless otherwise indicated as being on an IFRS (International Financial Reporting Standards) basis. Results are normalised to correct the distortions caused by IFRS's treatment of the black economic empowerment ownership initiative and group share exposures entered into to facilitate client trading activities or for the benefit of Liberty policyholders, deemed to be treasury shares. Refer to page 33 for principal differences between normalised and IFRS results.

Headline earnings, down 17% to R11 718 million

2008: R14 150 million

Headline earnings per ordinary share 756,9, down 20%

2008: 942,6 cents

Distribution per share, unchanged 386,0 cents

2008: 386,0 cents

Net asset value per share, 5 612 cents

2008: 5 633 cents

Return on equity 13,6%

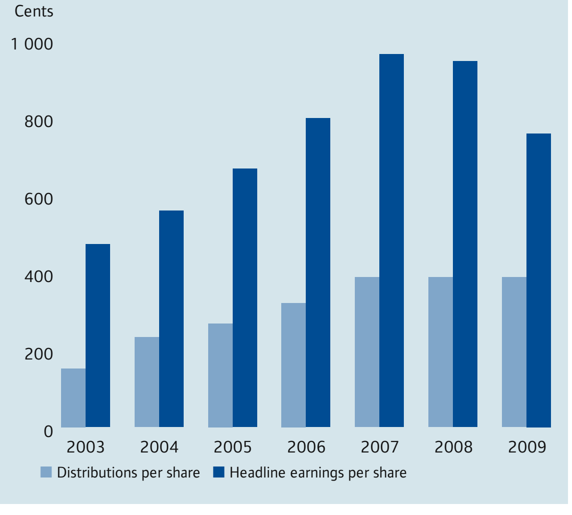
2008: 18,2%

Net interest margin 3,21%

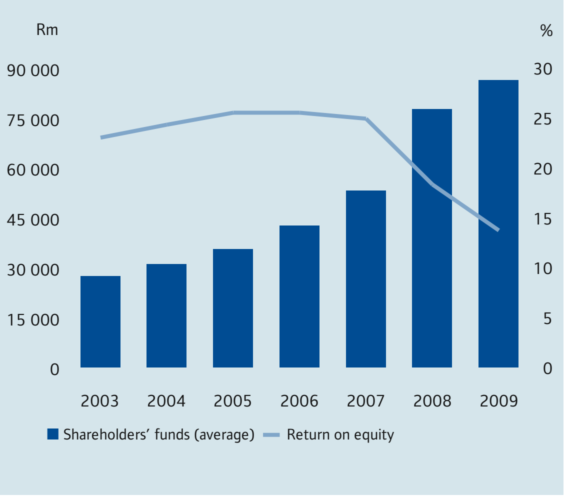
2008: 3,32%

Headline earnings and distributions per share

CAGR (2003 – 2009): Headline earnings per share 8%
Distributions per share 17%



Return on ordinary equity



Credit loss ratio	
1,60%	2008: 1,55%

Cost-to-income ratio	
52,4%	2008: 49,2%

Total capital adequacy ratio	
14,9%	2008: 13,3%

Ordinary shareholders' equity, up 2% to	
R87,5 billion	2008: R85,9 billion

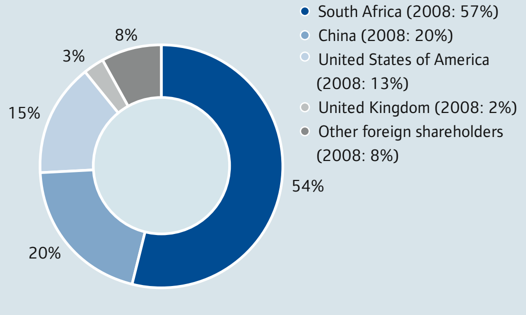
Market capitalisation R159 billion, up	
26%	2008: R127 billion

Number of employees, up 2% to	
51 411	2008: 50 321

Number of ATMs, up 14% to	
5 912	2008: 5 174

Number of branches	
1 110	2008: 1 106

Shareholders by geographic region



Credit ratings

The Standard Bank of South Africa Limited

Fitch Ratings	
Issuer default rating[1]	BBB+
RSA Sovereign ratings: foreign currency	BBB+
Moody's	
Foreign currency deposit rating[2]	A3
RSA Sovereign ratings: foreign currency	A3

[1] Ratings of other banks in South Africa from BBB to A.
[2] Rating of other banks in South Africa is A3.

Operational highlights

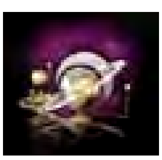
Awards and recognition

→ Morupule B power station expansion project was named as African Power Deal of the Year by *Project Finance International*.

→ In the *Euromoney Awards for Excellence,* Standard Bank was recognised as being the Best Investment Bank in Africa, and the Best Investment Bank in Nigeria, as well as the Best Equity House in Africa.

→ In *Global Finance* magazine's World's Best Investment Banks 2009, Standard Bank was the overall winner in four categories:
- Best Investment Bank in Africa 2009
- Best Debt Bank in Africa 2009
- Best Investment Bank in Nigeria 2009
- Best Investment Bank in South Africa 2009.

→ Standard Bank reinforced its credentials as a leading emerging markets bank, winning Best Investment Bank from Africa in *The Banker's Investment Banking Awards 2009.*



→ Standard Bank won seven awards, including the prestigious Bank of the Year for Africa, in *The Banker Awards* of 2009. The six other awards were for Bank of the Year South Africa, Botswana, Lesotho, Malawi, Swaziland and Tanzania.

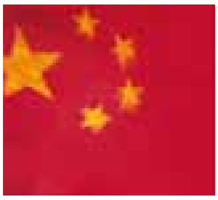
→ Standard Bank was recognised for its involvement in some of the biggest projects in Africa in 2009 after being awarded the *Euromoney Project Finance* awards for:
- African Power Deal of the Year for Morupule B power station
- Africa Mining Deal of the Year for Paladin Energy Kayelekera Uranium Mine
- Africa Industrial Deal of the Year for Lafarge WAPCO-Lakatabu Expansion.

→ Standard Bank has been named the Best Trade Finance Bank in sub-Saharan Africa for the second successive year by *GTR* magazine in its annual readers poll on the world's leading financial institutions, with winners selected by readers of *GTR* magazine.

→ Stanbic IBTC Bank in Nigeria scooped the Analyst of the Year Award in the Banking Sector in the prestigious annual *Africa Investor* awards.

Strengthening our balance sheet

- The Standard Bank of South Africa secured a USD1 billion five-year term loan from four major Chinese banks, which will further strengthen our balance sheet.



Delivering on our strategy to connect customers globally

- Strategic partnership with China UnionPay (CUP) allowing for CUP cardholders who visit South Africa to withdraw cash from Standard Bank ATMs and make payments through its point-of-sale terminal network in South Africa.
- USD400 million line of credit from International Finance Corporation to support trade in sub-Saharan Africa. Cross-border deals between sub-Saharan Africa and other developing markets such as China, Russia and Brazil also fall within the scope of the facility.
- The Standard Bank of South Africa has signed a USD150 million loan agreement with the Japan Bank for International Cooperation aimed at boosting trade finance in Africa.

Deliver excellent consistent customer service

- Standard Bank won the Ask Afrika Orange Index service award in the banking category.

Transformation

- We have been rated a level three contributor by the economic empowerment rating agency (overall score of 77,62 out of 100) in terms of South Africa's Department of Trade and Industry's (dti) Code of Good Practice.
- Standard Bank received the Eric Molobi Most Progressive Company Award at the 7th ABSIP Financial Sector Awards 2009 for the group's contribution and commitment to empowerment and transformation within the bank and to the national economy.

Trusted leadership

- More than 200 directors and executives of JSE-listed companies believe Jacko Maree is the most trusted CEO of a listed company in South Africa, according to the annual trust barometer study by Ask Africa.

- Jacko Maree was named by the Financial Times as one of the 50 emerging markets business leaders.

Economic review

Goolam Ballim, group economist

The economic environment in 2009 must be reviewed within the context of the plunge in the business cycle heralded by the global financial crisis. The breakdown in the US subprime housing market in 2007 led to haemorrhaging credit markets and the failure of nine major US financial companies by the third quarter of 2008. A worldwide crisis of confidence followed and the danger of systemic collapse in global financial services spilled into the goods and services markets.

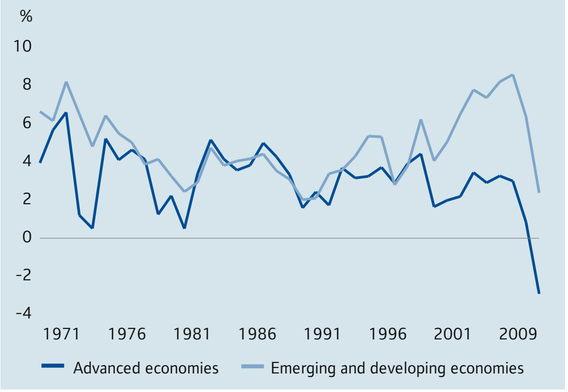
Advanced economies fell into a deep recession, which impacted the growth momentum in emerging economies. The low point of the downturn occurred early in 2009, when at least three-fourths of the GDP-producing world was in recession. The support measures introduced by the public authorities in both advanced and emerging economies staved off greater harm to the world and quite possibly a depression. In the end, governments' fiscal programmes, central banks' support for credit markets and inventory restocking coalesced to spur revival. In the latter half of 2009 the global economy switched from crisis to recovery.

Confidence in financial markets and risk appetite rebounded and banks were again able to raise capital and funding. Within industry, sentiment thawed and labour markets began to stabilise. However, anxiety remains about the durability of the upswing because the prevailing growth forces are innately transitory. Indeed, it is only when the growth thrust from public sector interventions is replaced by the private sector that independent and sustainable growth can take hold. So far, household spending and business investment have been tepid.

Unlike rich nations, emerging economies show hardiness

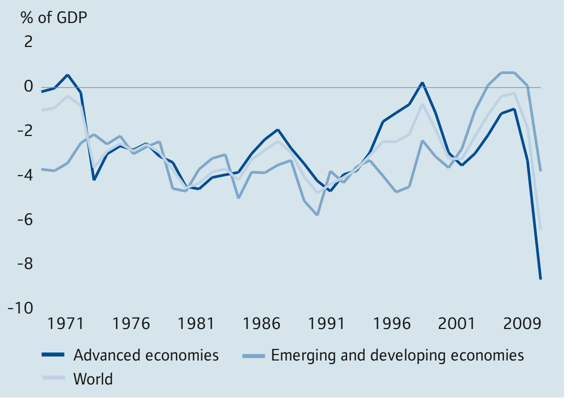
The mature economies contracted by 3,5% in 2009 and are slowly returning to trend-growth. It may occur that, because of the intensity of the downturn, longer term steady-state growth calibrates lower and unemployment higher.

Real GDP growth



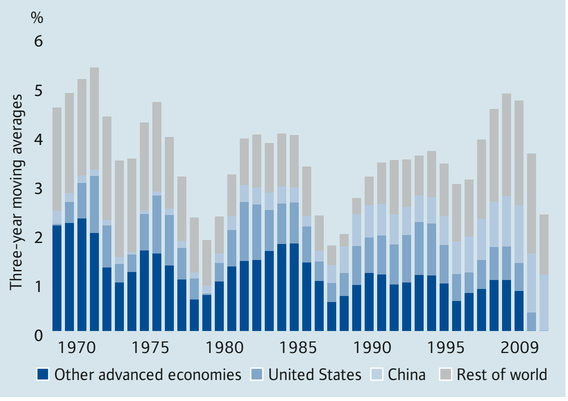
Emerging economies slowed during this crisis but their recovery has been swift. China and India have led the upswing alongside several other Asian economies. In the past decade most emerging markets have experienced improved fiscal and monetary frameworks, in the character and quality of their growth drivers and the health of their finance sectors. This has helped to reduce vulnerability in the current cycle resulting in financial stress increasing mildly, sovereign debt spreads widening moderately and a shallow increase in equity market volatility.

Fiscal balance



This theme resonated through much of Latin America, which was shielded by superior macroeconomic structures, lower public debt and larger reserve buffers. Fiscal policy was countercyclical for the first time in decades with Brazil leading the region's recovery.

Contribution to global GDP growth[1]



[1] On the purchasing power parity basis.

Emerging Europe and the Commonwealth of Independent States were exceptions to the resilience shown elsewhere. These markets performed poorly because they entered the crisis with weak macroeconomic fundamentals and high dependence on external funding. Their recovery will be arduous and requires structural transformation to foster higher and sturdier long-term growth.

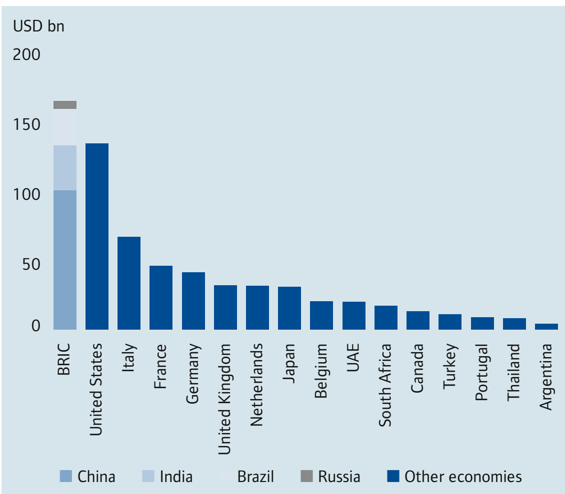
In 2009 Africa's economic growth more than halved from a year earlier. The crisis in the advanced economies was transmitted through several channels, including foreign trade, financial flows and diaspora remittances. The economies deeply integrated into the world's financial system were initially impacted the most (South Africa and Nigeria), while the slump in commodity prices weighed on the continent's resource exporters (including Algeria, Angola, Botswana, Libya and Nigeria).

Nonetheless, Africa demonstrated flexibility during the downswing because of prudent policy choices in earlier years. An aggregate fiscal surplus at the outset of the crisis enabled more than half of the continent's economies to mitigate the downturn. Many countries allowed automatic stabilising mechanisms to take hold and in some instances discretionary programmes were fashioned to provide an additional cushion.

Testimony to the enhanced macroeconomic structure underpinning many African economies has been the unusually strong recovery in the latter half of 2009. It has been customary for Africa to lag the global upturn following a recession so on this occasion Africa's upswing, which points to at least 4% growth in 2010, breaks with the past.

Africa has also found strength in increased political and economic ties with dynamic emerging markets. For instance, the BRICs (Brazil, Russia, India and China) present Africa with a contemporary development model and an expanded source of finance and trade opportunities. In the past decade the BRICs emerged as Africa's largest foreign trade partner receiving about one-fifth of African exports, up from 5% in 1994.

African foreign trade relations



After expanding by more than 5% a year for several years before the crisis, Africa's largest economy, South Africa, sank into recession in the final quarter of 2008. A liberalised foreign trade profile and strong commodity content in exports exposed South Africa to the drop in global demand. Layered into this was a domestic environment constrained by the effects of an earlier surge in inflation and interest rates, which constricted household spending and debt-servicing abilities.

South Africa exited the recession in the latter half of 2009 aided by a substantial policy response. The government engaged in deficit financing and the central bank sharply lowered interest rates. These measures, combined with the recovery in global demand, boosted growth from a contraction of 7,5% in the first quarter of 2009 to more than 2% in the three months to December.

In summary

The worldwide economic recovery, although uneven, has been reasonably firm. The potent roles played by governments and central banks helped not only forestall a depression but also engendered revival. However, conditions remain fragile and the private sector is yet to become the primary locomotive driving the economy.

There are also numerous risks that could derail the nascent upturn, including policy errors by authorities as they withdraw stimulus programmes. The events in Dubai and Greece are also compelling signs that a great recession generates substantial aftershocks even when most economies around the globe are growing again.

The global financial services sector is stable and the threat of systemic collapse has passed. However, the ongoing transformation of the industry is containing private credit markets and being hampered further by a global regulatory process that has yet to determine how risks can be better supervised.

In summary, while 2009 marked the swing from recession to resurgence, the cycle is delicate.

Chairman and group chief executive's review

Derek Cooper and Jacko Maree

Derek Cooper
Chairman

Jacko Maree
Group chief executive

"It was an extremely tough year – but one in which our continued focus on developing markets has stood us in good stead. Profitability remained sound and our strong liquidity and capital position allowed us to continue to invest for future growth.

We achieved our highest-ever independent customer satisfaction ratings in South Africa. We invested more than we have ever done in developing, training and building the competency of our people, and focused on connecting our customers in Africa to the rest of the world and those in the rest of the world to Africa." Jacko Maree, group chief executive

Overview

Standard Bank Group navigated its way through another challenging year in which the economic recession that followed the global financial crisis spread from developed economies to most emerging markets, leaving in its wake significant declines in economic activity and a general erosion of wealth.

All of our operations felt the impact of this turbulence in their respective environments, and while the group remained soundly profitable and generated headline earnings of R11,7 billion for the 2009 year, we experienced our first decline in headline earnings in approximately 30 years. The board's decision to divert from the existing dividend policy and to maintain the same level of total dividends per share as in 2008 was informed by the combination of a steadily increasing tier I capital adequacy ratio, an improving outlook for profitability and the easing of stress in our chosen markets.

Operating conditions in the personal and business banking market continued to be impacted by the severity of the economic downturn and non-performing loans consequently increased. Given this environment, we adopted a short-term tactical approach to be proactive in our efforts to preserve revenues and limit costs, while still maintaining key infrastructural investments to support our long-term growth strategies.

Our corporate and investment banking business demonstrated resilience in an extremely challenging environment heavily impacted by the effect of the recession on corporate customers. In maintaining a carefully considered balance between the preservation of capital, liquidity and revenues, the division was able to absorb significant increases in provisions for bad debts and still produce acceptable profits.

Our wealth business, which comprises our 54% holding in Liberty Holdings, delivered disappointing results. After reporting a loss in the first half of 2009, Liberty returned to profitability for the full year, as a result of swift management action taken over a number of fronts including steps to arrest policy lapses, and improved financial markets.

The financial results for the group are comprehensively analysed in the financial review on pages 20 to 35.

Emerging market focus

Our vision is to be a leading emerging markets financial services organisation. Emerging markets accounted for two-thirds of global growth in 2009, growing their share of global GDP to 31% in 2009 from 20% in 1998. Our business model is to be a universal bank, including investment management and life insurance (wealth). The benefits that flow from diversification of revenue, risk and the effect of economic cycles across products and geographies have once again supported this decision.

Africa is at the centre of our emerging markets strategy and 90% of the group's workforce and 72% of the group's capital is employed on this continent. The future potential of Africa is significant and it offers us the opportunity to form linkages with other emerging markets, particularly those of China, Brazil, Russia, and India. Over many years, we have developed knowledge and an understanding of a number of key African markets over and above our home base in South Africa and this has strengthened our capacity not only to manage banks in those markets but also to survive financial and economic shocks.

South Africa remains our core franchise and contributed 77% of the group's headline earnings in 2009. Banking activities headline earnings in our home base declined only 9% for the year despite absorbing significant credit impairments. The year 2010 offers an important opportunity for South Africa to capitalise not only on the positive attention we will receive during the FIFA World Cup, but also on our reputation as a relatively stable investment destination in a currently fragile global economy. This is corroborated in the World Economic Forum's 2009-10 World Competitiveness Report which ranks South Africa's financial system as fifth out of 133 countries, ahead of the UK and the US. Our regulation of securities exchanges and strength of auditing and reporting standards are rated second, the efficacy of our corporate boards, third, the soundness of our banking system, fifth and the sophistication of our financial market, sixth.

We have had a presence in Nigeria since 1992. In 2001 we were granted a universal banking licence in the country and in September 2007 we merged our Nigerian banking interests with those of IBTC Chartered Bank, securing a controlling interest in the merged entity, Stanbic IBTC. The slowdown in the Nigerian economy, combined with softer oil prices and a weakening local currency, affected our financial performance, and profits declined significantly. However, we avoided the industry-wide problem of excessive exposure to loans to individuals covered by equity holdings and remain one of the healthier banks in Nigeria in an environment where a number of local banks are effectively under Nigerian Central Bank (CBN) curatorship. We believe that the CBN has acted decisively and appropriately in its banking reform process which will enhance Nigeria's long-term growth prospects. We have registered our interest in possibly making an acquisition in this process but also have the option to continue the momentum of our current organic growth strategy in this market.

Angola is another important market for Standard Bank in Africa. As one of the continent's fastest growing economies, it offers significant growth potential in the oil and gas, mining and agriculture sectors. We established a representative office there in 2006 and we were granted a banking licence in November 2009 which will allow us to commence operations as a full-service bank in mid-2010, with an emphasis on corporate and investment banking.

Targeting fast-growing BRIC economies

We have made substantial progress in our strategy to build a meaningful presence in global emerging markets. Our international operations extend across 16 countries outside Africa and our main focus in recent years has been on the fast-growing BRIC economies. Our African roots enable us to competitively provide banking services to customers in emerging markets with trade or investment ties to Africa. The group continues to be active in the provision of debt financing and currency, interest rate and commodity risk management services to customers in emerging markets and the distribution of emerging market financial assets into the rest of the world's major capital markets.

Having established a presence in Brazil in 1994 and obtaining a banking licence in 2003, we moved our headquarters for the Americas from New York to Sao Paulo in 2009 to position Standard Bank for future growth in what has become Latin America's largest economy.

In 2009 we concluded a strategic partnership with Troika Dialog Group (Troika) which gives Standard Bank a strategic 36% shareholding in the largest independent investment bank in Russia. As part of this transaction, we merged our existing banking activities in Russia with Troika to create an even stronger financial services provider, with a broad range of products and strong global reach. Since the conclusion of the strategic partnership in September 2009, significant progress has been made in integrating the Troika and Standard Bank businesses, realising synergies inherent in their complementary offerings and leveraging new business opportunities.

Standard Bank Group is developing a significant presence in China. Our strategic partnership with the Industrial and Commercial Bank of China (ICBC) is contributing significantly to our aspiration to be the African bank of choice for Chinese customers in China and in Africa. In 2009, we established the necessary legal entities in China, hired staff and set up teams specialising in mergers and acquisitions, project finance and global markets. We began to gain access to ICBC's top 100 clients and much of our initial focus was on the facilitation of trade between China and Africa. We also concluded a number of significant cross-border transactions with Chinese companies investing in African assets and have established a healthy pipeline of future opportunities.

In addition to our advisory operation in Beijing, we also conduct business in China through Hong Kong and Standard Resources, our growing commodity trading business in Shanghai.

Global banking environment

The negative global perceptions of banks in general are of concern to us. Standard Bank's strategic approach to risk and the nature of our emerging markets businesses ensured that we stayed true to our risk management policies and the principles embodied in the South African banking regulatory framework and did not invest in any of the toxic assets that precipitated the global crisis. Furthermore, we avoided the perceived remuneration excesses that have been a catalyst of much of the anger expressed against the global banking system.

We recognise the need for politicians and regulators to take the necessary action to avoid the spectacular failures in banking that have marked the global financial crisis. However, we are concerned that the unintended consequence of some of the proposed changes to banking regulations will hinder our ability to finance longer-term assets for our customers and increase the cost of funding for developing countries. While the crisis appears to be ending, these regulatory consequences are just beginning and potentially overly stringent developments in the regulatory universe are likely to pose a key challenge for us.

We are currently evaluating and commenting on the impact of the capital and liquidity requirements recently proposed by the Basel Committee on Banking Supervision.

Capital management

The group continued to demonstrate its ability to generate capital internally, ending 2009 with a capital adequacy ratio of 14,9% and a tier I capital adequacy ratio of 11,8%. These strong ratios were achieved despite the deployment of capital in respect of the investment in Troika, and dividends of R3,1 billion paid to shareholders. Liberty's capital adequacy level at December 2009 was strong at 2,8 times the required cover.

Corporate governance and sustainability

A full corporate governance report is included in this report and incorporates a remuneration report and an abridged sustainability report.

Standard Bank continues to interact constructively with regulators and other stakeholders in the implementation of legislation and regulatory controls, and aims to ensure that regulatory requirements are embraced and embedded in group operations in a way that drives long-term business value.

The third King Report on Governance for South Africa (King III) was released in September 2009. While King III is non-legislative, it is aligned with international best practice and large South African companies are expected to comply. Standard Bank endorses King III and is addressing its requirements.

In spite of the persistent challenges to harmonising the Financial Sector Charter with the Department of Trade and Industry's Codes of Good Practice for broad-based black economic empowerment (BBBEE), and converting these into a sector code, our commitment to measurable progress in the transformation of the sector and the group remains steadfast. The Standard Bank of South Africa will continue to meet the requirements of the codes while also working towards internal targets for elements of the charter that are not reflected in the codes.

Directorate

Derek Cooper reaches retirement age and will be stepping down from the board after the annual general meeting (AGM) in May 2010. Derek has served on various subsidiary boards since 1983, on the board of Standard Bank Group since 1993, was appointed joint deputy chairman in 1999 and has been chairman since 2001.

The board is pleased to announce that Tshamano Mohau Frederick (Fred) Phaswana has agreed to accept the role of chairman of Standard Bank Group and The Standard Bank of South Africa on Derek Cooper's retirement and joined the boards of Standard Bank Group and The Standard Bank of South Africa in December 2009. Saki Macozoma and Kaisheng Yang will continue as joint deputy chairmen of the group.

Fred Phaswana (65) currently chairs Anglo American South Africa and Anglo Platinum Limited and serves on the board of Naspers Investments Limited. In addition, he chairs the South Africa Institute of International Affairs and serves as an advisor to the Prince of Wales Business and Environment Programme. He was previously regional president of BP Africa, chaired Transnet Limited, the South African Energy Association and the Cape Town Graduate School of Business Advisory Board, and held directorships in the World Wildlife Fund South Africa and the Cape Town Press Club.

Richard Dunne was appointed to the board as a non-executive director in December 2009. Richard, who was previously chief operating officer at Deloitte prior to his retirement, serves on the boards of Anglo Platinum Limited, AECI Limited and Tiger Brands Limited. It is the intention that he will succeed Martin Shaw as chairman of the audit committee.

Elisabeth Bradley retired as an independent non-executive director at the AGM in May 2009. She served the group for 23 years and was the first woman to be appointed to the board in 1986. We thank her for her much-valued contribution both to the board and to the many committees which she served on over the years.

Martin Shaw will retire as an independent non-executive director at the AGM in May 2010. He has played a significant role as an independent director, particularly in his role as chairman of both the audit committee and the risk and capital management committee. We wish to express our appreciation for his unfaltering dedication and we wish him well in his retirement.

Chairman and group chief executive's review continued

Appreciation

The careful and effective management of extremely challenging conditions in all of our markets is testimony to the strength and resilience of our people. Proactive and rigorous management of risk, liquidity and costs, together with the disciplined and constructive attitude maintained by our people throughout the year, allowed the group to make further strategic progress in an extremely stressful environment. Thank you.

Our colleagues on the board provided critical guidance in 2009 and we value their wise counsel, expertise and the additional time they invested in ensuring that we remain on our long-term strategic course.

We extend our sincere gratitude to our customers, shareholders and stakeholders for their continued support.

Prospects

There appears to be consensus that the global economy is emerging from the harsh conditions experienced in 2008 and 2009. The recovery in 2010 is likely to be hesitant and employment and credit conditions are expected to remain under pressure. It is also likely that most of the growth in the global economy will originate from emerging markets, especially Asia. Africa's trade ties to other developing economies should boost its growth rate.

In South Africa, inflation is expected to breach the upper limit of the target band in the second half of the year but it should average lower than 2009. We also expect interest rates to be, on average, lower in 2010 than in 2009. These factors will support an economic recovery but South Africa's return to trend growth is likely to lag its emerging market peers. The country's internal growth dynamic has been weakened by high levels of debt accumulated by households, which will limit a stronger recovery in spending. The outlook for smaller businesses and the corporate sector in South Africa remains uncertain. Corporates are expected to continue to conserve cash and defer non-essential capital expenditure in 2010. Targeted strategies to contain credit losses remain in place across all lending portfolios.

In this environment, the group continues to intensify its focus on building revenues and strengthening customer relationships. Investments in staff, systems and infrastructure will continue to ensure sustainability of earnings. Our elevated focus on risk, capital and liquidity remains an important part of our day-to-day management of the group.

We anticipate that the group's normalised headline earnings will recover from the 2009 base and management's immediate focus will be to restore earnings to 2008 levels. The financial impact of possible regulatory interventions is currently being assessed and may impact results and returns over the longer term. We believe that our strong capital base and client franchise in key emerging markets position us well.

Derek Cooper
Chairman

Jacko Maree
Group chief executive

A tribute to Derek Cooper

Derek Cooper is retiring from Standard Bank at the compulsory retirement age of 70 after almost ten years as chairman of the group.

He attended Jeppe Boys' High School, obtained a CTA from the University of the Witwatersrand (Wits) and qualified as a chartered accountant. Before becoming chairman of Standard Bank, Derek was an industrialist, having been vice-chairman and managing director of the Barlow Rand Group and chairman of CG Smith. He has served on a number of other quoted company and public enterprise boards.

His association with the bank goes back to 1983 when he joined the board of Stannic (the group's vehicle and asset finance subsidiary) as a non-executive director. He joined the Standard Bank board in 1993 and was appointed joint deputy chairman in 1999.

Following Standard Bank's acquisition of control of Liberty Life in early 1999, Derek succeeded Donald Gordon as the chairman of Liberty.

Later that year Dr Conrad Strauss, the chairman of Standard Bank at the time, saw the need for an experienced and logical mind to lead the board in its defence of a hostile takeover bid from Nedbank. The defence lasted nine months and was fought on rational and commercial grounds, orchestrated by Derek. Trevor Manuel, the Minister of Finance, finally blocked the transaction, thereby vindicating the Standard Bank board's position. Standard Bank emerged from the bid as a re-invigorated organisation.

Derek took over from Conrad Strauss as chairman of Standard Bank at the beginning of 2001. This saw the start of the successful partnership with the group chief executive, Jacko Maree, during which the bank has performed well on many dimensions.

The figures tell only part of the story. At the time the profits were R3,7 billion (R11,7 billion in 2009), the group employed 34 000 people (now more than 50 000) and the bank was ranked number 70 in the world by market capitalisation, now 57.

The challenges of transforming Standard Bank, a 150-year-old institution with a pioneering spirit, into a recognised international financial services group, cannot be overestimated. Today the bank has operations in 17 African countries and 16 other countries, mostly emerging markets. Derek has played an integral role in all major strategic decisions taken during his tenure as chairman.

Derek was also deeply involved in the complex process of introducing ICBC as a strategic partner and 20% shareholder in 2008. This transaction was of tremendous importance for Standard Bank, South Africa and Africa.

As chairman of Business Leadership South Africa, Derek was known for his drive to make "big business" relevant and for ensuring that it played a constructive role. He was also a key driver of related business organisations and partnerships with government such as the Business Trust, Business Against Crime and JIPSA.

Derek was acutely aware of the negative perceptions surrounding banks and their role in the South African economy in the late 1990s. He encouraged the management team to lead rather than follow a process to correct the situation. The Financial Sector Charter (charter) was a groundbreaking attempt to address many historic imbalances in our society. Standard Bank's leadership role in establishing the charter in 2003 is well documented and publicised.

The recent global financial crisis and subsequent recession has derailed a number of well-known multi-jurisdictional banking groups. The resilience of Standard Bank, the most exposed of the South African banks to the global crisis, through this extremely difficult period is testament to many practices and disciplines instituted during Derek's chairmanship.

Derek's commitment to Standard Bank during his tenure as chairman was virtually full time. This reflected his constant striving to understand both the risks we face and the drivers of our success, and equipped him well in chairing the board and the posing of crucial questions to executive management.

Derek has during his long career been an extremely successful business leader. His chairmanship of Standard Bank has been transformative on many dimensions. He has been a critical thinker who never accepted the obvious explanation and has always challenged conventional thinking.

When asked, over the years, what in his view a chairman's role is, his answer has not changed: "It is to ensure the longevity of the organisation which one chairs."

Standard Bank, its management and other stakeholders are highly appreciative of the vital role that Derek has played in doing just this and guiding the group through a definitive decade in its long history.

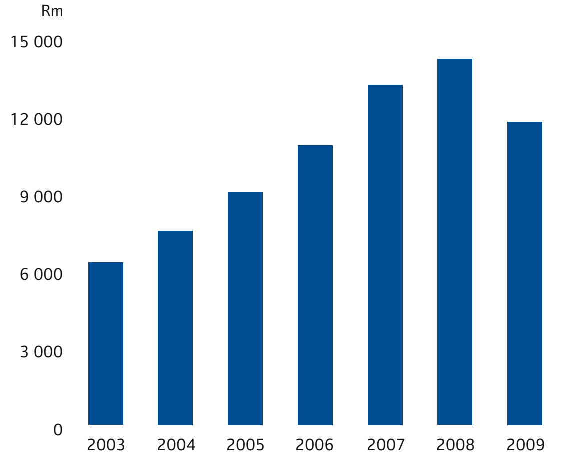
Financial review

Simon Ridley, group financial director

Financial results and ratios

		Change %	2009	2008
Headline earnings	Rm	(17)	**11 718**	14 150
Headline earnings per ordinary share	cents	(20)	**757**	943
Distributions per ordinary share	cents		**386**	386
Tier I capital adequacy ratio	%		**11,8**	11,0
Net interest margin	%		**3,21**	3,32
Non-interest revenue to total income	%		**49,8**	47,8
Credit loss ratio	%		**1,60**	1,55
Cost-to-income ratio	%		**52,4**	49,2

Headline earnings
CAGR (2003 – 2009): 11%



Key features of the 2009 results

In a year marked by a global economic recession, the key features of the group's 2009 results were:

→ **Translation impact of a strong rand at year end**

A 21% strengthening in the rand (from R9,31 to the US dollar at 31 December 2008 to R7,37 at 31 December 2009) had a significant translation impact on the group's non-South African loan balances and net asset values.

→ **Pressures on loan growth**

Recessionary conditions across all markets, the group's reduced risk appetite in the first half of the year and the translation effect of a stronger rand, all contributed to an 8% contraction in loans and advances.

→ **Margin compression from lower interest rates**

As interest rates were reduced by central banks in countries in which the group operates, the group's net interest margin was compressed due to reduced interest earned on capital and transactional balances. In South Africa alone, the impact of lower interest rates was a R4,1 billion reduction in net interest income.

→ **Cost containment**

Cost discipline was well maintained. Within banking activities, staff cost growth was contained to 5% and growth in other operating expenses of 11% was mainly driven by continued investment in systems and infrastructure.

→ **Lower earnings contributed by Liberty**

Liberty's normalised headline earnings figure of R135 million was 89% down on 2008. This was primarily due to substantially lower retail life insurance earnings and market risk impacts in the first half of the year. Liberty recovered strongly in the second half of the year, with earnings of R1 342 million more than offsetting a first half loss of R1 207 million.

→ **Increased credit impairments**

Impaired loans rose from 3,4% of gross loans and advances to 6,2%. Credit impairment charges increased by 7% and the credit loss ratio deteriorated from 1,55% in 2008 to 1,60%, reflecting the strain experienced by clients across all markets in which the group operates.

→ **Strong trading performance**

Trading businesses benefited from volatile market conditions and increased client trading activity, growing 12% off an already high base.

→ **Strong capital adequacy position**

The capital adequacy ratio for the banking activities of the group improved from 13,3% in 2008 to 14,9% in 2009 and Liberty's cover of its capital adequacy requirement (CAR) improved from 2,7 times to 2,8 times.

Overview

In 2009, almost every market in which the group operates experienced monetary policy relief to provide macro economic stimulation as the financial crisis of 2008 spread into a global recession. A declining rate environment had the immediate impact of dampening net interest margins while the benefits of lower interest rates with respect to customer loan performance was not yet apparent. The combined impact of lower revenues and increasing bad debts during the year severely constrained profitability and was the principal reason for reduced banking earnings for 2009. A mitigating action available to the group was to contain costs and this was done in a responsible manner to ensure continued investment in strategic infrastructure and skilled staff. Another positive factor was a modest increase in non-interest income off a high base set in the previous year.

A further pressure on financial performance was that the group did not grow lending balances during 2009, initially given risk aversion coming out of the crisis in 2008 and then as a result of weak credit demand as the global recession took hold. With respect to the group's subsidiary Liberty, despite the substantial improvement in performance in the second half, the overall result for the year was disappointing, down 89%.

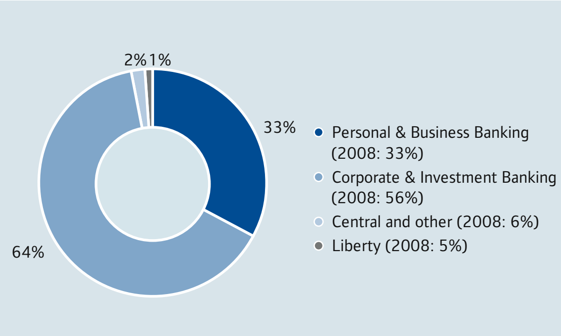
In the context of the above major drivers of group profitability, a 17% reduction in headline earnings was not unexpected, but 2009 is likely to be regarded as a low point in the history of the group's financial performance.

Business unit performance

Personal & Business Banking's headline earnings reflect margin pressure due to declining interest rates and high credit impairments. Domestic cost containment initiatives helped offset some of these effects. Corporate & Investment Banking experienced good growth in revenues but absorbed significantly higher credit losses. Liberty returned to profitability for the full year after reporting a loss in the first six months. Lower interest income on surplus capital impacted earnings reported centrally.

The group's ROE of 13,6% was slightly below the average cost of equity for the year. ROEs of individual business units were lower due to reductions in headline earnings across all business units. Further information on the financial performance of each business unit can be found in the business unit review section of the annual report starting on page 46.

Headline earnings by business unit

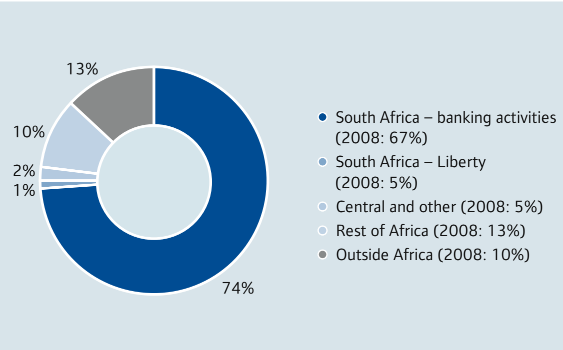


Business unit performance

		Headline earnings		ROE	
	Change %	**2009 Rm**	2008 Rm	**2009 %**	2008 %
Personal & Business Banking	(19)	**3 835**	4 739	**15,8**	19,7
Corporate & Investment Banking	(6)	**7 507**	7 948	**18,3**	22,1
Central and other	(63)	**304**	822		
Banking activities	(14)	**11 646**	13 509	**14,5**	18,6
Liberty	(89)	**72**	641	**1,2**	12,8
Standard Bank Group	(17)	**11 718**	14 150	**13,6**	18,2
Cost of equity				**14,6**	15,2

Financial review continued

Headline earnings geographic mix



Geographic view

	Change	Headline earnings		ROE	
	%	2009 Rm	2008 Rm	2009 %	2008 %
South Africa – banking activities	(9)	**8 657**	9 467	**25,5**	29,6
South Africa – Liberty	(89)	**72**	641	**1,2**	12,8
Central and other	(63)	**304**	822		
South Africa and central and other	(17)	**9 033**	10 930	**16,5**	22,0
Rest of Africa	(35)	**1 206**	1 842	**10,0**	16,0
Outside Africa	7	**1 479**	1 378	**7,6**	8,4
Outside South Africa	(17)	**2 685**	3 220	**8,5**	11,5
Standard Bank Group	(17)	**11 718**	14 150	**13,6**	18,2

Geographic performance

Banking operations in South Africa showed resilience, with headline earnings down only 9% on the prior year. Headline earnings from operations in the rest of Africa were impacted by the translation effect of a stronger rand and a very difficult operating environment in Nigeria. Operations outside of Africa grew headline earnings 5% in US dollar terms, despite absorbing a 45% increase in credit impairments. Strong global market revenues driven by client flows were a feature of the year.

Statement of financial position analysis

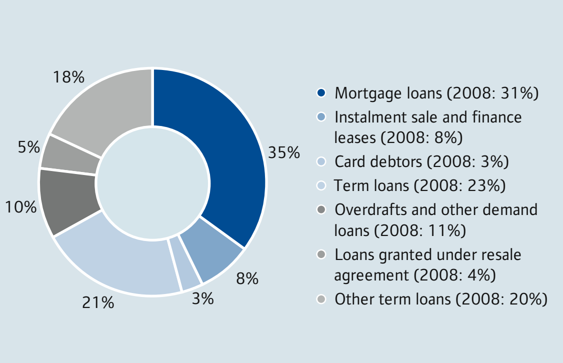
Year end banking assets of R1 125 billion were 13% lower than the prior year.

Lower derivative assets and liabilities, resulting from a decrease in both the volume and value of client trading positions held at year end across all key desks, contributed 8% to the decline in banking assets. Following a doubling of derivative assets and liabilities in 2008 on the back of volatile market conditions, these balances declined by 37% and 38% respectively as markets settled down in the second half of 2009.

A smaller loan book contributed a further reduction of 5% in banking assets, of which 3% was exchange rate related. Reduced demand from customers during the year and the tightening of risk appetite in 2008 manifested in lower asset growth in 2009. While we remain committed to writing good quality business, risk appetites across the group have been reviewed extensively and have been relaxed where appropriate.

Loans and advances were 8% lower than 2008 with half of the decline exchange rate related. The mortgage book, comprising 35% of the bank's gross loans and advances, grew 2%. This was the result of a combination of slowing new business, with registration values down 61%, offset by declining prepayment rates and reduced cancellations, and the purchase of a R3,7 billion high-quality book from SA Home Loans during the year. Instalment sale and finance leases decreased dramatically by 17%, mainly in South Africa, as new car sales declined 24% and consumers shied away from taking on new credit, with the number of applications down 27%.

Composition of gross loans and advances



Term lending which accounts for 21% of bank lending and is mainly to corporates, was 16% lower. This was as a result of a slowdown in the deal pipelines given the tough operating environment. The translation effect of the strong rand particularly impacted this line item. Call loans to banks reduced by 55% as exposures to other banks continued to be reduced.

Deposit and current accounts were down 9%. Personal & Business Banking held deposits from customers at the same level as the prior year, reflecting increased focus on transactional banking relationships. Call and term deposits in Corporate & Investment Banking reduced on the back of lower wholesale funding needs of the group and less surplus cash held by corporate clients.

Market share in the key Personal & Business Banking segments in South Africa, adding back assets securitised where applicable, changed as follows during the year:

- mortgage advances reduced from 27,5% in 2008 to 27,2% in 2009;
- instalment finance was 2% lower at 19,2% (2008: 21,2%);
- card debtors declined to 34,4% (2008: 34,8%); and
- retail deposits reduced from 25,2% in 2008 to 24,5% in 2009.

Net asset value grew by 2% for the year, with earnings contributing strongly to the increase, offset by an adverse movement of R7,5 billion on the foreign currency translation reserve caused by the strong rand at year end. Equity of R2,0 billion was retained in the group through the declaration of a scrip distribution with a cash alternative in March 2009. The scrip election was accepted by 68% of shareholders.

The following tables set out the currency profile of the group's capital as well as hedging activities in effect at year end. In response to concerns about the euro, the group's exposure of its net asset value to the euro was reduced by approximately R6,1 billion in early January 2010, with a concomitant increase in exposure to US dollars.

Currency analysis of net asset value

	Total Rm	Rand Rm	Dollar Rm	Sterling Rm	Euro Rm	ZAR linked Rm	Naira Rm	Other Rm
2009								
Underlying exposures	**87 454**	**55 022**	**13 687**	**2 889**	**817**	**1 567**	**4 776**	**8 696**
Changes due to hedging strategies			**(8 897)**	**2 429**	**9 001**		**(183)**	**(2 350)**
Actual exposures	**87 454**	**55 022**	**4 790**	**5 318**	**9 818**	**1 567**	**4 593**	**6 346**
2008								
Underlying exposures	85 902	48 555	16 714	1 196	2 162	1 547	5 345	10 383
Changes due to hedging strategies			(3 786)	3 998	3 989		(226)	(3 975)
Actual exposures	85 902	48 555	12 928	5 194	6 151	1 547	5 119	6 408

Closing currency profile of NAV

	Total %	Rand %	Dollar %	Sterling %	Euro %	ZAR linked %	Naira %	Other %
2009 before hedging	**100**	**63**	**16**	**3**	**1**	**2**	**5**	**10**
2009 after hedging	**100**	**63**	**5**	**6**	**11**	**2**	**5**	**8**
2008 before hedging	100	57	19	1	3	2	6	12
2008 after hedging	100	57	15	6	7	2	6	7

Income statement analysis – banking operations

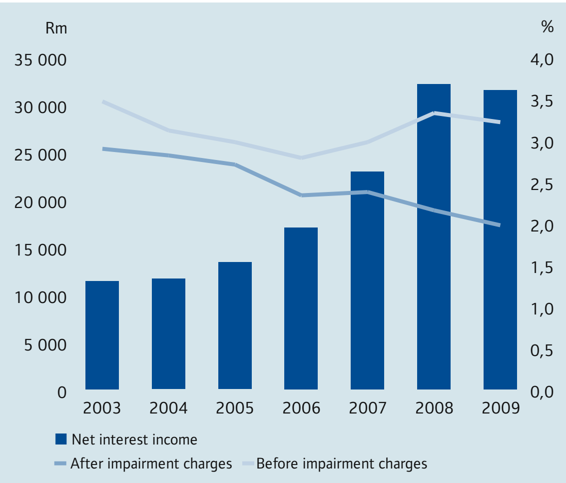
Total revenue from banking activities held up well under the difficult operating environment, growing 2%. After absorbing increased credit impairments, income was up 1%. Operating expenditure increased by 8% to support our continued drive to invest in infrastructure and grow our franchise, particularly in the rest of Africa. As a result, net income before tax was 12% lower. Reduced income from associates further reduced headline earnings from banking activities, which resulted in an overall decline of 14%. When the result from Liberty is included, group headline earnings declined 17% from the prior year.

Net interest income

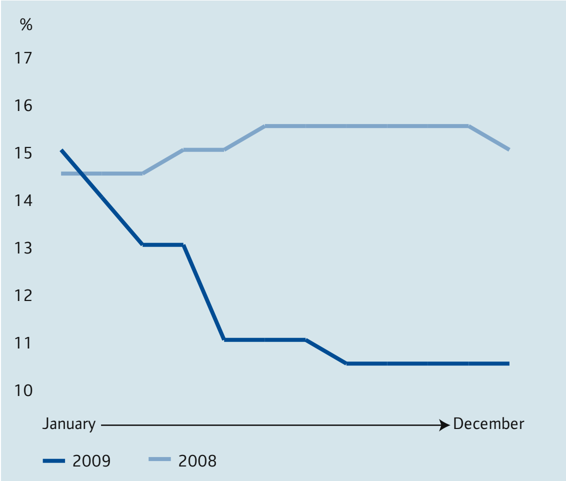
Net interest income was down 2%, as a result of lower net interest margins (3,21% in 2009 versus 3,32% in 2008) and declining loan balances during 2009.

Net interest income and net interest margin

CAGR (2003 – 2009): 18%



South African prime interest rate



The negative endowment impact of a 323 basis points reduction in the average prime rate in South Africa (11,9% in 2009 versus 15,1% in 2008) on capital and transactional balances took the greatest toll on margins, reducing returns on capital and reserves by R2 355 million (33 basis points) and funding R1 769 million (25 basis points). The negative impact of higher term funding costs was offset by slowly improving client yields as new lending transactions were appropriately priced. Average customer pricing concessions, relative to the prime interest rate, decreased on new mortgage loans from 1,34% to 0,79%, and on new instalment sale and finance leases from a concession of 0,43% to a premium of 0,32% above prime. Interest margins also benefited from decreased trading assets and lower other non-interest earning assets. An increase in non-performing loans, no longer generating interest income was partially offset by an increase in the recognised net interest income of the unwinding of the IAS 39[1] discount on expected recoveries of non-performing loans. A detailed analysis of the group's average statement of financial position, interest earned and interest rates is provided in Annexure E of the annual financial statements on page 320.

Movement in average assets, net interest income and margin for banking activities

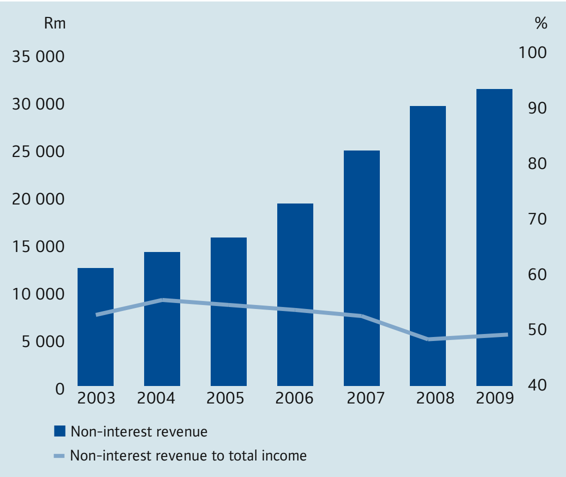
	Average assets Rm	Net interest income Rm	Net interest margin %
2008	963 586	32 117	3,32
Net non-interest earning assets	(253 204)	3 363	1,66
Interest earning assets – 2008	710 382	35 480	4,98
Impact of volume changes	**65 518**	**1 458**	
Impact of calendar variance		**(84)**	
Impact of rate changes		**(2 341)**	**(0,33)**
Lending margin		**194**	**0,03**
Client yield[2]		**2 151**	**0,30**
Cost of funding[3]		**(1 957)**	**(0,27)**
Unwinding of discount on credit impairments – IAS 39		**799**	**0,11**
Funding margin		**239**	**0,03**
Endowment – funding		**(1 769)**	**(0,25)**
Endowment – capital and reserves		**(2 355)**	**(0,33)**
Assets held for liquidity purposes		**501**	**0,07**
Other treasury and banking activities		**50**	**0,01**
Change in composition of balance sheet			**(0,20)**
Interest earning assets – 2009	**775 900**	**34 513**	**4,45**
Net non-interest earning assets	**206 499**	**(3 020)**	**(1,24)**
2009	**982 399**	**31 493**	**3,21**
Net interest income change %		(2)	
Average assets change %	2		

[1] IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).
[2] Client yield changes refer to the difference in movement between average client rates and base lending rates.
[3] Cost of funding changes refer to the difference in movement between base lending rates and an allocated cost of funding based on the term nature of the asset.

Non-interest revenue

Non-interest revenue grew a healthy 6% during 2009 with net fee and commission income up 3%, trading revenue up 12% and other revenue up 5%.

Non-interest revenue
CAGR (2003 – 2009): 17%



Net fee and commission revenue benefited from good growth in account transaction fees resulting from growth in the customer base and increased customer activity in basic transactional banking and, helped by an annual inflationary price increase, this revenue line was up 13%. Knowledge-based fees and commission were affected by a marked slowdown in client activity in structured transactions and were 24% lower. Fee and commission expense declined 4% as a result of lower credit card interchange expenses incurred.

Trading businesses benefited from volatile market conditions and increased client activity. A strong performance in equities trading was achieved on the back of increased client flows as a result of new product developments as well as the non-recurrence of prior year losses. Foreign exchange trading performed well in the rest of Africa and outside Africa due to increased client flows, assisted by market volatility. Growth in credit trading revenue was driven by strong performance in structured credit and structured products trading businesses. A strong interest rate trading performance in South Africa was partially offset by lower interest rate trading outside Africa following reduced market activity.

Other revenue growth was positively impacted by higher valuations of listed property investments, favourable fair value movements on unlisted equity portfolios and a solid performance from insurance-related products sold to bank customers in co-operation with Liberty. This was partially offset by lower earnings on disposal of Visa shares and non-recurrence of gains on currency hedging.

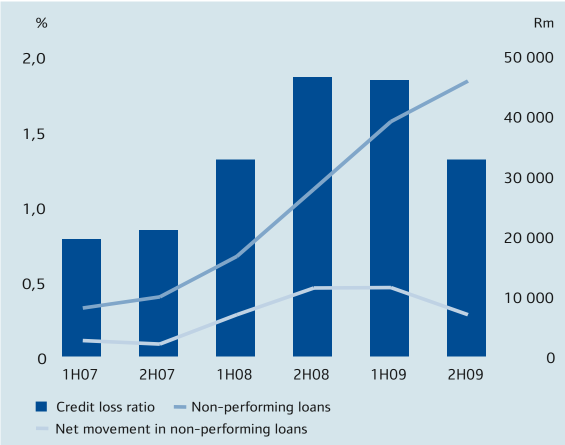
Analysis of non-interest revenue

Non-interest revenue

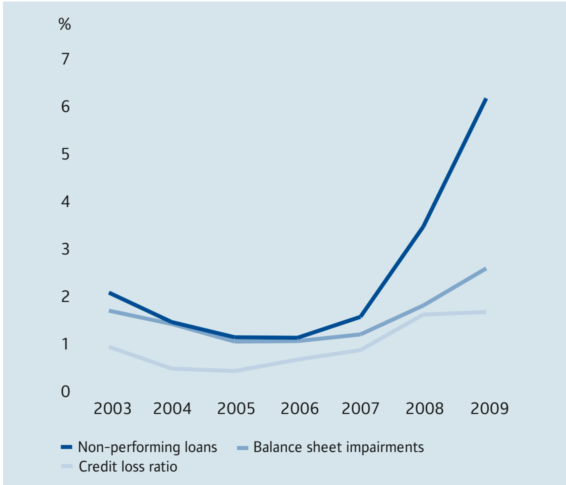
	Change %	2009 Rm	2008 Rm
Net fee and commission revenue	3	**18 108**	17 607
Fee and commission revenue	2	**20 840**	20 452
Account transaction fees	13	**7 967**	7 054
Electronic banking	5	**1 657**	1 575
Knowledge-based fees and commission	(24)	**2 666**	3 531
Card-based commission	3	**3 488**	3 384
Bancassurance	(3)	**1 451**	1 502
Documentation and administration fees	18	**1 124**	952
Foreign currency service fees	(7)	**1 003**	1 074
Other	8	**1 484**	1 380
Fee and commission expense	4	**(2 732)**	(2 845)
Trading revenue	12	**10 621**	9 463
Commodities	(8)	**1 936**	2 099
Forex	(1)	**4 461**	4 503
Credit	48	**1 341**	906
Interest rates	8	**1 991**	1 837
Equities	>100	**686**	(20)
Other	49	**206**	138
Other revenue	5	**2 488**	2 378
Banking and other	(15)	**986**	1 158
Banking and other (excluding Visa profit)	(10)	**935**	1 035
Realised Visa profit (excluded from headline earnings)	(59)	**51**	123
Property-related revenue	>100	**481**	230
Insurance – bancassurance income	3	**1 021**	990
Total non-interest revenue	6	**31 217**	29 448

Credit impairment charges

Credit loss ratio and non-performing loans



Credit loss history as a percentage of gross loans and advances



Credit impairment charges, after more than doubling in 2008 to R11 342 million, were up a further 7% in 2009 to R12 097 million. Impairments on non-performing loans rose 26% while portfolio impairments on performing loans fell 84%. Non-performing loans continued to rise during the year and at year end comprised 6,2% of the book (2008: 3,4%). The credit loss ratio for the year was 1,60% compared with 1,55% in the prior year. The ratio of 1,60% comprises a charge of 1,84% in the first half of the year and 1,31% in the second half of the year, indicating the improvements in credit experience which started to be felt towards the end of 2009, especially in Personal & Business Banking.

Credit impairment charges were impacted by the debt review initiative recently implemented under the auspices of the National Credit Act and we have seen volumes of accounts in debt review increase substantially since June 2007. The way in which this process has been implemented, with many interpretations of the act yet to be clarified, has created bottlenecks in the system, resulting in lengthy delays. We continue to work closely with the authorities to improve the efficacy of the process for the good of our customers, the bank and the hitherto strong South African culture of debt repayment.

Within Personal & Business Banking portfolios, non-performing loans relating to mortgage lending continued to climb, to 10,1% of the book from 6,5% in the prior year. This resulted in the credit loss ratio for mortgages increasing to 1,59% (2008: 1,49%). The rate of growth in non-performing loans started to slow in the second half of the year and balances in the early arrears category almost halved, partly due to the active restructuring of this portfolio and partly due to improving economic conditions. Instalment sale and finance leases suffered continued high credit impairments (credit loss ratio increased to 3,49% from 2,48% in 2008) as pressure on the recovery values of used passenger vehicles continued and the business segment felt the impact of the slowdown in the economy. The level of non-performing loans remained stubbornly high for most of 2009, although the rate of growth in non-performing loans began to slow in the fourth quarter. Credit losses in card products improved to 5,53% in 2009 from 9,53% in the prior year. This was as a result of a continued focus on early delinquencies, better limit control, improved authorisation policies and post write-off recoveries now being recognised in impairment calculations. Credit losses in transactional and lending products rose to 5,07% of the lending book (2008: 3,92%) as a result of increased non-performing loans in both the personal and business segments. A detailed analysis of the credit performance of the loans and advances portfolio is provided in the risk management section from page 134 to 137.

Credit impairments in Corporate & Investment Banking rose substantially during the year due to higher impairments for non-performing loans across all regions as the impact of the turmoil in credit markets spread into emerging markets. In the South African and international operations, impairment charges were up on the prior year with large charges booked in the first half of the year, albeit slowing in the second half. The full impact of the global slowdown manifested in credit impairments in the rest of Africa rising towards the end of 2009. The highly collateralised nature of many of our more recent corporate non-performing loans results in a relatively lower gross coverage ratio. The financial position of corporate clients has been closely monitored through rigorous industry-specific analysis and review. Proactive steps have included providing recapitalisation, funding, renegotiating lending facilities and bridging finance to clients in financial distress.

Income statement impairment charges (net of recoveries)

	Non-performing loans					
	Impaired loss Rm	IAS 39 discount[1] Rm	Total Rm	Performing loans impairment charges Rm	Total impairment charges Rm	Credit loss ratio %
2009						
Personal & Business Banking	**7 443**	**1 924**	**9 367**	**523**	**9 890**	**2,56**
Mortgage loans	**2 403**	**1 361**	**3 764**	**255**	**4 019**	**1,59**
Instalment sale and finance leases	**1 664**	**143**	**1 807**	**266**	**2 073**	**3,49**
Card debtors	**1 199**	**220**	**1 419**	**(180)**	**1 239**	**5,53**
Other loans and advances	**2 177**	**200**	**2 377**	**182**	**2 559**	**5,07**
Corporate & Investment Banking	**2 339**	**73**	**2 412**	**297**	**2 709**	**0,73**
Corporate loans	**2 063**	**73**	**2 136**	**297**	**2 433**	**0,72**
Commercial property finance	**276**		**276**		**276**	**0,82**
Central and other[2]				**(502)**	**(502)**	
Total banking activities	**9 782**	**1 997**	**11 779**	**318**	**12 097**	**1,60**
2008						
Personal & Business Banking	6 821	1 639	8 460	736	9 196	2,47
Mortgage loans	1 696	1 374	3 070	436	3 506	1,49
Instalment sale and finance leases	1 552	132	1 684	(17)	1 667	2,48
Card debtors	2 094		2 094	100	2 194	9,53
Other loans and advances	1 479	133	1 612	217	1 829	3,92
Corporate & Investment Banking	856	33	889	758	1 647	0,46
Corporate loans	829	33	862	757	1 619	0,50
Commercial property finance	27		27	1	28	0,08
Central and other[2]	(3)		(3)	502	499	
Total banking activities	7 674	1 672	9 346	1 996	11 342	1,55

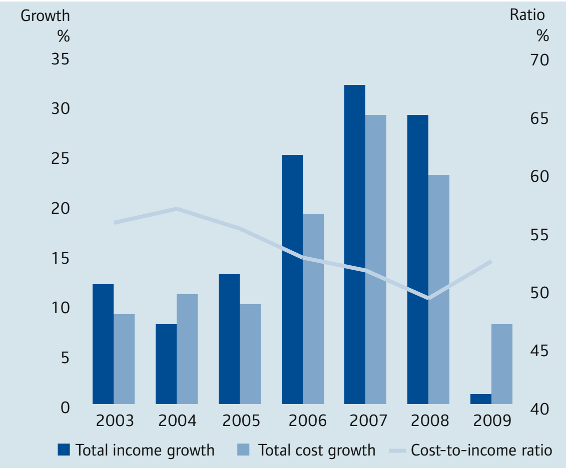
[1] Discounting of expected recoveries in terms of IAS 39.
[2] The performing loan impairment raised in 2008 for impairments that were not yet evident in business units has been reversed in 2009 as this was provided for in the business units during 2009.

Financial review continued

Operating expenses

The group's cost-to-income ratio deteriorated to 52,4%, given slower revenue growth. Cost discipline was well maintained during the year, restricting overall banking activities cost growth to 8%.

Cost and income growth

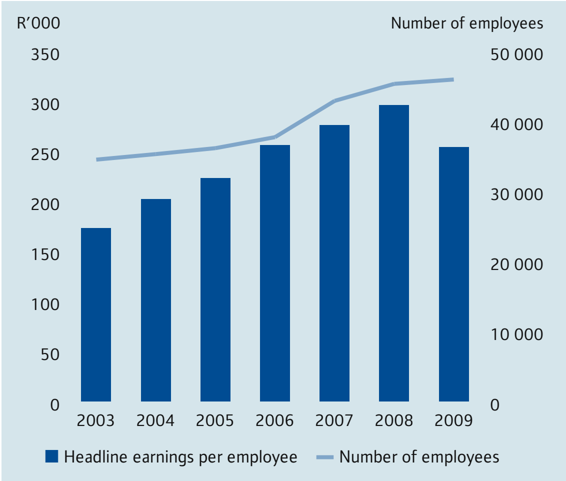


Operating expenses in banking activities

	2009 Rm	2008 Rm
Staff costs	**17 848**	16 951
Other operating expenses	**14 979**	13 439
Total operating expenses	**32 827**	30 390
Cost-to-income ratio	**52,4**	49,2

Staff costs rose 5% mainly as a result of annual inflationary increases, new branches and other points of representation in Africa, higher permanent headcount requirements in credit management and an increased IT headcount. These increases were partly offset by a headcount freeze in South Africa and restrained growth in performance-related variable remuneration. Variable remuneration includes a 1% reduction in the cost of short-term incentives, offset by increased charges relating to long-term incentives driven by upward share price movements.

Headline earnings per employee (banking activities)



Staff expenses

	2009 Rm	2008 Rm
Fixed remuneration	**12 313**	11 806
Variable remuneration	**3 489**	3 305
Other staff costs	**2 046**	1 840
Total staff costs	**17 848**	16 951
Variable remuneration as a % of total staff costs	**19,5**	19,5

Headcount

	2009	2008
By business unit		
Personal & Business Banking	**35 088**	34 880
Corporate & Investment Banking	**9 796**	9 411
Central and other	**1 053**	1 024
Banking activities	**45 937**	45 315
By geography		
South Africa	**29 417**	29 758
Rest of Africa	**11 460**	10 604
Outside Africa	**5 060**	4 953
Banking activities	**45 937**	45 315

Other operating expenses grew 11%, with the IT function spend up 18%. Proactive cost containment initiatives kept total operating cost growth in line with inflation in South Africa, despite substantially higher depreciation and information technology expenses.

We continued to invest in strategic projects for the longer term benefit of our businesses and our customers, especially in the rest of Africa. Key drivers of strategic cost growth include increased investment in the group's global trading platform and core banking system in South Africa and enhancements to the overall network to increase capacity and meet business requirements. These enhancements included customer-focused channel improvements, enhancements to the regulatory and risk systems and improved workflow and imaging. Premises cost growth was increased by the roll out of branches in the rest of Africa, rental escalations and relocation costs outside Africa, and a new disaster recovery site in South Africa. Increased credit collection activities contributed to growth in administrative and communication costs. Professional fees, included in other, increased following the utilisation of consultants on various projects, due diligence assessments, legal fees, post-acquisition integration costs and relocations. Cost growth in rand terms of operations outside Africa was impacted by a weaker average USD/ZAR exchange rate.

Other operating expenses

	2009 Rm	2008 Rm
Information technology	3 146	2 686
Depreciation, amortisation and impairments	2 101	1 942
Communication	1 183	1 165
Premises	2 575	2 328
Other	5 974	5 318
Total other operating expenses	**14 979**	13 439

The table below analyses the total technology function spend and includes IT staff costs, depreciation of capitalised assets and costs relating to sub-contractors for the year.

Analysis of total information technology function spend

	2009 Rm	2008 Rm
IT staff costs	1 709	1 627
Information technology	3 146	2 686
Depreciation and amortisation	1 024	799
Other	701	444
Total	**6 580**	5 556

Income from associates

Income from associates and joint ventures decreased during the year. This was largely due to the write down of the carrying value of our 45% investment in RCS Investment Holdings (RCS) by R366 million. RCS provides short-term credit to consumers in South Africa and the impairment was necessitated by reduced earnings and a lower valuation multiple, and was accounted for as a goodwill impairment outside of headline earnings. We remain positive about the long-term future of RCS.

Standard Bank's strategic investment in Troika Dialog Group (Troika) in Russia was completed in September 2009 and the investment has been recognised as an interest in an associate company. Due to Troika's September year end, Standard Bank Group will recognise earnings from this associate a quarter in arrears and therefore no earnings have been recognised for the fourth quarter of 2009.

Liberty

Liberty Holdings reported normalised headline earnings of R135 million (2008: R1 175 million) for the year ended 31 December 2009, of which R72 million (2008: R641 million) is attributable to the Standard Bank Group. The year's performance can best be explained in two halves. The group reported a first half year normalised headline loss of R1 207 million which included three significant and unrelated loss events, namely the R519 million impact of actions to reduce equity market risk, the required strengthening of policyholder withdrawal, paid up and lapse assumptions of R685 million and an unrealised loss of R531 million due to the rand's strength at 30 June 2009. In the second half, local equity markets recovered, interest rates ended the year at similar levels to 30 June while the rand strengthened further by 4,7% against the US dollar to 31 December 2009. Rand strength was countered by some downside protection taken against the rand. The impact of the investment markets combined with limited additional policyholder persistency assumption changes resulted in the group achieving a second half normalised headline earnings of R1 342 million.

The prevailing recessionary environment impacted the ability of the insurance operations to attract investment flows and total indexed new business at R4 412 million was 7,7% lower than 2008. Retail risk product sales held up relatively well, increasing by 8% on an indexed basis. The net cash flows of the group's asset management operations benefited from strong money market and dividend income fund flows. Several institutional mandates were lost, including the anticipated Public Investment Corporation amount of R8,3 billion. Excluding this withdrawal, group asset management net cash inflows totalled R11,1 billion (2008: R13,4 billion). Earnings from asset management operations in Stanlib, Liberty Properties and Fountainhead were 3,7% lower than last year reflecting the lower average values of assets under management and reduced fee income.

Cost discipline ensured that cost ratios remained competitive and partially offset the lower fees. Liberty Properties benefited from development fees related to the R801 million extensions to the group's flagship Eastgate and Sandton City property complexes and a third party development in Zambia.

Liquidity

The availability of term funding improved gradually during the second half of 2009. Over this period the group continued to manage its liquidity risk exposures proactively within prudent risk parameters. A sound structural liquidity mismatch profile, an adequately diversified funding base and the group's unencumbered surplus liquidity of R118,6 billion as at 31 December 2009 (R96,8 billion as at 31 December 2008) were maintained, reflecting the group's prudent liquidity management approach as informed by stress testing requirements and prevailing market conditions.

Capital

The group maintained its prudent approach to risk, capital and liquidity management during a year characterised by turbulent economic conditions. The group continued to refine its comprehensive group-wide stress testing framework, thereby enabling management to proactively identify stress events and adopt measures to limit their impact on the group. The group continued to demonstrate its ability to generate capital internally, ending 2009 with a total capital adequacy ratio of 14,9% (2008: 13,3%), tier I capital adequacy of 11,8% (2008: 11,0%) and core tier I capital of 10,8% (2008: 10,1%). These strong ratios were achieved despite the deployment of capital in respect of the investment in Troika and dividends of R3,1 billion paid to shareholders.

Standard Bank Group capital adequacy ratios

	Minimum regulatory requirement %	Target ratios %	**2009 %**	2008 %
Total capital adequacy ratio	9,75	11 – 12	**14,9**	13,3
Tier I capital adequacy ratio	7,0	9	**11,8**	11,0
Core tier I capital adequacy ratio	5,25		**10,8**	10,1
Perpetual preference shares as % of tier I	<25,0		**7,8**	8,1
Tier II and III as % of tier I	<100,0		**26,3**	20,5
Subordinated tier II debt as % of tier I	<50,0		**32,5**	23,7

The group's economic capital at R44,8 billion (2008: R42,8 billion) is reflective of the capital requirement to cover the risk profile of the group. The economic capital coverage ratio, representing the extent to which minimum economic capital requirements are covered by available financial resources was 1,82 times (2008: 1,93 times) indicating a slightly lower capital position relative to risks assumed in banking activities.

Capital adequacy of the group's main life licence, Liberty Group Limited, continued to benefit from the group's market risk mitigation strategies and remained strong at 2,8 times the required cover (2008: 2,7 times).

Further details relating to capital adequacy and economic capital are provided in the risk management section of the annual report commencing on page 107.

Distributions to shareholders

The group's tier I capital ratio is steadily strengthening, our outlook for profitability is improving and economic stress in our chosen markets is easing. Against this background, the board decided to divert from the group's existing distribution cover policy of 2,5 times normalised headline earnings per share and maintain the same total level of distribution as in 2008. This results in a final distribution being declared of 245 cents per share, bringing the total distribution for the year to 386 cents. The final distribution is offered as a scrip distribution with a cash alternative.

Explanation of principal differences between normalised and IFRS results

Description of normalised adjustments

The group's consolidated financial statements and audited sections in the risk management report are prepared in accordance with, and comply with IFRS as issued by both the International Accounting Standards Board (IASB) and the Accounting Practices Board of South Africa. The rest of this annual report, unless otherwise stated, is prepared on a basis which normalises or adjusts the IFRS results for three specific accounting circumstances where IFRS does not reflect the underlying economic and legal substance of the following transactions (the normalised adjustments):

- the group's black economic empowerment ownership (Tutuwa) initiative;
- group shares held by Liberty for the benefit of policyholders; and
- group share exposures entered into to facilitate client trading activities.

A common element in these transactions relates to shares in issue deemed by IFRS to be treasury shares. Consequently, the net value of the shares is recognised as a deduction against equity; and the number of shares used for per share calculation purposes is materially lower than the economic substance, resulting in inflated per share ratios. With regard to segmental and product reporting, the normalising adjustments have been made within Liberty, and central and other. The results of the other business units are unaffected.

Tutuwa initiative

The group concluded its Tutuwa initiative in October 2004 when it sold an effective 10% interest in its South African banking operations to a broad-based grouping of black entities.

The group obtained financing through the issue of perpetual preference shares. These funds were used to subscribe for 8,5% redeemable, cumulative preference shares issued by special purpose entities (SPEs) controlled by the Standard Bank Group (SBG). These SPEs purchased SBG shares. Subsequently, the SPEs containing these shares were sold to black participants. The capital and dividends on the redeemable preference shares issued by the SPEs are repayable from future ordinary dividends received on the SBG shares held.

As a result of SBG's right to receive its own dividends back in the form of yield and capital on the redeemable preference shares, the subsequent sale of the SPEs and consequent delivery of the SBG shares to the black participants, although legally effected, is not accounted for as a sale. As a consequence, the IFRS accounting treatment followed until full redemption, or third party financing is obtained, is:

- the redeemable preference shares issued by the SPEs and subscribed for by SBG are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve;
- the negative empowerment reserve represents SBG shares held by the SPEs that are deemed to be treasury shares in terms of accounting conventions;
- the preference dividends received from the SPEs are eliminated against the ordinary dividends paid on the SBG shares held by the SPEs;
- for purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those SPEs that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party; and

- perpetual preference shares issued by SBG for the purposes of financing the transaction, are classified as equity. Dividends paid on the perpetual preference shares are accounted on declaration and not on an accrual basis.

The "normalised" adjustment:
- recognises a loan asset by reversing the elimination of the redeemable preference shares against equity;
- accrues for preference dividends receivable on the loan asset within interest income;
- adds back the number of shares held by the black participants to the weighted number of shares in issue, for purposes of calculating normalised per share ratios; and
- adjusts dividends declared on perpetual preference shares to an accrual basis.

In December 2007 the group obtained financing external to SBG for a portion of the financing provided to the SPEs. As a result, the negative empowerment reserve has been reduced by the value of the external financing obtained of R1 billion and a proportion of the SBG shares held by the SPEs (24,7 million shares) are no longer deemed to be treasury shares for accounting purposes.

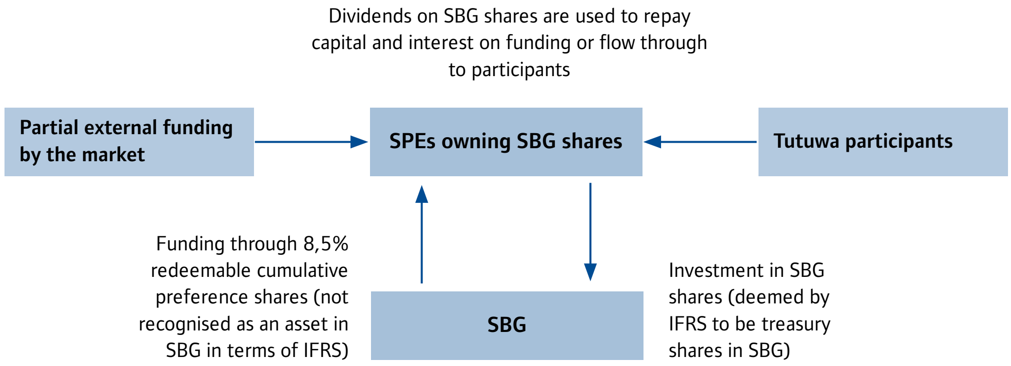
In March 2008 11,1% of the Tutuwa participants' shares were sold to ICBC with the proceeds being partly utilised for the repayment of their preference share liability, thereby releasing a further 11,0 million ordinary shares previously deemed by IFRS to be "treasury shares".

Group shares held for the benefit of policyholders or to facilitate client trading activities

The group acquires or sells short its own shares for two distinct business reasons:
- group companies' shares held by Liberty are invested for the risk and reward of its policyholders, not its shareholders, and consequently the group's shareholders are exposed to an insignificant portion of the fair value changes on these shares; and
- the group enters into transactions on its own shares to facilitate client trading activities. As part of the normal trading operations, the group offers to its clients trading positions of listed shares, including its own shares. In order to hedge the risk on these trades, the group buys or sells short its own shares in the market. The group's shareholders are therefore exposed to an insignificant portion of fair value changes on these shares.

In terms of IAS 32 *Financial Instruments: Presentation* (IAS 32), trades by subsidiaries in the group's shares held on behalf of policyholders and group share exposures to facilitate client trading activities are deemed to be treasury shares for accounting purposes. The accounting consequences in the consolidated IFRS group financial statements are:
- the cost price of shares purchased by subsidiaries as well as any funds received by subsidiaries from selling the group's shares short are set off against or added to ordinary shareholders' equity and minority interest in the group financial statements;

Tutuwa initiative



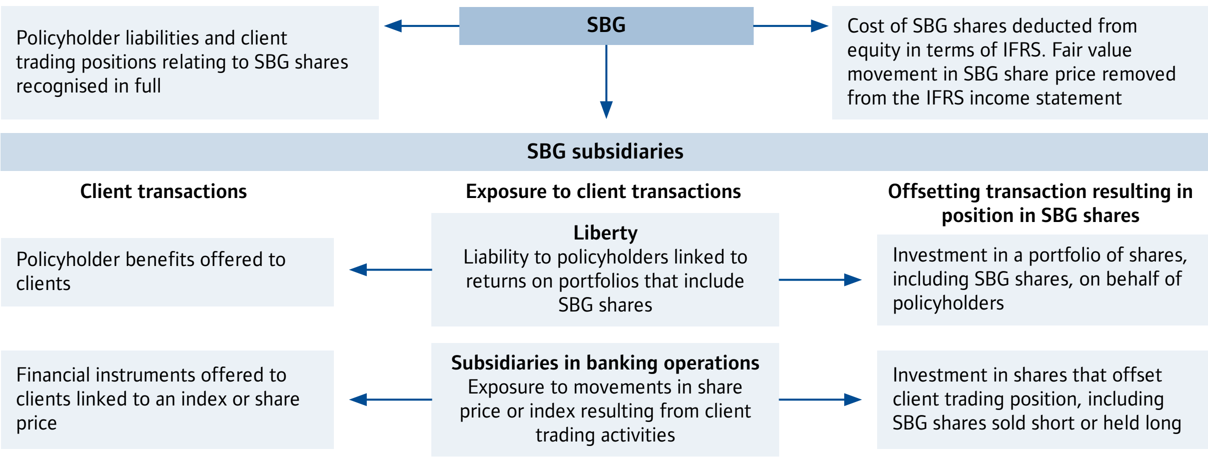
- all the fair value movements are eliminated from the income statement, reserves and minority interests where applicable; and
- dividends received on group shares are eliminated against dividends paid.

No corresponding adjustment is made to the policyholder liabilities or trading positions with customers. As a result, the application of IAS 32 gives rise to a mismatch in the overall equity and income statement of the group. The liability to policyholders and client trading position, along with the change in policyholders' liabilities and profit or loss recognised on the client trading position is therefore not eliminated even though the corresponding interest in the group's shares is eliminated and treated as treasury shares acquired or issued.

With regards to the group shares held for the benefit of Liberty policyholders, the weighted average number of shares in issue for per share figures is calculated by deducting the full number of group shares held (100%), not the IFRS effective 54% owned by the group, as IFRS (IAS 33 *Earnings per Share*) does not contemplate minority portions of treasury shares. This treatment exaggerates the reduction in the weighted average number of shares used to calculate per share ratios.

For purposes of calculating the normalised results, the adjustments described above are reversed and the group shares held on behalf of policyholders and to facilitate client trading activities are treated as issued to parties external to the group.

Group shares held for the benefit of policyholders or to facilitate client trading activities



Adjustments to IFRS results

	Headline earnings			Ordinary shareholders' equity
	Banking activities Rm	Liberty Rm	Standard Bank Group Rm	Standard Bank Group Rm
IFRS – 2009	**11 629**	**(376)**	**11 253**	**84 022**
Tutuwa initiative	**229**	**49**	**278**	**2 584**
Share exposures held to facilitate client trading activities	**(212)**		**(212)**	**(537)**
Group shares held for the benefit of Liberty policyholders		**399**	**399**	**1 385**
Normalised – 2009	**11 646**	**72**	**11 718**	**87 454**
IFRS – 2008	13 329	688	14 017	81 953
Tutuwa initiative	180	47	227	2 572
Group shares held for the benefit of Liberty policyholders		(94)	(94)	1 377
Normalised – 2008	13 509	641	14 150	85 902

Seven-year review

Consolidated normalised statement of financial position[1]

	2009 USD m	2009 Sterling m	2009 Euro m
Assets			
Banking activities	**152 637**	**94 691**	**106 027**
Cash and balances with central banks	3 390	2 103	2 355
Financial investments, trading and pledged assets	23 501	14 579	16 325
Loans and advances	98 169	60 901	68 191
Current and deferred tax assets	180	112	125
Derivative and other assets	24 436	15 159	16 974
Interest in associates and joint ventures	579	359	402
Goodwill and other intangible assets	1 062	659	738
Property and equipment	1 320	819	917
Liberty	**29 871**	**18 531**	**20 749**
Total assets	**182 508**	**113 222**	**126 776**
Equity and liabilities			
Equity	**14 179**	**8 795**	**9 850**
Equity attributable to ordinary shareholders	11 866	7 361	8 243
Preference share capital and premium	747	463	519
Minority interest	1 566	971	1 088
Liabilities	**168 329**	**104 427**	**116 926**
Banking activities	**140 359**	**87 075**	**97 497**
Deposit and current accounts	104 281	64 693	72 436
Derivative and other liabilities	25 211	15 640	17 512
Trading liabilities	6 936	4 303	4 818
Current and deferred tax liabilities	593	368	412
Subordinated debt	3 338	2 071	2 319
Liberty	**27 970**	**17 352**	**19 429**
Total equity and liabilities	**182 508**	**113 222**	**126 776**

[1] *Figures included in the seven-year review have been restated where applicable to provide a comparable base for analysing performance over the years.*

Exchange rates utilised to convert the 31 December 2009 statement of financial position:
USD – 7,37 (2008: 9,31)
Sterling – 11,88 (2008: 13,64)
Euro – 10,61 (2008: 13,02)

CAGR %	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
17	1 124 931	1 296 819	969 171	773 346	602 031	508 196	443 030
20	24 983	25 697	20 618	14 343	12 636	11 380	8 253
10	173 203	172 017	165 873	152 305	104 152	89 453	98 686
21	723 507	790 087	637 868	501 506	383 775	277 592	231 388
9	1 329	1 197	1 058	969	867	1 041	803
10	180 088	289 882	131 014	98 272	95 997	124 999	99 907
41	4 265	2 057	1 660	1 130	812	294	537
58	7 827	8 364	5 659	1 043	517	483	505
22	9 729	7 518	5 421	3 778	3 275	2 954	2 951
15	220 151	212 640	222 083	202 838	171 770	117 192	97 536
16	1 345 082	1 509 459	1 191 254	976 184	773 801	625 388	540 566
20	104 498	105 143	77 489	64 187	50 620	43 634	35 264
20	87 454	85 902	58 406	48 352	37 994	33 172	28 835
197	5 503	5 503	5 503	5 503	2 991	2 991	8
10	11 541	13 738	13 580	10 332	9 635	7 471	6 421
16	1 240 584	1 404 316	1 113 765	911 997	723 181	581 754	505 302
16	1 034 445	1 206 594	906 010	722 781	563 864	474 666	416 342
19	768 548	843 815	680 097	531 571	403 807	320 106	276 741
9	185 803	289 934	141 293	119 021	113 861	125 296	108 025
16	51 118	48 155	60 545	52 507	31 705	16 266	21 517
8	4 374	5 213	5 161	4 166	3 901	3 338	2 826
23	24 602	19 477	18 914	15 516	10 590	9 660	7 233
15	206 139	197 722	207 755	189 216	159 317	107 088	88 960
16	1 345 082	1 509 459	1 191 254	976 184	773 801	625 388	540 566

Seven-year review continued

Consolidated normalised income statement[1]

	2009 USD m	2009 Sterling m	2009 Euro m
Banking activities			
Net interest income	3 740	2 406	2 699
Non-interest revenue	3 707	2 385	2 675
Net fee and commission revenue	2 151	1 383	1 552
Trading revenue	1 261	812	910
Other revenue	295	190	213
Total income	7 447	4 791	5 374
Credit impairment charges	1 437	924	1 037
Impairments for non-performing loans	1 399	900	1 010
Impairments for performing loans	38	24	27
Income after credit impairment charges	6 010	3 867	4 337
Operating expenses	3 899	2 508	2 813
Staff costs	2 120	1 364	1 529
Other operating expenses	1 779	1 144	1 284
Net income before goodwill	2 111	1 359	1 524
Goodwill impairment/(gain)	5	3	4
Net income before associates and joint ventures	2 106	1 356	1 520
Share of (loss)/profit from associates and joint ventures	(4)	(3)	(3)
Net income before indirect taxation	2 102	1 353	1 517
Indirect taxation	174	112	126
Profit before direct taxation	1 928	1 241	1 391
Direct taxation	447	287	322
Profit for the year	1 481	954	1 069
Attributable to minorities and preference shareholders	122	79	88
Banking activities profit attributable to ordinary shareholders	1 359	875	981
Liberty			
Profit for the year	38	24	27
Attributable to minorities	29	19	21
Liberty profit attributable to ordinary shareholders	9	5	6
Group profit attributable to ordinary shareholders	1 368	880	987
Headline earnings	1 392	895	1 004

[1] *Figures included in the seven-year review have been restated where applicable to provide a comparable base for analysing performance over the years.*

Exchange rates utilised to convert the 31 December 2009 income statement:
USD – 8,42 (2008: 8,24)
Sterling – 13,09 (2008: 15,00)
Euro – 11,67 (2008: 12,00)

CAGR %	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
18	**31 493**	32 117	22 896	17 001	13 357	11 619	11 390
17	**31 217**	29 448	24 747	19 165	15 616	14 096	12 387
16	**18 108**	17 607	14 511	11 825	10 107	8 913	7 327
19	**10 621**	9 463	7 216	4 852	3 721	3 750	3 740
11	**2 488**	2 378	3 020	2 488	1 788	1 433	1 320
18	**62 710**	61 565	47 643	36 166	28 973	25 715	23 777
37	**12 097**	11 342	4 590	2 733	1 207	1 050	1 848
43	**11 779**	9 346	3 764	2 022	1 006	1 041	1 398
(6)	**318**	1 996	826	711	201	9	450
15	**50 613**	50 223	43 053	33 433	27 766	24 665	21 929
16	**32 827**	30 390	24 706	19 105	16 091	14 694	13 297
16	**17 848**	16 951	14 488	11 001	9 370	8 377	7 354
17	**14 979**	13 439	10 218	8 104	6 721	6 317	5 943
13	**17 786**	19 833	18 347	14 328	11 675	9 971	8 632
	42	5	(376)	15	24	48	
13	**17 744**	19 828	18 723	14 313	11 651	9 923	8 632
	(34)	234	283	218	200	97	102
13	**17 710**	20 062	19 006	14 531	11 851	10 020	8 734
25	**1 469**	1 136	917	604	562	389	387
12	**16 241**	18 926	18 089	13 927	11 289	9 631	8 347
8	**3 763**	4 093	4 164	3 376	2 536	2 387	2 321
13	**12 478**	14 833	13 925	10 551	8 753	7 244	6 026
55	**1 031**	1 409	817	363	274	177	73
12	**11 447**	13 424	13 108	10 188	8 479	7 067	5 953
(21)	**320**	1 892	3 480	3 372	1 949	1 924	1 360
(20)	**248**	1 251	2 505	2 412	1 447	1 334	935
(26)	**72**	641	975	960	502	590	425
10	**11 519**	14 065	14 083	11 148	8 981	7 657	6 378
11	**11 718**	14 150	13 153	10 818	9 013	7 511	6 280

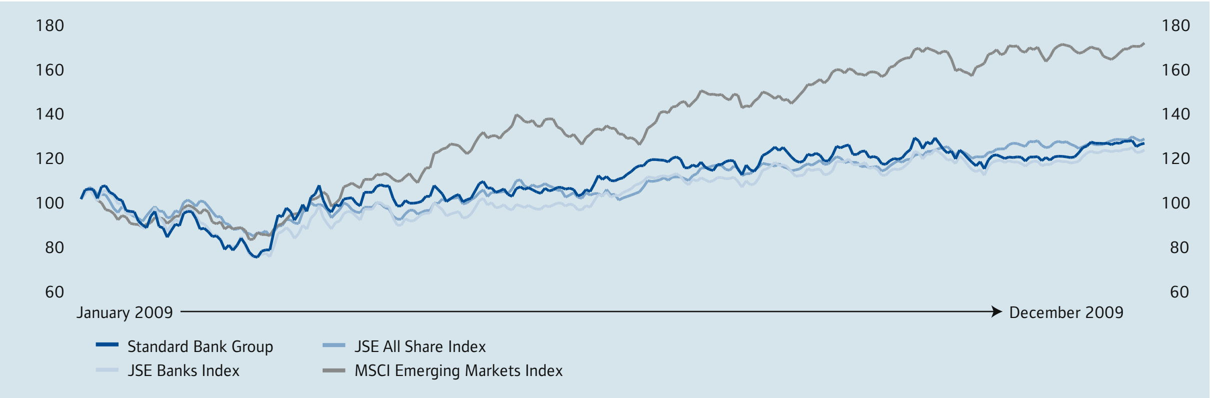
Seven-year review continued

Share statistics and market indicators – normalised[1]

	CAGR %	2009	2008	2007	2006	2005	2004	2003
Share statistics								
Distribution cover (times)		**2,0**	2,4	2,5	2,5	2,5	2,4	3,1
Distribution yield (%)		**3,8**	4,7	3,9	3,4	3,5	3,5	3,9
Earnings yield (%)		**7,4**	11,4	9,6	8,4	8,8	8,5	12,0
Price earnings ratio (times)		**13,5**	8,8	10,4	11,9	11,4	11,8	8,3
Price-to-book (times)		**1,8**	1,5	2,4	2,7	2,7	2,7	1,8
Number of shares traded (millions)		**1 490,0**	1 383,5	1 056,8	1 014,9	841,8	892,6	908,2
Turnover in shares traded (%)		**96,2**	92,2	77,2	74,7	62,2	66,3	68,1
Market capitalisation (Rm)	20	**158 942**	126 576	137 370	128 769	102 524	88 969	52 451
Market indicators at 31 December								
Standard Bank Group share price (cents)								
– high for the year		**10 500**	10 250	11 950	9 650	7 875	6 750	3 960
– low for the year		**5 915**	6 602	9 000	6 850	5 750	3 686	2 650
– closing	17	**10 200**	8 300	10 008	9 450	7 581	6 580	3 918
Prime overdraft rate (%)		**10,5**	15,0	14,5	12,5	10,5	11,0	11,5
JSE All Share Index – closing	18	**27 666**	21 509	28 958	24 915	18 097	12 657	10 387
JSE Banks Index – closing	17	**36 675**	30 566	35 876	36 121	29 234	22 975	14 153
ZAR exchange rates								
USD	2	**7,37**	9,31	6,81	7,05	6,36	5,63	6,68
Sterling	(0)	**11,88**	13,64	13,64	13,80	10,95	10,82	11,95
Euro	4	**10,61**	13,02	10,00	9,29	7,52	7,66	8,42

[1] *Figures included in the seven-year review have been restated where applicable to provide a comparable base for analysing performance over the years.*

Share price index

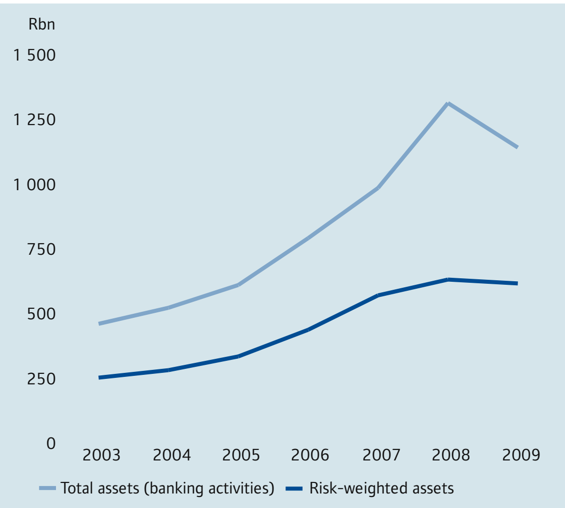


Capital adequacy and employee statistics[1]

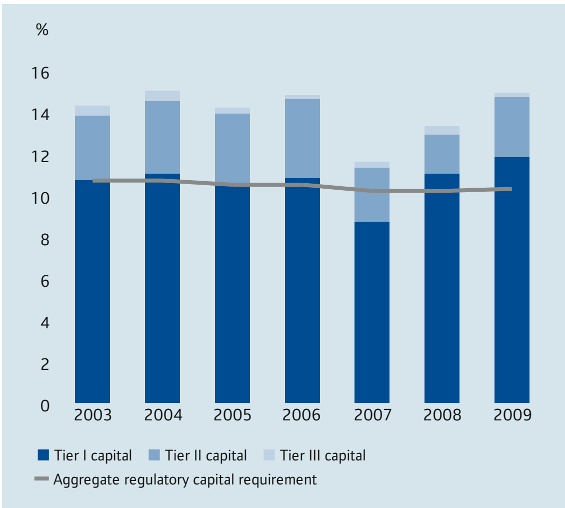
	CAGR %	2009	2008	2007	2006	2005	2004	2003
Capital adequacy[2]								
Risk-weighted assets (Rm)	17	**599 822**	614 960	554 473	421 187	318 279	265 148	236 346
Tier I capital (Rm)	19	**70 568**	67 726	48 336	45 415	33 553	29 111	25 289
Total capital (Rm)	18	**89 140**	81 597	64 301	62 468	45 328	39 722	33 797
Tier I capital to risk-weighted assets (%)		**11,8**	11,0	8,7	10,8	10,5	11,0	10,7
Total capital to risk-weighted assets (%)		**14,9**	13,3	11,6	14,8	14,2	15,0	14,3
Employee statistics								
Number of employees								
– banking activities	5	**45 937**	45 315	44 301	37 703	36 131	35 283	34 493
– group	5	**51 411**	50 321	48 905	42 265	40 245	39 080	38 433
Normalised headline earnings per employee								
– banking activities (rand)	7	**253 521**	298 113	274 937	264 568	232 294	201 230	173 079

[1] Figures included in the seven-year review have been restated where applicable to provide a comparable base for analysing performance over the years.
[2] In accordance with Basel II principles relating to the treatment of insurance entities, insurance operations are excluded from the capital base of the banking group and its related risk-weighted assets. Capital in insurance operations in excess of statutory minimum requirements is not recognised in group capital.

Risk-weighted assets (closing balances)[3]



Capital adequacy ratio[3]



[3] Basel II implemented 1 January 2008. Risk-weighted assets and capital adequacy for 2008 and 2009 are on a Basel II basis. All other historical comparatives are on a Basel I basis.

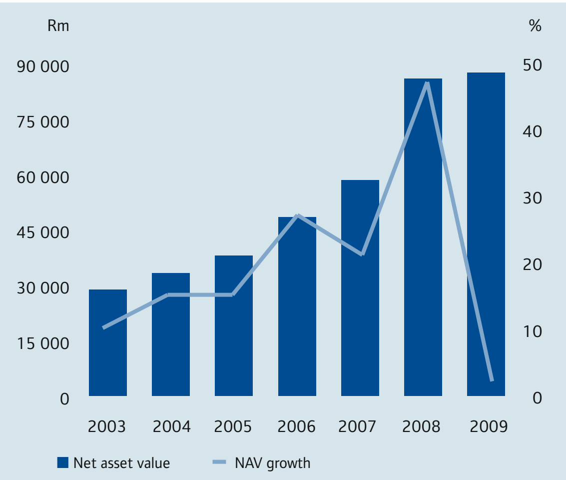
Seven-year review continued

Results and ratios – normalised[1]

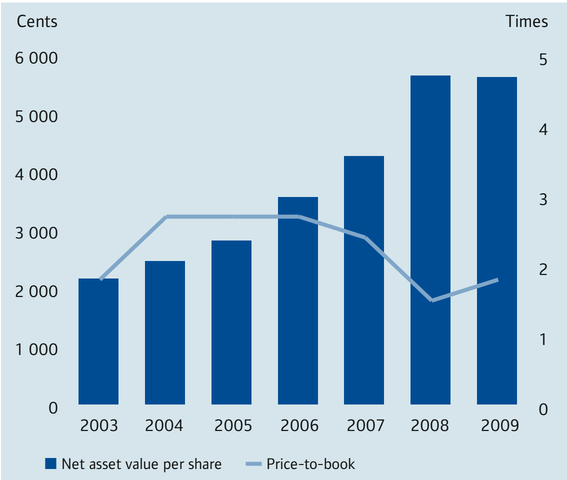
	CAGR %	2009	2008	2007	2006	2005	2004	2003
Standard Bank Group								
Share statistics								
Listed on JSE Limited (millions)								
– weighted average		**1 548,2**	1 501,1	1 369,2	1 358,4	1 353,4	1 345,8	1 334,1
– end of period		**1 558,3**	1 525,0	1 372,6	1 362,6	1 352,4	1 352,1	1 338,7
Share statistics per ordinary share (cents)								
Basic earnings	8	**744,0**	937,0	1 028,5	820,7	663,6	569,0	478,1
Headline earnings	8	**756,9**	942,6	960,6	796,4	666,0	558,1	470,7
Distributions	17	**386,0**	386,0	386,0	320,0	267,0	231,5	151,0
Net asset value	17	**5 612,0**	5 633,0	4 255,0	3 548,0	2 809,0	2 453,0	2 154,0
ROE (%)		**13,6**	18,2	24,8	25,4	25,4	24,2	22,9
Normalised headline earnings per business unit (Rm)								
Personal & Business Banking	6	**3 835**	4 739	5 674	4 816	3 879	3 170	2 689
Corporate & Investment Banking	14	**7 507**	7 948	6 706	5 033	4 185	3 883	3 348
Central and other		**304**	822	(200)	126	329	47	(67)
Liberty	(22)	**72**	641	973	843	620	411	310
	11	**11 718**	14 150	13 153	10 818	9 013	7 511	6 280
Banking activities normalised								
Selected returns and ratios								
Headline earnings contribution (Rm)	12	**11 646**	13 509	12 180	9 975	8 393	7 100	5 970
Return on equity (%)		**14,5**	18,6	24,7	25,3	25,6	24,9	23,8
Gearing ratio (%)		**15,3**	18,3	19,8	17,6	17,4	17,1	17,2
Net interest margin (%)		**3,21**	3,32	2,95	2,78	2,97	3,09	3,45
Non-interest revenue to total income (%)		**49,8**	47,8	51,9	53,0	53,9	54,8	52,1
Cost-to-income ratio (%)		**52,4**	49,2	51,6	52,5	55,2	56,9	55,7
Credit loss ratio (%)		**1,60**	1,55	0,80	0,60	0,36	0,41	0,87
Effective taxation rate (%)		**29,5**	26,1	26,7	27,4	26,1	27,7	31,0

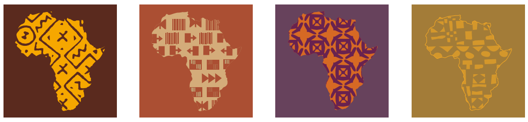
[1] *Figures included in the seven-year review have been restated where applicable to provide a comparable base for analysing performance over the years.*

Analysis of net asset value



Price-to-book and net asset value per share



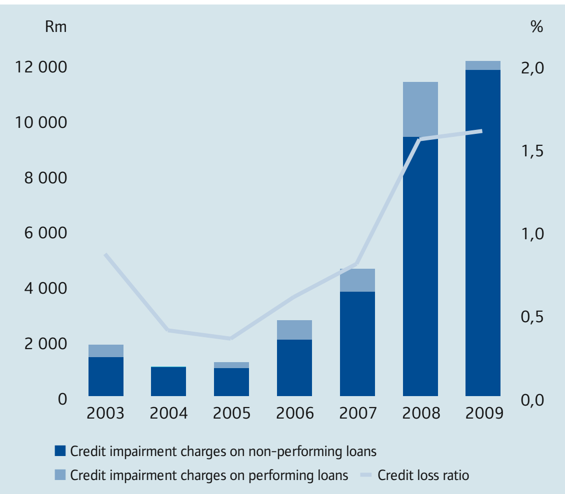


Results and ratios – IFRS[1]

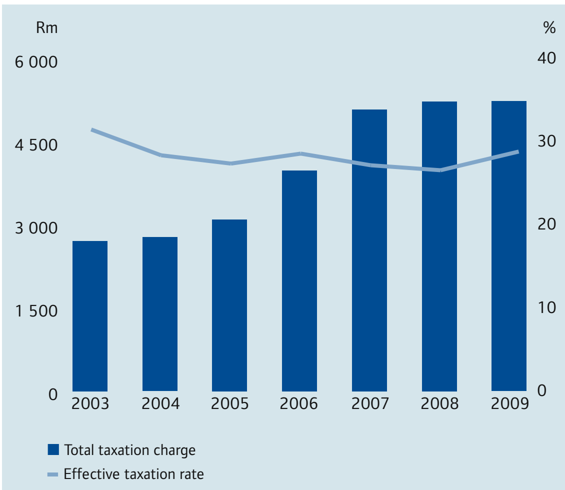
	CAGR %	2009	2008	2007	2006	2005	2004	2003
Standard Bank Group								
Share statistics								
Number of ordinary shares in issue in terms of IFRS (millions)								
– weighted average		**1 459,3**	1 398,9	1 231,0	1 216,7	1 205,2	1 321,7	1 334,1
– end of period		**1 474,3**	1 430,6	1 256,9	1 224,9	1 206,7	1 252,9	1 338,7
Share statistics per ordinary share (cents)								
Basic earnings	8	**757,5**	995,9	1 109,0	864,5	699,7	581,4	478,1
Headline earnings	9	**771,1**	1 002,0	1 033,4	837,4	702,3	570,3	470,7
Distributions	17	**386,0**	386,0	386,0	320,0	267,0	231,5	151,0
Net asset value	18	**5 699,0**	5 729,0	4 270,0	3 504,0	2 706,0	2 311,0	2 154,0
ROE (%)		**13,7**	19,1	26,7	27,4	27,9	26,1	22,9
IFRS headline earnings per business unit (Rm)								
Personal & Business Banking	6	**3 835**	4 739	5 674	4 816	3 879	3 170	2 689
Corporate & Investment Banking	14	**7 507**	7 948	6 706	5 033	4 185	3 883	3 348
Central and other		**287**	642	(526)	(208)	(16)	78	(67)
Liberty		**(376)**	688	867	547	416	407	310
	10	**11 253**	14 017	12 721	10 188	8 464	7 538	6 280
Banking activities IFRS								
Selected returns and ratios								
Headline earnings contribution (Rm)	12	**11 629**	13 329	11 854	9 641	8 048	7 131	5 970
Return on equity (%)		**14,9**	19,0	26,1	27,3	28,0	27,0	23,8
Gearing ratio (%)		**15,6**	18,8	21,1	19,3	19,6	19,6	17,2
Net interest margin (%)		**3,19**	3,31	2,93	2,74	2,92	3,08	3,45
Non-interest revenue to total income (%)		**50,2**	48,0	52,3	53,5	54,5	55,0	52,1
Cost-to-income ratio (%)		**52,3**	49,3	51,9	53,0	55,8	57,1	55,7
Credit loss ratio (%)		**1,60**	1,55	0,80	0,61	0,36	0,41	0,87
Effective taxation rate (%)		**29,8**	26,3	27,2	28,1	26,9	27,9	31,0

[1] *Figures included in the seven-year review have been restated where applicable to provide a comparable base for analysing performance over the years.*

Credit impairment charges



Taxation charge and effective taxation rate



Group executive committee

Craig Bond (48)
Chief executive
Standard Bank – ICBC Strategic Partnership

BCom, LLB, HDip Tax (Wits), SEP (Harvard)

Joined the group 2000, appointed to exco 2006

Kennedy Bungane (35)
Chief executive
Corporate & Investment Banking – SBSA

BCom (Natal), MBA (University of Pretoria GIBS Campus), AMP (Harvard)

Joined the group 1996, appointed to exco 2008

David Duffy (48)
Chief executive
Corporate & Investment Banking – International

BBS (Hons) (Trinity College Dublin), MA (Trinity College Dublin)

Joined the group 2006, appointed to exco 2008

Tina Eboka (50)
Corporate Affairs

BS Applied Mathematics (New York), BS Textile Engineering (Philadelphia), MBA (Philadelphia), SEP (Harvard)

Joined the group 2005, appointed to exco 2005

Arnold Gain (55)
Credit

BCom (Hons) (Cape Town)

Joined the group 1994, appointed to exco 2005

Bruce Hemphill (46)
Chief executive
Liberty

BSoc (Cape Town), CPE (College of Law, London)

Joined the group 1993, appointed to exco 2006

Ben Kruger (50)
Group deputy chief executive

BCom (Hons) (Pretoria), CA(SA), AMP (Harvard)

Joined the group 1985, appointed to exco 2000

Rob Leith (47)
Chief executive
Global Corporate & Investment Banking

BCom (Hons) (Cape Town), CA(SA)

Joined the group 1991, appointed to exco 2003

Jacko Maree (54)
Group chief executive

BCom (Stellenbosch), MA (Oxford), PMD (Harvard)

Joined the group 1980, appointed to exco 1995

David Munro (39)
Global head: Investment Banking

BCom (PGDA) (Cape Town), CA(SA), AMP (Harvard)

Joined the group 1996, appointed to exco 2004

Sipho Ngidi (54)
Human Resources – SBSA

BAdmin (Zululand), BCom (Hons) (Natal)

Joined the group 2001, appointed to exco 2001

Sarah-Anne Orphanides (41)
Marketing and Communications

BSocSci (Hons) (Cape Town), MBA (London)

Joined the group 2002, appointed to exco 2006

Simon Ridley (54)
Group financial director

BCom (Natal), CA(SA), AMP (Oxford)

Joined the group 1999, appointed to exco 2002

Peter Schlebusch (43)
Chief executive

Personal & Business Banking – SBSA

BCom (Hons) (Wits), CA(SA), HDip Tax (RAU)

Joined the group 2002, appointed to exco 2008

Paul Smith (55)
Group chief risk officer

BCom (Natal), CA(SA), AMP (Wharton)

Joined the group 1997, appointed to exco 1999

Clive Tasker (54)
Chief executive
Standard Bank Africa

BA LLB (Natal), AMP (Wharton)

Joined the group 2000, appointed to exco 2008

Casper Troskie (46)
Chief financial officer

BCom (Hons) (Cape Town), CA(SA)

Joined the group 2009, appointed to exco 2009

Sim Tshabalala (42)
Group deputy chief executive and chief executive – SBSA

BA LLB (Rhodes), LLM (University of Notre Dame USA), HDip Tax (Wits), AMP (Harvard)

Joined the group 2000, appointed to exco 2001

Elizabeth Warren (53)
Group Human Resources
BSc (Hons) (Bath), Fellow of the Chartered Institute of Personnel and Development

Joined the group 2009, appointed to exco 2009

Peter Wharton-Hood (44)
Group deputy chief executive

BCom (Hons) (Wits), CA(SA), AMP (Harvard)

Joined the group 1997, appointed to exco 1999

Personal & Business Banking

Peter Wharton-Hood, group deputy chief executive

"The harsh market conditions required an internal focus, but we did not delay or reduce our long-term strategic investments in the emerging markets in which we operate, ensuring that the necessary capacity, discipline and infrastructure are in place to support our future growth plans." Peter Wharton-Hood

Headline earnings down 19% to R3 835 million

2008: R4 739 million

ROE

15,8%

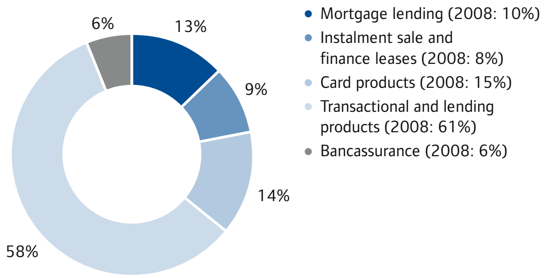
2008: 19,7%

Credit loss ratio

2,56%

2008: 2,47%

Total income by product



Cost-to-income ratio

54,2%

2008: 51,5%

In a severely challenging business environment, Personal & Business Banking's approach was to preserve revenues and manage costs sensibly, while maintaining our focus on continuous improvement in customer service.

→ What we offer

Personal & Business Banking offers banking and other financial services to more than 11 million individual customers and small and medium enterprises in South Africa, 13 countries in sub-Saharan Africa and Argentina. We strive to continuously maintain high standards of service to our customers.

→ 2009 highlights

- Our focus on customer service delivered strong improvements and we were rated as the best bank for service in South Africa by the independent Outlook and Ask Afrika Orange Index surveys.
- Our emphasis on growing transactional accounts contributed to an 11% growth in the number of current accounts in South Africa.
- We limited the incidence of asset repossessions by facilitating the rehabilitation of a large number of financially distressed clients.
- Many of our retail-based operations in Africa delivered sound organic growth in local currency despite the challenging economic conditions.
- Prudent cost control contributed to a cost-to-income ratio of 54,2%.

→ Priorities in 2010

- Continue to improve customer service.
- Re-establish a sales and marketing driven culture.
- Increase risk appetite judiciously within the group's risk parameters.
- Maintain a balance between prudent cost containment and investment for future growth.
- Position operations in Africa for the next growth cycle.

Overview

Standard Bank's Personal & Business Banking division is well established in southern Africa and is strongly positioned to take up the opportunities of a growing and transforming southern African marketplace. From its roots in southern Africa, the franchise has made good progress in its strategy to grow operational platforms in high-potential markets in the rest of Africa, and in other selected emerging markets.

Operating conditions in the domestic personal and business banking market continued to be impacted by the severity of the economic downturn and increasing job losses. The ability of consumers to repay debt remained under pressure, resulting in further growth in non-performing loans albeit at a slowing rate towards the end of the year. This was compounded by higher than anticipated cost of term funding and a substantial negative endowment impact on deposit balances and capital as a result of the 323 basis point decline in the average prime lending rate in South Africa during the year.

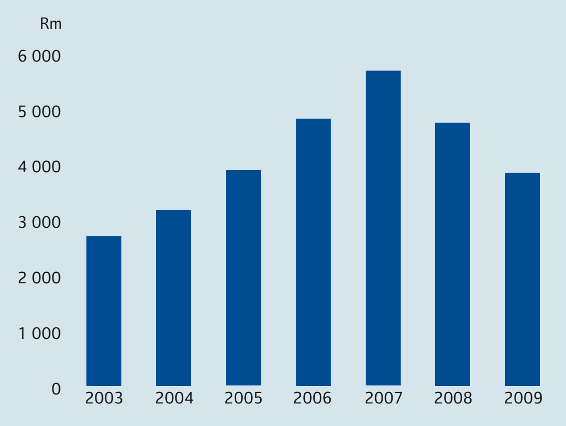
In this environment, our approach was to be proactive in our efforts to preserve revenues and manage costs sensibly, while maintaining key strategic investments to support long-term growth. In South Africa, we improved customer service across all levels and focused on deposit and transaction-led customer acquisition. We facilitated the rehabilitation of a large number of financially distressed clients (the majority of whom remain current clients) and, as a consequence, limited the incidence of asset repossessions. To contain costs, we maintained a recruitment freeze introduced in 2008 and achieved a net reduction of 488 people in the South African workforce through natural attrition and stricter management of poor performers. The early introduction of a headcount freeze meant that there was never a need to implement a retrenchment programme which helped maintain staff morale.

The progress achieved in recent years in our strategy to grow operations in markets outside South Africa was impeded by challenging market and economic conditions in our African markets. Our general approach in our targeted emerging markets shifted to preservation and consolidation, while continuing to build the necessary capacity and infrastructure to position the bank for the next phase of growth.

In line with our strategy to ensure our banking systems support continuous improvement in the quality of service to clients, and to facilitate the growth of operations in new emerging markets, we continued to invest in management and infrastructure capacity in both domestic and international operations during the year. We maintained our strong focus on risk and IT systems and the enhancement of branch and ATM networks. Our ongoing investment in human capital was reflected in the growth of our staff complement in the rest of Africa of 8 015 people, up 363 during the year.

Further progress was made in the forging of closer operational ties with Liberty to deliver increasing bancassurance volumes. In the domestic market, volumes of embedded products (linked to loan volumes) declined in line with the economic trend but our penetration rate for insurance products increased. In the rest of Africa, Liberty acquired our insurance and wealth-related business activities in Kenya and we are pursuing opportunities with Liberty to develop distribution channels for wealth products using our existing branch networks.

Headline earnings
CAGR (2003 – 2009): 6%



Financial performance

Personal & Business Banking produced headline earnings of R3 835 million, down 19% on 2008, in an exceptionally tough environment. Margins were impacted by lower interest rates while the lag effect of high interest rates in the prior year continued to exert pressure on non-performing loans. ROE was 15,8%, down from 19,7% the year before.

Total income and headline earnings by product

	Total income		Headline earnings	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Mortgage lending	**4 478**	3 358	**(490)**	(895)
Instalment sale and finance leases	**2 947**	2 798	**(464)**	(279)
Card products	**4 682**	5 012	**657**	331
Transactional and lending products	**19 871**	20 287	**3 417**	4 869
Bancassurance	**2 124**	2 061	**715**	713
Personal & Business Banking	**34 102**	33 516	**3 835**	4 739

In mortgage lending, new business registrations declined as a result of subdued customer demand and reduced reliance on mortgage originators. New applications were down 50% year-on-year being further dampened by the tightening of certain credit criteria during 2008. This was necessary at the time given the uncertainty in the economic outlook for South Africa and the unknown risks implied by rising unemployment and weaker asset prices. Certain credit criteria were relaxed in line with the easing of these risks in the third quarter of 2009. However, customer demand is not expected to recover significantly in the medium term as households remain focused on repaying existing debt.

On new business written, pricing concessions were reduced by 55 basis points and only 33% of loans were originated through the more expensive mortgage originator channel, compared with 52% in the prior year. These management actions helped mitigate the impact on margins of the unavoidable increase in the cost of term funding. Non-performing loans continued to climb to 10,1% of the book from 6,5% in the prior year. This resulted in the credit loss ratio for mortgages increasing to 1,59% (2008: 1,49%). Although the rate of growth in non-performing loans started to slow in the second half of the year, we believe the peak in non-performing loans will only be reached in the second quarter of 2010. Balances in the early arrears category almost halved, mainly due to the active restructuring of this portfolio, a deliberate strategy undertaken to assist customers with good potential to recover to keep their homes in this difficult time. Reduced values received at auction together with the debt counselling process remain key risks in the mortgage business in South Africa.

Instalment sale and finance leases suffered continued high credit losses (credit loss ratio increased to 3,49% from 2,48% in 2008) as pressure on the recovery values of used passenger vehicles continued and the business segment of this product felt the impact of the slowdown in the economy. The level of non-performing loans remained stubbornly high for most of 2009, although the rate of growth in non-performing loans began to slow in the fourth quarter.

Card products recorded a commendable increase in earnings as a result of the non-recurrence of high credit losses in the prior year. The credit loss ratio in this business improved to 5,53% in 2009 from 9,53% in the prior year. This was a combined result of the continued focus on recoveries and the inclusion of post-write-off recoveries being recognised in impairment calculations. The rest of Africa made a meaningful contribution to revenue growth following the rollout of new products and successful marketing campaigns.

Under the transactional and lending product category, deposit margins came under pressure due to the negative endowment impact of lower interest rates on transactional accounts. Our strategy to grow our deposit base proved effective with the number of current accounts in South Africa growing 11%. Branch expansion in Mozambique, Ghana and Kenya assisted in attracting clients. Lower average balances however resulted in a marginal decline in deposit and current account year-end balances. Credit losses rose to 5,07% of the lending book (2008: 3,92%) as a result of increased non-performing loans in both the personal and business segments.

Bancassurance revenues were affected by a reduction in complex product business and an increase in lapse rates. Simple embedded insurance product sales were also lower given slower loan growth in the bank. The short-term insurance business benefited from a better underwriting performance despite pressure on new business volumes. Bancassurance revenues from the rest of Africa provided a small uplift following the Kenyan acquisition.

Strategy

Standard Bank's strategy is to serve the full financial services needs of customers in our domestic operation – from the most basic to the most sophisticated of financial services needs – and to maintain high standards of customer service and cost-effective delivery channels. Our refinement of the full service banking model in South Africa provides the base of knowledge and experience required for international expansion and we continue to apply lessons learnt in our home market to our operations in other emerging markets.

To manage the impact of challenging economic conditions in our domestic environment, we maintained our focus on five key actions:

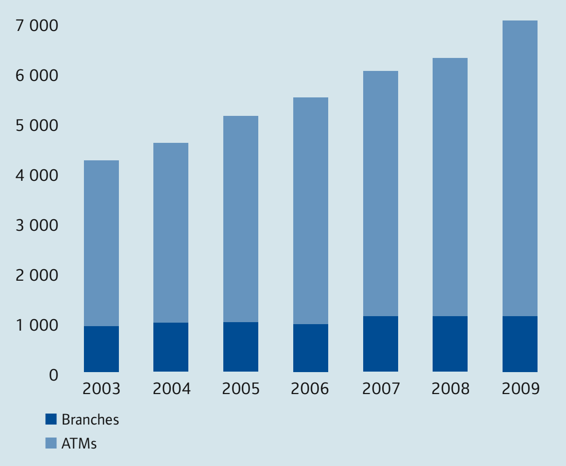
→ **Excellent, consistent customer service**

A range of initiatives were applied to improve customer service. These included clear and consistent communication of objectives to staff, measurement of outcomes, high visibility of senior management, and recognition and reward of milestones achieved. To improve our response to personal and business customers, we created a dedicated service offering for each and strengthened our service to the franchising and public sectors. Strong improvements in customer service were recorded in our branches, customer contact centres, ATMs, internet banking, integrated processing centres, cash processing, insurance and IT service availability, and this was reflected in record achievements in both internal and external measures of our service quality. We were rated the Best Bank for Customer Service by the independent Ask Afrika Orange Index and the independent Outlook survey, while our internal evaluation of branch customer service produced a rating of 8,82 out of 10, the highest score ever recorded.

This improvement in customer service was also facilitated by ongoing investment in our ATM and branch network to enhance accessibility and convenience. In South Africa, the bank installed 504 new ATMs and 41 new AutoPlus machines and restored 21 bombed ATM sites. Physical attacks on our AutoBank network continued to decline significantly during the year. Eight new branches were opened and 16 service centres were closed or incorporated into nearby branches. In the rest of Africa, 150 new ATMs were installed, 18 new branches were opened and two closed, while in Argentina, 22 new ATMs were installed and five new branches opened.

Personal & Business Banking continued

Points of representation – global



→ Engaged and committed people

The delivery of excellent customer service relies heavily on the performance of staff. In a challenging environment which included a reduction in staff numbers in South Africa and an increase in the number of customers serviced, we were able to maintain high levels of competence with a range of initiatives which translated into improved service levels. These included a comprehensive system of communication, recognition and cash rewards for service improvements and improved access to management. Senior management undertook a countrywide roadshow early in the year to engage with staff across the organisation to ensure they understood what the strategic deliverables for the year were. A consistently high level of staff morale was confirmed in our internal Heartbeat survey.

We maintained high levels of investment in the development of our people through our Global Leadership Centre and executive development programmes. 79 unemployed matriculants were trained on our internal Banking Skills Academy programme and 84% of the learners were employed by the bank upon completion of a National Certificate in Banking (a 100% pass rate was achieved). Some 112 018 training interventions were conducted: 50% of these courses focused on banking compliance and the rest of the training focused on competency-based training. In total, 316 temporary staff members were converted to permanent employees and over 3 000 people were promoted.

Unfortunately, the constraints on recruitment limited our ability to meet our employment equity targets during the year and we have created a specific strategic focus area on employment equity in 2010 to ensure that we optimally manage the business within the South African socio-political and regulatory context.

→ Grow transactional account base

A strong focus on deposit and transaction-led customer acquisition resulted in the opening of a record number of new current accounts and reaffirmed our leading position in the retail market for deposits. The growth in our deposit base reduced the bank's need for expensive wholesale funding and, combined with proactive and disciplined margin management, contributed to greater resilience in our net interest margins.

→ Improve efficiency and effectiveness

We made significant progress in initiatives to eliminate waste, duplication and unnecessary rework, and this contributed to our achievement of a cost-to-income ratio of 54,2%. Processing centres were consolidated from 15 centres to four during the year and the consolidation of call centres was completed. Improved regulatory compliance, particularly in FICA and foreign exchange control, was reflected in stronger internal audit and compliance ratings. Marked improvements were also recorded in our credit collections and management of fraud and other operational risks. The project to implement SAP core banking systems is ongoing.

→ Optimise economic profits

Our economic profit objectives for 2009 were not achieved, due primarily to stubbornly high levels of credit impairments, higher than anticipated costs of term funding and a substantial negative endowment on deposit balances and capital arising from the decline in interest rates during the year. Our ROE of 15,8% was marginally below our cost of equity for the year.

International expansion

Beyond South Africa's borders, we continued to focus on our strategy to grow our presence selectively in high-potential markets in Africa and other emerging markets.

Factors that impacted the aggregate financial performance of the African portfolio were increased provisions for bad debts, the translation effect of weaker African currencies against the rand and relatively high costs incurred in building our franchise. Most of the retail-based franchises in Africa delivered modest organic growth in their local currencies as consumers in these markets were less severely affected by global economic conditions.

Following the successful launch of CfC Bank in Kenya, in which we acquired a controlling interest in 2008, we concluded the first phase of a lengthy process of integrating the merged operation into the group and are focusing on realising synergies. Key developments included the successful implementation of our core banking system and the integration of CfC customers and loan products with our system. The second phase of the integration process will be completed in 2010 and in the longer term, the bank will focus on expanding the group's presence in East Africa.

In the South American market, the economic environment made it necessary to maintain a conservative approach to our risk appetite in the personal and business banking unit of Standard Bank Argentina.

Managing regulatory change

The special panel appointed to investigate competition in the banking industry reported back to the Competition Commission and made a number of recommendations in December 2008. The Minister of Finance appointed a task group, led by the National Treasury, to consider the recommendations, discuss them with various stakeholders including banks, and advise him on the actions required. The economic crisis made it difficult for both the banks and the government to make progress as the focus shifted to economic sustainability. Standard Bank remains committed to working with the government to develop the proposals embodied in the recommendations. Numerous meetings were held between Standard Bank and the National Treasury in recent months where proposals were made and positively received by the National Treasury.

Outlook for 2010

In the domestic market, our economic outlook is cautiously optimistic. We adopted a more expansive position in the home loan and card divisions in the third quarter of 2009 as signs of an economic recovery slowly began to manifest and we will continue to monitor our lead indicators of economic activity. We expect non-performing loans to peak in the second quarter of 2010 and although we will cautiously increase our focus on good quality asset growth, we expect a muted increase in Personal & Business Banking lending for the year. The influx of foreign visitors to South Africa for the 2010 Soccer World Cup is likely to add some impetus to a turnaround in the personal and business banking market.

We support the debt review principles of the National Credit Act and our debt review department, created to address the needs of our customers availing themselves of debt counselling, has seen volumes increase substantially since June 2007. The way in which the debt counselling process has been implemented – with many interpretations of the act yet to be clarified – has created bottlenecks in the system, resulting in lengthy delays. During the debt counselling process, banks are unable to engage with customers to reschedule payment terms or, where deemed necessary, foreclose on assets to redeem unpaid debts. We continue to work closely with the authorities to improve the efficacy of the process for the good of our customers, the bank and the hitherto strong South African culture of debt repayment.

In the rest of Africa, our ongoing strategic investments have positioned us for the next phase of growth. We continue to focus on the good transactional banking and deposit gathering opportunities that these markets present and we will continue to strengthen our presence in markets with higher earning potential, while maintaining a strong focus on risk and debt management.

Our focus on customer service and internal efficiencies during 2009 has placed Personal & Business Banking in a good position to capitalise on opportunities that will arise from the likely economic recovery.

Corporate & Investment Banking

Rob Leith, chief executive: Global Corporate & Investment Banking

"Ongoing investment in organic growth in our chosen domestic markets and focus on cross-border opportunities between these markets have provided a stable and integrated platform for 2010." Rob Leith

Headline earnings down 6%
to R7 507 million

2008: R7 948 million

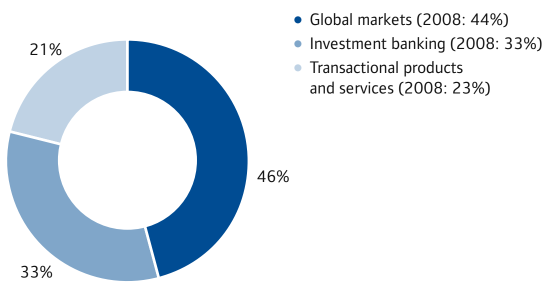
ROE
18,3%

2008: 22,1%

Credit loss ratio
0,73%

2008: 0,46%

Total income by product



Cost-to-income ratio
52,3%

2008: 50,6%

Corporate & Investment Banking delivered a robust performance in tough economic conditions with headline earnings down from a 2008 all-time high. Behind the headline earnings result was a strong income performance combined with continued investment in people and technology, hampered by credit impairments.

→ What we offer

Corporate & Investment Banking offers services to larger corporates, financial institutions and international counterparties in Africa and other emerging markets. A client-centric business model supports effective and personalised interaction with customers.

→ 2009 highlights

- Prudent risk management protected the bank from the impact of turbulent market conditions.
- Good growth in trading revenues achieved by capturing client flows and capitalising on global market volatility, within the group's risk parameters.
- High levels of credit provisions absorbed; single material losses avoided.
- International linkages successfully leveraged in a growing number of significant cross-border transactions.
- Angolan banking licence approved.
- Stanbic IBTC emerged from the Nigerian banking crisis as one of Nigeria's healthiest banks.
- Client-centric focus maintained.
- Investment in people and technology maintained.

→ Priorities in 2010

- Expand product capabilities and client franchise.
- Maintain a prudent approach to risk mitigation.
- Pursue investment opportunities to consolidate our strategic position in key markets.

Overview

Standard Bank's Corporate & Investment Banking division serves a wide range of clients around the world in their requirements for banking, finance, trading, investment and advisory services. In 2009, the division reported a commendable performance in a challenging international banking environment which saw the near collapse of liquidity and solvency in the global financial system and a domestic environment heavily impacted by the effect of the subsequent economic downturn on corporate customers. By maintaining a fine balance between the preservation of capital, liquidity and revenue growth, the division was able to absorb significant increases in provisions for non-performing loans.

Over the past two decades, Corporate & Investment Banking has evolved in line with the globalisation of capital markets and the growing sophistication of financing requirements in emerging markets. A strong track record and globally integrated core product expertise has positioned the bank to participate effectively in the development of capital markets in emerging economies.

The operating environment for Corporate & Investment Banking was extremely challenging as the consequences of the 2008 banking crisis and the subsequent economic downturn continued to impact financial systems around the world. As the effect of the economic downturn on the retail banking sector shifted to corporate customers, we heightened our risk management interventions, monitoring corporate clients with rigorous industry-specific analysis and review, and were proactive in seeking debt restructuring solutions for distressed customers to prevent material losses. In spite of extreme short-term financial constraints, we prioritised the capital raising needs of existing clients, particularly those in sectors critical to the maintenance of economic growth in South Africa.

Corporate & Investment Banking continued

Notwithstanding our rigorous focus on risk management, the full impact of the economic downturn resulted in our credit impairments more than doubling as a handful of customers moved rapidly into default.

Our financial performance in the rest of Africa was impacted by the challenging financial and economic environment, particularly in Nigeria. Our strategy of expanding in high-potential markets in Africa nevertheless remained on track during the year, with the award of a banking licence in Angola, the integration of the Stanbic CfC merger in Kenya and ongoing investment in skilled staff, technology and the infrastructure necessary to enable cross-border capability.

Our international business outside Africa was the most exposed area of the group to the global financial crisis but nevertheless delivered a stable performance in exceptionally challenging conditions, achieving a balance between prudent management of risk, capital and liquidity.

Corporate & Investment Banking's leading position in its selected product lines and geographic markets was recognised by numerous local and international accolades during the year. Key accolades included:

- Euromoney – Best Investment Bank in Africa, Best Investment Bank in Nigeria, Best Equity House in Africa.
- Global Trade Review – Best Trade Finance Bank in sub-Saharan Africa.
- Global Finance magazine – Best Investment Bank in Africa, Best Debt Bank in Africa, Best Investment Bank in Nigeria, Best Investment Bank in South Africa.
- Africa Investor – 2009 Best Africa Investor Analyst in the Banking Sector awarded to Stanbic IBTC Bank in Nigeria.

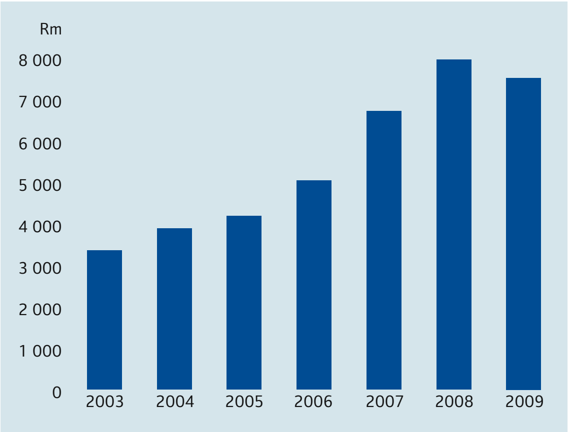
Standard Bank's participation in some of the largest projects undertaken in Africa was recognised by the award of three Project Finance magazine 2009 Deal of the Year awards:

- Africa Power Deal of the Year for Morupule B power station in Botswana.
- Africa Mining Deal of the Year for Paladin Energy Kayelekera Uranium Mine in Malawi.
- Africa Industrial Deal of the Year for Lafarge WAPCO-Lakatabu Expansion in Nigeria.

Financial performance

Corporate & Investment Banking delivered a robust performance in the tough economic conditions, with headline earnings down 6% to R7 507 million from an all-time high in 2008. An ROE of 18,3% (2008: 22,1%) was achieved.

Headline earnings
CAGR (2003 – 2009): 14%



Total income and headline earnings by product

	Total income		Headline earnings	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Global markets	**12 834**	11 581	**4 413**	3 512
Investment banking	**9 145**	8 634	**1 711**	2 683
Transactional products and services	**5 722**	6 002	**1 383**	1 753
Corporate & Investment Banking	**27 701**	26 217	**7 507**	7 948

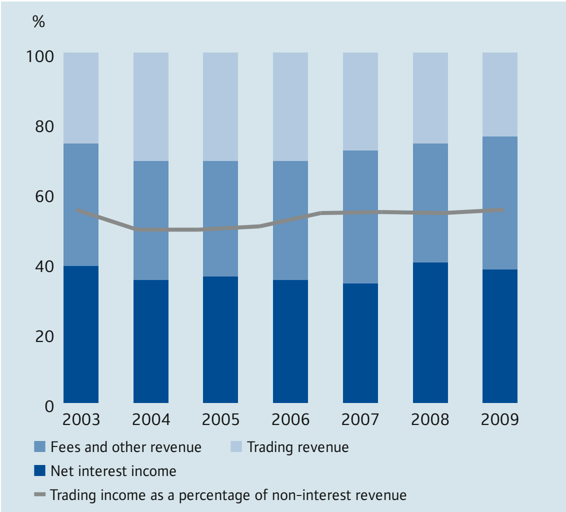
The global markets business had another excellent year, generating revenues of almost R13 billion, up 11% on the prior year. Throughout the year, we were an active market maker for our clients, particularly during the most volatile conditions. The increase in revenues was most notable in our business outside of Africa where we were well positioned to capitalise on market volatility and offer innovative hedging and risk management solutions to our emerging market clients. Credit trading performed particularly well across all regions by taking advantage of higher deal flow, lower interest rates and the introduction of new products. Commodities and foreign exchange reported stronger performances in the first half, partially offset by a slowdown in client activity and a decrease in volatility in the second half.

Investment banking had a tough start to the year following the active curtailment of business towards the end of 2008 due to market uncertainty. The second half of 2009 saw increased activity as corporates tentatively became more active. The year has ended with a healthy pipeline of new business.

Credit impairments in investment banking rose substantially during the year due to higher impairments for non-performing loans across all regions as the impact of the turmoil in credit markets spread into emerging markets. The highly collateralised nature of many of our more recent corporate non-performing loans results in a relatively lower gross coverage ratio.

Transactional products and services had a subdued year but continued to invest in skilled staff and infrastructure, particularly in the rest of Africa. Income was down primarily as a result of lower current account deposit balances in South Africa partially offset by an increase in transactional volumes in the rest of Africa.

Income contribution



Strategy

Our core strategy to develop a full service corporate and investment bank remains unchanged and is in different stages of implementation in all of the markets in which we operate.

Our strategy has two key focus areas: the first is our positioning as a leading African bank. The long-term growth potential of Africa affirms our strategic decision to invest in high-potential markets on the continent. The group's diverse business operations are strongly positioned to facilitate trade and originate financial transactions within Africa and between Africa and the rest of the world.

Our in-country operations in the rest of Africa serve a full range of corporate and investment banking needs of domestic clients, including the capacity to leverage large cross-border transactions in partnership with our businesses in London, South Africa and those we are building in other emerging markets such as China, Turkey, Brazil and with Troika Dialog Group (Troika) in Russia. These businesses have the necessary expertise and sector specialisation to provide a full-service corporate and investment offering to international clients who wish to invest in Africa.

The valuable opportunity that our strategic partnership with ICBC affords us in China and on the African continent is our second strategic focus area. The partnership has contributed to the positioning of Standard Bank Group as the African bank of choice to Chinese customers based in China and a preferred bank to Chinese customers based in Africa. During the year we received a USD1 billion five-year term funding facility with four major Chinese banks – ICBC (Macau), Bank of China, China Development Bank and China CITIC Bank. The facility, thought to be the largest of its kind for a South African borrower in the Asian market, shows the increased level of co-operation between Standard Bank and a number of leading Chinese banks, including ICBC. It will be used for general corporate purposes.

We concluded a number of significant cross-border transactions during the year, including major transactions with ICBC: the completion of a USD15 million cocoa financing transaction in Ghana, the largest soft commodity deal in Africa; and the provision of USD1,6 billion in project finance for the Morupule B power station expansion project in Botswana. The Morupule transaction, in particular, demonstrates our competitive advantages: by combining ICBC's large balance sheet and client network in China with Standard Bank's project finance expertise in Africa, treasury capacity in London and local market knowledge, we were able to conclude a major transaction that the individual parties involved could not have executed alone.

Consolidating our emerging markets presence

The implementation and refinement of our emerging markets strategy has been facilitated by significant ongoing investment in management, specialist product teams and infrastructure capacity in selected African and other emerging markets in recent years.

In November 2009, we were granted a banking licence in Angola, which opened the way for the bank to commence operations as a full-service bank in the country in mid-2010, with an emphasis on corporate and investment banking. Angola is an important market in Africa as it offers significant growth opportunities in the oil and gas, mining, agriculture and general commerce sectors.

Stanbic IBTC in Nigeria had a very difficult year given the challenging environment in that economy and in the banking sector. Stanbic IBTC remains one of the healthier banks in Nigeria due to the implementation of proactive and rigorous risk management processes. As a result, we are well placed to consolidate our presence in the high-growth potential west African market in 2010.

In September 2009, we received approval to finalise a strategic partnership with Troika which gives Standard Bank a 36% shareholding in the largest independent investment bank in Russia. We merged our existing banking activities in Russia with Troika to create an even stronger financial services provider, with a broad range of products and strong global reach. Since the announcement of the strategic partnership in March 2009, there has been significant progress in integrating their businesses, realising synergies inherent in their complementary offerings and leveraging new business opportunities. The Troika business will be strongly capitalised and able to deploy balance sheet strength for the benefit of clients.

In May 2009, we moved our headquarters for the Americas from New York to Sao Paulo, Brazil to position Standard Bank for future growth in Latin America's largest economy.

During the year, Standard Bank received a USD400 million line of credit from the International Finance Corporation, a member of the World Bank Group, to support trade in sub-Saharan Africa and address the shortage of trade finance resulting from the global financial crisis. In recent years, the bank has also developed relationships with global donor organisations USAID and The Global Fund to facilitate the distribution of funds to projects all over the world to combat HIV/Aids, malaria and tuberculosis. The bank provides financial and project management expertise as well as practical support and services to grant-receiving projects to ensure that funds reach recipients in a timely manner. While initiatives of this nature contribute to the improved efficiency and effectiveness of the donor funding process in Africa, they also position Standard Bank as the banker of choice to donor organisations and non-governmental organisations in Africa.

The year ahead

We anticipate a slow but sustainable economic recovery in 2010 and are well positioned to take advantage of opportunities in the market.

A focused business model and ongoing investments in our targeted emerging markets during the economic downturn have provided Standard Bank with a stable and sustainable platform for the next growth phase. However, we do anticipate a resurgence of competition in these markets as global banks that are emerging from the banking crisis seek the future growth potential that the BRIC and African emerging markets offer. We believe that our geographic footprint is largely established and therefore our focus in these markets will be ongoing organic growth of existing franchises, with a strong emphasis on leveraging our international capacity for cross-border transactions, and the pursuit of investment opportunities to consolidate our strategic position in key markets.

Wealth – Liberty

Bruce Hemphill, chief executive: Liberty Holdings

"Following a disappointing performance in 2009, our key domestic focus area for 2010 will be to grow our core insurance business by improving policyholder persistency and new business margins. We believe that this, together with the impact of corrective actions taken at Stanlib, growth in Liberty Africa, the development of Liberty health and the positive economic climate, positions Liberty favourably for the future." Bruce Hemphill

Headline earnings down 89% to R72 million[1]

2008: R641 million[1]

ROE
1,2%

2008: 12,8%

Third party assets under management
R200 billion

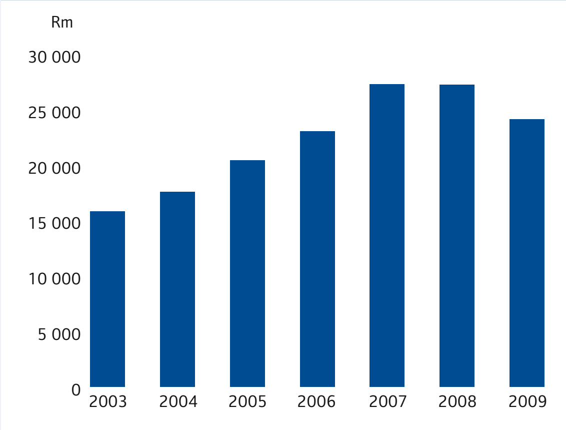
2008: R186 billion

[1] *Standard Bank's share.*

Normalised embedded value
R24 billion

2008: R27 billion

Normalised embedded value
CAGR (2003 – 2009): 7%



Liberty was heavily impacted by difficult operating conditions in the first half of the year but returned to profitability in the second half. A number of strategic initiatives implemented during 2009 have positioned Liberty for future growth.

→ What we offer

Standard Bank's wealth activities comprise the group's 54% investment in Liberty Holdings and a bancassurance joint venture with Liberty, which offers retail assurance and investment products, and short-term insurance. Liberty offers life insurance and investment and wealth management solutions to individual and corporate customers in selected African markets. In recent years, Liberty has expanded its focus from life insurance to broader wealth management, including life insurance, asset management, property, health and specialised wealth management. Liberty is expanding its reach in Africa and developing additional distribution channels to meet the changing needs of its customers.

For further detail on bancassurance activities, please refer to the Personal & Business Banking section starting on page 46.

→ 2009 highlights

- Stronger second half performance which offset the loss recorded at half year.
- Stanlib, Liberty Properties and African businesses produced solid results.
- Robust CAR cover of 2,81 times the minimum statutory requirement, testimony to improved market risk management.
- Risk management capabilities in line with global best practice are ensuring early alignment with Solvency II.
- Further progress achieved in diversifying product offerings, geographic market exposure and distribution channels.
- Acquisition of the insurance and wealth-related entities of CfC Stanbic Holdings in Kenya.

→ Priorities in 2010

- Strengthen core insurance business.
- Improve policyholder persistency.
- Grow new business margins.
- Pursue further growth in Liberty Africa and Liberty health.

Overview

The impact of the global financial crisis continued to be felt in the first quarter of 2009 with markets failing and consumers' disposable income remaining under pressure. As the year progressed, markets started to respond to the monetary and fiscal stimulus provided by governments and central banks, which led to a slow and cautious recovery in most world equity markets. Disposable incomes in South Africa remained under pressure even though the country returned to positive real GDP growth in the third quarter.

For Liberty, 2009 was an extraordinary year, the first half characterised by the cost of de-risking the balance sheet and the impact of significant declining persistency, leading to a loss for the six months to 30 June 2009. Liberty however returned to profitability in the second half of the year, mainly due to management action taken which resulted in no further deterioration in persistency trends and the improved local equity markets. The overall results for the year were nonetheless disappointing.

A strategic review of the business was conducted in the second half and consequently the business has been restructured to improve end-to-end ownership and accountability, particularly of distribution and product lines within the retail insurance business.

Progress continued in terms of diversifying the business, with Liberty health and Liberty Africa extending Liberty's product and service offerings into eight African countries outside of South Africa.

Liberty's strategy to improve balance sheet management utilising the group's risk appetite methodology has resulted in a substantial reduction in market risk. Although this has a negative impact on 2009's earnings this should result in reduced volatility in earnings going forward.

The restructured group, combined with the adoption and implementation of world class enterprise value and risk management, provides a solid foundation upon which to continue implementing the group's long-term strategy of diversifying the business in terms of product, services and geography.

Financial performance

The financial results reported for the wealth activities are the consolidated results of our 54% investment in Liberty Holdings Limited. Bancassurance results are included in Personal & Business Banking. Liberty reported normalised headline earnings of R135 million (2008: R1 175 million) for the year ended 31 December 2009. Of these headline earnings R72 million was attributable to Standard Bank (2008: R641 million). The year's performance can be best explained in two halves. Liberty reported a half year normalised headline loss of R1 207 million which included three significant and unrelated loss events, namely the R519 million impact of actions to reduce equity market risk, the required strengthening of assumptions in policyholder withdrawals, paid-ups and lapses of R685 million, and an unrealised loss of R531 million due to the rand's strength at 30 June 2009. The impact of improved investment markets combined with limited additional policyholder persistency

Normalised headline earnings – Liberty Holdings

	2009 Rm	2008 Rm
Retail insurance	**171**	1 255
Liberty corporate	**(7)**	152
LibFin	**(248)**	(67)
Stanlib	**360**	395
Liberty properties	**80**	64
Liberty Africa	**29**	(1)
Liberty health	**(65)**	
Other	**(185)**	(225)
Headline earnings	**135**	1 573
Attributable to minority shareholders in Liberty Group[1]		(398)
Normalised headline earnings	**135**	1 175

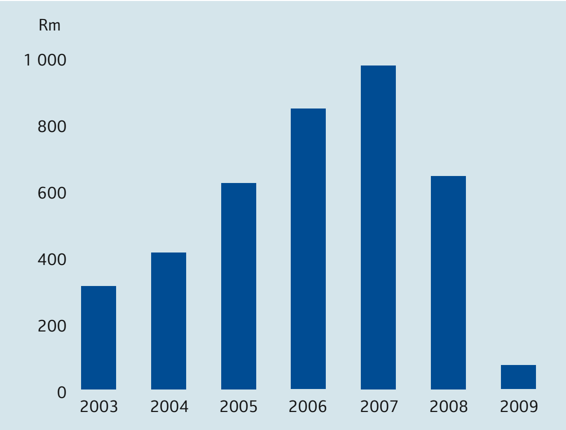
[1] *Until 1 December 2008, Liberty Holdings Limited owned approximately 51% of Liberty Group Limited.*

External assets under management

	2009 Rbn	2008 Rbn
Asset management – assets under management	**46**	59
Segregated funds	**43**	56
Properties	**3**	3
Wealth management – funds under administration	**154**	127
Single manager unit trust	**74**	64
Institutional marketing	**25**	18
Linked and structured life products	**23**	20
Multi-manager	**8**	6
Rest of Africa	**24**	19
Total external assets under management	**200**	186

assumption changes resulted in Liberty achieving second half normalised headline earnings of R1 342 million.

Headline earnings[1]



[1] *Standard Bank's share.*

The prevailing recessionary environment impacted the ability of the insurance operations to attract investment flows and total indexed new business at R4 412 million was 7,7% lower than 2008. Retail risk product sales held up relatively well, increasing by 8% on an indexed basis. The net cash flows of the asset management operations benefited from strong money market and dividend income fund flows. One of Stanlib's largest clients, the Public Investment Corporation, strategically moved a large component of its portfolio in-house. Excluding this withdrawal, asset management net cash inflows totalled R11,1 billion (2008: R13,4 billion). Earnings from South African asset management operations were 3,7% lower than last year, reflecting the lower average values of assets under management and reduced fee income. Cost discipline partially offset the lower fees.

Strategy

Wealth is the third pillar of the Standard Bank Group and, like Personal & Business Banking and Corporate & Investment Banking, has been organised to co-operate across business units and deploy its skills across the markets in which Liberty operates.

Standard Bank defined its wealth competencies in 2009 and established appropriate governance structures to enable the entities within the business unit to co-operate with other group entities.

Liberty offers a successful life assurance model that can be exported, particularly to developing economies with growing populations and increasing per capita wealth. There are significant synergies that exist between Liberty and Personal & Business Banking, largely as a result of the vital distribution capacity that Personal & Business Banking offers bancassurance activities. These and other potential areas of co-operation and profit enhancement are currently being investigated for further improvement.

A strategic review of Liberty was undertaken in response to the disappointing half year results. The review supported the creation of a structure that allows end-to-end ownership of clients and accountability for profitability of all key business areas, particularly within the core South African retail business. Accordingly, in December 2009, Liberty completed a restructure of the business into retail SA (including individual life and Stanlib retail), asset management and institutional (including properties, Stanlib institutional and corporate), Liberty Africa and business development.

The strategic review confirmed the importance of key initiatives, including the focus on the improvement of policyholder persistency and new business growth, the strengthening of balance sheet, capital and risk management and the pursuit of additional growth through diversification.

The management team is largely unchanged since 2006, but has been augmented with new talent in the key areas of risk management, retail SA and Liberty health. New board appointments have strengthened the group's insurance industry and actuarial expertise.

A review of Stanlib's management and the processes underpinning its investment approach was undertaken during the year. This led to a number of quality new senior appointments, an improvement in the research capability and investment processes. Stanlib maintained its reputation as the leading fixed income and money market provider, garnering seven Raging Bull awards in January 2010. These awards recognise top performers in the South African unit trust industry.

Wealth – Liberty continued

A business development division was established to drive Liberty's diversification strategy. Good progress was recorded with product and service offerings now extending into eight African countries outside South Africa. A key achievement in 2009 was the acquisition of the insurance and asset management entities of CfC Stanbic Holdings in Kenya. The CfC deal, which is expected to be approved by CfC shareholders shortly, enables Liberty to provide the full spectrum of wealth services in East Africa. In January 2010, Liberty acquired United Funeral Insurance in Namibia to support planned growth in Namibia and Botswana. In West Africa, Nigeria represents a significant opportunity. Liberty established its presence in the country with the acquisition of a 40% stake in THT, a Nigerian medical insurer with over 200 000 lives under administration, and will continue to explore other potential investments.

A high net worth proposition was formulated to improve the service and product offering to the traditional private banking segment.

The year ahead

As the global economy emerges slowly from recession, the economic outlook for 2010 is positive. However, there is uncertainty about economic stability in some developed economies.

Liberty's new operating structure, combined with the implementation of world-class enterprise-wide value and risk management, provides a solid foundation for the ongoing implementation of the business's long-term strategy of diversifying its product offerings, geographic market exposure and distribution channels.

Liberty's key domestic focus area for 2010 will be to grow the core insurance business by improving policyholder persistency and new business margins. This, together with the impact of corrective actions taken at Stanlib, growth in Liberty Africa, the development of Liberty health and the positive economic climate, positions Liberty favourably for the future.

Development of the synergies that exist between Liberty and Standard Bank Group is expected to contribute to growth in the longer term.

Abridged sustainability report

This summary sets out some of Standard Bank Group's non-financial performance. For a complete view of our sustainability performance, we refer stakeholders to the 2009 sustainability report which has been included with this report in electronic format. Alternatively stakeholders can access the 2009 sustainability report on our website at www.standardbank.com/sustainability which also contains information from previously published reports, and is structured according to stakeholder groups for ease of reference.

www.standardbank.com/sustainability

Highlights during 2009

R495 million spent on training and developing our employees bank-wide.

30 000 South African customers who have kept their homes through debt rehabilitation initiatives.

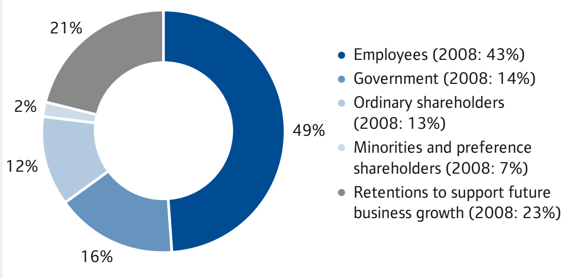
R1,6 billion invested in affordable housing projects in South Africa.

R113 million spent on corporate social responsibility creating long-term social value for the communities in which we operate.

R6,6 billion spent on maintaining and improving Standard Bank's information technology systems.

R737 million made available for lending to small-scale farmers in Africa over the next three years.

Value distribution



Managing sustainable development

Building sustainability thinking into the way the group does business is less about drastic changes in what we do and more about understanding the linkages between our own operations, the emerging markets communities in which we operate and global pressures.

In 2009, we formalised our sustainable development performance by creating a group sustainability management department headed by an experienced director, to lead the development of our sustainability strategy and to guide Standard Bank in dealing with pressing global challenges such as climate change, dwindling water resources and the need for higher economic and environmental efficiency. The department is responsible for facilitating and managing sustainability policy and reporting to stakeholders on sustainability issues such as:

- sustainable development;
- occupational health and safety;
- environmental management; and
- black economic empowerment.

Being accountable

As sustainability is a continuous journey, it is important to be accountable when reporting on objectives set in prior sustainability reports. The table below shows our progress made against objectives set in our 2008 sustainability report.

Key issues	Our 2009 objectives were to:	Progress
Connecting with our stakeholders	Develop key stakeholder mapping exercises for business units and improve our engagement with government.	✓
	Investigate and respond to the results of Heartbeat, our bankwide employee perceptions survey.	➜
Liquidity and capital	Maintain a prudent stance on managing market, credit and liquidity risks.	✓
	Continue developing scenarios to assess the impact of potential stress conditions on capital adequacy across portfolios.	✓
Our customers		
Indebtedness	Continue to implement rehabilitation measures and manage customers' debt through periods of financial distress.	✓
Customer satisfaction	*Personal & Business Banking in South Africa*: Refine programmes to measure customer satisfaction and experience, and centralise all escalated complaints into a single unit. *Liberty:* Continued to improve the end-to-end customer experience.	✓
Responsive products	Launch new products and services that meet customers' needs and are tailored to specific market segments.	✓
Information technology	Continue to replace dated systems with appropriate technology and develop an environment in which we can provide a consistent and uninterrupted level of service.	✓
Wealth products for emerging markets	*Liberty:* Create a differentiated service experience for unique market segments.	✓
Agriculture	Make financial services more accessible to small-scale farmers in Africa.	✓
Addressing trade finance in Africa	Promote trade finance as a core offering to African corporates.	✓
Donor funding	Explore further collaboration with the Global Business Coalition on projects within various African countries.	✓
Infrastructure funding	Continue to advise on and fund infrastructure projects and to work with development finance institutions to find solutions to the shortage of capital in Africa during the financial crisis.	✓

✓ *Achieved* ➜ *Still in progress*

Key issues	Our 2009 objectives were to:	Progress
Our people		
Leadership development	Create a graduate programme in our international operations.	✓
Talent management	Launch a new careers website in our international operations.	✓
Managing diversity	Launch a diversity committee in our international operations.	✓
Compensation and benefits	Allow retirement fund members in South Africa to choose their own investment portfolios.	✓
Employee wellness	Introduce the Liberty Health medical scheme to all operations outside South Africa.	➜
	Implement the telephonic managerial consultancy programme.	✓
Occupational health and safety	Introduce e-learning for occupational health and safety officials in all business units in South Africa.	✓
Code of ethics	Develop and roll out electronic awareness sessions focused on the code of ethics.	✓
	Implement ethics and fraud hotline incident reporting.	✓
Our communities	Formally adopt schools under the Department of Basic Education's Dinaledi Schools Programme.	✓
	Complete the delivery of learning kits to schools.	✗ Postponed due to focus on more pressing issues required by schools
Employee community involvement	*The Standard Bank of South Africa:* Increase the uptake of the employee community involvement programme, including developing volunteering programmes to involve our employees in our support of the Dinaledi Schools Programme.	➜
Our environmental impacts	Participate in developing an industry code of conduct for environmental risk management.	✓
	Ensure our credit processes cater for the provisions of the National Environmental Management Waste Act in South Africa.	✓
	The Standard Bank of South Africa: Undertake audits to ascertain our water consumption.	✗
	Enhance our waste management practices and address vendor compliance with associated regulatory requirements where applicable.	✓
Carbon finance	Develop and implement new products and structures to facilitate the financing of projects that reduce carbon emissions.	✓
Equator Principles	Complete the implementation of procedures to support the Equator Principles.	✓
	Align our environmental policy with the requirements of the principles.	✗ To be completed in 2010

✓ *Achieved* ➜ *Still in progress* ✗ *Not achieved in 2009*

Benchmarking our sustainability performance

Standard Bank and Liberty were included in the JSE's Socially Responsible Investment Index in 2009. Of the 109 companies assessed, 67 were included in the index. For the third consecutive year, Standard Bank was identified as a best performer in the low environmental impact category.

Standard Bank recorded an overall score of 64% in the Dow Jones Sustainability Index. While our overall score was above the global banking industry average of 51%, we did not meet the threshold for inclusion in the index. We have improved our environmental performance compared to previous years, scoring 40% compared to the industry average of 37%. Our scores for economic and social performance have decreased marginally. However, our scores remain above industry averages.

Distribution of wealth

The group created total wealth of R41 billion in 2009. Our employees have consistently shared in over 40% of this wealth through salaries, wages and other benefits over the past five years. Governments have benefited through taxes paid, directly and indirectly, across the geographies in which we operate. We have continued to provide returns to our shareholders through distributions, balanced against an appropriate percentage of capital retained to support the group's long-term growth and sustainability.

Black economic empowerment

2009 was the first year our transformation progress has been measured against the Codes of Good Practice for BBBEE in terms of the BBBEE Act (generic codes). An accredited external black economic empowerment (BEE) verification agent conducted an independent assessment of The Standard Bank of South Africa's (SBSA) performance in terms of the generic codes. We achieved an overall score of 77,62, qualifying as a level three contributor in a nine-level model. The scores per the individual categories are shown in the table below.

dti generic codes scorecard

	Target score	Audited results 2009
Ownership	20	13,98
Control	10	8,30
Employment equity	15	9,43
Skills development	15	8,54
Preferential procurement	20	17,37
Enterprise development	15	15,00
Socio-economic development	5	5,00
Total score	100	77,62

The generic codes provide a framework and balanced scorecard to measure transformation progress. However, they exclude two elements specific to transformation in the financial sector: access to financial services and empowerment financing. Given our belief that these elements are important drivers of economic transformation, SBSA has committed to continue delivering on the financial sector charter (charter) provisions in respect of these elements by establishing internal targets.

Our people

We recognise that our long-term sustainability is dependent on meeting our employees' expectations around leadership, remuneration, stimulating work, career development, fair employment practices, wellness and lifestyle support. Meeting these expectations are conditions of being an employer of choice, which we believe is necessary to improve employee retention and ensure the depth of skill and talent required to meet the needs of our customers and achieve our strategic goals.

Employee engagement survey

We commissioned the Heartbeat employee engagement survey in 2009 to provide employees with the opportunity to help shape the future direction of the bank and to highlight any concerns that might hinder the delivery of our business strategy. Heartbeat attracted responses from 33 995 employees, 67% of the group's global workforce. The questionnaire was translated into seven languages. The results from different business units and geographic regions showed that, despite diverse business challenges, employees share similar concerns and issues. They also indicated that employees are proud to work for the group, that they celebrate our diversity, connect in teams and hold colleagues in high regard.

Concerns raised by employees included lenient treatment of poor performance, difficulty in openly expressing views to management, the need to update IT systems and processes, as well as how pay and benefits link to performance. In some countries matching pay to performance, work-life balance and work schedules were also areas of concern.

The high-level findings were presented to employees across the bank and discussed in greater detail. The response to these connecting sessions was positive, with some 4 500 employees attending over 400 sessions.

Based on the feedback, the executive team has identified six enterprise-wide workstreams: leadership, business architecture, process and systems, competitiveness and innovation, people management and remuneration, and communications. Each workstream is being championed by an executive and progress will be regularly communicated to employees.

Skills development

We continue to support skills development under the auspices of the Business Leadership South Africa initiative.

Our environmental impact

Environmental management system

Standard Bank is in the process of implementing an environmental management system (EMS) which will enable us to track and manage environment-related aspects of our operations such as energy, water, carbon emissions and waste in South Africa.

This system will be expanded to include other sustainability-related areas such as the Equator Principles, occupational health and safety, and black economic empowerment. In 2009, 16 workshops were held with business units including facilities management, project finance and occupational health and safety to discuss the key aspects to be tracked and managed. We aim to have this system in place during 2010 and will ensure that it aligns to the requirements of ISO 14001. This will enable the bank to comply with ISO 14001 in future.

Equator Principles

Standard Bank has implemented relevant standards and procedures to support Equator Principles and all new project finance deals undertaken in 2009 were screened according to the Equator Principles. We trained some 70 employees in our operations in Johannesburg, Lagos, London and Sao Paulo as part of the Equator Principles implementation process and provided a detailed procedures manual. General awareness training sessions were also provided across relevant departments. Training sessions are planned for 2010 to raise the profile of the Equator Principles within credit and to introduce changes and improvements to current procedures.

Carbon disclosure project

In 2009, we again participated in the carbon disclosure project, an independent initiative encouraging transparency on all climate change-related issues and emissions performance. In our 2008 response, we only included our South African input when calculating our carbon emissions. In 2009, we expanded our SBSA scope to include the manager's car scheme for our South African employees and paper consumption.

We have also reported on Argentina's purchased electricity and business air travel, as well as the business air travel for eight African countries outside South Africa. These emissions are reported on our sustainability website.

Both Standard Bank's and Liberty's carbon footprint have been calculated according to the international greenhouse gas protocol's corporate accounting and reporting standard. Standard Bank's South African carbon dioxide equivalent for 2009 was 154 538 metric tons. In relation to SBSA's 2009 total income of R38,4 billion, the carbon dioxide per rand of total income generated equates to 4,0 grams. The carbon emission per employee equates to 6,9 tons. Liberty's estimated carbon dioxide equivalent for 2009 was 47 372 metric tons. In relation to Liberty's total income after policyholders' benefit of R10,4 billion, this equates to 4,6 grams of carbon dioxide emitted per rand of total income generated. The carbon emission per employee equates to 8,7 tons.

Environmental initiatives

- Standard Lesotho Bank drew up an *Easy Aid Guide* for its employees to increase their environmental awareness. The guide encourages employees to save electricity, employ double-sided printing and dispose of paper in the recycle bins provided. Furthermore, the bank auctions off old furniture and equipment to employees.

- As a major sponsor of Innibos, a music festival in Mpumalanga, South Africa, Standard Bank gave its support to the Innibos Green Ambassador initiative. We teamed up with pulp and paper company, Sappi, and their *War on Waste* recycling programme. We will be implementing a paper-recycling programme in selected branches in the region, with the view to expanding this throughout the province at a later stage.

- Standard Bank's London head office relocated to a new building during the year, and took the opportunity to introduce various initiatives to reduce its environmental impact. These include recycling points throughout the building, the use of recycled and recyclable disposable packaging in the staff café, installing fewer multifunction printing devices to reduce energy and consumables usage, and sensor taps in bathrooms to minimise water wastage.

- Standard Bank signed a carbon emissions reductions purchase agreement with Guodian Power Development Company Limited which operates three newly built hydropower plants in north-eastern China. Once the plants are registered under the United Nations Framework Convention on Climate Change, four million tons of CO_2 emission reductions are expected to be generated during the 21-year crediting period, with 320 000 tons of this being realised before 2013.

Case studies

Alliance for a Green Revolution in Africa

In March 2009, Standard Bank entered into a partnership with Alliance for a Green Revolution in Africa (AGRA) to increase farming productivity in Ghana, Mozambique, Tanzania and Uganda by providing finance and advice to small-scale farmers. The partnership aims to assist those involved in the food production chain and includes technical and business support, quality control of produce and help in applying for credit. AGRA supports all aspects of the African agricultural value chain, from seed, soil health and water to markets and agricultural education. AGRA is chaired by Kofi A Annan, former secretary-general of the United Nations. Initial support has been received from the Rockefeller Foundation and the Bill and Melinda Gates Foundation.

AGRA, Millennium Challenge Account, Mozambique and Kilimo Trust have provided a USD10 million loan guarantee fund and Standard Bank has made USD100 million available for lending over the next three years. The fund will create loan opportunities for smallholder farmers and small- to medium-sized agricultural businesses previously considered too high risk to qualify for credit.

Standard Bank's branches in the targeted countries have started processing loan applications from farmers and other agri-enterprises. We have also negotiated a risk share agreement with the Organisation of Petroleum Exporting Countries' fund for international development. This agreement will support Standard Bank's lending to smallholder agriculture in targeted countries.

Stanbic Bank Uganda is holding a series of meetings with customers to better understand the risks and opportunities within the Ugandan agricultural sector. Our partnership with AGRA and Kilmo Trust has created a USD25 million fund to finance Uganda's commercial farmers.

AGRA will also assist with training and mentorship of smallholder farmers. In addition, Standard Bank introduced risk mitigating tools such as minimum price contracts and weather index insurance to facilitate agricultural finance.

Trader market

The costs associated with traditional retail banking make it necessary to develop banking models that are low cost, scalable and replicable, but do not compromise the quality of service provided. Our pilot projects in Nigeria's trader markets follow successful banking models in India, which offer small, highly efficient IT-enabled branches. Our customers can complete forms, open accounts and be issued with a chip and pin card within a day, which allows them to transact at any branch or ATM in Nigeria.

Agents who operate on foot in the markets can collect deposits using a device that scans a customer's fingerprint as proof of identity. Because agents carry only small amounts of cash the risk of crime is reduced.

This pilot project has taught us valuable lessons. For instance, the high level of stability that exists in these markets, with some traders having operated there for decades, provides a stable customer base. Furthermore, our presence in the marketplace aids visibility and inclusiveness, which is highly necessary in building trust with customers who have never had access to financial services. We are looking at rolling out similar projects in other African countries.

Governance and risk management

Board of directors

Derek Cooper
CA (SA)
Appointed: 1993

Aged 69, is the independent non-executive chairman of Standard Bank Group and The Standard Bank of South Africa and is a non-executive director of Standard Bank Plc. He chairs the group/SBSA directors' affairs committees and group credit committee. He is a member of the group remuneration committee, group/SBSA risk and capital management committees, group transformation committee and SBSA large exposure credit committee.

Kaisheng Yang
Chinese Certified Public Accountant, Doctorate in economics (Wuhan University)
Appointed: 2008

Aged 60, is deputy chairman of Standard Bank Group. He is vice chairman and president of ICBC. He is chairman of ICBC Credit Suisse Asset Management Company. He serves on the group directors' affairs committee, group credit committee and group risk and capital management committee.

Saki Macozoma
BA (Unisa), BA (Honours) (Boston)
Appointed: 1998

Aged 52, is deputy chairman of Standard Bank Group and non-executive director of The Standard Bank of South Africa. He is chairman of Andisa Capital, Lliso Consulting, Liberty Group, Liberty Holdings and Stanlib. He is also deputy chairman of Safika Holdings and a director of various Safika subsidiaries, Tutuwa Strategic Holdings 2 and VW South Africa. He chairs the group transformation committee. He is a member of the group/SBSA directors' affairs committees, group credit committee, group remuneration committee and group/SBSA risk and capital management committees.

Jacko Maree
BCom (Stellenbosch), MA (Oxford), PMD (Harvard)
Appointed: 1997

Aged 54, is chief executive of Standard Bank Group and a director of The Standard Bank of South Africa, Standard Bank Plc, Liberty Group, Liberty Holdings, SBIC Africa Holdings, Stanbic IBTC Bank Plc, SBIC Investments S.A. and chairman of Standard International Holdings S.A. He is a member of the group credit committee, group transformation committee, SBSA large exposure credit committee, global Corporate & Investment Banking credit committee and global Personal & Business Banking credit committee.

Simon Ridley
BCom (Natal), CA (SA), AMP (Oxford)
Appointed: 2009

Aged 54, is an executive director of Standard Bank Group and The Standard Bank of South Africa. He is a director of Standard Bank Argentina S.A., Standard International Holdings, SBIC Africa Holdings, SBIC Investments S.A. and various other group subsidiaries. He is a member of the group credit committee, SBSA large exposure credit committee, global Corporate & Investment Banking credit committee and global Personal & Business Banking credit committee.

Doug Band
BCom (Wits), CA (SA)
Appointed: 1997

Aged 65, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He serves as a director on the boards of MTN Group and subsidiary companies and The Bidvest Group. He is a member of the group/SBSA directors' affairs committees, group credit committee, group remuneration committee, group/SBSA risk and capital management committees and the SBSA large exposure credit committee.

Richard Dunne
CTA (Wits), CA (SA)
Appointed: 2009

Aged 61, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He serves on the boards of Anglo Platinum, AECI and Tiger Brands. He was formerly chief operating officer of Deloitte southern Africa. He is a member of the group/SBSA audit committees and group/SBSA risk and capital management committees.

Thulani Gcabashe
BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)
Appointed: 2003

Aged 52, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Imperial Holdings. He is a member of the group/SBSA audit committees.

Sam Jonah KBE
ACSM, MSc, DIC, DSc (UK)
Appointed: 2006

Aged 60, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He serves as chairman of Jonah Capital. He is a director of Jonah Mining and director of Bayport Holdings, Bayport Management and Range Resources.

Sir Paul Judge
MA (Cambridge), MBA (Pennsylvania)
Appointed: 2003

Aged 60, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Schroder Income Growth Fund Plc. He is a director of Abraaj Capital, Isoworth Holdings, Oxbridge Capital, Eurasian Natural Resources Corporation Plc, Panoramic Lease, Tempur-Pedic International Inc. and Westminster Corporate Finance.

Koosum Kalyan
BCom (Honours) (Durban-Westville)
Appointed: 2007

Aged 54, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. She is chairman of Edgo Merap and a director of Kgontsi Holdings, MTN Group and subsidiary companies, South African Bank Note Company and South African Mint Company. She is a member of the group transformation committee.


Derek Cooper


Kaisheng Yang


Saki Macozoma


Jacko Maree


Simon Ridley


Doug Band


Richard Dunne


Thulani Gcabashe


Sam Jonah KBE


Sir Paul Judge


Koosum Kalyan

Yagan Liu
Chinese Certified Public Accountant, MA in Accounting (Beijing Technology Business University)
Appointed: 2008

Aged 36, is a non-executive director of Standard Bank Group. He is deputy general manager of ICBC, and a non-executive director of Seng Heng Bank. He serves as an alternate director to Kaisheng Yang on the group directors' affairs committee, group credit committee and group risk and capital management committee.

Rick Menell
MA (Cambridge), MSc (Stanford)
Appointed: 1997

Aged 54, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is a director of Gold Fields, Mutual and Federal Insurance Company and The Weir Group Plc. He is a member of the group remuneration committee and group/SBSA risk and capital management committees.

Kgomotso Moroka
BProc (University of the North), LLB (Wits)
Appointed: 2003

Aged 55, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. She is chairman and director of Gobodo Forensic & Investigative Accounting and a director of Fidelity Security Group, Multichoice South African Holdings, Network Healthcare Holdings, Schindler Lifts (SA), and South African Breweries.

Chris Nissen
BA (Honours), MA Humanities (Cape Town), Diploma in Theology
Appointed: 2003

Aged 51, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Boschendal and South Atlantic Fisheries (SAFCO). He is also a director of JCI, Sea Harvest Corporation and Woolworths Holdings. He is a member of the group transformation committee.

Fred Phaswana
BA (Unisa), BA (Honours) (Unisa), MA (Unisa), BCom (Honours) (RAU)
Appointed: 2009

Aged 65, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He chairs Anglo American South Africa and Anglo Platinum, and serves on the board of Naspers Investments. He is a member of the group/SBSA directors' affairs committees, group credit committee, group/SBSA risk and capital management committees, group remuneration committee and group transformation committee.

Cyril Ramaphosa
BProc (Unisa)
Appointed: 2004

Aged 57, is a non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of The Bidvest Group, Kangra Coal, MTN Group and subsidiary companies, Mondi Shanduka Newsprint, Shanduka Group and he is co-chairman of Mondi plc. He is a director of SABMiller Plc, Tutuwa Strategic Holdings 1 and Alexander Forbes. He is a member of the group/SBSA directors' affairs committees.

Myles Ruck
BBusSc (Cape Town), PMD (Harvard)
Appointed: 2002

Aged 54, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Standard Bank Argentina S.A. He is a director of Aveng, Mr Price Group, Shanduka Group and Thesele Group. He is a member of the group credit committee, group/SBSA risk and capital management committees and SBSA large exposure credit committee.

Martin Shaw
CA (SA)
Appointed: 2004

Aged 71, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is a director of Illovo Sugar, JD Group and Reunert. He is chairman of the group/SBSA audit committees and group/SBSA risk and capital management committees.

Lord Smith of Kelvin, Kt
CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)
Appointed: 2003

Aged 65, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Scottish and Southern Energy Plc and The Weir Group Plc. He is a member of the group/SBSA audit committees.

Ted Woods
BCom (Wits), MBA (Cape Town), CA (SA), CFA
Appointed: 2007

Aged 63, is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He was previously chief executive of Deutsche Bank in South Africa. He is chairman of the group remuneration committee and is a member of the group/SBSA audit committees.

Yagan Liu

Rick Menell

Kgomotso Moroka

Chris Nissen

Fred Phaswana

Cyril Ramaphosa

Myles Ruck

Martin Shaw

Lord Smith of Kelvin, Kt

Ted Woods

Corporate governance

Action programme in 2009

- Director education continued with the implementation of a revised programme.
- Ongoing group-wide roll out of revised Code of Ethics and training of personnel.
- Continued to ensure that governance structures satisfy evolving legislative and regulatory requirements.
- Chairman elect appointed to board and key risk committees.
- New management committee introduced to focus on the implications of evolving regulation and legislation for the organisation.
- Included on the JSE Socially Responsible Investment Index.
- Conducted an analysis of group practices in relation to the requirements of the new King Code of Corporate Practices and Conduct (King III).

Looking ahead to 2010

- Implement the requirements of King III.
- Continue to review regulatory and legislative developments to ensure the group is prepared to respond appropriately.
- In South Africa, prepare to implement the new corporate law regime, together with new or amended legislation relating to competition, privacy of information and consumer protection.
- Review internal governance structures to ensure new regulatory requirements are met.

Introduction

This corporate governance statement sets out the governance framework adopted by the board of Standard Bank Group Limited (the group) and highlights the key activities during the year.

In its approach to governance, the board embraces best practice principles based on the understanding that sound governance practices are fundamental to earning the trust of our stakeholders. This is critical to sustaining the group's success and preserving shareholder value.

In the year under review, the group complied with the King Code of Corporate Practices and Conduct (King II). The principles of King II provide the standards for the group's governance framework and practices, and those of its subsidiaries. In other jurisdictions, governance developments are monitored on an ongoing basis to ensure that local requirements are met.

The Standard Bank of South Africa Limited, which conducts the group's domestic banking operations, is a major subsidiary of the group as defined in the JSE Limited (JSE) Listings Requirements.

Liberty Holdings Limited (Liberty) is a significant subsidiary of the group, governed by specific regulatory and legislative requirements. Liberty's compliance with the relevant requirements is documented in its annual report (available at www.libhold.co.za).

The group's governance framework enables the board to fulfil its role of providing oversight and strategic counsel in balance with its responsibility to ensure conformance with regulatory requirements and risk tolerance. It also provides the parameters for delegating its authority.

Codes and regulations

Complying with all applicable legislation, regulations, standards and codes is an essential characteristic of the group's culture. The board monitors compliance by means of management reports, which include information on any significant interaction with key stakeholders, including various regulators.

The group welcomes the publication of King III. A management steering committee has been established to analyse its requirements and ensure that the group's structures are appropriately adjusted for implementation in the coming months.

The Banking Association of South Africa has drawn up a Code of Banking Practice (Code), endorsed by all its members, to provide safeguards for consumers. Educational material on the Code, published by Bankseta, has been adapted to be specific to Standard Bank.

The group has recently established a management committee to consider the implications of potential and new legislation and regulations on the group and ensure oversight of implementation where relevant.

Standard Bank Group became a signatory to the Equator Principles in February 2009. Adopting the Equator Principles solidifies the group's commitment to socially responsible and sound environmental management in project finance. The Equator Principles provide an international benchmark and "code of conduct" that requires borrowers to evaluate and actively avoid, manage or mitigate the social and environmental impact of projects in order to access financing. The group has appointed a specialist in project finance to manage the implementation of the Equator Principles and oversee the assessment process globally. We also have relationships with independent environmental and social consultancies to assist with elements of the process, in particular project assessments.

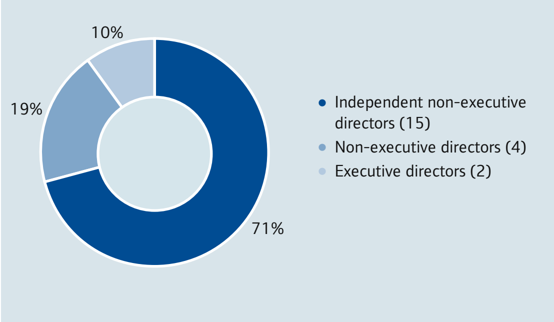
Board and directors

Board structure and composition, including independence classification

The board of directors, elected by the shareholders, is the group's highest decision-making body and is ultimately responsible for governance. The group has a unitary board structure and the roles of chairman and chief executive are separate and distinct. The chairman is an independent non-executive director. The majority of directors on the board are independent non-executive directors. The number and calibre of independent non-executive directors on the board ensures that board decision-making is sufficiently informed by independent perspectives.

The independence of the board members is evaluated by the directors' affairs committee, which classifies the independence of directors in terms of the definitions in King II. The committee is also guided by the requirements for independence set out in the Companies Act of 1973 in relation to members of the audit committee.

Board structure and composition



A number of directors have served on the board for more than three terms, namely Derek Cooper, Doug Band and Rick Menell. After duly considering their individual circumstances and contributions, the board has concluded that these directors are able to act independently and fulfil their duties irrespective of their tenure.

Arising from their respective interests in the group's strategic empowerment partners, Safika and Shanduka, Saki Macozoma and Cyril Ramaphosa are not considered to be independent. Kaisheng Yang and Yagan Liu, the non-executive directors representing ICBC, the group's largest shareholder, are also not considered to be independent.

Retirement

Elisabeth Bradley retired as an independent non-executive director after the AGM on 28 May 2009.

Derek Cooper will retire on 27 May 2010. He was originally appointed to the board of The Standard Bank of South Africa Limited in 1986. He has served on the board of Standard Bank Group Limited since 1993. He was appointed deputy chairman in 1999 and chairman in January 2001. He also served on the boards of Liberty Holdings Limited and Liberty Group Limited from May 1995 to December 2008.

Martin Shaw will retire on 27 May 2010. He was appointed to the boards of The Standard Bank of South Africa Limited and the Standard Bank Group in July 2004. He became chairman of the audit, and the risk and capital management committees in May 2005. He also served on the boards of Liberty Holdings Limited and Liberty Group Limited from March 2002 to December 2008.

Succession planning

Succession planning is a key focus of the directors' affairs committee which, on an ongoing basis, considers the composition of the board and its committees to ensure continued effectiveness. During the year, significant focus was given to the succession of the board chairman and chairman of the audit, and risk and capital management committees. Successors for all three of these positions were duly recommended by the directors' affairs committee and considered by the board. Fred Phaswana was appointed as chairman elect to assume the role of chairman when Derek Cooper retires. Richard Dunne was appointed as a director and will become the chairman of the group audit committee when Martin Shaw retires. The appointments of Fred Phaswana and Richard Dunne are subject to their election by shareholders at the AGM. Myles Ruck will assume the role of chairman of the group risk and capital management committee on the retirement of Martin Shaw.

As part of the board's responsibility to ensure that effective management is in place to implement group strategy, management succession planning is an ongoing consideration. The board is satisfied that the current pool of talent available within the group and the work being done to strengthen the talent pool provides adequate succession depth for both the short and long term.

Skills, knowledge, experience and attributes of directors

Directors possess the skills, knowledge and experience necessary to fulfil their duties and bring a balanced mix of attributes to the board, including:

- domestic and international experience;
- operational experience;
- knowledge and understanding of both macroeconomic and microeconomic factors affecting the group; and
- financial, legal, entrepreneurial and banking skills.

The credentials and demographic profile of the board are regularly reviewed by the directors' affairs committee to ensure the board's composition remains strategically and operationally appropriate.

Access to information and resources

Regular interaction between the board and executive management is encouraged and the group executive committee members attend all board meetings. The full board, including the executive directors, meets without other management in closed sessions at each board meeting. Employees are invited when required to make presentations on proposals for consideration by the board.

Directors are provided with unrestricted access to group management and company information, as well as the resources required to carry out their roles and responsibilities. This includes external legal and other professional advice at the group's expense.

Board committees facilitate the discharge of the board's responsibilities. The committees each have a mandate that is regularly reviewed and approved by the board. Details of how these committees operate follow.

Appointment policy

The board regularly reviews the group's nominations and appointments policy. The policy is aligned with all necessary legislation and regulations that include, but are not limited to, the requirements of the Companies Act, Banks Act and JSE Listings Requirements.

The policy sets out the process for the nomination and appointment of directors and key executives. There is a formal process for the appointment of directors. Information is provided to shareholders of the director's education, qualifications, experience and other directorships. In terms of the policy, executive management requires permission to be appointed to external boards. This reduces the potential for conflicts of interest and helps to ensure that management is able to devote sufficient time and focus to group business.

In accordance with the policy, the board takes cognisance of the knowledge, skills and experience of prospective directors, as well as other attributes considered necessary for the role. The board also considers the need for demographic representation when making a new appointment. Furthermore, candidates are subject to a "fit and proper" enquiry, as required by the Banks Act and the JSE.

Board responsibilities

The key terms of reference in the board's mandate, which define its responsibilities, include the following:

Strategic

- agree the group's objectives, strategies and plans for achieving those objectives;
- establish and review annually, and approve major changes to, relevant group policies;
- approve capital funding for the group, and the terms and conditions of rights or other issues and any prospectuses in this regard;
- ensure that an adequate budget and planning process exists, measure performance against budgets and plans, and approve annual budgets for the group;
- approve significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances entered into by the group;
- consider and approve the group's political party funding policy;

Financial

- ensure that the audit committee is effective and independent;
- consider and approve any significant changes proposed in accounting policy or practice, and consider the recommendations of the group audit committee;
- consider and approve the annual financial statements and the sustainability report, results and distribution announcements and notices to shareholders, and consider and agree the basis for considering the group to be a going concern as per the recommendation of the group audit committee;

Risk and compliance

- ensure that an effective risk management process is in place;
- consider and approve liquidity limits and capital expenditure;
- assume ultimate responsibility for financial, operational and internal systems of control, and ensure adequate reporting on these by respective committees;
- consider the effectiveness of internal controls;
- take ultimate responsibility for regulatory compliance and ensure that reporting to the board is comprehensive;

Stakeholders

- ensure a balanced and understandable assessment of the group's position in reporting to stakeholders;
- monitor management and stakeholder relations;

General governance

- review annually the corporate governance process and assess achievement against objectives;
- delegate to the chief executive or any director holding executive office or any senior executive any of the powers, authorities and discretions vested in the directors, including the power of subdelegation;
- delegate similarly such powers, authorities and discretions to any committee and subsidiary company boards as may exist or may be created from time to time;
- determine the terms of reference and procedures of all board committees, review the board's and the committees' mandates annually and review their reports and minutes;
- consider and evaluate reports submitted by members of the executive;
- review and monitor the performance of the chief executive and executive management;
- ensure consideration is given to succession planning for the board, chief executive and executive management;
- consider the remuneration of non-executive directors on the board and board committees, based on proposals made by the group remuneration committee, and make recommendations to shareholders for approval;
- review non-financial matters that have not been specifically delegated to a committee; and
- agree specifically, from time to time, matters that are reserved for its decision, retaining the right to delegate any of these matters to any committee in accordance with the articles of association.

Strategy

The board has overall responsibility for strategy. The setting of group strategy is presented by management annually and discussed and agreed with the board. The board ensures that the strategy takes account of any associated risks and is aligned with the group's values.

Once the financial, governance and risk objectives for the following year have been agreed, the board monitors performance against these objectives on an ongoing basis. Financial performance is monitored through quarterly reports from management, and governance and risk are monitored by the directors' affairs committee and the relevant risk committees respectively, and reviewed by the board.

Delegation of authority

The board retains effective control through a well-developed governance structure that provides the framework for delegation. Board committees provide in-depth focus on specific areas of board responsibility. The board delegates authority to the chief executive and executive directors to manage the business and affairs of the group. The group executive committee assists the chief executive when the board is not in session, subject to statutory parameters and the board's limits on the delegation of authority to the chief executive. The group governance office monitors board-delegated authorities.

The group executive committee is set out on pages 44 and 45. The group's corporate governance framework, which shows board and executive management reporting lines, is set out on page 79. The group's risk management structure is set out in the risk management section, starting on page 98.

Board meetings

The board meets once a quarter with an additional annual meeting to consider the group strategy. Ad hoc meetings are held when necessary. The attendance of the members of the board of directors is set out on the next page.

Board of directors – meeting attendance

Member	Mar	May	Aug	Oct	Dec
DE Cooper (chairman)[1]	√	√	√	√	√
Kaisheng Yang (deputy chairman)[2]	√	√	√	√	√
SJ Macozoma (deputy chairman)[2]	√	√	√	√	√
DDB Band[1]	√	√	√	√	√
E Bradley[1, 3]	√	√	–	–	–
TS Gcabashe[1]	√	√	√	√	√
SE Jonah KBE[1]	√	√	√	A	√
Sir Paul Judge[1]	√	A	√	√	√
KP Kalyan[1]	√	√	A	√	√
Yagan Liu[2]	√	√	√	√	√
JH Maree[4]	√	√	√	√	√
RP Menell[1]	√	√	√	√	√
KD Moroka[1]	√	√	√	√	√
AC Nissen[1]	A	√	√	√	√
MC Ramaphosa[2]	√	√	A	√	√
SP Ridley[4, 5]	√	√	√	√	√
MJD Ruck[1]	√	√	√	√	√
MJ Shaw[1]	√	√	√	√	√
Lord Smith[1]	√	√	√	√	√
EM Woods[1]	√	√	√	√	√

[1] *Independent non-executive director.*
[2] *Non-executive director.*
[3] *Retired 28 May 2009.*
[4] *Executive director.*
[5] *Appointed 30 June 2009, attendance at meetings prior to that only in capacity of invitee.*
√ = Attendance
A = Apology
– = Not applicable

Board effectiveness and evaluation

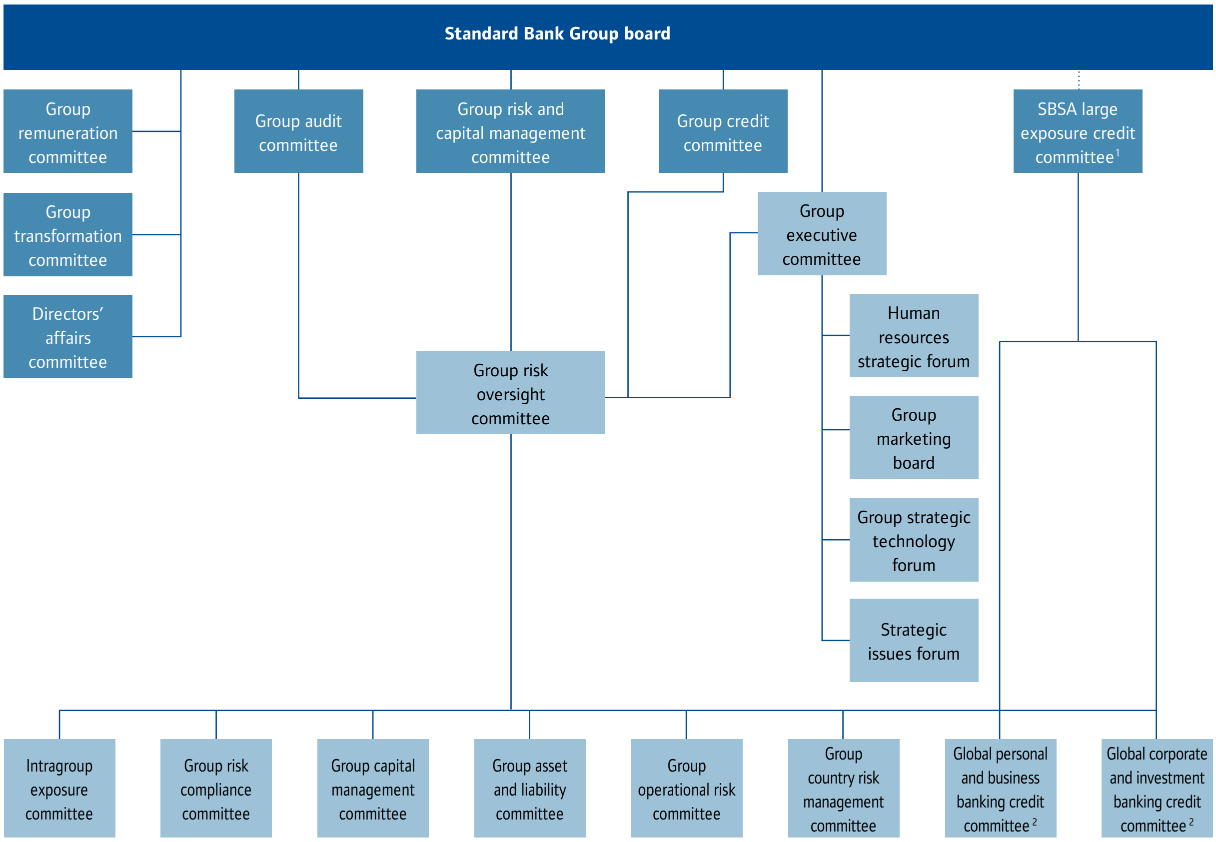
The board measures its effectiveness in a number of ways. Its performance and that of its committees is assessed annually against their respective mandates. The findings of this assessment are reported to the directors' affairs committee, and reviewed by the external auditors.

The directors' affairs committee considers methods of evaluating performance and makes recommendations to the board on how best to determine the efficacy of the board and its committees. The aim of these evaluations is to assist the board and committees to constantly improve their effectiveness by addressing areas needing improvement and providing directors with the necessary training.

The board assessed the performance of its committees in 2009. Each committee considered the findings reported to the board by the chairman at the board meeting held on 3 March 2010. The evaluations assessed performance in terms of structure, process and effectiveness. Individual questionnaires were completed, the results tabulated, and feedback discussed by each committee. No major areas of concern were highlighted other than the board's increasing information needs. In 2010, focus will be given to meeting this need through an extensive ongoing board education programme.

The performance of the group chairman and chief executive is assessed annually, and their remuneration determined accordingly. The remuneration report can be found starting on page 86.

The directors' affairs committee also reviews the group's corporate governance and risk objectives for the year ahead and makes recommendations to the board in this regard. The board performs an annual assessment of the group's corporate governance performance and risk management which is measured against its objectives for the year, in line with banking regulations. The assessment for the period under review found that the group had materially achieved its corporate governance and risk management objectives.



[1] *This is an SBSA committee and considers South African large exposures.*
[2] *Designated committee of the board for purposes of approving credit models.*

Board committee
Management committee

Education and induction

Ongoing board education remains a focus. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the group and its operations. During the year, the structure and content of the education programme for directors was reviewed and a new programme was implemented. Additional time has been scheduled outside of board meetings to run dedicated sessions highlighting key issues for the board and its committees. This programme is supplemented by external courses where necessary.

On appointment, each new director receives a governance manual that includes all relevant governance information such as mandates, management structures, significant reports, important legislation and policies. In addition, one-on-one meetings are scheduled with management to introduce new directors to the company and its operations. The group secretary is responsible for the induction and ongoing education of directors.

Board committees

As indicated, board committees operate in terms of mandates reviewed and approved by the board on an annual basis. A mandate sets out the role, responsibilities, scope of authority, composition and procedures for reporting to the board, to be followed by a board committee. All board committee mandates have been reviewed to take into account amendments to relevant legislation. These mandates will be amended again in 2010 to take into account the requirements of King III, where applicable.

Group audit committee

Member	Feb	Mar	Apr	May	Aug	Oct	Dec
MJ Shaw (chairman)	√	√	√	√	√	√	√
E Bradley[1]	√	√	√	√	–	–	–
TS Gcabashe	√	√	√	√	√	√	√
Lord Smith[2]	√	√	√	√	√	√	√
EM Woods	√	√	√	√	√	√	√

[1] *Retired 28 May 2009.*
[2] *Appointed 1 January 2009.*
√ = Attendance
– = Not applicable

The role of this committee is to review the group's financial position and make recommendations to the board on all financial matters, risks, internal financial controls fraud, and IT risks relevant to financial reporting. This includes assessing the integrity and effectiveness of accounting, financial, compliance, sustainability and other control systems. The committee also ensures effective communication between the board, management, internal auditors, external auditors and regulators. The committee's terms of reference set out various categories of responsibilities which include:

- reviewing and approving the group external audit plan with the joint auditors, with specific reference to the proposed audit scope, approach to group risk activities and the audit fee;
- assessing annually the work done by the external auditors to ensure their independence and effectiveness;
- meeting with external auditors to discuss audit findings and consider detailed internal audit reports with the internal auditors;
- overseeing the appointment of external auditors, their terms of engagement and fees;
- evaluating annually the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system;
- considering the appointment or dismissal of the head of internal audit and compliance;
- reviewing the accounting policies adopted by the group and all proposed changes in accounting policies and practices;
- considering the adequacy of disclosures and the reasons for fluctuations in ratios reported in published documentation;
- reviewing the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management;
- reviewing significant differences of opinion between management and the internal audit function and reporting such differences;
- reviewing the group compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the group, as well as ensuring that the group's policy complies with relevant regulatory and legal requirements;
- ensuring compliance with all legal, regulatory and accounting standards;
- monitoring ethical conduct;
- monitoring the relationship between external auditors and the company;
- remaining up to date with regulations and new developments in reporting; and
- reviewing and making recommendations on any potential conflicts of interest which are of a material nature.

The committee comprises solely independent non-executive directors. Richard Dunne was appointed to the committee on 3 December 2009.

The group has a formal policy on non-audit fees. The purpose of this policy is to ensure that the independence and objectivity of the auditors is not impaired in conducting the audit. Non-audit services are approved by the group audit committee in terms of the policy and reported to the committee on a quarterly basis. The committee chairman approves on a case by case basis all significant services outside the scope of the pre-approved audit plan, and any engagements beyond a threshold amount are subject to approval by the committee. The independence of the auditors and availability of alternative service providers are key factors in granting approval. The split between audit fees and fees for non-audit services is set out on page 280.

The group audit committee has complied with its mandate for the year under review.

Group risk and capital management committee

Member	Mar	May	Aug	Nov
MJ Shaw (chairman)	√	√	√	√
DDB Band	√	√	√	√
DE Cooper	√	√	√	√
Yagan Liu[1]	√	√	√	√
SJ Macozoma	√	√	√	√
RP Menell	√	√	√	√
MJD Ruck	√	√	√	√
Kaisheng Yang	√	√	√	√

[1] *Alternate to Kaisheng Yang.*
√ = Attendance

The board is ultimately responsible for risk management. The main purpose of the group risk and capital management committee is to provide independent and objective oversight of risk management within the group. The committee is assisted in fulfilling its mandate by a number of management committees.

To achieve oversight, the committee reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are managed effectively and contribute to a culture of discipline and control that reduces the opportunity for fraud.

Richard Dunne and Fred Phaswana were appointed to the committee with effect from 3 December 2009.

The group risk and capital management committee complied with its mandate for the year under review.

The risk management report, which sets out the framework for risk and capital management in the group, can be found starting on page 98.

Group credit committee

Member	Mar	May	Aug	Nov
DE Cooper (chairman)	√	√	√	√
SS Assalini[1]	√	√	√	A
DDB Band	√	√	√	√
AG Gain[1]	√	√	√	√
RC Irvine[1, 2]	–	√	√	√
Yagan Liu[3]	√	√	√	√
SJ Macozoma	√	√	√	√
JH Maree[1]	√	A	√	√
SP Ridley[1]	√	√	√	√
MJD Ruck	√	√	√	√
PJ Smith[1]	√	√	√	√
SK Tshabalala[1]	√	A	√	√
Kaisheng Yang	√	√	√	√

[1] Executive member.
[2] Appointed 21 May 2009.
[3] Alternate to Kaisheng Yang.
√ = Attendance
A = Apology
– = Not applicable

The role of this committee is to ensure that effective frameworks for credit governance are in place across the group. This involves ensuring that all credit committees within the group operate according to clearly defined mandates and delegated authority, and providing for the adequate management, measurement, monitoring and control of credit risk, including country risk. The committee reports to the group audit committee on group credit portfolios, adequacy of provisions and status of non-performing loans. It does not approve individual credit applications which remains within the ambit of the business unit credit committees. Further detail on the management of credit risk is set out in the risk management report starting on page 114.

In addition, the large exposure credit committee, a committee of SBSA, approves credit facilities in accordance with regulatory requirements applicable to SBSA. The committee's composition is based on guidance received from the regulator and includes at least three non-executive directors as well as SBSA's chief executive, chief financial officer, chief risk officer and head of credit risk.

Fred Phaswana was appointed to the committee with effect from 3 December 2009.

The group credit committee complied with its mandate for the year under review.

Directors' affairs committee

Member	Mar	May	Aug	Aug	Sep	Nov
DE Cooper (chairman)	√	√	√	√	√	√
DDB Band	√	√	√	√	√	√
E Bradley[1]	√	√	–	–	–	–
Yagan Liu[2]	√	√	√	√	√	√
SJ Macozoma	√	√	√	R	√	√
MC Ramaphosa[3]	–	–	–	–	√	√
Kaisheng Yang	√	√	√	√	√	√

[1] Retired 28 May 2009.
[2] Alternate to Kaisheng Yang.
[3] Appointed 1 September 2009.
√ = Attendance
R = Recused himself
– = Not applicable

This committee assists the board in determining and evaluating the adequacy, efficiency and appropriateness of corporate governance structures and practices within the group. The directors' affairs committee also functions as the nominations committee for directors of the group and its role is to identify, evaluate and recommend nominees to the board and board committees, to ensure that the board is able to fulfil its mandated obligations. The committee considers the appropriate size, skills, experience, diversity and demographics of the board when making new appointments. The committee assesses the effectiveness of the board by evaluating its performance and that of its committees against the committee's respective mandates.

The committee oversees the induction, development and training of directors.

The directors' affairs committee is responsible for considering and approving share awards to black managers in terms of the group's Tutuwa initiative.

Cyril Ramaphosa was appointed to the committee with effect from 1 September 2009 and Fred Phaswana was appointed to the committee with effect from 3 December 2009.

The directors' affairs committee complied with its mandate for the year under review.

Group transformation committee

Member	Feb	May	Aug	Nov
SJ Macozoma (chairman)	√	√	√	√
DE Cooper	A	√	A	√
KP Kalyan[1]	–	–	–	√
JH Maree[2]	√	√	√	√
AC Nissen	√	√	√	√
SK Tshabalala[2, 3]	–	√	√	A

[1] Appointed 1 September 2009.
[2] Executive member.
[3] Appointed 19 May 2009.
√ = Attendance
A = Apology
– = Not applicable

This committee oversees the group's transformation initiatives and provides guidance on appropriate approaches. The committee monitors transformation developments on an ongoing basis to ensure compliance with evolving legislation and related regulations. A key focus is the monitoring of progress against targets. During the year the committee was kept abreast of developments in relation to industry codes and the process of aligning the dti codes of good practice for BBBEE, with the financial sector charter.

Fred Phaswana was appointed to the committee with effect from 3 December 2009.

The transformation committee complied with its mandate for the year under review.

Group remuneration committee

Details of this committee and a report on its activities are set out in the remuneration report starting on page 86.

Group secretary

The role of the group secretary is to ensure the board remains cognisant of its duties and responsibilities. In addition to guiding the board on discharging its responsibilities, the group secretary keeps the board abreast of relevant changes in legislation and governance best practices. The group secretary oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors. All directors have access to the services of the group secretary.

Going concern

On the recommendation of the group audit committee, the board annually considers and assesses the going concern basis in the preparation of financial statements at year end. At the interim reporting period, a similar process is followed to enable the board to consider whether or not there is sufficient reason for this conclusion to be affirmed.

Relationship with shareholders

Ongoing, effective communication with shareholders is part of the group's fundamental responsibility to create shareholder value. In addition to the ongoing engagement facilitated by the investor relations department, the group chairman encourages shareholders to attend the annual general meeting where interaction is welcomed. The chairmen of the group's audit and remuneration committees are available at the meeting to respond to questions from shareholders. Voting at general meetings is conducted by ballot rather than a show of hands. The group proposes separate resolutions on each issue put forward to shareholders. The results of voting are released on SENS (the JSE's electronic news service).

In line with our attempts to reduce costs, during the year shareholders who still hold shares in certificated form were encouraged to receive annual and interim reports and dividend announcements in electronic format.

For more information on our relationship with shareholders, please refer to our sustainability website at www.standardbank.com/sustainability.

Connecting with our stakeholders

Our relevance to the markets and societies in which we operate depends on continued engagement with all our stakeholders.

Stakeholder management at Standard Bank Group involves the optimal employment of the organisation's resources to build and maintain good relationships with our stakeholders. This helps us to manage the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

The stakeholder relations management unit focuses on promoting good corporate citizenship, building trust and positioning group leadership appropriately. Numerous stakeholder engagement initiatives took place during the year. More information on these initiatives can be found in the Standard Bank Group's 2009 Sustainability Report available at www.standardbank.com/sustainability.

Dealing in securities

In line with its commitment to conducting business professionally and ethically, the group has policies that restrict dealing in securities by directors and employees. A personal account trading policy and directors' dealing policy are in place to prohibit employees and directors from trading in securities during closed periods, which are in effect from 1 June to the publication of the interim results, and from 1 December to the publication of final results. During other periods, where employees are in possession of price sensitive information, closed periods are imposed on these employees. Compliance with the policies is monitored on an ongoing basis.

Certain nominated employees are prohibited from trading in designated securities due to the price sensitive information they may obtain by virtue of their positions.

Sustainability

The sustainability report aims to provide a balanced analysis of our sustainability performance in relation to issues that are relevant and material to the group and to our stakeholders. The report is guided by the global reporting initiative's (GRI) G3 sustainability reporting guidelines and we have reported against the indicators in the GRI financial services sector supplement. We have reported at a B+ level in terms of the GRI G3 guidelines. The report provides:

- → an overview of the group's sustainability performance in 2009;
- → an overview of stakeholder interaction during the year;
- → material issues pertaining to business units and issues affecting the organisation as a whole; and
- → performance indicators as per the GRI G3 sustainability reporting guidelines and relevant statistical information.

The sustainability report was assured by an external assurance provider and internally by group internal audit.

In the 2009 annual report, we have provided certain sustainability information in the relevant sections of the annual report as well as provided a brief summary of the group's sustainability performance for 2009, which can be found starting on page 63. Printed copies of the sustainability report can be obtained from the group secretary. Alternatively, we encourage our stakeholders to visit our sustainability website at www.standardbank.com/sustainability which provides more detail on the group's sustainability performance.

Ethics and organisational integrity

The group's code of ethics is designed to empower employees and enable effective decision-making at all levels of our business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, we adhere to the highest standards of responsible business practice. The code interprets and defines Standard Bank Group's values in greater detail and provides value-based decision-making principles to guide our conduct. It is aligned with other group policies and procedures, and supports the relevant industry regulations and laws.

The group chief executive and group ethics officer are the formal custodians of Standard Bank Group's code of ethics and are ultimately responsible for its implementation. In 2009, we participated in the South African corporate ethics indicator survey, which involved an assessment of our ethics practices and progress. This survey allows us to benchmark our ethics approach and performance, and identify our strengths and weaknesses, providing guidance on areas of focus for future action. Ethics incidents are reported via the ethics and fraud hotline, human resources department, risk department and business unit ethics officers.

Reported incidents include fraud, human resources-related issues such as harassment, and ethical dilemmas in procurement and interpersonal relationships. Ethics incident reporting to the group audit committee is in the process of being refined.

Transformation

Codes

From 2003 until the end of 2008 the framework for advancing transformation and equitable growth in the South African financial sector was the charter. Although widely endorsed, the charter was a voluntary framework in terms of section 12 of the BBBEE Act, and was not legislated.

The process envisaged to convert the voluntary status of the charter to that of a sector code has been unsuccessful to date as certain issues remained unresolved among industry stakeholders, specifically around ownership provisions. While Standard Bank and other charter participants have remained committed to resolving these issues, little progress had been made by the end of the transitional period. Despite renewed efforts during the year by the departments of finance and trade and industry, no resolution has been reached. Nonetheless, we will continue to engage with all relevant stakeholders to find common cause and resolve the impasse.

The Department of Trade and Industry (dti) codes provide a generic framework and balanced scorecard to measure transformation progress. However, they exclude two financial sector-specific elements: access to financial services and empowerment financing. Given our belief that these elements are important drivers of economic transformation, we will continue to deliver on the charter provisions in respect of these elements by setting internal targets.

During 2009, an accredited BEE verification agency conducted an independent assessment of our BEE performance in terms of the dti codes, for the first time. Due to the strong progress the group has made in BEE over the last few years, we were rated as an AA level three value adding contributor, with an overall score of 77,62.

Standard Bank Tutuwa Schemes

Standard Bank is firmly committed to black economic empowerment in South Africa and believes that the most effective way to achieve BBBEE ownership is to empower our black staff. In 2004, the group implemented a BBBEE transaction and created a platform for current and future black directors, managers and employees to participate in an empowerment initiative through the following trusts:

Tutuwa Managers' Trusts

To participate in the Tutuwa Managers' Trusts, beneficiaries have to satisfy the following criteria:

- be black South Africans as defined by legislation covering BBBEE;
- be permanent employees of the Standard Bank Group; and
- earnings must meet the management threshold set by the charter.

The number of shares awarded to qualifying beneficiaries was determined using a formula set by the allocation committee and approved by the directors' affairs committee.

There are currently 5 945 black managers participating in the Managers' Trusts.

The Standard Bank Group General Staff Share Trust

Employees who were permanent employees of the Standard Bank Group at 1 October 2004 and did not at the time participate in the Tutuwa Managers' Trusts or other Group Share Schemes, were awarded a once-off allocation of 100 Standard Bank Group shares. These shares had a lock-in period of five years and could only be released from the Trust on 22 November 2009.

In 2008, employees had to sell 11 of every 100 shares as a result of the ICBC transaction and beneficiaries were paid out for these shares. In November 2009, the lock-in period for the remaining 89 shares came to an end and staff were provided with the opportunity of selling their shares or taking delivery of them.

Political contributions

As part of our commitment to support South Africa's democratic processes, Standard Bank Group makes financial contributions to political parties. In terms of the bank's policy, agreed in 2005, funds are distributed based on the Independent Electoral Commission's (IEC) funding formula. In line with this formula Standard Bank makes donations to political parties in proportion to their representation in the National Assembly on an annual basis. In 2009, South Africa held national elections and the group disbursed a total of R5 million. Some R1,8 million was disbursed prior to the elections, based on the IEC's formula, and R3,2 million after the elections, based on the results of the national election. The total amount approved by the board has now been distributed, although it is envisaged that a similar five year commitment will be approved in 2010.

Remuneration report

This report from the Standard Bank Group remuneration committee (remco) is intended to provide stakeholders with a good understanding of the group's remuneration philosophy and practices. Remco and the Standard Bank Group board have approved the contents of the report.

The remuneration practices of banks in many countries came under intense scrutiny from shareholders and regulatory authorities in 2009 as a consequence of the global financial crisis. In this context, remco and the remuneration committee of Standard Bank Plc invested substantial effort in evaluating and testing the group's remuneration philosophies and structures, and their implementation, in response to regulatory requirements.

Remco also considered bank failures around the world and the remuneration designs that contributed to the crisis. Remco did not identify from this process any Standard Bank remuneration structures or practices that required substantial amendments.

Nevertheless, where considered appropriate, remco has initiated modifications to remuneration designs to ensure that regulatory requirements are met and our remuneration policies are consistent with, and promote effective risk management.

Remuneration philosophy and policy

Standard Bank is committed to building a leading emerging markets financial services organisation that attracts and retains world-class people. Consequently, we work to develop a depth and calibre of human resource that is capable of delivering sustainable growth across multiple geographies, products and regulatory regimes, and always within our agreed risk tolerance.

At the heart of this commitment lies the value we place on our people. Therefore, effective management and remuneration of our talent must be a core competency in our group.

As an integral part of growing and fortifying our group's resource of human skills, remco continually reviews the group's remuneration philosophies, structures and practices, giving particular attention to the following principles and imperatives:

- reward strategies and remuneration must enable the group, in a highly competitive environment, to attract, motivate and retain high-calibre people at all levels of the organisation;
- remuneration designs must motivate strong and sustained performance in teams, but also promote risk management in line with the group's stated strategy and risk tolerance;
- consideration is given to the appropriate balance between fixed and variable pay for all employees, depending on seniority and roles, and particularly within risk and control areas;
- incentive pools are derived by major business area. These pools are shaped by a combination of group and divisional profitability and multi-year financial metrics, taking account of the risks assumed to achieve these profits and an evaluation of the business area's future development and growth prospects;
- remco approves the group's primary bonus pools and oversees the principles applied in allocating these pools to divisions and individual employees;
- individual performance is measured according to a number of absolute and relative levels, including the person's quantitative delivery against specific criteria, qualitative individual behaviour and competitive performance. This measurement is integral to our remuneration practices;
- short-term incentives are designed to be delivery specific, and are therefore strong drivers of competitiveness and performance;
- long-term incentive awards are motivated by the person's current performance and future potential;
- a significant portion of the variable remuneration of highly paid employees is deferred for three years, and is subject to clawback conditions linked to financial performance;
- senior management is significantly invested in deferred instruments and long-term share option-type awards, the values of which are directly linked to the performance of Standard Bank Group share price over time. This harmonises personal interests with those of shareholders. For members of the group executive committee, the vesting of option awards is subject to future performance conditions;
- no remuneration schemes are linked by formula to revenue generation. No multi-year guaranteed minimum bonus arrangements are permitted, neither are substantial severance arrangements made;
- the asymmetry in variable compensation is considered by remco, and effectively managed;
- transparency on remuneration designs and processes is maintained with employees and increasingly with shareholders;
- stakeholders must be enabled to make a reasonable assessment of reward practices and associated governance processes; and

- members of remco need to have unrestricted access to information that informs their independent judgements of the possible effects that remuneration may have on compliance with risk, regulatory and behavioural controls across the group.

In 2010, remco will continue to monitor the evolving regulatory landscape as it pertains to remuneration and will respond constructively as appropriate.

Group remuneration committee

Member	Feb	Feb	Nov
EM Woods (chairman)	√	√	√
DDB Band	√	√	√
DE Cooper	√	√	√
SJ Macozoma	√	√	√
RP Menell	√	√	√

√ = Attendance

The majority of members of the committee are independent non-executive directors without any business or other relationships that could materially interfere with the exercise of their independent judgement. All remco members are also members of the group risk and capital management, group credit or group audit committees to ensure that remco is able to monitor key risk factors and trends across the group.

Remco members are members of the following board committees:

Ted Woods[1]: group/SBSA audit committees.

Doug Band[1]: group credit committee, group/SBSA risk and capital management committees, SBSA large exposure credit committee and group/SBSA directors' affairs committees.

Derek Cooper[1]: group credit committee (chairman), group/SBSA directors' affairs committees (chairman), group/SBSA risk and capital management committees, SBSA large exposure credit committee and the group transformation committee.

Saki Macozoma[2]: group transformation committee (chairman), group credit committee, group/SBSA risk and capital management committees, and the group/SBSA directors' affairs committees.

Rick Menell[1]: group/SBSA risk and capital management committees.

[1] Independent non-executive member.
[2] Non-executive member.

Fred Phaswana, an independent non-executive director, was appointed to the committee with effect from 3 December 2009.

The group chief executive and deputy chief executives attend meetings by invitation. Other members of executive management are invited to attend when appropriate to assist the committee in fulfilling its mandate.

Terms of reference

The terms of reference set out in remco's mandate include the following:

- review and recommend to the board the overall remuneration philosophy, policies and practices of the group;
- agree the individual remuneration packages of the chairman, group chief executive, SBSA chief executive and the non-executive directors that are subject to board and shareholder approval;
- review and approve any major changes to employee remuneration throughout the Standard Bank group;
- review subsidiary companies' remuneration structures and ensure that the approach and policy is in line with group policies and practice;
- consider the guaranteed remuneration, annual performance and pension incentives of the group's highest-paid executive managers;
- consider the average percentage increase of the guaranteed remuneration of executive management across the group, as well as long- and short-term incentives;
- agree incentive schemes and awards across the group; and
- review the performance measures and criteria used in calculating annual incentive payments for all employees.

No individual, irrespective of position, is present when his or her remuneration is discussed.

In determining the remuneration of non-executive directors, some of whom are members of board committees, remco considers the extent and nature of their responsibilities, and reviews comparative remuneration offered by other major South African, African and international banks and top listed companies. To determine the remuneration of executive directors and executive management, remco reviews market and competitive data, and considers group performance against financial objectives and individual performance against specific, non-financial objectives.

Advisers

In 2009, remco and management sought guidance on and benchmarking of remuneration from a number of advisers, on both international and South African remuneration and benefits. Information and guidance was received from Mercer, Hay Group, Remchannel, Employment Conditions Abroad and McLagan.

Remco uses the input from these firms to inform the appropriate remuneration philosophy and policies, and investigate market practice in relation to share-based incentive plans and short-term remuneration. The board reviews remco's proposals and, where necessary, submits proposals to shareholders for approval.

Certain specialist divisions in the group, for example human resources and group finance, provide supporting information and documentation relating to matters considered by remco.

Overview of subsidiaries and group operations

Remco oversees the remuneration practices in the group's subsidiaries. Where appropriate we have subsidiary remcos in local jurisdictions to take into consideration local or industry-specific requirements. Remco takes overall responsibility for remuneration policies and structures.

Standard Bank Plc

Standard Bank Plc has a remuneration committee and its mandate accords with the group remuneration philosophy. An independent non-executive director of Standard Bank Plc is chairman of the committee. It reviews the remuneration practices in the group's international operations based on best practice within specific jurisdictions. Certain matters considered by this committee are subject to remco approval.

The Standard Bank Plc remuneration committee met seven times during 2009. Minutes of committee meetings are tabled at remco for consideration. Several changes have been made to the remuneration structure of Standard Bank Plc to align with Financial Services Authority (FSA) requirements; these have included increased deferral levels, clawback arrangements and restructuring base salary levels.

Standard Bank Argentina

Standard Bank Argentina has a remuneration committee that aligns with group practice and its remuneration philosophy is also informed by local requirements. The committee members are all non-executive directors. The committee met twice during 2009. The minutes of its meetings are tabled at remco for consideration.

Rest of Africa

The remuneration of board members in African countries outside of South Africa is approved in each country and reviewed by remco. The remuneration of executive management in these countries is reviewed and, in material instances, approved by remco. Countries with separate remuneration committees include Uganda, Nigeria and Zambia. During 2009, the Nigerian remco implemented a long-term incentive plan and retention plan. A report on subsidiary remuneration meetings is tabled at remco for consideration. All country committees' compositions and decisions are guided by group philosophy and policy, as well as by the specific social, legal and economic context of the countries in which they operate.

Liberty Holdings

The Liberty Holdings board determines the remuneration philosophy and policy for Liberty. It has an established remuneration committee that monitors the implementation of best practices. Details of Liberty Holding's remuneration policy can be found in its annual report. The remuneration of key executives is noted by remco to ensure benefits across the group remain aligned.

Structure of remuneration for executive directors including the group chief executive

The remuneration packages and long-term incentives for the two executive directors, Jacko Maree and Simon Ridley, are determined on the same basis and using the same qualifying criteria as for other employees. Similarly, the components of their remuneration packages are the same as for other employees and include the following:

- annual base salary, which is determined according to comparable market values and the respective roles they perform;
- annual bonus and pension incentive (BPI), which is linked to their respective performances and the overall performance of the business. A portion of this award is subject to the bonus deferral scheme, which contains clawback provisions;
- share-based incentives, which reward the sustainable creation of shareholder value and align behaviour to this goal. For executive directors, who are also group executive committee (exco) members, these share-based incentives

have performance conditions linked to future group real earnings growth; and

- pension contribution, which provides a competitive post-retirement benefit and is aligned with that offered to all group employees.

The BPI offered to the group chief executive and group financial director are subject to remco's assessment of performance against various predetermined criteria. The agreed criteria are weighted so that 70% applies to the financial performance of the group, against key budgeted financial measures, together with delivery objectives for strategic partnerships, and 30% applies to qualitative aspects of performance.

The group chief executive and group financial director are subject to a six-month termination clause in their contracts. Consistent with other internationally mobile executives within the group, they both receive a portion of their remuneration internationally under a separate offshore contract. In terms of the articles of association, executive directors are not subject to rotational requirements.

Due to the continuing difficult economic environment in 2009 and its effect on the group's results, it was mutually agreed by remco and the group chief executive that it would be appropriate in the circumstances for him to forego a bonus (BPI) for the year. However, in recognition of his leadership and the group's continued sound performance and clear longer term strategy, the board approved the award of 500 000 participation rights in the equity growth scheme to the group chief executive. As these were awarded in March 2010, they will be formally disclosed in the 2010 annual report.

Structure of remuneration for management including executive management

Terms of service

The minimum terms and conditions for South African managers are governed by relevant legislation. The notice period for these managers is one month, unless otherwise stated in their contract of employment. Employees on international assignments have notice periods of three months.

The terms and conditions of employment of all managers in the rest of Africa are guided by the legislation of specific countries and are aligned to group practice. Notice periods vary from one month (particularly where stipulated by legislation) to three months. In some countries, notice periods also depend on the level of responsibility of a particular manager.

For Standard Bank Plc employees, all grades of senior manager and above have three-month notice periods. Manager and staff grades have one-month notice periods. Notice periods in other Corporate & Investment Banking offices outside Africa vary according to local legislation and/or market practice.

Fixed remuneration

In South Africa and other African countries, managerial remuneration is either based on, or moving towards, a total cost-to-company structure. Cost-to-company comprises a fixed cash portion, compulsory benefits (medical aid and retirement fund membership) and optional benefits. Market data is used to benchmark salary levels and benefits. Salaries are normally reviewed annually in March.

Operations in most of the African countries outside South Africa offer country-specific benefits.

Management remuneration in Corporate & Investment Banking outside Africa is arrived at after considering independent salary and benefits surveys. Peer group comparisons are regularly completed. Salaries are normally reviewed annually. Salary caps were introduced in 2007 for executive and managerial positions in line with market practice. Following a detailed review of current competitive base salary levels the salary caps introduced in 2007 have been increased to reflect the changes required by the FSA.

Annual performance-related payments

For all employees, performance-related payments have formed an increasing proportion of total remuneration over time to achieve business objectives and reward individual contribution. This has allowed for a stronger link to overall business results.

Executives and managers in South Africa and other African countries participate in a performance bonus scheme. Individual awards are based on a combination of business unit performance, job level and individual performance, taking into consideration overall group performance. In keeping with the group's remuneration philosophy, the bonus scheme seeks to attract and retain high-performing managers and ensure that excessive risk taking is discouraged.

Employees outside Africa generally participate in the Corporate & Investment Banking incentive plan. There are no grade or level restrictions. The level of incentive awards received by each employee is related to the following factors:

- overall group performance;
- financial performance;
- divisional performance; and
- individual performance and contribution to the team and/or group.

As well as taking performance factors into account, the size of the award is assessed in terms of market-related remuneration practices and pay levels for each skill set, which may be influenced by the scarcity of skills in a specialist business area.

Long-term incentives

It is essential for the group to retain key employees over the longer term. Our reward policy aims to align the interests of employees with those of our shareholders, and one aspect of this is share-based incentive plans and deferral arrangements.

Deferred bonus schemes and quanto stock unit plan

From the 2008 financial year the bank has implemented a deferred bonus scheme (DBS) to defer a portion of incentive bonuses over a minimum threshold for SBSA management and executives. This improves the alignment of shareholder and management interests by creating a closer link to managing risk, and facilitates retention.

In terms of the plan implemented last year, all SBSA employees who are awarded a bonus and pension incentive over a certain threshold are subject to a mandatory deferral of a certain percentage of their bonus into the DBS for three years. The deferred payment is calculated with reference to the initial value of the award and the group's share prices at award date and payment date. The payment values of deferred awards are therefore determined by share price performance and award values. To enhance the retention component of the scheme, additional increments on the deferred bonus become payable at vesting and one year thereafter. Variables in the DBS are subject to annual review by remco and may differ from one year to the next, depending on performance.

Corporate & Investment Banking outside Africa operates a DBS in the form of the quanto stock unit plan. The scheme was developed in 2007 after a review of its remuneration strategy. The purpose was to strengthen the retention effect of incentive remuneration and promote an equity culture.

Quanto stock units are linked to the group's share price, but expressed in US dollars. The deferral into quanto stock is determined from the total annual incentive. To ensure compliance with FSA requirements, a number of changes have been made to the quanto plan for 2009. These have included changing the levels of deferral and vesting criteria for certain groups of executives.

A clawback provision has been introduced for the 2009 deferred awards to the DBS and quanto stock unit plan. The clawback provision allows, at remco's discretion, for the forfeiture of unvested deferred awards over a three year period. The clawback provision will be enacted if a member of staff is dismissed. In addition, remco may determine that awards are subject to the clawback forfeiture if the financial results of the group subsequently appear to have been materially inaccurate, or an act or omission by an employee has contributed to a loss which has significantly impacted the financial result of the group.

Group share incentive scheme (GSIS) and equity growth scheme (EGS)

Share options under the GSIS and participation rights under the EGS are granted to qualifying employees including executive directors. Grants of rights or options are typically made annually in terms of the group's reward review; however, grants are also made to new employees on appointment or as ad hoc awards for retention purposes. Grants are made in terms of the following:

- the specific grant is not subject to prior shareholder approval, as approval for the schemes has already been obtained; and
- no options or participation rights are issued at a pricing discount nor can they be repriced.

Share options are awarded to employees in the group's non-South African operations and participation rights are awarded to employees in the group's South African operations.

For the March 2010 awards, the basis for allocating GSIS options and EGS participation rights has been changed. The allocation is now based on a monetary value using a Black-Scholes formula to determine the number of allocated participation rights. The change in methodology was aimed at providing employees with a more meaningful indication of total remuneration and better align shareholder and employee interests.

The combined maximum award to an employee, in terms of the GSIS and EGS, is not more than 2,5% of the total number of shares reserved for both schemes.

The table below sets out the general vesting conditions of the various options or participation rights issued, subject to performance conditions for senior executives. The directors have the discretion to vary the vesting categories but not the expiry periods.

Vesting category	Year	Cumulative vesting %	Expiry
A	3, 4, 5	50, 75, 100	10 years
B	5, 6, 7	50, 75, 100	10 years
C	2, 3, 4	50, 75, 100	10 years

Performance conditions for group exco members

With effect from March 2008, awards granted to group exco members under the EGS and GSIS are subject to a vesting condition over and above the duration of service. In terms of this performance criteria, vesting of rights in any year will be withheld if real growth in group normalised headline earnings per share over the vesting period of these rights is not achieved on a compound annual growth basis.

Should the condition be breached in any year, group exco members lose the rights or options vesting in that particular year. If the condition is breached and remco believes that specific members are minimally accountable for events or conditions leading to the vesting condition being breached, then remco has the discretion to limit the denial of vesting for such persons. Such discretion is limited in aggregate to 50% of the award which is due to vest.

Retention agreements

As part of the group's strategy to retain highly mobile and talented employees, the group will selectively enter into agreements in terms of which retention payments are made. Retention payments have to be repaid should the individual concerned leave within a stipulated period. None of the executive directors is subject to a retention agreement.

Liberty has its own incentive schemes. For further information, please refer to Liberty Holdings' annual report.

Retirement benefits

Pension

Retirement benefits are typically provided on the same basis for employees at all levels and are predominantly defined contribution benefits. Over time almost all of the group's defined benefit fund arrangements have been replaced by defined contribution arrangements, except where local legislation requires otherwise or members enjoy entrenched defined benefits.

The principal South African fund reduced its defined benefit obligations through an incentivised voluntary conversion to defined contribution. Senior managers and executive management whose remuneration passes a threshold defined by remco have the option to split their contributions between the primary fund and an executive defined contribution fund.

Death benefit cover is provided in almost all countries, either through self-insurance from within the pension funds or through external underwriting.

Liberty has its own retirement benefit schemes. For further details please refer to Liberty Holdings' annual report.

Post-retirement healthcare

In South Africa employees recruited from 1 March 2000 do not receive post-retirement healthcare benefits. Employees recruited prior to 1 March 2000 have post-retirement funding through the Provider Fund.

In a limited number of countries, post-retirement medical aid subsidies may continue from the employer, usually for a limited period. In addition to pension payouts in terms of a defined contribution scheme, retired Standard Bank Plc employees are eligible to apply for healthcare cover with the current provider at the employee's expense.

Structure of remuneration for rewarding general employees

Terms of service

The notice period for general staff in Africa is one month. Most general staff in Africa are unionised. Their terms and conditions of employment are therefore guided by the respective collective agreements in particular countries.

Fixed remuneration

Remuneration of all general staff, both local and international, is based on a basic salary plus benefits, which generally includes medical aid, retirement fund membership, housing benefit in some jurisdictions and a travel allowance for select levels.

Generally, salary increases are negotiated on an annual basis, usually effective in March. Salary increases are based on similar factors as those considered when reviewing managerial staff increases.

Incentives

All general staff in South Africa participate in the general staff value sharing scheme. Value sharing is contingent on the group reaching its annual financial and yearly specific targets, set in terms of the group strategy. For the past five years, these have included customer service objectives. Similar remuneration philosophies are applied in other African operations.

General staff in Corporate & Investment Banking outside Africa participate in the incentive plan outlined in the section on managers' annual performance-related payments on page 89.

Retirement benefits

Retirement benefits for general staff are principally the same as for managers.

Directors' remuneration

Non-executive directors' remuneration and terms of engagement

Terms of service

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement.

In terms of the articles of association, non-executive directors are required to retire at 70. The board is able to extend the tenure of directors where they have not completed five years of service by the time they turn 70 to a period of five years of service.

Directors are appointed by shareholders at the AGM. Between AGMs interim appointments may be made by the board upon recommendation by the directors' affairs committee. These interim appointees are required to retire at the following AGM where they then offer themselves for re-election by shareholders. In addition, one-third of non-executive directors are required to retire at each AGM and may stand for re-election. If recommended by the directors' affairs committee and supported by the board, the board then proposes their re-election to shareholders.

There is no limitation on the number of times a non-executive director may stand for re-election. Proposals for re-election are based on individual performance and contribution, both of which are reviewed by the directors' affairs committee.

Fees

Non-executive directors receive fixed fees for service on boards and board committees. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes. Remco reviews the fees paid to non-executive directors annually and makes recommendations to the board for consideration.

Proposed fees effective from 1 January 2010 are based on a carefully considered assessment of the increased responsibility placed on non-executive directors due to:

- increased requirements for regulatory and legislative oversight;
- increased time required; and
- assuming increased risk.

This assessment also considered the possibility of paying non-executive directors a retainer and meeting attendance fee. The board, based on this assessment, agreed that the current fee structure of a single comprehensive annual fee was more appropriate for the group boards and committees.

Fees are paid quarterly in arrears.

Category	2009	2010[1]
Chairman[2]	R3 600 000	R3 750 000
Director	R140 000	R161 000
International director	£30 100	£34 650
Group risk and capital management committee		
– chairman	R300 000	R455 000
– member	R150 000	R182 000
Group audit committee		
– chairman	R350 000	R455 000
– member	R150 000	R182 000
Group credit committee		
– member per meeting	R13 750	R16 500
Directors' affairs committee		
– chairman	R88 000	R114 500
– member	R44 000	R57 000
Group transformation committee		
– chairman	R120 000	R145 000
– member	R60 000	R72 000
Group remuneration committee		
– chairman	R175 000	R228 000
– member	R80 500	R98 000
Ad hoc meeting attendance[3]	R13 750	R15 250

[1] *Fee increase effective from 1 January 2010 – proposed for approval by shareholders at the 2010 AGM.*
[2] *The chairman's fees include the board, subsidiary boards (excluding Standard Bank Plc) and all committee memberships. A company motor vehicle, against which fringe benefit tax is levied, is made available for use by the chairman.*
[3] *Fee per meeting for attendance by a non-executive director acting in an alternate capacity or attending ad hoc meetings where no other fee is specifically approved.*

Chairman's retirement

As described in the tribute on page 19, Derek Cooper has made an extraordinary contribution during his almost 10 years as chairman of The Standard Bank of South Africa Limited ("Standard Bank"), which was a virtually full-time role. The board wishes to recognise this, and in particular the unique role he played in leading the board in resisting the Nedcor bid in 1999/2000 and in strengthening the leadership and structures of the bank thereafter. With the clarity of hindsight, Derek Cooper's wisdom, courage and perseverance at the time have been vindicated, and have enabled significant subsequent value creation for shareholders. In terms of good corporate governance, he was not eligible for share incentives or bonuses during his tenure. Given the enduring value created for Standard Bank by Derek Cooper's leadership, the board of Standard Bank unanimously decided that it would be wholly appropriate to award him an *ex gratia* payment of R7,5 million at the conclusion of his tenure. This decision has been made subject to approval by ordinary resolution of the shareholders of Standard Bank Group Limited.

Directors' emoluments 2009

	Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group sub-sidiaries R'000	Cash por-tion of package R'000	Bonus and pension incentives perfor-mance-related payments[1] R'000	Other benefits R'000	Pension contribu-tions R'000	Other-wise in connect-ion with the affairs of SBG and its sub-sidiaries R'000	Total annual remune-ration R'000
Executive directors									
JH Maree				4 943		251	759		5 953[2]
SP Ridley[3]				2 928	4 769[4]	383	424		8 504[2]
Total				7 871	4 769	634	1 183		14 457
Non-executive directors									
DE Cooper (chairman)	3 600		615			162[5]		30	4 407
DDB Band	140	330	236					1 480[6]	2 186
RMW Dunne[7]	11	24	11						46
TS Gcabashe	140	150	140						430
SE Jonah KBE	140		140						280
Sir Paul Judge	394		394						788
KP Kalyan	140	20	140						300
Yagan Liu	394	193							587
SJ Macozoma	140	450	1 839						2 429
RP Menell	140	231	140						511
KD Moroka	140		140						280
AC Nissen	140	60	140						340
TMF Phaswana[7]	11	41	11						63
MC Ramaphosa	140	15	140						295
MJD Ruck	140	205	1 182						1 527
MJ Shaw	140	650	140						930
Lord Smith	394	150	394						938
EM Woods	140	325	140						605
Kaisheng Yang	394	249							643
Total	6 878	3 093	5 942			162		1 510	17 585
Former non-executive director									
E Bradley[8,9]	904	79	56						1 039
Total	7 782	3 172	5 998	7 871	4 769	796	1 183	1 510	33 081

[1] *In order to align incentive payments with the performance period to which they relate, the above bonuses reflect the final amounts accrued in respect of the financial year under review and payable within the following year.*

[2] *Total annual remuneration above excludes share incentives, details of which are disclosed on page 96. The expense recognised for the year relating to share incentives, calculated in terms of IFRS 2 Share-based Payments (IFRS 2), is R6 867 414 for JH Maree and R2 445 848 for SP Ridley.*

[3] *Appointed to Standard Bank Group board on 30 June 2009. Remuneration disclosure is for the full 2009 financial year.*

[4] *In terms of the deferred bonus scheme described on page 90, the amount finally payable is dependent on the performance of the group's share price. The expense relating to the deferred bonus is recognised over a three-year vesting period from the date of the award and the final amounts will be disclosed in the directors' emoluments table in the year actually paid. No deferred bonus was awarded to JH Maree in March 2010. A deferred bonus of R817 500 was awarded in March 2010 to SP Ridley. The expenses relating to the deferred bonus awarded in March 2009 that were recognised in profit and loss are R855 592 for JH Maree and R292 860 for SP Ridley.*

[5] *Use of motor vehicle.*

[6] *This amount was payable to DDB Band by Gymnogene Investments, a company in which he is a 33% shareholder and which had a contractual relationship with the bank. The payment arises from a share of the profit on disposal of private equity investments in a portfolio sourced and arranged by Gymnogene Investments on behalf of the bank. Although the contractual relationship expired on 31 December 2004, payments of this nature are likely to recur if and when the three remaining investments in this portfolio are realised on a profitable basis to the bank.*

[7] *Appointed on 3 December 2009.*

[8] *Retired on 28 May 2009.*

[9] *E Bradley sacrificed a portion of her directors' fees for a pension payment on retirement. Upon retirement she elected to receive a lump sum payment of R864 155.*

Directors' emoluments 2008

	Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Cash portion of package R'000	Bonus and pension incentives/ performance-related payments[1] R'000	Other benefits R'000	Pension contribu-tions R'000	Otherwise in connect-ion with the affairs of SBG and its subsidiaries R'000	Total annual remune-ration R'000
Executive directors									
JH Maree				4 547	8 516[2]	273	745		14 081[3]
Total				4 547	8 516	273	745		14 081
Non-executive directors									
DE Cooper (chairman)	3 273		759			162[4]		38	4 232
DDB Band	128	250	191					2 600[5]	3 169
E Bradley	90	157	128						375
TS Gcabashe	128	111	128						367
SE Jonah KBE	128		128						256
Sir Paul Judge	444		444						888
KP Kalyan	128		128						256
Yagan Liu[6]	298	38							336
SJ Macozoma	128	349	1 741						2 218
RP Menell	128	163	128						419
KD Moroka	128		128						256
AC Nissen	128	54	128						310
MC Ramaphosa	128		128						256
MJD Ruck	128	138	1 135						1 401
MJ Shaw	128	454	178						760
Lord Smith	444		444						888
EM Woods	128	208	128						464
Kaisheng Yang[6]	298	94							392
Total	6 383	2 016	6 044			162		2 638	17 243
Former non-executive director									
DA Hawton[7,8]	37	66	146						249
Total	6 420	2 082	6 190	4 547	8 516	435	745	2 638	31 573

[1] *In order to align incentive payments with the performance period to which they relate, the above bonuses reflect the final amounts accrued in respect of the financial year under review and payable within the following year.*

[2] *In terms of the deferred bonus scheme described on page 90, a deferred bonus of R2 593 000 was awarded in March 2009. The amount finally payable is dependent on the performance of the group's share price. The expense relating to the deferred bonus will be recognised over a three-year vesting period from date of award and the final amounts payable will be disclosed in the directors' emoluments table in the year actually paid.*

[3] *Total annual remuneration above excludes share incentives, details of which are disclosed on page 96. The expense recognised for the year relating to share incentives, calculated in terms of IFRS 2, is R6 425 361 for JH Maree.*

[4] *Use of motor vehicle.*

[5] *This amount was payable to DDB Band by Gymnogene Investments, a company in which he is a 33% shareholder and which had a contractual relationship with the bank. The payment arises from a share of the profit on disposal of private equity investments in a portfolio sourced and arranged by Gymnogene Investments on behalf of the bank. Although the contractual relationship expired on 31 December 2004, payments of this nature are likely to recur if and when the three remaining investments in this portfolio are realised on a profitable basis to the bank.*

[6] *Appointed on 29 April 2008.*

[7] *Retired on 28 May 2008.*

[8] *DA Hawton sacrificed a portion of his directors' fees for a pension payment on retirement. Upon retirement he elected to receive a lump sum pension payment of R543 254.*

Share incentives 2009

	Balance of share incentives at 1 January 2009	Number of share incentives allocated in 2009	Issue or offer date	Number of share incentives forfeited during the year	Number of share incentives exercised or accepted during the year
JH Maree	2 300 000	250 000	06/03/2009		
SP Ridley	497 500	120 000	06/03/2009		50 000

Share incentives 2008

	Balance of share incentives at 1 January 2008	Number of share incentives allocated in 2008	Issue or offer date	Number of share incentives forfeited during the year	Number of share incentives exercised or accepted during the year
JH Maree	1 800 000	500 000	06/03/2008		

Gains on the exercise or delivery of share incentives granted or offered in previous years in 2009

	Number of share incentives	Issue or offer date	Issue or offer price R	Exercise or delivery date	Exercise or delivery market value R	Gains on exercise or delivery of share incentives R
SP Ridley	20 000	15/13/2000	25,00	29/05/2009	84,03	1 180 600
	30 000	13/03/2002	27,80	29/05/2009	84,03	1 686 900

JH Maree did not take delivery of any share incentives during the year and accordingly there were no gains for the year.

Gains on the exercise or delivery of share incentives granted or offered in previous years in 2008

JH Maree did not take delivery of any share incentives during the year and accordingly there were no gains for the year.

Balance of share incentives at 31 December 2009	Number of share incentives	Issue date	Issue or offer price R	Vesting category	Expiry date
2 550 000	**975 000**	**13/03/2001**	**31,90**	**A**	**13/03/2011**
	25 000	**23/05/2001**	**33,50**	**A**	**23/05/2011**
	300 000	**11/03/2004**	**40,65**	**C**	**11/03/2014**
	375 000	**10/03/2006**	**79,50**	**A**	**10/03/2016**
	125 000	**10/03/2006**	**79,50**	**B**	**10/03/2016**
	250 000	**06/03/2008**	**92,00**	**A**	**06/03/2018**
	250 000	**06/03/2008**	**92,00**	**B**	**06/03/2018**
	125 000	**06/03/2009**	**62,39**	**A**	**06/03/2019**
	125 000	**06/03/2009**	**62,39**	**B**	**06/03/2019**
567 500	**20 000**	**13/03/2002**	**27,80**	**B**	**13/03/2012**
	12 500	**06/03/2003**	**27,90**	**A**	**06/03/2013**
	25 000	**06/03/2003**	**27,90**	**B**	**06/03/2013**
	30 000	**11/03/2004**	**40,65**	**A**	**11/03/2014**
	30 000	**11/03/2004**	**40,65**	**B**	**11/03/2014**
	50 000	**10/03/2005**	**65,60**	**B**	**10/03/2015**
	150 000	**10/03/2006**	**79,50**	**B**	**10/03/2016**
	15 000	**07/03/2007**	**98,00**	**A**	**07/03/2017**
	15 000	**07/03/2007**	**98,00**	**B**	**07/03/2017**
	50 000	**06/03/2008**	**92,00**	**A**	**06/03/2018**
	50 000	**06/03/2008**	**92,00**	**B**	**06/03/2018**
	60 000	**06/03/2009**	**62,39**	**A**	**06/03/2019**
	60 000	**06/03/2009**	**62,39**	**B**	**06/03/2019**

Balance of share incentives at 31 December 2008	Number of share incentives	Issue date	Issue or offer price R	Vesting category	Expiry date
2 300 000	975 000	13/03/2001	31,90	A	13/03/2011
	25 000	23/05/2001	33,50	A	23/05/2011
	300 000	11/03/2004	40,65	C	11/03/2014
	375 000	10/03/2006	79,50	A	10/03/2016
	125 000	10/03/2006	79,50	B	10/03/2016
	250 000	06/03/2008	92,00	A	06/03/2018
	250 000	06/03/2008	92,00	B	06/03/2018

Risk management

Overview

Introduction

Effective risk management is fundamental to the business activities of the group. While we remain committed to increasing shareholder value by developing and growing our business within our board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

Risk management is at the core of the operating structure of the group. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimising undue concentrations of exposure, limiting potential losses from stress events and the prudent management of liquidity.

Our risk management processes have proven effective throughout 2009, despite a tough economic environment. Executive management has remained closely involved with important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital and clearly managing the risk portfolios.

Responsibility and accountability for risk management resides at all levels within the group, from the board down through the organisation to each business manager and risk specialist.

Risks are controlled at the level of individual exposures and at portfolio level, as well as in aggregate across all businesses and risk types.

The group uses the three lines of defence model:

First line of defence	**Business unit management**	Primarily responsible for risk management. Assessment, evaluation and measurement of risk is an ongoing process that is integrated into the day-to-day activities of the business. This process includes implementing the group's risk management framework, identifying issues and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the group.
Second line of defence	**Group and business unit risk management functions which are appropriately independent of business management**	The group risk management function is primarily accountable for setting the group's risk management framework and policy, providing oversight and independent reporting to executive management through the group risk oversight committee, and to the board through the group credit committee and the group risk and capital management committee. The business unit risk management functions implement the group's risks management framework and policy in the business units, approve risk within specific mandates and provide an independent overview of the effectiveness of risk management by the first line of defence.
Third line of defence	**Internal audit function**	Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the board through the group audit committee.

The year under review

Successful global policy stimuli have seen the world economy entering a recovery and rebuilding phase in contrast to the global financial crisis of 2008. The group maintained its prudent approach to risk, capital and liquidity management in the face of central bank liquidity actions, monetary stimulus and fiscal stimulus in many different countries in which the group operates. The group's strong capital position was further bolstered through successful capital raising by various entities within the group and the retention of profits. At year end, the group's tier I capital adequacy ratio was 11,8% (2008: 11,0%) and the core tier I capital adequacy ratio was 10,8% (2008: 10,1%), with its total capital adequacy ratio at 14,9% (2008: 13,3%).

The group continued to refine its comprehensive group-wide stress-testing framework which provides a forward-looking view of the potential impact of stress scenarios across all risk types and operations. This framework has enabled management to proactively identify stress events and adopt measures to limit their impact on the group.

The group's asset and liability management (ALM) functions have further enhanced the existing stress testing of liquidity and interest rate risk in the banking book. An international consultancy firm was tasked with performing an independent diagnostic review of the group's liquidity management framework.

Following approval from the relevant internal governance structures, the firm's findings and recommendations were used to align the bank's liquidity management framework with the latest regulatory developments and international best practice.

The group has commenced the implementation of a more sophisticated ALM software solution to enable the group's ALM functions to continue delivering a world-class service to business and risk management. The group was also successful in extending the internal model to most of its credit trading business for the purposes of calculating regulatory market risk capital.

In response to the continuing financial pressure on retail customers, the group embarked on an extensive rehabilitation programme in South Africa. For example, where customers complied with the necessary criteria, payment terms were extended, instalments reduced and facilities rescheduled to assist customers with repayment terms and to avert the need to foreclose on home loan mortgages and repossess vehicles. Additional investment in staff and systems enabled the group to implement the statutory debt review process under the new National Credit Act in South Africa.

The wholesale environment experienced lower demand for credit following the worldwide trend towards de-leveraging, and an increase in borrowed default risk. In response, a range of mitigating actions was taken, such as adjustments to risk appetite and approval mandates. Resources and infrastructure devoted to monitoring for potential stresses and breaches were entrenched and expanded and specialist resources were deployed towards support and recovery activity to effect early remedial action in the form of restructures, recoveries and loss minimisation.

The group's understanding of the various elements and behaviours associated with fraudulent activities has greatly improved across fraud risk and loss management. The detection of fraud within our credit and cheque card base, reduction in floor limits at an industry level and the roll out of chip and personal identification number cards had the most impact on reducing fraud losses within Personal & Business Banking. In 2009, overall fraud losses for Personal & Business Banking reduced compared to 2008. To further reduce the incidence of fraud, a new anti-fraud initiative has been formalised that pools resources, knowledge and skills from all areas of the group. This initiative resulted in a dedicated fraud department set up in Personal & Business Banking in South Africa which focuses on managing external fraud on an integrated basis. Preventative measures have already achieved positive results.

Operational risk management continues to be entrenched throughout the group which has led to a more efficient use of resources and an improvement in the reporting of operational risk management. The group's operational risk management practices continue to evolve and mature. In addition, a formal project has been initiated to develop and implement the components of the advanced measurement approach (AMA) for operational risk. Several simulations were successfully conducted to test our ability to recover operations in the event of unexpected operational failures or disruptions.

Consultative documents have been issued by the Basel Committee on Banking Supervision relating to "strengthening the resilience of the banking sector" together with the "international framework for liquidity risk measurements, standards and monitoring" with the aim of promoting a more resilient banking and financial sector. The key elements of the proposals are to:

- raise the quality, consistency and transparency of the capital base;
- enhance risk coverage;
- supplement the risk-based capital requirements with a leverage ratio;
- reduce procyclicality and promote countercyclical buffers; and
- introduce a global minimum liquidity standard.

The group is investigating the implications of the proposals and commenting where appropriate.

Across the Liberty group, significant investment was made in enhancing governance practices and risk management as set out in the Liberty risk management section, starting on page 157.

Focus areas for 2010

Risk management

- Refinement of the group's risk management framework as well as its risk appetite framework, risk management governance standards, practices and systems, to align these with best practice and regulatory developments.
- Continued focus on employing and retaining high-quality people.
- Refinement and incremental implementation of the new group AMA operational risk framework. This includes the pilot of the new AMA compliant processes, the development of the supporting systems solution and collection of data as required for the AMA capital calculation model.
- Participation in the global capital impact assessment study for the group's primary regulator, the Bank Supervision Department (BSD) of the South African Reserve Bank (SARB), following on from the release of two Basel Committee consultative papers to promote a more resilient banking sector and include proposals on strengthening capital and liquidity regulations.
- Enhancement of the group stress-testing framework and methodologies by aligning with best practice to ensure completeness and forward-looking results to assist in planning and mitigation of potential risks.
- Management of regulatory and legislative requirements through enhanced monitoring of government policy developments, advocacy and engagement to further the interests of the group. Some of the specific legislative developments in South Africa that will be focal points in 2010 include the new Companies Act, Consumer Protection Act, amendments to the Competition Act, and the Protection of Personal Information Bill.

Capital management

- Maintenance of a prudent stance in managing the group's capital ratios and capital buffers in line with best practice and regulatory developments.
- Implementation of a fully embedded capital allocation framework including risk-adjusted performance measurement within the organisation aimed at enhancing the return on capital deployed.
- Enhancement of systems aimed at improving the forecasting and monitoring of capital.

Credit risk

- Application of robust and responsible criteria to ensure prudent lending practices in line with anticipated economic conditions.
- Stress testing of existing credit portfolios, cash flows and collateral values to anticipate and prepare for potential adverse economic conditions.
- Continued focus on customer rehabilitation and collection processes.
- Appropriate investment in resources to respond to debt review demands and working with industry to ensure an agreed debt review process and standard.
- Regular review of risk appetite to ensure levels of risk are in line with the agreed group risk appetite and anticipated economic outlook.
- Management of risk concentrations across counterparties, portfolios, and geographic regions, with an increased focus on distribution strategy.

Operational risk

- Ensuring information security through various interventions including training and awareness programmes and technology.
- Strengthening compliance governance to take cognisance of the King III report on corporate governance in South Africa and other legislative developments.
- Enhancement of money laundering and terrorist financing policy and standards to support the findings of the financial action task force review of South Africa's money laundering and terrorist financing control framework.
- Focus on fraud awareness across the group in line with industry best practice and enhancements to systems and processes to aid in combating fraud by ensuring that the group's exposure to fraud activities is managed more proactively.

Liquidity risk

- Enhancement of the group's liquidity risk management framework and practices to incorporate new proposals aimed at reducing systemic risks in banking. Regulators are introducing far-reaching changes in their approach to liquidity management that elevate liquidity to the same status as capital. We will enhance our current liquidity risk management practices where necessary.

Market risk

- Continuous alignment across the group of the market risk framework, policies and reporting infrastructure and ensuring that the group successfully manages the impact of any changes to the regulatory requirements for internal model recognition for calculating market risk capital.

Audited sections

Specific capital and risk management information within the following sections of this risk management report forms an integral part of the audited annual financial statements:

- risk categories, page 105;
- capital management, pages 107 to 109;
- credit risk, page 114 and pages 133 and 138;
- liquidity risk, pages 140 to 144;
- market risk, pages 144 to 147 and pages 149 to 151; and
- risks relating to Liberty, pages 157 to 186.

The capital and risk management information disclosed in these sections fulfils IFRS requirements together with Basel II pillar 3 requirements, as stated in Regulation 43 of the Regulations Relating to Banks, governed by the Banks Act, 1990.

All tables, diagrams and quantitative information in this report are unaudited unless specified otherwise.

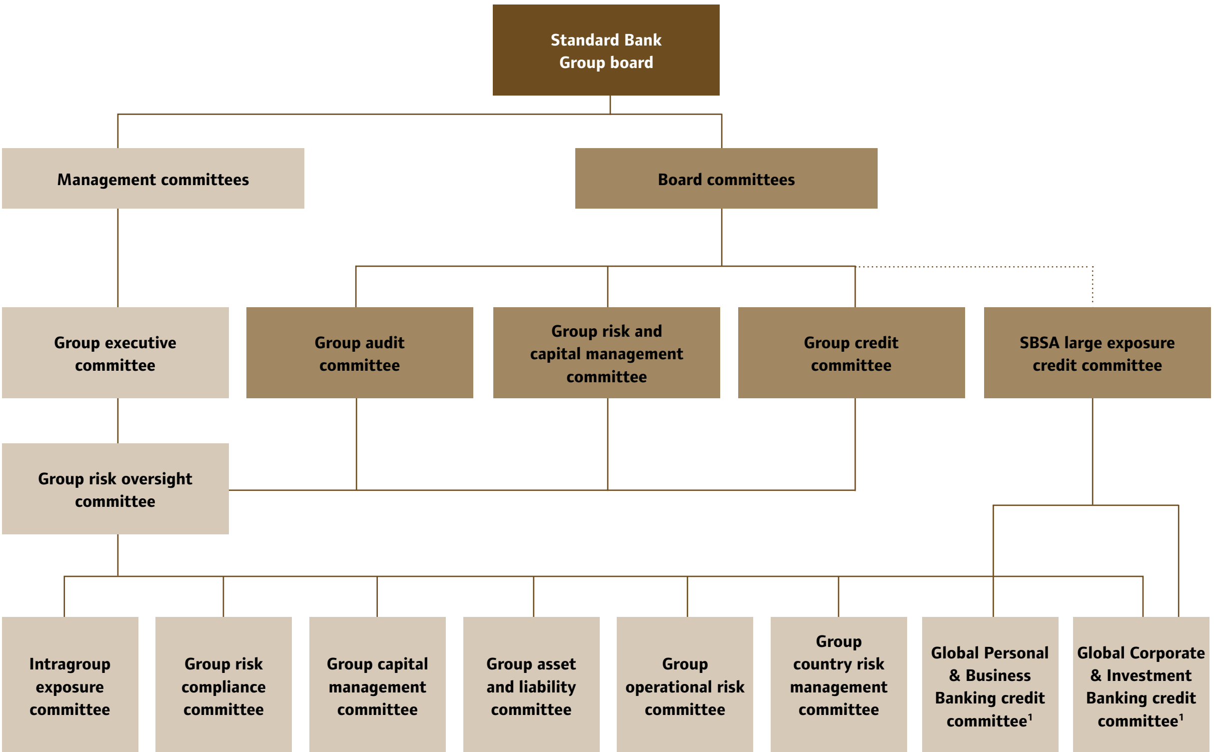
Liberty is an insurance entity for which a separate risk section has been included.

Risk management framework

Governance structure

Strong independent oversight is in place at all levels throughout the group.

Various committees, which are integral to the group's risk governance structure, allow executive management and the board to evaluate the risks faced by the group and the effectiveness of the group's management of these risks. The senior committees are set out in the diagram below.



[1] *The board has delegated authority to these committees to act as nominated designated committees in respect of the regulations.*

The group audit committee (GAC) is responsible for:

- reviewing the group's financial position and making recommendations to the board on all financial matters including assessing the integrity and effectiveness of accounting, financial, compliance and other control systems; and
- ensuring effective communication between internal auditors, external auditors, the board, management and regulators.

The group risk and capital management committee (GRCMC) and the group credit committee (GCC) provide among other things independent and objective oversight of risk and capital management across the group by:

- reviewing and providing oversight in respect of the adequacy and effectiveness of the group's risk management control framework;
- approving risk and capital management governance standards and policies; and
- approving and monitoring the group's risk appetite for each risk type under normal and potential stress conditions.

Group executive management oversight for all risk types has been delegated by the group executive committee to the group risk oversight committee (GROC). This committee considers and, to the extent required, recommends for approval by the relevant board committees:

- levels of risk appetite and tolerance;
- risk governance standards for each risk type;
- actions on the risk profile;
- risk strategy and key risk controls across the group;
- capital planning and capital funding activities;
- utilisation of risk appetite; and
- the usage and allocation of economic capital parameters for modelling, stress testing and scenario analysis.

The GRCMC, GCC, GAC and GROC meet quarterly with additional meetings when necessary. The group risk management subcommittees set out in the diagram on the previous page report directly to GROC and through GROC to the GRCMC and the GCC.

Approach and structure

The group's approach to risk management is based on well established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at group level that begins with proactive participation by the group chief executive and the group executive committee in all significant risk matters, with independent risk management structures within the business units.

Business unit heads are primarily responsible for managing risk within each of their businesses and are responsible for ensuring that there are appropriate, adequately designed and effective risk management frameworks, in compliance with group risk governance standards.

To ensure there is independence and appropriate segregation of responsibilities between business and risk management, business unit chief risk officers and chief credit risk officers report operationally to their respective business unit heads, and functionally to either the group chief risk officer or the group chief credit officer.

Risk governance standards, policies and procedures

The group has developed a set of risk governance standards for each major risk type to which it is exposed. The standards set out and ensure alignment and consistency in the manner in which the major risk types across the group are dealt with, from identification to reporting.

All standards are applied consistently across the group and are approved by the GRCMC or the GCC. It is the responsibility of executive management in each business unit to ensure the risk governance standards, and supporting policies and procedures are implemented and independently monitored by the risk management team in that business unit.

Compliance with risk standards is controlled through annual self-assessments by the business units and group risk, supported by the group internal auditors.

Risk appetite

Risk appetite is an expression of the maximum level of residual risk that the group is prepared to accept to deliver its business objectives. The group has developed a robust framework used to articulate appetite throughout the group and to external stakeholders.

The board establishes the group's parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts, under normal and stressed conditions, for the group and each division; and
- regularly reviewing and monitoring the group's performance in relation to risk through quarterly board reports.

The board delegates the determination of risk appetite to the GRCMC and ensures that risk appetite is in line with the group strategy and the desired balance between risk and reward for the group. GROC recommends to both the GRCMC and the board the level of risk appetite for the group.

The group's risk appetite statements are defined by five broad metrics:

- headline earnings;
- liquidity;
- regulatory capital;
- economic capital; and
- target debt rating.

These metrics are then converted into tolerance levels and limits through an analysis of the risks that impact on them.

Stress testing

Stress tests are used in proactively managing the group's risk profile, capital planning and management, strategic business planning and setting capital buffers. Stress tests are regularly discussed with regulators.

The group's overall stress testing programme is a key management tool within the organisation and facilitates a forward-looking perspective in risk management. Stress testing involves identifying possible events or future changes in economic conditions that could have an impact on the group.

Stress testing is used to assess and manage the adequacy of regulatory and economic capital and is therefore an integral component of the group's internal capital adequacy assessment process (ICAAP). The group's stress testing framework guides the regular execution of stress tests at the portfolio, business unit, legal entity and group levels.

Management reviews the outcomes of stress tests and selects appropriate mitigating actions to minimise and manage the risks to the group at the various levels. The appropriateness of the group-wide stress scenarios and the severity of the relevant scenarios are approved by the GRCMC based on GROC's recommendations, and are reviewed on at least an annual basis.

The outcomes of stress scenarios are ultimately assessed against earnings, capital adequacy and liquidity on a consolidated basis across all risk types and compared with the group's set risk appetite.

During the year, the group performed group-wide stress tests across all major risk types based on a number of macroeconomic scenarios, each with different levels of severity. The outcome of these stress tests indicated that the group was well within its risk tolerance levels in all of the scenarios. Over the last twelve months, the group-wide macroeconomic stress testing process was performed on a bi-annual basis in line with changing economic conditions.

Portfolio-specific stress tests are conducted more frequently within business units with many executed on a monthly basis. This enables early and proactive management of the potential impact of economic conditions.

The group has also developed a number of reverse stress tests to complement the stress testing programme, whereby scenarios or a range of events are determined that could possibly lead to the group's business plan becoming unachievable. These tests are a useful tool in risk management as they assist in testing the assumptions made about the business strategy, capital planning and contingency planning.

King III

The group has completed a gap analysis to identify differences between current risk governance and management and the recommendations of the King III report. No material gaps are present which require substantial changes to current procedures and governance practices.

The key risk workstreams that have been set out by King III are boards of directors (which are covered in the corporate governance section of this report), combined assurance and internal financial controls, and integrated reporting and disclosure. Our internal audit division and various reporting stakeholders in the group have drafted project plans to ensure that the recommendations of King III are appropriately implemented.

Risk categories

Credit risk

Credit risk is the risk of loss to the group as a result of the failure by a client or counterparty to meet its contractual obligations to the group.

Country risk

Cross-border transfer risk, herein referred to as country risk, is the uncertainty that a client or counterparty, including the relevant sovereign, may not be able to fulfil its obligations to the group outside the host country because of political or economic conditions in the host country.

Liquidity risk

Liquidity risk arises when the group, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms.

This may be caused when counterparties who provide the bank with funding withdraw or do not roll over that funding, or as a result of a generalised disruption in asset markets that make normally liquid assets illiquid.

Market risk

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

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes information and legal risk but excludes reputational and strategic risk.

Business risk

Business risk relates to the potential revenue shortfall compared to the cost base due to strategic and/or reputational reasons. From an economic capital perspective, business risk capital requirements are calculated as the potential loss arising over a one-year timeframe within a certain level of confidence as implied by the group's chosen target rating. The group's ability to generate revenue is impacted by, among others, the external macroeconomic environment, its chosen strategy and reputation in the markets in which it operates.

Reputational risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

Insurance risk

The risk that future claims and related expenses will exceed the allowance for expected claims and expenses in the measurement of policyholder liabilities and in product pricing principles. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts, whether due to deviations from mortality, morbidity, withdrawal rate and investment performance assumptions in the case of life products, and claims incidence and severity assumptions in the case of short-term insurance products.

Reporting frameworks

This risk management report addresses the disclosure requirements of Basel II pillar 3 and IFRS 7 *Financial Instruments Disclosure* (IFRS 7). While the overarching goals of both are to increase market disclosure, the basis of consolidation differs. These differences are explained below.

Basel II consolidation

Pillar 3 disclosures, as set out in the Regulations Relating to Banks, apply at the group level and disclosures related to individual banks within the group are not required. Contrary to accounting principles, banking regulations view consolidation as including only those group companies (subsidiaries, joint ventures and voluntarily consolidated minority-owned entities) that conduct banking and other financial operations. This includes credit institutions, securities firms and financial entities, but no other companies.

Basel II information has been disclosed in accordance with the following consolidation approaches:

Consolidated

Includes the full risk-weighted exposure amounts of a subsidiary in the group consolidated risk-weighted exposures, for example banking and financial entities.

Proportionately consolidated

Includes the pro rata portion of the risk-weighted exposure amounts of the entity in the group consolidated risk-weighted exposures, for example banking and financial entities where joint control exists.

Deduction

The respective investment in the entity is deducted from the consolidated capital and reserve funds and the related assets are removed from the consolidated balance sheet, for example insurance and commercial entities or financial entities where no control exists.

Treatment of legal entities under the Basel II consolidation

Type of treatment	Banks[1]	Securities firms[2]	Financial entities[3]	Commercial entities[4]	Insurance entities[5]
2009					
Consolidated	23	5	79		
Proportionately consolidated			4		
Deduction	1	1	12	107	5
Total	24	6	95	107	5
2008					
Consolidated	24	8	83		
Proportionately consolidated			8		
Deduction			12	114	6
Total	24	8	103	114	6

[1] *Banks – public companies registered as banks in terms of the Banks Act, 1990 or the relevant legislation if the entity is registered outside of the Republic of South Africa.*
[2] *Securities firms – entities that conduct securities as envisaged in the Securities Services Act, 2004 or the relevant legislation if the entity is registered outside of the Republic of South Africa.*
[3] *Financial entities – entities that conduct financial activities, for example, lending business, financial leasing, consumer credit, mortgage credit, money transmission, portfolio management or money broking.*
[4] *Commercial entities – entities primarily involved in the production of goods or non-financial services.*
[5] *Insurance entities – entities that conduct insurance business including any entity registered as an insurer in terms of the Short-term Insurance Act, 1998 or Long-term Insurance Act, 1998 or the relevant legislation if the entity is registered outside the Republic of South Africa.*

IFRS consolidation

All subsidiaries of the group are consolidated for IFRS accounting purposes. In terms of IFRS, where a parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, it is consolidated as a subsidiary. Those entities over which the parent has either significant influence or joint control are equity accounted.

According to IFRS, a parent company must consolidate all subsidiaries. From a Basel II perspective, consolidation embraces only those companies of a group that conduct banking and other financial operations.

Basel II approaches adopted

Credit risk

The group obtained approval from SARB to adopt the advanced internal ratings based (AIRB) approach for its credit portfolios. Certain portfolios in the group, for which the standardised and foundation internal ratings based (FIRB) approaches were initially adopted, are being migrated to the AIRB approach.

Operational risk

The group applies the standardised approach (TSA) for operational risk and has implemented certain qualitative aspects of the AMA to bring the group in line with risk management best practice. The group is progressing well in developing and implementing an AMA operational risk framework by 2012.

Market risk

The group obtained approval from SARB to adopt the internal model approach for most trading product groups.

Restatements

Several assumptions used in the preparation of the Basel II pillar 3 information were revisited, resulting in restatements to 2008 figures disclosed previously.

During the year the group's internal definitions relating to credit risk categories disclosed in terms of IFRS 7 were aligned across the group. This resulted in the restatement of several comparative figures.

In regulatory capital, methodology was refined, resulting in the restatement of comparative figures.

The group also refined its policy on the disclosure of renegotiated loans for the purposes of IFRS 7. This required the restatement of comparative information.

Furthermore, irrevocable facilities were restated for 2008 as the internal definition was expanded to encompass those facilities that mature within one year.

Other liabilities, included in the contractual maturity analysis of financial liabilities, were revised to only include financial liabilities as defined in terms of IFRS.

Capital management

The group's capital management framework is designed to ensure the group and its principal subsidiaries are capitalised in line with the risk profile, regulatory requirements, economic capital standards and target ratios approved by the board, both at group level and at each subsidiary. The group capital management objectives are to:

- maintain sufficient capital resources to meet minimum regulatory capital requirements set by SARB in accordance with Basel II requirements;
- maintain sufficient capital resources to support the group's risk appetite and economic capital requirements;
- support the group's credit rating;
- ensure that the group's foreign regulated subsidiaries meet their minimum requirements;
- allocate capital to businesses to support the group's strategic objectives, including optimising returns on economic and regulatory capital; and
- ensure the group holds capital in excess of minimum requirements in order to achieve the target capital adequacy ratios set by management, to achieve debt rating objectives and to withstand the impact of potential stress events.

The GRCMC ensures compliance with the group's capital management objectives. The committee reviews actual and forecast capital adequacy on a quarterly basis. The processes in place for delivering the group's capital management objectives are:

- establishing internal targets for capital adequacy;
- managing capital ratio's sensitivity to foreign exchange rate movements;

- ensuring regulatory capital adequacy requirements for foreign and local entities are met;
- allocating capital to support the group's strategic plans;
- applying stress tests to assess the group's capital adequacy under stress scenarios;
- developing, reviewing and approving ICAAP;
- capital planning and forecasting to ensure that capital ratios exceed the targets set by the board; and
- capital raising on a timely basis.

In addition to these processes, GROC and the board, through the GRCMC, review and set risk appetite annually and analyse the impacts of stress scenarios to understand and manage the group's projected capital adequacy.

Capital adequacy

The group manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders.

The capital management process ensures that each group entity maintains sufficient capital levels for legal and regulatory compliance purposes. The group ensures that its actions do not compromise sound governance and appropriate business practices.

Regulatory capital

During the period under review, the group complied with all externally imposed capital requirements to which its banking activities and insurance operations are subject, mainly, but not limited to, the relevant requirements of the Banks Act and Regulations Relating to Banks, which are broadly consistent with the Basel II guidelines issued by the Bank for International Settlements, as well as those of the Financial Services Board (FSB) in South Africa and other insurance regulatory bodies.

In addition to the requirements of host country regulators, the group complies with the capital adequacy requirements in terms of South African banking regulations. Regulatory capital adequacy is measured via two risk-based ratios, tier I and total capital adequacy. Both measures of capital are stated as a percentage of risk-weighted assets.

Tier I capital represents the permanent forms of capital such as share capital, share premium, retained earnings and perpetual, non-cumulative preference shares while total capital, in addition, includes other items such as subordinated debt, impairments for performing loans and revaluation reserves. Risk-weighted assets are determined on a granular basis by using risk weights calculated from internally derived risk parameters. Both on- and off-balance sheet exposures are included in the overall credit risk-weighted assets of the group.

Notional risk-weighted assets for the market and operational risk components are determined using the risk drivers that impact on regulatory capital as inputs.

The group's tier I capital was R70,6 billion in 2009 (2008: R67,7 billion) and total capital was R89,1 billion in 2009 (2008: R81,6 billion). The change in the group's capital was primarily due to an increase in retained earnings by the group and capital raising in the form of tier II subordinated debt of R8,5 billion in 2009. This was offset by redemption of tier II of subordinated debt of R0,9 billion.

The group maintained a well-capitalised position based upon core tier I, tier I and total capital ratios as set out on the pages that follow.

Capital transferability

Subject to appropriate motivation and approval by exchange control authorities, no significant restrictions exist on the transfer of funds and regulatory capital within the banking group. The transfer of funds and regulatory capital within the group is conducted with due consideration given to the appropriateness of each action.

Basel II regulatory capital

	2009 Rm	2008[1] Rm
Tier I		
Issued primary capital and unimpaired reserve funds	87 195	87 225
Ordinary share capital and premium	17 197	16 997
Ordinary shareholders' reserves[2]	66 279	64 612
Minority interest	3 719	5 616
Less: regulatory deductions	(16 988)	(14 432)
Goodwill and other intangible assets	(7 827)	(8 364)
Investment in regulated non-banking entities	(135)	(110)
Investment in banks	(2 369)	
Other – 50% deducted from tier I and tier II respectively	(6 657)	(5 958)
Expected loss exceeding eligible provisions	(921)	(970)
Investment in insurance and financial entities not consolidated	(5 452)	(4 757)
Other	(284)	(231)
Less: regulatory exclusions	(5 134)	(10 562)
Non-qualifying entities' ordinary shareholders' reserves[3]	(3 631)	(3 642)
Foreign currency translation reserves		(6 168)
Other reserves[4]	(1 503)	(752)
Preference share capital and premium	5 495	5 495
	70 568	67 726
Tier II		
Issued secondary capital and reserves	23 868	17 436
Preference share capital and premium	8	8
Subordinated debt	22 931	16 027
Impairments for performing loans	929	1 165
Revaluation reserve		236
Less: regulatory deductions – 50% deducted from tier I and tier II respectively	(6 657)	(5 958)
Expected loss exceeding eligible provision	(921)	(970)
Investment in insurance and financial entities not consolidated	(5 452)	(4 757)
Other	(284)	(231)
	17 211	11 478
Tier III		
Subordinated debt	1 361	2 393
Total eligible capital	89 140	81 597
Total capital requirement	58 483	59 959
Total risk-weighted asset	599 822	614 960

Audited.

[1] *Restated.*

[2] *Unappropriated profits of R11,0 billion have been included in tier I capital and reserves qualifying as tier II capital have been deducted. Profits are appropriated by the board of directors subsequent to year end.*

[3] *Mainly insurance and commercial entities.*

[4] *Mainly the share-based payment reserve, cash flow hedging reserve, available-for-sale revaluation reserve and negative foreign currency translation reserve, where applicable.*

Basel II risk-weighted assets

	2009 Rm	2008[1] Rm
Credit risk	**432 431**	481 833
Portfolios subject to the standardised approach	**108 351**	123 175
Corporate	**57 182**	54 179
Sovereign	**18 403**	21 954
Banks	**5 460**	15 844
Retail mortgages	**13 895**	11 872
Retail other[2]	**12 979**	19 132
Securitisation exposure	**432**	194
Portfolios subject to the FIRB approach	**74 896**	106 245
Corporate	**64 251**	87 864
Sovereign	**828**	1 584
Banks	**9 817**	16 797
Portfolios subject to the AIRB approach	**228 865**	229 770
Corporate	**94 568**	88 481
Sovereign	**4 063**	3 226
Banks	**10 368**	11 191
Retail mortgages	**56 393**	61 000
Qualifying retail revolving exposure	**39 103**	37 991
Retail other[2]	**21 952**	26 342
Securitisation exposure	**2 418**	1 539
Other assets	**20 319**	22 643
Equity risk in the banking book	**15 707**	14 490
Portfolios subject to the standardised approach	**739**	329
Listed	**34**	
Unlisted	**705**	329
Portfolios subject to the market-based approach	**6 307**	6 745
Listed	**3 300**	1 485
Unlisted	**3 007**	5 260
Portfolios subject to the probability of default/loss given default approach	**8 661**	7 416
Market risk	**48 059**	40 442
Portfolios subject to the standardised approach	**24 634**	29 560
Portfolios subject to the internal models approach	**23 425**	10 882
Operational risk		
Portfolios subject to the standardised approach	**103 625**	78 195
Total risk-weighted assets	**599 822**	614 960

[1] *Restated.*
[2] *Retail other includes retail small and medium enterprises (SME), vehicle and asset finance, and term lending exposures.*

Capital adequacy ratios

	Minimum regulatory requirement %	Target ratio %	2009 %	2008[1] %
Total capital adequacy ratio	9,75	11-12	**14,9**	13,3
Tier I capital adequacy ratio	7	9	**11,8**	11,0
Core tier I capital adequacy ratio	5,25		**10,8**	10,1

[1] *Restated.*

Capital adequacy ratios of banking and insurance subsidiaries

	2009		2008[1]		Host regulatory requirement
	Tier I capital %	Total capital %	Tier I capital %	Total capital %	%
Standard Bank Group	11,8	14,9	11,0	13,3	9,75
The Standard Bank of South Africa	10,6	14,1	9,3	12,2	9,75
CfC Stanbic Bank Kenya	10,6	16,4	10,0	13,0	12
Stanbic Bank Botswana	10,8	18,6	9,1	18,2	15
Stanbic Bank Ghana	19,4	22,5	15,2	18,4	10
Stanbic Bank Tanzania	17,4	18,9	12,3	14,0	12
Stanbic Bank Uganda	13,1	16,3	13,2	13,2	12
Stanbic Bank Zambia	14,1	18,0	11,5	15,5	10
Stanbic Bank Zimbabwe	17,5	18,8	30,8	58,5	10
Stanbic IBTC Bank Nigeria	27,6	28,1	29,2	29,9	10
Standard Bank Malawi	19,8	25,7	15,3	22,1	10
Standard Bank Mauritius	12,0	18,1	16,1	23,9	10
Standard Bank Mozambique	12,0	14,7	7,8	11,1	8
Standard Bank Namibia	11,2	14,1	11,5	14,5	10
Standard Bank RDC	10,1	16,2	10,8	10,8	10
Standard Bank Swaziland	12,0	17,9	13,8	17,5	8
Standard Lesotho Bank	9,1	10,6	7,9	8,9	8
Standard International Holdings[2]	9,9	16,5	10,0	13,7	10,48[3]
Standard Bank Isle of Man	8,8	12,5	8,0	11,2	10
Standard Bank Jersey	10,0	13,0	7,8	11,1	10
Aggregate regulatory capital requirement for banking operations		10,1			10,4
Liberty Life (calculated in terms of the Long-term Insurance Act) CAR[4] – times covered		2,8		2,7	

[1] *Restated.*
[2] *Standard International Holdings consists of:*
- *Banco Standard de Investimentos (Brazil)*
- *Standard Bank Argentina*
- *Standard Bank Asia (Hong Kong)*
- *Standard Bank Plc (United Kingdom)*
- *Standard Merchant Bank (Asia) (Singapore)*

[3] *Plus an additional USD100 million.*
[4] *Capital adequacy requirement.*

Governance and risk management

Economic capital

Economic capital is the basis for measuring and reporting quantifiable economic risks faced by the group. The group assesses its economic capital requirements by measuring the group's risk profile using both internally and externally developed models. Economic capital is used for risk management, capital management, capital planning, capital allocation, evaluation of new business and performance measurement.

The group has refined its ICAAP over the period under review to incorporate the impact of residual risk, risk concentrations, correlation of risk, diversification impacts and stress tests to ensure that the group is adequately capitalised on an economic basis.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital. ICAAP was approved by the board, through the GRCMC, and formed the basis for discussion with SARB on the group's risk profile and capital adequacy.

The group's economic capital management framework provides for the governance and the methodology for the quantification of economic capital, and assigns roles and responsibilities for the management and allocation of economic capital across the group. Economic capital underpins the group's disciplined approach to risk and return decisions.

The methodologies used to govern the quantification of economic capital have evolved rapidly over the past two years. These methodologies are subject to regular reviews to ensure that the economic capital results are a true reflection of the underlying portfolios and risk drivers that impact the group.

Economic capital is the amount of permanent capital that a transaction, business unit or risk type must hold to support the economic risk. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst case loss commensurate with the group's targeted financial strength.

Economic capital is calculated for each of the following quantifiable risk types:

- credit risk;
- equity risk;
- market risk;
- operational risk;
- business risk; and
- interest rate risk in the banking book.

The board, through the GRCMC, and senior executive management review economic capital results regularly, which facilitates improved risk management across the group.

Economic capital by risk type

	2009 Rm	2008 Rm
Credit risk	31 336	32 036
Equity risk	1 293	855
Market risk	1 747	1 458
Operational risk	6 965	4 245
Business risk	1 504	1 225
Interest rate risk in the banking book	1 917	2 943
Banking activities – economic capital	44 762	42 762
Available financial resources	81 503	82 699
Capital coverage ratio	1,82	1,93

Credit risk economic capital of R31,3 billion for 2009 (2008: R32,0 billion) represents the largest source of risk to which the banking entities in the group are exposed and accounts for the majority of total economic capital. Credit risk reduced due to lower credit exposures across all portfolios and a reduction in the average maturity of the portfolio. This was offset by an increase in capital arising from downgrades of counterparties.

The increase in market risk economic capital to R1,7 billion in 2009 (2008: R1,5 billion) was mainly due to higher volumes in commodities and debt securities trading activities.

Operational risk economic capital of R7,0 billion (2008: R4,2 billion) increased due to the inclusion of the 2009 income figures in the calculation of TSA capital for operational risk.

The increase in business risk economic capital to R1,5 billion in 2009 (2008: R1,2 billion) is attributable to the change in methodology in the calculation which is now based on the growth in total income.

Capital in respect of interest rate risk in the banking book reduced from R2,9 billion to R1,9 billion due to the limited likelihood of further material reductions in interest rates in the markets in which the group operates.

The minimum economic capital requirement of R44,8 billion in 2009 (2008: R42,8 billion) is reflective of the capital requirement to cover the risk profile of the group.

Available financial resources is the capital supply defined on an economic basis, which essentially comprises permanent capital, and is broadly equivalent to equity capital. The available financial resources of R81,5 billion (2008: R82,7 billion) covers the minimum economic capital requirement of R44,8 billion by a factor of 1,82 times, indicating a substantially higher capital position relative to risks assumed on banking activities.

Credit risk

Framework

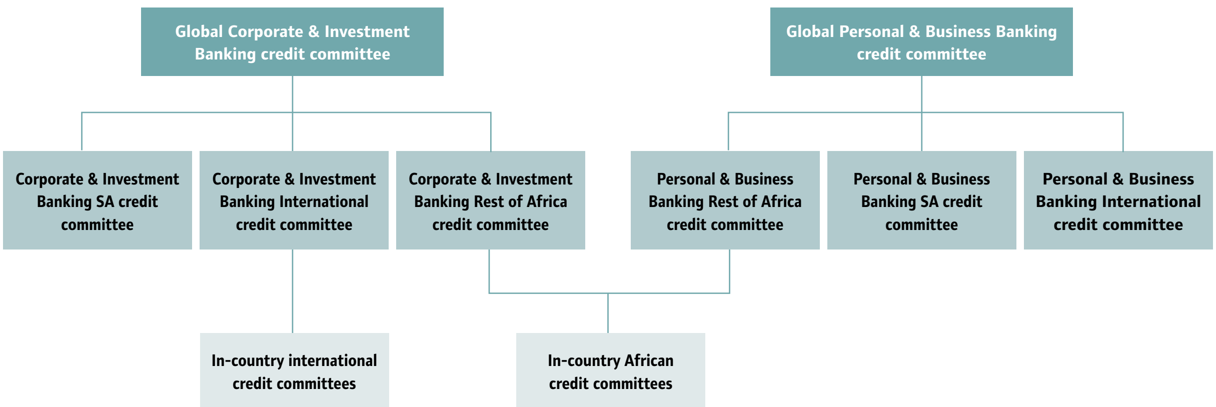
Credit risk is the group's most material risk. It is managed in accordance with the group's comprehensive risk management control framework. A group credit standard sets out the principles under which the group is prepared to assume credit risk. Responsibility for credit risk resides within the group's business units supported by the group risk function and with oversight, as with other risks, by the group risk committees and ultimately the board.

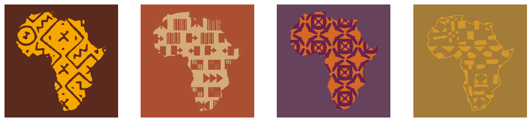
The principal executive management committee responsible for the oversight of credit risk is GROC. The global credit committees for both Personal & Business Banking and Corporate & Investment Banking, report directly to GROC and indirectly through GROC to the GCC. These committees have responsibility for credit risk and credit concentration risk decision-making. They have been approved by the board as the designated committees for approving key aspects of the credit rating systems for Personal & Business Banking and Corporate & Investment Banking as required by the Banks Act, 1990 and the Regulations relating to banks. The GCC is the principal board committee responsible for the oversight of credit risk, with GAC having oversight responsibility for reviewing credit impairment adequacy. The structure of the group credit committees is illustrated below.

The committees have clearly defined mandates and delegated authorities, which are regularly reviewed.

Credit committee responsibilities include governance oversight, risk appetite, model performance, development and validation, counterparty and portfolio risk limits and approvals, country, industry, market, product, obligor, customer segment and maturity concentration risk, risk mitigation, impairments, stress testing, and optimisation of regulatory and economic capital.

Group senior credit committees

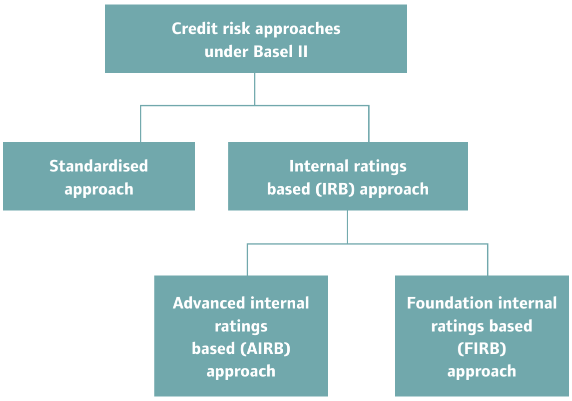




Basel II

Approaches adopted

There are three approaches under Basel II for credit risk, the standardised approach, the FIRB approach, and the AIRB approach. The FIRB and AIRB approaches are collectively referred to as the internal ratings based (IRB) approaches.



The group has adopted the AIRB approach for most credit risk portfolios. Certain subsidiaries and portfolios that are not currently on the AIRB approach are in the process of being migrated to this approach where appropriate.

Basel II exposure by approach

Basel II exposure by approach and asset class

[1] *QRRE – Qualifying revolving retail exposures*

Standardised approach

The group has adopted the standardised approach for some of its subsidiaries and portfolios for which the calculation of regulatory capital is based on net counterparty exposures after recognising a limited set of qualifying collateral. A prescribed percentage, being the risk weighting which is based on the perceived credit rating of the counterparty, is then applied to the net exposure.

External credit assessment institutions

Asset class	Moody's Investor Services	Standard & Poor's	Fitch
Corporate	✓		✓
Sovereign	✓	✓	✓
Banks	✓		✓
SMEs	✓		✓

For exposures that have been rated by approved credit assessment institutions, the process prescribed by SARB is used to ascribe public issue ratings into comparable assets in the banking book. For counterparties for which there are no credit ratings available, exposures are classified as unrated for determining regulatory capital requirements.

Equity exposures subject to the standardised approach

Under this approach unlisted and listed equity exposures are both ascribed a 100% risk weighting, unless the exposure relates to private equity and venture capital. In this case, a risk weighting of 150% is applied.

	2009 Rm	2008[1] Rm
Listed	34	51
Unlisted	700	499
Total	734	550

[1] *Restated.*

Exposure subject to the standardised approach per risk weighting

	2009			2008[1]
	Exposure Rm	Mitigation Rm	Exposure after mitigation Rm	Exposure after mitigation Rm
Based on risk weights				
0% – 35%	25 361	33	25 328	22 191
50%	34 465	16	34 449	31 569
Rated	3 656		3 656	1 448
Unrated	30 809	16	30 793	30 121
75%	33 546	450	33 096	45 342
100% and above	79 694	2 690	77 004	102 963
Rated	10 440	1 273	9 167	1 772
Unrated	69 254	1 417	67 837	101 191
Total	173 066	3 189	169 877	202 065

[1] *Restated.*

IRB approach

The second approach available to measure credit risk under Basel II is the IRB approach. Measuring credit risk under the IRB approach requires the assessment of its core components, which are probability of default (PD), exposure at default (EAD) and loss given default (LGD). EAD is the exposure amount that the group estimates will be outstanding at the time of default. LGD is measured as a percentage of the EAD that the group estimates it will lose as a result of a default. It is based largely on the customer type, seniority of the loan, country of risk and level of collateralisation.

Corporates, sovereigns and banks

Corporate, sovereign and bank borrowers include South African and international companies, sovereigns (government entities), local and provincial government entities, pure bank financial institutions, non-bank financial institutions and public sector entities. Corporate entities include large companies as well as small and medium corporate enterprises (SME) that are managed on a relationship basis or have a combined exposure to the group of more than R7,5 million.

A risk grade is assigned to each borrower using an appropriate rating model. Rating models are used to achieve objectivity, comparability, transparency and consistency in assigning ratings.

Rating models typically take quantitative and qualitative factors into account, which are used to produce a stand-alone rating. The models may also factor in geographic differences as well as support, both explicit and implicit, to determine the final risk rating.

The group uses an internationally comparable 25 point master rating scale for counterparties. Each performing risk grade is mapped to a PD that is used to quantify the credit risk for each borrower. The mapping of the master rating scale to the SARB risk buckets, external credit assessment institutions' alphanumerical rating scales and grading categories are shown in the table below.

Mapping is done through a calibration process that uses historical default rates and other data from the applicable portfolio. In low default portfolios, such as the sovereign and bank asset classes, the group uses internal data, where available, and external benchmarks and studies, particularly from rating agencies.

Under the AIRB approach, the EAD and LGD parameters are derived using approved methodologies and are based on a combination of internal and external historical default and recovery data. For the FIRB approach, these parameters are prescribed by the regulator.

The group makes use of internal risk estimates of PD, LGD and EAD extensively in respect of:

- determining credit approval;
- pricing transactions;
- limit setting for concentration risk and counterparty limits;
- determining portfolio impairment provisions;
- setting risk appetite; and
- calculating economic capital.

Relationship between the group master rating scale and external ratings

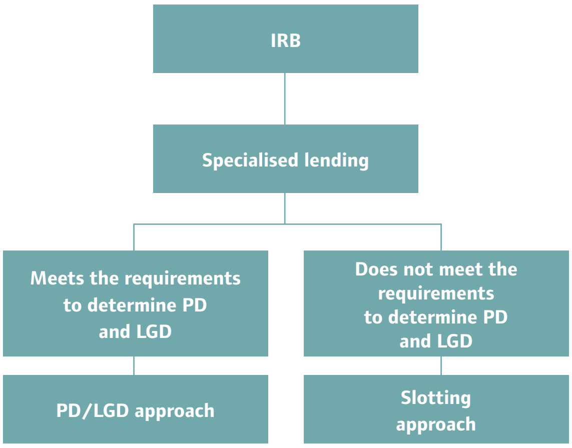
Group master rating scale	SARB risk bucket	Moody's Investor Services	Standard & Poor's	Fitch	Grading	Credit quality
1 – 4	AAA to AA-	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-	Investment grade	Normal monitoring
5 – 7	A+ to A-	A1, A2, A3	A+, A, A-	A+, A, A-		
8 – 12	BBB+ to BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-		
13 – 21	BB+ to B-	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-	Sub-investment grade	
22 – 25	Below B-	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-		Close monitoring
Default	Default	C	D	D	Default	Default

A range of other rating models has also been developed in respect of specialised lending exposures. Details are set out below.

Specialised lending exposures

Specialised lending includes project, object and commodity finance as well as income-producing real estate finance. Creditworthiness is assessed on a transactional level as the group relies on repayment from the cash flows generated by the underlying asset, as opposed to the financial strength of the borrower.

Under Basel II, two approaches are available for specialised lending exposures: the PD/LGD approach and the slotting approach. Both of these approaches are IRB approaches, however they vary significantly. Under the IRB approach, the treatment of specialised lending exposures depends on whether the PD and LGD can be determined. If these can be determined, the specialised lending exposures are treated under the PD/LGD approach. If the PD or LGD cannot be determined, the specialised lending exposure is treated under the slotting approach. With this approach the assets are evaluated against a set number of criteria and, based on this evaluation, an appropriate risk profile and risk-weighting are calculated.



PD/LGD approach

Under the PD/LGD approach, the models used to rate project, object and commodity finance transactions are scorecards combining quantitative and qualitative factors to generate a PD and LGD for each transaction. The models used to rate income-producing real estate transactions are varied: a scorecard model used for developer transactions, a scorecard for rating smaller vanilla investor transactions and a cash flow simulation model used for larger or more complex investor transactions.

The transaction LGD per facility is calculated per loan tranche net of collateral. Since a characteristic of specialised lending is that the financed asset (project, commodity or object) forms an essential component of the recovery calculation, a realisable value is first calculated for the underlying asset.

Additional forms of loss mitigation such as collateral for example cash pledges, mortgages, bonds or equity, third or related party guarantees and insurance policies, are taken into account.

A blended scorecard approach is used to derive the credit risk grade of project, object and commodity finance transactions, which is then converted to a unique PD.

Slotting approach

For certain specialised lending asset classes, the slotting approach has been adopted.

Specialised lending exposures under the slotting approach

	2009 Rm	2008[1] Rm
Based on risk weight		
0% – 50%		602
70% – 95%	369	3 677
115% – 250%	877	841
Total	**1 246**	5 120

[1]*Restated.*

Equity exposures subject to the simple risk-weighted method

The PD/LGD approach is used to model the credit risk and capital requirement for equities excluding strategic investments in the banking portfolio. The group's standard approved risk grade models, described earlier, are used in this process together with the regulatory prescribed LGD of 90% and a maturity factor of five years. The PD/LGD approach is used for most of the group's South African equity investment portfolios. Where no suitable model exists for the equity investment, the fall-back capital calculation is the simple risk-weighted approach. Under this approach, listed and unlisted equity exposures are ascribed a 300% and 400% risk weighting respectively.

Simple risk weight

	2009 Rm	2008[1] Rm
Listed	1 073	1 378
Unlisted	1 303	2 030
Total	**2 376**	3 408

[1]*Restated.*

Retail mortgages

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs.

Internally developed behavioural scorecards are used to measure the behavioural performance of each individual account. PDs are calculated from the behaviour scores using statistical calibration of internal historical default experience and are used to determine the portfolio distribution on the 25 point master rating scale. The individual account PDs are used to determine the overall PD for the retail mortgage portfolio.

The LGDs per product are estimated using historic recovery data. When a customer defaults, some part of the amount outstanding on the loan is recovered. The part that is not recovered, the actual loss, together with the costs associated with the recovery process are used to determine estimated cash flows and LGDs. In addition, a downturn LGD factor is applied to the estimated LGD.

EAD represents the expected level of usage of the facility when default occurs. During the course of a loan, the customer may not have drawn the loan fully or may have already repaid some of the principal so that the exposure is typically less than the approved loan limit. However, by using historical data it is possible to estimate the average utilisation of limits of an account when default occurs, taking into consideration the fact that customers may make more use of their facilities as they approach default.

Qualifying revolving retail exposures (QRRE)

QRRE relates to cheque accounts, credit cards and revolving personal loans. These products include both drawn and undrawn exposures.

Internally developed behavioural scorecards for cheque, credit card accounts and revolving personal loans are used to measure the anticipated performance for each account. Mapping the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio specific historical default experience. The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale.

Separate LGD models are used for each product portfolio and are based on historic recovery data.

EAD is measured as a percentage of the credit facility limit. It is based on historical averages. EAD is estimated per portfolio and per portfolio specific segments using internal historic data on limit utilisation.

Other retail

Other retail covers other branch lending and vehicle finance for retail and retail SME portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

The credit behaviour of each portfolio is measured using internally developed scorecards specific to each portfolio. Mapping the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio-specific historical default experience.

As with QRRE portfolios, the LGDs are estimated for portfolio-specific segments using historic recovery data and the EAD is estimated per portfolio and per portfolio-specific segment using internal historic data on limit utilisation.

Analysis of PDs, EADs and LGDs by risk grade under the IRB approach

		Corporate			Sovereign			Banks		
	Average PD %	EAD Rm	LGD %	Exposure weighted average risk weight %	EAD Rm	LGD %	Exposure weighted average risk weight %	EAD Rm	LGD %	Exposure weighted average risk weight %
2009										
Non-default		236 235			59 981			120 244		
1–4	0,03	4 682	35,82	8,78	4 989	31,18	1,37	47 215	37,18	9,72
5–7	0,06	8 187	42,83	21,28				38 114	36,63	12,25
8–12	0,27	92 468	35,50	43,09	52 183	13,73	8,95	31 007	36,57	24,07
13–21	2,13	127 072	36,78	83,35	2 809	26,39	52,67	3 908	44,05	90,37
22–25	32,93	3 826	26,22	82,10						
Default	100,00	8 872	39,80	20,61	561	45,00	3,17	532	43,14	
Total		245 107	36,43		60 542	16,05		120 776	37,10	
2008[1]										
Non-default		298 748			52 794			129 119		
1–4	0,03	4 790	31,51	10,44	2 436	25,09	4,19	49 828	37,53	8,90
5–7	0,05	4 123	44,26	19,12	3	24,08	8,88	30 648	39,42	12,66
8–12	0,26	140 422	32,16	37,58	48 869	12,52	9,17	38 832	36,35	26,15
13–21	2,53	143 585	31,66	74,30	1 486	42,49	69,82	9 774	42,33	88,25
22–25	33,16	5 828	36,31	79,84				37	45,00	49,76
Default	100,00	3 969	43,79	3,40	13	45,00	28,51	2 281	11,67	
Total		302 717	32,31		52 807	13,95		131 400	37,52	

[1] *Restated.*

Altogether 43,6% (2008: 47,4%) of the asset class exposures are investment grade. As per the group master rating scale, investment grade is represented by risk grades 1 to 12.

The movement in the risk grade distribution as well as the weighted average LGD for the corporate portfolio is due to repayments by various corporate entities, refinements to corporate LGD methodology, the re-rating of certain corporate entities and an increase in corporate defaults. Challenging economic conditions during 2009 resulted in the deterioration in the Personal & Business Banking credit portfolios.

Retail mortgages			QRRE			Retail other			Equity	
EAD Rm	LGD %	Exposure weighted average risk weight %	EAD Rm	LGD %	Exposure weighted average risk weight %	EAD Rm	LGD %	Exposure weighted average risk weight %	Exposure Rm	PD %
204 987			46 180			72 065			3 409	
1 137	15,25	0,12	114	41,39	0,17	2 329	12,23	0,90		
1 366	15,17	0,15	1 308	45,41	1,99	2 756	17,91	1,06		
37 740	15,23	4,12	6 719	50,02	10,21	8 267	24,45	3,19	978	0,40
145 237	15,52	15,85	33 162	64,98	50,40	54 136	28,86	20,82	2 431	1,56
19 507	15,69	2,13	4 877	68,56	7,41	4 577	26,11	1,76		
22 500	15,66	2,46	4 542	67,44	6,90	4 107	31,65	1,58		
227 487	15,50		50 722	63,01		76 172	27,45		3 409	
218 988			49 011			76 948			2 855	
			40	44,90	0,06	870	16,78	0,36		
			1 271	43,05	1,80	2 625	13,59	1,09		
65 227	14,48	7,23	7 421	46,89	10,51	6 973	24,82	2,91	1 138	0,44
138 345	14,89	15,34	33 297	62,26	47,14	60 573	29,14	25,26	1 696	1,66
15 416	15,01	1,71	6 982	65,72	9,89	5 907	28,76	2,46	21	24,99
15 539	15,08	1,72	2 789	64,72	3,95	2 534	32,82	1,06		
234 527	14,80		51 800	60,17		79 482	28,20		2 855	

Credit portfolio analysis

Analysis by asset class

The credit portfolio is analysed in the tables that follow in terms of Basel II approach and asset class, industry and geography.

Asset class exposure by Basel II approach and class

	On-balance sheet			Off-balance sheet			Repurchase and resale agreements		
	Standardised Rm	FIRB Rm	AIRB Rm	Standardised Rm	FIRB Rm	AIRB Rm	Standardised Rm	FIRB Rm	AIRB Rm
2009									
Corporate	51 849	64 800	118 942	9 550	6 290	57 562		14 861	24 932
Sovereign	21 338	3 594	54 166	877	108	3 203	736		2 000
Banks	31 631	17 426	66 459	212	2 335	6 055	34	37 773	15 352
Retail exposure	45 104		300 622	10 389		78 685			
Retail mortgages	7 663		210 260			33 338			
QRRE	1 714		32 432	3 382		26 975			
Other retail	35 727		57 930	7 007		18 372			
Total	149 922	85 820	540 189	21 028	8 733	145 505	770	52 634	42 284
2008[3]									
Corporate	69 777	101 175	140 891	7 589	9 897	46 284	60	15 677	21 339
Sovereign	27 867	1 309	51 305	41	286	30	1 679		2 751
Banks	29 120	24 822	53 789	4 445	2 982	5 770	615	40 339	17 741
Retail exposure	51 549		303 271	12 441		76 408			
Retail mortgages	9 052		207 780			31 252			
QRRE			33 177			27 577			
Other retail	42 497		62 314	12 441		17 579			
Total	178 313	127 306	549 256	24 516	13 165	128 492	2 354	56 016	41 831

[1] Amount before the application of any offset, mitigation or netting.
[2] Specific impairments include impairments relating to securitisations.
[3] Restated.

The two most material asset classes, corporate and retail mortgages, have significant levels of collateralisation in place.

Credit exposures decreased from R1 359 billion in 2008 to R1 168 billion in 2009. In addition to the generally adverse market conditions, this decrease was due to the following factors:

- Standardised exposures decreased by R32,9 billion predominantly due to the weakening of African currencies against the rand. African countries constitute over 50% of the standardised portfolio.
- Exposures to derivative instruments reduced due to lower client trading activities following the stabilisation of market conditions in the second half of 2009.
- Corporate exposures under the IRB approach reduced due to the roll-off of large structured finance positions, repayments made by large corporates and the impact of a stronger year end rand exchange rate.

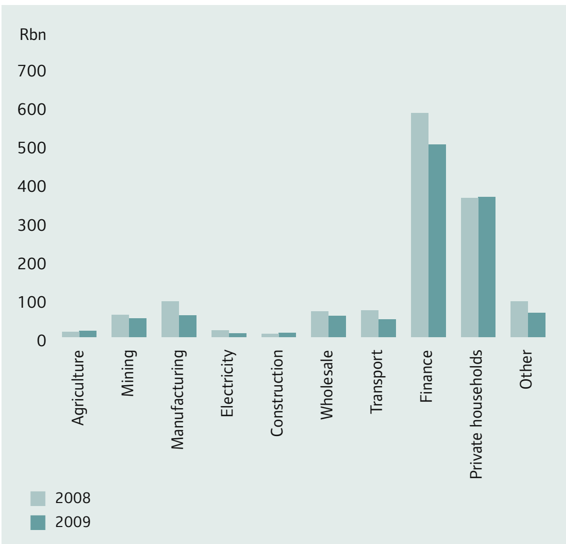
Derivative instruments			Total by approach				EAD		Gross defaulted exposures[1]	Impairment of exposures	
Standardised Rm	FIRB Rm	AIRB Rm	Standardised Rm	FIRB Rm	AIRB Rm	Total Rm	FIRB Rm	AIRB Rm	Rm	Specific[2] Rm	Portfolio Rm
1 233	22 426	13 484	62 632	108 377	214 920	385 929	85 164	161 188	10 970	2 675	
	618	886	22 951	4 320	60 255	87 526	4 310	56 232	560	67	
113	27 784	54 164	31 990	85 318	142 030	259 338	35 416	85 360	590	358	
			55 493		379 307	434 800		354 381	34 027	9 978	
			7 663		243 598	251 261		227 487	22 704	6 546	
			5 096		59 407	64 503		50 722	4 657	1 396	
			42 734		76 302	119 036		76 172	6 666	2 036	
1 346	50 828	68 534	173 066	198 015	796 512	1 167 593	124 890	657 161	46 147	13 078	5 588
452	43 479	13 378	77 878	170 228	221 892	469 998	133 647	174 088	6 610	1 157	
	27	13	29 587	1 622	54 099	85 308	1 452	51 355	13	7	
276	88 540	91 055	34 456	156 683	168 355	359 494	53 098	78 302	790	396	
15			64 005		379 679	443 684		365 809	22 976	7 036	
			9 052		239 032	248 084		234 527	15 555	2 923	
					60 754	60 754		51 800	2 789	1 290	
15			54 953		79 893	134 846		79 482	4 632	2 823	
743	132 046	104 446	205 926	328 533	824 025	1 358 484	188 197	669 554	30 389	8 596	5 422

Basel II exposures by type of asset and industry

	On-balance sheet Rm	Off-balance sheet Rm	Repurchase and resale agreements Rm	Derivative instruments Rm	Total gross exposure Rm	Gross defaulted exposures[1] Rm	Impairment of exposures Specific Rm	Impairment of exposures Portfolio Rm
2009								
Agriculture	10 321	5 857		122	16 300	1 040	278	
Mining	27 606	16 732	402	3 829	48 569	1 306	317	
Manufacturing	35 238	18 019	122	3 060	56 439	1 523	768	
Electricity	5 406	1 954		1 733	9 093	355	13	
Construction	5 561	4 739		188	10 488	312	659	
Wholesale	32 316	14 123	692	8 195	55 326	1 781	569	
Transport	35 681	8 425		1 622	45 728	433	177	
Finance, real estate and other business services	273 421	29 725	94 472	101 672	499 290	7 405	1 569	
Private households	297 528	65 846		2	363 376	30 459	7 428	
Other	52 853	9 846		285	62 984	1 533	1 300	
Total	775 931	175 266	95 688	120 708	1 167 593	46 147	13 078	5 588
2008[2]								
Agriculture	10 231	2 250	465	176	13 122	729	458	
Mining	35 157	11 432	665	10 939	58 193	140	129	
Manufacturing	62 637	21 207	496	8 748	93 088	1 478	388	
Electricity	12 861	2 011	174	2 623	17 669	462	5	
Construction	4 312	2 976		606	7 894	44	195	
Wholesale	34 348	13 100	55	18 979	66 482	741	421	
Transport	58 649	6 979	22	3 268	68 918	382	96	
Finance, real estate and other business services	261 909	30 060	97 839	191 099	580 907	5 040	557	
Private households	291 799	67 393	424	484	360 100	20 375	5 122	
Other	82 972	8 765	61	313	92 111	998	1 225	
Total	854 875	166 173	100 201	237 235	1 358 484	30 389	8 596	5 422

[1] Amount before the application of any offset, mitigation or netting.
[2] Restated.

Basel II total gross exposure by type of industry

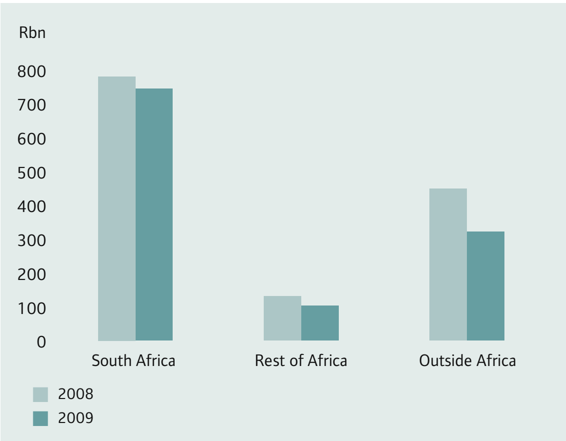


Basel II exposures by type of asset and geographic region

	On-balance sheet Rm	Off-balance sheet Rm	Repurchase and resale agreements Rm	Derivative instruments Rm	Total gross exposure Rm	Gross defaulted exposures[1] Rm	Impairment of exposures	
							Specific Rm	Portfolio Rm
2009								
South Africa	535 548	144 370	43 752	19 924	743 594	36 248	10 297	
Other African countries	86 967	12 946	939	2 381	103 233	2 834	1 000	
Europe	70 360	4 505	37 085	63 233	175 183	2 517	524	
Asia	31 086	6 119	2 553	5 762	45 520	2 642	536	
North America	20 907	1 205	1 449	25 926	49 487	412	47	
South America	28 919	6 045	9 910	3 141	48 015	1 369	595	
Other	2 144	76		341	2 561	125	79	
Total	775 931	175 266	95 688	120 708	1 167 593	46 147	13 078	5 588
2008[2]								
South Africa	575 303	133 706	39 507	31 612	780 128	23 873	6 474	
Other African countries	114 135	12 819	2 019	1 601	130 574	1 836	1 022	
Europe	71 091	3 202	34 182	149 999	258 474	1 221	249	
Asia	46 082	4 954	9 204	11 434	71 674	1 238	254	
North America	7 223	686	773	36 464	45 146	822	155	
South America	40 482	10 795	14 516	5 028	70 821	1 399	442	
Other	559	11		1 097	1 667			
Total	854 875	166 173	100 201	237 235	1 358 484	30 389	8 596	5 422

[1] *Amount before the application of any offset, mitigation or netting.*
[2] *Restated.*

Basel II total gross exposure by geographic region



Loss analysis

Regulatory expected loss versus actual losses

The table alongside shows, for the IRB exposure classes, the one-year forward-looking expected loss (as defined in the Regulations relating to banks) for 2009. It is calculated using information that was available at the end of 2008 and is referred to as regulatory expected loss. Actual losses consist of net impairment charges and write offs for 2009. These measures cannot necessarily be compared as they are calculated using different methodologies and internal systems.

Actual losses comprise impairments, as determined by IFRS, and amounts written off during the year. In contrast, the regulatory expected loss is calculated by credit risk models applying methodologies based on risk parameters and observations over a period of time.

Analysis of expected losses versus actual losses

	Regulatory expected loss 2008 Rm	Actual loss 2009 Rm
IRB exposure class[1]		
Corporate	3 316	2 688
Sovereign	94	34
Banks	1 170	566
Retail exposures	10 276	10 010
Retail mortgages	4 601	2 280
QRRE	3 320	3 567
Other retail	2 355	4 163
Total	14 856	13 298

[1] *Excludes all TSA portfolios.*

IRB exposure class[1]	PD Estimated %	PD Actual %	LGD[2] Estimated %	LGD[2] Actual %	EAD Estimated to actual ratio[3] %
2009					
Corporate	2,4	2,4	32,2	33,0	104,3
Sovereign[4]	0,8	1,3	15,2		
Banks	0,9	0,5	33,6		
Retail exposures	4,7	7,3	24,2	33,7	103,8
Retail mortgages	4,7	6,4	14,8	15,3	92,2
QRRE	8,8	8,8	59,9	78,0	102,3
Other retail	4,2	8,8	28,1	59,4	115,4
Total	3,1	4,2	27,9	25,7	104,1

[1] *Excludes all TSA portfolios.*
[2] *Excludes FIRB portfolios.*
[3] *This comparison is performed solely for non-performing loans in 2009 that were performing as at the end of 2008. The comparison is based on the actual EAD at the time of default compared to the estimated EAD as at 31 December 2008 for those facilities. Where the number is above 100% the estimated EAD exceeds the actual EAD.*
[4] *Out of a very small portfolio, there was only one sovereign default, hence the large default rate.*

The table above sets out:

- the estimated PDs and LGDs used to determine at the end of 2008 the regulatory expected loss for 2009;
- the PDs and LGDs derived from the actual losses for 2009; and
- the ratio of the EADs used to derive the regulatory expected loss to the EADs derived from the actual losses for 2009.

Across the various asset classes, with the exception of the portfolio relating to banks, the actual default rate for 2009 was higher than the estimated PDs. This was due to the challenging macroeconomic conditions experienced during 2009.

For sovereign and banks, actual LGDs could not be calculated as no defaults occurred in the group's AIRB portfolio. For the retail exposures, the variance is largely due to differences in the methodologies applied to calculate estimated and actual LGDs, where estimated LGD is the downturn LGD used for Basel II regulatory reporting and actual LGD is determined based on discounted cash flows with the application of a downturn factor.

Credit risk mitigation

Collateral, guarantees, credit derivatives and on- and off-balance sheet netting are widely used by the group to mitigate credit risk. The amount and type of credit risk mitigation depends on the circumstances in each case.

Credit risk mitigation policy and procedure ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforceability. Detailed processes and procedures are in place to guide each type of mitigation used.

The main types of collateral taken are mortgage bonds over residential, commercial and industrial properties, cession of book debts, bonds over plant and equipment and, for leases and instalment sales, the underlying moveable assets financed. Security values are reviewed on a regular basis and are revalued at the time of default if it is found that the existing value could have shifted materially from the time of valuation. Reverse repurchase agreements are underpinned by the assets being financed, which are mostly liquid, tradeable financial instruments.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

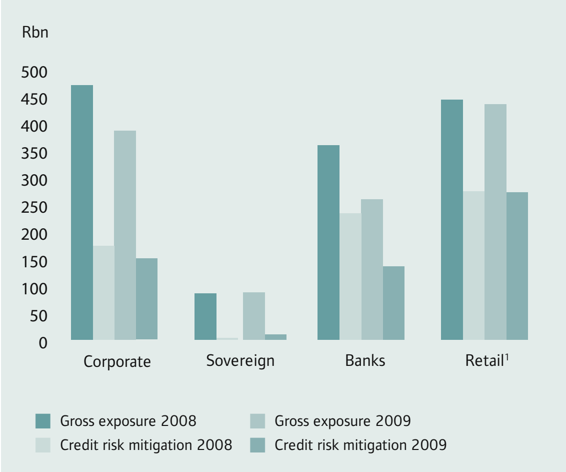
For derivative transactions, the group typically requires the use of internationally recognised and enforceable Institute of Swap Dealers Association (ISDA) agreements with a credit support annexure, where necessary. Exposures are generally marked-to-market daily, netting is applied to the full extent contractually agreed by the parties, and cash or near cash collateral posted where contractually provided for.

Since the counterparty credit risk of derivatives can vary over time according to market factors, exposures to counterparty credit risk are calculated by adding increases in future potential exposure to the balance of present exposure.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the group implements hedging and other strategies from time to time. This is done typically at individual counterparty, subportfolio and portfolio levels.

Syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection are used. Implementation and performance are measured regularly and reporting tools are in place to ensure effective monitoring.

Basel II exposure and mitigation by asset class



[1] *Retail includes retail mortgages, QRRE and other retail.*

Collateral

Within risk functions and business units there are specialised legal practitioners who are responsible for ensuring that legally valid, binding and enforceable loan agreements and amendments to standard security documents are in place where required. Security is provided to the group by counterparties accepting lending facilities. In certain instances, further counsel is sought from external attorneys in respect of unusual forms of security or where security is provided by foreign companies.

Wrong way risk exposures

Wrong way risk arises where there is a positive correlation between counterparty default and transaction exposure. Transactions where this may arise are, for example, reverse repurchase and collateralised forward sale transactions. This risk is addressed by taking into consideration the higher than normal correlation between the default event and exposure to a counterparty when calculating the potential exposure on these transactions.

Collateral required in the event of a credit rating downgrade

The group enters into derivative contracts with rated and unrated counterparties. To mitigate counterparty credit risk, the group stipulates credit protection terms such as limitations on the amount of unsecured credit exposure it will accept, collateralisation if mark-to-market credit exposure exceeds those amounts and collateralisation and/or termination of the contract if certain credit events occur, including but not limited to a downgrade of the counterparty's public credit rating.

Certain counterparties require that the group provide similar credit protection terms. From time to time, the group may agree to provide those terms on a restrictive basis. Rating downgrades as a collateralisation or termination event are generally conceded only to highly rated counterparties and, whenever possible, on a bilateral reciprocal basis. In exceptional cases, the group might concede such rating downgrades to unrated counterparties when their size, credit strength and business potential are deemed acceptable.

The impact on the group in respect of the amount of collateral it would have to provide given a credit downgrade is determined by the negative mark-to-market on derivative contracts where such a collateralisation trigger has been conceded.

Where the impact on the group's liquidity of a collateral call linked to downgrading is deemed to be material, the potential exposure is taken into account in model stress testing. However, the extent of legal commitments that could result in collateral calls triggered by a rating downgrade is not material and would not have an adverse effect on the group's financial position.

The decrease evident in eligible financial collateral, shown in the table below, is due to the reduction in repurchase and resale agreements with corporate clients in the first half of the year. The decrease seen in other eligible IRB collateral on the retail portfolio is due to a significant decrease in on- and off-balance sheet exposure in corporate, SME corporate and SME retail asset classes.

Basel II credit risk mitigation for portfolios under the IRB approach

	Eligible financial collateral Rm	Other eligible IRB collateral Rm	Guarantees and credit derivatives Rm	Effects of netting agree-ments Rm	Total credit risk mitigation Rm
2009					
Corporate	60 902	35 688	28 741	21 081	146 412
Sovereign	4 778	1 153	3 539	34	9 504
Banks	59 654		5 348	70 102	135 104
Retail exposures	3	271 682			271 685
Retail mortgages		236 653			236 653
QRRE		252			252
Other retail	3	34 777			34 780
Total	125 337	308 523	37 628	91 217	562 705
2008					
Corporate	81 611	35 744	28 054	26 203	171 612
Sovereign	2 719	203		9	2 931
Banks	71 103	354	5 914	155 064	232 435
Retail exposures		273 628			273 628
Retail mortgages		234 730			234 730
QRRE		238			238
Other retail		38 660			38 660
Total	155 433	309 929	33 968	181 276	680 606

Basel II credit risk mitigation for portfolios under the standardised approach

	Effects of netting agreements Rm	Eligible financial collateral Rm	Guarantees and credit derivatives Rm	Total credit risk mitigation Rm
2009				
Corporate	54	1 780	1 472	3 306
Sovereign		44	2	46
Banks		30	11	41
Retail		229	218	447
Total	54	2 083	1 703	3 840
2008[1]				
Corporate		1 923	26	1 949
Sovereign		643		643
Banks		882	241	1 123
Retail		146		146
Total		3 594	267	3 861

[1] *Restated.*

Counterparty credit risk

The analysis that follows in respect of securities financing transactions as well as the over-the-counter (OTC) derivatives represents the group's exposure to counterparty credit risk.

Analysis of securities financing transactions

Securities financing transactions include repurchase agreements, resale agreements, securities lending and securities borrowing agreements for all relevant Basel II asset classes and collateral held.

Basel II securities financing transactions

	2009 Rm	2008 Rm
Exposure		
With master netting agreement	41 295	35 785
Without master netting agreement	54 394	64 355
Total	95 689	100 140
Collateral		
Cash	30 140	29 161
Commodities	830	1 459
Debt securities	50 169	67 753
Equities	10 621	4 834
Total	91 760	103 207
Exposure at default	13 810	8 190

The increase in the EAD was primarily due to changes in the composition and level of the collateral received under securities financing transactions.

Analysis of OTC derivatives

Included in the total credit risk exposure is exposure to counterparty credit risk. The details of this counterparty credit risk are disclosed in the table on the following page. Derivative transactions traded on a recognised exchange or with a central counterparty, for example, a clearing house, have been excluded as such exposures are not subject to capital requirements in respect of counterparty credit risk.

Basel II OTC derivatives exposure

	2009 Rm	2008[1] Rm
Notional principal		
Interest rate products	6 053 618	7 651 857
Forex and gold	835 946	1 135 011
Equities	50 333	34 702
Precious metals	83 802	89 317
Other commodities	232 257	221 385
Credit derivatives	155 082	154 432
Protection bought	73 477	72 467
Protection sold	81 605	81 965
Total	7 411 038	9 286 704
Gross positive fair value	120 567	236 987
Interest rate products	59 019	83 285
Forex and gold	31 650	71 321
Equities	3 407	2 392
Precious metals	3 482	6 725
Other commodities	19 283	60 112
Credit derivatives	3 726	13 152
Protection bought	2 532	12 626
Protection sold	1 194	526
Netting benefits	(91 271)	(181 276)
Netted current credit exposure (ie net fair value)	29 296	55 711
Exposure at default	60 252	79 049
Collateral		
Cash	9 310	19 395
Debt securities	44	
Total	9 354	19 395

[1] *Restated.*

Securitisation

The group has used securitisation primarily as part of its funding strategy for its South African operations to provide added flexibility in mitigating structural liquidity risk and diversifying the funding base. Credit risk transfer and capital relief are factored in when deciding the economic merits of each new securitisation issue.

The group has entered into securitisation transactions in the normal course of business in which it transferred recognised financial assets directly to third parties or special purpose entities or in the secondary role as an investor in securitisation vehicles.

The group complies with IFRS in recognising and accounting for securitisation transactions. Special purpose entities (SPEs) are consolidated into the group when required by IFRS.

In accordance with IAS 39, no gain or loss on sale is recognised as these assets are sold at carrying value. Securitised assets are derecognised when required to reflect the element of risk and reward transfer.

For local securitisations in South Africa, Moody's Investor Services and/or Fitch were appointed as ratings agencies. For securitisation issues outside Africa, Standard & Poor's has previously been appointed.

The group fulfils a number of roles in the process of securitising assets including, among others, sponsor, hedge counterparty, commercial paper dealer, liquidity facility provider of asset backed commercial paper conduits (special purpose legal entities), subordinated lender and calculating agent.

The credit granting, monitoring and debt management processes followed for securitised assets are the same as for similar assets in the group. Performing loans, non-performing loans and related provisions are included in the group's results.

To calculate the regulatory capital on securitised assets that are retained by the group, both the AIRB and standardised approaches are used and the group has adopted the ratings-based approach under the AIRB approach.

During 2009, Blue Granite Investments No. 1, Blue Granite Investments No. 2, Blue Granite Investments No. 3 and Blue Granite Investments No. 4 exceeded a number of arrears-related triggers. However, all existing mortgage advance securitisations were maintained within covenant levels. The breach of certain arrears-related triggers resulted from the deterioration in the underlying asset performance. Accordingly, these SPEs are required to trap cash in arrears reserves and have started repayment to note holders earlier than expected. An impairment of R60 million (2008: Rnil) on subordinated loans provided to SPEs was recognised during the year, however, on a consolidated basis this was Rnil.

Analysis of securitisation activity for the year

	2009 Corporate Rm	2009 Retail mortgages Rm	2009 Retail loans[1] Rm	2009 Total Rm	2008 Total Rm
As originator					521
As investor	44	679	844	1 567	5 070
Total activity for the year	44	679	844	1 567	5 591

[1] *Retail loans consist of retail instalment sales and leasing, and retail revolving products.*

The group did not use securitisations as an alternative source of funding in 2009 due to the severe contraction in local and international securitisation markets.

In respect of instalment sale securitisation vehicles, Accelerator Fund 1 exercised its clean-up call option during April 2009 in accordance with the transaction documents and the securitisation regulations promulgated under the Banks Act, 1990. All note holders and the subordinated lender were repaid in full.

Basel II securitised on-balance sheet exposures

	2009 Corporate Rm	2009 Retail mortgages Rm	2009 Retail loans[1] Rm	2009 Total Rm	2008 Total Rm
IRB					
Personal & Business Banking		754	18	772	834
Investment grade		552		552	700
Sub-investment grade		202	18	220	134
Corporate & Investment Banking					
Investment grade	1 374	5 924	1 910	9 208	3 561
Total	1 374	6 678	1 928	9 980	4 395
Standardised					
Personal & Business Banking					
Investment grade		318		318	320
Total		318		318	320

[1] *Retail loans consist of retail instalment sales and leasing, and retail revolving products.*

Basel II securitised off-balance sheet exposures

	2009 Retail mortgages Rm	2009 Total Rm	2008 Total Rm
Total off-balance sheet exposures[1]	2 393	2 393	10 384

[1] *Comprise investment-grade exposures, under the IRB approach, in Corporate & Investment Banking.*

Due to rating agency requirements relating to commercial paper issued by Blue Titanium, an asset-backed commercial paper conduit sponsored and managed by SBSA, the terms of the credit support provided by SBSA to Blue Titanium were amended in May 2009. To calculate and report the exposures in terms of the Basel II capital adequacy requirements, the underlying exposures (assets held by Blue Titanium) have now been included as on-balance sheet exposures. This resulted in the off-balance sheet exposures previously reported being reclassified as on-balance sheet exposure.

Basel II securitisation capital deductions by approach

	Risk-weighted assets Rm	Primary capital and reserve funds Rm	Secondary capital and reserve funds Rm
2009			
IRB	2 418	67	67
Standardised	193	1	1
Total	2 611	68	68
2008			
IRB	1 539	67	67
Standardised	194	1	1
Total	1 733	68	68

Basel II exposures and accounting principles

The risk management report addresses the disclosure requirements of Basel II pillar 3 and IFRS. These two reporting frameworks have many differences, which are important to understand in order to correctly interpret the disclosures in this report.

The group's consolidated financial statements are prepared in accordance with and comply with IFRS. This framework is different from Basel II but shares the overall objective of increasing transparency by allowing users of market information, including regulators, to be more informed in their decision making.

Pillar 3 disclosures, which aim to enable the market to assess an institution's capital adequacy, are intended to complement the minimum capital requirements and supervisory review process of Basel II. While the accounting and regulatory disclosure requirements differ in scope and objectives, they are not considered to be conflicting or inconsistent. This is because the source of all risk and financial disclosures emanates from a centralised set of reconciled data.

A difference between IFRS and pillar 3 is that the analysis of credit risk exposures under IFRS is presented by class of financial instrument while pillar 3 requires classification by Basel II exposure. Classes are determined for IFRS purposes by taking into account the nature of the information to be disclosed, as well as the characteristics of the underlying financial instruments. Basel II asset classes, in the IRB approach, are based on their underlying homogeneous risk characteristics and support the risk mitigation factors applied in the Basel II calculations.

The Basel II exposure classes are therefore the basis for the preparation of regulatory reporting. The principles in IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in terms of IAS 32 and IAS 39.

Fair value instruments

IAS 39 permits any financial asset or financial liability, on meeting specific criteria, to be designated at fair value with all changes in fair value being recognised in profit or loss. For liabilities that are designated to be measured at fair value, any deterioration in the credit risk of the issuer will result in a decrease in its fair value and a resultant profit being recognised in profit or loss which would ultimately be recognised within other comprehensive income.

IFRS requires the amount of change in fair value attributable to changes in credit risk on such liabilities, both for the period and cumulatively to date, to be disclosed in the financial statements. From a pillar 3 perspective, recognising gains as a result of deterioration in creditworthiness would undermine the quality of capital measures and performance ratios. Those fair value gains and losses attributable to credit risk are therefore excluded when calculating regulatory capital.

Available-for-sale instruments

IAS 39 permits certain financial assets, such as non-trading debt and equity instruments, to be classified as available-for-sale. All financial assets classified in this manner are required to be measured at fair value with all unrealised gains and losses, with the exception of impairment losses, dividends and interest income, recognised in other comprehensive income.

Banking supervisors agree that the resulting unrealised profits and losses cannot be included in regulatory capital as there is no inflow of capital and it is not permanently available. Basel II requires such amounts to be eliminated in determining the group's regulatory capital.

Impairments

In accordance with IAS 39, it is necessary to determine whether there is objective evidence that a financial asset or group of financial assets are impaired.

A financial asset or group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment, resulting from one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured (incurred loss approach).

An impairment loss is determined as the difference between the financial asset's carrying value and the present value of its estimated future cash flows, including any recoverable collateral, discounted at the original effective interest rate. To provide for latent losses in a portfolio of loans where the loans have not yet been individually identified as impaired, impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods.

While IFRS clearly states that it is based on an incurred loss approach, Basel II focuses on expected and unexpected losses. Basel II seeks to ensure that expected losses are addressed through the level of impairments held against the underlying exposure, while unexpected losses are addressed through holding regulatory capital in relation to the size and nature of the exposure held, known as capital adequacy. Basel II requires statistical modelling of expected losses whereas IFRS, although it allows for statistical models, requires a trigger event to have occurred before an impairment loss can be recognised.

The difference between default under Basel II and impairment under IFRS relates to timing. Basel II defines default as the obligor being 90 days past due on the obligation (expanded to 180 days for some products) whereas IFRS refers to a loss event such as actual breach of contract, which includes a missed capital or interest payment or changes in macroeconomic variables before the reporting date.

Banks compare the IRB measurement of expected losses with the total amount of impairments that they have recognised in terms of IFRS, including both portfolio and specific impairments. For any individual bank, this comparison produces a shortfall if the expected loss amount exceeds total impairments, or an excess if total impairments exceed the expected loss amount.

Shortfall amounts, if any, are deducted from capital in the ratio of 50% from tier I capital and 50% from tier II capital.

All preceding credit risk disclosure is prepared on a Basel II basis. The credit risk disclosure included hereafter is prepared in accordance with IFRS.

IFRS 7

Exposure to credit risk

For the tables that follow, the definitions below have been used for the different categories of exposures:

- Neither past due nor impaired exposures are exposures that are current. Normal and close monitoring exposures within this category are exposures rated 1 to 21 and 22 to 25 respectively using the group master rating scale.
- Past due but not impaired exposures are exposures where the counterparty has failed to make its contractual payment, but are not yet considered impaired and where ultimate loss is not expected but could occur if the adverse condition persists. Where such exposures are less than 31 days in arrears, they are categorised as current. Where such exposures are between 31 and 180 days in arrears and/or evidence exists that the borrower is experiencing difficulties, they are categorised as early arrears.
- Impaired exposures are those exposures that are due and unpaid for 180 days or more or where there is objective evidence that an impairment loss has been incurred. The criteria used by the group to determine that there is such objective evidence of impairment include:
  - known cash flow difficulties experienced by the borrower;
  - overdue contractual payments of either principal or interest;
  - breach of loan covenants or conditions;
  - the probability that the borrower will enter bankruptcy or other financial realisation; and
  - a significant downgrading in credit rating by an external credit rating agency, where, owing to the borrower's financial difficulties, concessions are granted to the counterparty.
- Impaired advances consist of:
  - Sub-standard items are items that show underlying well defined weaknesses that could lead to probable loss if not corrected. The risk that these items may be impaired is probable and the group relies to a large extent on the available security.
  - Doubtful items are items that are considered to be impaired, but are not yet considered final losses because of some pending factors that may strengthen the quality of the items.
  - Loss items are items that are considered to be uncollectable. The group provides fully for its anticipated loss, after taking securities into account.

Maximum exposure to credit risk by credit quality

		Performing loans				
		Neither past due nor impaired		Past due but not impaired		
	Gross advances Total Rm	Normal monitoring Rm	Close monitoring Rm	Current Rm	Early arrears Rm	Total Rm
2009						
Personal & Business Banking	382 590	305 832	16 258	18 152	7 397	347 639
Mortgage loans	256 374	208 103	9 853	7 794	4 655	230 405
Instalment sale and finance leases	53 304	43 917	1 199	3 339	1 421	49 876
Card debtors	22 033	16 987	2 754	37	460	20 238
Other loans and advances	50 879	36 825	2 452	6 982	861	47 120
Corporate & Investment Banking	361 636	332 804	13 179	1 727	3 251	350 961
Corporate loans	328 023	301 367	12 471	1 513	3 028	318 379
Commercial property finance	33 613	31 437	708	214	223	32 582
Central and other	(2 053)	(2 054)				(2 054)
Gross loans and advances	742 173	636 582	29 437	19 879	10 648	696 546
Less:						
Impairments for loans and advances	(18 666)					
Tutuwa loans and advances IFRS adjustment	(2 118)					
Net loans and advances	721 389					
Add the following other banking activities exposures						
Cash and balances with central banks	24 983					
Derivatives	168 276					
Financial investments	79 849					
Trading assets	89 644					
Pledged assets	4 249					
Other financial assets	8 778					
Total exposure	1 097 168					

Audited.

	Impaired loans							
	Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries Rm	Net after securities and expected recoveries Rm	Impairments for non-performing loans Rm	Gross impairment coverage %
	16 029	14 542	4 380	34 951	24 712	10 239	10 239	29
	14 639	10 389	941	25 969	21 270	4 699	4 699	18
	430	1 144	1 854	3 428	1 629	1 799	1 799	52
	273	437	1 085	1 795	457	1 338	1 338	75
	687	2 572	500	3 759	1 356	2 403	2 403	64
	5 414	4 497	764	10 675	7 837	2 838	2 838	27
	5 177	3 703	764	9 644	7 115	2 529	2 529	26
	237	794		1 031	722	309	309	30
		1		1		1	1	100
	21 443	19 040	5 144	45 627	32 549	13 078	13 078	29

Maximum exposure to credit risk by credit quality

	Gross advances Total Rm	Performing loans Neither past due nor impaired Normal monitoring Rm	Close monitoring Rm	Past due but not impaired Current Rm	Early arrears Rm	Total Rm
2008 [1]						
Personal & Business Banking	389 925	321 562	15 287	18 344	12 561	367 754
Mortgage loans	251 074	211 506	4 515	10 055	8 662	234 738
Instalment sale and finance leases	62 916	51 471	2 790	3 987	2 048	60 296
Card debtors	22 998	18 939	1 312	1 162	653	22 066
Other loans and advances	52 937	39 646	6 670	3 140	1 198	50 654
Corporate & Investment Banking	411 607	385 805	19 857	320	324	406 306
Corporate loans	377 482	352 006	19 857	192	295	372 350
Commercial property finance	34 125	33 799		128	29	33 956
Central and other	2 573	2 572				2 572
Gross loans and advances	804 105	709 939	35 144	18 664	12 885	776 632
Less:						
Impairments for loans and advances	(14 018)					
Tutuwa loans and advances IFRS adjustments	(2 153)					
Net loans and advances	787 934					
Add the following other banking activities exposures						
Cash and balances with central banks	25 697					
Derivatives	267 761					
Financial investments	80 039					
Trading assets	85 227					
Pledged assets	6 751					
Other financial assets	19 142					
Total exposure	1 272 551					

Audited.

[1] *Restated.*

Impaired loans							
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries Rm	Net after securities and expected recoveries Rm	Impairments for non-performing loans Rm	Gross impairment coverage %
14 183	5 932	2 056	22 171	15 136	7 035	7 035	32
13 089	2 855	392	16 336	13 132	3 204	3 204	20
511	1 116	993	2 620	1 085	1 535	1 535	59
292	449	191	932	200	732	732	79
291	1 512	480	2 283	719	1 564	1 564	69
3 271	764	1 266	5 301	3 741	1 560	1 560	29
3 102	764	1 266	5 132	3 609	1 523	1 523	30
169			169	132	37	37	22
		1	1		1	1	100
17 454	6 696	3 323	27 473	18 877	8 596	8 596	31

Ageing of group loans and advances past due but not impaired

	Less than 31 days Rm	31-60 days Rm	61-90 days Rm	91-180 days Rm	More than 180 days Rm	Total Rm
2009						
Personal & Business Banking	18 152	4 660	2 547	190		25 549
Mortgage loans	7 794	2 859	1 691	105		12 449
Instalment sale and finance leases	3 339	978	417	26		4 760
Card debtors	37	303	157			497
Other loans and advances	6 982	520	282	59		7 843
Corporate & Investment Banking	1 727	306	197	139	2 609	4 978
Corporate loans	1 513	193	194	32	2 609	4 541
Commercial property finance	214	113	3	107		437
Total	19 879	4 966	2 744	329	2 609	30 527
2008[1]						
Personal & Business Banking	18 344	8 039	4 357	165		30 905
Mortgage loans	10 055	5 453	3 173	36		18 717
Instalment sale and finance leases	3 987	1 455	562	31		6 035
Card debtors	1 162	411	242			1 815
Other loans and advances	3 140	720	380	98		4 338
Corporate & Investment Banking	320	50	91	1	182	644
Corporate loans	192	48	91		156	487
Commercial property finance	128	2		1	26	157
Total	18 664	8 089	4 448	166	182	31 549

Audited.

[1] *Restated.*

Renegotiated loans and advances (Audited)

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified because of weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired totalled R10,6 billion in 2009 (2008: R7,8 billion). Renegotiated loans that have arisen from secured lending totalled 47% (2008: 53%) and predominantly related to mortgage advances.

During the year the group refined its policy on the disclosure of renegotiated loans for the purposes of IFRS 7. Under the previous policy all loans and advances renegotiated during the financial year were included in this category. In terms of the revised group policy, a previously impaired or past due loan and advance that has been renegotiated is reset to performing loan status after an internally predefined rehabilitation period. In terms of the new policy, those loans and advances are both regarded and monitored as renegotiated during these internally predefined periods in order to determine whether the customer is able to make payments when due in accordance with its renegotiated terms.

The periods, which are subject to regular review, are based on criteria which indicate that payment is expected to occur when due in terms of the renegotiated terms. Management believes that this interpretation reflects a better understanding of the requirements of IFRS and its application in the industry. The revised interpretation resulted in a restatement of renegotiated loans disclosed in 2008 from R25,1 billion to R7,8 billion.

Collateral obtained by the group (Audited)

It is the group's policy to dispose of repossessed assets in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. Generally, the group does not use repossessed assets for business purposes. The collateral held by the group for 2009 was R460 million (2008: R131 million) and predominantly related to properties in possession.

Country risk

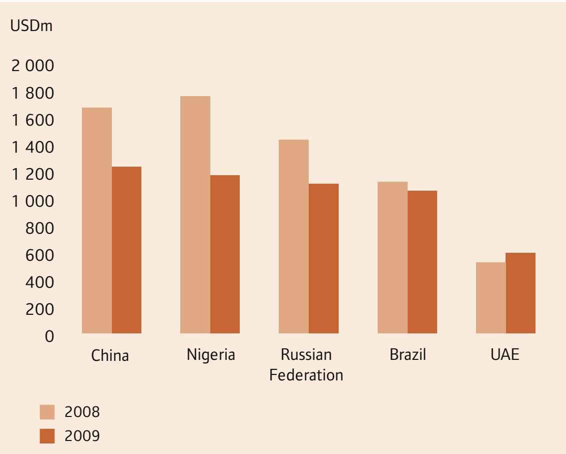
The management of country risk is delegated by the GCC to the group country risk management committee. This committee is a subcommittee of GROC and recommends country risk appetite for individual countries and ensures, through compliance with the country risk standard, that country risk is effectively governed, identified, measured, managed, controlled and reported in the group.

An internal rating model is used to determine the rating of each country in which the group has an exposure. The model inputs are continuously updated to reflect economic and political changes in countries. The country risk model output provides an internal risk grade which is calibrated to a 1 to 25 rating scale. There is a review, at least annually, of all countries to which the group is exposed. In determining ratings, extensive use is made of the group's network of operations, country visits and external sources of information.

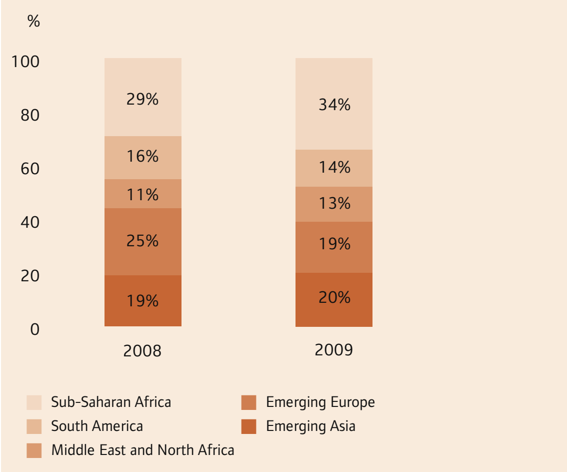
Countries rated 7 and higher, referred to as medium and high risk countries are subject to increased central monitoring. For countries with an internal risk grade of 6 and better, referred to as low risk countries, a lesser degree of analysis is generally performed. Total medium and high risk country risk exposures and total low risk country risk exposures as at 31 December 2009 were USD14,0 billion and USD8,5 billion respectively.

Country concentration risk is managed and monitored by geographic region and country.

Top five medium and high risk country risk EAD



Medium and high risk country risk exposures by region



Emerging Europe exposures decreased as a result of the deterioration of economic conditions in the region. The increase in exposures to sub-Saharan Africa resulted mainly from business volume growth in those countries identified as core areas to the group.

Liquidity risk

Framework and governance

The nature of banking and trading results in continuous exposure to liquidity risk. The group's liquidity management framework, which is largely unchanged from the previous financial reporting period, is designed to measure and manage liquidity positions ensuring that payment obligations can be met at all times, under both normal and considerably stressed conditions. GROC and the board review and set liquidity risk standards annually in accordance with regulatory requirements and international best practice. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the group. Each banking entity in the group has an asset and liability management committee (ALCO) responsible for ensuring compliance with liquidity risk policies. Both the Africa ALCO and international capital committee report into the group ALCO, chaired by a deputy group chief executive.

Liquidity and funding management

The group manages liquidity in accordance with applicable regulations and international best practice.

As part of a cohesive liquidity management process, the group is required to:

- maintain a sufficiently large liquidity buffer;
- ensure a structurally sound statement of financial position;
- manage short- and long-term cash flow;
- manage foreign currency liquidity;
- preserve a diversified funding base;
- undertake regular liquidity stress testing and scenario analysis; and
- maintain adequate contingency funding plans.

The cumulative impact of these elements is monitored by group ALCO and the process is underpinned by a system of extensive controls. These include the application of purpose-built technology, documented processes and procedures, independent oversight and regular independent reviews and evaluations of system effectiveness.

In periods of stable market conditions, the group's consolidated liquidity risk position is monitored on at least a monthly basis by ALCO. In periods of increased volatility, the frequency of meetings is increased significantly to facilitate appropriate management action.

Liquidity buffer

Portfolios of highly marketable securities over and above prudential 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 below provides a breakdown of the group's surplus marketable securities and foreign currency placements in 2009 compared to 2008. These portfolios are highly liquid and can be readily sold to meet liquidity requirements. Consequently, a maturity analysis for these assets is not disclosed as it is not considered necessary to enable users to evaluate the nature and extent of liquidity risk.

Group unencumbered surplus liquidity

	2009 Rbn	2008 Rbn
Marketable assets	65,4	53,2
Short-term foreign currency placements	47,0	30,2
Total unencumbered marketable assets	**112,4**	83,4
Other readily accessible liquidity	6,2	13,4
Total group unencumbered surplus liquidity	**118,6**	96,8

Audited.

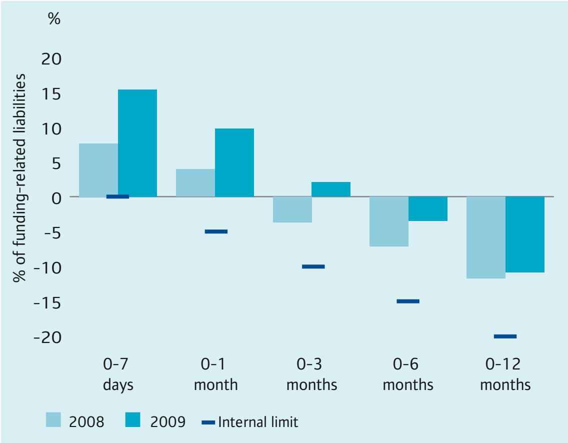
In addition to minimum requirements, surplus liquidity holdings are informed by the results from liquidity stress testing as per Basel II principles and in certain instances, in-country regulations. Group unencumbered surplus liquidity increased to R118,6 billion in 2009 (2008: R96,8 billion), reflecting the group's prudent liquidity management approach as informed by stress testing requirements and prevailing market conditions.

Structural requirements

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on actual customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts that exhibit stable behaviour although these are repayable on demand or at short notice.

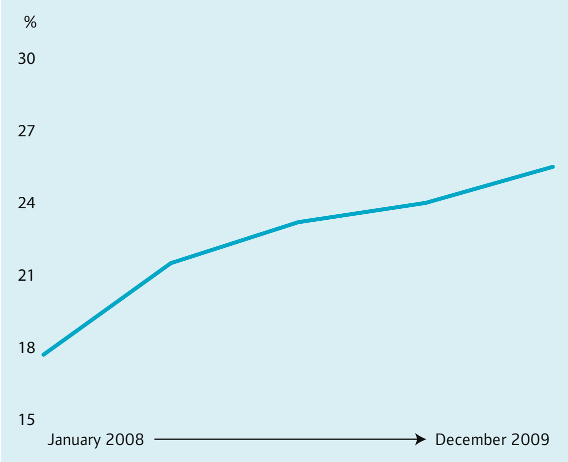
The graph alongside shows the group's cumulative maturity mismatch between assets and liabilities for the 0 to 12 months bucket, after applying behavioural profiling. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced. Comparing the 2008 to the 2009 position, it is evident that the structural mismatch has reduced and is comfortably within the stated mismatch risk appetite.

Group behaviourally adjusted cumulative liquidity mismatch



One of the mechanisms employed to ensure adherence to these limits is the active management of the long-term funding ratio. The ratio is defined as those funding-related liabilities with a remaining maturity of greater than six months as a percentage of total funding-related liabilities. The graph below illustrates the group's long-term funding ratio for the period January 2008 to December 2009. The increase in the ratio is attributed to the increased percentage of term funding raised to support term lending.

Long-term funding ratio



Governance and risk management

The tables below and on the next page analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and trading derivatives) 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 consider 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 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 tables below and on the next page also include contractual cash flows with respect to off-balance sheet items which have not yet been recorded on-balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

Maturity analysis of financial liabilities by contractual maturity

	Redeemable on demand Rm	Maturing within 1 month Rm	Maturing between 1-6 months Rm	Maturing between 6-12 months Rm	Maturing after 12 months Rm	Total Rm
2009						
Financial liabilities						
Derivative financial instruments	161 806	26	673	75	170	162 750
Instruments settled on a net basis	100 642	26	673	75	170	101 586
Instruments settled on a gross basis	61 164					61 164
Trading liabilities	51 118					51 118
Deposits from customers and banks	377 831	81 918	131 112	80 210	124 891	795 962
Subordinated debt	74		639	690	31 454	32 857
Other		17 107				17 107
Total	590 829	99 051	132 424	80 975	156 515	1 059 794
Unrecognised financial liabilities						
Letters of credit and banker acceptances	10 784					10 784
Financial guarantees	29 078					29 078
Irrevocable unutilised facilities	55 093					55 093
Total	94 955					94 955

Audited.
Please refer to the annual financial statements for the maturities of assets.

Maturity analysis of financial liabilities by contractual maturity

	Redeemable on demand Rm	Maturing within 1 month Rm	Maturing between 1-6 months Rm	Maturing between 6-12 months Rm	Maturing after 12 months Rm	Total Rm
2008						
Financial liabilities						
Derivative financial instruments	262 207	62	58	55	895	263 277
Instruments settled on a net basis	150 929	62	58	55	895	151 999
Instruments settled on a gross basis	111 278					111 278
Trading liabilities	48 155					48 155
Deposits from customers and banks	408 257	110 081	137 807	65 948	142 411	864 504
Subordinated debt			383	2 477	20 501	23 361
Other[1]		21 305				21 305
Total	718 619	131 448	138 248	68 480	163 807	1 220 602
Unrecognised financial instruments						
Letters of credit and bankers' acceptances	16 521					16 521
Financial guarantees	34 680					34 680
Irrevocable unutilised facilities[1]	33 154					33 154
Total	84 355					84 355

Audited.
[1] *Restated.*

Cash flow management

Active liquidity and funding management is an integrated effort across a number of functional areas. Short-term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

The group's wholesale funding strategy is derived from the projected net asset growth which includes consideration of Personal & Business Banking and Corporate & Investment Banking asset classes, capital requirements, the maturity profile of existing wholesale funding and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenor and currency exposure as well as the availability and pricing of alternative liquidity sources.

An active presence is maintained in professional markets, supported by relationship management efforts among corporate and institutional clients.

Foreign currency liquidity management

A number of parameters are observed to monitor changes in either market liquidity or exchange rates. Key to this is the restriction of foreign currency loans and advances in relation to foreign currency deposits.

Diversified funding base

The group employs a diversified funding strategy, sourcing liquidity in domestic and offshore markets.

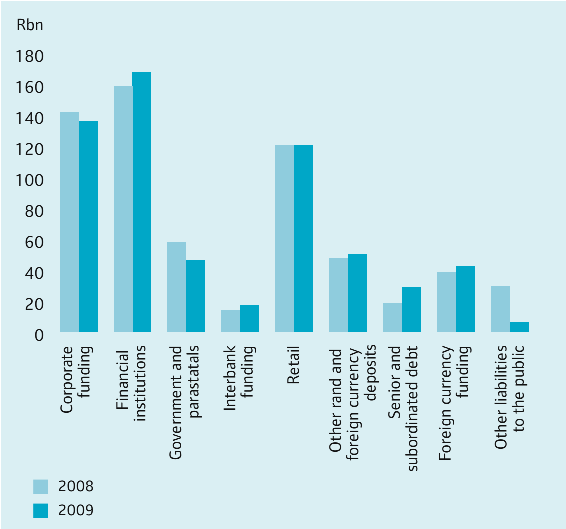
Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties. In terms of the latter, limits are set internally to restrict single and top ten depositor exposures within the sight to three-month tenors to below 10% for a single depositor and 20% for top ten depositors of total funding-related liabilities respectively.

Depositor concentration – South Africa

	2009 %	2008 %
Single depositor	1,8	2,4
Top ten depositors	8,5	12,9

Primary sources of funding are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital market funding. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when favourable to meet its evolving funding requirements.

Funding-related liabilities composition (SBSA)



Liquidity stress testing and scenario analysis

Stress testing and scenario analysis forms an important part of the group's liquidity management process. 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. Stresses and scenarios are based on hypothetical events as well as historical events.

This analysis is fully integrated into the group's existing liquidity risk management framework. It provides assurance as to the group's ability to generate sufficient liquidity under adverse conditions and provides meaningful input in defining target liquidity risk positions.

Contingency funding plans

Contingency funding plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence to ensure a positive outcome in the event of a liquidity crisis. The plans incorporate an extensive early warning indicator methodology supported by clear and decisive crisis response strategies. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels. Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications, liquidity generation and operations, as well as heightened and supplementary information requirements.

Conduits

The group provides standby liquidity facilities to two conduits, namely Blue Titanium Conduit and Thekwini Warehouse Conduit. These facilities, which totalled R8,4 billion in 2009 (2008: R11,0 billion), have not been drawn on. The liquidity risk associated with these facilities is included in the stress testing for the group.

The liquidity risk associated with these facilities is managed in accordance with the group's overall liquidity position and represents less than 2% of SBSA's total funding. The liquidity facilities are included in both the group's static structural liquidity mismatch, which is managed against ALCO imposed limits and guidelines, as well as in dynamic stress testing.

Liquidity risk is also mitigated by the reduction in the size of the conduits, with Blue Titanium Conduit reducing from R7,9 billion in 2008 to R5,6 billion in 2009 and Thekwini Warehouse Conduit reducing from R3,1 billion in 2008 to R2,8 billion in 2009.

Market risk

Introduction

The identification, management, control, measurement and reporting of market risk, which is consistent with the previous financial reporting period, has been categorised as follows:

Trading book market risk

These risks arise in trading activities where the group acts as a principal for clients in the market. The group's policy is that all trading activities are contained in the group's trading operations.

Interest rate risk in the banking book

These risks arise from the structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

Equity investments

These risks arise from equity price changes in listed and unlisted investments, which are approved by the appropriate equity governance committees across the group.

Foreign currency risk

The group's primary exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intra-group foreign denominated debt and foreign denominated cash exposures.

Framework and governance

The board grants general authority to take on market risk exposure to GROC, which delegates this authority to group ALCO. Group ALCO sets market risk standards which are approved by the GRCMC to ensure that the measurement, reporting, monitoring and management of market risk across the group follows a common governance framework. The Africa ALCO and international ALCO report into the group ALCO, which is chaired by a deputy group chief executive.

Market risk management units, independent of trading operations and accountable to business unit ALCOs, monitor market risk exposures due to trading and banking activities. Exposures and excesses are monitored daily, and reported monthly to the business unit ALCOs and quarterly to the group ALCO, GROC and the GRCMC.

Market risk measurement

The techniques used to measure and control market risk include:

- value-at-risk (VaR);
- stress tests;
- other market risk mitigants;
- annual net interest income at risk;
- economic value of equity; and
- economic capital.

Daily VaR (Audited)

The group generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal conditions. Normal VaR is based on a holding period of one day and a confidence interval of 95%. Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

The use of historic VaR has limitations as it is based on historical correlations and volatilities in market prices and assumes that future prices will follow the observed historical distribution.

The group back-tests its VaR models to verify the predictive ability of the VaR calculations and ensures the appropriateness of the models. Backtesting compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's VaR. Where the bank has received internal model approval, a VaR using a confidence level of 99% is used to determine market risk regulatory capital.

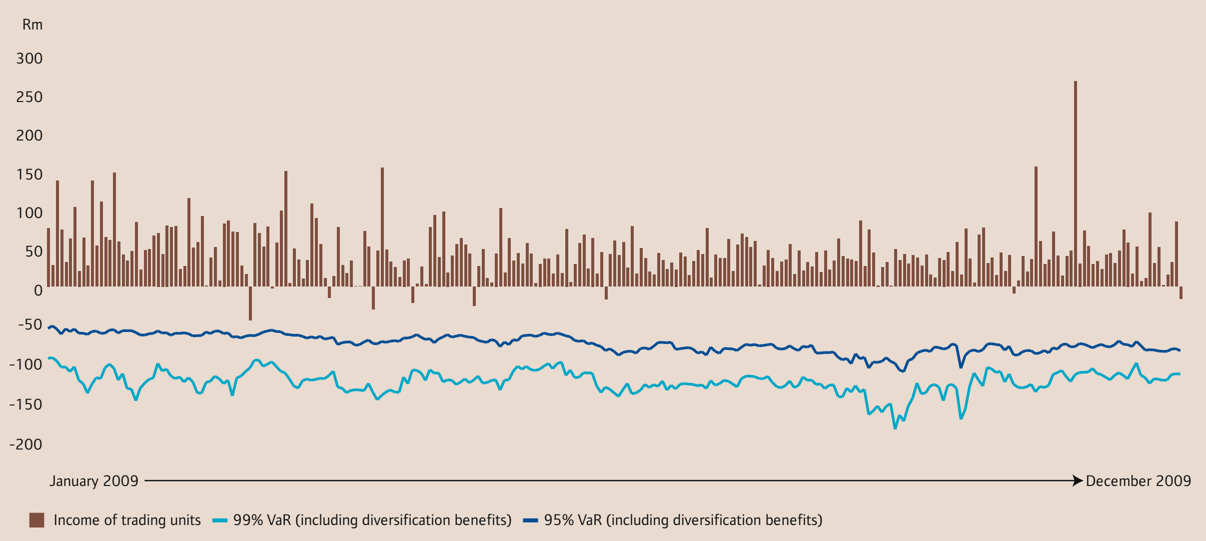
Although VaR is a valuable guide to risk, it should always be viewed in the context of its limitations. These limitations can include:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% 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; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Stress tests

Stress testing provides an indication of the potential losses that could occur in extreme market conditions. The stress tests carried out by the group include individual market risk factor testing and combinations of market factors per trading desk and combinations of trading desks. Stress tests include a combination of historical, hypothetical and Monte Carlo type simulations.

Income of trading units and VaR



Backtesting

The group conducts backtesting in which estimated VaR, calculated using the VaR measurement model, is compared with actual realised and unrealised losses on a daily basis to verify the accuracy of the model. In addition, backtesting is conducted using various methods, including testing VaR against hypothetical losses, and testing VaR by changing various parameters, such as confidence intervals and observation periods used in the model.

In this manner, characteristics of the VaR model are captured to ensure the accuracy and appropriateness of the VaR measurement.

The graph above plots the results of backtesting for trading activities over one year. This means that the group's model provided reasonably accurate measurements of market risk.

Other market risk mitigants

Other market risk mitigants specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers. In addition, most approved products that can be independently priced and properly processed are permitted to be traded. All VaR limits require prior approval from their respective ALCOs.

The market risk departments independently validate and document new pricing models and perform an annual review of existing models to ensure they are still relevant and behaving within expectations.

Annual net interest income at risk

A dynamic forward-looking annual net interest income forecast is used to quantify the group's anticipated interest rate exposure. This approach involves forecasting of the changing statement of financial position structures and interest rate scenarios, to determine the effect that these changes may have on future earnings. The analysis is completed under normal and stressed market conditions.

Economic value of equity

By capturing all expected future cash flows, economic value of equity is the preferred measure for determining long-term sensitivity to interest rate changes. However, the cash flows of certain asset and liability classes, in particular those associated with ambiguous maturity behaviour, are highly dependent on the underlying assumptions. To reduce the margin for error, the sensitivity of equity is calculated as the expected change in net interest income over a five-year horizon, given a considered rate shock, and is stated in present value terms.

Economic capital

Economic capital methodologies are used to calculate all categories of market risk sensitive capital allocations and are used to determine each business's capital charge.

Trading book market risk positions

In line with the strategy and structure of the group, trading book market risk exposures arise mainly from client transactions with limited trading for the group's own account. The table below shows the aggregated historical VaR for the group's trading positions. The maximum and minimum VaR amounts show the bands in which the values at risk fluctuated during the years specified.

VaR models have been approved by the regulators for all South African trading units except exotics and specific risk on interest rates. Standard Bank Plc has regulatory model approval for its resource banking, local markets and credit trading businesses and applications for its remaining businesses have been submitted.

After a relatively stable first quarter, VaR followed an upward trend across all confidence levels in the second and third quarters. In the fourth quarter, the extreme volatility of 2008 began to roll out of the historic time series of the bank's VaR.

Trading book VaR analysis by market variable

	Nominal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2009				
Commodities	**38,5**	**13,2**	**24,9**	**30,5**
Forex	**17,4**	**4,2**	**8,0**	**6,8**
Equities	**18,3**	**3,7**	**9,1**	**9,6**
Debt securities	**82,8**	**46,4**	**60,3**	**55,0**
Diversification benefits[2]			**(31,9)**	**(18,8)**
Aggregate	**110,7**	**50,7**	**70,4**	**83,1**
2008				
Commodities	28,7	13,3	20,0	17,6
Forex	9,2	1,2	3,5	4,4
Equities	43,6	14,4	24,3	15,6
Debt securities	106,8	30,1	49,5	68,8
Diversification benefits[2]			(31,9)	(33,3)
Aggregate	126,2	44,8	65,4	73,1

[1] The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same days. 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 dates.

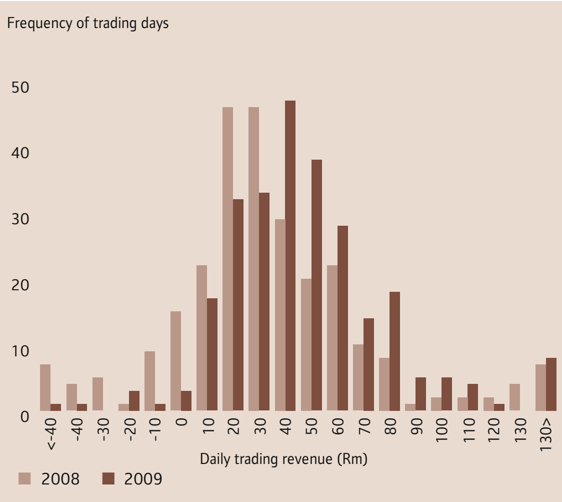
[2] Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

Audited.

Analysis of trading revenue

The graph below shows the distribution of daily income and losses in 2009 and 2008. It captures trading volatility and shows the number of days in which the group's trading related revenues fell within particular ranges. The distribution is skewed favourably to the profit side with no material negative outliers. In 2009, the trading profit or loss was positive for 250 out of 259 days, whereas in 2008, the trading profit or loss was positive for 221 out of 259 days.

Distribution of daily trading units



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 net interest income and the economic value of equity.

Framework and governance

The group's approach to managing interest rate risk is governed by the applicable laws and regulations, and is guided by international best practice and the competitive environment in which the group operates. Banking book interest rate risk is managed centrally by the group's treasury operations under supervision of the local ALCO. Each banking entity in the group manages this risk on a stand-alone basis and also calculates and maintains economic capital in support thereof.

Interest rate risk measurement

The analytical techniques used to quantify banking book interest rate risk include both earnings and valuation-based measures. Results are monitored on at least a monthly basis by the relevant ALCOs. The analysis takes cognisance of embedded optionality such as loan prepayments and in respect of other accounts where the 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. Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing and/or maturity profiles and, where appropriate, the use of derivative instruments.

Interest rate risk limits

Interest rate risk limits are set in respect of changes in forecasted net interest income and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

Economic capital

Earnings at risk forms the basis for calculating the economic capital required to absorb an unexpected reduction in earnings as a result of interest rate changes.

Repricing gap

The repricing gaps for the group's non-trading portfolios before tax are shown on the following page.

All assets, liabilities and derivative instruments are sited in gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are profiled in gap intervals based on management's judgement and statistical analysis.

Interest rate sensitivity gap

		0-3 months	3-6 months	6-12 months	> 12 months
2009					
Interest rate sensitivity gap	Rm	**60 934**	**5 151**	**9 225**	**(75 310)**
Cumulative interest rate sensitivity gap	Rm	**60 934**	**66 085**	**75 310**	
Cumulative interest rate sensitivity gap as a percentage of total assets	%	**5,4**	**5,9**	**6,7**	
2008					
Interest rate sensitivity gap	Rm	69 475	10 214	6 301	(85 990)
Cumulative interest rate sensitivity gap	Rm	69 475	79 689	85 990	
Cumulative interest rate sensitivity gap as a percentage of total assets	%	5,4	6,1	6,6	

Hedging of the endowment risk

The endowment risk emanating from the anticipated turn in the economic cycle is hedged as and when it is considered opportune, using derivative instruments such as swaps and interest rate swaptions.

Group risk diversification

The group risk diversification benefit, which takes into account the fact that interest rate changes across currencies are unlikely to be perfectly correlated, is calculated quarterly. This consolidated view is used to obtain a strategic view of the group. However, positions and statements of financial position are managed at the local entity level, not taking into account marginal contribution to the group due to diversification.

Analysis of banking book interest rate sensitivity

The table below indicates the rand equivalent sensitivity of the group's net interest income and equity in response to a parallel yield curve shock, before tax. Hedging transactions are taken into account while other variables are kept constant.

Interest rate sensitivity analysis

		Rand	US dollar	Sterling	Euro	Other	Total
2009							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**1 463**	**62**	**(3)**	**2**	**61**	**1 585**
Sensitivity of equity	Rm	**159**	**(65)**			**21**	**115**
Decrease in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(1 532)**	**(36)**	**3**	**(2)**	**(68)**	**(1 635)**
Sensitivity of equity	Rm	**(159)**	**65**			**(21)**	**(115)**
2008							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	1 466	(13)	(6)	(12)	139	1 574
Sensitivity of equity	Rm	141	(88)			(150)	(97)
Decrease in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(1 814)	30	6	12	(147)	(1 913)
Sensitivity of equity	Rm	(141)	88			150	97

Audited.

Assuming no management intervention, a downward 100 basis points parallel interest rate shock across all yield curves would decrease the forecast twelve month net interest income by R0,9 billion (2008: R1,0 billion).

Equity investments

Market risk on equity investments

Corporate & Investment Banking's equity investment committees and Personal & Business Banking's strategic investment and alliance committee approve investments in listed and unlisted entities, in accordance with delegated authority limits. Periodic reviews and reassessments are undertaken on the performance of the investments. Accounting techniques and valuation methodologies are detailed in accounting policy 5 – *Financial instruments.*

Equity price risk sensitivity analysis

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

Market risk sensitivity of non-trading equity investments

	10% reduction Rm	Fair value Rm	10% increase Rm
2009			
Equity securities listed and unlisted	**5 528**	**6 142**	**6 756**
Impact on profit or loss	**(520)**		**520**
Impact on equity	**(94)**		**94**
2008			
Equity securities listed and unlisted	5 356	5 951	6 546
Impact on profit or loss	(451)		436
Impact on equity	(144)		159

Audited.

Analysis of banking book equity exposures

As with trading book equity investments, listed and unlisted investments are approved by the appropriate equity governance committees in accordance with delegated authority limits. Market risk on investments is managed in accordance with the purpose and strategic benefits of such investments, rather than purely on mark-to-market considerations. Reviews and reassessments on the performance of the investments are undertaken periodically.

Basel II equity positions in the banking book

	2009 Rm	2008[1] Rm
Fair value		
Listed	**2 472**	1 292
Unlisted	**2 940**	2 722
Total[2]	**5 412**	4 014

[1] *Restated.*
[2] *Banking book equity exposures are equity investments which comprise listed and unlisted private equity and strategic investments, and do not form part of the trading book.*

Accounting techniques and valuation methodologies

Financial instruments include all financial assets and liabilities held for liquidity, investment, trading or hedging purposes. Financial instruments are accounted for and valued in terms of accounting policy 5 – *Financial instruments.*

Realised gains from the sale or liquidation of equity positions in the banking book from investments classified as available-for-sale were R309 million (2008: R194 million).

Unrealised gains recognised in other comprehensive income on available-for-sale investments were R411 million (2008: R89 million loss), before taxation.

Foreign currency risk

The group's primary exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intra-group foreign denominated debt and foreign denominated cash exposures.

Framework and governance

The group capital management committee delegates the management of this risk to the net asset value currency risk management committee. This committee manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts. Hedging is undertaken in such a way that it does not interfere with or constrain normal operational activities. In particular, cognisance is taken of the need for capital held in offshore banking entities to fluctuate in accordance with risk-weighted assets, thereby preserving the capital adequacy in country. The net asset value currency risk management committee meets regularly to reassess the hedging or diversification strategy in the event of changes in currency views.

Due to South African exchange control limitations during the course of 2009, hedging activities are restricted to ensuring a diversified mix of foreign currency exposures in the group's foreign subsidiaries.

Hedging of rand/foreign currency exposure is limited and permitted only for planned and specific future investment-related cash flows.

The repositioning of the currency profile, which is co-ordinated at group level, is a controlled process based on underlying economic views of the relative strength of currencies. In terms of the foreign currency risk governance process outlined previously, the group does not ordinarily hold open exposures of any significance in respect of the banking book.

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

Foreign currency risk sensitivity analysis (Audited)

The foreign currency risk sensitivity analysis below reflects the expected financial impact in rand equivalent, resulting from a 5% shock to foreign currency risk exposures, with respect to designated net investment hedges and other derivative financial instruments as well as foreign denominated cash balances. The sensitivity analysis reflects the sensitivity to equity and profit or loss on the group's foreign denominated exposures other than those trading positions whose sensitivity has been included in the trading book VaR analysis.

The table below reflects the impact of a 5% change in foreign currency rates on the equity and/or profit and loss of the group before tax, resulting in R179 million (2008: R53 million) of losses. Offsets to this sensitivity include changes in foreign currency rates as applied to the group's net assets in foreign operations.

Foreign currency risk sensitivity

ZAR equivalents		US dollar	Euro	Sterling	Naira	Other	Total
2009							
Sensitivity	%	**5**	**5**	**5**	**5**	**5**	**5**
Total net (short)/long position	Rm	**(7 150)**	**4 401**	**1 703**	**(183)**	**(2 350)**	**(3 579)**
Impact on equity	Rm	**(395)**	**219**	**78**	**(9)**	**(117)**	**(224)**
Impact on profit or loss	Rm	**37**	**1**	**7**			**45**
Total (losses)/gains	Rm	**(358)**	**220**	**85**	**(9)**	**(117)**	**(179)**
2008							
Sensitivity	%	5	5	5	5	5	5
Total net (short)/long position	Rm	(3 674)	6 304	511	(226)	(3 975)	(1 060)
Impact on equity	Rm	(257)	268	65	(11)	(199)	(134)
Impact on profit or loss	Rm	73	47	(39)			81
Total (losses)/gains	Rm	(184)	315	26	(11)	(199)	(53)

Audited.

Operational risk

Responsibility and approach to operational risk management

Operational risk is recognised as a distinct risk category which the group strives to manage within acceptable levels through sound operational risk management practices. The group's approach to managing operational risk is to adopt practices that are fit for purpose to suit the organisational maturity and particular business environments.

Executive management defines the operational risk appetite at a business unit and group level. This operational risk appetite supports effective decision-making and is central to embedding risk management in business decisions and reporting.

The objective in managing operational risk is to increase the efficiency and effectiveness of the group's resources, minimise losses and utilise opportunities. The group continues to manage operational risk on the TSA in accordance with SARB approval granted in 2008. In addition to TSA, the group has implemented certain advanced practices ensuring that it is in line with risk management leading practice. The intention is to migrate to the AMA approach by 2012 and a project to make the transition from TSA to AMA was formalised at the beginning of 2009.

In accordance with leading practice, our comprehensive risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with our operations. The group framework defines the minimum requirements for operational risk management and is supported by specific policies and procedures. Business units implement the group framework, policies and procedures but may customise these to better suit their unique environments.

Both centralised and decentralised operational risk management functions are independent from business line management and work in partnership as the second line of defence. Their role is to monitor, manage and report on risks to ensure operational risk exposure remains within the stated risk appetite as mandated by senior management and the board. These independent functions are also responsible for developing and implementing the operational risk management framework and for promoting sound risk management practices across the group. Business unit line management, as the first line of defence, is ultimately responsible for managing risks that arise.

The primary oversight body for operational risk is the group Operational Risk Committee (ORC) which reports to GROC, the GRCMC and ultimately the board. The group ORC is chaired by the group's chief risk officer and includes representation from group functions and business units. The group ORC is also responsible for the approval of the group level operational risk policies and methodologies.

Group internal audit is the group's third line of defence and performs an independent review of the operational risk management framework, policies and practices to ensure that operational risk practices are implemented consistently across the group as operational risk management matures.

Managing operational risk

Independent monitoring of operational risk occurs through a number of functions within the group's risk divisions, including business continuity management, legal, information risk services, forensic services and operational risk governance.

Operational risk management forms part of the day-to-day responsibilities of management at all levels. Qualitative and quantitative methodologies and tools are applied to identify and assess operational risks and to provide management with information for determining appropriate mitigating measures.

These tools include:

- a loss database of operational risk events categorised according to the Basel II business lines and operational risk event types;

- a risk and control self-assessment process to analyse business activities and identify operational risks that could affect the achievement of business objectives. An effective risk and control self-assessment process is a key component of developing a risk profile and understanding the residual risk; and
- key risk indicators which are used to manage operational risk on an ongoing basis. Key risk indicators contribute to the development of a risk profile. The main purpose is to assist management by providing an early-warning indicator of potential risk exposures and/or a potential breakdown of controls.

Our insurance process and requirements are the responsibility of the group insurance committee. An insurance framework guides the organisation on the optimal use of insurance as a risk transfer mechanism.

Business continuity management

Business continuity management is an integral component of the group's risk management framework. The various business units are continually exposed to deployment of updated methodologies as well as testing and training to ensure increased capability to deal with interruptions to business. This is achieved through active assessment of the changing business environment, reference to and incorporation of updated and emerging best practice standards worldwide, pre-planned simulation and desktop assessments and interrogation of identified risks and threats to operational continuity of the group.

Contingency and recovery plans for core services, key systems and priority business processes have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant.

The group's business continuity strategy is structured to ensure strong central monitoring and reporting and decentralised execution, and is supported by an entrenched governance process. The group continues to ensure that business continuity is managed in an effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

In 2009, the H1N1 influenza pandemic presented a new risk to the group, which warranted a swift response in mitigating exposure to threats posed by the pandemic. This focus will continue well into 2010 as the risk remains relevant due to the anticipated influx of visitors to the country. Business units have now incorporated the effects of pandemic spread into their respective continuity plans.

Awareness campaigns remain a critical tool in driving a business continuity culture across the group. The group will continue to enhance and develop operational resilience to meet evolving business priorities.

Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, resulting in compromised confidentiality, integrity or availability of information. Information risk management deals with all aspects of information in its physical and electronic forms. It focuses on the creation, use, transmission, storage, disposal and destruction of information.

The growing dependence on information and the systems that carry it, coupled with the risks, benefits and opportunities these resources present, have made information risk an increasingly critical facet of overall risk management for the group.

Group information risk management proactively scans the regulatory landscape for developments that warrant specific initiatives to meet minimum legal requirements. A number of projects executed during 2009 assisted in ensuring information risk practices were embedded in the group and information-related risks mitigated. Some of the information risk-related initiatives conducted in 2009 include:

- developing a comprehensive group-aligned strategy and tactical plan to drive the information risk management programme throughout the group;
- establishing metrics and processes to ensure compliance and provide feedback on the effectiveness of information risk management programmes;
- business impact analysis of the impending Protection of Personal Information Bill;
- information risk management and, in particular, information security awareness, education, and training programmes; and
- developing and reviewing information risk management policies, standards and procedures.

Fraud risk management

The group has a set of values that embraces honesty, integrity and ethics and in this regard, has a "zero tolerance" approach to fraud and corruption. During 2009, a strong focus was maintained on anti-fraud campaigns which included reviewing and redesigning our internal processes and engaging of external stakeholders in the ongoing fight against fraud.

Legal risk

Legal risk arises where:

- the group's businesses or functions may not be conducted in accordance with applicable laws in the countries in which it operates;
- incorrect application of regulatory requirements takes place;
- the group may be liable for damages to third parties; and
- contractual obligations may be enforced against the group in an adverse way, resulting from legal proceedings being instituted against it.

Although the group has processes and controls in place to manage its legal risk, failure to manage risks effectively could result in legal proceedings impacting the group adversely, both financially and reputationally.

Environmental risk

Environmental risk falls within the group sustainability management programme, which aims to create a consistent approach to environmental and social management within the group's operations and indirectly through responsible lending. Many of our environmental risks and opportunities arise from lending and transaction processes. Environmental risk is governed by the safety, health and environmental risk oversight committees which comprise executive representation from various divisions across the group. Group sustainability management sets the strategic direction, oversees implementation and reviews and assesses performance and compliance.

The group formally adopted and integrated the Equator Principles in 2009 into its project finance deal assessment processes and staff training across the investment bank. The Equator Principles are based on the International Finance Corporation performance standards on social and environmental sustainability, and on the World Bank Group's environmental, health and safety general guidelines. The group applies the Equator Principles' screening, assessment and monitoring procedures to all new project finance deals above USD10 million. Over time, environmental and social risk management approaches will be applied across a wider set of financial transactions.

Raising awareness and training will be an ongoing element of managing environmental risk and identifying opportunities and business solutions to global environmental and social problems.

Taxation risk

Taxation risk is the possibility of suffering unexpected loss, financial or otherwise, as a result of the application of tax systems, whether in legislative systems, rulings or practices, applicable to the entire spectrum of taxes and other fiscal imposts to which the group is subject.

In terms of the group tax policy the group will fulfil its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the group may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that the group:

- pays neither more nor less tax than tax law requires, in the context of the group's operations;
- continually reviews its existing operations and planned operations in this context; and
- ensures that, where clients participate in group products, these clients are either aware of the probable tax consequences, or are advised to consult with independent professionals to assess these consequences, or both.

The framework to achieve compliance with the group tax policy comprises four elements:

- tax risk – identification and management of tax risk;
- human resources – an optimal mix of staffing and outsourcing;
- skills development – methods to maintain and improve managerial and technical competency; and
- communication – communication of information affecting tax within the group.

Good corporate governance in the tax context requires that each of these framework elements be in place. The absence of any one of these elements would seriously undermine the others.

Identifying and managing tax risk is the primary objective of the group tax function, and this objective is achieved through the application of a tax risk matrix approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the group is exposed, in the context of the various types of activity the group conducts.

Occupational health and safety

The health and safety of employees, customers and other stakeholders is a priority and the group aims to identify and reduce the potential for accidents or injuries in all its operations. Training of health and safety officers and staff awareness is an ongoing endeavour. Standards that support uniform health and safety requirements across all group operations are being developed.

Comprehensive information on the group's initiatives in this regard is available in the sustainability report available on the group's website.

Compliance risk

Definition

Compliance risk is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the group may suffer as a result of its failure to comply with all laws, regulations, codes of conduct and standards of good practice applicable to its financial services activities.

Approach to compliance risk management

The group's approach to managing compliance risk is proactive and premised on internationally accepted principles of risk management. It is also aligned with the methodologies used by the group's other risk functions. Group compliance provides leadership on complying with current and emerging regulatory developments, including money laundering and terrorist financing control, identifying and managing conflicts of interest and mitigating reputational risk. In line with international best practice, ultimate responsibility for compliance resides with executive management.

Framework and governance

Compliance risk management is an independent core risk management activity overseen by the group chief compliance officer. The group chief compliance officer has unrestricted access to the chief executive of group companies, and to the chairman of GAC, and also engages with the BSD on a regular basis. The group chief compliance officer reports independently to the GAC.

The group's compliance framework is based on the principles of effective compliance risk management stated in the Banks Act, 1990, as amended. Group compliance is responsible for assisting the group in mitigating compliance risk by maintaining an effective compliance risk management framework, while business unit compliance functions are responsible for assisting senior management in effectively managing the compliance risks faced by the respective business units. Business unit compliance heads have a reporting line to the group chief compliance officer.

Heads of compliance are responsible for reporting compliance issues to the group risk compliance committee, which is chaired by the group chief compliance officer. Issues reported are escalated to GAC, GROC and the GRCMC. To support the group's approach to compliance risk management, ongoing monitoring takes place to ensure adherence to the group compliance policy and standards.

Regulation and supervision

The group operates in a highly regulated industry and across multiple jurisdictions. Supervision is undertaken by host country regulators as well as various regulatory bodies in South Africa. The group's primary regulator is the BSD of SARB which supervises the group on a consolidated basis.

Other South African regulators include the Financial Services Board which regulates the non-banking aspects of the financial services industry in South Africa. The National Credit Regulator was established as the regulator under the National Credit Act, 2005, and is responsible for the regulation of the South African credit industry.

The Financial Intelligence Centre provides financial information for use in the fight against crime, money laundering and terrorist financing in South Africa.

The details of relevant South African and host country regulators, including key legislation impacting our business, are available in the Standard Bank group sustainability report which can be accessed on the group's website.

Regulatory developments are key to our business planning processes. To support open and positive engagement with regulators, a specialist unit comprising senior executives was established to provide oversight and ensure a co-ordinated strategic approach and positioning to the regulatory and legal environment including regulators, industry bodies, policy and law makers and other relevant stakeholders.

Key regulatory developments during 2009 included those relating to consumer protection and the fair treatment of customers. The effective implementation date of the Consumer Protection Act, 2008, is scheduled for the second quarter of 2010.

In line with market practice the compliance function focuses on market conduct issues including, but not limited to, market abuse, personal account trading and conflicts of interest. The group continues to enhance its policies and processes in this regard, including the development of automated systems, as appropriate.

Money laundering control

Legislation across the group pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer identification, record keeping and training, as well as obligations to detect, prevent and report money laundering and terrorist financing. The group is committed to continually improving its control measures. The group's money laundering and terrorist financing control policy is being amended to accommodate Financial Action Task Force and other best practice requirements.

Global financial crime remains a concern for financial regulators. As a member of the Financial Action Task Force, South Africa underwent a mutual evaluation in 2008 to assess the effectiveness of its money laundering and terrorist financing control framework. The Financial Action Task Force's final report was issued in April 2009 and while there was general approval of the legal enforcement framework, a number of opportunities for improvement were noted. The group attended, upon invitation, the annual Wolfsberg forum in Switzerland. The Wolfsberg Group is an association of eleven global banks that aims to develop financial services industry standards, and related products for know your customer, anti-money laundering and counter terrorist financing policies.

Compliance risk management training

Through ongoing training and internal publications, staff are made aware of their responsibilities in terms of legislative and regulatory requirements and developments. These cover topics as diverse as treating customers fairly, money laundering and terrorist financing, market conduct and health and safety requirements, among others.

Business risk

Business risk relates to the potential revenue shortfall compared to the cost base due to strategic and/or reputational reasons. From an economic capital perspective, business risk capital requirements are calculated as the potential loss arising over a one year timeframe within a certain level of confidence as implied by the group's chosen target rating.

The group's ability to generate revenue is impacted by, among others, the external macroeconomic environment, its chosen strategy and its reputation in the markets in which it operates.

The approach followed by the group in quantifying business risk is to estimate a net revenue or loss distribution for each business unit using historical management accounting data. This is based on a Monte Carlo simulation with the objective of deriving a net revenue or loss distribution from which economic capital may be determined at the 99,925% confidence level. Business units have a clear understanding of their value drivers that impact on their profitability. These are modelled as part of the planning and forecasting processes to assess sensitivity of changes in these value drivers on their business performance.

Business risk is governed by the group executive committee which is ultimately responsible for managing the costs and revenues of the group. In addition, mitigation of business risk is undertaken in a number of ways including:

- comprehensive due diligence during the investment appraisal process (in particular new acquisitions);
- stakeholder engagement to ensure positive outcomes from external factors beyond the group's control;
- consistently monitoring the profitability of product lines and customer segments;

- maintaining tight control over the cost base of the group, including the management of its cost-to-income ratio. This allows for early intervention and management action to reduce costs where necessary; and
- being alert and responsive to changes in market forces.

Reputational risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

Each business unit, legal entity or support function executive is responsible for identifying, assessing and determining all reputational risks that may arise within their respective areas of business. Risks to reputation can be evaluated by considering the likelihood of the risk occurring and the likely impact. The impact of such risks is considered explicitly alongside financial or other impacts.

Matters identified as a reputational risk to the group will be reported to the group chief risk officer, who if required will escalate these matters to GROC.

Independent assurance

The group internal audit function reports to and operates under a mandate from GAC and has the authority to independently determine the scope and extent of work to be performed. All internal audit functions in the banking group are controlled by group internal audit, whose primary objective is the provision of assurance to GAC.

Group internal audit assists executive management teams in meeting their business objectives by examining the group's activities, including risk management, control and governance processes, assessing the risks involved and evaluating the adequacy and effectiveness of processes, systems and controls to manage these risks. A risk-based audit approach has been adopted.

Material or significant control weaknesses and planned management remedial actions are reported to GAC and to subsidiary audit committees. These issues are tracked to ensure that agreed remedial actions have been implemented. Overdue issues are reported to GAC on a quarterly basis. In terms of a five-year review programme, the internal audit function was subjected to an independent review by an external firm. The results of the last review conducted in 2007 were positive.

Risks relating to Liberty

This risk management report forms part of the financial statements and has been audited, including all tables, diagrams and quantitative information.

Enterprise-wide value and risk management (EVRM)

Introduction

Liberty offers a comprehensive range of financial products and services to both the retail and corporate markets, distributing tailored risk, insurance, investment, retirement and health products through its network of licensed financial advisers. Liberty is committed to increasing shareholder value through the prudent management of existing risks inherent in the production, distribution and maintenance of these products and services. Liberty continues to explore opportunities to develop and grow its business organically, or through acquisition, with strategic plans being subject to careful consideration of the trade-off between risk and reward, within the risk appetite limits approved by its board.

Liberty's main value creation activities are providing risk cover, providing asset management services, assuming market risk, providing administration services and property development management. The EVRM framework approved by the Liberty board in 2008 continues to provide direction to the operation and development of Liberty's value creation and risk management processes.

Risk management objectives

Liberty's key risk management objectives are to:

- grow shareholder value by generating a long-term sustainable return on capital;

- ensure the protection of policyholder and investor interests by maintaining adequate solvency levels;
- meet the statutory requirements of the FSB and other regulators; and
- ensure that capital and resources are strategically focused on activities that generate the greatest value on a risk-adjusted basis.

EVRM principles

The EVRM framework is based upon the following principles:

- identification of risks;
- clarity of accountability and ownership of risks;
- management of risk within risk appetite making use of limits;
- risk quantification and measurement;
- risk monitoring and reporting; and
- assessment of value creation on a risk-adjusted basis.

The EVRM framework has been aligned with the risk management principles underlying the Solvency II framework. Solvency II is a European principles-based and risk-focused regulatory regime for European insurers (both long term and short term) intended to be fully implemented in Europe by 31 October 2012.

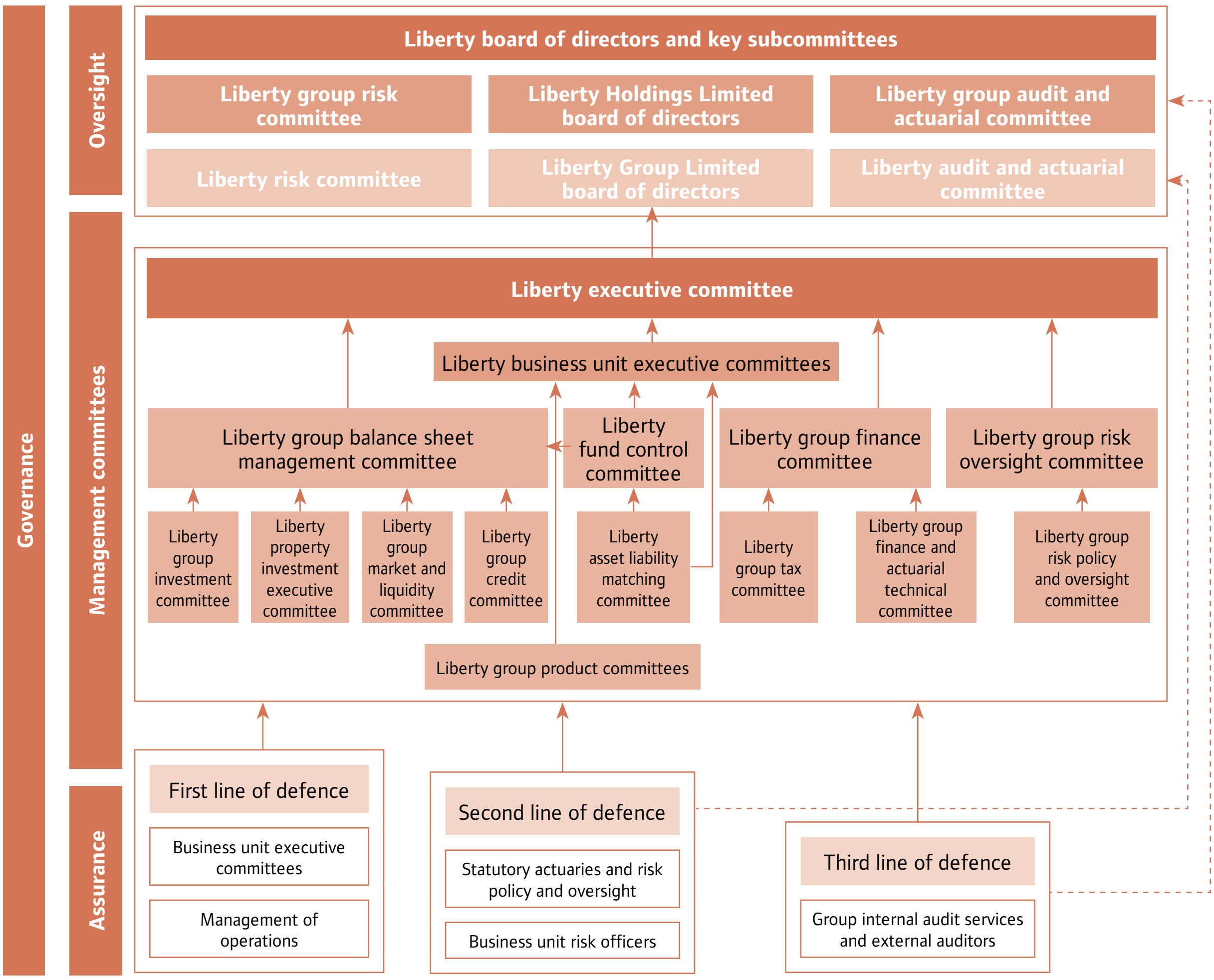
Risk governance structures, roles and responsibilities

Liberty's governance structures and processes are aligned with EVRM principles.

Governance and the 'three lines of defence' model

Liberty has adopted the 'three lines of defence' model for managing risk. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues throughout Liberty. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation.

The diagram below depicts Liberty's risk management governance model.



Roles and responsibilities within the governance model

The roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues differ throughout Liberty's 'three lines of defence' model. These have been defined as follows:

Oversight

Liberty board of directors and key subcommittees

The Liberty board of directors and key subcommittees of the Liberty board provide an oversight function of Liberty's risk management activities. Their accountabilities are described below.

Liberty board of directors (Liberty board)

The Liberty board is ultimately accountable for Liberty's risk management processes, although the day-to-day management of risk has been delegated to the Liberty chief executive. The Liberty board receives regular reporting on risk governance including any non-compliance with policies through its established committees, the Liberty group risk committee and the Liberty group audit and actuarial committee.

Liberty group risk committee (GRC)

The purpose of the GRC is to provide an independent and objective oversight of risk management across Liberty and report thereon to the Liberty board in order to support the Liberty board in fulfilling its responsibility for risk management. The GRC makes recommendations to the Liberty board on how to mitigate substantial risk issues.

Liberty group audit and actuarial committee (GAAC)

The GAAC is responsible for reviewing and assessing the integrity and effectiveness of Liberty's accounting, financial, internal control and reporting systems, including sustainability reporting, and for ensuring Liberty's compliance with all applicable actuarial and accounting standards.

The GAAC facilitates communication among the Liberty board, the external auditors and the head of internal audit with regard to financial reporting and risk management. The audit plan is reviewed by the committee together with the internal and external auditors, with specific reference to the proposed audit scope and approach to Liberty group risk activities. The GAAC is responsible for ensuring the independence of the internal and external audit functions.

Management

The Liberty chief executive utilises the Liberty executive committee and key subcommittees, to manage the components of risk as described below:

Liberty executive committee

The members of Liberty executive committee are the chief executives of the various business units and central service functions. The Liberty executive committee meets monthly and its key responsibilities in respect of risk management are to:

- ensure that appropriate risk and compliance policies are developed, approved and implemented;
- monitor Liberty's exposure to risk; and
- review regular reports on the status of compliance with established policies and to direct and monitor efforts to address non-compliance.

Liberty group risk oversight committee (Liberty GROC)

The Liberty GROC supports the Liberty executive committee in the execution of its operational risk management responsibilities. The committee is responsible for reviewing risk operating models and governance structures, the approval and implementation of risk and compliance strategies, governance standards and policies for Liberty.

Significant issues escalated by business unit heads requiring executive action are considered. Where conflicting views exist between the three lines of defence, the Liberty GROC will resolve these issues. Significant issues may include adverse audit or compliance reports and other key concerns such as market conditions requiring discussion prior to tabling at GRC and/or GAAC.

Liberty group balance sheet management committee (GBSMC)

The members of the GBSMC are specifically chosen by the Liberty chief executive for their financial, actuarial and risk qualifications and experience and the committee is chaired by the Liberty finance director. The GBSMC assists the Liberty executive committee in the management of Liberty's financial position.

A major focus of the GBSMC is market, credit and liquidity risk and the GBSMC considers and approves asset allocation, hedging, financial position management and other market risk management recommendations made by Liberty Financial

Solutions Business Unit (LibFin) as well as approving and monitoring market, credit and liquidity risks against agreed risk appetite limits (including the criteria for selecting counterparties for the purposes of OTC derivatives).

Liberty group finance committee

The finance committee assists the Liberty executive committee in the management of the financial operations and activities of Liberty. Its mandate is to review and implement financial controls, processes and procedures, including the planning and budgeting processes as well as reviewing and providing input to Liberty's delegation of authority framework. The members of this committee are the financial officers in each business unit, chaired by the Liberty financial director.

Liberty fund control committee

The Liberty fund control committee has been established to assist the retail SA business unit in discharging its responsibilities relating to the overall management and monitoring of policyholder funds and portfolios and their related processes and, in conjunction with LibFin (whose chief executive chairs the committee), to assume greater ownership and accountability for the investment offering that is delivered through its broad range of products.

Liberty asset liability matching committee

This asset liability matching committee focuses on the matching of assets to policyholder liabilities. It also oversees the high-level asset mix parameters for various group products and portfolios and agreed benchmarks and mandates for the construction and performance of each investment portfolio with the relevant asset managers. This function is the responsibility of LibFin, with oversight from the statutory actuaries of Liberty Group and its life licensed subsidiaries.

Subsidiary company statutory entity governance committees

The statutory entity governance committees have been introduced to assist the GAAC and the audit and actuarial committee of Liberty Group in discharging its accountabilities for major subsidiary entities with life licences. They are sub-committees of the GAAC and function under the same charter as the GAAC.

Liberty group product approval process

A revised product approval policy was adopted towards the end of 2009 which provides the framework within which business units are mandated to develop products taking cognisance of the risks associated with the product, its development and implementation at both a business unit and group level. New products must be developed by the business units in line with Liberty's vision and strategy while adhering to legal and regulatory requirements and 'treating customers fairly' principles.

Risk appetite and capital management

Introduction

Liberty's capital management strategy seeks to ensure that it is adequately capitalised to support the risks assumed by Liberty in accordance with its risk appetite and to fund working capital and strategic requirements, thereby protecting policyholder and customer interests while optimising shareholder risk-adjusted returns.

Risk appetite

Risk appetite is defined as the aggregate amount of risk that is acceptable to Liberty.

Liberty's current risk appetite statement, approved by the Liberty board in May 2008, is defined across four risk measures: comprehensive earnings, return on embedded value, statutory capital adequacy requirement coverage and economic capital coverage. The first two measures assess the impact of the level of risk in the operation, whereas the second two compare required against available capital.

A risk-based stress approach was adopted to ensure that all the measures would dynamically reflect the changes in Liberty's risk exposure as it took on or mitigated risk, thereby providing a direct link between risk management and capital management.

Capital management

It is important to note that the risk appetite statement defines the capital requirements in both statutory capital adequacy ratio (CAR) and economic capital terms. Thus the process of capital management is to ensure Liberty's available capital exceeds the capital required both currently and going forward and to ensure that it has unfettered access to its capital at all times to meet its requirements.

Statutory basis

Available statutory capital is the amount by which the value of the assets exceeds the value of the liabilities, where the assets and liabilities are measured on the statutory basis in accordance with the Long-term Insurance Act and associated regulations and guidance notes issued by the Actuarial Society of South Africa. Statutory capital requirements are the amounts by which the regulators require the assets to exceed the liabilities for each individual regulated entity.

The South African regulator, the FSB, requires long-term insurers to hold a CAR calculated in accordance with the Long-term Insurance Act (1998) including Board Notice 72 of 2005 and PGN 104: *Valuation of Long-term Insurers* issued by the Actuarial Society of South Africa.

The CAR is calculated as the greater of:

- the minimum capital requirement (MCAR) for maintaining a South African long-term insurance licence. MCAR is consequently only relevant to smaller South African life licences;
- the termination of capital adequacy requirement (TCAR), a highly selective scenario in which all policies with surrender values greater than the policy liability terminate immediately (similar to a run-on-the-bank scenario); and
- a risk-based measure based on a number of market and insurance risk stress tests, which together with compulsory margins are intended to provide approximately a 95% confidence level over the long term that the insurer will be able to meet its obligations to policyholders. In the calculation of the ordinary capital adequacy requirement (OCAR) allowance may be made for management actions. Currently in the calculation of OCAR for the Liberty Group and Capital Alliance Limited, it has been assumed that non-vested bonuses will be removed if stabilisation reserves fall below -7,5% of the basic guaranteed liability. These assumed management actions have been approved by the board.

Additional discretionary margins and additions to CAR may be held if the statutory actuary feels that the prescribed requirements are not appropriate for the risk undertaken. This includes operational and credit risk.

For international life insurance subsidiaries, the capital requirements are calculated as the maximum of any capital requirements required by the applicable local regulations and the capital calculated as per the South African CAR calculation excluding the MCAR of R10 million per life licence.

Liberty subsidiaries, Stanlib Collective Investments and Stanlib Asset Management, are required to hold a statutory capital requirement calculated in accordance with the Collective Investment Schemes Control Act (2002) equivalent to 13 weeks of operating costs.

Liberty Group, in addition to its own licence requirements, is the holding company of the other life licence entities. Within Liberty Group the subsidiaries are held at their net asset value, less their statutory capital requirements.

	2009								
	Liberty Group[1]	Liberty Active[2]	Capital Alliance[1]	Liberty Growth[2]	Liberty Life Namibia[2]	Stanlib Multi-Manager[3,4]	Liberty Life Botswana	Liberty Life Swaziland	Liberty Life Uganda
Statutory capital adequacy requirement (Rm)	2 542	424	801	83	6	10	2	8	4
Available statutory capital (Rm)	7 144	741	1 276	338	79	53	5	14	10
Target CAR coverage ratio (times)[5]	1,7	1,5	1,5	1,5	2,0	1,5	2,0	1,5	2,0
Actual CAR coverage ratio (times)	2,8	1,7	1,6	4,0	12,3	5,3	2,1	1,8	2,7

[1] *Based on TCAR.*
[2] *Based on OCAR.*
[3] *Based on MCAR.*
[4] *Stanlib Multi-Manager is a life licence contained within a subsidiary of Stanlib Limited.*
[5] *Target CAR coverage will be reviewed once the operational use of the risk appetite statement has matured.*

	2008								
	Liberty Group[1]	Liberty Active[2]	Capital Alliance[1]	Liberty Growth[2]	Liberty Life Namibia[2]	Stanlib Multi-Manager[3,4]	Liberty Life Botswana	Liberty Life Swaziland	Liberty Life Uganda
Statutory capital adequacy requirement (Rm)	3 020	404	886	45	5	10	1	6	5
Available statutory capital (Rm)	8 027	597	1 255	255	54	71	1	9	6
Target CAR coverage ratio (times)[5]	1,7	1,5	1,5	1,5	2,0	1,5	2,0	1,5	2,0
Actual CAR coverage ratio (times)	2,7	1,5	1,4	5,7	10,5	7,1	1,0	1,5	1,4

[1] *Based on TCAR.*
[2] *Based on OCAR.*
[3] *Based on MCAR.*
[4] *Stanlib Multi-Manager is a life licence contained within a subsidiary of Stanlib Limited.*
[5] *Target CAR coverage will be reviewed once the operational use of the risk appetite statement has matured.*

A capital buffer over the CAR is held to reduce the risk of breaching the statutory requirement. This buffer is set at a level intended to optimise the trade-off between retaining sufficient capital to remain within risk appetite, while maximising returns achieved for shareholders.

Liberty Group was required by the conditions of the Investec Employee Benefits (IEB) Section 37 transfer to maintain a CAR coverage of 1,25 times until 31 December 2009. Similarly, Capital Alliance Life Limited is required by the conditions of the Section 37 transfer in respect of other IEB business to maintain a CAR coverage that depends on the results of a prescribed calculation (the results of this calculation lie between 1,25 and 1,5 times CAR coverage) until 31 December 2011.

Should CAR coverage fall below 1,5 times consideration will be given to a reduction in Liberty Group's dividend to shareholders.

If Liberty is within risk appetite and does not require the excess capital to fund strategic plans, then consideration is given to reducing capital by means of special dividends, capital reductions or share buy-backs as appropriate.

During 2009 there have been no breaches of regulatory CAR requirements.

Economic basis

Available financial resources are the amount by which the value of the assets exceeds the value of the liabilities, where the assets and liabilities are measured on a market consistent basis.

The economic capital requirement is the amount of financial resources required to protect against economic insolvency due to unexpected events. As such the economic capital requirement is a quantification of risk exposure.

The approaches taken by Liberty to calculate the available financial resources and economic capital requirements are consistent with the approaches currently proposed under Solvency II.

Embedded value basis

The embedded value is comprised of the net worth and the value of in-force business less the cost of solvency capital.

In decision-making processes within the life business, management makes use of return on embedded value as the key measure of shareholder value creation. The embedded value earnings at risk is one of the measures in Liberty's risk appetite statement.

Capital funding

Life companies have in the last few years been permitted by the FSB to partially fund their requirements with forms of capital other than equity. Liberty raised R2 billion in subordinated debt in 2005 at a fixed rate of 8,93%, paid bi-annually, to fund the working capital of Liberty, and to lower its weighted average cost of capital.

On 4 September 2009, Fitch Ratings revised the outlook for Liberty Group's National Insurer Financial Strength rating to 'AA(zaf)' from 'AA+(zaf)'. Liberty Group's National Long-term rating has also been downgraded to 'AA-(zaf)' from 'AA(zaf)'. The downgrades reflect Liberty's earnings volatility in the first half of the year, stemming from Liberty's weak product persistency and exposure to turbulent investment market conditions. The outlook for both these ratings has been changed to negative from stable. The negative outlook reflects Fitch's concern over persistency experience turning out to be worse than Liberty's expectations and the continuation of weak earnings, due to difficult consumer conditions and volatile financial markets. At the same time, the agency downgraded the rating on the R2 billion subordinated debt issue to 'A+(zaf)' from 'AA-(zaf).'

Nonetheless, Fitch's ratings of Liberty continue to reflect its well-established business positions in South Africa, its strong and diversified distribution networks and robust capital position. Fitch considers the strength and diversity of Liberty's distribution network and success in bancassurance with the Standard Bank Group as a key positive rating driver.

Capital management actions

The main focus of capital management activities in 2009 was the management of Liberty's aggregate market risk exposures. These activities commenced in 2008 with the establishment of LibFin to manage Liberty's market risk. Significant hedging of interest rate exposures took place in 2008. During 2009, the interest rate exposures were further hedged and Liberty's exposures to equity and foreign currency were reduced. Hedging and asset allocation decisions taken by LibFin have materially reduced Liberty's risk exposures and associated capital requirements.

Insurance risk

Risk identification, assessment and measurement

Insurance risks arise due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, withdrawal and expenses about which assumptions are made in the measurement of policyholder liabilities and in product pricing. Deviations from assumptions will result in actual cash flows being different from those expected. As such, each assumption represents a source of uncertainty.

Experience investigations are conducted on all insurance risks to ascertain the reasons for deviations from assumptions and their financial impacts.

Insurance risks are assessed and reviewed against Liberty's risk appetite. Mitigating actions are developed for any insurance risks that fall outside of management's assessment of risk appetite in order to reduce the level of risk.

Risk management

The management of insurance risk is effectively the management of deviations of actual experience from the assumed best estimate of future experience, on which product pricing is based.

The statutory actuaries provide oversight on the insurance risks undertaken by Liberty in that they are required to:

- report at least annually on the financial soundness of the life companies within Liberty;
- set policy for assumptions used to provide best estimates plus compulsory and discretionary margins as described in the accounting policies;
- oversee the setting of these assumptions; and
- report on the actuarial soundness of premium rates in use for new business, and the profitability of the business, taking into consideration the reasonable benefit expectations of policyholders and the associated insurance and market risks.

In addition, all new products and premium rates are approved through the product approval process after sign off by the relevant statutory actuary.

Reporting

Each business unit taking on insurance risk prepares monthly and quarterly reports that contain information on insurance risk. The reports are presented to the relevant business unit executive committees for review and discussion.

In respect of insurance risks, the reports contain the results of any experience investigations conducted, for example, on mortality, morbidity, withdrawals or expenses, along with other indicators of actual experiences. These reports also raise any issues identified and track the effectiveness of any mitigation plans put in place.

Monthly reports are submitted by the business unit head of risk policy and oversight. On a quarterly basis, the chief executives of the business units assuming insurance risks report on the status of business unit insurance risk management to the Liberty GROC. Major insurance risks are incorporated into a report of the chief risk officer on Liberty's overall risk which is submitted to GRC. Where it is deemed necessary, material insurance risk exposures are escalated to the Liberty board.

Policyholder behaviour risk

Policyholder behaviour risk is the risk of loss arising due to actual policyholders' behaviour being different than expected.

The primary policyholder behaviour risk is persistency risk, which arises due to policyholders discontinuing or reducing contributions or withdrawing benefits partially or in total prior to maturity of the contract. This behaviour results in a loss of future charges that are designed to recoup expenses and commission incurred early in the life of the contract and to provide a return on capital.

Liberty has experienced a deterioration in persistency in recent years, in part due to the downturn in the economic cycle. In times of volatile investment markets, with negative returns, customers are more likely to discontinue their contributions into market-related investment or retirement products, rather seeking the security of cash or money market returns. This is exacerbated when there is an increase in the interest rate cycle, and there is an increased propensity to repay debt, rather than invest for the long term.

The economic recession in South Africa has also given rise to a sharp decline in disposable household income, which places pressure on the affordability of insurance products – giving rise to an increase in policy discontinuance rates.

Liberty has implemented an integrated and comprehensive programme to improve its management of persistency risk. Given the significant impact of deteriorating persistency on Liberty's financial performance in the prior two years, a special customer management unit has been established to address the persistency risks.

The customer management team is focused on the implementation of a broad programme of initiatives:

- quality and profitability of new business written;
- product flexibility and migration options;
- protecting the in-force book of business; and
- actuarial risk management.

In the measurement of policyholder liabilities, the liabilities are adjusted by a margin as described in the accounting policies depending on whether a surrender benefit is payable or not. In addition, an allowance is made for withdrawals in the TCAR and OCAR. The TCAR examines a highly selective scenario in which all policies, with surrender values greater than the policy liability, terminate immediately (similar to a run-on-the-bank scenario). A proportion of the TCAR calculation is allowed for in the OCAR calculation.

In the calculation of economic capital requirements, allowance is made for the following risks in respect of policyholder behaviour:

- the risk that the actual level of withdrawals is different from expected; and
- the risk of a withdrawal catastrophe to capture a run-on-the-bank type of scenario that could for example occur due to loss of reputation or operational difficulties.

This economic capital requirement is significant, although the withdrawal catastrophe event used in the calculation of the economic capital requirements is an extreme scenario, it is still more reasonable than the event being tested in the TCAR calculation.

Mortality and morbidity risk

Mortality risk is the risk of loss arising due to actual death rates on life assurance business being higher than expected.

Morbidity risk is the risk of loss arising due to policyholder health-related claims being higher than expected. Liberty has the following processes and procedures in place to manage mortality and morbidity risk:

- Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claim experience.

- Terms are built into the policy contracts that permit risk premiums to be reviewed on expiry of a guarantee period. For individual risk business, most in-force risk premiums and all new business risk premiums are reviewable (after 10 to 15 years on Lifestyle Protector business; annually on credit life and entry level market business). For group (corporate) risk business, the risk premiums (charges) are reviewable annually. Delays in implementing increases in premiums, and market or regulatory restraints over the extent of the increases, may reduce their mitigating effects. Furthermore, charges can only be increased to the extent that they can be supported by gross premiums, although this is not relevant on contracts where gross premiums can be reviewed.
- Underwriting guidelines concerning authority limits and procedures to be followed are put in place.
- All individual business applications for risk cover are underwritten. For smaller sums assured this process is largely automated. For individual and group business, larger sums assured in excess of specified limits are reviewed by experienced underwriters and evaluated against established processes determined by the underwriting committee.
- Specific testing for HIV is carried out in all cases where the applications for risk cover exceed set limits.
- Part of the underwriting process involves assessing the health condition and family medical history of applicants and premiums, terms and conditions are varied accordingly.
- The policy terms and conditions contain exclusions for non-standard and unpredictable risks that may result in severe financial loss (for example, on life policies, a suicide exclusion applies to the sum assured for death within two years from the date of issue).
- Non-standard risks, such as hazardous pursuits and medical conditions, are assessed at underwriting stage.
- The expertise of reinsurers is used in the rating of non-standard risks.
- Financial underwriting is used where necessary to determine insurable interest.
- The actual claim experience is monitored on a regular basis so that deteriorating experience can be timeously identified. Product pricing and the measurement of the liabilities is changed if the deteriorating experience is expected to continue and cannot be mitigated. Detailed mortality and morbidity investigations are conducted on a bi-annual basis, but the general progression of mortality claims is reviewed monthly.
- Allowance for Aids is made in product pricing and special Aids provisions are held within policyholder liabilities to provide for deterioration in experience as a result of assured lives becoming HIV infected after inception of the contract. Liberty's historical experience is that the actual deterioration in mortality and morbidity due to HIV and Aids is less than allowed for in the measurement of policyholder liabilities, calculated in accordance with South African actuarial guidance.
- For morbidity, experienced claims assessors determine the merits of the claim in relation to the policy terms and conditions. In the case of disability annuitants, claim management ensures the continued eligibility for monthly income and includes interventions that may result in the full or partial medical recovery of the claimant. The actual disability experience is highly dependent on the quality of the claim assessments.
- Reinsurance arrangements are put in place to reduce the mortality and morbidity exposure per individual and provide cover in catastrophic events.

For Liberty Group individual business, mortality and morbidity benefits in excess of R9,0 million (2008: R8,0 million) per individual are reinsured under an original term surplus reinsurance arrangement. Business written in the past was reinsured at lower retention levels, which are fixed for the life of the contract. For Liberty Group corporate business, mortality and morbidity benefits in excess of R3,5 million (2008: R3,2 million) per main member are reinsured on an annually renewable basis. Reinsurance with lower retention levels is in place for Capital Alliance and Liberty Active. The retention limits under surplus reinsurance arrangements are reviewed annually to keep pace with inflation. Liberty intends to enhance the annual review process so that its risk tolerance will be based on the results of a stochastic analysis of the inherent risk. A proportion of both corporate and individual income disability business is reinsured on a proportionate quota share basis. Special risks are reinsured on a case-by-case basis.

Profile for amounts at risk for individual and group business

	Before reinsurance		After reinsurance	
	Rm	%	Rm	%
Individual sums assured at risk				
2009				
0 – 1 499 999	256 425	43	238 929	46
1 500 000 – 2 999 999	132 590	22	118 881	23
3 000 000 – 7 499 999	140 853	24	126 092	25
7 500 000 and above	68 430	11	30 649	6
Total	598 298	100	514 551	100
2008				
0 – 1 499 999	251 611	44	232 834	49
1 500 000 – 2 999 999	133 115	24	108 813	23
3 000 000 – 7 499 999	125 596	22	112 073	24
7 500 000 and above	54 666	10	22 220	4
Total	564 988	100	475 940	100
Corporate sums assured at risk				
2009				
0 – 1 499 999	233 824	76	233 740	79
1 500 000 – 2 999 999	40 315	13	40 315	13
3 000 000 – 7 499 999	25 344	8	20 744	7
7 500 000 and above	9 136	3	2 135	1
Total	308 619	100	296 934	100
2008				
0 – 1 499 999	235 315	75	235 315	79
1 500 000 – 2 999 999	42 043	14	42 043	14
3 000 000 – 7 499 999	24 845	8	19 302	6
7 500 000 and above	10 031	3	2 189	1
Total	312 234	100	298 849	100

Catastrophe reinsurance consolidated across Liberty's life licences is in place to reduce the risk of many claims arising from the same event. The reinsurance covers events that result in claims of more than R50 million (2008: R50 million) up to a limit of R600 million (2008: R600 million) for single event disasters and R1 200 million (2008: R1 200 million) in aggregate over the treaty year. Various events are excluded from the catastrophe reinsurance, for example, epidemics, radioactive contamination and war.

For corporate risk business, the exposure per industry class is monitored in order to maintain a diversified portfolio of risks and manage concentration exposure to a particular industry class. The following table splits the annual corporate risk business by industry class:

Industry class

	2009 %	2008 %
Administrative/professional	26	24
Retail	23	25
Light manufacturing	31	31
Heavy manufacturing	19	19
Heavy industrial and other high risk	1	1
Total	**100**	100

In the measurement of policyholder liabilities, margins as described in the accounting policies are added to the best estimate mortality and morbidity rates. In addition, an allowance is made for the mortality and morbidity fluctuation risk in the OCAR calculation. No additional allowance is made for mortality or morbidity catastrophes in the CAR calculation.

In the calculation of economic capital requirements, allowance is made for the following risks in respect of mortality and morbidity:

- the risk that the actual level of mortality and morbidity experience is different from that expected; and
- the risk that a mortality or morbidity catastrophe event occurs.

The risk of a loss arising from a random fluctuation in either mortality or morbidity rates is ignored. Given the large number of lives with mortality and morbidity cover, this risk has a far smaller impact than the change in level risk and catastrophe risk.

Liberty views mortality and morbidity risks as risks that are core to its business. These risks will be retained if they cannot be mitigated or transferred on risk-adjusted value enhancing terms. Mortality and morbidity risk gives rise to large economic capital requirements in particular due to potential catastrophic events. Since it is difficult to obtain reinsurance for certain catastrophic events, such as epidemics, on reasonable terms, the mortality and morbidity economic capital requirements are likely to remain large.

Longevity risk

Longevity risk is the risk of loss arising due to annuitants living longer than expected.

For life annuities, the loss arises as a result of Liberty having undertaken to make regular payments to policyholders for their remaining lives, and possibly to the policyholders' spouses for their remaining lives. The most significant risk on these liabilities is continued medical advances and improvement in social conditions that lead to longevity improvements being better than expected.

Liberty manages the longevity risk by:

- annually monitoring the actual longevity experience and identifying trends over time; and
- making allowance for future mortality improvements in the pricing of new business and the measurement of policyholder liabilities. This allowance will be based on the trends identified in experience investigations and external data.

Proof of existence certificate reports are required annually from annuitants to ensure that annuities are only paid to eligible policyholders.

Claims on disability income business also give rise to annuity payments which are contingent on the claimant's longevity and continued disablement. The claims management of the disability income business is covered under morbidity risk.

In the calculation of economic capital requirements, allowance is made for the following risks in respect of longevity:

- the risk that the actual base level of longevity experience is different from that expected; and
- the risk that the rate of longevity improvement is different from that expected.

Liberty views longevity risk as a strategic risk that is core to its business. This risk will be retained if it cannot be mitigated or transferred on risk-adjusted value enhancing terms. The economic capital requirement in respect of longevity risk is relatively small.

Expense risk

Expense risk is the risk of loss arising due to expenses incurred in the administration of policies being higher than expected.

Allowance is made for expected future expenses in the measurement of policyholder liabilities. These expected expenses are dependent on estimates of the number of in-force and new business policies. As a result, the risk of expense loss arises due to expenses increasing by more than expected as well as the number of in-force and/or new business policies being less than expected.

Liberty manages the expense risk by:

- regularly monitoring actual expenses against the budgeted expenses;
- regularly monitoring new business;
- regularly monitoring withdrawal rates; and
- implementing cost control measures in the event of expenses exceeding budget.

In the measurement of policyholder liabilities, a margin as described in the accounting policies is added to the best estimate expenses. In addition, an allowance for general administration expenses, excluding acquisition costs incurred on new policies, incurred in the previous reporting period is made for in the OCAR calculation.

In the calculation of economic capital requirements, allowance is made for the following risks in respect of expenses:

- the risk that on in-force policies the actual level of expenses is different from expected; and
- the risk that the rate at which Liberty's expenses increase is greater than the assumed rate of inflation. Please note that the risk that inflation is higher than expected is treated as a market risk.

Even though expense risk does not give rise to large capital requirements, the management of expense risk is core to the business. The expenses that Liberty is expected to incur on policies are allowed for in product pricing. If the expenses expected to be incurred are considerably higher than those of insurers offering competing products, the ability of Liberty to sell business on a profitable basis will be restricted. This does not only have capital implications, but can also affect Liberty's ability to function as a going concern in the long term.

Tax risk

Tax risk is the risk of loss arising due to the actual tax experienced being more than the tax expected.

Allowance for tax is made in the measurement of policyholder liabilities at the rates applicable at the reporting date. Adjustments may be made for known future changes in the tax regime. No explicit allowance is made for tax risk in the OCAR calculation.

The calculation of the economic capital requirement does allow for the risk of a change in tax. This economic capital requirement is small.

Market risk

Liberty is exposed to market risk arising from the following main areas:

- where its property and financial assets do not move in the same direction and magnitude as the obligations arising under its insurance and investment contracts; this risk is termed the policyholder asset-liability mismatch risk and includes annuity mismatches and embedded derivative mismatches;
- financial assets and liabilities utilised to support its capital base (also referred to as shareholder funds);
- exposure to 10% of the returns on a defined portion of the assets backing unit-linked liabilities; this market risk is referred to as the 90/10 fee exposure; and
- management fee revenues.

Ownership and accountability

LibFin is responsible for managing Liberty's aggregate market risks including exposures arising out of shareholder funds and from asset-liability mismatches in terms of the delegation of authority and within the limits set by the GBSMC. Stanlib, Liberty Properties and other external asset managers remain responsible for managing the investment risks within their investment mandates.

An independent market risk function provides an oversight of the effectiveness of market risk management processes and reports on the status of market risk management to the GBSMC, the Liberty GROC and the GRC.

In July 2009 Liberty's updated market risk framework was approved by the Liberty GROC. This defines the governance framework and common principles of management for the assumption of market risk across Liberty. It supports the overarching EVRM framework with respect to market risks.

Risk management

Market risk management and reporting processes have continued to mature throughout the year. For management purposes, Liberty's market risk has been split into two main categories:

- Market risks which Liberty wishes to maintain exposure to on a long-term strategic basis. This includes market risks arising from assets backing shareholder funds, as well as market risks arising from the 90/10 fee exposure. In aggregate this is referred to as the shareholder investment portfolio.
- Market risks which Liberty does not wish to maintain exposure to on a long-term strategic basis. This includes the asset-liability mismatch risk arising from Liberty's interest rate exposure to annuity business, as well as the mismatch risk arising from embedded derivatives (including policyholder investment guarantees). It also includes market risk arising from negative rand reserves (present value of future charges less the present value of future expenses and risk claims). In aggregate this is referred to as the risk management portfolio.

Shareholder investment portfolio

Liberty recognises the importance of investing its capital base in a diversified portfolio of financial assets. In addition to this, Liberty has a strategic long-only exposure to a defined portion of the assets backing unit-linked policyholder liabilities (through the 90/10 fee exposure). The total market risk arising from these consolidated exposures is modelled and managed together as a single portfolio.

On a through-the-cycle basis, this diversified portfolio was constructed to maximise after tax returns for a level of risk consistent with Liberty's risk appetite statement. In the short term, market movements will contribute to some earnings volatility. The diversified nature of the portfolio should however shield against significant earnings volatility.

Market risk exposure from management fee revenues, other than exposure to the 90/10 fee exposure, is not currently managed as part of the shareholder investment portfolio.

Risk management portfolio

Liberty has a number of market risk exposures which it does not wish to be exposed to on a long-term strategic basis. As a result, it has chosen to mitigate these risks through a dedicated ongoing hedging programme. The decision to hedge these risks is based on the fact that:

- continuing to assume these market risks would result in Liberty operating outside of its required risk appetite;
- some of the market risks, for instance those which arise from selling investment guarantees, are asymmetric in nature, and could compromise Liberty's solvency in severe market conditions, this is because current regulatory capital rules require available capital to be impaired for IFRS mark-to-market changes of such instruments; and
- these market risks are capital intensive, particularly in an economic capital framework, and have the potential to impact shareholders' returns on capital unless actively managed.

The exposures which are included in this hedging programme include the following:

- embedded derivatives provided in contracted policies;
- the interest rates exposure from writing annuities and guaranteed capital bonds, credit risk on the backing assets is however not hedged and serves as a diversified source of revenue for Liberty; and
- negative rand reserves, a negative liability, on the IFRS statement of financial position, calculated as the present value of future charges less the present value of future expenses and risk claims.

The net market risk impact of these exposures is managed utilising the hedge instruments available in the market. The nature of the existing business results in certain risks being difficult to hedge, for example, long-dated volatility, long-dated interest rates, correlation, and the hedging programme can as a result only remove those market risks from Liberty's financial position where appropriate matching assets exist.

Over the 2009 financial year, Liberty has made significant progress in terms of the infrastructure required to manage this business. This has resulted in a marked improvement in the quality, granularity and frequency of market risk analytics necessary to manage these exposures. It is anticipated that this infrastructure will be materially completed prior to 31 December 2010.

The table below summarises Liberty's exposure to financial and property assets. This exposure has been split into the relevant market risk categories and then attributed to the effective "holders" of the risk.

Exposure to financial and property assets

Risk category	Total financial, property and insurance assets Rm	Attributable to Policyholder market-related liabilities Rm	Other policyholder liabilities[1] Rm	Ordinary shareholders of Liberty[2] Rm	Minority shareholders of Liberty Rm	Third party financial liabilities on mutual funds Rm
2009						
Equity price	**85 280**	**85 376**	**(6 491)**	**1 409**		**4 986**
Interest rate	**84 701**	**40 420**	**24 530**	**16 713**	**77**	**2 961**
Property price	**23 203**	**19 418**	**(1 192)**	**348**	**2 343**	**2 286**
Mixed portfolios[3]	**22 119**	**21 146**	**(451)**	**1 100**		**324**
Reinsurance assets	**788**		**788**			
Total	**216 091**	**166 360**	**17 184**	**19 570**	**2 420**	**10 557**
Percentage (%)	**100,0**	**77,0**	**7,9**	**9,1**	**1,1**	**4,9**
2008						
Equity price	69 672	70 432	(6 151)	2 194		3 197
Interest rate	99 208	50 606	25 824	18 793	121	3 864
Property price	20 713	18 968	(929)	(415)	2 072	1 017
Mixed portfolios[3]	17 843	13 314	(822)	2 948		2 403
Reinsurance assets	827		827			
Total	208 263	153 320	18 749	23 520	2 193	10 481
Percentage (%)	100,0	73,6	9,0	11,3	1,1	5,0

[1] Negative exposure to the various risk categories can occur in "Other policyholder liabilities" since the present value of future charges can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholders' market-related liabilities. The policyholders' market risk exposure however remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder market-related liabilities by the amount of these negative liabilities.

[2] The Standard Bank Group has a 54% interest in Liberty and therefore shares in 54% of this exposure.

[3] Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is practically difficult to accurately calculate given the number of mutual funds and hedge funds contained in the group portfolios.

Market risk by product type

The relevant market risks associated with the various policyholder products are discussed by product type below:

Unit-linked products

A significant portion of the market risk, including equity, interest rate, currency and property risk, is borne by Liberty's policyholders through the linkage to the value of their policies. Unit-linked policyholders in particular have all the exposure to these risks.

For unit-linked contracts, Liberty holds the assets on which the unit prices are based. As a result in respect of the unit-linked contracts, there is virtually no mismatch.

Certain market risk exposures do however arise in relation to these unit-linked products:

- In respect of IFRS defined insurance contracts with unit-linked components, the liability is reduced by the corresponding negative rand reserve (present value of future charges less the present value of future expenses and risk claims). Some market risk is consequently retained on this business to the extent that the negative rand reserve does not move in line with the unit liabilities. This risk is managed as part of the risk management portfolio.
- A significant portion of unit-linked business has embedded derivatives in the form of minimum investment return guarantees. This risk is managed as part of the risk management portfolio.
- On a portion of business in this category, policyholders receive 90% of both the positive and negative returns achieved on the underlying assets. This leaves shareholders' earnings with exposure to the remaining 10% thereby introducing earnings volatility due to the exposure to market risk (the 90/10 fee exposure). This risk is managed as part of the shareholder investment portfolio.
- Management fees charged on this business are determined as a percentage of the fair value of the underlying assets held in the linked funds, which are subject to market risk. As a result the management fees are volatile, although always positive. This risk in respect of management fees not included in the negative rand reserves is not currently actively managed.

Market-related guarantees and options

Significant exposure to market risk including equity, interest rate, property and currency risk, arises on market-related guarantees and options. These product features are embedded in various products, and IFRS requires them to be separately identified and measured as embedded derivatives. Liberty monitors the exposure to embedded derivatives arising from minimum investment return guarantees and guaranteed annuity options on a daily basis. LibFin actively manages Liberty's exposure to embedded derivatives within the risk management portfolio as part of its dedicated hedging programme.

The policyholder liabilities in respect of minimum investment return guarantees and guaranteed annuity options amounted to R1 378 million (2008: R2 959 million) and R466 million (2008: R796 million) respectively.

Minimum investment return guarantees

Minimum investment return guarantees are provided on the death and/or maturity proceeds on policies invested in selected investment portfolios. The liabilities from these embedded derivatives are valued in accordance with valuation techniques that approximate market consistent option pricing techniques using stochastic Monte Carlo simulation. These techniques mirror a mid-market market consistent price to be paid to externally transfer the risk.

The value of the minimum investment guarantees is not only sensitive to the assumptions used in their valuation, but is also highly dependent on the 'moneyness', defined here as the ratio of the guaranteed value at the reporting date to the value of the investment at the reporting date, as well as the outstanding term to maturity on the contract at the reporting date.

Guaranteed annuity options (GAOs)

Guaranteed annuity options (GAOs) give the policyholder the option to convert the maturity proceeds of a retirement annuity at a predefined rate. From 1997 onwards very few policies with GAOs were sold and from 2001 GAOs were no longer offered as Liberty believed that it could not adequately manage the associated risks at the time and anticipated a low interest rate environment going forward. As in the case of minimum investment return guarantees, liabilities from these embedded derivatives are valued in accordance with valuation techniques that approximate market consistent option pricing using stochastic Monte Carlo simulation techniques.

GAOs expose Liberty to interest rate risk. Interest rates impact not only the projected value of the proceeds of the policy but also the value of the annuity offered at the date of retirement.

Annuity payment per annum per R1 000 of annuity consideration

	Guaranteed conversion rate		Best estimate rates		Best estimate interest rate x 1,12		Best estimate interest rate x 0,88	
Age	Male	Female	Male	Female	Male	Female	Male	Female
55	69,8	63,5	91,35	86,79	99,48	95,12	83,40	78,66
60	78,0	70,2	95,93	90,99	103,84	99,10	88,18	83,06
65	88,0	79,0	101,08	95,99	108,75	103,86	93,54	88,28
70	97,5	88,0	106,65	101,72	114,09	109,34	99,34	94,24

The rates above are based on an annuity with a ten year guarantee period. The annuity rates per annum calculated above have been based on an average annuity consideration of R200 000.

The table above provides the typical guaranteed conversion rates sold with the GAOs, as well as the annuity payment per annum that are affordable using best estimate interest rate and annuitant longevity assumptions as at the reporting date, along with interest rate sensitivities.

The table shows that at best estimate assumptions at the reporting date, the annuity payment per annum that is affordable per R1 000 of annuity consideration exceeds the annuity payment per annum as per the guaranteed conversion rate, that is, the options are out-of-the-money at the reporting date. The same is true for the interest rate sensitivities provided.

The table also shows that Liberty is exposed to the risk of a fall in interest rates on guaranteed annuity options, as the annuity payment per annum that is affordable per R1 000 of annuity consideration falls as interest rates fall, increasing the likelihood that guaranteed annuity options would be exercised by the policyholder.

The value of the annuity is also sensitive to the annuitant longevity assumption, which gives rise to the longevity risk described in the insurance risk section.

The GAO applies to the full proceeds of the underlying policy. Since the proceeds of the policy typically have a large equity component, they also give rise to an equity risk as increasing equity prices generally increase the value of the GAO liabilities. Similarly other smaller components of the investment proceeds are exposed to interest rate, property and currency risk.

To some extent the upside equity risk exposure on GAOs can be offset against the downside equity risk exposure on guaranteed maturity values.

The bulk of GAO exposure relates to policies with terms to maturity up to 15 years, however terms to maturity extend as far out as 30 years.

Non-participating annuities

Non-participating annuities, including disability income annuities in payment, provide benefit payments that are fixed and guaranteed, although a small proportion of the business provides inflation-related increases on annuities in payment. These liabilities are backed almost entirely by fixed income securities. Liberty's primary financial risk on these contracts, aside from mark-to-market volatility, is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

LibFin manages interest rate risk on this business in the risk management portfolio as part of its dedicated hedging programme by comparing the bucketed interest rate risk of the asset portfolio to the liabilities issued. The buckets are typically defined with respect to time and by taking into account the common hedge instruments available in the market. The bucketed risk of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of future longevity, and bucketing risks of similar durations.

The bucketed risk is a linear measure of how the values of assets and liabilities change in response to interest rate changes. However, values do not change linearly as interest rates change. As a result, principle component analysis and defined stress tests are also monitored to capture this non-linear risk.

While LibFin is responsible for the management of all of the annuity market risk, some of the annuity portfolios have been outsourced to traditional fixed income asset managers.

Long-term insurance contracts with discretionary participating features (DPFs)

Liberty has a number of portfolios of long-term insurance contracts with DPFs, most of which have been acquired through acquisitions of other insurers. Each portfolio is backed by a distinct asset profile, often as a result of conditions included in the scheme of transfer in terms of which the business was acquired. The assets backing these liabilities are generally segregated from Liberty's other assets to ensure that the assets are used exclusively to provide benefits for the relevant policyholders.

Bonuses are declared on this business taking a number of factors into account, including the previous bonus rates declared, policyholders' reasonable expectations, expenses, actual investment returns on the underlying assets, expectations of future investment returns and the extent to which the value of assets exceeds the value of benefits allowing for both the guaranteed benefits and projected future bonus at the most recently declared rates, among other factors. Once declared, a portion of the bonus, depending on the operation of the specific class of business in accordance with the terms and conditions of the contract, forms part of the guaranteed benefits. The bonuses declared are in accordance with the principles and practices of financial management document which is available on Liberty's website.

Liberty recognises the full value of the backing assets as a liability. The guaranteed portion of the liability is sensitive to interest rates. Liberty bears equity risk to the extent that equities are held to back the guaranteed portion of liabilities. Liberty bears interest rate risk to the extent that the assets backing the guaranteed portion of the liability are not a match for these fixed and guaranteed payments. However, Liberty's market risk can be passed onto the policyholder to the extent that the assets in the portfolio exceed the value of the guaranteed portion of liabilities. As a result, LibFin does not actively manage the risks in these portfolios at this point in time as part of the dedicated hedging programme.

At 31 December 2009, the assets exceeded the guaranteed portion of liabilities on all of these portfolios.

Pure risk products

Pure risk products are predominantly recurring premium policies that provide benefits that are fixed and guaranteed at inception of the contract. Since future recurring premiums often exceed future benefits, the liabilities on these products are often negative. These liabilities are sensitive to interest rates and their exposure is included as part of the dedicated hedging programme.

Guaranteed capital endowments and structured products

Guaranteed capital endowments are single premium policies that have benefit payments that are fixed and guaranteed at inception of the contract. These liabilities are sensitive to interest rates and their exposure is included as part of the dedicated hedging programme.

Structured products are single premium policies that provide a guaranteed minimum maturity benefit together with predefined market-related upside. Liberty's philosophy dictates that these obligations are matched exactly. At inception of these contracts, assets which have proceeds that exactly match the payout under the policy are purchased. Consequently, there is no market risk on these products.

Market risk for financial instruments

Interest rate risk

The tables below give additional detail on financial instrument assets and liabilities and their specific interest rate exposure. Due to practical considerations interest rate risk details contained in investments in non-subsidiary mutual funds are not provided.

Accounts receivable and accounts payable where settlement is expected within 90 days are not included in the analysis below, since the effect of interest rate risk on these balances is not considered significant given the short-term duration of these underlying cash flows:

Interest rate exposure

	2009 Rm	2008 Rm
Financial instruments liability		
Carrying value	2 211	2 430
Exposed to cash flow interest rate risk	157	376
Exposed to fair value interest rate risk	2 054	2 054
Financial instruments asset		
Carrying value	71 635	81 195
Exposed to cash flow interest rate risk	16 040	12 818
Exposed to fair value interest rate risk	55 595	68 377

Currency risk

Offshore assets are held in policyholder portfolios to match the corresponding liabilities. Liberty is exposed to currency risk through minimum investment return guarantees issued on contracts invested in offshore portfolios and related mismatches, 90/10 fee exposure and management fees. In addition, some of the shareholder capital base is invested in offshore assets.

Investment guarantees, with effect from 2005 are no longer offered on new business invested in offshore portfolios. The rand-denominated value of management fees derived from these contracts is also subject to currency risk. Strengthening of the rand against the offshore currencies reduces the rand value of management fees on offshore portfolios and increases the liability in respect of rand-denominated minimum investment return guarantees on this business.

The total exposure to financial instruments expressed in rands (converted at closing rates) at 31 December 2009 is R29 078 million (2008: R31 010 million). It is not practical to isolate accurately any detailed currency risk contained in investments in mutual funds and investment policies which are priced in rands and are not subsidiaries. This exposure to mutual funds and investment policies however is not material to Liberty. The table at the bottom of the page segregates the currency exposure by major currency at 31 December.

Property market risk

Liberty is exposed to tenant default and unlet space within its investment property portfolio affecting property values and rental income. This risk is mainly attributable to the matching policyholders' liability and the shareholder exposure is mainly limited to management fees and profit margins. The managed diversity of the property portfolio and the existence of multi-tenanted buildings significantly reduces the exposure to this risk. At 31 December 2009 the proportion of unlet space in the property portfolio was less than 2,5% (2008: 2%).

Property market risk also arises in respect of shareholder exposures to investment guarantees and negative rand reserves, and this risk is managed as part of the dedicated hedging programme.

Derivative instruments

Certain Liberty entities are parties to contracts for derivative financial instruments, mainly entered into as part of the dedicated hedging strategy implemented in the second half of 2008 and the first half of 2009. These instruments are used to mitigate equity, interest rate and currency risk and include vanilla futures, options, swaps, swaptions and forward exchange contracts.

Currency exposure by major currency

	GBP		USD		Euro		Japanese yen		Australian dollar		Other	
Rm	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	**2008**
Foreign currency risk (Rm)	1 551	1 814	24 509	25 097	2 336	3 480	122	156	141	264	419	199
Foreign currency amounts[1] (m)	131	133	3 325	2 696	220	267	1 530	1 560	22	41		

[1] *Certain currency exposures are reduced by means of forward exchange contracts.*

Credit risk

Introduction

Credit risk is a relatively small risk when measured in terms of economic capital, however the potential for default does exist and this risk is monitored and managed within Liberty.

Framework and governance

A credit risk framework which is in the process of being approved sets out the principles under which Liberty is prepared to assume credit risk. Liberty's head of credit has functional responsibility for credit risk across Liberty and reports to the chief risk officer. In terms of the framework, credit exposures are either managed in-house (direct) through LibFin or outsourced (indirect) to asset managers. Indirectly managed credit risk portfolios are managed in line with investment guidelines communicated in mandates to asset managers, which define the asset characteristics and guidelines for the particular credit portfolio.

The Liberty board has delegated credit risk management to the Liberty Holdings chief executive who in turn has delegated this responsibility to the GBSMC. The GBSMC has responsibility for decisions affecting directly managed credit exposures and is currently supported by a Liberty Group credit committee which considers and, where appropriate, recommends all credit applications for new directly managed credit opportunities. GBSMC is also responsible for defining the credit characteristics of asset manager mandates.

Debt instruments

Various debt instruments are entered into by Liberty in order to match policyholders' liabilities and invest surplus shareholder funds. Liberty is primarily exposed to the issuer's credit standing on these instruments both in terms of default and migration risk. A portion of these debt instruments is managed in-house (directly managed) by LibFin and the remaining credit assets have been outsourced (indirectly managed) to qualified asset managers.

Rating methodology

Internal credit rating models and methodologies will be developed during the course of 2010/2011 with the ultimate intention to report credit risk in a manner consistent with best practice. This will allow Liberty to leverage existing credit risk solutions available within the Standard Bank Group and allow the reporting of credit risk according to PD, EAD and LGD. The intention is to implement internal rating models for directly managed credit exposure and to roll this capability out in time to include indirectly managed credit exposure to ensure a consistent basis of reporting.

Rating scale

The rating scale applied is defined below and reflect long-term, local currency ratings:

Investment grade

AAA Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in the case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA Very high credit quality. 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A High credit quality. 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB Good credit quality. 'BBB' ratings indicate a low expectation of credit risk. They indicate adequate capacity for timely payment of financial commitments. Changes in circumstances or in economic conditions are more likely to impair this capacity than is the case for higher ratings.

Non-investment grade

BB Speculative. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met.

Not rated

N/R Liberty (either through direct or indirect managed channels) is not restricted to investing purely in rated instruments and/or where counterparties are rated. This does not infer that the potential default risk is higher or lower than rated assets. A detailed internal analysis of such investments is performed to assess the riskiness of the investment.

Credit exposure

The following table provides information regarding the aggregated credit risk exposure for Liberty, for debt instruments categorised by credit ratings (if available), at 31 December.

	Sovereign Rm	AAA Rm	AA Rm	A Rm	BBB and below Rm	Not rated Rm	Pooled funds Rm	Total carrying value Rm
2009								
Debt instruments	12 812	9 454	27 853	6 630	713	3 352	9 965	70 779
Listed preference shares			1 401	45	10	495		1 951
Unlisted preference shares			1 625			634		2 259
Listed term deposits	12 812	8 310	10 286	5 699	657	701		38 465
Local	12 442	6 930	9 759	3 481	154	300		33 066
Foreign	370	1 380	527	2 218	503	401		5 399
Unlisted term deposits		1 144	14 541	886	46	1 522		18 139
Local		1 144	14 541	886	46	1 501		18 118
Foreign						21		21
Mutual funds – debt instruments							9 965	9 965
Local							9 416	9 416
Foreign							549	549
Investment policies							10 821	10 821
Local prepayments, insurance and other receivables[1]		22	68	13		2 027		2 130
Accrued income[1]		2	19			95		116
Reinsurance recoveries		20	49	13				82
Other						1 932		1 932
Foreign prepayments, insurance and other receivables[1]		(1)	38	28		437		502
Accrued income						3		3
Reinsurance recoveries		(1)	38	28		1		66
Other						433		433
Reinsurance assets			261	531		(4)		788
Derivatives		49	173	2				224
Loan receivables to joint ventures						149		149
Cash and cash equivalents		201	6 458	2 326		1 652		10 637
Local		179	4 954			1 510		6 643
Foreign		22	1 504	2 326		142		3 994
Total assets bearing credit risk	12 812	9 725	34 851	9 530	713	7 613	20 786	96 030

[1] *The total carrying value excludes R23 million dividend income relating to equities.*

	Sovereign Rm	AAA Rm	AA Rm	A Rm	BBB and below Rm	Not rated Rm	Total carrying value Rm
2008							
Debt instruments	14 802	11 637	23 078	3 505	45	19 619	72 686
Listed preference shares		453	785	163	10	408	1 819
Unlisted preference shares			1 684			687	2 371
Listed term deposits	14 802	6 575	10 209	1 602	35	4 847	38 070
Local	14 802	6 414	10 151	1 559		4 845	37 771
Foreign		161	58	43	35	2	299
Unlisted term deposits		4 609	10 400	1 740		13 677	30 426
Local		4 609	10 400	1 740		4 402	21 151
Foreign						9 275	9 275
Investment policies						8 746	8 746
Local prepayments, insurance and other receivables[1]	183	207	557	51	71	4 012	5 081
Accrued income[1]	183	184	448	31	71	162	1 079
Reinsurance recoveries		23	109	20		2	154
Other						3 848	3 848
Foreign prepayments, insurance and other receivables[1]						797	797
Reinsurance recoveries						2	2
Other						795	795
Reinsurance assets		41	581	187		18	827
Derivatives		336	868	4			1 208
Loan receivables to joint ventures						4	4
Cash and cash equivalents		765	2 620			1 727	5 112
Local		657	2 411			1 049	4 117
Foreign		108	209			678	995
Total assets bearing credit risk	14 985	12 986	27 704	3 747	116	34 923	94 461

[1] *The total carrying value excludes R84 million dividend income relating to equities.*

Scrip lending

Scrip lending is the process of providing listed equities or term deposits held by Liberty to external parties on a lending arrangement, for a negotiated fee, to be returned on a fixed date.

The process is well recognised and strictly regulated within the South African environment and is generally encouraged to support liquidity in the financial markets.

Scrip lending counterparties are restricted to appropriately accredited financial institutions. During 2009 the highest level of scrip lending activity at any one time amounted to R1 606 million (2008: R5 478 million) and at 31 December 2009 R1 559 million (2008: R1 622 million).

Impairments

The table below indicates the impairments raised against financial assets.

Financial assets impaired – all rand denominated

	2009		2008	
	Unlisted term deposits[1] Rm	Other pre-payments insurance and other receivables[2] Rm	Unlisted term deposits[1] Rm	Other pre-payments insurance and other receivables[2] Rm
Gross carrying value	18 162	1 727	21 186	4 483
Less: accumulated impairment	(44)	(208)	(35)	(141)
Net carrying value	**18 118**	**1 519**	21 151	4 342

[1] *Mortgages and loans, consisting of policy loans, included in "unlisted term deposits" are impaired when the amount of the loan exceeds the policyholder's investment balance. The fair value of mortgages and loans is R702 million (2008: R804 million). The policyholders' debtors of R770 million (2008: R735 million) are recoverable through offset against their respective liabilities (policy benefits).*

[2] *Included in "Other prepayments, insurance and other receivables" are balances due by agents, brokers and intermediaries. These are impaired as soon as management is uncertain as to the recovery of these balances. Agents, brokers and other intermediaries totalling R30 million (2008: R226 million) are subject to a comprehensive relationship management programme, including credit assessment. The highest exposure to any single agent, broker or other intermediary is less than R8 million (2008: R6 million). The average exposure is R24 000 (2008: R24 000). The widespread nature of the individual amounts combined with a close management relationship reduces the credit risk.*

Liquidity risk

Introduction

Long-term insurance companies are registered financial institutions and are required to hold minimum capital in order to, amongst other things, reduce policyholder exposure to the entity's liquidity risk.

The FSB's approval of Liberty's issuance of subordinated debt, namely the callable capital bonds included a requirement to hold qualifying liquid assets equal to at least the amount of the outstanding debt issued. The amount issued is currently R2 billion. At 31 December 2009 and 2008 this requirement has been met and attested to by the statutory actuary of Liberty.

The ownership and accountability for liquidity risk is the same as for market risk.

Asset liability matching

Liquidity requirements are reviewed on a monthly basis by the Liberty asset liability matching committee and the GBSMC. These requirements are also monitored on an ongoing basis as part of Liberty's normal operating activities.

On unit-linked business, liquidity risk and asset liability matching risk arising as a result of changes in lapse and withdrawal experience is limited through policy terms and conditions that restrict claims to the value at which assets are realised. In the case of property-backed contracts, it is not normally possible to realise the assets as claim payments arise due to the relatively small number of high value properties and illiquidity of the assets. For this reason property exposures are afforded specific attention by the property investment executive committee and orderly sales and purchases are managed within the mandate granted by the GBSMC.

Similarly the liquidity and asset liability matching risk arising from a change in withdrawal experience on business with DPF is limited through policy terms and conditions that permit withdrawal benefits to be altered in the event of falling asset prices.

On non-participating annuities, the liquidity risk is largely managed by predominantly investing in highly liquid fixed interest securities with appropriately timed cash flows. In addition, the investment proceeds along with new business consideration generally are more than sufficient to meet current annuity payments. No withdrawal benefits are provided on non-participating life annuities.

Liquidity profile of assets

Liberty's assets are liquid as the table below illustrates. However given the quantum of investments held relative to the volumes of trading within the relevant exchanges and counterparty transactions, a substantial short-term liquidation may result in current values not being realised due to demand supply principles. It is considered highly unlikely, however, that a short-term realisation of that magnitude would occur.

No maturity profile can be reliably estimated given Liberty's investments in mutual funds, equities and non-term financial debt instruments and given the volatility of equity markets and uncertain policyholder behaviour.

Financial asset liquidity

	2009		2008	
	%	Rm	%	Rm
Liquid[1]	73	158 115	67	139 465
Medium[2]	17	36 255	24	49 678
Illiquid[3]	10	21 721	9	19 120
	100	216 091	100	208 263

[1] Liquid assets are those that are considered to be realisable within one month (for example, cash, listed equities and term deposits).
[2] Medium assets are those that are considered to be realisable within six months (for example, unlisted equities and certain unlisted term deposits).
[3] Illiquid assets are those that are considered to be realisable in excess of six months (for example, investment properties).

Maturity profile of liabilities
Contractual cash flows

	0-3 months[1] Rm	3-12 months Rm	1-5 years Rm	6-10 years Rm	Total Rm	Carrying value Rm
2009						
Callable capital bond	54	125	2 303		2 482	2 054
Redeemable non-participating preference shares	7	4	82		93	74
Minority loan			101		101	83
Third party financial liabilities arising on consolidation of mutual funds	10 557				10 557	10 557
Insurance and other payables	5 577	5	20	2	5 604	5 604
Total	16 195	134	2 506	2	18 837	18 372
2008						
Callable capital bond	54	125	2 481		2 660	2 054
Redeemable non-participating preference shares	23	137	95		255	225
Minority loan			234		234	151
Third party financial liabilities arising on consolidation of mutual funds	10 481				10 481	10 481
Insurance and other payables	8 177	9	22	2	8 210	8 210
Total	18 735	271	2 832	2	21 840	21 121

[1] *0 – 3 months are either due within the timeframe or are payable on demand.*

The table above summarises the maturity profile of the financial liabilities of Liberty based on the remaining undiscounted contractual obligations except for trading derivatives. Trading derivatives have been included in the 0-3 month column and not by contractual maturity as trading derivatives are typically held for short periods of time and contractual cash flows are therefore not considered essential for an understanding of the cash flows. Policyholder liabilities under investment contracts and investment contracts with DPF and insurance contracts are shown in a separate table in the next section, as these are managed according to expected and not contractual cash flows.

Liquidity risks arising out of obligations to policyholders

The tables on the following page give an indication of liquidity needs in respect of cash flows required to meet obligations arising under insurance contracts, investment contracts with DPF and investment contracts. The amounts in the unit liabilities table represent the expected cash flows arising from the value of units, allowing for future premiums, growth, benefit payments and expected policyholder behaviour. The amounts in the non-unit liability cash flow table represent the expected cash flows from the non-unit liabilities. All the cash flows are shown gross of reinsurance. Undiscounted cash flows are shown and the effect of discounting is taken into account to reconcile to total policyholder liabilities under insurance contracts, investment contracts and investment contracts with DPF. For unit-linked contracts, the cash flows relating to the DPF portion are assumed to occur in proportion to the cash flows of the guaranteed units. The cash flows for the guaranteed element and the non-guaranteed element of insurance contracts with DPF have been combined and are included in the unit cash flow table. In respect of annually renewable risk business, namely lumpsum group risk business, group disability income business and credit life business, no allowance has been made for the expected cash flows except in respect of incurred but not reported claims and disability income annuities in payment where applicable. The liabilities in respect of embedded value derivatives are assumed to run off in the same proportion as the unit cash flows that give rise to them.

Expected cash flows	Investment contracts		Investment with DPF		Insurance contracts	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Unit liabilities						
Within 1 year	5 455	4 277	384	284	7 528	6 129
2-5 years	4 890	3 741	7	(97)	23 120	22 939
6-10 years	3 763	699	101	(188)	7 150	9 596
11-20 years	8 978	(186)	420	(381)	28 495	27 994
Over 20 years	27 171	37 292	1 780	3 030	37 540	31 115
Total	50 257	45 823	2 692	2 648	103 833	97 773
Total deferred taxation	(245)	(203)			(511)	(533)
Total unit liabilities	50 012	45 620	2 692	2 648	103 322	97 240
Non-unit liabilities						
Within 1 year	460	473	(1)		2 739	1 866
2-5 years	1 122	1 125	(1)	(1)	9 085	7 691
6-10 years	327	275	(1)	(1)	8 326	5 544
11-20 years	94	72		(1)	13 085	12 101
Over 20 years	3	2			30 610	37 088
Effect of discounting cash flows	(420)	(237)	3	3	(37 913)	(39 439)
Total non-unit liabilities	1 586	1 710			25 932	24 851
Total policyholders' liabilities						
Within 1 year	5 915	4 750	384	284	10 267	7 995
2-5 years	6 012	4 866	6	(98)	32 205	30 630
6-10 years	4 090	974	100	(189)	15 476	15 140
11-20 years	9 072	(114)	419	(382)	41 580	40 095
Over 20 years	27 174	37 294	1 780	3 030	68 150	68 203
Effect of discounting cash flows	(420)	(237)	3	3	(37 913)	(39 439)
Total	51 843	47 533	2 692	2 648	129 765	122 624
Total deferred taxation	(245)	(203)			(511)	(533)
Total policyholders' liabilities	51 598	47 330	2 692	2 648	129 254	122 091

Cash surrender value for policyholders' liabilities

	2009		2008	
	Carrying value Rm	Surrender value Rm	Carrying value Rm	Surrender value Rm
Insurance contracts	129 254	103 952	122 091	95 966
Investment contracts with DPF	2 692	2 557	2 648	2 655
Investment contracts	51 598	51 423	47 330	47 151
Total policyholders' liabilities	183 544	157 932	172 069	145 772

The contractual worst case cash flows for investment contracts would be an immediate cash flow amounting to the surrender value of investment contracts at the reporting date.

Sensitivity analysis

Liberty's earnings and available capital are exposed to insurance and market risks among others through its insurance and asset management operations. Assumptions are made in respect of the market and insurance risks in the measurement of policyholder liabilities. This section provides Liberty's monetary sensitivity to changes in some of these variables.

The sensitivities provided, in isolation, are not amounts that can simply be extrapolated to determine prospective earnings' forecasts and caution is advised to any user doing this. They do, however, provide insight into the impact that changes in these risks can have on policyholder liabilities and attributable profit after taxation.

The upper and lower sensitivities chosen reflect management's best judgement of a reasonably possible change in the respective variable, that is, management's view is that the actual experience has a 50/50 chance of falling in/out of the range, within a twelve-month period from the reporting date. Each range used is broadly based on applying a 75% confidence level to the relevant historical experience. These ranges are adjusted for management's views. The sensitivity analysis does not cover extreme or irregular events that occur sporadically.

The table below provides a description of the sensitivities that are provided on insurance risk assumptions.

Insurance risk variables	Description of sensitivity
Assurance mortality	A level percentage change in the expected future mortality rates on assurance contracts
Annuitant longevity	A level percentage change in the expected future mortality rates on annuity contracts
Morbidity	A level percentage change in the expected future morbidity rates
Withdrawal	A level percentage change in the policyholder withdrawal rates prior to maturity
Expense per policy	A level percentage change in the expected maintenance expenses

Sensitivities on expected taxation have not been provided.

Insurance risk sensitivities are applied as a proportional percentage change to the assumptions made in the measurement of policyholder liabilities.

The table below provides a description of the sensitivities provided on market risk assumptions.

Market risk variables	Description of sensitivity
Interest rate yield curve	A parallel shift in the interest rate yield curve
Implied option volatilities	A change in the implied short-term equity, property and interest rate option volatility assumption
Equity price	A change in the local and foreign equity prices
Rand currency	A change in the ZAR exchange rate to all applicable currencies

Sensitivities on long-term expense inflation assumptions have not been provided.

The equity price and rand currency sensitivities are applied as an instantaneous event at the reporting date with no change to long-term market assumptions used in the measurement of policyholder liabilities, that is, the assets are instantaneously impacted by the sensitivity on the reporting date. The new asset levels are applied to the measurement of policyholder liabilities where applicable, but no changes are made to the assumptions used in the measurement of policyholder liabilities. The interest rate yield curve and implied option volatility sensitivities are applied similarly but the assumptions used in the measurement of policyholder liabilities that are dependent on interest rates yield curves and implied option volatilities are updated.

Note that over a reporting period, assets are expected to earn a return consistent with the long-term assumptions used in the measurement of policyholder liabilities. The instantaneous sensitivities applied at the reporting date show the impacts of deviations from these long-term assumptions, for example, the increase in the equity price sensitivity shows the impact of assets earning the stress amount in excess of the long-term equity return assumption.

The market sensitivities are applied to all assets held by Liberty, not just assets backing the policyholder liabilities. Each sensitivity is applied in isolation with all other assumptions left unchanged.

The table below summarises the impact of the change in the above risk variables on policyholder liabilities and on ordinary shareholders' equity and attributable profit after taxation. Due to significant changes made to Liberty's market risk positions in 2009, the market risk sensitivities are not directly comparable between 2009 and 2008.

Sensitivity analysis of risk variables

	2009			2008		
	Change in variable	Impact on policyholder liabilities	Impact on equity and attributable profit after taxation	Change in variable	Impact on policyholder liabilities	Impact on equity and attributable profit after taxation
	%	Rm	Rm	%	Rm	Rm
Insurance assumptions						
Mortality						
Assured lives	+2	155	(112)	+2	187	(135)
	-2	(162)	116	-2	(192)	138
Annuitant longevity	+4	246	(173)	+4	242	(174)
	-4	(234)	165	-4	(231)	166
Morbidity	+5	272	(191)	+5	288	(201)
	-5	(278)	195	-5	(291)	204
Withdrawals	+8	255	(184)	+8	175	(126)
	-8	(292)	211	-8	(195)	141
Expense per policy	+5	187	(134)	+5	173	(125)
	-5	(193)	139	-5	(177)	128
Market assumptions						
Interest rate yield curve	+12	(2 962)	(485)	+12	(3 513)	(28)
	-12	3 540	406	-12	3 715	115
Option price volatilities	+20	243	(172)	+10	264	(173)
	-20	(171)	120	-30	(622)	393
Equity prices	+15	12 481	595	+22	17 886	972
	-15	(12 374)	(606)	-7	(4 994)	(825)
Rand exchange rates	+12[1]	(1 431)	(180)	+12[1]	(1 329)	(230)
	-12[2]	1 442	231	-12[2]	1 348	185

[1] *Strengthening of the rand.*
[2] *Weakening of the rand.*

Governance and risk management

Operational risk

Introduction

Operational risk is the risk of loss caused by inadequate or failed internal processes, people and systems, or from external events. Operational risk is therefore pervasive across all financial institutions.

Risk management

During the year under review, Liberty appointed a new chief risk officer and three senior operational risk managers to enhance the capability and objectivity of Liberty's risk function. In addition, Liberty's new operational risk and compliance framework was approved for implementation. In line with this framework, a number of risk policies and related scorecards were developed and implemented. Policy compliance is also the subject of ongoing monitoring across Liberty. Liberty's policy framework is constantly reviewed and approved where necessary.

Risk management activities in relation to operational risks include but are not limited to:

Information technology (IT) risk

Liberty is highly dependent on and constantly increasing its use of information technology to ensure improved operations and customer service. Information technology is a strategic differentiator in the markets served. Our IT systems enable Liberty to take our products to markets across the African continent and so carry out our expansion strategy.

Liberty is, therefore, exposed to various IT risks which include the disruption of transaction processing, information loss and/or malicious attacks from third parties.

Maintaining technological advantage requires a strong IT risk management culture and function that allows the identification and management of IT risks effectively. Liberty's IT risk management function conforms to the "three lines of defence" model of risk management. In order to prevent potential risk events and ensure best practice levels of continuous IT service and security, business unit management and second and third line risk management review and ensure compliance with relevant IT policies and procedures, conduct control and risk self-assessments and are subject to internal and external audits.

Process risk

Liberty's approach to process improvement focuses on process efficiency and work quality through a structured toolset involving significant frontline staff engagement. This methodology has a risk and compliance identification component to it as well as appropriate engagement touch-points for the functions. The approach ensures that any process undergoing improvement using the methodology has had appropriate input from risk and compliance specialists, other generic process stakeholders like internal audit and finance, as well as the identification of points of failure in the process by the staff. The interactions occur at appropriate stages in the process improvement project which results in risk and compliance controls being built into the new process design.

Regulatory risk

The regulatory environment is monitored closely to ensure that Liberty implements new or amended legislation requirements promptly to ensure compliance and avoid unnecessary fines and penalties or the revocation of any business licence.

Regulatory monitoring is done by Liberty's compliance and legal services, in the form of a regulatory dashboard, which details all new regulatory items that have a potential impact on the business as well as detail on the affected area and level of impact. Liberty seeks positive and constructive engagement with its various regulators and policymakers, both directly and through appropriate participation in industry forums, to partner with them in ensuring optimal regulatory outcomes for its industry and all its stakeholders.

Compliance risk

The risk of regulatory sanctions, financial loss or damage to reputation as a result of not complying with legislation, regulation or internal policies is managed through the established compliance functions within Liberty and a compliance policy. The policy ensures that compliance requirements are identified and implemented through the development of appropriate policies and procedures and that regular monitoring and reporting of breaches is carried out within the businesses and at the centre to provide the board with assurance on the status of compliance within the organisation.

Taxation risk

The risk of suffering a loss, financial or otherwise, as a result of an incorrect interpretation and application of taxation legislation or the impact of new taxation legislation on existing products, is managed through Liberty's tax policy. The policy ensures that Liberty fulfils its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or customer service matters. Tax law includes all responsibilities which Liberty may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

Liberty's tax function identifies and manages tax risk through the application of a formulated tax risk approach which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which Liberty is exposed and in the context of the various types of activities Liberty conducts.

Human resources

Liberty remains concerned about the availability of specialist technical skills available in South Africa. It focuses on recruitment, development and retention through a number of initiatives.

Business continuity management

The business continuity management framework has been revised in line with best practice. The business impact assessments have been updated and risks identified pro-actively managed. Appropriate reaction and recovery structures and plans exist, which are subject to testing on a cyclical basis.

Customer complaints

Liberty's customer relations team was established to resolve high-level complaints from customers, regulators, media forums and complaints made directly to executives to ensure a favourable reputation is maintained. Complaints are handled with due care and diligence to minimise any related reputation risks and to avoid determinations and regulatory rulings. Any disputed complaints that are unable to be resolved by management are referred to independent dispute resolution for a final assessment. Costs are monitored and recorded centrally for compensation, concessions, ex gratia payments, regulator rulings and determinations.

Internal and external fraud

Liberty adopts a 'zero-tolerance' approach to fraud. Liberty's forensic services function supports management in meeting their objective of minimising fraud risk. In terms of Liberty's anti-fraud policy, line management is responsible for ensuring that controls at all stages of a business process are adequate for the prevention and detection of fraud. Prevention and detection measures are periodically rolled out by forensic services to support management, thereby ensuring fraud risk is maintained in line with Liberty's risk appetite.

Internal controls

The internal controls implemented in respect of high-risk processes, for example, the payment of death and disability claims, are reviewed regularly by management for effectiveness.

The Liberty group internal audit services provides additional assurance on the adequacy and effectiveness of internal controls by conducting independent risk-based reviews in line with the board approved three-year rolling internal audit plan. Control weaknesses are reported to management and corrective action plans are implemented by management and independently reviewed by the Liberty group internal audit services.

Monitoring controls around business risks is performed by business unit management, business unit risk functions, Liberty group risk policy oversight committee and the Liberty group internal audit services. The approach to ensuring compliance is typically included in more detail in individual policies. The extent and frequency of monitoring and oversight is influenced by the level of risk of particular business activities.

Assurance

The Liberty group internal audit services provides independent and objective assurance on the adequacy and effectiveness of internal controls across all business processes to key stakeholders, including the Liberty board.

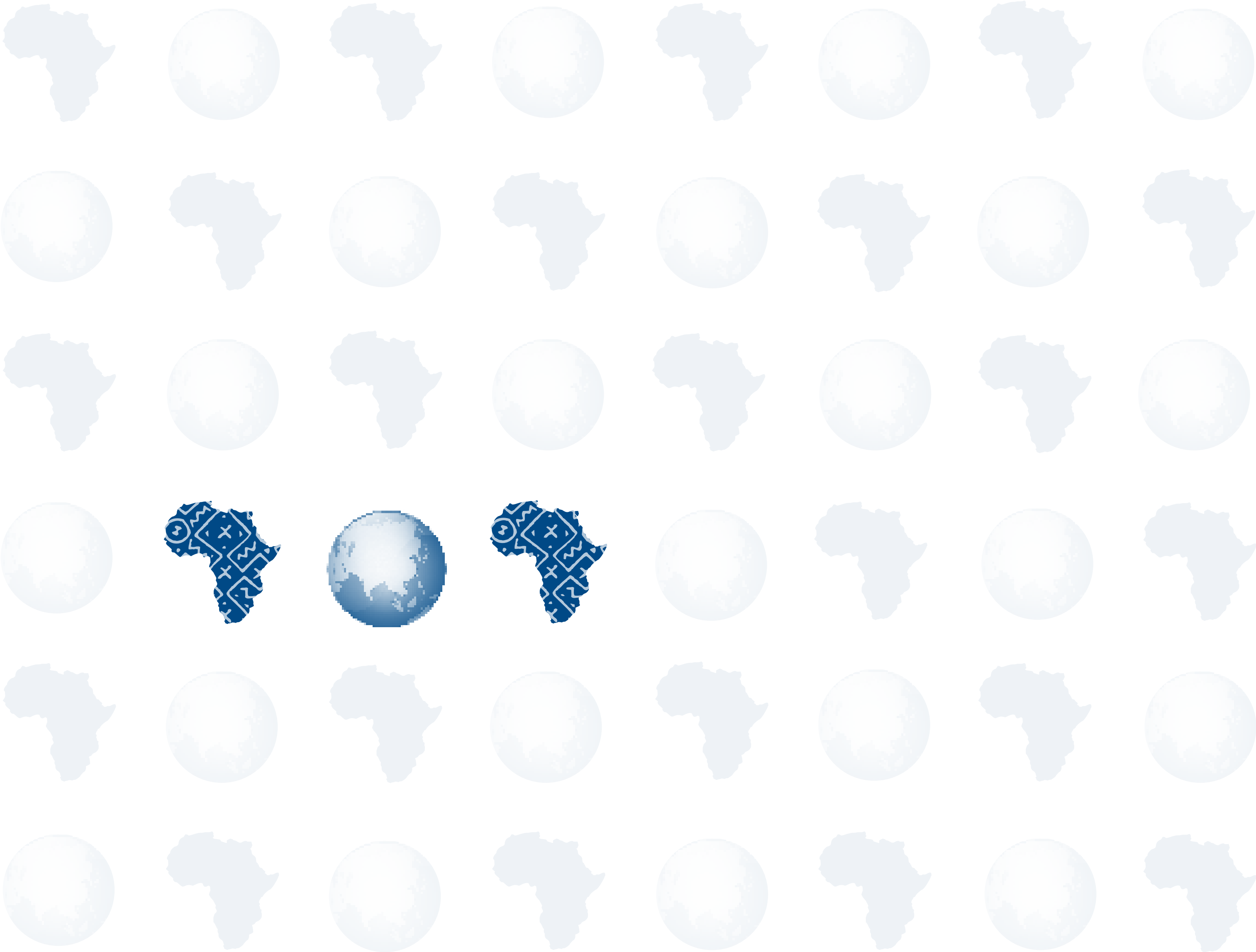
Short-term insurance

A comprehensive insurance programme which addresses the diversified requirements of Liberty is in place and is determined after extensive research, investigations and consulting with insurance risk and control experts. Liberty's financial covers for directors and officers, crime and professional indemnity cover are underwritten by Novae who lead the programme and are supported by a number of Lloyd syndicates and other insurance companies.

Liberty's insurance programme includes directors' and officers' liability insurance and commercial crime and professional indemnity.

In addition to the above financial covers, Liberty ensures that all property investments are adequately insured for material damage and business interruption. All risk insurance relating to assets covers the contents of buildings occupied by Liberty, including computers and office equipment. Political riot and public liability insurance is also purchased.

Management, together with Liberty's local and offshore brokers, review the adequacy and effectiveness of Liberty's insurance programme regularly to ensure that it contributes to the overall risk mitigation and risk management strategy of Liberty.



Annual financial statements

Directors' responsibility for financial reporting

In accordance with Company Law requirements, the directors are responsible for the preparation of the annual financial statements. The annual financial statements conform with International Financial Reporting Standards (IFRS) and fairly present the state of affairs of Standard Bank Group Limited (the company) and Standard Bank Group (the group) as at the end of the financial year, and the net income and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls of the group. Management enables the directors to meet these responsibilities. Standards and systems of internal controls are designed and implemented by management to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and group assets.

Accounting policies supported by judgements, estimates, and assumptions in compliance with IFRS, are applied consistently to maintain a going concern. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the group. Greater detail of these systems and controls, including the operation of the internal audit function, is provided in the corporate governance and risk management sections of this report.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and to maintain accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the company and the group will have adequate resources to continue in operational existence and as a going concern for the foreseeable future.

The company and group financial statements prepared in accordance with IFRS, which appear on pages 190 to 317 and specified sections of the risk management report contained within pages 98 to 186, were approved by the board of directors on 3 March 2010 and signed on its behalf by:

Derek Cooper
Chairman

Jacko Maree
Chief executive

Group secretary's certification

Compliance with the Companies Act, 61 of 1973

In terms of the Companies Act, 61 of 1973 (the Act), and for the year ended 31 December 2009, I certify that Standard Bank Group Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.

Loren Wulfsohn
Group secretary

3 March 2010

Audit committee report

The audit committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of the group. Seven audit committee meetings were held during the year during which the members fulfilled all their functions as prescribed by the Act. A detailed report on the activities of the audit committee is contained in the corporate governance section of the annual report.

The audit committee has satisfied itself that the auditors are independent of the group and are thereby able to conduct their audit functions without any influence from the group. In compliance with the new JSE Listing Requirements, Mr Ridley was appointed to the Standard Bank Group board in the capacity of finance director. The audit committee has satisfied itself that Mr Ridley has the appropriate expertise and experience to fulfil his role.

Martin Shaw
Chairman, group audit committee

3 March 2010

Independent auditors' report

To the members of Standard Bank Group Limited

We have audited the group annual financial statements and the annual financial statements of Standard Bank Group Limited, which comprise the statements of financial position at 31 December 2009, the income statement, the statements of comprehensive income, the statements of changes in equity, and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 190 to 317 and specified sections of the risk management report contained within pages 98 to 186.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Bank Group Limited at 31 December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per Heather Berrange
Chartered Accountant (SA)
Registered Auditor

Director

3 March 2010

85 Empire Road
Parktown
2193

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor

Per John Bennett
Chartered Accountant (SA)
Registered Auditor

Director

3 March 2010

2 Eglin Road
Sunninghill
2157

Directors' report

for the year ended 31 December 2009

Principal activities

Standard Bank Group Limited is the holding company for the interests of the Standard Bank Group.

Group results

A general review of the business and operations of major subsidiaries is provided in the chairman and chief executive's review and operational reviews commencing on pages 14 and 46, respectively.

A financial review of the results of the Standard Bank Group for the year is provided on pages 20 to 35.

Share capital

Ordinary shares

During the year, 6 060 886 ordinary shares (2008: 6 353 830 ordinary shares) were issued in terms of equity compensation plans and 27 188 622 ordinary shares (2008: none) were issued as scrip dividends. On 3 March 2008, 152 505 805 shares were issued to ICBC. No shares were repurchased and cancelled during 2009 (2008: 6 449 279 shares).

Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)

As in 2008, no second preference shares were issued during the year.

Directors' interest in shares

At the date of this report, the directors held, directly and indirectly, interests in the company's ordinary issued share capital as reflected in the table below:

Ordinary shares

Director	Direct beneficial[1]		Indirect beneficial[1]	
	2009 Number	2008 Number	**2009 Number**	2008 Number
DDB Band	**12 742**	12 417		
E Bradley[2]				266 392
RMW Dunne[3]			**20 000**	
TS Gcabashe[4]			**111 112**	111 112
KP Kalyan[4]			**125 000**	125 000
SJ Macozoma[5]			**4 933 901**	4 933 901
JH Maree	**174 000**	174 000		
RP Menell			**1 333**	1 333
KD Moroka[4]	**505**	492	**111 112**	111 112
AC Nissen[4]			**111 112**	111 112
MC Ramaphosa[6]	**2 276**	2 218	**4 261 747**	4 604 975
SP Ridley[7]	**85**			
MJD Ruck	**251 545**	250 000		
MJ Shaw			**852**	
EM Woods	**51 309**	50 000		
Total	**492 462**	489 127	**9 676 169**	10 264 937

[1] As per Listings Requirements of the JSE Limited.
[2] Retired on 28 May 2009.
[3] Appointed 3 December 2009.
[4] Allocation of shares granted in terms of the Tutuwa Management Trust – special conditions apply for qualifying black non-executive directors.
[5] SJ Macozoma has a 23% (2008: 23%) interest in Safika which acquired 24 132 911 (post ICBC transaction: 21 451 745) shares in terms of the Tutuwa initiative.
[6] MC Ramaphosa has a 29,8% (2008: 32,2%) interest in Shanduka which acquired 16 088 608 (post ICBC transaction: 14 301 164) shares in terms of the Tutuwa initiative.
[7] Appointed 30 June 2009.

Second preference shares

Director	Direct beneficial[1]		Indirect beneficial[1]	
	2009 Number	2008 Number	**2009 Number**	2008 Number
DDB Band	**30 919**	30 919		
E Bradley[2]				27 875
SJ Macozoma	**1 140**	1 140		
JH Maree	**10 331**	10 331		
Total	**42 390**	42 390		27 875

[1] *As per Listings Requirements of the JSE Limited.*
[2] *Retired on 28 May 2009.*

No directors, other than those disclosed above, have direct or indirect beneficial preference shareholdings.

No director owns more than 1% of the total issued share capital of the company. The company has not been informed of any changes in these holdings at the date of this report.

Property and equipment

There was no change in the nature of the property and equipment of the group or in the policy regarding their use during the year.

Equity compensation plans

Information on options or rights granted to executive directors under the equity compensation plans is given in the remuneration report on pages 96 and 97. Details of options granted to all employees under equity compensation plans are given in Annexure C starting on page 312.

Directors' emoluments

Directors' emoluments are disclosed on page 281. Information relating to the determination of directors' emoluments, share incentive allocations and related matters is contained in the remuneration report starting on page 86.

Shareholder analysis

The analysis of ordinary shareholders is contained on page 343.

Shareholders at the close of the financial year, holding beneficial interests in excess of 5% of the issued share capital, were as follows:

Ordinary shares	**% held**
Industrial and Commercial Bank of China	**20,1**
Public Investment Corporation	**12,2**

6,5% preference shares	**% held**
Old Sillery (Proprietary) Limited	**9,1**
Boerstra, G	**8,1**
Van Tonder, JW	**5,4**

Second preference shares

No shareholder holds 5% or more of this class of share capital.

Distributions to ordinary shareholders

Interim

On 12 August 2009, an interim dividend of 141,0 cents per share (2008: 193,0 cents) was declared to shareholders recorded at the close of business on 18 September 2009, and paid on 21 September 2009.

Final

On 3 March 2010, the company offered shareholders recorded at the close of business on 23 April 2010, shares in the form of a scrip distribution. The number of ordinary shares to which shareholders participating in the distribution will be entitled, will be determined on the ratio that the alternative cash dividend multiplied by 1,05 bears to the volume weighted average price of Standard Bank Group's ordinary shares on the JSE during the five-day trading period ending Thursday 8 April 2010. As an alternative a final dividend of 245 cents per share (2009: 193,0 cents) will be paid on 26 April 2010 to shareholders who elect not to take up the scrip distribution.

Dividends to preference shareholders

6,5% first cumulative preference shares

Interim

On 12 August 2009, a dividend of 3,25 cents per share (2008: 3,25 cents) was declared to shareholders recorded at the close of business on 11 September 2009, and paid on 14 September 2009.

Final

On 3 March 2010, a dividend of 3,25 cents per share (2009: 3,25 cents) was declared to shareholders recorded at the close of business on 16 April 2010, to be paid on 19 April 2010.

Second preference shares

Interim

On 12 August 2009, a dividend of 456,62 cents per share (2008: 515,58 cents) was declared to shareholders recorded at the close of business on 11 September 2009, and paid on 14 September 2009.

Final

On 3 March 2010, a dividend of 374,76 cents per share (2009: 545,04 cents) was declared to shareholders recorded at the close of business on 16 April 2010, to be paid on 19 April 2010.

Directorate

The directorate is listed on page 341.

The following changes in directorate have taken place since the last annual report:

Standard Bank Group Limited		
Appointments		
SP Ridley	as director	30 June 2009
RMW Dunne	as director	3 December 2009
TMF Phaswana	as director	3 December 2009
Retirement		
E Bradley	as director	28 May 2009
The Standard Bank of South Africa Limited		
Appointments		
RMW Dunne	as director	3 December 2009
TMF Phaswana	as director	3 December 2009
Retirement		
E Bradley	as director	27 May 2009
Standard Bank Plc		
Appointments		
R Vardanian	as director	25 September 2009
Liberty Group Limited		
Appointments		
WR Harte	as director	30 June 2009
JH Sutcliffe	as director	14 September 2009
Liberty Holdings Limited		
Appointments		
WR Harte	as director	30 June 2009
JH Sutcliffe	as director	14 September 2009

Group secretary and registered office

The group secretary is Loren Wulfsohn. The address of the group secretary is that of the registered office, 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001.

Restructuring and acquisitions during the year

Standard Bank strategic partnership with Troika Dialog

Standard Bank's strategic partnership with Troika Dialog, a leading independent Russian investment bank was implemented on 25 September 2009 and ownership of Standard Bank's Russian subsidiary, ZAO Standard Bank, was transferred to Troika Dialog on this date. Standard Bank Group became a 36,43% shareholder in Troika Dialog. As part of its consideration for the acquisition, SBIC Investments S.A. contributed 100% of its shareholding in ZAO Standard Bank to Troika Dialog in return for an 11,11% shareholding in the resulting group.

Restructuring and acquisitions during the year continued

Liberty

Liberty Group Limited acquired 35% of Total Health Trust Limited, a Nigerian Health insurance company. Later in the year Liberty Group Limited acquired an additional 0,33% holding in Total Health Trust Limited from Tritech Computers (Nigeria) Limited.

Liberty Holdings Limited acquired an additional 24,8% holding in Liberty Health Holdings (Proprietary) Limited from the NHA Trust.

Kenya

Stanbic Investment Management Services (East Africa) Limited, of which Liberty Holdings Limited owns 50%, acquired the asset management business out of CfC Stanbic Financial Services Limited.

Management by third parties

None of the businesses of the company or its subsidiaries had, during the financial year, been managed by a third party or a company in which a director had an interest. A company in which Doug Band, a director of the group, has a beneficial interest, provided consulting and certain management services to the capital investment division of Standard Bank for a five-year period until 31 December 2004. In terms of the agreement, he is due a percentage of the proceeds from the sale of equity-related investments undertaken during the term of the management services agreement described above. Further details can be found in the directors' emoluments disclosure on page 94.

Subsidiaries, associates and joint ventures

The interests in subsidiary companies and in associated and joint venture companies, where considered material in the light of the group's financial position and results, are set out in Annexure A on page 305 and Annexure B on page 309, respectively.

Special resolutions during the year 2009

Group companies passed the following special resolutions during the year for the purposes indicated:

Amendment to the memorandum and articles of the company

- CfC Stanbic Bank Kenya Limited
- Stanbic Bank Botswana Limited
- Stanbic Bank Ghana Limited
- Stanbic Bank Tanzania Limited
- Stanbic Bank Uganda Limited
- Stanbic Bank Zambia Limited
- Standard Bank Limited (Malawi)
- Standard Bank Namibia Limited
- Standard Bank RDC s.a.r.l.
- Standard Finance (Isle of Man) Limited
- Standard Securities (Asia) Limited

Increase in the authorised share capital

- Banco Standard de Investimentos S.A.
- Stanbic Bank Ghana Limited
- Stanbic Bank Zambia Limited
- Stanbic Bank Zimbabwe Limited
- Standard Bank Jersey Limited
- Standard Bank Limited (Malawi)
- Standard Bank RDC s.a.r.l.

Special resolutions during the year 2009 continued

Authorise the acquisition of shares by the company or a subsidiary

- Liberty Group Limited
- Standard Bank Group Limited
- Standard Securities (Asia) Limited

Name changes

- Standard Infrastructure Fund Managers (Africa) Limited to Frontier Markets Fund Managers Limited
- Stanbic Bank Congo s.a.r.l. to Standard Bank RDC s.a.r.l.

Alteration of capital

- Stanbic IBTC Bank Plc

Authorise the allotment/issue of shares by the company

- Standard Bank Group International Limited
- Standard Bank Jersey Limited

Approval of the liquidation of the company

- Standard Capital Japan Company Limited

Contracts

Saki Macozoma, a director and deputy chairman of the company, has a shareholding of 23% in Safika which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds 2,15% of Liberty Holdings through Lexshell 620 Investments (Proprietary) Limited, 55% of Andisa Capital and 1,38% of Standard Bank Group. The group has an effective interest of 20,33% in Safika.

Cyril Ramaphosa, a director of the company, has a 29,8% shareholding in Shanduka, which is a member of the Tutuwa consortium. Shanduka holds 1,44% through Lexshell 621 Investments (Proprietary) Limited in Liberty Holdings and 0,92% in Standard Bank Group. The group holds an effective interest of 12,2% in Shanduka.

In February 2007 Standard Bank Group acquired 33% of the issued share capital of Sankofa Trust (Proprietary) Limited. The balance of the shares in this company is held by trusts controlled by Sam Jonah, a director of the group, the Jonah family and the company management.

Insurance

The group protects itself against loss by maintaining banker's comprehensive crime and professional indemnity cover.

Events subsequent to reporting date

Proposed acquisition of CfC Insurance Holdings Limited by Liberty

Liberty has entered into agreements in terms of which Liberty will acquire control of CfC Insurance Holdings Limited, an existing subsidiary of the Standard Bank Group. CfC Insurance Holdings Limited is a leading Kenyan wealth company that comprises life, general and health insurance businesses in Kenya and Tanzania. Liberty will acquire approximately 57% ownership of CfC Insurance Holdings through subscribing for KES880 million of new equity capital and acquiring shares from Standard Bank Group for an initial payment of USD14 million, with conditional deferred payments capped at USD4,9 million. At 31 December 2009 exchange rates, the rand equivalent of these transactions is R225 million. This transaction is still subject to various regulatory approvals and shareholders' approval by CfC Stanbic Holdings Limited.

Statement of financial position

at 31 December 2009

		Group	
	Note	2009 Rm	2008 Rm
Assets			
Cash and balances with central banks	3	**24 983**	25 697
Derivative assets	4	**168 257**	267 761
Trading assets	5	**89 644**	85 227
Pledged assets	6	**5 808**	8 373
Financial investments	7	**261 066**	253 259
Loans and advances	8	**721 389**	787 934
Loans and advances to banks	8	**122 923**	129 890
Loans and advances to customers	8	**598 466**	658 044
Current tax assets	9	**136**	190
Deferred tax assets	9	**1 345**	1 127
Other assets	10	**16 926**	30 398
Interest in associates and joint ventures	11	**9 529**	6 990
Investment property	12	**19 058**	16 771
Goodwill and other intangible assets	13	**9 409**	10 180
Property and equipment	14	**12 250**	9 746
Total assets		**1 339 800**	1 503 653
Equity and liabilities			
Equity		**99 369**	99 501
Equity attributable to ordinary shareholders		**84 022**	81 953
Ordinary share capital	15	**156**	153
Ordinary share premium	15	**17 041**	16 844
Reserves		**66 825**	64 956
Preference share capital and premium	15	**5 503**	5 503
Minority interest		**9 844**	12 045
Liabilities		**1 240 431**	1 404 152
Derivative liabilities	4	**162 515**	262 146
Trading liabilities	17	**51 118**	48 155
Deposit and current accounts	18	**768 548**	843 815
Deposits from banks	18	**106 018**	129 055
Deposits from customers	18	**662 530**	714 760
Current tax liabilities	19	**3 634**	2 673
Deferred tax liabilities	19	**4 013**	6 185
Other liabilities	20	**40 403**	47 578
Policyholders' liabilities	21	**183 544**	172 069
Subordinated debt	22	**26 656**	21 531
Total equity and liabilities		**1 339 800**	1 503 653

Income statement

for the year ended 31 December 2009

		Group	
	Note	2009 Rm	2008 Rm
Income from banking activities		62 828	61 366
Net interest income		31 316	31 918
Interest income	27.1	82 291	101 425
Interest expense	27.2	50 975	69 507
Non-interest revenue		31 512	29 448
Net fee and commission revenue		18 108	17 607
Fee and commission revenue	27.3	20 840	20 452
Fee and commission expense	27.4	2 732	2 845
Trading revenue	27.5	10 916	9 463
Other revenue	27.6	2 488	2 378
Income from investment management and life insurance activities		43 458	23 359
Net insurance premiums	27.7	21 998	22 259
Investment income and gains/(losses)	27.8	19 220	(891)
Management and service fee income		2 240	1 991
Total income		106 286	84 725
Credit impairment charges	27.9	12 097	11 342
Benefits due to policyholders		33 915	11 997
Net insurance benefits and claims	27.10	27 131	12 888
Fair value adjustment to policyholders' liabilities under investment contracts		5 949	(1 025)
Fair value adjustment on third party fund interests		835	134
Income after credit impairment charges and policyholders' benefits		60 274	61 386
Operating expenses in banking activities		32 827	30 390
Staff costs	27.11	17 848	16 951
Other operating expenses	27.13	14 979	13 439
Operating expenses in investment management and life insurance activities		9 052	8 423
Acquisition costs	27.12	3 114	2 822
Other operating expenses	27.13	5 938	5 601
Net income before goodwill		18 395	22 573
Goodwill impairment	27.14	42	5
Net income before associates and joint ventures		18 353	22 568
Share of profits from associates and joint ventures	11	33	268
Net income before indirect taxation		18 386	22 836
Indirect taxation	29.1	1 710	1 382
Profit before direct taxation		16 676	21 454
Direct taxation	29.2	4 680	4 705
Profit for the year		11 996	16 749
Attributable to minorities		411	2 288
Attributable to equity holders of the parent		11 585	14 461
Attributable to preference shareholders		531	529
Attributable to ordinary shareholders		11 054	13 932
Basic earnings per ordinary share (cents)	31	757,5	995,9
Diluted earnings per ordinary share (cents)	31	731,6	962,2

Annual financial statements

Statement of comprehensive income

for the year ended 31 December 2009

	Group		
	Ordinary shareholders' equity Rm	**Minorities and preference shareholders Rm**	**Total equity Rm**
2009			
Profit for the year	**11 054**	**942**	**11 996**
Other comprehensive income after tax for the year[1]	**(7 395)**	**(2 069)**	**(9 464)**
Exchange differences on translating foreign operations	**(7 403)**	**(2 164)**	**(9 567)**
Net loss on hedges of net investments in foreign operations	**(106)**		**(106)**
Net change in fair value on cash flow hedges	**(94)**		**(94)**
Realised fair value adjustments on cash flow hedges transferred to profit or loss	**179**		**179**
Net change in fair value of available-for-sale financial assets	**249**	**24**	**273**
Realised fair value adjustments on available-for-sale financial assets transferred to profit or loss	**(242)**	**9**	**(233)**
Revaluation and other gains	**22**	**62**	**84**
Total comprehensive income for the year	**3 659**	**(1 127)**	**2 532**
Attributable to minorities		**(1 658)**	**(1 658)**
Attributable to equity holders of the parent	**3 659**	**531**	**4 190**
Attributable to preference shareholders		**531**	**531**
Attributable to ordinary shareholders	**3 659**		**3 659**

	Group		
	Ordinary shareholders' equity Rm	Minorities and preference shareholders Rm	Total equity Rm
2008			
Profit for the year	13 932	2 817	16 749
Other comprehensive income after tax for the year[1]	4 997	1 280	6 277
Exchange differences on translating foreign operations	3 791	1 340	5 131
Net gain on hedges of net investments in foreign operations	447		447
Net change in fair value on cash flow hedges	644		644
Realised fair value adjustments on cash flow hedges transferred to profit or loss	288		288
Net change in fair value of available-for-sale financial assets	(22)	(43)	(65)
Realised fair value adjustments on available-for-sale financial assets transferred to profit or loss	(159)	12	(147)
Revaluation and other gains/(losses)	8	(29)	(21)
Total comprehensive income for the year	18 929	4 097	23 026
Attributable to minorities		3 568	3 568
Attributable to equity holders of the parent	18 929	529	19 458
Attributable to preference shareholders		529	529
Attributable to ordinary shareholders	18 929		18 929

[1] *Income tax relating to each component of other comprehensive income is disclosed in note 29.*

Statement of cash flows

for the year ended 31 December 2009

	Note	Group 2009 Rm	2008[1] Rm
Net cash flows from operating activities		**6 295**	6 658
Cash flows used in operations		**(27 794)**	(27 973)
Net income before goodwill		**18 395**	22 573
Adjusted for:		**(21 816)**	(28 645)
Amortisation of intangible assets		**617**	510
Credit impairment charges on loans and advances		**12 097**	11 342
Defined benefit pension fund employer surplus		**(26)**	18
Depreciation of property and equipment		**1 746**	1 564
Dividends included in trading revenue and investment income		**(2 921)**	(5 024)
Equity-settled share-based payments		**344**	252
Indirect taxation		**(1 710)**	(1 382)
Interest expense		**51 318**	69 863
Interest income		**(89 405)**	(108 024)
Fair value adjustment on third party fund interests		**835**	134
Investment (gains)/losses due to policyholders		**(6 358)**	15 008
Net fund flows after service fees on policyholder investment contracts		**(1 681)**	(2 877)
Non-cash flow movements to bonds		**169**	955
Other impairment losses		**156**	285
Policyholders' liability transfers		**13 195**	(11 198)
Loss/(profit) on sale of businesses and divisions		**7**	(24)
Profit on sale of property and equipment		**(38)**	(16)
Provision for post-employment benefits		**(156)**	(1)
Recoveries on motor vehicle disposals		**(27)**	(29)
Other		**22**	(1)
Increase in income-earning assets	33.1	**(16 964)**	(93 295)
(Decrease)/increase in deposits and other liabilities	33.2	**(7 409)**	71 394
Dividends received		**4 863**	7 103
Interest paid		**(51 318)**	(69 863)
Interest received		**86 762**	103 075
Direct taxation paid	33.3	**(6 218)**	(5 684)
Net cash flows used in investing activities		**(7 372)**	(10 885)
Capital expenditure on – property		**(2 089)**	(1 391)
– equipment, furniture and vehicles		**(3 151)**	(2 371)
– intangible assets		**(1 568)**	(1 516)
Proceeds from sale of – property		**55**	61
– equipment, furniture and vehicles		**130**	104
Net investment in investment properties		**(1 442)**	(198)
Net decrease/(increase) in investments by insurance operations		**2 662**	(330)
Net cash outflow resulting from the disposal/acquisition of subsidiaries	33.4	**(247)**	(583)
Increase in investment in existing subsidiaries		**(10)**	(4 479)
Investment in associates and joint ventures	33.5	**(1 712)**	(182)
Net cash flows from financing activities		**2 887**	7 550
Proceeds from issue of share capital to shareholders		**200**	16 132
Share buy-backs			(503)
Equity transactions with minorities		**(136)**	303
Proceeds from disposal of shares			986
Net increase/(decrease) in subordinated debt		**7 086**	(2 247)
Net dividends paid	33.6	**(4 263)**	(7 121)
Effect of exchange rate changes on cash and cash equivalents		**(2 524)**	1 756
Net (decrease)/increase in cash and cash equivalents		**(714)**	5 079
Cash and cash equivalents at beginning of the year		**25 697**	20 618
Cash and cash equivalents at end of the year	33.7	**24 983**	25 697

[1] *Limited reclassifications were made to improve disclosure.*

Annual financial statements

Statement of changes in equity

for the year ended 31 December 2009

Group	Ordinary share capital and premium Rm	Empower-ment reserve[1] Rm	Treasury shares[2] Rm	Foreign currency translation reserve[3] Rm	Foreign currency hedge of net investment reserve[4] Rm
Balance at 1 January 2008	1 368	(3 235)	(960)	1 501	433
Total comprehensive income for the year				3 791	447
Profit for the year					
Other comprehensive income after tax for the year				3 791	447
Increase in statutory credit risk reserve					
Transfer of unrealised profit on sale of subsidiary shares		(118)			
Transactions with owners, recorded directly in equity	15 629	700	202	(4)	
Equity-settled share-based payment transactions					
Transfer of vested equity rights					
Issue of share capital and share premium	16 132				
Share buy-backs	(503)				
Transactions with minority shareholders		(286)	(260)	(4)	
Net decrease in treasury shares		986	462		
Net dividends paid					
Dividends paid to equity holders					
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares					
Balance at 31 December 2008	16 997	(2 653)	(758)	5 288	880
Balance at 1 January 2009	**16 997**	**(2 653)**	**(758)**	**5 288**	**880**
Total comprehensive income for the year				**(7 403)**	**(106)**
Profit for the year					
Other comprehensive income after tax for the year				**(7 403)**	**(106)**
Increase in statutory credit risk reserve					
Transactions with owners, recorded directly in equity	**200**		**617**		
Equity-settled share-based payment transactions					
Transfer of vested equity rights					
Issue of share capital and share premium	**200**				
Deferred tax on share-based payment transactions					
Net decrease in treasury shares			**617**		
Net dividends paid					
Dividends paid to equity holders					
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares					
Balance at 31 December 2009	**17 197**	**(2 653)**	**(141)**	**(2 115)**	**774**

[1] The empowerment reserve is explained in note 16 on page 257.
[2] The treasury shares reserve relates to Standard Bank Group shares held by entities within the group.
[3] Refer to accounting policy 3 – Foreign currency translations.
[4] Refer to the net investment hedges section in accounting policy 5 – Financial instruments.
[5] Refer to the cash flow hedges section in accounting policy 5 – Financial instruments.
[6] The statutory credit risk reserve relates to reserving requirements within African countries.
[7] Refer to the available-for-sale section in accounting policy 5 – Financial instruments.
[8] Refer to accounting policy 19 – Equity-linked transactions.
All balances are stated net of applicable tax.

Cash flow hedging reserve[5] Rm	Statutory credit risk reserve[6] Rm	Available-for-sale revaluation reserve[7] Rm	Share-based payment reserve[8] Rm	Revaluation and other reserves Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Preference share capital and premium Rm	Minority interest Rm	Total equity Rm
(130)	176	500	655	335	53 028	53 671	5 503	9 332	68 506
932		(181)		4	13 936	18 929	529	3 568	23 026
					13 932	13 932	529	2 288	16 749
932		(181)		4	4	4 997		1 280	6 277
	168				(168)				
					118				
			84	(37)	(7 221)	9 353	(529)	(855)	7 969
			217			217		35	252
			(111)		111				
						16 132			16 132
						(503)			(503)
			(22)	(37)	(1 589)	(2 198)		(982)	(3 180)
					35	1 483		906	2 389
					(5 778)	(5 778)	(529)	(814)	(7 121)
					(6 081)	(6 081)	(529)	(988)	(7 598)
					303	303		174	477
802	344	319	739	302	59 693	81 953	5 503	12 045	99 501
802	**344**	**319**	**739**	**302**	**59 693**	**81 953**	**5 503**	**12 045**	**99 501**
85		**7**		**(14)**	**11 090**	**3 659**	**531**	**(1 658)**	**2 532**
					11 054	**11 054**	**531**	**411**	**11 996**
85		**7**		**(14)**	**36**	**(7 395)**		**(2 069)**	**(9 464)**
	202				**(202)**				
			175		**(2 582)**	**(1 590)**	**(531)**	**(543)**	**(2 664)**
			307			**307**		**37**	**344**
			(132)		**132**				
						200		**(10)**	**190**
					58	**58**			**58**
					74	**691**		**316**	**1 007**
					(2 846)	**(2 846)**	**(531)**	**(886)**	**(4 263)**
					(3 137)	**(3 137)**	**(531)**	**(955)**	**(4 623)**
					291	**291**		**69**	**360**
887	**546**	**326**	**914**	**288**	**67 999**	**84 022**	**5 503**	**9 844**	**99 369**

Annual financial statements

Accounting policies

The principal accounting policies applied in the presentation of the financial statements are set out below.

1. Basis of preparation

The consolidated and company financial statements (financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act. The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment property, liabilities for cash-settled share-based payment arrangements, interests in mutual funds, policyholder investment contract liabilities and third party financial liabilities arising on consolidation of mutual funds are measured at fair value;
- policyholder insurance contract liabilities and related reinsurance assets are measured in terms of the Financial Soundness Valuation (FSV) basis as set out in accounting policy 17 – *Policyholder insurance and investment contracts*; and
- post-employment benefit obligations are measured in terms of the projected unit credit method.

The group[1] has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- transactions with minority shareholders are treated as transactions with equity holders and accounted for directly in equity (accounting policy 2);
- regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 5);
- cumulative gains and losses recognised in other comprehensive income in terms of a cash flow hedge relationship are transferred from other comprehensive income and included in the initial measurement of the non-financial asset or liability (accounting policy 5);
- investment property is accounted for using the fair value model (accounting policy 6);
- jointly controlled entities are accounted for using the equity method (accounting policy 7);
- mutual fund investments held by investment-linked insurance funds, that do not meet the definition of a subsidiary, are designated on initial recognition as at fair value through profit or loss (accounting policy 7);
- property and equipment are accounted for using the cost model (accounting policy 9); and
- unrecognised actuarial gains or losses on post-employment benefits are recognised in profit or loss over a period not exceeding the expected average remaining working life of active employees (accounting policy 14).

[1] *All references to group hereafter include the company financial statements, where applicable.*

Changes in accounting policies

The accounting policies are consistent with those adopted in the previous year, except for the following:

Adoption of new standards and interpretations effective for the current financial year

The group has adopted the following new and amended IFRSs as of 1 January 2009 that have had an effect on the group's financial statements:

- Revised IAS 1 *Presentation of Financial Statements*

  As a result of adopting this revised standard, the group presents all owner changes in equity in the statement of changes in equity. All non-owner changes in equity are presented in the income statement and the statement of comprehensive income.

  Comparative information has been re-presented to conform with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- Amendments to IFRS 7 *Improving Disclosures about Financial Instruments*

  The amendments require enhanced fair value measurement and liquidity risk disclosures. In particular, the amendment requires disclosure of fair value measurements by level as defined by a fair value measurement hierarchy (refer to note 24).

  In accordance with the relevant transitional provisions, comparative disclosures for 2008 have not been presented. This has resulted only in additional disclosures being provided in 2009 and there is no impact on earnings per share.

- Amendments to IAS 40 *Investment Property* (included in the *Improvements to IFRSs 2008)*

  These amendments result in property under construction or development for future use as investment property being within the scope of IAS 40. Such property is therefore required to be measured at fair value, in accordance with the group's accounting policy for investment property (unless it is not possible to measure fair value reliably). Previously, such property was measured at cost less impairment.

In accordance with the relevant transitional provisions, this change in accounting policy has been applied prospectively. The change in accounting policy has not had a material impact on any of the financial statement line items or earnings per share.

The group has also adopted all other effective new and amended IFRSs (not previously early adopted) as of 1 January 2009, with no material impact on the group's accounting policies or results and no restatement of prior period results.

Early adoption of new standards and interpretations

The group has early adopted the following new and amended IFRSs as of 1 January 2009, with no material impact on the group's accounting policies or results and no restatement of prior period results:

- → *Improvements to IFRSs 2009* (with the exception of those listed under new standards and interpretations not yet adopted);
- → Revised IFRS 1 *First-Time Adoption of International Financial Reporting Standards*;
- → Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*;
- → Amendments to IFRS 1 *Additional Exemptions for First-Time Adopters*;
- → Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*;
- → Amendments to IAS 32 *Classification of Rights Issues*;
- → Amendments to IAS 39 *Eligible Hedged Items*;
- → Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*;
- → IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments;* and
- → AC 504 IAS 19 (AC 116) – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment*.

2. Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are consolidated from the date on which the group acquires control, up to the date that control ceases. For this purpose, subsidiaries are entities over which the group, directly or indirectly, has the power to govern the financial and operating policies to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of an acquisition over the group's share of the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy 8 *Intangible assets*. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference, referred to as negative goodwill, is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains and losses within banking and investment management and life insurance activities are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies of subsidiaries conform to the policies adopted by the group.

Investments in subsidiaries are accounted for at cost less impairment losses in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary.

Special purpose entities

Special purpose entities are entities created to accomplish a narrow and well-defined objective such as the securitisation of financial assets. These entities may take different legal forms. A special purpose entity, including a securitisation vehicle, is consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group controls the entity.

Mutual funds

Mutual funds that are controlled by the group, including those in which the group has more than 50% economic interest (resulting in control), are consolidated.

Transactions with minority shareholders

Transactions with minority shareholders that do not result in the gain or loss of control, are accounted for as transactions with equity holders of the group. For purchases of additional interests from minority shareholders, the excess of the purchase consideration over the group's proportionate share of the additional net asset value of the subsidiary acquired is accounted for directly in equity. For disposals to minority shareholders, the profit or loss on partial disposal of the group's interest in a subsidiary is also accounted for directly in equity.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value in the company financial statements with no gain or loss recognised in profit or loss.

3. Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated and company financial statements are presented in rand, which is the functional currency of Standard Bank Group Limited. All amounts are stated in millions of rand (Rm), unless indicated otherwise.

Group companies

The results and financial position of all foreign operations (excluding those in hyperinflationary economies) that have a functional currency different from the group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities (including goodwill and fair value adjustments arising on acquisition) are translated at the closing rate on the reporting date;
- income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate actual rates; and
- all resulting foreign exchange differences are accounted for directly in a separate component of other comprehensive income, being the foreign currency translation reserve.

On the partial disposal of a foreign operation, where control is not lost, a proportionate share of the balance of the foreign currency translation reserve is transferred to the same reserve in which the profit or loss on partial disposal is recognised. On disposal of a foreign operation, the relevant amount in the foreign currency translation reserve is transferred to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of group entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities classified as available-for-sale financial assets are included in the available-for-sale reserve in other comprehensive income whereas the exchange differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in the group's foreign currency translation reserve. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or when the foreign operation is disposed of. In the company financial statements, these gains and losses are recognised in profit or loss.

4. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows consist of cash and balances with central banks. Cash and balances with central banks comprise coins and bank notes and balances with central banks.

Cash flows arising from operating funds are stated after excluding the impact of foreign currency translation differences on asset and liability classes.

5. Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Were the group to sell more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in other comprehensive income.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any impairment losses.

Trading assets and liabilities

Trading assets and liabilities are either those financial assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term, or those forming part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading, unless they are designated as hedging instruments.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes in fair value are recognised in profit or loss as trading revenue under non-interest revenue.

Interest earned and dividends received on trading assets are included in trading revenue.

Financial assets and liabilities designated at fair value through profit or loss

The group designates certain financial assets and liabilities, other than those held-for-trading, as at fair value through profit or loss when:

- this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. Under this criterion, the main classes of financial instruments designated by the group are loans and advances to customers and debt securities in issue. The designation significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortised cost. This category also includes financial assets used to match investment contracts or insurance contract liabilities; or
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and reported to the group's key management personnel on a fair-value basis. Under this criterion, certain private equity, short-term insurance and other investment portfolios have been designated at fair value through profit or loss; or
- financial instruments contain one or more embedded derivatives that significantly modify the instruments' cash flows.

The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are remeasured at each reporting date. Gains and losses arising from changes in fair value are recognised in interest income (expense) for all dated financial assets (financial liabilities) and in other revenue within non-interest revenue for all undated financial assets.

Private equity and property equity investments designated at fair value through profit or loss in terms of the scope exemption in IAS 28 *Investments in Associates*, are accounted for in the designated at fair value through profit or loss category. Mutual funds held by investment-linked insurance funds in which the group holds between 20% and 50% economic interest (resulting in significant influence) are deemed to be interests in associates and are also designated at fair value through profit or loss, based on the scope exemption in IAS 28 relating to investment-linked insurance funds.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the group as at fair value through profit or loss or available-for-sale. This category includes purchased loans.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the group's advances are included in the loans and receivables category.

Available-for-sale

Financial assets classified by the group as available-for-sale are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not designated as another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When dated (undated) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in other comprehensive income are transferred to interest income (other revenue).

Interest income, calculated using the effective interest method, is recognised in profit or loss. Dividends received on available-for-sale instruments are recognised in profit or loss when the group's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt instruments are recognised in profit or loss.

Reclassification of financial assets

The group may choose to reclassify non-derivative trading assets out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date with prospective effect. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, ie the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

When such valuation models, with only observable market data as inputs, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined using applicable valuation techniques. These include the use of recent arm's-length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for a financial asset with similar terms and conditions.

Where the fair value of investments in unquoted equity instruments and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets measured at cost are not reversed.

Impairment of financial assets

Assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that loss event had a negative effect on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. The impairment of non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to the present value of estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised as a credit impairment in profit or loss.

If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Impairment of performing loans is only recognised if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset but before the reporting date. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods. Loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent recoveries of previously written off advances are recognised in profit or loss.

Subsequent to impairment, the effects of discounting unwind over time as interest income.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant, and whose terms have been renegotiated and exhibit the characteristics of a performing loan are no longer considered to be past due but are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered impaired or past due.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is transferred from other comprehensive income to profit or loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. An impairment loss in respect of an available-for-sale equity instrument is not reversed through profit or loss but accounted for directly in other comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to an underlying variable, requires little or no initial net investment and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the heading “Fair value” on page 206.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described under the heading “Offsetting financial instruments” above.

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

The method of recognising fair value gains and losses depends on whether derivatives are held-for-trading or are designated as hedging instruments, and if so, the nature of the hedge relationship. All gains and losses from changes in the fair value of derivatives that are classified as held-for-trading are recognised in profit or loss as trading revenue. When derivatives are designated in a hedge relationship, the group designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedges);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecast transaction, or a highly probable forecast intra-group transaction in the consolidated financial statements (cash flow hedges); or
- hedges of net investments in a foreign operation (net investment hedges).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The group documents, at the inception of the hedge relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is also recognised in the same line item in profit or loss as the related hedged item.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve. The ineffective part of any gain or loss is recognised immediately in profit or loss as trading revenue.

Amounts recognised in other comprehensive income are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in other comprehensive income are transferred and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, then the cumulative gains or losses recognised in other comprehensive income remain in other comprehensive income until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in other comprehensive income are immediately transferred to profit or loss and classified as trading revenue.

Net investment hedges

Where considered appropriate, the group hedges net investments in foreign operations using derivative instruments. These hedges are accounted for in the consolidated financial statements. For such hedges, the designated component of the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. Any ineffective portion is immediately recognised in profit or loss as trading revenue. On the partial disposal of a foreign operation, a proportionate share of the gains and losses recognised in other comprehensive income is transferred to profit or loss. On disposal of a foreign operation, all remaining gains and losses recognised in other comprehensive income are transferred to profit or loss.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as trading revenue.

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date, at the occurrence of a contingent future event, at the option of the shareholder or if dividend payments are not discretionary, are classified as financial liabilities or compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are accounted for as interest on an amortised cost basis using the effective interest method. Dividends on preference shares classified as equity instruments are recognised within equity as a dividend payment.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Financial liabilities are derecognised when they are extinguished, ie when the obligation is discharged, cancelled or expires.

The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.

In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed are not recognised in the financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

6. Investment property

Property held to earn rental income and/or for capital appreciation that is not owner-occupied is classified as investment property. Investment property includes property under construction or development for future use as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with fair value changes recognised in profit or loss as investment gains or losses.

The fair value of investment property is based on valuation information at the reporting date. If the valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets.

Fair value adjustments on investment property recognised in profit or loss are adjusted for any double-counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

7. Interest in associates and joint ventures

Associates and jointly controlled entities

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence generally accompanies, but is not limited to, a shareholding of between 20% and 50% of the voting rights. Investments in mutual funds over whose financial and operating policies the group is able to exercise significant influence (including those in which the group has between 20% and 50% economic interest) are also classified as associates.

A jointly controlled entity is one where a contractual arrangement establishes joint control over the economic activity of the entity.

Interests in associates and jointly controlled entities are accounted for using the equity method and are measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the associate or jointly controlled entity (including goodwill).

Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the group's share of the associates' and jointly controlled entities' income and expenses and other comprehensive income. Equity accounting of losses in associates and jointly controlled entities is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associate or jointly controlled entity. Unrealised intra-group profits are eliminated in determining the group's share of equity accounted profits. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Equity accounting is applied from the date on which the entity becomes an associate or jointly controlled entity, up to the date on which it ceases to be an associate or jointly controlled entity. The accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the policies of the group.

Where a mutual fund investment is acquired and held for the purposes of investment-linked insurance activities within investment management and life insurance activities, it is not accounted for under the equity method but is designated on initial recognition at fair value through profit or loss and is accounted for on the basis set out in accounting policy 5 *Financial instruments*. Private equity and property equity investments, which are associates, are either designated on initial recognition at fair value through profit or loss, or equity accounted.

Investments in associates and jointly controlled entities are accounted for at cost less impairment losses in the company financial statements.

Jointly controlled operations

Jointly controlled operations exist where two or more venturers combine their operations, resources or expertise to market or distribute jointly a particular product. Each venturer recognises the assets it controls, the liabilities and expenses that it incurs, and its share of the gains and losses in respect of its interest in the joint venture.

8. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Acquisition costs include any directly attributable transaction costs.

Goodwill arising on the acquisition of subsidiaries occurring on or after 1 January 2000 is reported in the statement of financial position as an intangible asset, and goodwill arising on the acquisition of associates or jointly controlled entities is included in interest in associates and joint ventures in the statement of financial position. Goodwill arising on acquisitions on or after 1 January 2000 but before or on 31 December 2003 has been amortised using the straight-line method over its estimated useful life and is carried at cost less accumulated amortisation and impairment recognised up to 31 December 2003.

Goodwill arising on acquisitions after 31 December 2003 and the carrying values of goodwill that existed on this date are not amortised, but allocated to cash-generating units and tested annually for impairment. Negative goodwill is recognised as income in profit or loss in the period in which it arises. Gains or losses on the disposal of an entity are determined after taking into account the carrying amount of goodwill (if any) relating to the entity sold.

Computer software

Generally, costs associated with developing or maintaining computer software programmes and the acquisition of software licences are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to ten years), and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Other intangible assets

The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in profit or loss as incurred. Prepayment assets are recognised for advertising or promotional expenditure until the group has obtained the right to access the goods purchased or received the services.

The group capitalises brands, customer lists, customer contracts and similar rights acquired in business combinations.

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, not exceeding 20 years, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

Present value of acquired in-force policyholder contracts and investment contracts with discretionary participation features

Where a portfolio of policyholder contracts is acquired either directly from another insurer or through the acquisition of a subsidiary, the present value of acquired in-force (PVIF) business on the portfolio, being the net present value of estimated future cash flows of the existing contracts, is recognised as an intangible asset and amortised on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts (five to 15 years). The estimated life is re-evaluated annually. The PVIF is carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses.

9. Property and equipment

Equipment and owner-occupied properties

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in profit or loss as incurred. Depreciation, impairment losses and gains and losses on disposal of assets are included in profit or loss.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold buildings are depreciated over the period of the lease or over a lesser period, as is considered appropriate.

The assets' residual values and useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.

The estimated useful lives of tangible assets for the current financial year are as follows:

Property	– 40 years
Computer equipment	– 3 to 5 years
Motor vehicles	– 5 years
Office equipment	– 5 to 10 years
Furniture and fittings	– 5 to 13 years
Capitalised leased assets	– over the shorter of the lease term or its useful life

There has been no change to the estimated useful lives from those applied in the previous financial year.

10. Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, ie assets that necessarily take a substantial period of time to get ready for their intended use or sale and are neither measured at fair value and are not inventories that are produced in large quantities on a repetitive basis, are capitalised. All other borrowing costs are recognised in profit or loss.

11. Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are tested annually for impairment. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

12. Leases

Group as lessee

Leases, where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances in the statement of financial position.

Finance charges earned are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return. The benefits arising from investment allowances on assets leased to clients are accounted for in tax.

Leases of assets under which the group retains a significant portion of the risks and rewards of ownership are classified as operating leases. Operating lease income from properties held as investment properties, net of any incentives given to lessees, is recognised on the straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of a penalty is recognised as income in the period in which termination takes place.

13. Provisions and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit pledged as collateral security. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

14. Employee benefits

Post-employment benefits

Defined contribution plans

The group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

The group also operates a number of defined benefit plans, with membership generally limited to employees who were in the employment of the various companies at specified dates. These funds are governed by the Pension Funds Act of 1956. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. Statutory actuarial valuations are required every three years using the projected unit credit method. Interim valuations are also performed annually at the financial year end.

The liabilities recognised in the statement of financial position in respect of defined benefit pension plans are measured at the present value of the estimated future cash outflows, using interest rates of government bonds with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs.

The group's current service costs are recognised as expenses in the current year. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised in profit or loss in the current year to the extent that they relate to vested benefits of retired employees or past service. For active employees, these items are recognised in profit or loss systematically over a period not exceeding the expected remaining service period of employees.

The group operates a number of unfunded post-employment medical aid schemes, with membership limited to employees who were retired or in the employment of the various companies at specified dates and complying with specific criteria. For past service, the group recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions using the projected unit credit method. Independent qualified actuaries carry out annual valuations of these obligations. Unrecognised actuarial gains or losses are accounted for over a period not exceeding the remaining working life of active employees. Actuarial gains or losses in respect of vested benefits of retired employees are recognised immediately in profit or loss.

Termination benefits

Termination benefits are recognised as an expense when the group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

15. Tax

Normal tax

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and jointly controlled entities (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Secondary tax on companies (STC)

To the extent that it is probable that dividends will be declared against which unused STC credits can be utilised, a deferred tax asset is recognised for STC credits.

The STC effect of dividends paid on equity instruments is recognised in the period in which the company declares the dividend. For financial instruments, such as redeemable preference shares that are classified as liabilities, the STC relating to any contractual payments is accrued in the same period as the interest accrual.

Indirect tax

Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are disclosed separately in the income statement.

16. Non-current assets held for sale and disposal groups

Non-current assets, or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use, are classified as held-for-sale.

Non-current assets held as investments for the benefit of policyholders as part of the group's investment management and life insurance activities are not classified as held-for-sale as ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held-for-sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter, the assets (or components of a disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

17. Policyholder insurance and investment contracts

Professional Guidance Notes (PGNs) issued by the Actuarial Society of South Africa (ASSA)

In terms of IFRS 4 *Insurance Contracts*, insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4. The group had, prior to the adoption of IFRS 4, adopted the PGNs to determine the liability in respect of insurance contracts issued in South Africa. The group has continued to value insurance liabilities in accordance with these PGNs.

The PGNs are available on the ASSA website (www.actuarialsociety.co.za). Where applicable, the PGNs are referred to in the accounting policies and notes to the annual financial statements.

Insurance and investment contract classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or, in the case of life annuities, the lifespan of the policyholder is greater than that assumed. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Discretionary participation features (DPF)

A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses at the discretion of the group.

The terms and conditions or practice relating to these contracts are in accordance with the group's published Principles and Practices of Financial Management, as approved by the Financial Services Board. The terms reversionary bonus and smoothed bonus refer to the specific forms of DPF contracts underwritten by the group.

All components in respect of DPFs are included in the policyholder liabilities.

Insurance contracts and investment contracts with DPF

Measurement

These contracts are valued in terms of the FSV basis as described in PGN 104 *Life offices – valuation of long-term insurers*, using a discounted cash flow methodology. The liability is reflected as policyholders' liabilities in the statement of financial position.

The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return and tax and any expected losses in respect of options. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of PGN 104, plus additional discretionary margins.

Derivatives embedded in the group's insurance contracts are not separated if the embedded derivative itself meets the definition of an insurance contract.

The liabilities in respect of the investment guarantees underlying maturity and death benefits, and guaranteed annuity options are measured in accordance with PGN 110 *Reserving for minimum investment return guarantees* on a market-consistent basis.

Discretionary margins are held to ensure that the profit and risk margins in the premiums are not capitalised before it is probable that future economic benefits will flow to the entity. These profits emerge over the lifetime of the contract in line with the risk borne by the group.

Liabilities for individual market-related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the unit reserve element), reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy-by-policy cash flow basis (the rand reserve element).

Reversionary bonus classes of policies, and policies with fixed and guaranteed benefits are valued by discounting the expected future cash flows at market-related rates of interest reduced by an allowance for investment expenses and the relevant compulsory margins (the guaranteed element). Future bonuses have been allowed for at the latest declared rates where appropriate (the non-guaranteed element).

The rand reserve element of market-related policies and the guaranteed element in respect of other policies are collectively known as the rand reserve.

In respect of corporate life and lump sum disability business, no discounting of future cash flows is performed. However, a provision will be held if the expected guaranteed premiums under the current basis and investment returns in the short term are not sufficient to meet expected future claims and expenses. For corporate investment contracts with DPF, in addition to the value of the policies' investment in the investment portfolios held, an additional provision will be held if the expected fee recoveries in the short term are not sufficient to meet expected expenses.

Within the group all investment contracts invested in smoothed bonus portfolios are classified as investment contracts with DPF. In respect of insurance and investment contracts with DPF where bonuses are smoothed, bonus stabilisation provisions are held arising from the difference between the after-tax investment performance of the assets net of the relevant management fees and the value of the bonuses declared (non-guaranteed element). In accordance with PGN 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are included in policyholders' liabilities.

The liability estimates are reviewed bi-annually. The effect of any change in estimate is recognised in profit or loss.

Incurred but not reported claims

Provision is made in policyholders' liabilities for the estimated cost at the end of the year of claims incurred but not reported at that date.

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of insurance liabilities net of any related intangible PVIF business assets is inadequate in the light of the estimated future cash flows, then the deficiency is recognised in profit or loss.

Investment contracts without DPF

The group issues investment contracts without fixed benefits (unit linked and structured products) and investment contracts with fixed and guaranteed benefits (term certain annuity). These investment contracts are accounted for as financial liabilities and are designated at fair value through profit or loss. Refer to accounting policy 5 *Financial instruments.*

Investment contracts with a DPF switching option

On certain investment contracts policyholders have an option to switch some or all of their investment from a DPF fund to a non-DPF fund (and vice versa). The value of the liability held with respect to these contracts is taken at the aggregate value of the policyholders' investment in the investment portfolio at the valuation date.

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders. Outstanding claims and benefit payments are stated gross of reinsurance.

Reinsurance contracts held

The group cedes some insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the group.

The expected benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets and included in other assets in the statement of financial position. Reinsurance assets are assessed for impairment at each reporting date. Any impairment loss is recognised in profit or loss.

18. Equity

Reacquired equity instruments

Where subsidiaries purchase the holding entity's equity instruments, the consideration paid is deducted from equity attributable to ordinary shareholders as treasury shares on consolidation. Fair value changes recognised by subsidiaries on these instruments are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued outside the group, any consideration received is included in equity attributable to ordinary shareholders.

Black economic empowerment ownership initiative (Tutuwa)

The group concluded its Tutuwa initiative in October 2004 when it sold an effective 10% interest in its South African banking operations to a broad-based grouping of black entities.

The group subscribed for 8,5% redeemable, cumulative preference shares issued by SPEs controlled by the group. The initial repurchase of group shares by the SPEs was treated as a reduction in the group's equity. Subsequent to the repurchase of the group shares, the SPEs containing these shares were sold to the black participants. The capital and dividends on the preference shares are repayable from future ordinary dividends received on group shares or from the disposal of the group's shares. As a result of the group's right to receive its own dividends back in the form of preference dividends and capital on the preference shares, the subsequent sale of the SPEs and consequent delivery of the group shares to the black participants (although legally effected) is not accounted for as a sale. The preference share investment in the SPEs is also not accounted for as an asset. The preference share asset is effectively eliminated against equity as a negative empowerment reserve.

As a consequence of the above, the IFRS accounting treatment followed until full redemption, or third party financing, is as follows:

- the 8,5% redeemable, cumulative preference shares issued by the SPEs and subscribed for by the group are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve;
- the preference dividends received from the SPEs are eliminated against the ordinary dividends paid on the group shares held by the SPEs;
- for purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those SPEs that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party; and
- perpetual preference shares issued by the group for the purposes of financing the repurchased group shares are classified as equity. Dividends paid are accounted for on declaration.

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Distributions on ordinary shares

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note.

19. Equity-linked transactions

Equity compensation plans

The group operates both equity-settled and cash-settled share-based compensation plans. All share options issued after 7 November 2002 that had not vested by 31 December 2004 are accounted for as share-based payment transactions.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against income and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

Equity participation plans

Equity participation rights issued in terms of the group's Tutuwa initiative (refer to accounting policy 18 *Equity*) to black managers had not vested by 31 December 2004 and are accounted for as equity-settled share-based payment transactions as described under equity compensation plans above.

20. Revenue and expenditure

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises interest income, fee and commission revenue and other non-interest revenue.

Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 10 *Capitalisation of borrowing costs*) are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates or receipts on financial assets (except those that have been reclassified – refer to accounting policy 5 – *Financial instruments*) are subsequently revised, the carrying amount of the financial asset is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset's original effective interest rate. Any adjustment to the carrying value is recognised in interest income.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate.

Gains and losses on the disposal of dated financial instruments, including amounts removed from other comprehensive income in respect of available-for-sale financial assets, and excluding those classified as held-for-trading, are included in net interest income.

Dividends received on preference share investments form part of the group's lending activities and are included in interest income.

Non-interest revenue

Net fee and commission revenue

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received.

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

Other revenue

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, gains and losses on realised undated available-for-sale financial assets, dividends relating to those financial instruments and underwriting profit from the group's short-term insurance operations and related insurance activities.

Net income from financial instruments designated at fair value includes all gains and losses from changes in the fair value of undated financial assets and liabilities designated at fair value through profit or loss, including dividend income arising on these financial instruments.

Gains and losses on undated available-for-sale financial assets are transferred from other comprehensive income to profit or loss on realisation of the investments. Dividends on these instruments are recognised in profit or loss.

Gains and losses on all other undated financial instruments that are not held-for-trading, are recognised in other revenue.

Dividend income

Dividends are recognised in profit or loss when the right to receipt is established. Scrip dividends are recognised as dividends received to the extent that they compare to cash dividends.

Short-term insurance income

Short-term insurance income includes premium income, commission and policy fees earned as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group. Direct commission income is accounted for as and when cash is received and comprises the cash value of commission earned when premiums are payable directly to the underwriters.

Investment management and life insurance activities

Revenue comprises premium income, investment income and management and service fee income.

Insurance contracts and investment contracts with DPF

Premium income

Premiums and annuity considerations on insurance contracts, other than in respect of universally costed policies (policies where insurance risk charges are dependent on the excess of the sum assured over the value of units underlying the contract) and recurring premium pure risk policies (collectively the Lifestyle series) and corporate schemes, are recognised when due in terms of the contract. Premiums receivable in respect of corporate schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised when premiums are received, as failure to pay a premium will result in a reduction of attributable fund value, if available or else in the lapse of the policy. Premium income on insurance contracts is recognised gross of reinsurance. Premiums are shown before deduction of commission.

Reinsurance premiums

Reinsurance premiums are recognised when due for payment, in accordance with the terms of each reinsurance contract.

Claims

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are recognised in profit or loss when the group is notified of a claim, based on the estimated liability for compensation owed to policyholders. Reinsurance recoveries are accounted for in the same period as the related claims.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred.

Investment contracts without DPF

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities, whereas claims incurred are recorded as deductions from investment contract liabilities.

Service fees on investment management contracts and deferred revenue liability (DRL) on investment management contracts

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered.

A DRL is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for investment management services. The DRL is then released to revenue when the services are provided, over the expected duration of the contract on a straight-line basis.

Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is the period over which the service is rendered. Outstanding fees are accrued as a receivable in terms of the investment management contract.

Deferred acquisition costs (DAC) in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs are expensed as incurred, unless specifically attributable to an investment contract with an investment management service element. Such costs are deferred and amortised on a straight-line basis over the expected life of the contract (10 to 16 years for linked annuities and five years for other investment contracts), taking into account all decrements, as they represent the right to receive future management fees. A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis.

The DAC asset is assessed for impairment at the reporting date.

Investment income

Investment income for investment management and life insurance activities comprises mainly rental income from properties, interest, hotel operations sales, scrip lending fees and dividends. Dividends are recognised when the right to receive payment is established and interest income is recognised using the effective interest method.

Hotel operations sales comprise the fair value of the sale of accommodation, food and beverage, other guest facilities and rentals received. Revenue is shown net of value added tax, returns, rebates and discounts.

Management fees on assets under management

Fee revenue includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements.

Administration fees received for the administration of medical schemes are recognised when the services are rendered.

21. Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to management.

Transactions between segments are priced at market-related rates.

22. Fiduciary activities

The group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising thereon are excluded from these financial statements as they are not assets of the group.

23. Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation in the current year.

New standards and interpretations not yet adopted

The following new or revised standards and amendments are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these financial statements:

Pronouncement	Title	Effective date[1]
IFRS 3 (revised)	*Business Combinations* The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through profit or loss. There is a choice, on an acquisition-by-acquisition basis to measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets. All acquisition-related costs will be recognised in profit or loss immediately. The revised IFRS 3 will be applied prospectively to all business combinations from 1 January 2010. The effect on the financial statements will be a function of the number and value of any business combinations transacted from this date.	Annual periods beginning on or after 1 July 2009
IAS 27 (amendments)	*Consolidated and Separate Financial Statements* The amendments require changes in a parent's ownership interest in a subsidiary that do not result in a loss of control to be accounted for within equity. This is consistent with the group's current accounting policy for such transactions. The amendments also specify that when control is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. These requirements will be applied prospectively to transactions with non-controlling interests from 1 January 2010.	Annual periods beginning on or after 1 July 2009

[1] *It is expected that the group and company, where applicable, will adopt these requirements only when effective.*

IAS 24 (revised)	*Related Party Disclosures* The revised standard contains an amended definition of related parties and includes disclosure requirements for commitments between related parties. The revised standard will be applied retrospectively and may result in additional related party disclosures.	Annual periods beginning on or after 1 January 2011
IFRS 9	*Financial Instruments* This standard forms part of the IASB's project to replace the existing standard on the recognition and measurement of financial instruments. The standard defines two measurement categories for financial assets: amortised cost and fair value. A financial asset may only be measured at amortised cost if it has basic loan features and is managed on a contractual yield basis. The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income. The standard will be applied retrospectively (subject to the standard's transitional provisions). The impact on the financial statements has not yet been estimated.	Annual periods beginning on or after 1 January 2013

The following interpretation and amendments are also not yet effective for the year ended 31 December 2009 and have not been applied in preparing these financial statements. None of these is expected to have a significant impact on the financial statements when adopted:

Pronouncement	Title	Effective date[1]
IFRIC 17	*Distributions of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs 2008	Amendments to the following standard: → IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs 2009	Amendments to the following pronouncements:	
	→ IFRS 2 *Share-based Payment* and the revised IFRS 3 *Business Combinations;*	Annual periods beginning on or after 1 July 2009
	→ IAS 17 *Leases;*	Annual periods beginning on or after 1 January 2010
	→ IAS 38 *Intangible Assets* (additional consequential amendments arising from the revised IFRS 3);	Annual periods beginning on or after 1 July 2009
	→ IAS 39 *Financial Instruments: Recognition and Measurement* (scope exemption for business contracts); and	Annual periods beginning on or after 1 January 2010
	→ IFRIC 9 *Reassessment of Embedded Derivatives.*	Annual periods beginning on or after 1 July 2009

[1] *It is expected that the group and company, where applicable, will adopt these requirements only when effective.*

1. Segment reporting

Operating segments

	Personal & Business Banking		Corporate & Investment Banking		Central and other	
	2009 Rm	2008[2] Rm	**2009 Rm**	2008[2] Rm	**2009 Rm**	2008[2] Rm
Income from banking activities	**34 102**	33 516	**27 701**	26 217	**907**	1 832
Net interest income	**19 639**	19 956	**10 660**	10 575	**1 194**	1 586
Interest income	**45 328**	53 741	**42 121**	54 324	**(4 981)**	(6 441)
Interest expense	**25 689**	33 785	**31 461**	43 749	**(6 175)**	(8 027)
Non-interest revenue	**14 463**	13 560	**17 041**	15 642	**(287)**	246
Net fee and commission revenue	**12 987**	12 149	**5 266**	5 617	**(145)**	(159)
Fee and commission revenue	**15 144**	14 152	**5 841**	6 433	**(145)**	(133)
Fee and commission expense	**2 157**	2 003	**575**	816		26
Trading revenue	**328**	240	**10 436**	8 962	**(143)**	261
Other revenue	**1 148**	1 171	**1 339**	1 063	**1**	144
Income from investment management and life insurance activities						
Total income	**34 102**	33 516	**27 701**	26 217	**907**	1 832
Credit impairment charges	**9 890**	9 196	**2 709**	1 647	**(502)**	499
Benefits due to policyholders						
Income after credit impairment charges and policyholders' benefits	**24 212**	24 320	**24 992**	24 570	**1 409**	1 333
Operating expenses in banking activities	**18 379**	17 311	**14 592**	13 360	**(144)**	(281)
Staff costs	**9 103**	8 783	**8 371**	7 715	**374**	453
Other operating expenses	**9 276**	8 528	**6 221**	5 645	**(518)**	(734)
Operating expenses in investment management and life insurance activities						
Net income before goodwill	**5 833**	7 009	**10 400**	11 210	**1 553**	1 614
Goodwill impairment			**42**	5		
Share of (losses)/profit from associates and joint ventures	**(217)**	67	**182**	163	**1**	4
Net income before indirect taxation	**5 616**	7 076	**10 540**	11 368	**1 554**	1 618
Indirect taxation	**638**	649	**439**	427	**392**	60
Profit before direct taxation	**4 978**	6 427	**10 101**	10 941	**1 162**	1 558
Direct taxation	**1 491**	1 730	**1 940**	2 292	**332**	71
Profit for the year	**3 487**	4 697	**8 161**	8 649	**830**	1 487
Attributable to minorities	**42**	131	**512**	731	**(2)**	(1)
Attributable to preference shareholders					**479**	548
Attributable to ordinary shareholders	**3 445**	4 566	**7 649**	7 918	**353**	940
Headline earnings	**3 835**	4 739	**7 507**	7 948	**304**	822
ROE (%)	**15,8**	19,7	**18,3**	22,1		
Net interest margin (%)	**4,96**	5,15	**1,84**	1,83		
Credit loss ratio (%)	**2,56**	2,47	**0,73**	0,46		
Cost-to-income ratio (%)	**54,2**	51,5	**52,3**	50,6		
Total assets	**391 301**	402 148	**730 483**	892 727	**3 147**	1 944
Average assets – banking activities excluding trading derivatives	**396 285**	386 578	**578 388**	574 780	**7 726**	2 228
Average loans and advances (gross)	**385 818**	372 311	**370 984**	358 907	**40**	1 067
Average ordinary shareholders' equity	**24 279**	24 090	**41 088**	35 893	**14 717**	12 599
Total liabilities	**367 530**	376 616	**685 165**	847 764	**(18 250)**	(17 786)
Interest in associates and joint ventures	**928**	1 214	**3 203**	768	**134**	75
Depreciation and amortisation	**1 276**	1 113	**612**	495	**71**	118
Impairment loss/(reversal) on non-financial assets	**473**	290	**79**	140	**11**	(1)
Number of employees	**35 088**	34 880	**9 796**	9 411	**1 053**	1 024

[1] *IFRS adjustments relate to adjustments to the segmental results, presented on a normalised basis, to arrive at the IFRS results. These adjustments are described in detail on pages 33 to 35.*
[2] *Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis comparative figures are reclassified accordingly.*

Banking activities		Liberty		Normalised Standard Bank Group		Adjustments to IFRS[1]		IFRS Standard Bank Group	
2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
62 710	61 565			**62 710**	61 565	**118**	(199)	**62 828**	61 366
31 493	32 117			**31 493**	32 117	**(177)**	(199)	**31 316**	31 918
82 468	101 624			**82 468**	101 624	**(177)**	(199)	**82 291**	101 425
50 975	69 507			**50 975**	69 507			**50 975**	69 507
31 217	29 448			**31 217**	29 448	**295**		**31 512**	29 448
18 108	17 607			**18 108**	17 607			**18 108**	17 607
20 840	20 452			**20 840**	20 452			**20 840**	20 452
2 732	2 845			**2 732**	2 845			**2 732**	2 845
10 621	9 463			**10 621**	9 463	**295**		**10 916**	9 463
2 488	2 378			**2 488**	2 378			**2 488**	2 378
		44 338	23 136	**44 338**	23 136	**(880)**	223	**43 458**	23 359
62 710	61 565	**44 338**	23 136	**107 048**	84 701	**(762)**	24	**106 286**	84 725
12 097	11 342			**12 097**	11 342			**12 097**	11 342
		33 915	11 997	**33 915**	11 997			**33 915**	11 997
50 613	50 223	**10 423**	11 139	**61 036**	61 362	**(762)**	24	**60 274**	61 386
32 827	30 390			**32 827**	30 390			**32 827**	30 390
17 848	16 951			**17 848**	16 951			**17 848**	16 951
14 979	13 439			**14 979**	13 439			**14 979**	13 439
		9 052	8 423	**9 052**	8 423			**9 052**	8 423
17 786	19 833	**1 371**	2 716	**19 157**	22 549	**(762)**	24	**18 395**	22 573
42	5			**42**	5			**42**	5
(34)	234	**67**	34	**33**	268			**33**	268
17 710	20 062	**1 438**	2 750	**19 148**	22 812	**(762)**	24	**18 386**	22 836
1 469	1 136	**241**	246	**1 710**	1 382			**1 710**	1 382
16 241	18 926	**1 197**	2 504	**17 438**	21 430	**(762)**	24	**16 676**	21 454
3 763	4 093	**877**	612	**4 640**	4 705	**40**		**4 680**	4 705
12 478	14 833	**320**	1 892	**12 798**	16 725	**(802)**	24	**11 996**	16 749
552	861	**248**	1 251	**800**	2 112	**(389)**	176	**411**	2 288
479	548			**479**	548	**52**	(19)	**531**	529
11 447	13 424	**72**	641	**11 519**	14 065	**(465)**	(133)	**11 054**	13 932
11 646	13 509	**72**	641	**11 718**	14 150	**(465)**	(133)	**11 253**	14 017
14,5	18,6	**1,2**	12,8	**13,6**	18,2			**13,7**	19,1
3,21	3,32			**3,21**	3,32			**3,19**	3,31
1,60	1,55			**1,60**	1,55			**1,60**	1,55
52,4	49,2			**52,4**	49,2			**52,3**	49,3
1 124 931	1 296 819	**220 151**	212 640	**1 345 082**	1 509 459	**(5 282)**	(5 806)	**1 339 800**	1 503 653
982 399	963 586			**982 399**	963 586	**(1 899)**	(2 638)	**980 500**	960 948
756 842	732 285			**756 842**	732 285	**(1 941)**	(2 638)	**754 901**	729 647
80 084	72 582	**6 258**	5 020	**86 342**	77 602	**(4 054)**	(4 046)	**82 288**	73 556
1 034 445	1 206 594	**206 139**	197 722	**1 240 584**	1 404 316	**(153)**	(164)	**1 240 431**	1 404 152
4 265	2 057	**5 264**	4 933	**9 529**	6 990			**9 529**	6 990
1 959	1 726	**404**	348	**2 363**	2 074			**2 363**	2 074
563	429	**14**		**577**	429			**577**	429
45 937	45 315	**5 474**	5 006	**51 411**	50 321			**51 411**	50 321

1. Segment reporting continued

The group is organised on the basis of products and services and the segments have been identified on this basis. The principal business units in the group are as follows:

Business unit	
Personal & Business Banking	Banking and other financial services to individual customers and small- to medium-sized enterprises in South Africa, rest of Africa and Argentina. Mortgage lending – Provides residential accommodation loans to mainly personal market customers. Instalment sale and finance leases – Provides instalment finance to personal market customers and finance of vehicles and equipment in the business market. Card products – Provides credit card facilities to individuals and businesses (credit card issuing) and merchant transaction acquiring services (card acquiring). Transactional and lending products – Transactions in products associated with the various point of contact channels such as ATMs, internet, telephone banking and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products, coupled with debit card facilities to both personal and business market customers. Bancassurance – Provides short-term and long-term insurance products and financial planning.
Corporate & Investment Banking	Corporate and investment banking services to larger corporates, financial institutions and international counterparties, in South Africa and other emerging markets. Global markets – Includes foreign exchange, commodities, interest rate and equity trading. Transactional products and services – Includes transactional banking and investor services. Investment banking – Includes equity investments, advisory, project finance, structured finance, structured trade finance, corporate lending, primary markets, acquisition and BEE finance, property finance and asset and wealth management.
Central and other	Includes the impact of the Tutuwa initiative, group capital instruments and group surplus capital, together with certain group overheads not recoverable from business segments, including the Global Leadership Centre, activities and taxes not allocated to business segments, strategic acquisition costs and intersegment eliminations.
Liberty	Investment management and life insurance activities of companies in the Liberty Holdings group. Liberty includes long-term investment, long-term risk (life and disability), pension fund management, endowment and retirement annuities, corporate benefits, healthcare and health insurance. Stanlib includes investment related advice and solutions.

1. Segment reporting continued

Geographic information

	South Africa Rm	Rest of Africa Rm	Outside Africa Rm	Central and other Rm	Standard Bank Group Rm	Adjust-ments to IFRS Rm	IFRS Standard Bank Group Rm
2009							
Total income[1]	**84 547**	**9 602**	**12 571**	**328**	**107 048**	**(762)**	**106 286**
Banking activities	**40 209**	**9 602**	**12 571**	**328**	**62 710**	**118**	**62 828**
Liberty	**44 338**				**44 338**	**(880)**	**43 458**
Total assets	**1 060 916**	**102 020**	**275 710**	**(93 564)**	**1 345 082**	**(5 282)**	**1 339 800**
Banking activities	**840 765**	**102 020**	**275 710**	**(93 564)**	**1 124 931**	**(1 579)**	**1 123 352**
Liberty	**220 151**				**220 151**	**(3 703)**	**216 448**
Non-current assets	**32 810**	**5 810**	**2 069**	**28**	**40 717**		**40 717**
Banking activities	**9 649**	**5 810**	**2 069**	**28**	**17 556**		**17 556**
Liberty	**23 161**				**23 161**		**23 161**
2008							
Total income[1]	62 274	9 670	11 513	1 244	84 701	24	84 725
Banking activities	39 138	9 670	11 513	1 244	61 565	(199)	61 366
Liberty	23 136				23 136	223	23 359
Total assets	1 129 926	109 688	390 884	(121 039)	1 509 459	(5 806)	1 503 653
Banking activities	917 286	109 688	390 884	(121 039)	1 296 819	(2 153)	1 294 666
Liberty	212 640				212 640	(3 653)	208 987
Non-current assets	27 468	7 098	2 102	29	36 697		36 697
Banking activities	6 653	7 098	2 102	29	15 882		15 882
Liberty	20 815				20 815		20 815

[1] *Total income is attributed based on where the operations are located.*

No countries outside South Africa are deemed to be individually material. There has been no reliance on any major customers and no one customer makes up a material portion of the revenue streams.

2. Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. No material changes to assumptions have occurred during the year.

2.1 Credit impairment losses on loans and advances

Performing loans

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

2. Key management assumptions continued

2.1 Credit impairment losses on loans and advances continued

Performing loans continued

At year end, the group applied the following loss emergence periods:

	Average loss emergence period[1]		Sensitivity[2]	
	2009 Months	2008 Months	2009 Rm	2008 Rm
Personal & Business Banking	**3**	3	**308**	300
Mortgage lending	**3**	3	**70**	27
Instalment sale and finance leases	**3**	3	**88**	50
Card debtors[3]	**3**	3	**67**	141
Other lending	**3**	3	**83**	82
Corporate & Investment Banking	**5 – 12**	6 – 12	**138**	158
South Africa	**12**	12	**77**	100
Rest of Africa	**12**	12	**3**	2
Outside Africa	**5**	6	**58**	56
			446	458

[1] *The average loss emergence period for outside Africa has been adjusted in 2009 due to changes in market conditions.*
[2] *Sensitivity is based on the effect of a change of one month in the emergence period on the value of the impairment.*
[3] *The decrease in the sensitivity in card debtors is due to a decline in the average loss given default (LGD) applied for impairment purposes, principally as a result of an increase in the expected recovery period.*

Non-performing loans

Retail loans are individually impaired if the amounts are due and unpaid for three or more months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

	Expected time to recovery[1]		Expected recoveries as a percentage of impaired loans		Impairment loss sensitivity[2]	
	2009 Months	2008 Months	2009 %	2008 %	2009 Rm	2008 Rm
Personal & Business Banking	**5 – 15**	0 – 16	**71**	68	**248**	151
Mortgage lending	**10**	12	**82**	80	**213**	131
Instalment sale and finance leases	**5**	6	**48**	41	**16**	11
Card debtors	**15**	0	**25**	21	**5**	2
Other lending	**14**	16	**36**	31	**14**	7
Corporate & Investment Banking	**12 – 24**	12 – 24	**73**	71	**79**	39
South Africa	**12**	12	**61**	61	**11**	2
Rest of Africa	**24**	24	**56**	50	**7**	5
Outside Africa	**22**	12	**79**	77	**61**	32
			71	69	**327**	190

[1] *The expected time to recovery has been adjusted in 2009 due to changes in market conditions.*
[2] *Sensitivity is based on the effect of a change of one percentage point in the value of the estimated recovery on the value of the impairment.*

2. Key management assumptions continued

2.2 Fair value of financial instruments

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, that are not quoted in active markets are determined using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

The total amount of the change in fair value estimated using a valuation technique not based on observable market data that was recognised in profit or loss for the year ended 31 December 2009 was a profit of R1 059 million (2008: R703 million loss).

Amendments to IFRS 7, issued in March 2009, require enhanced disclosures about fair value measurements of financial instruments. The additional disclosures are set out in note 24.

2.3 Impairment of available-for-sale equity investments

The group determines that available-for-sale equity investments are impaired and recognised as such in profit or loss, when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates, among other factors, the normal volatility in the share prices. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had the declines of financial instruments with fair values below cost been considered significant or prolonged, the group would suffer an additional loss attributable to ordinary shareholders of R24 million (2008: R48 million loss) in its financial statements, being the transfer of the negative revaluations within the available-for-sale reserve to profit or loss.

2.4 Securitisations and SPEs

The group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, asset financing and for buying or selling credit protection. The group consolidates SPEs that it controls in terms of IFRS. As it can sometimes be difficult to determine whether the group controls an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately.

The group has consolidated SPEs with assets of R29 217 million (2008: R37 733 million). The consolidated SPEs made net profits of R95 million (2008: net loss R137 million). The group has not consolidated SPEs with assets of R3 143 million (2008: R3 345 million) as these entities were not considered to be controlled by the group. These SPEs made a profit of Rnil (2008: Rnil).

2.5 Held-to-maturity investments

The group follows the guidance of IAS 39 on classifying certain non-derivative financial assets with fixed or determinable payments and fixed maturity, as held-to-maturity. This classification requires judgement of the group's ability to hold such investments to maturity. If the group fails to keep these investments to maturity, other than in specific defined circumstances, it will be required to classify the entire category as available-for-sale. The investments would therefore be measured at fair value and not amortised cost. If the entire class of held-to-maturity investments were tainted and reclassified as available-for-sale, the carrying amount would increase by R46 million (2008: R2 million) to fair value, with a corresponding entry in other comprehensive income.

2.6 Income taxes

The group is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. Key management assumptions continued

2.7 Financial risk management

The group's risk management policies and procedures are disclosed in the risk management section of the annual report starting on page 98. All IFRS 7 information included in the financial risk management section as set out on page 101 forms part of the audited annual financial statements as indicated in the risk report.

2.8 Valuation of investment property

The valuation of investment properties within the insurance operations has been carried out by Ian Mitchell Investment Property Consultants CC (Chartered Valuation Surveyor – Professional Valuer) and Asset Valuation Services CC (Professional Associate Valuer).

The valuation is prepared in accordance with the guidelines of the South African Institute of Valuers for valuation reports and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions. The valuation assumes that there will be no change in the social, economic or political circumstances between the date of valuation and the financial year end of the group.

The basis of value is "market value" which is defined as an opinion of the best price at which the sale of an interest in property, taking into account existing tenant lease terms, would have been completed unconditionally for a cash consideration on the date of valuation assuming:

- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The properties have been valued on a discounted cash flow basis. In the majority of cases, discounted cash flows have been used and summed together with the capitalised and discounted value of the projected income to give a present value as at 31 December 2009. In order to determine the reversionary rental income on lease expiry, renewal or review, a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for each property as at 31 December 2009. Market rental growth has been determined based on the individual property, property market trends and economic forecasts. Vacancies have been considered based on historic and current vacancy factors as well as the nature, location, size and popularity of each building.

Appropriate discount rates have been applied to cash flows for each property to reflect the relative investment risk associated with the particular building, tenant, covenant and the projected income flow. Extensive market research has been conducted to ascertain the most appropriate market-related discount rate to apply, taking into account the current long-term bond yield (R153 risk-free rate) and the relative attractiveness that an investor may place on property as an asset class.

Primary discount rates range from 7,50% to 12,5% (2008: 7,75% to 12,5%) on a property by property basis. Exit capitalisation rates generally range from 7,50% to 12,5% (2008: 7,75% to 12,5%).

On the basis that turnover or profit rental income has a greater degree of uncertainty and risk than the contractual base rental, a risk premium of between 1% and 6% has been added to the discount rate and to the exit capitalisation rate, to reflect the greater investment risk associated with the variable rental element on a property-by-property basis.

A 1% absolute change to the capitalisation rate assumption would increase the total fair value by R3 200 million if the assumption decreased, and decrease the total fair value by R2 500 million if the assumption increased.

2. Key management assumptions continued

2.9 Long-term insurance contracts

Policyholders' liabilities under insurance contracts are derived from actual claims submitted which are not settled at the reporting date, and estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premiums to be received (net of expected service cost). The key assumptions applied have been detailed in the insurance risk component of the risk management report.

The process of deriving the net estimate assumptions relating to future mortality, morbidity, withdrawals, investment returns, maintenance expenses, expense inflation and tax are described below.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract and class of business. Industry standard tables are used for smaller classes of business, while company specific tables, based on graduated industry standard tables modified to reflect company specific experience, are used for larger classes.

Investigations into mortality experience are performed annually. The period of investigation extends over the latest three full years for larger classes of business. Investigations relating to smaller classes usually extend over five years in order to gain sufficient credibility from the data.

The results of the investigation are used to set the valuation assumptions, which are applied as an adjustment to the respective standard table.

In setting the assumptions, provision is made for the expected increase in Aids-related claims. Allowance for Aids-related deaths is made in the base mortality rates at rates consistent with the requirement of ASSA's PGN 105 *Recommended Aids extra mortality bases* (PGN 105). The rates are defined using the ASSA2003 lite model calibrated to reflect Liberty's assurance lives.

For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Morbidity

The incidence of disability claims is derived from the risk premium rates determined from annual investigations. The incidence rates are reviewed on an annual basis, based on medical claims experience. The adjusted rates are intended to reflect future expected experience.

Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal investigation is performed every half year for the large lines of business and annually for the smaller classes and incorporates two years' experience. The withdrawal rates are analysed by product type and policy duration. These withdrawal rates vary considerably by duration, policy term and company. Typically the rates are higher for risk type products versus investment type products, and are higher at early durations.

Investment return

Future investment returns are set for the main asset classes as follows:

- gilt rate – effective 10-year yield curve rate at the reporting date, 9,3% (2008: 7,5%);
- equity rate – gilt rate plus 3,5 percentage points (2008: 3,5 percentage points) as an adjustment for risk, 12,8% (2008: 11,0%);
- property rate – gilt rate plus 1 percentage point as an adjustment for risk, 10,3% (2008: 8,5%); and
- cash – gilt rate less 1,5 percentage points, 7,8% (2008: 6,0%).

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities.

The pre-taxation discount rate is set at the same rate. The rate averaged across the blocks of business (excluding annuity and guaranteed capital bond business) is 11,4% per annum in 2009 (2008: 9,6% per annum). Where appropriate, the investment return assumption will be adjusted to make allowance for investment expenses, taxation and the relevant prescribed margins as per PGN 104 issued by the ASSA.

For annuity and guaranteed capital bond business, discount rates are set at risk-free rates consistent with the duration and type of the liabilities, reduced by an allowance for investment expenses and the relevant prescribed margin.

Expenses

An expense analysis is performed on the actual expenses incurred in the calendar year preceding the reporting date. The analysis is used to calculate the acquisition costs incurred and to set the maintenance expense assumption which is based on the budget approved by the board.

The impact of the change in estimate cannot be accurately determined for future periods as it is dependent on actual expenses and the number of policies in the relevant period.

2. Key management assumptions continued

2.9 Long-term insurance contracts continued

Expense inflation

The inflation rate is set at 60% of the risk free rate (gilt rate) at the current valuation, subject to a minimum of the risk free rate less 3%, resulting in a best estimate expense inflation assumption of 6,3% at 31 December 2009 (2008: 4,5%). The expense inflation assumption is set taking into consideration the expected future development of the number of in-force policies, as well as the expected future profile of group maintenance expenses.

Taxation

Future taxation and taxation relief are allowed for at the rates and on the bases applicable to section 29A of the Income Tax Act at the statement of financial position date. Each company's current tax position is taken into account, and taxation rates, consistent with that position and the likely future changes in that position, are allowed for. In respect of capital gains taxation (CGT), taxation is allowed for at the full CGT rate. Deferred taxation includes a provision for CGT on unrealised gains or losses at the valuation date, at the full undiscounted value.

Correlations

No correlations between assumptions are allowed for.

Contribution increases

In the valuation of the liabilities, voluntary premium increases that give rise to expected profits are not allowed for. However, compulsory increases and increases that give rise to expected losses are allowed for. This is consistent with the requirements of PGN 104.

Embedded investment derivative assumptions

The assumptions used to value embedded derivatives, in respect of policyholder contracts, are set in accordance with PGN 110. Account is taken of the yield curve at the valuation date. Both implied market volatility and historical volatility are taken into account when setting volatility assumptions. Long-term volatility assumptions are set based on market information where available, otherwise a measure of subjectivity is required. The 30-year annualised implied at-the-money volatility assumption, estimated using the asset model output for the FTSE/JSE Top 40 index, is 28,05% (2008: 27,74%). Correlations between asset classes are set based on historical evidence. Two thousand simulations are performed in calculating the liability.

A reserve for minimum investment return guarantees, calculated on a stochastic basis in accordance with PGN 110, is held.

Using the simulated investment returns, the prices and implied volatilities of the following instruments are:

Instrument	2009 Price %	2009 Volatility %	2008 Price %	2008 Volatility %
A 1-year at-the-money spot put on the FTSE/JSE Top 40 index	**6,99**	**23,53**	10,33	35,17
A 1-year put on the FTSE/JSE Top 40 index, with a strike price equal to 80% of spot	**1,33**	**23,83**	3,38	35,01
A 1-year forward on the FTSE/JSE Top 40 index	**9,12**	**23,54**	13,63	35,15
A 5-year at-the-money spot put on the FTSE/JSE Top 40 index	**7,67**	**24,50**	13,60	33,21
A 5-year put on the FTSE/JSE Top 40 index, with a strike price equal to $1{,}04^{5\#}$ of spot	**14,33**	**24,47**	21,71	33,09
A 5-year forward on the FTSE/JSE Top 40 index	**18,77**	**24,46**	25,63	33,01
A 5-year put with a strike price equal to $1{,}04^{5\#}$ of spot on an underlying index constructed as 60% FTSE/JSE Top 40 and 40% Asian Local Bond Index (ALBI), with rebalancing of the underlying index back to these weights taking place annually	**5,94**	**N/A**	10,45	N/A
A 20-year at-the-money spot put on the FTSE/JSE Top 40 index	**4,31**	**27,39**	8,26	29,76
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to $1{,}04^{20\#}$ of spot	**18,35**	**27,82**	29,57	29,57
A 20-year forward on the FTSE/JSE Top 40 index	**26,50**	**28,01**	29,46	29,58
A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than the strike	**0,33**	**N/A**	0,40	N/A

 # Exponent

The Top 40 index above is a capital returns index whereas the ALBI is a total return index. Spot refers to the value of the index at market close on 31 December. At-the-money means that the strike value of the option is equal to the spot.

2. Key management assumptions continued

2.9 Long-term insurance contracts continued

The zero coupon yield curve used in the projection is as follows (rates calculated on the nominal annualised compounded continuously method):

	Model output yield curve (%)	
Maturity	**2009**	2008
1 year	**7,10**	8,87
2 years	**7,52**	8,07
3 years	**8,03**	7,87
4 years	**8,34**	7,77
5 years	**8,55**	7,73
10 years	**8,80**	7,52
15 years	**8,43**	6,98
20 years	**7,90**	6,47
25 years	**7,40**	6,13
30 years	**7,00**	5,92
35 years	**6,69**	5,76
40 years	**6,47**	5,65
45 years	**6,31**	5,58
50 years	**6,20**	5,54

Changes in assumptions

Modelling and other changes were made to the valuation to realign valuation assumptions with future experience.

These changes resulted in a net increase in policyholders' liabilities of R506 million in 2009 compared to an increase of R1 361 million in 2008.

The primary items were:

- a change in the assumptions to allow for expected future withdrawals, resulting in an increase in the liability of R765 million (2008: R689 million);
- a change in the assumptions and modelling for policies being made paid-up, resulting in an increase in the liability of R271 million (2008: Rnil);
- a change in the economic valuation assumption to realign the economic assumptions with expected future experience, resulting in an increase in the liability of R466 million (2008: decrease of R172 million);
- a change in the economic valuation assumptions used to calculate the liabilities in respect of minimum investment return guarantees to align the valuation to a market consistent basis, resulting in a decrease in the liability of R1 285 million (2008: increase of R1 328 million);
- a revision of the future expense assumptions, amounting to an increase in the liability of R95 million in 2008;
- the demographic experience assumptions were adjusted to reflect expected future experience, amounting to an increase in the liability of R2 million (2008: decrease of R799 million);
- the method of setting the valuation discount rates for life annuities and guaranteed endowments was changed to reference yield curves appropriate to the assets backing the liabilities. This resulted in an increase in the liability of R197 million (2008: Rnil);
- in 2008 there was also an allowance for the adoption of the revised PGN 107 *Embedded values and the value of new business* (PGN 107) and a revision in the allowance for future Aids-related deaths. The former resulted in a decrease in the liability of R25 million while the latter resulted in an increase in the liability of R74 million; and
- the balance of modelling changes and corrections resulted in an increase in liabilities of R90 million (2008: R171 million).

2.10 Other

The nature of the assumptions or other estimation uncertainty for pensions and other post-employment benefits and for group share incentive schemes are disclosed in note 37 and Annexure C, respectively.

	2009 Rm	2008 Rm
3. Cash and balances with central banks		
Coins and bank notes	**7 604**	6 885
Balances with central banks	**17 379**	18 812
	24 983	25 697

Cash and balances with central banks include R16 454 million (2008: R17 146 million) that is not available for use by the group. These balances comprise primarily reserving requirements held with central banks.

4. Derivative instruments

All derivatives are classified as either derivatives held-for-trading or derivatives held-for-hedging.

4.1 Fair values

The fair value of a derivative financial instrument represents for quoted instruments the quoted market price and for unquoted instruments the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

4.2 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.

4.3 Derivative assets and liabilities

	Maturity analysis of net fair value						
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2009							
Derivatives held-for-trading							
Foreign exchange derivatives	**2 969**	**692**	**123**	**3 784**	**26 208**	**(22 424)**	**546 989**
Forwards	6 934	1 771	117	8 822	25 685	(16 863)	494 310
Futures	(12)	(1)		(13)	36	(49)	6 645
Options	(3 953)	(1 078)	6	(5 025)	487	(5 512)	46 034
Interest rate derivatives	**1 534**	**(358)**	**(438)**	**738**	**109 035**	**(108 297)**	**6 422 528**
Bond options	50	(684)	(1)	(635)	1 376	(2 011)	28 525
Caps and floors	(4)	12	38	46	229	(183)	72 243
Forwards	34	12		46	1 016	(970)	995 350
Future options	43	74		117	120	(3)	2 106 899
Swaps	1 393	173	(592)	974	106 096	(105 122)	3 211 802
Swaptions	18	55	117	190	198	(8)	7 709
Commodity derivatives	**1 876**	**(1 724)**	**713**	**865**	**24 760**	**(23 895)**	**2 408 424**
Forwards	498	(1 204)	711	5	9 756	(9 751)	255 395
Futures	874	(938)	2	(62)	11 308	(11 370)	2 023 541
Options	504	418		922	3 696	(2 774)	129 488
Credit derivatives	**80**	**417**	**281**	**778**	**3 817**	**(3 039)**	**166 119**
Credit default swaps	56	342	93	491	3 496	(3 005)	164 283
Total return swaps	24	75	188	287	321	(34)	1 836
Equity derivatives	**(278)**	**(273)**		**(551)**	**3 397**	**(3 948)**	**308 889**
Forwards	(64)	(37)		(101)	97	(198)	1 894
Futures	80	(8)		72	133	(61)	18 232
Index options	3	(93)		(90)	2 754	(2 844)	260 173
Options	(91)	(161)		(252)	315	(567)	23 189
Swaps	(231)	2		(229)	29	(258)	1 109
Other	25	24		49	69	(20)	4 292
Total derivative assets/(liabilities) held-for-trading	**6 181**	**(1 246)**	**679**	**5 614**	**167 217**	**(161 603)**	**9 852 949**

4. Derivative instruments continued

4.3 Derivative assets and liabilities continued

	Maturity analysis of net fair value Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2009							
Derivatives held-for-hedging							
Derivatives designated as fair value hedges	**1 405**	**111**	**(1 060)**	**456**	**627**	**(171)**	**104 657**
Currency swaps	1	1		2	2		2 280
Interest rate swaps	1 404	110	(1 060)	454	625	(171)	102 377
Derivatives designated as cash flow hedges	**(27)**	**249**	**42**	**264**	**413**	**(149)**	**5 657**
Currency swaps	(28)	120	42	134	255	(121)	5 155
Exchange traded currency options		100		100	128	(28)	453
Forwards		29		29	29		
Interest rate swaps	1			1	1		49
Derivatives designated as hedges of net investments in foreign operations							
Forward exchange contracts	(592)			(592)		(592)	13 558
Total derivative assets/(liabilities) held-for-hedging	**786**	**360**	**(1 018)**	**128**	**1 040**	**(912)**	**123 872**
Total derivative assets/(liabilities)	**6 967**	**(886)**	**(339)**	**5 742**	**168 257**	**(162 515)**	**9 976 821**

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4. Derivative instruments continued

4.3 Derivative assets and liabilities continued

	Maturity analysis of net fair value						
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2008							
Derivatives held-for-trading							
Foreign exchange derivatives	(2 491)	(663)	884	(2 270)	46 626	(48 896)	1 057 105
Forwards	588	828	888	2 304	44 534	(42 230)	774 045
Futures	52	(36)	(4)	12	13	(1)	3 371
Options	(3 131)	(1 455)		(4 586)	2 079	(6 665)	279 689
Interest rate derivatives	2 241	(1 792)	(1 440)	(991)	149 337	(150 328)	12 956 549
Bond options	(25)	(666)	28	(663)	2 769	(3 432)	126 807
Caps and floors	(20)	(3)	39	16	183	(167)	40 676
Forwards	(255)	(78)		(333)	2 814	(3 147)	1 339 396
Future options	621	(187)	36	470	1 663	(1 193)	8 166 919
Swaps	1 870	(907)	(1 420)	(457)	141 551	(142 008)	3 262 179
Swaptions	50	49	(123)	(24)	357	(381)	20 572
Commodity derivatives	5 659	959	190	6 808	55 188	(48 380)	7 882 915
Forwards	6 450	424	(11)	6 863	46 665	(39 802)	7 771 809
Futures	15			15	67	(52)	
Options	(806)	535	201	(70)	8 456	(8 526)	111 106
Credit derivatives	(414)	1 046	316	948	9 565	(8 617)	151 673
Credit default swaps	(136)	1 086	242	1 192	9 040	(7 848)	147 080
Total return swaps	(278)	(40)	74	(244)	525	(769)	4 593
Equity derivatives	(323)	(580)		(903)	3 497	(4 400)	883 521
Forwards	74	141		215	257	(42)	1 675
Futures	3	(3)			274	(274)	52 490
Index options	(298)	(135)		(433)	2 201	(2 634)	363 595
Options	(103)	(486)		(589)	706	(1 295)	464 517
Swaps	4	(39)		(35)	10	(45)	1 244
Other	(3)	(58)		(61)	49	(110)	
Total derivative assets/(liabilities) held-for-trading	4 672	(1 030)	(50)	3 592	264 213	(260 621)	22 931 763

4. Derivative instruments continued

4.3 Derivative assets and liabilities continued

	Maturity analysis of net fair value: Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2008							
Derivatives held-for-hedging							
Derivatives designated as fair value hedges	996	577	(184)	1 389	1 389		95 658
Currency swaps	83			83	83		
Interest rate swaps	913	577	(184)	1 306	1 306		95 658
Derivatives designated as cash flow hedges	87	1 250	(53)	1 284	2 158	(874)	16 934
Currency swaps	527	1 092		1 619	1 619		10 193
Exchange trade currency options	(515)	4		(511)	5	(516)	4 887
Forwards	76	74		150	150		
Interest rate swaps	(1)	80	(53)	26	384	(358)	1 854
Derivatives designated as hedges of net investments in foreign operations							
Forward exchange contracts[1]	(650)			(650)	1	(651)	10 694
Total derivative assets/(liabilities) held-for-hedging	433	1 827	(237)	2 023	3 548	(1 525)	123 286
Total derivative assets/(liabilities)	5 105	797	(287)	5 615	267 761	(262 146)	23 055 049

[1] *Derivatives designated as hedges of net investments in foreign operations have been reclassified from held-for-trading to reflect the group's hedging objective.*

4.4 Use and measurement of derivative instruments

In the normal course of business, the group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate and equity exposures. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised on the statement of financial position and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major types of swap transactions undertaken by the group are as follows:

- interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate;
- credit default swaps are the most common form of credit derivative, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third party reference asset; and
- total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is affected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

4. Derivative instruments continued

4.4 Use and measurement of derivative instruments continued

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded over-the-counter (OTC) or on a regulated exchange.

Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

4.5 Derivatives held-for-trading

The group trades derivative instruments on behalf of customers and for its own positions. The group transacts derivative contracts to address customer demand both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The group also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

4.5.1 Foreign exchange derivatives

Foreign exchange derivatives are used to hedge foreign currency risks on behalf of customers and for the group's own positions. Foreign exchange derivatives primarily consist of forward exchange contracts, foreign exchange futures and foreign exchange options.

4.5.2 Interest rate derivatives

Interest rate derivatives are used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the group's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, future options, forward rate agreements, swaps and swaptions.

4.5.3 Commodity derivatives

Commodity derivatives are used to address customer commodity demands and to take proprietary positions for the group's own account. Commodity derivatives primarily consist of commodity forwards, commodity futures and commodity options.

4.5.4 Credit derivatives

Credit derivatives are used to hedge the credit risk from one counterparty to another and manage the credit exposure to selected counterparties on behalf of customers and for the group's own positions. Credit derivatives primarily consist of credit default swaps and total return swaps.

4.5.5 Equity derivatives

Equity derivatives are used to address customer equity demands and to take proprietary positions for the group's own account. Equity derivatives primarily consist of forwards, futures, options, index options, swaps and other equity-related financial derivative instruments.

4.6 Derivatives held-for-hedging

The group enters into derivative transactions, which are designated and qualify as either fair value, cash flow, or net investment hedges for recognised assets or liabilities or highly probable forecast transactions. Derivatives designated as hedging instruments consist of:

4.6.1 Derivatives designated as fair value hedges and fair value portfolio hedges

The group's fair value hedges principally consist of currency swaps and interest rate swaps that are used to mitigate the risk of changes in market interest rates and currencies. The group uses interest rate swaps for the portfolio hedge of interest rate risk.

Gains or losses arising from fair value hedges

	2009 Rm	2008 Rm
Gains/(losses)		
on hedging instruments	349	508
on the hedged items attributable to the hedged risk	(284)	(526)

4.6.2 Derivatives designated as cash flow hedges

The group uses currency swaps, exchange traded currency options, forwards and interest rate swaps to mitigate against changes in cash flows of certain variable rate debt issues. The group applies hedge accounting for its non-trading interest rate risk in major currencies by analysing expected cash flows on a group basis. The objective is to mitigate against changes in future interest cash flows resulting from the impact of changes in market interest rates and reinvestment or reborrowing of current balances.

4. Derivative instruments continued

4.6 Derivatives held-for-hedging continued

4.6.2 Derivatives designated as cash flow hedges continued

The group uses currency forwards to mitigate against the risk of changes in cash flows arising from changes in foreign currency rates on the forecast placement of funds between group entities. The group applies hedge accounting where the forecast intra-group placement of funds is both denominated in a currency other than the functional currency of the entity providing the funds and where the placement of funds will affect consolidated profit or loss in the future.

The forecast timing of the release of net cash flows from the cash flow hedging reserve into profit or loss at 31 December is as follows:

	3 months or less Rm	More than 3 months but less than 1 year Rm	More than 1 year but less than 5 years Rm	More than 5 years Rm
2009				
Net cash inflow	**1**	**3**	**195**	**659**
2008				
Net cash inflow/(outflow)	590	(1 474)	799	1 338

The fair value (losses)/gain removed from the cash flow hedging reserve and recycled to profit or loss, have been included in the following line items in the income statement:

	2009 Rm	2008 Rm
Net interest income	**(42)**	(207)
Trading revenue	**(13)**	1
Other operating expenses	**(210)**	(196)
	(265)	(402)

Ineffectiveness that arises from cash flow hedges is recognised immediately in profit or loss. A loss of R5 million due to ineffectiveness was recognised in profit or loss in 2009 (2008: R6 million profit).

There were no transactions for which cash flow hedge accounting had to be discontinued in 2009 or 2008 as a result of highly probable cash flows no longer being expected to occur.

4.6.3 Derivatives designated as hedges of net investments in foreign operations

The objective of the hedges of net investments is to limit the risk of a decline in the net asset value of the group's investments in foreign operations brought about by changes in exchange rates. To limit this risk, forward exchange contracts have been sold where considered appropriate.

No ineffectiveness was recognised in profit or loss for the year ended 31 December 2009 that arose from hedges of net investments in foreign operations (2008: nil).

4.7 Day one profit and loss

The table below sets out the aggregate day one profits yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balance during the year:

	2009 Rm	2008 Rm
Unamortised profit at beginning of the year	**96**	36
Additional profit on new transactions	**2**	62
Recognised in profit or loss during the year	**(17)**	(2)
Unamortised profit at end of the year	**81**	96

		2009 Rm	2008[1] Rm
5.	**Trading assets**		
5.1	**Classification**		
	Listed	**63 619**	54 480
	Unlisted	**26 025**	30 747
		89 644	85 227
	Comprising:		
	Government, municipality and utility bonds	**21 872**	20 354
	Corporate bonds	**18 237**	18 646
	Listed equities	**2 311**	3 648
	Unlisted equities	**1 188**	1 739
	Collateral	**8 184**	5 055
	Reverse repurchase agreements	**9 902**	10 406
	Commodities	**26 177**	16 802
	Other instruments	**1 773**	8 577
		89 644	85 227
	Maturity analysis		
	The maturities represent periods to contractual redemption of the trading assets recorded.		
	Redeemable on demand	**33 145**	21 024
	Maturing within 1 month	**14 141**	12 498
	Maturing after 1 month but within 6 months	**6 460**	6 062
	Maturing after 6 months but within 12 months	**2 702**	5 096
	Maturing after 12 months	**29 849**	35 708
	Undated assets	**3 347**	4 839
		89 644	85 227

[1] *Comparative figures reclassified to align with 2009 classification.*

Directors' valuation

The directors' valuation of unlisted investments is equal to the carrying value which approximates fair value. All unlisted investments were valued at 31 December 2009.

5.2 Day one profits

The table below sets out the aggregate day one profits yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balance during the year:

	2009 Rm	2008 Rm
Unamortised profit at beginning of the year	**18**	3
Additional profit on new transactions		18
Recognised in profit or loss during the year	**(16)**	(5)
Exchange differences	**(2)**	2
Unamortised profit at end of the year		18

	2009 Rm	2008 Rm
6. Pledged assets and assets not derecognised		
6.1 Pledged assets		
Financial assets that may be repledged or resold by counterparties		
Government, municipality and utility bonds	**3 196**	4 215
Corporate bonds	**1 737**	1 896
Listed equities[1]	**875**	1 621
Loans and advances to banks		89
Loans and advances to customers		155
Other instruments		397
	5 808	8 373

[1] Listed equities which are being utilised in scrip lending transactions.

Maturity analysis

The maturities represent periods to contractual redemption of the pledged assets recorded.

	2009 Rm	2008 Rm
Redeemable on demand		
Maturing within 1 month	**45**	548
Maturing after 1 month but within 6 months	**2 264**	2 928
Maturing after 6 months but within 12 months	**799**	857
Maturing after 12 months	**2 700**	4 040
	5 808	8 373

6.2 Total assets pledged

The carrying amount of total financial assets that have been pledged as collateral for liabilities (including amounts reflected in 6.1 above) at 31 December 2009 was R19 840 million (2008: R26 188 million).

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets.

These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities.

6.3 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities which are not recorded on the statement of financial position that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R77 629 million (2008: R82 826 million).

The fair value of financial assets accepted as collateral that have been sold or repledged is R13 076 million (2008: R14 598 million). The group is obliged to return equivalent securities.

These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities.

6. Pledged assets and assets not derecognised continued

6.4 Assets transferred not derecognised

Securitisations and other structured transactions

The group enters into transactions in the normal course of business by which it transfers recognised financial assets directly to third parties or SPEs. These transfers may give rise to full derecognition of the financial assets concerned.

Full derecognition occurs when the group transfers its contractual right to receive cash flows from the financial assets and substantially all the risks and rewards of ownership. The risks include interest rate, currency, prepayment and other price risks.

The group has retained substantially all of the credit risk associated with the transferred assets, and continues to recognise these assets.

The table below analyses the carrying amount of securitised financial assets that did not qualify for derecognition during the year, and their associated liabilities.

	Carrying amount of transferred assets 2009 Rm	Carrying amount of associated liabilities 2009 Rm	Carrying amount of transferred assets 2008 Rm	Carrying amount of associated liabilities 2008 Rm
Nature of transaction				
Mortgage lending	15 879	15 829	17 312	17 299
Instalment sale and finance leases	365	349	1 156	1 208
	16 244	16 178	18 468	18 507

Other assets transferred not derecognised

The majority of other financial assets that do not qualify for derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. Risks to which the group remains exposed include credit and interest rate risk.

The following table presents details of other financial assets which have been sold or otherwise transferred, but which have not been derecognised, and their associated liabilities.

	Carrying amount of assets 2009 Rm	Carrying amount of associated liabilities 2009 Rm	Carrying amount of assets 2008 Rm	Carrying amount of associated liabilities 2008 Rm
Nature of transaction				
Repurchase agreements	2 941	2 693	4 174	3 697

		2009 Rm	2008[1] Rm
7.	**Financial investments**		
	Financial investments held in banking activities (note 7.1)	**79 849**	80 040
	Financial investments held by investment management and life insurance activities (note 7.2)	**181 217**	173 219
		261 066	253 259
7.1	**Financial investments held in banking activities**		
	Short-term negotiable securities	**54 097**	53 259
	Listed	**7 430**	5 490
	Unlisted[2]	**46 667**	47 769
	Other financial investments	**25 752**	26 781
	Listed	**20 238**	20 727
	Unlisted	**5 514**	6 054
		79 849	80 040
	Comprising:		
	Government, municipality and utility bonds	**55 231**	54 215
	Corporate bonds	**13 382**	12 612
	Listed equities	**3 162**	3 609
	Unlisted equities	**2 952**	2 342
	Other instruments	**5 122**	7 262
		79 849	80 040
	Maturity analysis		
	The maturities represent periods to contractual redemption of the financial investments recorded.		
	Redeemable on demand		128
	Maturing within 1 month	**22 479**	18 048
	Maturing after 1 month but within 6 months	**29 047**	37 733
	Maturing after 6 months but within 12 months	**10 129**	5 223
	Maturing after 12 months	**12 105**	12 518
	Undated investments	**6 089**	6 390
		79 849	80 040

[1] *Comparative figures reclassified to align with 2009 classification.*
[2] *Included in unlisted short-term negotiable securities are SARB debentures and negotiable certificates of deposits.*

Directors' valuation

The directors' valuation of unlisted investments is equal to the carrying value. All unlisted investments were valued at 31 December 2009.

	2009 Rm	2008 Rm
7. Financial investments continued		
7.2 Financial investments held by investment management and life insurance activities		
Quoted in an active market – listed	**110 907**	97 714
Equities	**71 287**	57 825
Preference shares	**1 951**	1 819
Commercial term deposits	**15 807**	16 765
Mutual funds	**79**	
Government, municipal and utility stocks	**21 783**	21 305
Quoted in an active market – unlisted	**44 878**	57 850
Commercial term deposits	**17 351**	23 558
Mutual funds	**27 509**	28 159
Government, municipal and utility stocks	**18**	6 133
Unquoted and unlisted	**14 025**	11 808
Equities	**719**	916
Preference shares	**2 185**	2 146
Mutual funds	**300**	
Investment policies	**10 821**	8 746
Loans and receivables	**11 407**	5 847
Mortgages and loans	**770**	735
Cash held with banks	**10 637**	5 112
	181 217	173 219
Maturity analysis		
Maturity profile of commercial term deposits, government, municipal and utility stocks and mortgages and loans:		
Maturing within 1 year	**8 297**	14 356
Maturing after 1 year but within 5 years	**18 639**	18 712
Maturing after 5 years but within 10 years	**9 541**	16 032
Maturing after 10 years but within 20 years	**12 710**	13 097
Maturing after 20 years	**5 772**	5 564
Open ended[1]	**770**	735
	55 729	68 496

[1] *Open ended represents mortgages and loans which are secured against policyholder contracts and the maturity profile is not determinable as the holder has the option to settle at any time prior to the contract maturity date.*

There is no maturity profile for listed and unlisted equities and other non-term instruments as management is unable to provide a reliable estimate given the volatility of equity markets and policyholder behaviour.

	2009 Rm	2008 Rm
8. Loans and advances		
8.1 Loans and advances net of impairment		
Loans and advances to banks	**122 923**	129 890
Call loans	**11 264**	25 192
Loans granted under resale agreements	**18 808**	16 181
Balances with banks	**92 851**	88 517
Loans and advances to customers	**598 466**	658 044
Gross loans and advances to customers	**617 132**	672 062
Mortgage loans	**257 336**	252 050
Instalment sale and finance leases (note 8.2)	**55 966**	67 777
Card debtors	**22 045**	22 998
Overdrafts and other demand loans	**60 129**	63 973
Other term loans	**156 727**	186 053
Loans granted under resale agreements	**15 313**	18 848
Commercial property finance	**33 617**	34 125
Foreign currency loans	**15 124**	24 611
Other loans and advances	**875**	1 627
Credit impairments for loans and advances (note 8.3)	**(18 666)**	(14 018)
Credit impairments for non-performing loans	**(13 078)**	(8 596)
Credit impairments for performing loans	**(5 588)**	(5 422)
Net loans and advances	**721 389**	787 934
Comprising:		
Gross loans and advances	**740 055**	801 952
Less: Credit impairments	**(18 666)**	(14 018)
Net loans and advances	**721 389**	787 934

The carrying value of loans and advances was reduced by R227 million (2008: increased by R2 374 million) for fair value adjustments arising from risks subject to fair value hedging relationships.

	2009 Rm	2008 Rm
Maturity analysis		
The maturity analysis is based on the remaining periods to contractual maturity from year end.		
Redeemable on demand	**99 389**	91 327
Maturing within 1 month	**113 525**	126 985
Maturing after 1 month but within 6 months	**68 168**	99 179
Maturing after 6 months but within 12 months	**66 424**	61 357
Maturing after 12 months	**392 549**	423 104
Gross loans and advances	**740 055**	801 952

Annual financial statements

	2009 Rm	2008 Rm
8. Loans and advances continued		
8.1 Loans and advances net of impairment continued		
Segmental analysis – industry[1]		
Agriculture	**10 435**	18 087
Construction	**18 225**	7 798
Electricity	**3 844**	7 291
Finance, real estate and other business services	**218 404**	214 909
Individuals	**318 870**	316 296
Manufacturing	**31 419**	46 360
Mining	**29 428**	34 402
Other services	**62 073**	96 770
Transport	**19 657**	24 983
Wholesale	**27 700**	35 056
Gross loans and advances	**740 055**	801 952

[1] *Comparative figures reclassified to align with 2009 classification.*

The following table sets out the distribution of the group's loans and advances by geographic area where the loans are recorded.

	2009		2008	
	%	Rm	%	Rm
Segmental analysis – geographic area				
South Africa	**74**	**551 793**	69	556 279
Rest of Africa	**6**	**43 379**	7	54 559
Outside Africa	**20**	**144 883**	24	191 114
Gross loans and advances	**100**	**740 055**	100	801 952

8.2 Instalment sale and finance leases

	2009 Rm	2008 Rm
Gross investment in instalment sale and finance leases	**65 830**	83 506
Receivable within 1 year	**24 225**	30 069
Receivable after 1 year but within 5 years	**41 246**	53 103
Receivable after 5 years	**359**	334
Unearned finance charges deducted	**(9 864)**	(15 729)
Net investment in instalment sale and finance leases	**55 966**	67 777
Receivable within 1 year	**19 882**	23 845
Receivable after 1 year but within 5 years	**35 742**	43 612
Receivable after 5 years	**342**	320

8. Loans and advances continued

8.3 Credit impairments for loans and advances

A reconciliation of the allowance for impairment losses for loans and advances, by class:

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2009							
Non-performing loans							
Balance at beginning of the year	**3 204**	**1 535**	**732**	**1 565**	**1 523**	**37**	**8 596**
Net impairments raised and released	**3 801**	**1 890**	**1 741**	**2 441**	**2 142**	**276**	**12 291**
Impaired accounts written off	**(946)**	**(1 447)**	**(1 099)**	**(1 379)**	**(448)**	**(4)**	**(5 323)**
Discount element recognised in interest income	**(1 351)**	**(155)**	**(43)**	**(146)**	**(90)**		**(1 785)**
Exchange and other movements	**(9)**	**(24)**	**7**	**(77)**	**(598)**		**(701)**
Balance at end of the year	**4 699**	**1 799**	**1 338**	**2 404**	**2 529**	**309**	**13 078**
Performing loans							
Balance at beginning of the year	**776**	**507**	**852**	**1 364**	**1 740**	**183**	**5 422**
Net impairments raised and released	**255**	**266**	**(180)**	**(320)**	**297**		**318**
Impaired accounts written off				**(4)**			**(4)**
Exchange and other movements	**5**	**(4)**	**(12)**	**22**	**(159)**		**(148)**
Balance at end of the year	**1 036**	**769**	**660**	**1 062**	**1 878**	**183**	**5 588**
Total	**5 735**	**2 568**	**1 998**	**3 466**	**4 407**	**492**	**18 666**
2008							
Non-performing loans							
Balance at beginning of the year	1 201	613	406	986	703	14	3 923
Acquisitions of subsidiaries		16	1	12	83		112
Net impairments raised and released	3 128	1 742	2 315	1 651	991	27	9 854
Impaired accounts written off	(280)	(720)	(1 997)	(1 070)	(308)		(4 375)
Discount element recognised in interest income	(778)	(99)		(74)	(35)		(986)
Exchange and other movements	(67)	(17)	7	60	89	(4)	68
Balance at end of the year	3 204	1 535	732	1 565	1 523	37	8 596
Performing loans							
Balance at beginning of the year	344	520	748	648	898	182	3 340
Net impairments raised and released	436	(17)	100	719	757	1	1 996
Acquisition of subsidiaries				15	21		36
Exchange and other movements	(4)	4	4	(18)	64		50
Balance at end of the year	776	507	852	1 364	1 740	183	5 422
Total	3 980	2 042	1 584	2 929	3 263	220	14 018

8. Loans and advances continued

8.3 Credit impairments for loans and advances continued

Segmental analysis of impairments for non-performing loans – industry

	2009 Rm	2008 Rm
Agriculture	**278**	458
Construction	**659**	195
Electricity	**13**	5
Finance, real estate and other business services	**1 569**	557
Individuals	**7 428**	5 122
Manufacturing	**768**	388
Mining	**317**	129
Other services	**1 300**	1 225
Transport	**177**	96
Wholesale	**569**	421
	13 078	8 596

Segmental analysis of impairments for non-performing loans – geographic area

The following table sets out the distribution of the group's impairments by geographic area where the loans are recorded.

	2009		2008	
	%	Rm	%	Rm
South Africa	**79**	**10 297**	75	6 474
Rest of Africa	**8**	**1 000**	12	1 022
Outside Africa	**13**	**1 781**	13	1 100
	100	**13 078**	100	8 596

	2009 Rm	2008 Rm
9. Current and deferred tax assets		
Current tax assets	**136**	190
Deferred tax assets (note 19.1)	**1 345**	1 127
	1 481	1 317
10. Other assets[1]		
Trading settlement assets	**2 858**	8 518
Items in the course of collection	**1 411**	1 403
Operating leases – accrued income (note 12)	**1 156**	1 067
Deferred acquisition costs	**337**	344
Defined benefit pension fund – employers surplus (note 37)	**170**	144
Insurance prepayments and reinsurance assets	**2 058**	3 845
Prepayments	**1 728**	1 905
Other debtors	**7 208**	13 172
	16 926	30 398

[1] *Comparative figures reclassified to align with 2009 classification.*

		2009 Rm	2008 Rm
11.	**Interest in associates and joint ventures**		
	Associates and joint ventures accounted for under the equity method	**4 550**	2 264
	Associates held at fair value	**4 979**	4 726
		9 529	6 990
	Directors' valuation		
	The directors' valuation of the investments in associates and joint ventures is R9 691 million (2008: R7 095 million).		
	Equity accounted associates and joint ventures		
	Carrying value at beginning of the year	**2 264**	1 996
	Share of profits	**384**	407
	Impairments of associates[1]	**(379)**	(139)
	Impairments of private equity associates included in non-interest revenue		(69)
	Acquisitions	**2 526**	182
	Disposals	**(27)**	
	Share of direct reserve movements	**(38)**	(7)
	Distribution of profit	**(180)**	(106)
	Carrying value at end of the year	**4 550**	2 264
	Comprising:		
	Cost of investments	**4 099**	1 600
	Share of reserves	**1 122**	956
	Cumulative impairment	**(671)**	(292)
		4 550	2 264
	Share of profits from associates and joint ventures		
	Share of profits	**384**	407
	Impairments of associates[1]	**(379)**	(139)
	Deferred capital gains tax on impairment	**28**	
		33	268

[1] *The recoverable amount utilised to calculate the impairment was based on a price-earning valuation. The price-earnings ratio of comparable entities was utilised with an adjustment made for the liquidity of the entities' shares.*

There are no significant restrictions on the ability of associates and joint ventures to transfer funds to the group in the form of cash dividends or repayment of loans or advances.

	2009 Rm	2008 Rm
Key financial information of associates and joint ventures accounted for under the equity method		
Statement of financial position		
Non-current assets	**11 871**	5 591
Current assets	**40 074**	8 761
Non-current liabilities	**(6 369)**	(4 566)
Current liabilities	**(34 099)**	(4 459)
Income statement		
Total income	**8 226**	7 505
Total expense	**(6 795)**	(6 503)
Total profit or loss	**1 261**	984
Equity accounted associates and joint ventures and the group's interests therein are listed in Annexure B on pages 309 to 311.		
Key financial information of associates held at fair value		
Total investments	**14 200**	13 268
Current assets	**475**	434
Current liabilities	**(296)**	(425)
Total revenue	**564**	912

Associates held at fair value consist of units or shares held in mutual funds held by Liberty. The units or shares are by their nature demand deposits and are held at fair value. The net income or loss is capitalised to unit values within each fund and is equivalent to fair value adjustments.

		2009 Rm	2008 Rm
12.	**Investment property**		
	Fair value at beginning of the year	**16 771**	14 937
	Revaluations net of lease straight-lining	**711**	1 634
	Revaluations	**830**	1 544
	Net movement on straight-lining operating leases	**(119)**	90
	Additions – property acquired		8
	Additions – capitalised subsequent expenditure	**1 628**	190
	Disposals	**(186)**	
	Net transfers from property and equipment	**134**	2
	Reclassifications (to)/from owner-occupied properties	**(2)**	2
	Re-designation from equipment and owner-occupied properties under development	**136**	
	Fair value at end of the year	**19 058**	16 771
	Investment property and related operating lease balances comprise the following:		
	Investment properties at fair value	**19 058**	16 771
	Operating leases – accrued income (note 10)	**1 156**	1 067
	Operating leases – accrued expense (note 20.1)	**(185)**	(215)
		20 029	17 623
	At the end of the year investment properties comprised the following property types:		
	Office buildings	**1 408**	1 010
	Shopping malls	**15 962**	14 257
	Hotels	**2 091**	1 778
	Other	**568**	578
	Total investment property	**20 029**	17 623

The investment properties were independently valued as at 31 December 2009 by Ian Mitchell Investment Property Consultants CC and Asset Valuation Services CC, who are both registered as professional valuers with the South African Council for the Property Valuers Profession as well as members of the Institute of Valuers of South Africa. The method of valuation is more fully described in note 2.

At 31 December 2009 and 2008 there was no significant unlet space in the investment properties held by the group.

The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounted to R1 662 million (2008: R1 305 million). Direct operating expenses arising on the investment property amounted to R303 million (2008: R235 million).

	2009 Rm	2008 Rm
13. Goodwill and other intangible assets		
Goodwill (note 13.1)	**3 839**	5 137
Other intangible assets (note 13.2)	**5 570**	5 043
	9 409	10 180
13.1 Goodwill		
Goodwill on subsidiaries		
Cost at beginning of the year	**5 633**	3 991
Acquisitions		1 047
Disposals		(2)
Exchange movements	**(1 258)**	597
Cost at end of the year	**4 375**	5 633
Accumulated impairment at beginning of the year	**(496)**	(491)
Goodwill impairment charge (note 27.14)	**(42)**	(5)
Exchange movements	**2**	
Accumulated impairment at end of the year	**(536)**	(496)
Carrying amount	**3 839**	5 137

	2009			2008		
	Gross goodwill Rm	**Accumulated impairment Rm**	**Net goodwill Rm**	Gross goodwill Rm	Accumulated impairment Rm	Net goodwill Rm
Goodwill comprises:						
Argentina ING Bank	**12**	**(12)**		12	(12)	
Standard Bank s.a.r.l. (Mozambique)	**94**		**94**	134		134
Capital Alliance Holdings Limited	**397**	**(397)**		397	(397)	
Neil Harvey and Associates	**114**		**114**	114		114
Melville Douglas Investment Management (Proprietary) Limited	**44**	**(22)**	**22**	44	(22)	22
Stanbic Bank Botswana Limited	**19**		**19**	21		21
Standard Bank Limited (Malawi)	**33**		**33**	42		42
Stanbic Bank Uganda Limited	**11**		**11**	13		13
Standard Bank Asia Limited (Hong Kong)	**49**	**(16)**	**33**	59	(16)	43
Triskelion Trust Company Limited	**53**	**(53)**		55	(49)	6
Stanbic IBTC Bank Plc (Nigeria)	**2 621**		**2 621**	3 604		3 604
Standard Ünlü Menkul Degerler A.S. (Turkey)	**190**	**(36)**	**154**	231		231
CfC Stanbic Holdings Limited (Kenya)	**738**		**738**	907		907
	4 375	**(536)**	**3 839**	5 633	(496)	5 137

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the smallest cash-generating unit. Cash-generating units are defined as the corporate entities listed above. Impairment testing in respect of goodwill is performed annually by comparing the recoverable amounts of cash-generating units to the carrying amounts. The recoverable amount is defined as the higher of the entity's fair value less costs to sell and its value in use and is determined on an entity-by-entity basis.

Goodwill relating to Stanbic IBTC Bank Plc (Nigeria) and CfC Stanbic Holdings Limited (Kenya) makes up the majority of the group's goodwill amount and was tested for impairment as described on the following page.

13. Goodwill and other intangible assets continued

13.1 Goodwill continued

Stanbic IBTC Bank Plc

Goodwill relating to Stanbic IBTC Bank Plc was tested for impairment on 31 December 2009. The recoverable amount was determined to be the value in use. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use. A five-year forecast was used as a basis for future cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 10,8%. The pre-tax discount rate used was based on an assessment of the risks applicable to the specific entity and country in which it operates. The cost of equity discount rate calculated for the forecast years was 23,6% per annum. The cost of equity assigned to the cash-generating unit and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is derived from an equity pricing model deemed appropriate based on the entity under review. The risk free rate used to determine the cost of equity has been calculated as the average yield to maturity of the Eurobonds issued by Indonesia and Philippines and using the inflation differential between Nigeria and the United States of America. These variables are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating unit. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, no impairment was identified.

In 2008, goodwill relating to Stanbic IBTC Bank Plc was tested for impairment on 31 December 2008. The recoverable amount was determined to be the fair value less the costs to sell. The group's carrying value in Stanbic IBTC Bank Plc was compared to the listed share price after deducting brokerage. Based on the tests performed, no impairment was identified.

CfC Stanbic Holdings Limited

Goodwill relating to CfC Stanbic Holdings Limited was tested for impairment on 31 December 2009. The recoverable amount was determined to be the value in use. Unless indicated otherwise, the value in use in 2009 was determined similarly as in 2008. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use. An eight year (2008: four year) forecast was used as a basis for future cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 12,89% (2008: 10,99%). The pre-tax discount rate used was based on an assessment of the risks applicable to the specific entity and country in which it operates. The cost of equity discount rate calculated for the forecast years was 19,99% per annum (2008: 20,49% – 23,78%). The cost of equity assigned to the cash-generating unit and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is derived from an equity pricing model deemed appropriate based on the entity under review. The risk free rate used to determine the cost of equity has been derived from the 10-year local Kenyan government bond. In 2008, the cost of equity discount rates have been calculated for each of the forecast years using one year expected inflation differentials between Kenya and the United States of America. These variables are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, no impairment was identified.

The remaining aggregated carrying amount of the goodwill of R480 million (2008: R626 million) has been allocated to cash-generating units that are not considered to be individually significant. These entities were tested for impairment during the year, however no material impairment was deemed necessary.

13.2 Other intangible assets

13.2.1 Summary

	2009 Cost Rm	2009 Accumulated amortisation and impairment Rm	2009 Net book value Rm	2008 Cost Rm	2008 Accumulated amortisation and impairment Rm	2008 Net book value Rm
Computer software	**5 184**	**1 217**	**3 967**	3 963	960	3 003
Other intangible assets[1]	**1 045**	**212**	**833**	1 206	112	1 094
Present value of in-force life insurance	**1 624**	**854**	**770**	1 624	678	946
	7 853	**2 283**	**5 570**	6 793	1 750	5 043

[1] Included in other intangible assets is a property trust that has a right to an indefinite stream of management revenues created by the trust deed of the property trust with a carrying amount of R372 million (2008: R372 million). The stream of revenues is dependent on the life and activity of the trust and therefore no useful life can be determined. The intangible asset is tested annually for impairment and whenever there is an indication of impairment. At present there is no indication of impairment.

13. Goodwill and other intangible assets continued

13.2 Other intangible assets continued

13.2.2 Movement

	2008 Net book value Rm	Additions[1] Rm	Disposals Rm	Impairments Rm	Amortisation Rm	Exchange movements Rm	2009 Net book value[2] Rm
Computer software	**3 003**	**1 703**	**(104)**	**(96)**	**(346)**	**(193)**	**3 967**
Other intangible assets	**1 094**		**(31)**		**(109)**	**(121)**	**833**
Present value of in-force life insurance	**946**			**(14)**	**(162)**		**770**
	5 043	**1 703**	**(135)**	**(110)**	**(617)**	**(314)**	**5 570**

	2007 Net book value Rm	Additions[1] Rm	Disposals Rm	Impairments Rm	Amortisation Rm	Exchange movements Rm	2008 Net book value[2] Rm
Computer software	1 471	1 774	(23)	(132)	(241)	154	3 003
Other intangible assets	715	411			(105)	73	1 094
Present value of in-force life insurance	1 110				(164)		946
	3 296	2 185	(23)	(132)	(510)	227	5 043

[1] *Includes additions arising from business acquisitions of Rnil (2008: R669 million). During 2009, R47 million (2008: R6 million) of interest was capitalised.*
[2] *Includes work in progress of R1 829 million (2008: R1 255 million) for which depreciation has not yet commenced.*

There are no significant intangible assets pledged as security for liabilities.

14. Property and equipment

14.1 Summary

	2009 Cost Rm	2009 Accumulated depreciation and impairment Rm	2009 Net book value Rm	2008 Cost Rm	2008 Accumulated depreciation and impairment Rm	2008 Net book value Rm
Property						
Freehold	**4 519**	**445**	**4 074**	4 029	439	3 590
Leasehold	**1 821**	**262**	**1 559**	987	277	710
	6 340	**707**	**5 633**	5 016	716	4 300
Equipment						
Computer equipment	**7 922**	**5 294**	**2 628**	7 220	4 888	2 332
Motor vehicles	**796**	**408**	**388**	844	407	437
Office equipment	**992**	**450**	**542**	897	376	521
Furniture and fittings	**4 728**	**1 669**	**3 059**	3 690	1 534	2 156
	14 438	**7 821**	**6 617**	12 651	7 205	5 446
Total	**20 778**	**8 528**	**12 250**	17 667	7 921	9 746

14. Property and equipment continued

14.2 Movement

	2008 Net book value Rm	Additions[1] Rm	Disposals[2] Rm	Impairments Rm	Depreciation Rm	Transfers[3] Rm	Exchange movements Rm	2009 Net book value[4] Rm
Property								
Freehold	**3 590**	**839**	**(13)**		**(48)**	**(7)**	**(287)**	**4 074**
Leasehold	**710**	**1 250**	**(4)**	**(5)**	**(131)**	**(127)**	**(134)**	**1 559**
	4 300	**2 089**	**(17)**	**(5)**	**(179)**	**(134)**	**(421)**	**5 633**
Equipment								
Computer equipment	**2 332**	**1 340**	**(22)**	**(25)**	**(937)**		**(60)**	**2 628**
Motor vehicles	**437**	**178**	**(43)**		**(143)**		**(41)**	**388**
Office equipment	**521**	**230**	**(11)**	**(1)**	**(126)**		**(71)**	**542**
Furniture and fittings	**2 156**	**1 403**	**(27)**	**(15)**	**(361)**		**(97)**	**3 059**
	5 446	**3 151**	**(103)**	**(41)**	**(1 567)**		**(269)**	**6 617**
Total	**9 746**	**5 240**	**(120)**	**(46)**	**(1 746)**	**(134)**	**(690)**	**12 250**

	2007 Net book value Rm	Additions[1] Rm	Disposals[2] Rm	Impairments Rm	Depreciation Rm	Transfers[3] Rm	Exchange movements Rm	2008 Net book value[4] Rm
Property								
Freehold	2 731	809	(38)	(5)	(46)	(15)	154	3 590
Leasehold	180	607	(4)	(40)	(74)	13	28	710
	2 911	1 416	(42)	(45)	(120)	(2)	182	4 300
Equipment								
Computer equipment	2 177	1 037	(8)	(1)	(908)		35	2 332
Motor vehicles	366	257	(57)	(4)	(142)		17	437
Office equipment	329	290	(5)	(34)	(88)		29	521
Furniture and fittings	1 433	996	(8)		(306)		41	2 156
	4 305	2 580	(78)	(39)	(1 444)		122	5 446
Total	7 216	3 996	(120)	(84)	(1 564)	(2)	304	9 746

[1] *Includes additions arising from business acquisitions of Rnil (2008: R209 million). During 2009, R5 million (2008: R25 million) of interest was capitalised.*
[2] *Includes amounts arising on the disposal of subsidiaries of R23 million (2008: Rnil).*
[3] *Refer to note 12 – Investment property.*
[4] *Includes work in progress of R238 million (2008: R373 million) for which depreciation has not yet commenced.*

There is no significant property or equipment for which title is restricted or which is pledged as security for liabilities.

14.3 Valuation

The fair market value of freehold property, based on valuations undertaken during 2009 and 2008 by valuers registered under the Valuers Act 1982, was estimated at R4 966 million (2008: R3 990 million). Registers of property are available for inspection by members, or their authorised agents, at the registered office of the company and its subsidiaries. Valuation was generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

	2009 Rm	2008 Rm
15. Share capital		
15.1 Authorised		
1 750 000 000 (2008: 1 750 000 000) ordinary shares of 10 cents each	**175**	175
8 000 000 (2008: 8 000 000) 6,5% first cumulative preference shares of R1 each	**8**	8
1 000 000 000 (2008: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	**10**	10
	193	193
15.2 Issued		
Ordinary share capital		
1 558 257 155 (2008: 1 525 007 647) ordinary shares of 10 cents each	**156**	153
Ordinary share premium	**17 041**	16 844
A premium of R200 million (2008: R16 116 million) was raised on the allotment and issue during the year of 6 060 886 ordinary shares (2008: 158 859 635).		
During 2009 the group declared a scrip distribution with a cash alternative. The scrip distribution was made from share premium and 27 188 622 ordinary shares were issued. R3 million was transferred to ordinary share capital.		
During 2008 a premium of R503 million was utilised on the buy-back of 6 449 279 ordinary shares.		
Preference share capital and premium	**5 503**	5 503
8 000 000 (2008: 8 000 000) 6,5% first cumulative preference shares of R1 each – first preference shares	**8**	8
52 982 248 (2008: 52 982 248) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each - second preference shares	**1**	1
Preference share premium – non-redeemable, non-cumulative, non-participating preference shares – second preference shares	**5 494**	5 494
The non-redeemable, non-cumulative, non-participating preference shares are entitled to an annual dividend, if declared, payable in two semi-annual instalments of not less than 70% of the prime interest rate multiplied by the subscription price of R100 per share.		
All classes of preference shares in issue are non-redeemable.		
	22 700	22 500

The number of shares in terms of options and appreciation rights available to be granted under the terms of the group's equity compensation plans as at the end of the year was 94 005 716 (2008: 96 595 254).

The Group Share Incentive Scheme and Equity Growth Scheme reconciliations are disclosed in Annexure C on pages 312 to 317.

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15. Share capital continued

15.2 Issued continued

	Number of ordinary shares	Number of first preference shares	Number of second preference shares
Reconciliation of shares issued			
Shares in issue at 1 January 2008	1 372 597 291	8 000 000	52 982 248
Shares issued during 2008 in terms of the group's equity compensation plans	6 353 830		
Shares issued in terms of the ICBC transaction	152 505 805		
Share buy-backs	(6 449 279)		
Shares in issue at 31 December 2008	1 525 007 647	8 000 000	52 982 248
Net shares held in terms of the group's Tutuwa initiative	63 478 810		
Total number of shares held initially by Tutuwa SPEs (note 16)	99 190 197		
Less: Portion of shares financed directly by third parties (note 16)	(24 691 358)		
Less: Number of shares sold in terms of the ICBC transaction (note 16)	(11 020 029)		
Shares held by entities within the group	30 910 966		
Shares held by other shareholders	1 430 617 871	8 000 000	52 982 248
Shares issued during 2009 in terms of the group's equity compensation plans	**6 060 886**		
Shares issued in terms of the final scrip distribution declared in respect of 2008 and distributed on 6 April 2009	**27 188 622**		
Shares in issue at 31 December 2009	**1 558 257 155**	**8 000 000**	**52 982 248**
Net shares held in terms of the group's Tutuwa initiative	**63 478 810**		
Total number of shares held initially by Tutuwa SPEs (note 16)	**99 190 197**		
Less: Portion of shares financed directly by third parties (note 16)	**(24 691 358)**		
Less: Number of shares sold in terms of the ICBC transaction (note 16)	**(11 020 029)**		
Shares held by entities within the group	**20 434 139**		
Shares held by other shareholders	**1 474 344 206**	**8 000 000**	**52 982 248**

All issued shares are fully paid up.

		2009 Rm	2008 Rm
15.3	**Unissued shares**		
	56 532 008 (2008: 89 781 516) ordinary shares of 10 cents each, of which 56 532 008 (2008: 68 629 865) are under the general authority of the directors which authority expires at the annual general meeting to be held on 27 May 2010	**6**	9
	135 210 837 (2008: 135 210 837) ordinary shares of 10 cents each are reserved to meet the requirements of the group's share incentive schemes in terms of the authority vested in the directors by members' resolution dated 28 May 2009	**14**	14
	947 017 752 (2008: 947 017 752) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each are under the general authority of the directors which authority expires at the annual general meeting to be held on 27 May 2010	**9**	9
		29	32
15.4	**Interest of directors in the capital of the company**		
	The directors' interests are listed on pages 96, 97, 190 and 191.		
	Number of shares as at 31 December		
	Beneficial ordinary shares	**10 168 631**	10 754 064
	Beneficial non-redeemable, non-cumulative, non-participating preference shares	**42 390**	70 265
	Share incentives	**3 117 500**	2 300 000

16. Empowerment reserve

Standard Bank Group and Liberty entered into a series of transactions in 2004 whereby investments were made in cumulative redeemable preference shares issued by BEE entities. The initial investments made by Standard Bank Group and Liberty totalled R4 017 million and R1 251 million respectively.

The proceeds received from the issue of the cumulative redeemable preference shares were used by the BEE entities to purchase Standard Bank Group and Liberty shares. The BEE entities initially purchased and owned 99 190 197 ordinary shares of Standard Bank Group.

On 20 December 2007 the group obtained financing external to the group for a portion of the financing provided to the SPEs. As a result, the negative empowerment reserve has been reduced by the value of the external financing obtained of R1 billion and a proportion of the Standard Bank Group shares held by the SPEs (24 691 358 shares) are no longer deemed to be treasury shares for accounting purposes.

On 3 March 2008, the BEE entities sold 11,1% or 11 020 029 of their ordinary shares in Standard Bank Group to ICBC, partly using the proceeds for the repayment of their preference share liability, amounting to R986 million.

The preference shares owned by the group do not meet the definition of a financial asset in terms of IFRS and therefore the preference shares are treated as a reduction of equity and are stated in the statement of changes in equity as a debit empowerment reserve. Receipts of preference share dividends are credited directly to reserves. The legal accrual of the preference dividend does not result in an accounting entry but rather lengthens the repayment period. At year end the accumulated unrecognised asset, including accrued dividends, was R2 118 million (2008: R2 153 million) for the Standard Bank Group and R1 184 million (2008: R1 192 million) for Liberty.

The investments in the cumulative redeemable preference shares of the BEE entities are set out below.

	2009 Number of preference shares	2008 Number of preference shares	Issue price per share (R)	**2009 Rm**	2008 Rm
Standard Bank Group					
Shanduka – Tutuwa Strategic Holdings 1 (Proprietary) Limited[1]	**491 682**	491 682	1 000	**492**	492
Safika – Tutuwa Strategic Holdings 2 (Proprietary) Limited[1]	**737 523**	737 523	1 000	**737**	737
Black Managers' Trust – Staff Holdings 1 – 3 (Proprietary) Limited[1]	**1 187 532**	1 187 532	1 000	**1 187**	1 187
The Community Trust – Community Holdings (Proprietary) Limited[1]	**614 603**	614 603	1 000	**615**	615
Total				**3 031**	3 031
Liberty				**1 159**	1 159
Shanduka	**185 000**	185 000	1 000	**185**	185
Safika	**278 000**	278 000	1 000	**278**	278
Black Managers' Trust	**464 000**	464 000	1 000	**464**	464
The Community Trust	**232 000**	232 000	1 000	**232**	232
Total investment				**4 190**	4 190
Financing by parties external to the group[2]				**(1 000)**	(1 000)
Attributable to minorities of Liberty				**(537)**	(537)
Standard Bank Group empowerment reserve				**2 653**	2 653

[1] *The above SPEs owned 88 170 168 (2008: 88 170 168) ordinary shares of the group at 31 December 2009, of which 24 691 358 (2008: 24 691 358) ordinary shares are funded by third party financing.*
[2] *On 20 December 2007 the group obtained financing external to the group for a portion of the financing provided to the SPEs.*

16. Empowerment reserve continued

Reconciliation of investment in preference shares

	Original amount invested 2004 Rm	Redemption 2006[1] Rm	Financing by external parties 2007[2] Rm	Redemption 2008[3] Rm	Attributable to minorities of Liberty Rm	**Remaining amounts invested at 31 December 2009 Rm**
Standard Bank Group	4 017		(1 000)	(986)		**2 031**
Liberty	1 251	(92)			(537)	**622**
	5 268	(92)	(1 000)	(986)	(537)	**2 653**

[1] *On 12 June 2006 Liberty paid a capital reduction of ordinary shares to the BEE entities. The total amount of R92 million received by the respective BEE entities was utilised to redeem a portion of the cumulative preference shares.*
[2] *On 20 December 2007 the group obtained financing external to the group for a portion of the financing provided to the SPEs.*
[3] *On 3 March 2008, Tutuwa participants sold 11,1% or 11 020 029 of their ordinary shares in the group to ICBC, partly using the proceeds for the repayment of their preference share liability, amounting to R986 million.*

The cumulative redeemable preference shares owned by the group attract dividends at 8,5% per annum, while those of Liberty accrue dividends at 67% of the Standard Bank prime lending rate (2008: 66% and 67% with effect from 1 March 2008). The dividend obligation of the preference shares compound on each date when the issuing company receives a dividend from the group or Liberty respectively. Such dividends received are utilised by the issuing company to settle its preference share obligation.

For the purposes of the earnings per share calculation, the weighted average number of company shares in issue is reduced by the number of shares held by the empowerment companies bought with the proceeds received from the preference shares (note 31).

The BEE transaction resulted in the recognition of a share-based payment expense. The instrument was valued using a number of valuation techniques that included the Black-Scholes model and discounted cash flow methods. Due to the uniqueness of the instrument, the mid-point of the range of valuations was used, arriving at a value of R8,50 per Standard Bank Group share at 4 October 2004, the grant date. In terms of IFRS 1, the group elected not to apply the provisions of IFRS 2 to equity-settled awards granted after 7 November 2002, but which had vested prior to 1 January 2005. The instruments relating to the Standard Bank Black Managers' Trusts are accounted over the vesting period ending 31 December 2010, resulting in an expense in 2009 of R35 million (2008: R61 million) for the banking operations and R1 million (2008: R1 million) for Stanlib. Liberty has applied similar principles and has accounted for an expense of R16 million (2008: R24 million).

The sale of ordinary shares of Standard Bank Group by the Standard Bank Black Managers' Trust to ICBC in March 2008, resulted in an acceleration of the vesting of the shares sold. The IFRS 2 expense that otherwise would have been recognised over the remainder of the vesting period for the shares sold was recognised immediately. This resulted in an incremental increase of R7 million in the annual share-based payment expense recognised in 2008.

	2009 Rm	2008[1] Rm
17. Trading liabilities		
Listed	**26 322**	12 731
Unlisted	**24 796**	35 424
	51 118	48 155
Classification		
Government, municipality and utility bonds	**12 920**	9 467
Corporate bonds	**1 548**	245
Listed equities	**12 695**	1 885
Unlisted equities	**273**	161
Collateral	**1 428**	1 839
Reverse repurchase agreements	**13 541**	14 568
Credit linked notes	**6 063**	9 812
Other instruments	**2 650**	10 178
	51 118	48 155
Maturity analysis		
The maturity analysis is based on the remaining periods to contractual maturity from year end.		
Repayable on demand	**16 272**	2 953
Maturing within 1 month	**12 664**	15 380
Maturing after 1 month but within 6 months	**3 901**	9 167
Maturing after 6 months but within 12 months	**3 560**	3 090
Maturing after 12 months	**12 931**	17 250
Undated liabilities	**1 790**	315
	51 118	48 155

[1] *Comparative figures reclassified to align with 2009 classification.*

	2009 Rm	2008 Rm
18. Deposit and current accounts		
Deposits from banks	**106 018**	129 055
Deposits from banks and central banks	**102 789**	123 233
Deposits from banks under repurchase agreements	**3 229**	5 822
Deposits from customers	**662 530**	714 760
Current accounts	**87 496**	89 699
Cash management deposits	**72 970**	70 103
Call deposits	**152 249**	172 995
Savings accounts	**24 169**	24 168
Term deposits	**195 418**	216 072
Negotiable certificates of deposit	**102 045**	102 208
Repurchase agreements	**653**	3 429
Securitisation issuances	**13 960**	16 574
Other funding	**13 570**	19 512
Total deposits and current accounts	**768 548**	843 815

The carrying value of deposits and current accounts was reduced by R245 million (2008: increased by R1 971 million) for fair value adjustments arising from risks subject to fair value hedging relationships.

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	2009 Rm	2008 Rm
Repayable on demand	**377 831**	408 261
Maturing within 1 month	**81 286**	108 841
Maturing after 1 month but within 6 months	**127 172**	134 349
Maturing after 6 months but within 12 months	**74 769**	60 729
Maturing after 12 months	**107 490**	131 635
	768 548	843 815

The following table sets out the distribution of the group's deposit and current accounts by geographic area.

	2009 %	2009 Rm	2008 %	2008 Rm
Segmental analysis – geographic area				
South Africa	**75**	**571 784**	72	606 956
Rest of Africa	**9**	**72 125**	8	71 442
Outside Africa	**16**	**124 639**	20	165 417
	100	**768 548**	100	843 815

		2009 Rm	2008 Rm
19.	**Current and deferred tax liabilities**		
	Current tax liabilities	**3 634**	2 673
	Deferred tax liabilities	**4 013**	6 185
		7 647	8 858
19.1	**Deferred tax analysis**		
	Accrued interest receivable	**81**	76
	Assessed losses	**(185)**	(21)
	Assets on lease	**519**	399
	Capital gains tax	**770**	741
	Credit impairment charges	**(1 875)**	(1 621)
	Deferred acquisition costs	**94**	98
	Deferred revenue liability	**(35)**	(32)
	Property and equipment	**117**	106
	Derivatives	**3 061**	4 863
	Fair value adjustments on financial instruments	**152**	(211)
	Intangible asset – PVIF	**216**	265
	Investment property surplus	**880**	851
	Policyholder change in valuation basis	**1 120**	1 101
	Post-employment benefits	**(302)**	(425)
	Secondary tax on companies	**(412)**	(226)
	Share-based payments	**(361)**	(93)
	Special transfer to life fund	**(479)**	(270)
	Other differences	**(693)**	(543)
	Deferred tax closing balance	**2 668**	5 058
	Deferred tax liabilities	**4 013**	6 185
	Deferred tax assets (note 9)	**(1 345)**	(1 127)

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	2009 Rm	2008 Rm
19. Current and deferred tax liabilities continued		
19.2 Deferred tax reconciliation		
Deferred tax at beginning of the year	**5 058**	6 157
Change in company tax rate		(147)
(Reversing)/originating temporary differences for the year:	**(2 390)**	(952)
Accrued interest receivable	**5**	77
Assessed losses	**(164)**	(21)
Assets on lease	**120**	253
Capital gains tax	**29**	(745)
Credit impairment charges	**(254)**	(702)
Deferred acquisition costs	**(4)**	8
Deferred revenue liability	**(3)**	(6)
Property and equipment	**11**	29
Derivatives	**(1 802)**	1 278
Fair value adjustments on financial instruments	**363**	(465)
Intangible asset – PVIF	**(49)**	(46)
Investment property surplus	**29**	13
Policyholder change in valuation basis	**19**	312
Post-employment benefits	**123**	17
Secondary tax on companies	**(186)**	(104)
Share-based payments	**(268)**	29
Special transfer to life fund	**(209)**	(185)
Other differences	**(150)**	(694)
Deferred tax at end of the year	**2 668**	5 058
Temporary differences for the year comprise:		
Recognised in other comprehensive income – fair value adjustments on financial instruments	**175**	(201)
Recognised in equity – deferred tax on share-based payments	**(58)**	
Recognised in profit or loss	**(2 591)**	(943)
Acquisitions		115
Translation movement	**84**	(70)
Recognised in other comprehensive income	**37**	
Other items	**47**	(70)
	(2 390)	(1 099)

There are unused tax losses amounting to R42 million (2008: Rnil) on which no deferred tax asset was raised due to a subsidiary of the group being in the process of deregistration. There are no other deductible temporary differences or unused tax credits for which no deferred tax asset was recognised.

It is probable that there will be future taxable profits against which the tax losses, in respect of which a deferred tax asset has been recognised, can be utilised.

Subsequent to year end final distributions were declared to ordinary and preference shareholders. The related STC liability is dependent on the number of ordinary shareholders who elect the cash option (2009: Rnil).

		2009 Rm	2008 Rm
20.	**Other liabilities**		
20.1	**Summary**		
	Trading settlement liabilities	**3 618**	3 577
	Items in the course of transmission	**683**	465
	Provision for post-employment benefits (note 20.2)	**1 375**	1 531
	Third-party liabilities arising on consolidation of mutual funds (note 20.3)	**10 557**	10 481
	Operating leases – accrued expense (note 12)	**185**	215
	Cash-settled share-based payment liability (Annexure C)	**377**	370
	Insurance payables	**3 768**	4 279
	Staff-related accruals	**3 343**	3 283
	Deferred revenue liability	**126**	114
	Accounts payable	**6 624**	8 299
	Other liabilities	**9 747**	14 964
		40 403	47 578
20.2	**Provision for post-employment benefits**		
	Balance at beginning of the year	**1 531**	1 532
	Net provision released	**(156)**	(1)
	Balance at end of the year	**1 375**	1 531
	Details on post-employment benefits are provided in note 37.		
20.3	**Third-party liabilities arising on consolidation of mutual funds**		
	Balance at the beginning of the year	**10 481**	8 040
	Additional mutual funds classified as subsidiaries	**1 076**	3 359
	Repayments through withdrawal or change in effective ownership	**(448)**	(776)
	Mutual funds no longer classified as subsidiaries	**(1 387)**	(276)
	Fair value adjustment	**835**	134
	Balance at end of the year	**10 557**	10 481
	Liberty has classified certain mutual funds as investments in subsidiaries. Consequently fund interests not held by the group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value. Maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of Liberty's control.		
21.	**Policyholders' liabilities**		
	Policyholders' liabilities under insurance contracts	**131 946**	124 739
	Insurance contracts (note 21.1)	**129 254**	122 091
	Investment contracts with DPF (note 21.1)	**2 692**	2 648
	Policyholders' liabilities under investment contracts (note 21.2)	**51 598**	47 330
		183 544	172 069

	2009 Insurance contracts Rm	2009 Investment contracts with DPF[1] Rm	2009 Re-insurance assets[2] Rm	2008 Insurance contracts Rm	2008 Investment contracts with DPF[1] Rm	2008 Re-insurance assets[2] Rm
21. Policyholders' liabilities continued						
21.1 Policyholders' liabilities under insurance contracts and reinsurance assets						
Balance at beginning of the year	**122 091**	**2 648**	**(827)**	131 552	3 353	(820)
Inflows	**33 582**	**497**	**(672)**	20 926	(101)	(807)
Insurance premiums	**22 445**	**185**	**(632)**	22 820	166	(727)
Investment returns	**11 089**	**312**	**(40)**	(1 927)	(267)	(80)
Unwinding of discount rate	**1 303**		**(37)**	930		(33)
Investments	**9 786**	**312**	**(3)**	(2 857)	(267)	(47)
Equity accounted earnings from joint ventures	**48**			33		
Outflows	**(26 698)**	**(446)**	**602**	(29 313)	(606)	562
Claims and policyholders' benefits	**(20 085)**	**(403)**	**603**	(23 023)	(573)	535
Claims and policyholders' benefits under insurance contracts	**(20 085)**	**(178)**	**603**	(23 023)	(262)	535
Switches between investment contracts with DPF to investment contracts without DPF		**(225)**			(311)	
Acquisition costs associated with insurance contracts	**(2 686)**	**(6)**		(2 395)	(9)	
General marketing and administration expenses	**(2 906)**	**(34)**	**1**	(3 053)	(25)	
Preference dividend	**(366)**			(308)		
Finance costs	**(54)**			(29)		
Taxation	**(601)**	**(3)**	**(2)**	(505)	1	27
Net income from insurance operations	**279**	**(7)**	**109**	(1 074)	2	238
Changes in estimates	**662**		**25**	(410)		64
Planned margins and other variances	**(807)**	**(10)**	**85**	(668)	2	201
New business	**136**			(586)		
Shareholder taxation on transfer of net income	**288**	**3**	**(1)**	590		(27)
Balance at end of the year	**129 254**	**2 692**	**(788)**	122 091	2 648	(827)
Liquidity profile						
Current	**10 268**	**370**	**(141)**	7 995	284	(161)
Non-current	**119 497**	**2 322**	**(647)**	114 629	2 364	(666)
Additional deferred taxation applicable to fair value adjustments on investment property	**(511)**			(533)		
	129 254	**2 692**	**(788)**	122 091	2 648	(827)

[1] The group cannot measure reliably the fair value of the investment contracts with DPF. The DPF is a contractual right that gives investors in these contracts the right to receive supplemental discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group.
[2] Reinsurance assets are included in insurance prepayments and reinsurance assets under other assets on page 248.

	2009 Rm	2008 Rm
21. Policyholders' liabilities continued		
21.2 Policyholders' liabilities under investment contracts		
Balance at beginning of the year	**47 330**	51 232
Fund inflows from investment contracts (excluding switches)	**8 077**	9 087
Net fair value adjustment including the change in deferred taxation on investment property	**5 949**	(1 025)
Fund outflows from investment contracts (excluding switches)	**(9 148)**	(11 457)
Switches between investment with DPF to investment without DPF	**225**	311
Service fee income	**(835)**	(818)
Balance at end of the year	**51 598**	47 330
Liquidity profile		
Current	**5 773**	4 750
Non-current	**46 070**	42 783
Total deferred taxation applicable to fair value adjustments on investment property	**(245)**	(203)
	51 598	47 330
Net (loss)/income from investment contracts[1]	**(45)**	66
Service fee income	**835**	818
Expenses	**(880)**	(752)
Property expenses applied to investment returns	**250**	221
Shareholder taxation on transfer of net income	**53**	(20)
Acquisition costs	**(196)**	(241)
General marketing and administration expenses	**(953)**	(694)
Finance costs	**(34)**	(18)

[1] *Prior to deferred acquisition cost and deferred revenue liability adjustments.*

	Redeemable/ repayable date	Date issued	Rate %
22. Subordinated debt			
Subordinated bonds[2]			
The Standard Bank of South Africa			
SBK 5	17 November 2016	17 November 2004	9,50
	31 July 2017	31 July 2007[5]	LIBOR[6] + 0,88 and 6,44[5]
SBK 7	24 May 2020	24 May 2005	9,63[7]
SBK 8	10 April 2018	10 April 2006	8,20[7]
SBK 9	10 April 2023	10 April 2006	8,40[7]
SBK 10 (Tier III)	19 November 2012	19 November 2007	JIBAR[4] + 0,675
SBK 11[8]	9 April 2019	9 April 2009	CPI Indexed[9]
SBK 12[8]	24 November 2021	24 November 2009	10,82[7]
SBK 13[8]	24 November 2021	24 November 2009	JIBAR[4] + 2,20
Standard Bank Swaziland			
	15 September 2015	15 September 2005	9,73
	12 February 2015	12 February 2008	9,73
	14 December 2019	14 December 2009[8]	8,70
Standard Bank Namibia	20 November 2016	20 November 2006	9,74
Stanbic Bank Botswana			
	1 June 2016	2 June 2006	BWC[12] + 0,50
	11 June 2018	11 June 2008	BWC[12] + 0,20
	18 August 2018	13 August 2008	BWC[12] + 0,05
	17 December 2018	17 December 2008	BWC[12] + 0,06
Standard Bank Mozambique	29 June 2017	29 June 2007	WA[13] + 0,50[14]
CfC Stanbic Bank Kenya			
	31 October 2012	2005/2006[15]	10,00
	6 July 2016	6 July 2009[8]	7Y T-Bond[16] and T-Bill[17] + 1,25[18]
Stanbic Bank Uganda	10 August 2016	10 August 2009[8]	14,50 and T-Bill[17] + 1,50[19]
Standard International Holdings			
Tier III	13 December 2009[20]	13 December 2007	LIBOR[6] + 1,85
Tier III	27 December 2009[20]	27 December 2007	LIBOR[6] + 2,00
Tier III	28 December 2012	29 December 2007	EURO[21] + 4,00
	14 July 2014[20]	14 July 2004	LIBOR[6] + 2,50
	7 October 2015	7 October 2005	LIBOR[6] +1,15
	27 July 2016	27 July 2006	8,012
	2 December 2019	2 December 2009[8]	8,125
Total bonds qualifying as regulatory banking capital			
Liberty			
Qualifying as regulatory insurance capital	12 September 2017	12 September 2005	8,93[7]
Total subordinated bonds			
Subordinated loans			
Stanbic Bank Ghana	30 September 2016	April 2007	LIBOR[6] + 2,25
Stanbic Bank Tanzania	15 September 2016	December 2006	LIBOR[6] + 2,50[23]
Stanbic Bank Zambia	15 September 2016	December 2006	LIBOR[6] + 3,00[24]
Standard Bank Mauritius	15 September 2018	September 2008	LIBOR[6] + 0,75[26]
Standard Bank RDC	15 September 2018	March 2009[8]	LIBOR[6] + 3,75[27]
CfC Stanbic Bank Kenya	15 June 2019	June 2009[8]	LIBOR[6] + 4,00[28]
Total subordinated loans			
Total subordinated debt			

[1] The difference between the carrying and notional value represents accrued interest together with the unamortised fair value adjustments relating to bonds hedged for interest rate risk.
[2] Tier II, unless otherwise stated.
[3] The issuer may redeem on this date, or any subsequent interest payment date.
[4] JIBAR is the three month floating Johannesburg interbank agreed rate.
[5] These bonds were issued in US dollars (USD355 million) redeemable on 31 July 2017. The bonds are divided into two categories:
- Category A - USD230 million bearing interest at 6,44% compounding semi-annually, switching to LIBOR + 1,88% on 31 July 2012; and
- Category B - USD125 million at LIBOR +0,88%, switching to LIBOR + 1,88% on 31 July 2012
[6] LIBOR is the London interbank offer rate for three month US dollar deposits.
[7] Fixed semi-annual coupon.
[8] These bonds or loans were issued during 2009.
[9] The interest rate is calculated in terms of the pricing supplement using the base rate as defined adjusted for changes in the Consumer Price Index (CPI) as published by Statistics South Africa.
[10] RY is the real yield, which is the return from an investment adjusted for the effects of inflation, compounded semi-annually.
[11] Bonds bear interest at a floating rate as determined by the calculation agent.
[12] BWC is the rate for three-month Botswana certificates.
[13] WA is the rate on bonds which carry a floating rate equal to the weighted average of the last six treasury bills maturing at 60 or more days.
[14] The interest is payable quarterly.
[15] These bonds were issued in tranches over the period extending from 31 October 2005 until 26 June 2006, but all are redeemable on the same date, namely 31 October 2012.
[16] 7Y T-Bond refers to the yield on the seven-year Kenya Treasury Bond.

Callable date	Rate after call date %	Notional value 2009 LCm	Carrying[1] value 2009 Rm	Notional value 2009 Rm	Carrying[1] value 2008 Rm	Notional value 2008 Rm
			15 814	**15 398**	11 809	10 848
17 November 2011[3]	JIBAR[4] + 1,62	**ZAR2 000**	**2 046**	**2 000**	2 058	2 000
31 July 2012	LIBOR[6] + 1,88	**USD355**	**2 663**	**2 548**	3 352	2 548
24 May 2015[3]	JIBAR[4]	**ZAR3 000**	**3 036**	**3 000**	3 037	3 000
10 April 2013[3]	JIBAR[4] + 1,50	**ZAR1 500**	**1 528**	**1 500**	1 528	1 500
10 April 2018[3]	JIBAR[4] + 1,68	**ZAR1 500**	**1 529**	**1 500**	1 529	1 500
		ZAR300	**303**	**300**	305	300
10 April 2014[3]	RY[10] of 7,25	**ZAR1 800**	**1 930**	**1 800**		
24 November 2016	JIBAR[4] + 3,90	**ZAR1 600**	**1 618**	**1 600**		
24 November 2016	JIBAR[4] + 4,20	**ZAR1 150**	**1 161**	**1 150**		
			81	**80**	52	50
15 September 2010[11]		**E35**	**36**	**35**	36	35
15 September 2010[11]		**E15**	**15**	**15**	16	15
14 December 2014	JIBAR[4] + 1,00	**E30**	**30**	**30**		
19 November 2011	JIBAR[4] + 2,46	**NAD150**	**151**	**150**	151	150
			224	**224**	248	248
31 May 2011	BWC[12] + 1,25	**BWP50**	**56**	**56**	62	62
11 June 2013	BWC[12] + 0,95	**BWP50**	**56**	**56**	62	62
13 August 2013	BWC[12] + 0,80	**BWP50**	**56**	**56**	62	62
17 December 2013	BWC[12] + 0,81	**BWP50**	**56**	**56**	62	62
29 June 2012	WA[13] + 0,50[14]	**MT260**	**67**	**67**	96	85
			296	**296**	71	71
		KES590	**57**	**57**	71	71
		KES2 460	**239**	**239**		
10 August 2014		**USHS30 000**	**123**	**116**		
			7 439	**7 557**	6 661	6 577
		USD50			467	466
		USD35			326	326
29 December 2009[22]	EURO[21] + 4,00	**EUR100**	**1 062**	**1 061**	1 301	1 301
15 July 2009	LIBOR[6] + 3,00	**USD100**			946	932
8 October 2010[3]	LIBOR[6] + 1,65	**USD240**	**1 772**	**1 767**	2 260	2 232
27 July 2016[3]	LIBOR[6] + 3,25	**USD142**	**1 080**	**1 044**	1 361	1 320
		USD500	**3 525**	**3 685**		
			24 195	**23 888**	19 088	18 029
12 September 2012	JIBAR[4] +1,86	**ZAR2 000**	**2 054**	**2 000**	2 054	2 000
			26 249	**25 888**	21 142	20 029
30 September 2011	LIBOR[6] + 3,25	**USD8**	**60**	**59**	72	75
31 January 2012	LIBOR[6] + 3,50	**USD3**	**22**	**22**	28	28
15 March 2012[25]	LIBOR[6] + 4,00	**USD11**	**82**	**81**	102	102
15 September 2013	LIBOR[6] + 1,75	**USD20**	**148**	**147**	187	186
15 September 2013	LIBOR[6] + 4,75	**USD3**	**22**	**22**		
15 June 2014	LIBOR[6] + 5,00	**USD10**	**73**	**73**		
			407	**404**	389	391
			26 656	**26 292**	21 531	20 420

[17] T-Bill refers to the yield on the latest 182-day Treasury Bill.

[18] Up to 50% of the notes may be issued at a floating rate. The fixed rate is the most recent seven-year Treasury Bond rate plus a margin of 125 basis points and the floating rate is the weighted average of the most recent published 182-day Kenya Government Treasury Bill plus a margin of 125 basis points.

[19] Up to 50% of the notes may be issued at a floating rate. The fixed rate is 14,50% and the floating rate is the weighted average of the most recent published 182-day Uganda Government Treasury Bill plus a margin of 150 basis points.

[20] These bonds were redeemed during 2009.

[21] EURO is the interbank offer rate for three-month euro deposits.

[22] These bonds carry an option to be redeemed in full on or after this date.

[23] Loan issued in US dollars (USD3 million) paying interest at the aggregate of 2,5% per annum, until the fifth anniversary of the disbursement and 3,5% thereafter, and the offered rate for US dollar deposits in the London interbank market.

[24] Loan issued in US dollars (USD11 million) paying interest at the aggregate of 3% per annum, until the fifth anniversary of the disbursement and 4% thereafter, and the offered rate for US dollar deposits in the London market.

[25] The loan carries an option to be called at its nominal value on 30 September 2016 and any interest payment date thereafter. After 30 September 2016 the debt can be redeemed or rolled over on new terms.

[26] Loan issued in US dollars (USD20 million) paying interest at a floating rate equal to the sum of the spread and LIBOR per annum.

[27] Loan issued in US dollars (USD3 million) paying interest at a floating rate equal to the sum of the spread and LIBOR per annum.

[28] Loan issued in US dollars (USD10 million) paying interest at a floating rate equal to the sum of the spread and LIBOR per annum.

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for the year ended 31 December 2009

23. Classification of assets and liabilities

Accounting classifications and fair values

The table below sets out the group's classification of financial assets and liabilities, and their fair values.

	Note	Held-for-trading[1] Rm	Designated at fair value Rm	Held-to-maturity Rm
2009				
Assets				
Cash and balances with central banks	3			
Derivative assets	4	**168 257**		
Trading assets	5	**89 644**		
Pledged assets	6	**2 408**	**2 058**	**53**
Financial investments	7	**7 235**	**228 030**	**2 404**
Loans and advances to banks	8	**6**	**3 977**	
Loans and advances to customers	8	**276**	**5 933**	**869**
Interest in associates and joint ventures	11		**4 979**	
Other financial assets				
Other non-financial assets				
		267 826	**244 977**	**3 326**
Liabilities				
Derivative liabilities	4	**162 515**		
Trading liabilities	17	**51 118**		
Deposits from banks	18	**66**	**9 181**	
Deposits from customers	18	**4 636**	**49 115**	
Policyholders' liabilities	21		**51 843**	
Subordinated debt	22			
Other financial liabilities			**10 557**	
Other non-financial liabilities				
		218 335	**120 696**	
2008				
Assets				
Cash and balances with central banks	3			
Derivative assets	4	267 761		
Trading assets	5	85 227		
Pledged assets	6	4 203	2 340	56
Financial investments	7	7 065	226 010	1 010
Loans and advances to banks	8	1 888	31 474	
Loans and advances to customers	8	2 239	28 059	1 018
Interest in associates and joint ventures	11		4 726	
Other financial assets				
Other non-financial assets				
		368 383	292 609	2 084
Liabilities				
Derivative liabilities	4	262 146		
Trading liabilities	17	48 155		
Deposits from banks	18	3 542	25 981	
Deposits from customers	18	4 331	55 574	
Policyholders' liabilities	21		47 533	
Subordinated debt	22			
Other financial liabilities			10 481	
Other non-financial liabilities				
		318 174	139 569	

[1] Includes derivative assets or liabilities held-for-hedging. Refer to note 4.3.

[2] Carrying value has been used where it closely approximates fair values. Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters. The fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of the value realisable in a future sale.

Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
24 983				**24 983**	**24 983**
				168 257	**168 257**
				89 644	**89 644**
	1 289			**5 808**	**5 808**
11 968	**11 429**			**261 066**	**261 044**
118 860	**80**			**122 923**	**122 322**
591 387	**1**			**598 466**	**598 379**
			4 550	**9 529**	**9 691**
8 778				**8 778**	**8 778**
			50 346	**50 346**	
755 976	**12 799**		**54 896**	**1 339 800**	
				162 515	**162 515**
				51 118	**51 118**
		96 771		**106 018**	**105 935**
		608 779		**662 530**	**662 558**
			131 701	**183 544**	**183 544**
		26 656		**26 656**	**26 700**
		23 100		**33 657**	**33 657**
			14 393	**14 393**	
		755 306	**146 094**	**1 240 431**	
25 697				25 697	25 697
				267 761	267 761
				85 227	85 227
244	1 530			8 373	8 373
6 117	13 057			253 259	253 328
96 474	54			129 890	130 151
626 728				658 044	649 595
			2 264	6 990	7 095
19 142				19 142	19 142
			49 270	49 270	
774 402	14 641		51 534	1 503 653	
				262 146	262 146
				48 155	48 155
		99 532		129 055	129 632
		654 855		714 760	712 708
			124 536	172 069	172 069
		21 531		21 531	21 171
		29 964		40 445	40 445
			15 991	15 991	
		805 882	140 527	1 404 152	

All valuation models are validated before they are used as a basis for financial reporting by qualified personnel independent of the area that created the model. Wherever possible, the group compares valuations derived from models with quoted prices of similar financial instruments, and with actual values when realised, in order to further validate and calibrate the models. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and may not be realised in an immediate sale of the instruments.

24. Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS 7. As is permitted in the year of adoption, comparative information is not included. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

Level 1 – fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2 – fair values are calculated using valuation techniques based on observable inputs, either directly (ie as prices) or indirectly (ie derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2009				
Assets				
Derivative assets	9 545	157 863	849	168 257
Trading assets	24 930	61 075	3 639	89 644
Pledged assets	2 809	2 946		5 755
Financial investments	127 631	113 599	5 464	246 694
Loans and advances to banks	466	3 597		4 063
Loans and advances to customers	51	3 109	3 050	6 210
Associates held at fair value		4 979		4 979
	165 432	347 168	13 002	525 602
Comprising:				
Held-for-trading				267 826
Designated at fair value				244 977
Available-for-sale				12 799
				525 602
Liabilities				
Derivative liabilities	9 400	152 735	380	162 515
Trading liabilities	18 591	29 409	3 118	51 118
Deposits from banks	3 542	5 705		9 247
Deposits from customers	2 678	51 073		53 751
Policyholders' liabilities		51 807	36	51 843
Other financial liabilities		10 557		10 557
	34 211	301 286	3 534	339 031
Comprising:				
Held-for-trading				218 335
Designated at fair value				120 696
				339 031

24. Financial instruments measured at fair value continued

Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Derivative assets Rm	Trading assets Rm	Financial invest-ments Rm	Loans and advances to customers Rm	Total Rm
Balance at 1 January 2009	399	5 374	4 627	3 324	13 724
Total gains/(losses)					
– in profit or loss	510	148	97	227	982
– interest income			(1)	(107)	(108)
– trading revenue	510	148	41	334	1 033
– other revenue			57		57
– in other comprehensive income			(3)		(3)
Purchases	10	572	1 319	410	2 311
Sales		(795)	(411)	(210)	(1 416)
Transfers into level 3[1]		17			17
Transfers out of level 3[2]		(647)			(647)
Exchange movements	(70)	(1 030)	(165)	(701)	(1 966)
Balance at 31 December 2009	849	3 639	5 464	3 050	13 002

[1] *During 2009, the fair value of certain trading loans to entities in emerging markets became unobservable. The fair value of the loans was transferred into level 3.*

[2] *During 2009, the fair value of certain level 3 trading loans to entities in emerging markets became observable. The fair value of the loans was transferred into level 2.*

Gains/(losses) for the period included in profit or loss for level 3 financial assets held at the end of the reporting period

	Derivative assets Rm	Trading assets Rm	Financial invest-ments Rm	Loans and advances to customers Rm	Total Rm
2009					
Interest income			(1)	(107)	(108)
Trading revenue	510	148	41	332	1 031
Other revenue			69		69
	510	148	109	225	992

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24. Financial instruments measured at fair value continued

Reconciliation of level 3 financial liabilities

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Derivative liabilities Rm	Trading liabilities Rm	Deposits from banks Rm	Policy-holders' liabilities Rm	Total Rm
Balance at 1 January 2009	**461**	**2 744**	**237**	**44**	**3 486**
Total gains in profit or loss					
– trading revenue	(77)				(77)
Purchases		266			266
Sales		(125)	(217)		(342)
Issues		962			962
Settlements		(321)			(321)
Variance due to experience				5	5
Change due to non-economic assumptions				(1)	(1)
Change due to economic assumptions				(12)	(12)
Exchange movements	(4)	(408)	(20)		(432)
Balance at 31 December 2009	**380**	**3 118**		**36**	**3 534**

A total gain of R77 million for level 3 derivative liabilities held at the end of the reporting period was included in trading revenue in 2009.

24. Financial instruments measured at fair value continued

The fair value of level 3 financial instruments are determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 financial instruments. The table further indicates the effect that a change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss and other comprehensive income at the reporting date (where the change in the input would change the fair value of the financial instrument significantly). The changes in the inputs that have been used in the analysis below have been determined taking into account several considerations such as the nature of the instrument and the market within which the instrument is transacted.

			Effect on profit or loss		Effect on other comprehensive income	
	Valuation basis/ technique	Main assumptions	Favourable Rm	(Unfavourable) Rm	Favourable Rm	(Unfavourable) Rm
2009						
Derivative instruments	Discounted cash flow-, Black-Scholes models	Discount-, liquidity discount-, risk free-, and volatility rates	64	(64)		
Trading assets	Discounted cash flow model	Discount and liquidity discount rates	52	(52)		
Financial investments	Discounted cash flow model, earnings multiple, sustainable earnings, combination techniques	Discount and liquidity discount rates, earnings multiple	356	(291)	1	(1)
Loans and advances to customers	Discounted cash flow model	Discount rate	35	(36)		
Trading liabilities	Discounted cash flow model	Discount rate	57	(57)		
			564	(500)	1	(1)

25. Financial assets and financial liabilities designated at fair value through profit or loss

25.1 Loans and advances

The group's maximum exposure to credit risk for loans and advances designated at fair value through profit or loss is R9 910 million (2008: R59 533 million).

Fair value changes attributable to changes in credit risk on loans and advances designated at fair value through profit or loss amounted to R295 million (2008: R204 million[1]).

The change for the year in fair value of the designated loans and advances, that is attributable to changes in credit risk, is determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk.

25.2 Financial liabilities

Fair value changes attributable to changes in credit risk on financial liabilities designated at fair value through profit or loss amounted to R8 million (2008: R107 million).

The changes in the fair value of the designated financial liabilities attributable to changes in credit risk are calculated by reference to the change in the credit risk implicit in the market value of the bank's senior notes.

The amount the group would contractually be required to pay at maturity of the financial liabilities designated at fair value through profit or loss amounts to R58 900 million (2008: R89 641 million), R604 million (2008: R8 086 million) higher than the carrying amount. This does not include policyholders' liabilities with a carrying value of R51 843 million (2008: R47 533 million) and third party liabilities arising on consolidation of mutual funds with a carrying value of R10 557 million (2008: R10 481 million).

[1] *Restated.*

		2009 Rm	2008 Rm
26.	**Contingent liabilities and commitments**		
26.1	**Contingent liabilities**		
	Letters of credit and banker acceptances	**10 784**	16 521
	Guarantees	**29 078**	34 680
		39 862	51 201
	Loan commitments that are irrevocable over the life of the facility or are revocable only in response to material adverse changes are included in the financial risk management section on pages 142 and 143.		
26.2	**Capital commitments**		
	Contracted capital expenditure	**1 689**	2 059
	Capital expenditure authorised but not yet contracted	**10 075**	9 117
		11 764	11 176
	The expenditure will be funded from the group's internal resources.		
26.3	**Operating lease commitments**		
	The future minimum payments under non-cancellable operating leases are as follows:		
	Properties		
	Within 1 year	**951**	1 235
	After 1 year but within 5 years	**2 674**	2 071
	After 5 years	**1 361**	1 162
		4 986	4 468
	Equipment		
	Within 1 year	**142**	231
	After 1 year but within 5 years	**209**	215
	After 5 years		
		351	446

The operating lease commitments comprise a number of separate operating leases in relation to properties and equipment, none of which is individually significant to the group.

26.4 Legal proceedings

In the conduct of its ordinary course of business, the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the group has adequate insurance programmes and provisions in place to meet such claims.

		2009 Rm	2008 Rm
27.	**Supplementary income statement information**		
27.1	**Interest income**		
	Interest on loans and advances	**78 960**	93 935
	Interest on investments	**687**	2 543
	Unwinding of discount element of credit impairments for loans and advances (note 8.3)	**1 785**	986
	Fair value adjustments on dated financial instruments	**(903)**	1 988
	Dividends on dated securities	**1 762**	1 973
		82 291	101 425

All interest income reported above relates to financial assets not carried at fair value through profit or loss, except for R1 145 million (2008: R12 724 million) on financial assets that are at fair value through profit or loss.

		2009 Rm	2008 Rm
27.2	**Interest expense**		
	Current accounts	**576**	747
	Savings and deposit accounts	**12 443**	9 437
	Foreign finance creditors	**583**	1 631
	Subordinated debt	**1 746**	1 892
	Other interest-bearing liabilities	**35 627**	55 800
		50 975	69 507

All interest expense reported above relates to financial liabilities not carried at fair value through profit or loss, except for R3 235 million (2008: R8 331 million) on financial liabilities that are at fair value through profit or loss.

		2009 Rm	2008 Rm
27.3	**Fee and commission revenue**[1]		
	Account transaction fees	**7 967**	7 054
	Card-based commission	**3 488**	3 384
	Knowledge-based fees and commission	**2 666**	3 531
	Electronic banking	**1 657**	1 575
	Bancassurance	**1 451**	1 502
	Foreign currency service fees	**1 003**	1 074
	Documentation and administration fees	**1 124**	952
	Other	**1 484**	1 380
		20 840	20 452

[1] *Comparative figures reclassified to align with 2009 classification.*

All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.

		2009 Rm	2008 Rm
27.4	**Fee and commission expense**		
	Account transaction fees paid	**454**	388
	Card-based commission paid	**959**	842
	Knowledge-based fees and commission paid	**322**	578
	Electronic banking fees paid	**453**	471
	Insurance – fees and commission paid	**292**	354
	Documentation and administration fees paid	**87**	109
	Other bank-related fees and commissions paid	**165**	103
		2 732	2 845

All fee and commission expenses reported above relate to financial assets or liabilities not carried at fair value through profit or loss.

		2009 Rm	2008 Rm
27.	**Supplementary income statement information** continued		
27.5	**Trading revenue[1]**		
	Foreign exchange	**4 461**	4 503
	Credit	**1 341**	906
	Interest rates	**1 991**	1 837
	Commodities	**1 936**	2 099
	Equities	**981**	(20)
	Other	**206**	138
		10 916	9 463
	[1] Comparative figures reclassified to align with 2009 classification.		
	Interest and dividend income included in trading revenue:		
	Net interest income	**895**	1 053
	Dividend income	**358**	703
		1 253	1 756
27.6	**Other revenue**		
	Banking and other	**309**	641
	Property-related revenue	**481**	230
	Insurance – bancassurance profit	**1 021**	990
	Profit on realisation of undated available-for-sale financial assets[2]	**309**	194
	Net gains on financial instruments designated at fair value through profit or loss	**368**	57
	Net gains on disposal of other financial assets or liabilities		266
		2 488	2 378
	[2] R51 million (2008: R123 million) of the profit on realisation of available-for-sale financial assets relates to the capital profit on realisation of VISA shares.		
27.7	**Net insurance premiums**		
	Insurance premiums	**22 630**	22 986
	Reinsurance premiums	**(632)**	(727)
		21 998	22 259

		2009 Rm	2008 Rm
27.	**Supplementary income statement information** continued		
27.8	**Investment income and gains/(losses)**		
	Investment income	**12 835**	14 103
	Investment gains/(losses)	**6 385**	(14 994)
		19 220	(891)
	Comprising:		
	Investment income	**12 835**	14 103
	Interest income[1]	**7 949**	7 707
	Dividends received	**2 563**	4 321
	Listed shares	**1 580**	3 859
	Unlisted instruments	**969**	394
	Manufactured dividends on scrip lending	**14**	68
	Rental income from investment property	**1 662**	1 305
	Hotel operations sales	**620**	714
	Adjustment to surplus recognised on defined benefit pension fund	**21**	(18)
	Scrip lending fees	**2**	14
	Sundry income	**18**	60
	Investment gains/(losses)	**6 385**	(14 994)
	Investment property	**711**	1 634
	Financial instruments held at fair value through profit or loss	**5 222**	(17 068)
	Cash and cash equivalents	**(31)**	485
	Foreign exchange differences on subsidiaries	**7**	138
	Consolidated mutual funds	**476**	(183)
		19 220	(891)

[1] *Interest of R7 874 million (2008: R7 586 million) relates to financial assets held at fair value through profit or loss. Included in interest income are proceeds on the sale of rights to dividends of R1 004 million (2008: R1 110 million).*

		2009 Rm	2008 Rm
27.9	**Credit impairment charges**		
	Net credit impairments raised and reversed for loans and advances	**12 609**	11 850
	Recoveries on loans and advances previously written off	**(512)**	(508)
		12 097	11 342
	Comprising:		
	Net credit impairment charges for non-performing loans	**11 779**	9 346
	Credit impairment charges for non-performing loans (note 8.3)	**12 291**	9 854
	Recoveries on loans and advances previously written off	**(512)**	(508)
	Credit impairment charges for performing loans (note 8.3)	**318**	1 996
		12 097	11 342
27.10	**Net insurance benefits and claims**		
	Claims and policyholders' benefits under insurance contracts	**20 488**	23 596
	Insurance claims recovered from reinsurers	**(603)**	(535)
		19 885	23 061
	Change in policyholder liabilities under insurance contracts	**7 246**	(10 173)
	Insurance contracts	**7 163**	(9 461)
	Investment contracts with DPF	**44**	(705)
	Reinsurance assets	**39**	(7)
		27 131	12 888

	2009 Rm	2008 Rm
27. Supplementary income statement information continued		
27.11 Staff costs – banking activities		
Salaries and allowances	**17 316**	16 660
Equity-linked transactions (Annexure C)	**532**	291
Group equity compensation plans	**497**	230
Group equity participation plans (note 16)	**35**	61
	17 848	16 951
27.12 Acquisition costs – investment management and life insurance activities		
Insurance contracts	**2 692**	2 404
Investment contracts	**203**	222
Asset management	**219**	196
	3 114	2 822
Comprising:		
Incurred during the year	**3 107**	2 841
Deferred acquisition costs	**(197)**	(241)
Amortisation and impairment of deferred acquisition costs	**204**	222
	3 114	2 822
27.13 Other operating expenses		
Banking activities	**14 979**	13 439
Information technology	**3 146**	2 686
Communication	**1 183**	1 165
Premises	**2 575**	2 328
Other	**8 075**	7 260
Investment management and life insurance activities	**5 938**	5 601
Staff costs	**2 023**	1 937
Office costs	**1 603**	1 303
Training and development costs	**329**	343
Other	**1 983**	2 018
	20 917	19 040

		2009 Rm	2008 Rm
27.	**Supplementary income statement information** continued		
27.13	**Other operating expenses** continued		
	The following disclosable items are included in other operating expenses:		
	Amortisation – intangible assets (note 13.2)	**617**	510
	Auditors' remuneration	**191**	185
	Audit fees	**155**	152
	Current year	**151**	149
	Prior year	**4**	3
	Fees for other services	**36**	33
	Depreciation (note 14.2)	**1 746**	1 564
	Property		
	– Freehold	**48**	46
	– Leasehold	**131**	74
	Equipment		
	– Computer equipment	**937**	908
	– Motor vehicles	**143**	142
	– Office equipment	**126**	88
	– Furniture and fittings	**361**	306
	Impairments	**156**	216
	Property and equipment (note 14.2)	**46**	84
	Intangible assets (note 13.2)	**110**	132
	Computer software	**96**	132
	Present value of in-force life insurance	**14**	
	Loss/(profit) on sale of businesses and divisions	**7**	(24)
	Operating lease charges	**1 702**	1 395
	Properties	**1 668**	1 361
	Equipment	**34**	34
	Professional fees	**1 777**	1 580
	Managerial	**263**	227
	Technical and other	**1 514**	1 353
	Profit on sale of property and equipment	**(38)**	(16)
	Recoveries on motor vehicle disposals	**(27)**	(29)
	Retirement fund administration	**160**	
	Restructuring costs	**53**	175
	Retrenchment and other staff-related costs		17
	Infrastructure and office costs	**1**	1
	Systems and processes	**52**	157
27.14	**Goodwill impairment**		
	Goodwill impairment charge on subsidiaries (note 13.1)	**42**	5

	2009 Rm	2008 Rm
28. Emoluments of Standard Bank Group Limited directors		
Executive directors		
Emoluments of directors in respect of services rendered[1]:		
While directors of Standard Bank Group Limited		
– as directors of subsidiary companies	**14**	14
– otherwise in connection with the affairs of Standard Bank Group Limited or its subsidiaries[2]		
Non-executive directors		
Emoluments of directors in respect of services rendered:		
As directors of Standard Bank Group Limited	**10**	8
While directors of Standard Bank Group Limited		
– as directors of subsidiary companies	**6**	6
– otherwise in connection with the affairs of Standard Bank Group Limited or its subsidiaries[2]	**2**	3
Pensions of past directors	**1**	1
	33	32

[1] *In order to align emoluments with the performance to which they relate, emoluments reflect the amounts accrued in respect of each year and not the amounts paid.*
[2] *Including gains on exercise of options and other related payments.*

Details of directors' emoluments are given on pages 94 to 97.

	2009 Rm	2008 Rm
29. Taxation		
Indirect taxation (note 29.1)	**1 710**	1 382
Direct taxation (note 29.2)	**4 680**	4 705
	6 390	6 087
29.1 Indirect taxation		
Value added tax	**969**	1 017
Duties	**17**	21
Financial services levy	**14**	13
Skills development levy	**287**	241
Other indirect taxes	**423**	90
	1 710	1 382

		2009 Rm	2008 Rm
29.	**Taxation** continued		
29.2	**Direct taxation**		
	Current year	**4 965**	4 709
	South African normal tax	**5 697**	3 555
	South African deferred tax	**(2 478)**	321
	Secondary tax on companies	**106**	316
	Secondary tax on companies – deferred tax	**(186)**	(104)
	Foreign normal and withholding tax	**1 419**	1 639
	Foreign deferred tax	**196**	(443)
	Retirement fund tax	**(1)**	(14)
	Capital gains tax current	**183**	368
	Capital gains tax deferred	**29**	(782)
	Deferred tax adjustment attributable to decrease in tax rate		(147)
	Prior years	**(122)**	(199)
	South African normal tax	**(66)**	(190)
	South African deferred tax		17
	Capital gains tax	**(5)**	(38)
	Foreign normal and withholding tax	**(53)**	18
	Foreign deferred tax	**2**	(6)
		4 843	4 510
	Income tax recognised in other comprehensive income	**(221)**	195
	Deferred tax	**(212)**	201
	Current tax	**(9)**	(6)
	Deferred tax recognised directly in equity	**58**	
	Direct taxation per the income statement	**4 680**	4 705

Income tax recognised in other comprehensive income

The table below sets out the amount of income tax relating to each component within other comprehensive income:

	Before tax Rm	Tax (expense)/ benefit Rm	Net of tax Rm
2009			
Exchange differences on translating foreign operations	**(9 567)**		**(9 567)**
Net loss on hedges of net investments in foreign operations	**(106)**		**(106)**
Net change in fair value on cash flow hedges	**(30)**	**(64)**	**(94)**
Realised fair value adjustments on cash flow hedges transferred to profit or loss	**265**	**(86)**	**179**
Net change in fair value of available-for-sale financial assets	**411**	**(138)**	**273**
Realised fair value adjustments on available-for-sale financial assets transferred to profit or loss	**(309)**	**76**	**(233)**
Revaluation and other gains	**93**	**(9)**	**84**
	(9 243)	**(221)**	**(9 464)**

29. **Taxation** continued

29.2 **Direct taxation** continued

Income tax recognised in other comprehensive income continued

	Before tax Rm	Tax benefit/ (expense) Rm	Net of tax Rm
2008			
Exchange differences on translating foreign operations	5 131		5 131
Net gain on hedges of net investments in foreign operations	447		447
Net change in fair value on cash flow hedges	400	244	644
Realised fair value adjustments on cash flow hedges transferred to profit or loss	402	(114)	288
Net change in fair value of available-for-sale financial assets	(89)	24	(65)
Realised fair value adjustments on available-for-sale financial assets transferred to profit or loss	(194)	47	(147)
Revaluation and other losses	(15)	(6)	(21)
	6 082	195	6 277

Future tax relief

The group has estimated tax losses of R541 million (2008: R161 million) which are available for set-off against future taxable income. These amounts were utilised to reduce the deferred tax balance.

	2009 %	2008 %
Rate reconciliation including indirect and direct tax		
The total tax charge for the year as a percentage of net income before indirect tax	**35**	27
Value added tax	**(5)**	(5)
Duties, skills development levy and other indirect taxes	**(4)**	(2)
Secondary tax on companies		(1)
Policyholder funds – normal tax	**(3)**	(3)
Capital gains tax	**(1)**	2
The corporate tax charge for the year as a percentage of profit before indirect tax	**22**	18
Tax relating to prior years	**1**	1
Net tax charge	**23**	19
The charge for the year has been reduced/(increased) as a consequence of:		
Dividends received	**4**	4
Other non-taxable income	**3**	3
Other permanent differences	**(2)**	1
Change in the company tax rate – deferred tax adjustment		1
Standard rate of South African tax	**28**	28
Direct taxation rate reconciliation		
The direct taxation charge for the year as a percentage of profit before direct taxation	**28**	22
Secondary tax on companies		(1)
Foreign tax		(1)
Policyholder funds – normal tax	**(3)**	(3)
Capital gains tax	**(1)**	2
Tax relating to prior years	**1**	1
Net tax charge	**25**	20
The charge for the year has been reduced as a consequence of:		
Dividends received	**4**	4
Other non-taxable income	**2**	3
Other permanent differences	**(3)**	
Change in the company tax rate – deferred tax adjustment		1
Standard rate of South African tax	**28**	28

30. Headline earnings

	2009 Gross Rm	2009 Direct tax Rm	2009 Minorities and preference share-holders Rm	2009 Profit attributable to ordinary share-holders Rm	2008 Gross Rm	2008 Direct tax Rm	2008 Minorities and preference share-holders Rm	2008 Profit attributable to ordinary share-holders Rm
Profit before direct taxation	**16 676**	**(4 680)**	**(942)**	**11 054**	21 454	(4 705)	(2 817)	13 932
Headline adjustable items added/(reversed)	**205**	**16**	**(22)**	**199**	126	(13)	(28)	85
Goodwill impairments – IFRS 3	**42**			**42**	5			5
Profit on sale of property and equipment – IAS 16	**(38)**	**9**		**(29)**	(16)	2		(14)
Impairment of property and equipment – IAS 16	**46**	**(15)**	**(13)**	**18**	84	(25)	(16)	43
Realised foreign currency translation reserve on foreign operations – IAS 21	**(18)**			**(18)**				
Losses/(gains) on the disposal of businesses and divisions – IAS 27	**7**			**7**	(24)			(24)
Impairment of associates – IAS 28	**379**	**(28)**		**351**	139			139
Impairment of intangible assets – IAS 38	**96**	**(26)**		**70**	132	(37)		95
Realised gains on available-for-sale assets – IAS 39	**(309)**	**76**	**(9)**	**(242)**	(194)	47	(12)	(159)
Standard Bank Group headline earnings	**16 881**	**(4 664)**	**(964)**	**11 253**	21 580	(4 718)	(2 845)	14 017

Headline earnings is calculated in accordance with Circular 3/2009. The circular allows the inclusion in headline earnings of any gains or losses recognised by life insurers on the remeasurement of investment properties. The circular also allows the inclusion in headline earnings of any sale of private equity joint ventures or associates held by a banking institution. These associates are to be ring-fenced, refer to Annexure B on page 311 for the required disclosure in terms of the circular.

	2009	2008
31. Earnings per ordinary share		
The calculations of basic earnings and headline earnings per ordinary share and diluted earnings and diluted headline earnings per ordinary share are as follows:		
Earnings based on weighted average shares in issue		
Headline earnings (Rm)	**11 253**	14 017
Earnings attributable to ordinary shareholders (Rm)	**11 054**	13 932
Weighted average number of ordinary shares in issue (number of shares)		
Weighted average number of ordinary shares in issue before adjustments	**1 548 235 483**	1 501 125 765
Adjusted for shares issued in terms of Tutuwa initiative[1]	**(63 478 810)**	(65 375 700)
Adjusted for deemed treasury shares held by entities within the group[2]	**(25 419 927)**	(36 883 764)
	1 459 336 746	1 398 866 301
Headline earnings per ordinary share (cents)	**771,1**	1 002,0
Basic earnings per ordinary share (cents)	**757,5**	995,9
Diluted earnings per ordinary share		
Weighted average number of ordinary shares in issue (number of shares)	**1 459 336 746**	1 398 866 301
Adjusted for the following potential dilution:		
Standard Bank Group Share Incentive Scheme	**7 048 956**	10 098 709
Standard Bank Equity Growth Scheme	**5 879 911**	1 177 414
Tutuwa[3]	**38 772 048**	37 743 864
Tutuwa consortium and Community Trust	**27 186 033**	26 668 571
Black Managers' Trust	**11 586 015**	11 075 293
Diluted weighted average number of ordinary shares in issue (number of shares)	**1 511 037 661**	1 447 886 288
Diluted headline earnings per ordinary share (cents)	**744,7**	968,1
Diluted earnings per ordinary share (cents)	**731,6**	962,2

[1] The number of shares held by the Tutuwa participants are deducted as they are deemed not to be issued in terms of IFRS.
[2] The number of shares held by entities within the group are deemed to be treasury shares for IFRS purposes.
[3] Dilutive effect of shares issued in terms of Tutuwa initiative.

Refer to pages 33 to 35 for further details on the Tutuwa initiative and the group shares held by entities within the group.

3 937 100 (2008: 4 121 000) share options outstanding at the end of the year in terms of the Standard Bank Group Share Incentive Scheme were not included in the calculation of diluted earnings per ordinary share because they were anti-dilutive.

17 953 494 (2008: nil) rights outstanding at the end of the year in terms of the Standard Bank Equity Growth Scheme, convertible into 1 411 594 ordinary shares that are equivalent to the full value of the rights at year end, were not included in the calculation of diluted earnings per ordinary share because they were anti-dilutive.

347 400 (2008: 18 458 395) rights outstanding at the end of the year in terms of the Standard Bank Equity Growth Scheme were not convertible into any ordinary shares at year end as the exercise prices of these rights exceeded the closing share price.

		2009 Rm	2008 Rm
32.	**Distributions**		
	Ordinary shares		
	Distribution No. 79 of 193,0 cents per share (2008: 205,0 cents per share), paid on 6 April 2009 to shareholders registered on 3 April 2009	**2 946**	3 130
	Less: Scrip taken up by shareholders	**(2 004)**	
	Cash distribution elected by shareholders	**942**	3 130
	Distribution No. 80 of 141,0 cents per share (2008: 193,0 cents per share), paid on 21 September 2009 to shareholders registered on 18 September 2009	**2 195**	2 951
		3 137	6 081
	A final scrip distribution with a cash alternative of 245,0 cents per share, payable on 26 April 2010, was declared to shareholders registered on 23 April 2010, bringing the total distributions declared in respect of 2009 to 386,0 cents per share (2008: 386,0 cents).		
	Preference shares		
	6,5% first cumulative preference shares:		
	Dividend No. 79 of 3,25 cents per share (2008: 3,25 cents) paid on 30 March 2009 to shareholders registered on 27 March 2009	**–**	–
	Dividend No. 80 of 3,25 cents per share (2008: 3,25 cents) paid on 14 September 2009 to shareholders registered on 11 September 2009	**–**	–
	Non-redeemable, non-cumulative, non-participating preference shares		
	Dividend No. 9 of 545,04 cents per share (2008: 482,03 cents) paid on 30 March 2009 to shareholders registered on 27 March 2009	**289**	256
	Dividend No. 10 of 456,62 cents per share (2008: 515,58 cents) paid on 14 September 2009 to shareholders registered on 11 September 2009	**242**	273
		531	529
	6,5% first cumulative preference shares dividend No. 81 of 3,25 cents per share (2008: 3,25 cents), payable on 19 April 2010, was declared to shareholders registered on 16 April 2010.		
	Non-redeemable, non-cumulative, non-participating preference shares dividend No. 11 of 374,76 cents per share (2008: 545,04 cents), payable on 19 April 2010, was declared to shareholders registered on 16 April 2010.		
33.	**Statement of cash flows notes**		
33.1	**Increase in income-earning assets**		
	Net derivative assets	**574**	(7 188)
	Trading assets	**(19 123)**	40 545
	Pledged assets	**1 605**	(4 021)
	Financial investments	**(3 824)**	(15 051)
	Loans and advances	**(2 110)**	(98 608)
	Other assets	**5 914**	(8 972)
		(16 964)	(93 295)
33.2	**(Decrease)/increase in deposits and other liabilities**		
	Deposit and current accounts	**(12 514)**	89 420
	Trading liabilities	**7 813**	(21 619)
	Other liabilities and provisions	**(2 708)**	3 593
		(7 409)	71 394

	2009 Rm	2008 Rm
33. Statement of cash flows notes continued		
33.3 Direct taxation paid		
Taxation payable and deferred taxation at beginning of the year	**(7 541)**	(8 600)
Net addition through business acquisition		(115)
Direct taxation attributable to group	**(4 843)**	(4 510)
Recognised directly in equity and other comprehensive income (note 29.2)	**(163)**	195
Recognised in profit or loss (note 29.2)	**(4 680)**	(4 705)
Taxation payable and deferred taxation at end of the year	**6 166**	7 541
	(6 218)	(5 684)
33.4 Proceeds and investments resulting from the disposal and acquisition of subsidiaries		
Net cash outflow resulting from disposal and acquisitions of subsidiaries	**247**	583
Comprising:		
Cash and balances with central banks	**(247)**	345
Derivative assets	**(258)**	
Trading assets	**(104)**	
Financial investments		1 833
Loans and advances	**(1 586)**	2 464
Other assets	**(52)**	791
Goodwill and other intangible assets		669
Property and equipment	**(23)**	209
Derivative liabilities	**331**	
Deposit and current accounts	**1 037**	(3 145)
Current and deferred taxation		(115)
Other liabilities and provisions	**101**	(1 925)
Net asset value	**(801)**	1 126
Minority interests		(642)
Net assets (disposed)/acquired	**(801)**	484
Goodwill		1 047
Loss on disposal	**(13)**	
Less: Fair value of subsidiaries effectively disposed to minorities		(603)
Fair value of net assets disposed	**(814)**	
Cash paid on acquisition of subsidiary		928
Acquisition of associate (note 33.5)	**814**	
Cash and cash equivalents disposed/(acquired)	**247**	(345)
Net cash outflow resulting from disposal/acquisition of subsidiaries	**247**	583
33.5 Investment in associates and joint ventures		
Acquisition of associates and joint ventures (note 11)	**2 526**	182
Fair value of subsidiary disposed in the acquisition of associate (note 33.4)	**(814)**	
Net cash outflow in investment in associates and joint ventures	**1 712**	182

The acquisition of associates relates mainly to the acquisition of Troika Dialog Group. On 25 September 2009, the group concluded its strategic alliance with Troika in terms of which the group became a 36% shareholder in Troika. As part of its consideration for the acquisition, the group contributed 100% of its shareholding in ZAO Standard Bank.

		2009 Rm	2008 Rm
33.	**Statement of cash flows notes** continued		
33.6	**Net dividends paid**		
	Amounts unpaid at beginning of the year		
	Dividends to ordinary shareholders	**(3 137)**	(6 081)
	Dividends to preference shareholders	**(531)**	(529)
	Dividends received in terms of the Tutuwa initiative and on deemed treasury shares	**360**	477
	Dividends to minority shareholders in subsidiaries	**(955)**	(988)
	Amounts unpaid at end of the year		
		(4 263)	(7 121)
33.7	**Cash and cash equivalents**		
	Cash and balances with central banks	**24 983**	25 697

34. Business acquisitions

	CfC Bank Limited	Neil Harvey and Associates[1]	Total
2008			
Date of acquisition	1 June 2008	19 November 2008	
Percentage of voting equity instruments acquired (%)	60	50,1	
Contribution to revenue since acquisition (Rm)	551		551
Contribution to net profit before tax since acquisition (Rm)	146		146
Contribution to revenue if acquisition occurred on 1 January 2008 (Rm)	944		944
Contribution to net profit before tax if acquisition occurred on 1 January 2008 (Rm)	251		251

[1] *The acquisition of the Neil Harvey and Associates group of companies has not had a significant impact on the results of the group for the period since acquisition. Due to the complexity in isolating separate revenue and profit contributions of the acquisition, as well as the fact that these amounts would not have a significant impact on the group, no further disclosure is provided.*

	Fair value Rm	Carrying amount Rm
2008		
CfC Bank Limited		
Cash and balances with central banks	329	329
Financial investments	1 833	1 859
Loans and advances	2 464	2 470
Other assets	758	760
Property and equipment	188	181
Intangible assets	295	55
Deposit and current accounts	(3 145)	(3 145)
Other liabilities and deferred tax	(1 965)	(1 928)
Net asset value	757	581
Less: Minority interest	(362)	
Goodwill[1]	933	
Total purchase consideration paid	1 328	
Cost of acquisition	1 328	
Less: Fair value of 36,3% of subsidiary effectively disposed to minorities[2]	(603)	
Cash consideration paid	725	
Less: Cash and cash equivalents in subsidiary acquired	(329)	
Cash outflow on acquisition	396	

[1] *Goodwill represents the premium paid for control.*
[2] *Fair value of the equity instruments of the subsidiary was determined with reference to the listed share price of CfC Bank Limited.*

34. Business acquisitions continued

With effect from 1 June 2008, CfC Bank Limited and Stanbic Bank Kenya Limited have merged their business operations in Kenya to form CfC Stanbic Holdings Limited.

Through the structure of the deal, Stanbic Africa Holdings Limited acquired the majority shareholding in CfC Stanbic Holdings Limited.

Stanbic Africa Holdings Limited was allotted 113,34 million new, fully paid CfC Bank Limited shares in exchange for Stanbic Bank Kenya Limited, representing 41,41% of the combined entity.

Immediately upon the conclusion of this transaction, Stanbic Africa Holdings Limited made a tender offer to all existing shareholders to acquire 50,9 million CfC Bank Limited shares at KES115 per share (including a control premium) to obtain control of CfC Bank Limited. This offer represents an additional 18,59% of CfC Bank Limited, taking Stanbic Africa Holdings Limited's shareholding up to 60%.

As a result Stanbic Bank Kenya Limited became a wholly owned subsidiary of CfC Bank Limited, with Stanbic Africa Holdings Limited holding 60% of the shares in CfC Bank Limited, that was renamed CfC Stanbic Holdings Limited.

	Fair value Rm	Carrying amount Rm
2008		
Neil Harvey and Associates		
Cash and cash equivalents	16	16
Other assets	33	33
Property and equipment	21	21
Intangible assets	374	374
Other liabilities and deferred tax	(75)	(75)
Net asset value	369	369
Less: Minority loan and capital contribution	(200)	
Less: Minority earn out liability	(80)	
Goodwill[1]	114	
Total purchase consideration paid	203	
Cost of acquisition	203	
Less: Cash and cash equivalents in subsidiary acquired	(16)	
Cash outflow on acquisition	187	

[1] Goodwill represents the premium paid for control.

To assist in the group's strategic intent to offer health services as part of the group's wealth service product proposition, the group acquired a 50,1% controlling interest in the Neil Harvey and Associates group of companies with effect from 19 November 2008.

The purchase consideration was settled in cash with an additional expected earn out liability of R80 million payable after two years.

The acquisition includes reciprocal put and call options that give the group and the minority shareholders the right to purchase or sell the minority shareholding to Liberty at an independently determined fair value. These options are effective any time after 19 November 2013.

	2009 Rm	2008 Rm
35. Reclassification of financial assets		
35.1 IAS 39 and IFRS 7 *Reclassification of Financial Assets*		
Amount reclassified from held-for-trading to loans and receivables at amortised cost		
Following the amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*, the group reclassified assets during the current year to the value of R2 917 million from held-for-trading to loans and receivables for which there was a clear change of intent to hold the assets for the foreseeable future rather than to exit or trade in the short term.		
Carrying value of reclassified financial assets at end of the year	**5 333**	4 607
Fair value of reclassified financial assets at end of the year	**4 984**	3 884
At the date of reclassification, the weighted average effective interest rate on the reclassified assets for the current year was 8,55% with expected recoverable cash flows of R4 707 million forecast to be received over a weighted average period of 4,3 years.		
A fair value loss of R252 million after tax together with other post tax losses of R5 million and foreign currency translation gains of R30 million would have been recognised in 2009 had all reclassifications not been done.		
The table below sets out the amounts actually recognised in profit or loss:		
Period before reclassification		
Trading income	**(29)**	(108)
Period after reclassification		
Net interest income	**400**	80
Credit impairments	**(16)**	

36. Related party transactions

36.1 Parent

Standard Bank Group Limited is the ultimate holding company of the Standard Bank Group of companies.

36.2 Subsidiaries

Details of effective interest, investments and loans to subsidiaries are disclosed in Annexure A.

36.3 Associates and joint ventures

Details of effective interest, investments and loans to associates and joint ventures are disclosed in Annexure B.

The Standard Bank of South Africa Limited, a subsidiary of Standard Bank Group Limited, has purchased R3 748 million of home loans from South African Home Loans (Proprietary) Limited during the year (2008: R7 845 million).

36. Related party transactions continued

36.4 Key management personnel

Key management personnel has been defined as: the members of Standard Bank Group Limited board of directors and Standard Bank Group Limited executive committee. The definition of key management includes the close members of family of key management personnel and any entity over which key management exercises control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Standard Bank Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependants of the individual or the individual's domestic partner.

	2009 Rm	2008 Rm
Key management compensation		
Salaries and other short-term benefits	232	152
Post-employment benefits	9	6
Other long-term benefits	51	8
IFRS 2 value of share options and rights expensed	53	24
	345	190
Loans and advances		
Loans outstanding at the beginning of the year	26	25
Loans granted during the year	392	44
Loan repayments during the year	(399)	(43)
Loans outstanding at the end of the year	19	26
Net interest earned	2	3

Loans include mortgage loans, instalment sale and finance leases and credit cards. The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with customers. No impairment has been recognised in respect of loans granted to key management (2008: Rnil). The mortgage loans and instalment sale and finance leases are secured by the underlying assets. All other loans are unsecured.

	2009 Rm	2008 Rm
Deposit and current accounts		
Deposits outstanding at beginning of the year	102	61
Deposits received during the year	162	41
Deposits outstanding at end of the year	264	102
Net interest expense	11	2

Deposits include cheque, current and savings accounts. The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with customers.

Insurance and investment

Details of key management personnel's investment transactions and balances with Standard Bank Group.

	2009 Rm	2008 Rm
Insurance		
Premiums received relating to life, disability and other insurance	1	2
Investment products		
Deposits outstanding at beginning of the year	816	723
Deposits received during the year	314	374
Deposits repaid during the year	(195)	(281)
Deposits outstanding at the end of the year	935	816
Net investment return	159	(31)

36. Related party transactions continued

36.4 Key management personnel continued

	2009 Rm	2008 Rm
Third party funds under management		
Fund value balance at beginning of the year	586	869
Net deposits/(withdrawals) including commission and other transaction fees	3	(283)
Fund value at end of the year	589	586
Shares and share options held		
Aggregate details of Standard Bank Group Limited shares and share options held by key management personnel.		
Shares beneficially owned (number)	10 982 526	11 227 769
Share options held (number)	10 769 150	9 736 250
Transactions with a shareholder		
The following transactions took place between SBSA and ICBC, a 20% shareholder of Standard Bank Group, with effect from 2008.		
Revenue		
Trading revenue		10
Interest revenue	5	15
Total revenue earned	5	25
Deposits		
Deposits received	1 150	622
Total deposits received	1 150	622

Other contracts

Saki Macozoma, a director and deputy chairman of the company, has a shareholding of 23% in Safika, which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds 2,15% of Liberty Holdings through Lexshell 620 Investments (Proprietary) Limited, 55% of Andisa Capital and 1,38% of Standard Bank Group. The group has an effective interest of 20,33% in Safika.

Cyril Ramaphosa, a director of the company, has a 29,8% shareholding in Shanduka, which is a member of the Tutuwa consortium. Shanduka holds 1,44% through Lexshell 621 Investments (Proprietary) Limited in Liberty Holdings and 0,92% in Standard Bank Group. The group holds an effective interest of 12,2% in Shanduka.

In February 2007 Standard Bank Group acquired 33% of the issued share capital of Sankofa Trust (Proprietary) Limited. The balance of the shares in this company is held by trusts controlled by Sam Jonah, a director of the group, the Jonah family and the company management.

36.5 Post-employment benefit plans

Details of balances with Standard Bank Group and transactions between Standard Bank Group and the group's post-employment benefit plans are listed below:

	2009 Rm	2008 Rm
Fee income	47	47
Deposits held with the group	456	419
Interest paid	219	452
Value of assets under management	11 097	14 071
Deposits held in bonds and money market	472	418
Number of Standard Bank Group Limited shares held ('000)	6 831	6 015

	2009 Rm	2008 Rm
37. Pensions and other post-employment benefits		
Amounts recognised as a liability in the statement of financial position (note 20.2)		
Standard Bank operations		
Retirement funds (note 37.1)	**372**	463
Post-employment healthcare benefits (note 37.2)	**649**	724
Provider fund	**(178)**	(108)
Other funds	**827**	832
Liberty		
Post-employment healthcare benefits (note 37.3)	**354**	344
	1 375	1 531
Amount recognised as an asset in the statement of financial position (note 10)		
Liberty		
Retirement funds (note 37.4)	**170**	144

The total amount recognised as an expense for the defined contribution plans operated by the group amounted to R1 002 million (2008: R800 million).

37.1 Standard Bank retirement funds

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF), exceeds 95% of SBSA's permanent staff. The fund, one of the 10 largest in South Africa, is a trustee-administered defined contribution fund governed by the Pension Funds Act, 1956. Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently of the company's assets.

The fund is subject to statutory financial review by actuaries at an interval of not more than three years. The latest full actuarial valuation was performed on 31 December 2009 and, in the opinion of the actuary, the fund is considered to be financially sound. There have been no alterations to the contribution rate recommended by the actuary during the year. The next actuarial valuation is to be performed on 31 December 2010.

At 31 December 2009, the determination of the fund's financial position in relation to any shortfall or surplus position and any utilisation of unrecognised actuarial gains was uncertain pending the approval of the fund's surplus apportionment scheme by the Registrar of Pension Funds in terms of the Pension Funds Second Amendment Act, 39 of 2001.

From 1 January 1995 new employees became entitled to defined contribution benefits only. Employees who were members of the fund on 31 December 1994, were entitled to guaranteed benefits under the old rules of the defined benefit fund. A specific liability was recognised within the fund to provide for the guaranteed defined benefits.

On 1 November 2009 the fund introduced individual member investment choice for defined contribution members and the pre-1995 members could choose to give up their guaranteed defined benefits and instead accept an offer of a 10% enhancement to their actuarial reserve values. Over 90% of the pre-1995 defined benefit members accepted the offer and converted to defined contribution plans.

The majority of employees in South Africa who are not members of the SBGRF are members of two other funds designed for their occupational groups. Employees in territories beyond South African jurisdiction are members of either defined contribution or defined benefit plans governed by legislation in their respective countries.

		2009 Rm	2008 Rm
37.	**Pensions and other post-employment benefits** continued		
37.1	**Standard Bank retirement funds** continued		
	The amounts recognised in the statement of financial position in respect of the retirement funds are determined as follows:		
	Present value of defined benefit obligations	**19 751**	19 641
	Fair value of plan assets	**(21 390)**	(19 642)
	Surplus	**(1 639)**	(1)
	Unrecognised actuarial gains	**2 011**	464
	Included in other liabilities in the statement of financial position	**372**	463
	Unrecognised actuarial gains or losses are deferred and recognised in profit or loss over a period not exceeding the estimated service lives of the employees, except in the case of retired employees in which case it is recognised immediately.		
	Movement in the present value of defined benefit obligations		
	Balance at beginning of the year	**19 641**	22 875
	Current service cost and interest cost	**2 414**	2 593
	Employee contributions	**405**	374
	Actuarial gains	**(1 478)**	(4 998)
	Exchange differences	**(37)**	
	Benefits paid	**(1 194)**	(1 203)
	Balance at end of the year	**19 751**	19 641
	Movement in the fair value of plan assets		
	Balance at beginning of the year	**19 642**	22 858
	Expected return on plan assets	**2 067**	2 210
	Contributions received	**820**	762
	Actuarial gains/(losses)	**93**	(4 985)
	Exchange differences	**(39)**	
	Benefits paid	**(1 193)**	(1 203)
	Balance at end of the year	**21 390**	19 642
	Plan assets consist of the following:		
	Cash	**2 817**	127
	Equities	**12 081**	10 172
	Government bonds	**2 772**	4 759
	Property and other	**3 720**	4 584
		21 390	19 642

Plan assets include R11 million (2008: R8 million) of property occupied by the group.

The group expects to pay R547 million in contributions to defined benefit plans in 2010 (2009: R 413 million).

	2009 Rm	2008 Rm
37. Pensions and other post-employment benefits continued		
37.1 Standard Bank retirement funds continued		
The amounts recognised in profit or loss are determined as follows:		
Current service cost	**558**	631
Interest cost	**1 856**	1 962
Expected return on plan assets	**(2 067)**	(2 210)
Net actuarial gains recognised in the year	**(28)**	(33)
Curtailment cost	**(69)**	
Included in staff costs	**250**	350
Actual return on plan assets	**2 107**	(2 775)

The expected long-term rate of return is based on the expected long-term returns on equities, cash and bonds. The split between the individual asset categories is considered in setting these assumptions. The expected long-term rate of return on bonds was set at the same level as the discount rate. The expected long-term rate of return on equities was set at a level of 3% above (2008: 3% above) the bond rate, while the expected long-term rate of return on cash was set at a level of 2% below (2008: 2% below) the bond rate. Adjustments were made to reflect the effect of expenses.

Historical information

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Present value of defined benefit obligation	**19 751**	19 641	22 875	20 449	17 190
Fair value of plan assets	**(21 390)**	(19 642)	(22 858)	(20 409)	(17 141)
(Surplus)/unfunded obligation	**(1 639)**	(1)	17	40	49
Experience adjustments arising on plan liabilities	**1 605**	4 966	(1 582)	(2 279)	(2 506)
Experience adjustments arising on plan assets	**(7)**	(4 985)	1 041	2 210	2 487

37.2 Standard Bank post-employment healthcare benefits

The group provides the following post-employment healthcare benefits to its employees:

Provider fund

A post-employment healthcare benefit fund provides eligible employees, who were employed in South Africa on 1 March 2000, with a lump sum benefit on retirement enabling them to purchase an annuity to be applied towards their post-employment healthcare costs. This benefit is pre-funded in a provident fund. Any shortfall in the payment to be made by these employees towards their healthcare costs subsequent to retirement is not the responsibility of the group. The last statutory valuation was performed on 1 March 2007 and reflected an excess in the fund.

The group previously received approval from the Financial Services Board to transfer the excess to an employer reserve.

Other

The largest portion of this liability represents a South African post-employment healthcare benefit scheme that covers all employees who went on retirement before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full actuarial valuation was performed on 31 December 2009. The next actuarial valuation is to be performed on 31 December 2010.

	2009 Rm	2008 Rm
37. Pensions and other post-employment benefits continued		
37.2 Standard Bank post-employment healthcare benefits continued		
The amounts recognised in the statement of financial position in respect of post-employment healthcare benefits are determined as follows:		
Present value of unfunded defined benefit obligations	**750**	704
Present value of funded defined benefit obligations	**706**	729
Total present value of defined benefit obligations	**1 456**	1 433
Fair value of plan assets	**(1 247)**	(1 157)
Unfunded obligation	**209**	276
Unrecognised actuarial gains	**440**	448
Included in other liabilities in the statement of financial position	**649**	724
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	**1 433**	1 411
Current service cost and interest cost	**170**	165
Employee contributions		4
Exchange differences	**(116)**	51
Actuarial losses/(gains)	**94**	(36)
Benefits paid	**(125)**	(141)
Settlement cost		(21)
Balance at end of the year	**1 456**	1 433
Movement in the fair value of plan assets		
Balance at beginning of the year	**1 157**	1 374
Expected return on plan assets	**108**	119
Contributions received		13
Exchange differences	**(45)**	6
Actuarial gains/(losses)	**92**	(278)
Benefits paid	**(65)**	(77)
Balance at end of the year	**1 247**	1 157
Plan assets consist of the following:		
Cash	**44**	100
Equities	**873**	761
Government bonds	**179**	182
Property and other	**151**	114
	1 247	1 157

Plan assets include R19 million (2008: R30 million) of investments in equity of the group.

The group expects to pay R52 million in contributions to post-employment healthcare benefit plans in 2010 (2009: R78 million).

	2009 Rm	2008 Rm

37. Pensions and other post-employment benefits continued

37.2 Standard Bank post-employment healthcare benefits continued

The amounts recognised in profit or loss are determined as follows:

	2009 Rm	2008 Rm
Current service cost	**39**	39
Interest cost	**131**	177
Expected return on plan assets	**(108)**	(119)
Settlement cost		(11)
Net actuarial gains recognised in the year	**2**	(10)
Included in staff costs	**64**	76
Actual return on plan assets	**196**	(153)

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in the medical inflation rate would have the following effects on amounts recognised:

	2009		2008	
	1% increase Rm	**1% decrease Rm**	1% increase Rm	1% decrease Rm
Effect on the aggregate of the current service cost and interest cost	**9**	**(7)**	8	(6)
Effect on the defined benefit obligation	**75**	**(63)**	71	(60)

Historical information

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Present value of obligations	**1 456**	1 433	1 411	1 605	1 389
Fair value of plan assets	**(1 247)**	(1 157)	(1 374)	(1 196)	(1 051)
Unfunded obligation	**209**	276	37	409	338
Experience adjustments arising on plan liabilities	**(111)**	84	280	(81)	(129)
Experience adjustments arising on plan assets	**91**	(276)	134	122	152

37.3 Liberty post-employment healthcare benefits

Liberty operates an unfunded post-employment medical aid benefit for employees who joined before 1 July 1998. For past service of employees, Liberty recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions on an accrual basis using the projected unit credit method.

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Movement in the liability recognised in the statement of financial position					
Present value of unfunded defined benefit obligations at beginning of the year	**344**	293	261	196	160
Additions through business acquisition			11		
Recognised in profit or loss	**10**	51	21	65	36
Present value of unfunded defined benefit obligations at end of the year	**354**	344	293	261	196

	2009 Rm	2008 Rm
37. Pensions and other post-employment benefits continued		
37.3 Liberty post-employment healthcare benefits continued		
The amounts recognised in profit or loss are determined as follows:		
Current service cost	**6**	6
Interest cost	**29**	26
Benefits paid	**(7)**	(6)
Actuarial (gains)/losses	**(18)**	25
Included in staff costs	**10**	51

A one percentage point change in medical inflation rates would have the following effect on the post-employment medical aid liability recognised:

	2009		2008	
	1% increase Rm	**1% decrease Rm**	1% increase Rm	1% decrease Rm
Increase/(decrease) in the liability	**31**	**(28)**	31	(27)

37.4 Liberty retirement funds[1]

The Liberty defined benefit pension scheme closed to new employees from 1 March 2001 and with effect from this date, the majority of employees accepted an offer to convert their retirement plans from defined benefit to defined contribution. Employees joining after 1 March 2001 automatically become members of the defined contribution schemes. The ACA and Rentmeester defined benefit pension funds are all fully funded. All funds are governed by the Pension Funds Act, 1956.

The amounts recognised in the statement of financial position in respect of the retirement benefit obligations are determined as follows:

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Present value of funded obligations	**1 200**	1 122	1 379	624	688
Fair value of plan assets	**(1 296)**	(1 213)	(1 838)	(1 662)	(1 372)
Surplus	**(96)**	(91)	(459)	(1 038)	(684)
Excess not recognised	**96**	91	459	1 050	707
Included in other liabilities in the statement of financial position				12	23
Defined benefit pension fund employer surplus included in other assets in the statement of financial position[2]	**170**	144	162		

	2009 Rm	2008 Rm
Movement in the defined benefit funded obligations		
Balance at beginning of the year	**1 122**	1 379
Valuation adjustment[3]	**(12)**	
Current service cost and interest cost	**64**	74
Actuarial losses	**94**	19
Benefits paid	**(68)**	(350)
Balance at end of the year	**1 200**	1 122

1 This includes the Liberty Group defined benefit pension fund, ACA defined benefit fund and Rentmeester defined benefit fund.

2 The apportionment of the surplus within the Liberty Group Defined Benefit Pension Fund between the employer and the members was approved on 31 August 2007 by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001. The employer surplus has been measured as the approved amount allocated at 1 January 2003 (date of apportionment) adjusted for additional trustee-approved allocations and subsequent related investment net gains or losses. The amount will be recovered through future reductions in employer contributions to the plan.

3 This adjustment represents the change in the defined benefit funded obligation between the submission of the previous accounting valuation and the subsequent statutory valuation.

	2009 Rm	2008 Rm

37. Pensions and other post-employment benefits continued

37.4 Liberty retirement funds continued

Movement in the fair value of plan assets

	2009 Rm	2008 Rm
Balance at beginning of the year	1 213	1 838
Valuation adjustment[1]	(13)	
Expected return on plan assets	89	165
Employer contributions	8	8
Actuarial gains/(losses)	67	(447)
Benefits paid	(68)	(351)
Balance at end of the year	1 296	1 213

[1] This adjustment represents the change in the defined benefit funded obligation between the submission of the previous accounting valuation and the subsequent statutory valuation.

Plan assets consist of the following:

	2009 Rm	2008 Rm
Cash	608	341
Equities	467	651
Government bonds	81	83
Property and other	140	138
	1 296	1 213

The group's best estimate of contributions expected to be paid to the Liberty Pension Fund during 2010 is Rnil (2009: Rnil) as it is anticipated that the contributions will be decreased to utilise the employer portion of the surplus apportionment approval.

The amounts recognised in profit or loss are determined as follows:

	2009 Rm	2008 Rm
Current service cost	12	14
Interest cost	53	61
Expected return on plan assets	(89)	(165)
Actuarial losses	26	467
Included in staff costs	2	377

The principal actuarial assumptions used for accounting purposes were:

	Standard Bank			Liberty	
	Retirement fund %	Provider fund %	Other funds %	Defined benefit pension fund %	Post-employment medical aid %
2009					
Discount rate	9,50	9,50	9,50	9,00	9,00
Return on investments	10,50	9,75		9,00	9,00
Salary/benefit inflation	7,00	8,00		6,00	
CPI inflation	6,00	6,00	6,00		
Medical inflation			8,00		7,00
Remaining service life of employees (years)	15,00	15,00			
2008					
Discount rate	9,25	9,25	9,25	7,00	8,00
Return on investments	10,50	9,75		7,00	8,00
Salary/benefit inflation	7,00	8,00		5,00	
CPI inflation	6,00	6,00	6,00		
Medical inflation			8,00		6,00
Remaining service life of employees (years)	14,15	16,00			

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Statement of financial position at 31 December 2009

	Note	Company 2009 Rm	2008 Rm
Assets			
Financial investments		**16**	5
Current tax asset	38		33
Deferred tax asset	38	**110**	14
Other assets		**107**	345
Interest in subsidiaries	39	**53 967**	50 930
Interest in associates	40	**176**	142
Total assets		**54 376**	51 469
Equity and liabilities			
Equity		**54 372**	51 465
Share capital and premium	15	**22 700**	22 500
Reserves		**31 672**	28 965
Liabilities			
Other liabilities		**4**	4
Total equity and liabilities		**54 376**	51 469

Statement of comprehensive income for the year ended 31 December 2009

	Note	Company 2009 Rm	2008 Rm
Dividends from subsidiaries		**5 938**	5 488
Interest income		**371**	641
Other income	41	**(176)**	301
Total income		**6 133**	6 430
Operating expenses		**16**	33
Income before indirect taxation		**6 117**	6 397
Indirect taxation	42		2
Profit before direct taxation		**6 117**	6 395
Direct taxation	43	**26**	397
Profit for the year		**6 091**	5 998
Other comprehensive income			
Fair value adjustments on cash flow hedges		**(2)**	997
Total comprehensive income		**6 089**	6 995

Statement of cash flows for the year ended 31 December 2009

		Company	
	Note	**2009 Rm**	2008[1] Rm
Operating activities			
Income before direct taxation		**6 117**	6 395
Adjusted for:			
Dividends received		**(5 938)**	(5 488)
Interest income		**(371)**	(641)
Mark-to-market adjustments on financial investments and derivatives		**(12)**	86
Other non-cash adjustments		**6**	
Net cash flows (used in)/from operating activities		**(198)**	352
Interest income		**371**	641
Dividends received		**5 938**	5 488
Taxation paid	44.1	**(102)**	(419)
Net cash from/(used in) operating funds	44.2	**238**	(46)
Net cash used in investing activities		**(2 991)**	(16 211)
Increase in interest in associates		**(34)**	
Proceeds from sale of financial investments			15
Realised gains on hedges			959
Increase in investment in subsidiaries	44.3	**(2 957)**	(17 185)
Net cash flows (used in)/from financing activities		**(3 256)**	10 195
Proceeds from issue of share capital		**200**	16 132
Proceeds from disposal of shares			986
Share buy-backs			(503)
Net distributions paid	44.4	**(3 456)**	(6 420)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of the year		**–**	–
Cash and cash equivalents at end of the year		**–**	–

[1] *Limited reclassifications were made to improve disclosure.*

Statement of changes in equity for the year ended 31 December 2009

Company	Note	Share capital and premium Rm	Share-based payment Rm	Revaluation reserve Rm	Cash flow hedging reserves Rm	Empowerment reserve Rm	Retained earnings Rm	Total Rm
Balance at 1 January 2008		6 871	440	3 100	(26)	(3 017)	26 797	34 165
Issue of share capital and share premium	15.2	16 132						16 132
Share buy-backs	15.2	(503)						(503)
Equity-settled share-based payment transactions			110					110
Transfer of vested equity options			(98)				98	
Total comprehensive income					997		5 998	6 995
Dividends paid	32						(6 610)	(6 610)
Dividends received from Tutuwa initiative							190	190
Tutuwa initiative sale of shares						986		986
Balance at 31 December 2008		22 500	452	3 100	971	(2 031)	26 473	51 465
Balance at 1 January 2009		**22 500**	**452**	**3 100**	**971**	**(2 031)**	**26 473**	**51 465**
Issue of share capital and share premium	15.2	**200**						**200**
Equity-settled share-based payment transactions			**74**					**74**
Transfer of vested equity options			**(127)**				**127**	
Total comprehensive income					**(2)**		**6 091**	**6 089**
Dividends paid	32						**(3 668)**	**(3 668)**
Dividends received from Tutuwa initiative							**212**	**212**
Balance at 31 December 2009		**22 700**	**399**	**3 100**	**969**	**(2 031)**	**29 235**	**54 372**

		Company	
		2009 **Rm**	2008 Rm
38.	**Current and deferred tax assets**		
	Current tax asset		33
	Deferred tax asset	**110**	14
	STC credits	**105**	8
	Mark-to-market adjustment on assets	**5**	6
		110	47
38.1	**Deferred tax analysis**		
	Deferred tax asset at the beginning of the year	**14**	13
	Originating/(reversing) temporary difference for the year		
	Secondary tax on companies	**97**	(21)
	Fair value adjustment	**(1)**	22
	Deferred tax asset at end of the year	**110**	14
39.	**Interest in subsidiaries**		
	Shares at cost	**49 106**	47 375
	Net indebtedness to the company	**4 237**	3 005
	Indebtedness to the company	**4 991**	3 671
	Indebtedness by the company	**(754)**	(666)
	Investment through equity-settled share incentives	**624**	550
		53 967	50 930
	Subsidiaries and investments and loans therein are listed in Annexure A on page 305.		
40.	**Interest in associates**		
	Carrying value at beginning of the year	**142**	142
	Investment in associate	**34**	
	Carrying value at end of the year	**176**	142
	Directors' valuation		
	The directors' valuation of the investment in associates is R176 million (2008: R142 million).		
	The associates include an investment in South Africa Home Loans (Proprietary) Limited, refer to Annexure B on page 309.		
41.	**Other income**		
	Realised (losses)/gains on derivatives	**(188)**	332
	Mark-to-market adjustments on financial investments and derivatives	**12**	(86)
	Other		55
		(176)	301
42.	**Indirect taxation**		
	Regional services council levies		2

		Company	
		2009 Rm	2008 Rm
43.	**Direct taxation**		
	Current year		
	South African normal tax	**65**	297
	Deferred tax charge	**1**	(22)
	Foreign and withholding taxes	**31**	12
	Secondary tax on companies	**(97)**	114
	Prior years		
	South African normal tax	**26**	(4)
	Direct taxation	**26**	397
	South African tax rate reconciliation (%)		
	Effective tax rate		6
	Withholding tax	**(1)**	
	Secondary tax on companies	**2**	(2)
	Net tax charge	**1**	4
	The charge for the year has been reduced as a consequence of:		
	Dividends received	**27**	24
	Standard rate of South African tax	**28**	28
44.	**Cash flow statement notes**		
44.1	**Taxation paid**		
	Current and deferred taxation receivable at beginning of the year	**47**	25
	Income statement charge	**(26)**	(397)
	Reduction due to interest charge allocated to interest expense	**(13)**	
	Current and deferred taxation receivable at end of the year	**(110)**	(47)
		(102)	(419)
44.2	**Net cash from/(used in) operating funds**		
	Decrease/(increase) in other assets	**238**	(40)
	Decrease in other liabilities		(6)
		238	(46)
44.3	**Increase in investment in subsidiaries**		
	Cost of investment in subsidiaries net of disposal	**(1 731)**	(13 693)
	Movement in net indebtedness	**(1 232)**	(3 492)
	Other non-cash adjustments	**6**	
		(2 957)	(17 185)
44.4	**Net distributions paid**		
	Amounts unpaid at beginning of the year		
	Dividends paid to ordinary shareholders	**(3 137)**	(6 081)
	Dividends paid to preference shareholders	**(531)**	(529)
	Dividends received in terms of the Tutuwa initiative	**212**	190
	Amounts unpaid at end of the year		
		(3 456)	(6 420)

45. Liquidity, credit and market risk information

Other assets and liabilities consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes. Financial investments consist of R16 million (2008: R5 million) investments held at fair value. These investments are subject to market risk, however any reasonable possible changes in the underlying equity price on which these investments are valued, are not significant for the company.

46. Related party transactions

During the current and prior year, the company has entered into transactions with its subsidiaries and received dividend and interest income. A list of subsidiaries is detailed within Annexure A on page 305.

Annexure A – subsidiaries

Standard Bank Group

The Standard Bank of South Africa

- Diners Club (SA)
- Blue Bond Investments
- Standard Bank Insurance Brokers

- Melville Douglas Investment Management
- Standard Insurance
- Standard Executors and Trustees
- Stanvest

- Standard Lesotho Bank (80%)
- Standard Bank Namibia
- Standard Bank Swaziland (65%)

Stanbic Africa Holdings

- CfC Stanbic Holdings, Kenya (60%)
- Stanbic Bank Botswana
- Stanbic Bank Ghana (97,5%)
- Stanbic Bank Tanzania
- Stanbic Bank Uganda (80%)
- Stanbic Bank Zambia
- Stanbic Bank Zimbabwe
- Stanbic IBTC Bank, Nigeria (50,8%)
- Standard Bank Malawi (60,2%)
- Standard Bank Mauritius
- Standard Bank Mozambique (96%)
- Standard Bank RDC

Standard International Holdings

UK
- Standard Bank Plc

Asia
- Standard Bank Asia
- Standard Merchant Bank (Asia)
- Standard London (Asia) Sendirian Berhad (Malaysia)

USA
- Standard Americas
- Standard New York
- Standard New York Securities

Brazil
- Banco Standard de Investimentos

China
- Standard Resources

Turkey
- Standard Ünlü Menkul Degerler (66,9%)

Argentina
- Standard Bank Argentina (75%)

Liberty Holdings (53,65%)

Liberty Group

- Liberty Active
- Liberty Group Properties
- Capital Alliance Holdings
- Neil Harvey and Associates (50,1%)

Stanlib

- Stanlib Collective Investments
- Stanlib Multi-Manager
- Stanlib Wealth Management
- Stanlib Asset Management

Standard Bank Group International

Isle of Man
- Stanbic International Insurance
- Standard Finance
- SBIC Finance
- SML

Standard Bank Offshore Group

Jersey
- Standard Bank Jersey
- Standard Bank Fund Administration Jersey
- Standard Bank Fund Managers Jersey
- Standard Bank Offshore Trust Company Jersey

Isle of Man
- Standard Bank Isle of Man

Mauritius
- Standard Bank Trust Company (Mauritius)

British Virgin Islands
- Melville Douglas International

This diagram depicts principal subsidiaries only.
The holding in subsidiaries is 100% unless otherwise indicated.

Annexure A – subsidiaries continued

	Nature of operation	Nominal share capital issued Rm	Effective holding 2009 %	Effective holding 2008 %	Book value of shares 2009 Rm	Book value of shares 2008 Rm	Net indebtedness 2009 Rm	Net indebtedness 2008 Rm
Standard Bank Group will ensure that, except in the case of political risk, its subsidiaries denoted by # are able to meet their contractual liabilities.								
Banking subsidiaries								
Banco Standard de Investimentos S.A. (Brazil)[1]#	Investment bank	1 400	**100**	100				
CfC Stanbic Bank Kenya Limited (Kenya)[1]#	Commercial bank	168	**60**	60				
Stanbic Bank Botswana Limited (Botswana)[1]#	Commercial bank	31	**100**	100				
Stanbic Bank Ghana Limited (Ghana)[1]#	Commercial bank	403	**98**	98				
Stanbic Bank Tanzania Limited (Tanzania)[1]#	Commercial bank	29	**100**	100				
Stanbic Bank Uganda Limited (Uganda)[1]#	Commercial bank	23	**80**	80				
Stanbic Bank Zambia Limited (Zambia)[1]#	Commercial bank	21	**100**	100				
Stanbic Bank Zimbabwe Limited (Zimbabwe)[1]	Commercial bank	**	**100**	100				
Stanbic IBTC Bank Plc (Nigeria)[1]#	Commercial bank	516	**51**	51				
Standard Bank Argentina S.A.[1]	Investment bank	1 915	**75**	75				
Standard Bank Asia Limited (Hong Kong)[1]#	Investment bank	642	**100**	100				
Standard Bank Isle of Man Limited (Isle of Man)[1]#	Merchant bank	25	**100**	100				
Standard Bank Jersey Limited (Jersey)[1]#	Merchant bank	206	**100**	100				
Standard Bank Limited (Malawi)[1]#	Commercial bank	22	**60**	60				
Standard Bank Mauritius Limited (Mauritius)[1]#	Commercial bank	220	**100**	100				
Standard Bank Namibia Limited (Namibia)#	Commercial bank	2	**100**	100	**444**	444		
Standard Bank Plc (United Kingdom)[2]#	Investment bank	3 837	**100**	100	**929**	929		
Standard Bank RDC s.a.r.l. (D R Congo)[1]#	Commercial bank	41	**100**	100				
Standard Bank s.a.r.l. (Mozambique)[1]#	Commercial bank	56	**96**	96				
Standard Bank Swaziland Limited (Swaziland)#	Commercial bank	15	**65**	65	**33**	33		
Standard Lesotho Bank Limited (Lesotho)#	Commercial bank	21	**80**	80	**13**	13		
Standard Merchant Bank (Asia) Limited (Singapore)[1]#	Investment bank	56	**100**	100				
The Standard Bank of South Africa Limited#	Commercial bank	60	**100**	100	**24 097**	22 597	**4 056**	3 321
ZAO Standard Bank (Russia)[1,6]	Investment bank			100				

	Nature of operation	Nominal share capital issued Rm	Effective holding 2009 %	Effective holding 2008 %	Book value of shares 2009 Rm	Book value of shares 2008 Rm	Net indebtedness 2009 Rm	Net indebtedness 2008 Rm
Non-banking subsidiaries								
Accelerator Fund 1 (Pty) Limited[3]	Securitisation vehicle							
Accelerator Fund 2 (Pty) Limited[3]	Securitisation vehicle							
Alisier Investments (Pty) Limited[3]	Investment holding company	**	**100**	100				
Blue Banner Securitisation Vehicle RC1 (Pty) Limited[3]	Mortgage financing							
Blue Bond Investments Limited[1]	Participation mortgage bond finance	**	**100**	100				
Blue Granite Investments No. 1 (Pty) Limited[3]	Securitisation vehicle							
Blue Granite Investments No. 2 (Pty) Limited[3]	Securitisation vehicle							
Blue Granite Investments No. 3 (Pty) Limited[3]	Securitisation vehicle							
Blue Granite Investments No. 4 (Pty) Limited[3]	Securitisation vehicle							
Blue Titanium Conduit Limited[3]	Asset backed commercial paper conduit							
Diners Club (SA) (Pty) Limited[1]#	Travel and entertainment card	**	**100**	100				
Erf 224 Edenburg (Pty) Limited	Property owning and investing company	**	**100**	100				
Gleneagles Retail Centre (Pty) Limited	Property owning and investing company	**	**100**	100				
Grand Central Shopping Centre (Pty) Limited	Property owning company	**	**100**	100				
Liberty Group Limited[1,4]	Insurance company	28	**54**	54				
Liberty Holdings Limited[5]	Insurance holding company	26	**54**	54	**7 668**	7 668		
Melville Douglas International Limited (British Virgin Islands)[1]#	Portfolio management	**	**100**	100				
Melville Douglas Investment Management (Pty) Limited#	Portfolio management	**	**100**	100	**53**	53		
SBIC Finance Limited (Isle of Man)[1]	Project finance	**	**100**	100				
SBIC Investments S.A. (Luxembourg)[1]#	Investment holding company	287	**100**	100				
SBN Holdings Limited	Bank holding company	**	**100**	100				
SML Limited (Isle of Man)[1]	Investment holding company	**	**100**	100				
SMT Limited (Isle of Man)[1]	Investment holding company	**	**100**	100				
Stanbic Africa Holdings Limited (United Kingdom)[2]	Investment holding company	362	**100**	100	**2 161**	1 930		
Stanbic International Insurance Limited (Isle of Man)[1]	Insurance company	1	**100**	100				
Standard Americas, Inc (United States of America)[1]#	Trading company	**	**100**	100				
Standard Bank Fleet Management (Pty) Limited	Fleet management	**	**100**	100				
Standard Bank Fund Administration Jersey Limited (Jersey)[1]	Portfolio management	1	**100**	100				

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Annexure A – subsidiaries continued

	Nature of operation	Nominal share capital issued Rm	Effective holding 2009 %	Effective holding 2008 %	Book value of shares 2009 Rm	Book value of shares 2008 Rm	Net indebtedness 2009 Rm	Net indebtedness 2008 Rm
Non-banking subsidiaries continued								
Standard Bank Fund Managers Jersey Limited[1]#	Fund administration	**	**100**	100				
Standard Bank Group International Limited (Isle of Man)	Investment holding company	**	**100**	100	**13 435**	13 435		
Standard Bank Insurance Brokers (Pty) Limited[1]	Insurance broking	**	**100**	100				
Standard Bank London Holdings Plc (United Kingdom)[1]	Investment holding company	1 589	**100**	100				
Standard Bank Manx Holdings Limited (Isle of Man)[1]	Investment holding company	1	**100**	100				
Standard Bank Offshore Group Limited (Jersey)[2]	Investment holding company	17	**100**	100	**49**	49		
Standard Bank Offshore Trust Company Jersey Limited (Jersey)[1]#	Trust company	3	**100**	100				
Standard Bank Trust Company (Isle of Man) Limited (Isle of Man)[1]#	Trust company	1	**100**	100				
Standard Bank Trust Company (Mauritius) Limited (Mauritius)[1]#	Trust company	**	**100**	100				
Standard Capital Japan Company Limited[1]	Loan origination and money lending			100				
Standard Executors and Trustees Limited#	Trust company	**	**100**	100				
Standard Finance (Isle of Man) Limited (Isle of Man)[1]#	Finance company	**	**100**	100				
Standard Financial Markets (Pty) Limited#	Stockbrokers	**	**100**	100				
Standard Insurance Limited	Short-term insurance	15	**100**	100	**30**	30		
Standard International Holdings S.A. (Luxembourg)[2]#	Investment holding company	157	**100**	100	**99**	99		
Standard London (Asia) Sendirian Berhad (Malaysia)[1]	Introducing broker	1	**70**	70				
Standard New York, Inc (United States of America)[1]#	Investment holding company	**	**100**	100				
Standard New York Securities, Inc (United States of America)[1]#	Securities broker/dealer	37	**100**	100				
Standard Resources (China) Limited[1]	Trading company	48	**100**	100				
Standard Securities (Asia) Limited (Hong Kong)[1]	Securities company	117	**100**	100				
Standard Ünlü Menkul Degerler A.S. (Turkey)[1]	Securities broker/dealer	**	**67**	67				
Stanlib Limited[1]	Wealth and asset management	**	**54**	54				
Stanvest (Pty) Limited	Investment holding company	**	**100**	100				
Triskelion Trust Company Limited[1]	Trust company	**	**100**	100				
Miscellaneous	Finance companies		**100**	100	**95**	95	**181**	(316)
					49 106	47 375	**4 237**	3 005

The nominal share capital issued of foreign subsidiaries has been stated in the above table at their rand equivalents at the rates of exchange ruling on the dates of provision of capital. Detailed information is not given in respect of subsidiaries which are not material to the financial position of the group.

[1] *Held indirectly, no book value in Standard Bank Group Limited.*
[2] *Effective holding comprises direct and indirect holdings.*
[3] *Special purpose entity, no shareholding.*
[4] *Delisted from JSE on 1 December 2008.*
[5] *Listed on JSE.*
[6] *As part of the group's consideration for the acquisition of a 36% interest in Troika Dialog, the group contributed 100% of its shareholding in ZAO Standard Bank.*
** *Issued share capital less than R1 million.*

Annexure B – associates and joint ventures

	Edu-Loan (Proprietary) Limited		Safika Holdings (Proprietary) Limited		South Africa Home Loans (Proprietary) Limited	
Ownership structure	Associate		Associate		Associate	
Nature of business	Student loans		Investment holding company		Finance	
Year end	December		February		February	
Date to which equity accounted	31 December 2009		31 December 2009		31 December 2009	
	2009	2008	**2009**	2008	**2009**	2008
Effective holding	**29%**	27%	**20%**	20%	**44%**	44%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**35**	27	**374**	288	**277**	239
Statement of financial position[1]						
Non-current assets	**11**	30	**4 291**	3 149	**130**	170
Current assets	**315**	287	**286**	212	**977**	842
Non-current liabilities	**(55)**	(21)	**(2 297)**	(1 728)	**(125)**	(113)
Current liabilities	**(164)**	(218)	**(385)**	(180)	**(191)**	(223)
Loans to entity[2]	**51**	21				
Attributable income before impairment	**11**	4	**91**	67	**37**	91

	Troika Dialog Group		RCS Investment Holdings (Proprietary) Limited		Dairy Belle (Proprietary) Limited	
Ownership structure	Associate		Associate		Associate	
Nature of business	Banking		Finance		Dairy products	
Year end	September		March		September	
Date to which equity accounted	30 September 2009[3]		31 December 2009		31 December 2009	
	2009	2008	**2009**	2008	**2009**	2008
Effective holding	**36%**	0%	**45%**	45%	**50%**	50%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**2 369**		**570[4]**	869	**38**	51
Statement of financial position[1]						
Non-current assets	**4 818**		**89**	123	**414**	377
Current assets	**30 228**		**2 750**	2 492	**434**	397
Non-current liabilities	**(258)**		**(1 633)**	(1 610)	**(435)**	(307)
Current liabilities	**(28 795)**		**(312)**	(233)	**(277)**	(278)
Loans to entity[2]	**25**		**630**	719	**346**	290
Attributable income before impairment			**74**	62	**(12)**	(16)

[1] *Represents the summarised financial information of the associates and joint ventures.*
[2] *These loans are provided on an arm's-length basis.*
[3] *The group's strategic investment in Troika Dialog Group was completed in September 2009 and the investment has been recognised as an interest in an associate company. Due to Troika's September year end, the group will recognise earnings from this associate a quarter in arrears, therefore no earnings have been recognised for the fourth quarter of 2009.*
[4] *The group impaired its investment in RCS Investment Holdings (Proprietary) Limited by R366 million, included in impairments disclosed in note 11.*

Annexure B – associates and joint ventures continued

	Credit Suisse Standard Securities (Proprietary) Limited		The Standard Bank African Bank partnership		The Cullinan Hotel (Proprietary) Limited	
Ownership structure	Joint venture		Joint venture		Joint venture	
Nature of business	Stockbroker		Banking		Leisure	
Year end	February		September		March	
Date to which equity accounted	31 December 2009		31 December 2009		31 December 2009	
	2009	2008	**2009**	2008	**2009**	2008
Effective holding	**50%**	50%	**60%**	60%	**50%**	50%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**135**	110		56	**353**	315
Statement of financial position[1]						
Non-current assets	**29**	25	**109**	75	**694**	634
Current assets	**726**	475	**162**	130	**68**	69
Non-current liabilities		(2)	**(6)**	(5)		
Current liabilities	**(532)**	(325)	**(1)**	(1)	**(56)**	(72)
Loans to entity[2]				101	**64**	64
Attributable income before impairment	**25**	30	**(9)**	(10)	**48**	33

	Other associates		Other joint ventures		Total associates and joint ventures	
Ownership structure	Associates		Joint ventures			
Nature of business	Various		Various			
Year end	Various		Various			
Date to which equity accounted	31 December 2009		31 December 2009			
	2009	2008	**2009**	2008	**2009**	2008
Effective holding	**Various**	Various	**Various**	Various	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**325**	270	**74**	39	**4 550**	2 264
Statement of financial position[1]						
Non-current assets	**1 250**	983	**36**	25	**11 871**	5 591
Current assets	**3 986**	3 792	**142**	65	**40 074**	8 761
Non-current liabilities	**(1 560)**	(758)		(22)	**(6 369)**	(4 566)
Current liabilities	**(3 313)**	(2 912)	**(73)**	(17)	**(34 099)**	(4 459)
Loans to entity[2]	**393**	366	**31**		**1 540**	1 561
Attributable income before impairment	**112**	128	**7**	18	**384**	407

[1] *Represents the summarised financial information of the associates and joint ventures.*
[2] *These loans are provided on an arm's-length basis.*

Private equity/venture capital associates and joint ventures[1]

	2009 Rm	2008 Rm
Cost	**409**	308
Carrying value	**658**	411
Statement of financial position[2]		
Non-current assets	**5 600**	4 682
Current assets	**1 623**	1 556
Non-current liabilities	**(3 754)**	(2 770)
Current liabilities	**(1 082)**	(1 206)
Loans to entity[3]	**432**	719
Income statement		
Attributable income before impairment	**128**	119
Impairments included in non-interest revenue		(69)
Fair value	**818**	516

All investments in associates and joint ventures, other than those recognised at fair value through profit or loss in accordance with IAS 39, made by a private equity organisation are ring-fenced for headline earnings purposes. On the disposal of these associates and joint ventures held by the private equity division of the group, profit or loss on the disposal will be included in headline earnings in terms of Circular 3/2009 *Headline Earnings*, issued by the South African Institute of Chartered Accountants.

[1] *Included in total associates and joint ventures on pages 309 and 310.*
[2] *Represents the summarised financial information of the associates and joint ventures.*
[3] *These loans are provided on an arm's-length basis.*

Annexure C – group share incentive schemes

Share-based payments

The group's share incentive schemes enable key management personnel and senior employees to benefit from the performance of Standard Bank Group Limited and Liberty Holdings Limited shares.

Expenses recognised in staff costs

	2009 Rm	2008 Rm
Banking activities	**532**	291
Share options and appreciation rights	**243**	209
Standard International Holdings S.A. (SIH) long-term incentive scheme	**26**	(116)
Quanto stock scheme	**214**	137
Deferred bonus scheme (DBS)	**14**	
Black ownership initiative (group equity participation plans)	**35**	61
Stanlib		
Black ownership initiative (group equity participation plans)	**1**	1
Liberty	**68**	59
Share options – Liberty	**52**	35
Black ownership initiative (group equity participation plans)	**16**	24
	601	351

Liabilities recognised in other liabilities

	2009 Rm	2008 Rm
Summary of liabilities recognised in other liabilities:		
SIH long-term incentive scheme	**141**	189
Quanto stock scheme	**215**	181
Deferred bonus scheme	**21**	
	377	370

Further details on the group's share incentive schemes are provided below:

Share options and appreciation rights

Standard Bank Group has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and allocates appreciation rights to employees. The eventual value of the right is settled by receipt of value of shares equivalent to the full value of the rights.

The two schemes have three different sub-types of vesting categories as illustrated by the table below:

Vesting category	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years

Refer to the remuneration report on pages 96 and 97 for a detailed schedule of movements in share options issued to the executive directors during the year. A reconciliation of the movement of all share options and appreciation rights is detailed below:

Group Share Incentive Scheme	Option price range (rand) 2009	Number 2009	Number 2008
Reconciliation			
Options outstanding at beginning of the year		**22 862 850**	25 592 650
Granted	**62,39 – 98,20**	**2 453 900**	2 941 100
Exercised	**17,15 – 92,00**	**(5 878 968)**	(5 103 300)
Lapsed	**27,80 – 98,00**	**(314 500)**	(567 600)
Options outstanding at end of the year		**19 123 282**	22 862 850

Share options were exercised regularly throughout the period. The weighted average share price for the year was R86,14 (2008: R85,15).

The following options granted to employees, including executive directors, had not been exercised at 31 December 2009:

Number of ordinary shares	Option price range (rand)	Weighted average exercise price (rand)	Option expiry period
552 800	**25,00 – 28,15**	**25,64**	**Year to 31 December 2010**
2 675 732	**30,90 – 35,90**	**31,90**	**Year to 31 December 2011**
1 251 700	**27,80 – 35,70**	**28,10**	**Year to 31 December 2012**
2 542 700	**27,70 – 32,19**	**27,93**	**Year to 31 December 2013**
3 921 150	**39,90 – 62,00**	**40,90**	**Year to 31 December 2014**
616 000	**59,90 – 65,60**	**65,24**	**Year to 31 December 2015**
1 236 600	**76,40 – 85,80**	**79,53**	**Year to 31 December 2016**
1 196 100	**97,95 – 107,91**	**98,36**	**Year to 31 December 2017**
2 736 000	**76,30 – 92,00**	**91,72**	**Year to 31 December 2018**
2 394 500	**62,39 – 98,20**	**62,93**	**Year to 31 December 2019**
19 123 282			

The following options granted to employees, including executive directors, had not been exercised at 31 December 2008:

Number of ordinary shares	Option price range (rand)	Weighted average exercise price (rand)	Option expiry period
1 008 000	17,15 – 26,40	18,68	Year to 31 December 2009
1 031 900	25,00 – 28,15	25,34	Year to 31 December 2010
3 203 100	27,70 – 35,90	31,87	Year to 31 December 2011
1 957 000	27,30 – 35,70	28,10	Year to 31 December 2012
3 799 700	27,70 – 33,45	27,93	Year to 31 December 2013
5 759 650	39,90 – 62,00	41,05	Year to 31 December 2014
684 200	59,90 – 65,60	65,10	Year to 31 December 2015
1 288 300	76,40 – 85,80	79,52	Year to 31 December 2016
1 246 400	92,05 – 107,91	98,27	Year to 31 December 2017
2 884 600	76,30 – 92,00	91,74	Year to 31 December 2018
22 862 850			

The share options granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting type and the assumptions utilised are illustrated below.

	Type A		**Type B**	
	2009	2008	**2009**	2008
Number of options granted	**1 518 700**	1 773 400	**935 200**	1 167 700
Weighted average fair value at grant date (R)	**22,07**	32,94	**23,01**	36,47
The principal inputs are as follows:				
Weighted average share price (R)	**62,91**	91,78	**63,06**	91,67
Weighted average exercise price (R)	**62,91**	91,78	**63,06**	91,67
Expected life (years)	**6,1**	6,1	**7,0**	7,0
Expected volatility (%)	**35,5 – 38,8**	31,6 – 31,9	**35,5 – 38,8**	36,2
Risk-free interest rate (%)	**8,0 – 8,8**	9,4 – 11,6	**8,3 – 8,8**	9,4 – 11,5
Dividend yield (%)	**3,8**	3,5	**3,8**	3,5

The options granted during the year which are expected to vest, have an estimated fair value of R41 million (2008: R75 million).

Annexure C – group share incentive schemes continued

Equity Growth Scheme	Price range (rand) 2009	Number 2009	2008
Reconciliation			
Rights outstanding at beginning of the year		**31 294 711**	20 720 842
Granted	**62,39 – 100,00**	**12 655 000**	13 000 150
Exercised[1]	**69,75 – 104,00**	**(639 106)**	(332 616)
Lapsed	**60,35 – 99,52**	**(2 053 528)**	(2 093 665)
Rights outstanding at end of the year[2]		**41 257 077**	31 294 711

[1] *During the year 122 328 (2008: 47 667) Standard Bank Group shares were issued to settle the appreciated rights value.*
[2] *At the end of the year the group would need to issue 9 113 514 (2008: 1 468 533) Standard Bank Group shares to settle the outstanding appreciated rights value.*

The group is required to pay employees tax arising from benefits due in terms of the scheme in accordance with the Fourth Schedule of the Income Tax Act in South Africa. Where employees have elected not to fund the tax from their own resources the tax due is treated as a partial realisation of the gross benefits due under the scheme. 8 290 (2008: 123 563) Standard Bank Group shares were issued and sold to settle the employees tax due during the year. This amount settled reduces the liability due in respect of the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2009:

Number of rights	Price range (rand)	Weighted average exercise price (rand)	Expiry period
4 860 325	**60,35 – 70,00**	**65,42**	**Year to 31 December 2015**
6 616 302	**74,00 – 87,00**	**79,62**	**Year to 31 December 2016**
5 705 800	**94,50 – 117,30**	**98,45**	**Year to 31 December 2017**
11 782 550	**69,99 – 100,08**	**91,78**	**Year to 31 December 2018**
12 292 100	**62,39 – 100,00**	**64,43**	**Year to 31 December 2019**
41 257 077			

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2008:

Number of rights	Price range (rand)	Weighted average exercise price (rand)	Expiry period
5 470 739	60,35 – 70,00	65,48	Year to 31 December 2015
7 308 577	74,00 – 87,00	79,60	Year to 31 December 2016
6 108 845	94,50 – 117,30	98,42	Year to 31 December 2017
12 406 550	69,99 – 100,08	91,79	Year to 31 December 2018
31 294 711			

The share appreciation rights granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting type and the assumptions utilised are illustrated below:

	Type A 2009	Type A 2008	Type B 2009	Type B 2008
Number of appreciation rights granted	**8 236 500**	7 494 475	**4 418 500**	5 505 675
Weighted average fair value at grant date (R)	**22,50**	33,00	**23,81**	36,52
The principal inputs are as follows:				
Weighted average share price (R)	**64,02**	91,85	**65,06**	91,74
Weighted average exercise price (R)	**64,02**	91,85	**65,06**	91,74
Expected life (years)	**6,1**	6,1	**7,0**	7,0
Expected volatility (%)	**35,5 – 38,8**	31,4 – 39,1	**35,5 – 38,8**	36,0 – 39,1
Risk-free interest rate (%)	**7,7 – 9,0**	8,7 – 11,2	**7,7 – 9,1**	8,6 – 10,6
Dividend yield (%)	**3,8**	3,5	**3,8**	3,5

The appreciation rights granted during the year which are estimated to vest, have a fair value of R218 million (2008: R334 million).

Liberty has similar share-based payment transactions and has recognised a total expense of R52 million (2008: R35 million) relating to the share-based payments, comprising R51 million (2008: R33 million) for share options and R1 million (2008: R2 million) relating to the Standard Bank Group employee scheme.

SIH long-term incentive scheme

SIH has a long-term incentive scheme whereby certain employees, including certain executive directors of the group, are granted notional "shadow" share options. The scheme, which was set up in 1998, provides for eligible employees to be rewarded in cash, the value of which is derived from current and future performance of SIH. Throughout the life of the scheme, the liability is valued based on a defined formula. The notional share options which have a 10-year life are generally first exercisable in a one-month period, the month after the month in which the group's financial statements are approved, 50% after three years, 75% after four years and 100% after five years.

Up until March 2004 the scheme options were underpinned by share options issued by Standard Bank Group. From March 2005 shadow share options have been issued without funding from Standard Bank Group options.

The change in liability under the scheme is accounted for in profit or loss over the vesting period of the shadow share options and includes assumptions about future performance and leavers.

The provision in respect of liabilities under the scheme amounts to USD19,1 million at 31 December 2009 (2008: USD20,3 million), and the amount charged for the year was USD3,1 million (2008: USD14,1 million released).

	Option price range (USD)	Number	
SIH shadow share scheme		**2009**	2008
Reconciliation			
Options outstanding at beginning of the year		**28 865 848**	38 167 697
Exercised[1]	0 – 2,79	**(3 656 551)**	(7 513 814)
Lapsed	0 – 2,83	**(2 334 831)**	(1 788 035)
Options outstanding at end of the year		**22 874 466**	28 865 848

[1] During the year 51 300 (2008: 1 079 300) Standard Bank Group shares were issued to settle the underpinning SIH shadow scheme liability.

The following options granted to employees had not been exercised at 31 December 2009:

Number of ordinary shares	Option price range (USD)	Weighted average exercise price (USD)	Option expiry period
1 509 161	2,79	2,79	Year to December 2010
1 941 448	2,38	2,38	Year to December 2011
1 336 903	1,59	1,59	Year to December 2012
2 306 652	2,83	2,83	Year to December 2013
3 528 438	0 – 2,20	1,29	Year to December 2014
2 726 164	1,79 – 1,89	1,79	Year to December 2015
9 385 200	0 – 1,99	1,76	Year to December 2016
140 500	2,48	2,48	Year to December 2017
22 874 466			

The following options granted to employees had not been exercised at 31 December 2008:

Number of ordinary shares	Option price range (USD)	Weighted average exercise price (USD)	Option expiry period
1 059 454	2,21	2,21	Year to December 2009
1 562 804	2,79	2,79	Year to December 2010
1 995 091	2,38	2,38	Year to December 2011
1 587 999	1,59	1,59	Year to December 2012
2 556 987	2,83	2,83	Year to December 2013
5 710 485	0 – 2,20	1,29	Year to December 2014
3 727 328	1,79 – 1,89	1,79	Year to December 2015
10 525 200	0 – 1,99	1,76	Year to December 2016
140 500	2,48	2,48	Year to December 2017
28 865 848			

Quanto stock scheme

In early 2008, Corporate & Investment Banking Outside Africa launched a new long-term incentive scheme in the form of a Quanto Stock Unit Plan. The scheme was developed after a review of its compensation strategy to strengthen the retention effect of incentive remuneration and to promote an equity culture through shares, or an equivalent, which is linked to the performance of the overall Standard Bank Group.

Quanto stock units are linked to the Standard Bank Group share price, but expressed in US dollars. The deferral into Quanto stock is determined from the total annual incentive. 100% vesting occurs after three years subject to the recipient remaining in employment and not being under notice on the date of vesting. The provision in respect of liabilities under the scheme amounts to USD29,2 million at 31 December 2009 (2008: USD19,4 million), and the amount charged for the year was USD25,4 million (2008: USD16,8 million).

	Units ('000)	
Quanto stock scheme	**2009**	2008
Reconciliation		
Units outstanding at beginning of the year	**412**	
Granted	**551**	445
Lapsed	**(78)**	(33)
Units outstanding at end of the year	**885**	412

Quanto stock units granted not yet exercised at 31 December 2009:

Number of units ('000)	**Grant per shadow share (USD)**	**Unit expiry period**
362	**77,00 – 92,00**	**Year to 31 December 2018**
523	**62,39 – 100,50**	**Year to 31 December 2019**
885		

Quanto stock units granted during 2009, all of which were granted for nil consideration:

Number of units ('000)	**Grant per shadow share (USD)**	**Unit expiry period**
551	**62,39 – 100,50**	**Year to 31 December 2019**

Quanto stock units granted not yet exercised at 31 December 2008:

Number of units ('000)	Grant per shadow share (USD)	Unit expiry period
412	77,00 – 92,00	Year to 31 December 2018

Quanto stock units granted during 2008, all of which were granted for nil consideration:

Number of units ('000)	Grant per shadow share (USD)	Unit expiry period
445	77,00 – 92,00	Year to 31 December 2018

Deferred bonus scheme (DBS)

It is essential for the group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

The group has implemented a scheme to defer a portion of incentive bonuses over a minimum threshold for key SBSA management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

All SBSA employees, who are awarded short-term incentives over a certain threshold, will now be subject to a mandatory deferral of a percentage of their cash incentive into the DBS. Vesting of the deferred bonus occurs after three years, conditional on continued employment at that time. The final payment of the deferred bonus is calculated with reference to the Standard Bank Group share price at payment date. To enhance the retention component of the scheme, additional increments on the deferred bonus become payable at vesting and one year thereafter. Variables on thresholds and additional increments in the DBS are subject to annual review by the remuneration committee, and may differ from one performance year to the next.

The provision in respect of liabilities under the scheme amounts to R21 million at 31 December 2009 and the amount charged for the year was R14 million, after hedging activities.

	Units 2009
Reconciliation	
Granted	**1 162 261**
Lapsed	**(8 017)**
Units outstanding at end of the year	**1 154 244**
Weighted average fair value at grant date (R)	**62,39**
Expected life (years)	**3,00**
Risk-free interest rate (%)	**7,89**
Dividend yield (%)	**4,42**

Black ownership initiative

The group entered into a BEE transaction during 2004 whereby Standard Bank Group and Liberty made investments in cumulative redeemable shares issued by BEE entities of R4 017 million and R1 251 million respectively (refer to note 16). The proceeds received from the issue of the cumulative redeemable preference shares were used by the BEE entities to purchase Standard Bank Group and Liberty shares. The BEE entities initially purchased 99 190 197 ordinary shares of the group. The instruments relating to Shanduka, Safika and The Community Trust vested immediately. In terms of IFRS 1, the group elected not to apply the provisions of IFRS 2 to equity-settled awards granted after 7 November 2002, but which had vested prior to January 2005. The instruments relating to the Standard Bank Black Managers' Trusts, which are 38 857 919 Standard Bank Group shares, are accounted for over the vesting period ending 31 December 2010, which resulted in the recognition of a share-based payment transaction. The instrument was valued using a number of valuation techniques including the Black-Scholes model and discounted cash flow methods. Due to the uniqueness of the instrument, the mid-point of the range of valuations was used, arriving at a value of R8,50 per Standard Bank Group share at 4 October 2004, the grant date.

On 3 March 2008, the Standard Bank Black Managers' Trusts sold 11,1% of their ordinary shares in the group to ICBC, resulting in an acceleration of the vesting of the shares sold. This resulted in an incremental increase of R7 million in the annual share-based payment expense recognised during 2008.

The instruments relating to the Standard Bank Black Managers' Trusts are accounted for over the vesting period ending 31 December 2010, resulting in an expense in 2009 of R35 million (2008: R61 million) for banking operations and R1 million (2008: R1 million) for Stanlib. Liberty has applied similar principles and has accounted for an expense of R16 million (2008: R24 million).

Annexure D – segmental statement of financial position

	Personal & Business Banking		Corporate & Investment Banking		Central and other	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Assets						
Cash and balances with central banks	**7 353**	6 283	**17 623**	19 407	**7**	7
Financial investments, trading and pledged assets	**158**	882	**171 171**	173 649	**1 874**	(2 514)
Loans and advances	**369 106**	380 175	**356 737**	408 124	**(2 336)**	1 788
Loans and advances to banks	**1 326**		**122 232**	129 890	**(635)**	
Loans and advances to customers	**367 780**	380 175	**234 505**	278 234	**(1 701)**	1 788
Investment property						
Derivative and other assets	**3 447**	3 791	**176 539**	285 538	**1 431**	1 750
Interest in associates and joint ventures	**928**	1 214	**3 203**	768	**134**	75
Goodwill and other intangible assets	**4 632**	4 814	**3 097**	3 456	**98**	94
Property and equipment	**5 677**	4 989	**2 113**	1 785	**1 939**	744
Total assets	**391 301**	402 148	**730 483**	892 727	**3 147**	1 944
Equity and liabilities						
Equity	**23 771**	25 532	**45 318**	44 963	**21 397**	19 730
Equity attributable to ordinary shareholders	**22 617**	24 441	**42 823**	41 370	**15 781**	13 253
Preference share capital and premium					**5 503**	5 503
Minority interest	**1 154**	1 091	**2 495**	3 593	**113**	974
Liabilities	**367 530**	376 616	**685 165**	847 764	**(18 250)**	(17 786)
Deposit and current accounts	**362 586**	371 878	**418 984**	479 517	**(13 022)**	(7 580)
Deposits from banks	**251**		**105 975**	129 055	**(208)**	
Deposits from customers	**362 335**	371 878	**313 009**	350 462	**(12 814)**	(7 580)
Derivative, trading and other liabilities	**(2 526)**	(2 453)	**250 003**	356 386	**(6 182)**	(10 631)
Policyholders' liabilities						
Subordinated debt	**7 470**	7 191	**16 178**	11 861	**954**	425
Total equity and liabilities	**391 301**	402 148	**730 483**	892 727	**3 147**	1 944
Average assets – banking activities excluding trading derivatives	**396 285**	386 578	**578 388**	574 780	**7 726**	2 228
Average loans and advances (gross)	**385 818**	372 311	**370 984**	358 907	**40**	1 067
Average ordinary shareholders' equity	**24 279**	24 090	**41 088**	35 893	**14 717**	12 599

Banking activities		Liberty		Normalised Standard Bank Group		IFRS adjustments		IFRS Standard Bank Group	
2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
24 983	25 697			**24 983**	25 697			**24 983**	25 697
173 203	172 017	**186 479**	178 495	**359 682**	350 512	**(3 164)**	(3 653)	**356 518**	346 859
723 507	790 087			**723 507**	790 087	**(2 118)**	(2 153)	**721 389**	787 934
122 923	129 890			**122 923**	129 890			**122 923**	129 890
600 584	660 197			**600 584**	660 197	**(2 118)**	(2 153)	**598 466**	658 044
		19 058	16 771	**19 058**	16 771			**19 058**	16 771
181 417	291 079	**5 247**	8 397	**186 664**	299 476			**186 664**	299 476
4 265	2 057	**5 264**	4 933	**9 529**	6 990			**9 529**	6 990
7 827	8 364	**1 582**	1 816	**9 409**	10 180			**9 409**	10 180
9 729	7 518	**2 521**	2 228	**12 250**	9 746			**12 250**	9 746
1 124 931	1 296 819	**220 151**	212 640	**1 345 082**	1 509 459	**(5 282)**	(5 806)	**1 339 800**	1 503 653
90 486	90 225	**14 012**	14 918	**104 498**	105 143	**(5 129)**	(5 642)	**99 369**	99 501
81 221	79 064	**6 233**	6 838	**87 454**	85 902	**(3 432)**	(3 949)	**84 022**	81 953
5 503	5 503			**5 503**	5 503			**5 503**	5 503
3 762	5 658	**7 779**	8 080	**11 541**	13 738	**(1 697)**	(1 693)	**9 844**	12 045
1 034 445	1 206 594	**206 139**	197 722	**1 240 584**	1 404 316	**(153)**	(164)	**1 240 431**	1 404 152
768 548	843 815			**768 548**	843 815			**768 548**	843 815
106 018	129 055			**106 018**	129 055			**106 018**	129 055
662 530	714 760			**662 530**	714 760			**662 530**	714 760
241 295	343 302	**20 541**	23 599	**261 836**	366 901	**(153)**	(164)	**261 683**	366 737
		183 544	172 069	**183 544**	172 069			**183 544**	172 069
24 602	19 477	**2 054**	2 054	**26 656**	21 531			**26 656**	21 531
1 124 931	1 296 819	**220 151**	212 640	**1 345 082**	1 509 459	**(5 282)**	(5 806)	**1 339 800**	1 503 653
982 399	963 586			**982 399**	963 586	**(1 899)**	(2 638)	**980 500**	960 948
756 842	732 285			**756 842**	732 285	**(1 941)**	(2 638)	**754 901**	729 647
80 084	72 582	**6 258**	5 020	**86 342**	77 602	**(4 054)**	(4 046)	**82 288**	73 556

Annexure E – banking activities average statement of financial position (normalised)

				2009
	Trading book Rm	Non-interest earning Rm	Interest earning Rm	Total average balance Rm
Assets				
Cash and balances with central banks[2]	1 416	9 459	9 266	20 141
Trading assets	75 173	17 339		92 512
Financial investments	1 927		74 525	76 452
Net loans and advances	46 709		692 109	738 818
Loans and advances to banks	13 681		118 793	132 474
Loans and advances to customers	33 028		591 340	624 368
Mortgage loans			254 690	254 690
Instalment sale and finance leases			64 145	64 145
Card debtors			22 425	22 425
Overdrafts and other demand loans	1 090		52 657	53 747
Other term loans	31 808		138 750	170 558
Loans granted under resale agreements			1 645	1 645
Commercial property finance			33 676	33 676
Foreign currency loans	130		23 117	23 247
Other loans and advances			235	235
Gross loans and advances	46 709		710 133	756 842
Credit impairments for loans and advances			(18 024)	(18 024)
Other assets	9 518	22 472		31 990
Interest in associates and joint ventures	54	5 557		5 611
Goodwill and other intangible assets	19	6 382		6 401
Property and equipment	3 270	7 204		10 474
Total average assets and interest excluding trading derivative assets	138 086	68 413	775 900	982 399
Trading derivative assets	128 671			128 671
Total average assets and interest	266 757	68 413	775 900	1 111 070
Equity and liabilities				
Equity	2 359	95 698		98 057
Liabilities	135 804	41 187	709 696	886 687
Trading liabilities	44 384	8 116		52 500
Deposit and current accounts	85 318		690 709	776 027
Deposits from banks	85 318		39 694	125 012
Deposits from customers			651 015	651 015
Current accounts			89 446	89 446
Cash management deposits			63 135	63 135
Call deposits			115 342	115 342
Savings accounts			19 120	19 120
Term deposits			163 954	163 954
Negotiable certificates of deposit			105 020	105 020
Repurchase agreements			67 321	67 321
Securitisation issuances			16 300	16 300
Other funding			11 377	11 377
Other liabilities and provisions	4 485	33 071		37 556
Subordinated bonds	1 617		18 987	20 604
Total average equity, liabilities and interest excluding trading derivative liabilities	138 163	136 885	709 696	984 744
Trading derivative liabilities	126 326			126 326
Total average equity, liabilities and interest	264 489	136 885	709 696	1 111 070
Margin on total average assets excluding trading derivatives	138 086	68 413	775 900	982 399
Margin on total average loans and advances	46 709		692 109	738 818
Margin on average interest-earning assets			775 900	775 900

[1] Interest received and paid on trading derivative financial instruments has been netted with interest received on derivative asset instruments used for hedging purposes. The interest split between assets and liabilities will therefore not equate to interest income and interest expense as per the income statement.

[2] Included within interest-earning cash and balances with central banks is the SARB interest-free deposit. This is utilised to meet liquidity requirements and is reflected in the margin as part of interest-earning assets to reflect the cost of liquidity.

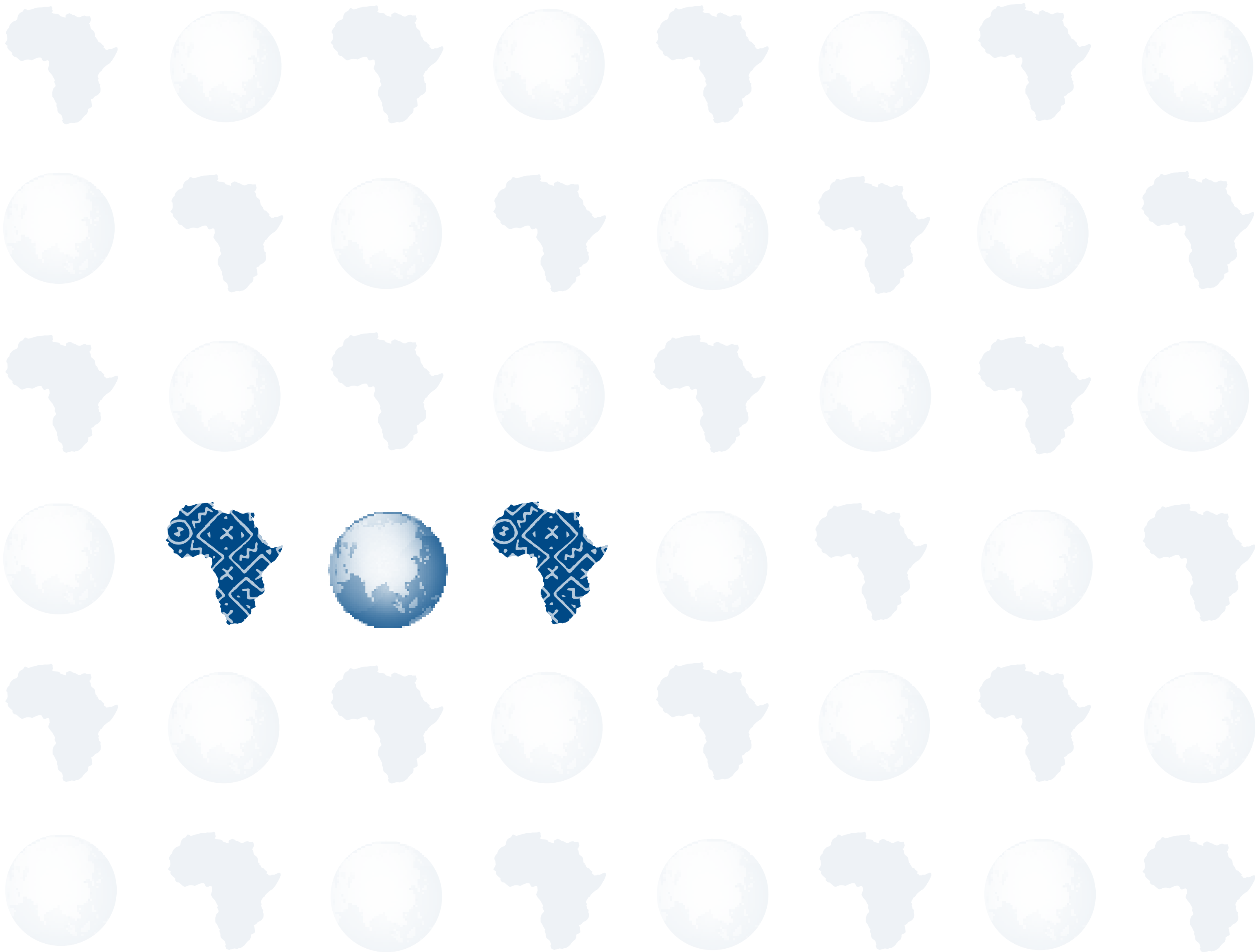
Interest[1] Rm	Average rate %	2008 Trading book Rm	Non-interest earning Rm	Interest earning Rm	Total average balance Rm	Interest[1] Rm	Average rate %
		752	8 552	9 298	18 602		
		102 473	26 861		129 334		
8 402	10,99	10 986		30 314	41 300	5 216	12,60
69 244	9,37	51 629		670 770	722 399	89 522	12,36
4 537	3,42	14 267		99 330	113 597	7 858	6,90
64 707	10,36	37 362		581 326	618 688	81 664	13,16
26 951	10,58			235 965	235 965	31 711	13,40
8 222	12,82			71 906	71 906	10 949	15,19
3 990	17,79			23 032	23 032	4 708	20,39
7 453	13,87	819		42 573	43 392	7 476	17,18
12 502	7,33	36 484		145 778	182 262	19 890	10,88
205	12,46			1 045	1 045	150	14,31
4 066	12,07			34 619	34 619	4 549	13,10
1 295	5,57	59		25 930	25 989	2 180	8,37
23	9,79			478	478	51	10,64
69 244	9,15	51 629		680 656	732 285	89 522	12,19
				(9 886)	(9 886)		
		12 637	16 802		29 439		
		82	4 960		5 042		
			6 019		6 019		
		5 064	6 387		11 451		
77 646	7,90	183 623	69 581	710 382	963 586	94 738	9,80
		105 445			105 445		
77 646	6,99	289 068	69 581	710 382	1 069 031	94 738	8,84
		2 245	89 082		91 327		
46 153	5,21	171 409	43 955	650 058	865 422	62 621	7,22
		64 251	14 973		79 224		
44 544	5,74	99 303		630 837	730 140	60 841	8,31
1 556	1,24	99 303		17 791	117 094	3 879	3,30
42 988	6,60			613 046	613 046	56 962	9,27
1 948	2,18			86 779	86 779	2 491	2,86
4 326	6,85			60 031	60 031	6 046	10,04
9 046	7,84			113 677	113 677	11 879	10,42
337	1,76			19 176	19 176	547	2,84
15 533	9,47			157 092	157 092	19 694	12,50
8 357	7,96			85 288	85 288	9 757	11,41
889	1,32			60 697	60 697	2 868	4,71
1 403	8,61			19 067	19 067	2 240	11,72
1 149	10,10			11 239	11 239	1 440	12,78
		6 407	28 982		35 389		
1 609	7,81	1 448		19 221	20 669	1 780	8,59
46 153	4,69	173 654	133 037	650 058	956 749	62 621	6,53
		112 282			112 282		
46 153	4,15	285 936	133 037	650 058	1 069 031	62 621	5,84
31 493	3,21	183 623	69 581	710 382	963 586	32 117	3,32
31 493	4,26	51 629		670 770	722 399	32 117	4,43
34 513	4,45			710 382	710 382	35 480	4,98

Annual financial statements

Annexure F – third party funds under management

	2009 Rbn	2008 Rbn
Third party assets under management and funds under administration		
Members of the group provide discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in profit or loss. Assets managed and funds administrated on behalf of third parties include:		
Banking activities		
Asset management		
Trusts and estates	**141**	153
Unit trusts/collective investments	**8**	11
Segregated funds	**4**	
Linked investment and structured products	**10**	9
Portfolio management	**26**	30
	189	203
Funds under administration		
Trusts and estates	**9**	7
Unit trusts/collective investments	**72**	79
Portfolio management	**57**	49
	138	135
Total banking activities	**327**	338
Geographical area		
Africa	**100**	103
Outside Africa	**227**	235
	327	338
Liberty		
Asset management	**46**	59
Segregated funds	**43**	56
Properties	**3**	3
Wealth management – funds under administration	**154**	127
Single manager unit trust	**74**	64
Institutional marketing	**25**	18
Linked and structured life products	**23**	20
Multi-manager	**8**	6
Rest of Africa	**24**	19
Total Liberty	**200**	186
Total assets under management and funds under administration	**527**	524

Included in the balances above are funds for which the fund value is determined using directors' valuations.



Shareholder information

Chairman's letter to shareholders

Dear Shareholder

I extend an invitation to you to attend the 41st annual general meeting (AGM) of Standard Bank Group Limited to be held in the HP de Villiers Auditorium, Ground Floor, Standard Bank Centre, 6 Simmonds Street, Johannesburg on Thursday, 27 May 2010 at 09:30.

This is your opportunity to meet and question members of the Standard Bank Group Limited board regarding the group's performance for the year ended 31 December 2009.

If you hold certificated shares or if you have dematerialised your shares and have elected "own-name" registration through a Central Securities Depository Participant (CSDP) or broker, and you are not able to attend the meeting, I would urge you to complete the proxy form in accordance with the instructions and return it to the address indicated.

If you have dematerialised your shares on STRATE, and you have not elected "own-name" registration, and cannot attend the meeting I urge you to submit voting instructions to your CSDP or broker. You will need to contact them regarding their particular cut-off time for votes to be lodged with us. If you wish to attend the meeting, you will have to approach your CSDP or broker to provide you with the necessary authority in terms of the agreement that you have entered into with them.

Explanatory note on resolutions to be tabled at the AGM

The AGM will deal with the following ordinary business:

- To receive and adopt the annual financial statements for the year ended 31 December 2009 as required in terms of the Companies Act (ordinary resolution number 1);
- You will be requested to approve the non-executive directors' fees in respect of 2010, which have been considered by the group remuneration committee and recommended by the board (ordinary resolution number 2) and a proposed ex gratia payment to the chairman on retirement (ordinary resolution number 3); and
- The company's articles of association make provision for the annual retirement of a certain proportion of the board of directors. Those directors retiring in terms of this provision as well as directors appointed for the first time to the board since the previous AGM, offer themselves for re-election. Their abridged *curriculum vitae* have been included in the notice (ordinary resolution number 4).

Ordinary resolutions 5.1 to 5.4 deal with placing certain authorised share capital under the control of the directors until the following AGM:

- Ordinary resolutions 5.1 and 5.2 provides the directors with the ability to allot and issue ordinary shares for the practical functioning of the Standard Bank Equity Growth and Standard Bank Share Incentive Schemes. Please note that in terms of the rules of both schemes, an individual employee may not acquire in the aggregate in excess of 2,5% of the maximum number of shares reserved for the operation of both schemes;
- Ordinary resolution 5.3 provides the directors with the ability to allot and issue ordinary shares (other than those required for the operation of the schemes as dealt with in ordinary resolutions 5.1 and 5.2) up to a maximum of 5% of the ordinary shares in issue at 31 December 2009; and
- The directors' ability to allot and issue non-redeemable, non-cumulative, non-participating preference shares is contained in the provisions of ordinary resolution 5.4.

You will also be requested to give authority to the directors to make payments to shareholders on a pro rata basis, in compliance with the provisions of the Companies Act and the Listings Requirements of the JSE Limited (Listings Requirements) (ordinary resolution 5.5). The annual renewal of this resolution is necessary pursuant to the Listings Requirements to enable the directors to pay capital distributions in lieu of dividends and should such payment(s) be made in any one financial year, they may not exceed 20% of the company's issued share capital.

The provisions of Schedule 14 of the Listings Requirements, which prescribe the requirements for share incentive schemes of companies listed on the JSE Limited, were amended during 2008. The company is required to make appropriate amendments to the Standard Bank Equity Growth and Standard Bank Group Share Incentive Schemes by no later than 1 January 2011. These amendments are contained in ordinary resolutions 5.6 and 5.7.

Since the Standard Bank Equity Growth Scheme was approved by shareholders in 2006, Standard Bank Group Limited has grown significantly, not least through the successful conclusion of the ICBC transaction. Since then, the number of issued ordinary shares in the company has grown, and the board believes it appropriate to increase the number of ordinary shares in aggregate that may be issued in terms of the Standard Bank Equity Growth Scheme and the Standard Bank Group Share Incentive Scheme at this time. Ordinary resolutions 5.6.3 and 5.7.3 are required in order to achieve this. The amendments are summarised in the annexures to the notice.

The following special resolutions will be tabled for consideration at the AGM:

- To increase the company's authorised share capital to enable the group to pursue acquisitions in line with the company's strategy; and
- A renewal of the authority given by shareholders at the previous AGM that will allow the repurchase of the company's securities by the company or any subsidiary during the course of the year should the directors feel that the circumstances are appropriate. Any repurchases made will be in accordance with the Companies Act and the Listings Requirements.

I look forward to welcoming you at the AGM.

Derek Cooper
Chairman
5 April 2010

Notice to members

Notice is hereby given that the 41st annual general meeting of Standard Bank Group Limited (Standard Bank Group or the company) will be held in the HP de Villiers Auditorium, Ground Floor, Standard Bank Centre, 6 Simmonds Street, Johannesburg, on Thursday, 27 May 2010 at 09:30.

The meeting will deal with the following business:

Ordinary resolutions

1. To receive and adopt the annual financial statements for the year ended 31 December 2009, including the reports of the directors and auditors.

2. To approve the proposed fees payable to the non-executive directors for 2010 [1]:

   2.1 Chairman of Standard Bank Group – R3 750 000 per annum [2].

   2.2 Director of Standard Bank Group – R161 000 per annum.

   2.3 International director of Standard Bank Group – £34 650 per annum.

   2.4 Group credit committee:
   Member – R16 500 per meeting.

   2.5 Directors' affairs committee:
   Chairman – R114 500 per annum;
   Member – R57 000 per annum.

   2.6 Group risk and capital management committee:
   Chairman – R455 000 per annum;
   Member – R182 000 per annum.

   2.7 Group remuneration committee:
   Chairman – R228 000 per annum;
   Member – R98 000 per annum.

   2.8 Group transformation committee
   Chairman – R145 000 per annum;
   Member – R72 000 per annum.

   2.9 Group audit committee:
   Chairman – R455 000 per annum;
   Member – R182 000 per annum.

   2.10 Ad hoc meeting attendance [3] – R15 250 per meeting.

3. As described in the tribute on page 19 of the annual report, Derek Cooper has made an extraordinary contribution during his almost 10 years as chairman of The Standard Bank of South Africa Limited ("Standard Bank"), which was a virtually full time role. The board wishes to recognise this, and in particular the unique role he played in leading the board in resisting the Nedcor bid in 1999/2000 and in strengthening the leadership and structures of the bank thereafter. With the clarity of hindsight, Derek Cooper's wisdom, courage and perseverance at the time have been vindicated, and have enabled significant subsequent value creation for shareholders. In terms of good corporate governance he was not eligible for share incentives or bonuses during his tenure. Given the enduring value created for Standard Bank by Derek Cooper's leadership, the board of Standard Bank unanimously decided that it would be wholly appropriate to award him an ex gratia payment of R7,5 million at the conclusion of his tenure. This decision has been made subject to approval by ordinary resolution of the shareholders of Standard Bank Group Limited.

   "Resolved as an ordinary resolution that the Company approves the payment by The Standard Bank of South Africa Limited of an ex gratia award of R7 500 000 to Derek Edward Cooper."

4. To elect directors in place of those retiring in accordance with the provisions of the company's articles of association.

   Messrs TS Gcabashe, SJ Macozoma, RP Menell, MJD Ruck and Lord Smith retire by rotation while Messrs RMW Dunne and TMF Phaswana are required to retire at the annual general meeting following their appointment. All being eligible offer themselves for re-election. Messrs DE Cooper and MJ Shaw retire at the conclusion of this meeting.

   Details of the directors offering themselves for re-election are as follows:

   4.1 **RMW Dunne***
   Age: 61
   Appointed: 2009
   Educational qualifications: CTA (Wits), CA(SA)
   Directorships: Standard Bank Group, The Standard Bank of South Africa, Anglo Platinum, AECI and Tiger Brands.

[1] *With effect from 1 January 2010.*
[2] *The chairman's fees include the board, subsidiary boards (excluding Standard Bank Plc) and all committee memberships. A company motor vehicle, against which fringe benefit tax is levied, is made available for use by the current chairman.*
[3] *Fee per meeting for attendance by non-executive director acting in an alternate capacity or attending ad hoc meetings where no other fee is specifically approved.*
**Independent non-executive director.*

Committee member: Group/SBSA audit committees and the group/SBSA risk and capital management committees.

4.2 **TS Gcabashe***
Age: 52
Appointed: 2003
Educational qualifications: BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)
Directorships: Standard Bank Group, The Standard Bank of South Africa and Imperial Holdings (chairman).
Committee member: Group/SBSA audit committees.

4.3 **SJ Macozoma**
Age: 52
Appointed: 1998
Educational qualifications: BA (Unisa), BA (Honours) (Boston)
Directorships: Standard Bank Group (deputy chairman), The Standard Bank of South Africa, Andisa Capital (chairman), Lliso Consulting (chairman), Liberty Group (chairman), Liberty Holdings (chairman), Stanlib (chairman), Safika Holdings (deputy chairman), various Safika subsidiaries, Tutuwa Strategic Holdings 2 and VW South Africa.
Committee member: Group transformation committee (chairman), group/SBSA directors' affairs committees, group credit committee, group remuneration committee, and group/SBSA risk and capital management committees.

4.4 **RP Menell***
Age: 54
Appointed: 1997
Educational qualifications: MA (Cambridge), MSc (Stanford)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Gold Fields, Mutual and Federal Insurance Company and The Weir Group Plc.
Committee member: Group remuneration committee and the group/SBSA risk and capital management committees.

4.5 **MJD Ruck***
Age: 54
Appointed: 2002
Educational qualifications: BBusSc (Cape Town), PMD (Harvard)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Standard Bank Argentina S.A. (chairman), Aveng, Mr Price Group, Shanduka Group and Thesele Group.
Committee member: Group credit committee, group/SBSA risk and capital management committees and SBSA large exposure credit committee.

4.6 **TMF Phaswana***
Age: 65
Appointed: 2009
Educational qualifications: BA (Unisa), BA (Honours) (Unisa), MA (Unisa), BCom (Honours) (RAU)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Anglo American South Africa (chairman), Anglo Platinum (chairman) and Naspers Investments.
Committee member: Group/SBSA directors' affairs committees, group credit committee, group/SBSA risk and capital management committees, group remuneration committee and group transformation committee.

4.7 **Lord Smith of Kelvin, Kt***
Age: 65
Appointed: 2003
Educational qualifications: CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Scottish and Southern Energy Plc (chairman) and The Weir Group Plc (chairman).
Committee member: Group/SBSA audit committees.

5. To consider and if deemed fit to pass, with or without modification, the following resolutions as ordinary resolutions:

5.1 "Resolved as an ordinary resolution that all the ordinary shares required for the purpose of carrying out the terms of the Standard Bank Equity Growth Scheme (the Equity Growth Scheme), other than those which have specifically been appropriated for the Equity Growth Scheme in terms of ordinary resolutions duly passed at previous annual general meetings of the company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to allot and issue those shares in terms of the Equity Growth Scheme."

**Independent non-executive director.*

5.2 "Resolved as an ordinary resolution that all the ordinary shares required for the purpose of carrying out the terms of the Standard Bank Group Share Incentive Scheme (the Scheme), other than those which have specifically been appropriated for the Scheme in terms of ordinary resolutions duly passed at previous annual general meetings of the company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to allot and issue those shares in terms of the Scheme."

5.3 "Resolved as an ordinary resolution that the unissued ordinary shares in the authorised share capital of the company (other than those specifically identified in ordinary resolutions number 5.1 and 5.2) be and are hereby placed under the control of the directors of the company who are authorised to allot and issue the ordinary shares at their discretion until the next annual general meeting of the company, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Limited and subject to the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution being limited to five percent (5%) of the number of ordinary shares in issue at 31 December 2009."

5.4 "Resolved as an ordinary resolution that the unissued non-redeemable, non-cumulative, non-participating preference shares (non-redeemable preference shares) in the authorised share capital of the company be and are hereby placed under the control of the directors of the company who are authorised to allot and issue the non-redeemable preference shares at their discretion until the next annual general meeting of the company, subject to the provisions of the Companies Act, 61 of 1973, as amended and the Listings Requirements of the JSE Limited."

5.5 "Resolved as an ordinary resolution that the directors of the company be and are hereby authorised and given a renewable general authority to make payments to shareholders in terms of section 5.85(b) of the Listings Requirements of the JSE Limited (the Listings Requirements), subject to the provisions of the Companies Act, 61 of 1973, as amended (the Companies Act), the Banks Act, 94 of 1990, as amended and the Listings Requirements, including, amongst others, the following requirements:

(a) payments to shareholders in terms of this resolution shall be made in terms of section 90 of the Companies Act and be made pro rata to all shareholders;

(b) in any one financial year, payments to shareholders in terms of this resolution shall not exceed a maximum of 20% of the company's issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE Limited prepared within the last six months, measured as at the beginning of such financial year; and

(c) this general authority to make payments to shareholders shall be valid until the next annual general meeting of the company or for 15 months from the date of this resolution whichever period is the shorter."

The directors of the company are of the opinion that, taking into consideration the effect of the maximum payment in terms of this authority:

- The company and the group would be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the notice of this annual general meeting (the next year); and
- The assets of the company and group, fairly valued in accordance with International Financial Reporting Standards (IFRS) would be in excess of the liabilities of the company and the group for the next year.

The purpose of this general authority is to authorise the company's directors to return excess cash resources to shareholders on a pro rata basis if they deem it appropriate.

5.6 The provisions of Schedule 14 of the Listings Requirements of the JSE Limited, which prescribe the requirements for share incentive schemes of companies listed on the JSE Limited were amended during 2008. Standard Bank Group Limited is required to make appropriate amendments to the Equity Growth Scheme and the Share Incentive Scheme by no later than 1 January 2011. Resolutions 5.6 and 5.7 listed below are required in order for the Equity Growth Scheme and the Share Incentive Scheme to comply with the provisions of Schedule 14. In terms of Schedule 14, the resolutions must be approved by equity security holders passing an ordinary resolution requiring a 75% majority of the votes cast in favour of the resolution by all equity security holders present or represented by proxy at the general meeting to approve the resolution. Salient features of the Equity Growth Scheme and Share Incentive Scheme are attached to this notice as Annexure A and B, respectively.

"Resolved as an ordinary resolution in terms of Schedule 14 of the JSE Listings Requirements and in accordance with Section 222 of the Companies Act, Act 61 of 1973, as amended, where applicable that the provisions of the Standard Bank Equity Growth Scheme are amended as follows:

5.6.1 by the deletion of clause 1.16, which contains the following definition:
"Past Employee" and the consequent deletion of the term "Past Employee" in clause 5.4 and clause 5.5;

5.6.2 by the insertion of the following number and words in clause 3.1:
"3 895 642 (three million eight hundred and ninety five thousand six hundred and forty two) Ordinary Shares, which amounts to";

5.6.3 by the deletion of the words "from time to time" and number "135 210 837 (one hundred and thirty five million, two hundred and ten thousand, eight hundred and thirty seven)" in clause 3.2 and replacement of this number with "155 825 716 (one hundred and fifty five million, eight hundred and twenty five thousand, seven hundred and sixteen)" as well as the deletion of the year "2004" and replacement of this year with "2009";

5.6.4 by the deletion of the following clause 3.2.1:
"which are issued pursuant to the Exercise of Rights in terms of this Scheme, whether in part or in full; or";

5.6.5 by the insertion of the following new clause 4.1A:
"The Board, in consultation with the Employer Companies, shall establish criteria for the award of Rights in terms of the Scheme. The criteria shall be aligned with the strategic objectives of the Group, and shall include, inter alia, the aim of: rewarding Employees for good performance; rewarding Employees for contributing to the continued growth of the Group with a long term horizon, and ensuring that the Group is able to compete in the market place for talent in order to achieve its strategic objectives";

5.6.6 by the insertion of clause references "4.1, 4.1A, 5.2.2" in the first sentence of clause 8.3 and by the deletion of the words "simple majority" and replacement of these words with "resolution" in clause 8.3 as well as the insertion of the words "in accordance with the requirements of the JSE";

5.6.7 by the deletion of the following word in clause 8.4.3:
"or";

5.6.8 by the deletion of the following clause 8.4.4:
"the Company is subject to any other event, which in the sole discretion of the Board, necessitates an adjustment of the nature contemplated below";

5.6.9 by the insertion of the following words in clause 8.4:
"and that they are, as far as possible, entitled to the same proportion of the equity capital of the Company as they were prior to the event necessitating the adjustment"; and

5.6.10 by the insertion of the following new clause 8.4A:

"In the event that there is an adjustment to the number of Rights pursuant to clause 8.4.1 above, then the aggregate number of unissued Ordinary Shares that may be reserved for the Scheme as prescribed in clause 3.2 shall be adjusted proportionately. In the event that there is an adjustment to the number of Rights pursuant to clauses 8.4.2 and 8.4.3 above, then the aggregate number of unissued Ordinary Shares which may be acquired or subscribed for by any one Employee as prescribed in clause 3.1 shall be adjusted proportionately"."

The amended clauses will read as follows:

"3.1 The aggregate number of fully paid Ordinary Shares which any one Employee may acquire, or subscribe for, in terms of the Scheme and the Standard Bank Group Share Incentive Scheme shall not exceed 3 895 642 (three million eight hundred and ninety five thousand six hundred and forty two) Ordinary Shares, which amounts to 2,5 percent of the number of shares specified in clause 3.2 below."

"3.2 The aggregate number of unissued Ordinary Shares which may be reserved for the Scheme, and the Standard Bank Group Share Incentive Scheme, shall not exceed 155 825 716 (one hundred and fifty five million, eight hundred and twenty five thousand, seven hundred and sixteen) Ordinary Shares, which amounts to 10 per cent of the issued ordinary share capital of the Company on 31 December 2009. For the purposes of determining the aggregate number of ordinary shares reserved for the Scheme and the Standard Bank Group Share Incentive Scheme, any ordinary shares which are the subject of an expired or terminated Right, shall cease to be counted in that aggregate."

"8.3 No amendments may be made to clauses 1.4, 1.7, 1.11, 2, 3.1, 3.2, 4.1, 4.1A, 5.2.2 5.3, or this 8.3 without the prior authority of a resolution of the holders of the Ordinary Shares in the Company in a general meeting in accordance with the requirements of the JSE. The Scheme may be amended from time to time by the Board in any other respect, provided that no such amendment shall operate to alter adversely the terms and conditions of any Award or any offer or agreement made prior thereto to an Employee or Retired Employee without the written consent of that Employee or Retired Employee."

5.7 "Resolved as an ordinary resolution in terms of Schedule 14 of the JSE Listings Requirements and in accordance with section 222 of the Companies Act, 61 of 1973, as amended, where applicable that the provisions of the Standard Bank Group Share Incentive Scheme are amended as follows:

5.7.1 by the deletion of clause 1.16, which contains the following definition:

"Past Employee" and the consequent deletion of the term "Past Employee" in clauses 4.6, 4.8, 4.8.3, 4.9.1 and 6.5.1;

5.7.2 by the insertion of the following number and words in clause 3.1:

"3 895 642 (three million eight hundred and ninety five thousand six hundred and forty two) Ordinary Shares which amounts to";

5.7.3 by the deletion of the words "from time to time" and number "135 210 837 (one hundred and thirty five million, two hundred and ten thousand, eight hundred and thirty seven)" in clause 3.2 and replacement of this number with "155 825 716 (one hundred and fifty five million, eight hundred and twenty five thousand, seven hundred and sixteen)" as well as the deletion of the year "2004" and replacement of this year with "2009";

5.7.4 by the deletion of the following clause 3.2.1:

"in respect of which an option has been exercised, whether in part or in full, and in respect of which the purchase consideration has been paid to the company in full; or";

5.7.5 by the insertion of the following new clause 4.1A:

"The directors shall establish criteria for the grant of options in terms of the Incentive Scheme. The criteria shall be aligned with the strategic objectives of the company, and shall include, inter alia, the aim of: rewarding employees for good performance; rewarding employees for contributing to the continued growth of the company with a long term horizon, and ensuring that the company is able to compete in the market place for talent in order to achieve its strategic objectives";

5.7.6 by the insertion of the following new clause 5.1A:

"The directors shall establish criteria for the offer to allot or sell shares in terms of the Incentive Scheme. The criteria shall be aligned with the strategic objectives of the company, and shall include, inter alia, the aim of: rewarding employees for good performance; rewarding employees for contributing to the continued growth of the company with a long term horizon, and ensuring that the company is able to compete in the market place for talent in order to achieve its strategic objectives.";

5.7.7 by the insertion of the following clause references in the first sentence of clause 6.3: "4.1A, 4.7, 4.9, 4.11.2, 5.1A, 5.3, 5.5 and 5.8" and the insertion of "a resolution of the holders of ordinary shares in the company in general meeting in accordance with the requirements of the JSE" in clause 6.3; and

5.7.8 by the insertion of the following new clause 6.4A:

"In the event that there is an adjustment to the number of Ordinary Shares which are the subject of an option pursuant to clause 6.4.1 above, then the aggregate number of unissued Ordinary Shares that may be reserved for the Scheme as prescribed in clause 3.2 shall be adjusted proportionately. In the event that there is an adjustment to the number of Ordinary Shares which are the subject of an option pursuant to clause 6.4.1 above, then the aggregate number of unissued Ordinary Shares which may be acquired or subscribed for by any one Employee as prescribed in clause 3.1 shall be adjusted proportionately"."

The amended clauses will read as follows:

"3.1 The aggregate number of fully paid Ordinary Shares which any one Employee may acquire or subscribe for, in terms of the Scheme and the Standard Bank Equity Growth Scheme shall not exceed 3 895 642 (three million eight hundred and ninety five thousand six hundred and forty two) Ordinary Shares, which amounts to 2,5 per cent of the number of shares specified in clause 3.2 below."

"3.2 The aggregate number of unissued ordinary shares which may be reserved for the Incentive Scheme and the Standard Bank Equity Growth Scheme shall not exceed 155 825 716 (one hundred and fifty five million, eight hundred and twenty five thousand, seven hundred and sixteen) ordinary shares, which amounts to 10% of the issued ordinary share capital of the company on 31 December 2009. For the purposes of determining the aggregate number of ordinary shares reserved for the Incentive Scheme and the Standard Bank Equity Growth Scheme, any ordinary shares which are the subject of an expired or terminated option, shall cease to be counted in that aggregate."

"6.3 No amendments may be made to clauses 1.9, 2, 3.1, 3.2, 4.1A, 4.3, 4.4, 4.7, 4.9, 4.11.2, 5.1A, 5.3, 5.5, 5.8, or this 6.3 without the prior authority of a resolution of the holders of the Ordinary Shares in the Company in a general meeting in accordance with the requirements of the JSE. The Incentive Scheme may be amended from time to time by the directors in any other respect, provided that no such amendment shall operate to alter adversely the terms and conditions of any option granted or any offer or agreement made prior thereto to an employee or retired employee without the written consent of that employee or retired employee."

In terms of the Listings Requirements of the JSE Limited, ordinary resolutions 5.6 and 5.7 are required to be passed by a majority of 75% of the votes cast in favour of such resolution by all shareholders present or represented by proxy at the meeting.

Special resolutions

6. To consider and if deemed fit, to pass, with or without modification, the following resolutions as special resolutions:

6.1 "Resolved as a special resolution that the authorised share capital of the company be and is hereby increased from R193 000 000 divided into 1 750 000 000 ordinary shares of 10 cents each, 8 000 000 6,5% first cumulative preference shares of R1 each and 1 000 000 000 non-redeemable, non-cumulative, non-participating preference shares of 1 cent each to R218 000 000 divided into 2 000 000 000 ordinary shares of 10 cents each, 8 000 000 6,5% first cumulative preference shares of R1 each and 1 000 000 000 non-redeemable, non-cumulative, non-participating preference shares of 1 cent each and that the Memorandum of Association of the company be amended accordingly."

The reason for the passing of this special resolution is to create sufficient authorised share capital to enable the group to pursue acquisitions in line with the company's strategy.

The effect of this resolution is to increase the company's authorised share capital accordingly.

6.2 The directors of the company intend, if the circumstances are appropriate, to implement a repurchase of the company's ordinary shares as permitted in terms of the Companies Act, 61 of 1973, as amended (the Companies Act), the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Limited (the Listings Requirements) either by the company or one of its subsidiaries.

The reason for and effect of this special resolution is to generally approve, in terms of section 85(2) of the Companies Act and, in terms of section 89 of the Companies Act, the acquisition by the company and/or a subsidiary of the company, of ordinary shares issued by it subject to the Listings Requirements.

The directors of the company are of the opinion that taking into consideration the maximum number of ordinary shares that could be repurchased:

- The company and the group would be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the notice of this annual general meeting (the next year); and
- The assets of the company and group, fairly valued in accordance with IFRS, would be in excess of the liabilities of the company and the group for the next year.

"Resolved as a special resolution that the company approves, with effect from the date of this annual general meeting, as a general approval in terms of section 85(2) of the Companies Act, 61 of 1973, as amended (the Companies Act), the acquisition by the company and, in terms of section 89 of the Companies Act, the acquisition by any subsidiary of the company from time to time, of such number of ordinary shares issued by the company and at such price and on such other terms and conditions as the directors may from time to time determine, subject to the requirements of the Companies Act, Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Limited (the Listings Requirements), which include, amongst others, the following:

- The authority shall be valid only until the next annual general meeting of the company or 15 months from the date on which this resolution is passed, whichever is the earlier;

- Any such acquisition will be implemented through the order book operated by the trading system of the JSE Limited and done without any prior understanding or arrangement between the company and the counterparty (reported trades being prohibited);

- The acquisition must be authorised by the company's articles of association;

- The authority is limited to the purchase of a maximum of 10% of the company's issued ordinary share capital in any one financial year;

- Acquisition must not be made at a price more than 10% above the weighted average of the market value for the ordinary shares of the company for the five business days immediately preceding the date of acquisition;

- At any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;

- The company or its subsidiary may not repurchase securities during a prohibited period, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over the SENS prior to the commencement of the prohibited period;

- That an announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, three percent (3%) of the number of shares in issue at the date of the general meeting at which this special resolution is considered and, if approved, passed, and for each three percent (3%) in aggregate of the initial number acquired thereafter; and

- In the case of an acquisition by a subsidiary of the company, the authority shall be valid only if:

  - the subsidiary is authorised by its articles of association;

  - the shareholders of the subsidiary have passed a special resolution authorising the acquisition; and

  - the number of shares to be acquired, is not more than 10% in the aggregate of the number of issued shares of the company."

Notes in regard to other Listings Requirements applying to ordinary resolutions 5.1 to 5.7 and to the special resolutions

1 Details of directors

Directors details as required by the Listings Requirements of the JSE Limited (the Listings Requirements) are set out on pages 70 to 73 of the annual report that accompanies this notice of annual general meeting (the annual report).

2 Directors' responsibility statement

The directors, whose names are given on pages 70 to 73 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given in these notes 1 – 7 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement in these notes 1 – 7 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the Listings Requirements.

3 Interests of directors

The interest of the directors in the share capital of the company are set out on pages 190 and 191 of the annual report.

4 Major shareholders

Details of major shareholders of the company are set out on page 343 of the annual report.

5 Share capital of the company

Details of the share capital of the company are set out on pages 255 to 256 of the annual report.

6 Material change

There has been no material change in the financial or trading position of the company and its subsidiaries since the date of publication of the company's annual results on 4 March 2010.

7 Litigation

The company and its subsidiaries are not, and have not in the 12 months preceding the date of this notice of annual general meeting been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the company and its subsidiaries, nor is the company aware of any such proceedings that are pending or threatened.

Standard Bank Group shareholders holding certificated shares and shareholders of the company who have dematerialised their shares and have elected own name registration in the sub-register maintained by the CSDP, may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of such shareholder. A proxy form is attached to this notice of annual general meeting. Duly completed proxy forms must be returned to the transfer secretaries of Standard Bank Group or the registered office of the company to the addresses set out below, to be received by not later than 09:30 on Wednesday, 26 May 2010.

Standard Bank Group shareholders who have dematerialised their shares through a CSDP or broker and who have not elected own name registration in the sub-register maintained by a CSDP and who wish to attend the annual general meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the annual general meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

On behalf of the board

L Wulfsohn
Group secretary
5 April 2010

Registered office

9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
(PO Box 7725, Johannesburg, 2000)
Fax number +27 11 636 4207

Transfer secretaries in South Africa

Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Fax number +27 11 688 5238

Transfer secretaries in Namibia

Transfer Secretaries (Proprietary) Limited
Shop 8, Kaiserkrone Centre
Post Street Mall
Windhoek
(PO Box 2401, Windhoek)
Fax number +264 61 248 531

Annexure A

Salient terms of the Standard Bank Equity Growth Scheme, as amended ("the Scheme")

The object and purpose of the Scheme is to promote an identity of interest between the Standard Bank Group Limited ("the Company") and its subsidiaries and associates ("the Group") and their respective employees, and to attract new, skilled and competent personnel. Rights under the Scheme ("Rights") may be offered to employees of the Company (which includes anyone employed on a full-time basis by the Group, and any qualifying company ("Family Company") or trust ("Family Trust") nominated by the employee through which they will participate in the Scheme and any trust established by the Group for the benefit of employees, retired employees or persons related to them) ("Employees").

The aggregate number of shares which any one Employee may acquire, or subscribe for, in terms of the Scheme and the Standard Bank Group Share Incentive Scheme is limited to 3 895 642 (three million eight hundred and ninety five thousand six hundred and forty two) ordinary shares in the Company ("Ordinary Shares"), which amounts to 2,5 percent of the shares which may be reserved for the Scheme.

The aggregate number of Ordinary Shares which may be reserved for the Scheme, and the Standard Bank Group Share Incentive Scheme, is limited to 155 825 716 (one hundred and fifty five million, eight hundred and twenty five thousand, seven hundred and sixteen) Ordinary Shares, which amounts to 10 per cent of the issued ordinary share capital of the Company on 31 December 2009. For the purposes of determining the aggregate number of ordinary shares reserved for the Scheme and the Standard Bank Group Share Incentive Scheme, any Ordinary Shares which are the subject of an expired or terminated Right, are not to be counted in that aggregate.

The criteria for award of Rights shall be aligned with the strategic objectives of the Group, and shall include, *inter alia*, the aim of: rewarding Employees for good performance; rewarding Employees for contributing to the continued growth of the Group and ensuring that the Group is able to compete in the market place for talent in order to achieve its strategic objectives.

The award price for each Right is an amount equal to the closing price of an Ordinary Share on the JSE on the trading day preceding that on which the Award (i.e. the Right that has been awarded) is made. The exercise price for each Right is an amount equal to the closing price of an Ordinary Share on the JSE at the close of the trading day immediately before the day on which the Right is exercised. The Employee is entitled to receive Ordinary Shares to a value calculated by subtracting the award price from the exercise price and multiplying the resultant number by the number of Rights that are exercised in terms of a mechanism established in the Scheme.

Prior to vesting, neither an Award nor any Rights awarded may be transferred, ceded, pledged or alienated save to a Family Company or Family Trust and the Company Secretary must be notified of such transfer. The Employee will be regarded as holder of any Rights they transfer for purposes of the administration of the Scheme. The Ordinary Shares in respect of all Rights that are exercised will rank *pari passu* with existing Ordinary Shares.

The Rights may be exercised according to the conditions governing vesting and exercise as provided in the Scheme.

The Rights held by the Employees expire at the earlier of ten years after the award date or the date after the Employees leave the employ of the Group and special provisions apply to death.

The board of directors of the Company ("the Board") has discretion to declare that Awards that have already been awarded shall immediately vest if there is a change in control in the Company.

If there is a consolidation, subdivision or other reorganisation of Ordinary Shares, reduction of Ordinary Shares, or capitalisation issue, the number of Rights or the award price may be adjusted by the Auditors (with notice to the Employee by the Board), provided that as far as possible in the circumstances Employees and retired Employees are not prejudiced or given benefits beyond those provided for in the Scheme, and that they are, as far as possible, entitled to the same proportion of the equity capital of the Company as they were prior to the event necessitating the adjustment.

Where there is an adjustment pursuant to a consolidation, subdivision or other reorganisation of Ordinary Shares the aggregate number of unissued Ordinary Shares that may be reserved for the Scheme shall be adjusted proportionately. Where there is an adjustment pursuant to a reduction of Ordinary Shares or capitalisation issue then the aggregate number of unissued Ordinary Shares which may be acquired or subscribed for by any one Employee shall be adjusted proportionately.

If the Company undertakes a rights issue an Employee shall be entitled to an allocation of Rights, calculated on the same basis as rights to Ordinary Shares in the Company are allocated in terms of the rights issue. Subject to Board discretion, the additional Rights will remain in force for a period not exceeding ten years after the record date for the rights offer and shall be exercisable at the same price as the rights offer subscription price in question.

Annexure B

Salient terms of the Standard Bank Group Share Incentive Scheme as amended ("the Scheme")

The object and purpose of the Scheme is to promote an identity of interest between the Standard Bank Group Limited ("the Company") and its subsidiaries and their respective employees, and to attract new, skilled and competent personnel.

Options ("Options") and offers for the allotment and sale of shares ("Offers") under the Scheme may be offered to employees of the Company (which includes anyone employed on a full-time basis by the Company or any of its subsidiaries or associates, and any qualifying company ("Family Company") or trust ("Family Trust") nominated by the employee through which they will participate in the Scheme and any trust established by the Company or any of its subsidiaries for the benefit of employees, retired employees or persons related to them) ("Employees").

The aggregate number of ordinary shares in the Company ("Ordinary Shares") which any one Employee may acquire, or subscribe for, in terms of the Scheme and the Standard Bank Equity Growth Scheme is limited to 3 895 642 (three million eight hundred and ninety five thousand six hundred and forty two) Ordinary Shares which amounts to 2,5 percent of the shares which may be reserved for the Scheme and the Standard Bank Equity Growth Scheme.

The aggregate number of Ordinary Shares which may be reserved for the Scheme, and the Standard Bank Group Equity Growth Scheme, is limited to 155 825 716 (one hundred and fifty five million, eight hundred and twenty five thousand, seven hundred and sixteen) Ordinary Shares, which amounts to 10 per cent of the issued ordinary share capital of the Company on 31 December 2009. For the purposes of determining the aggregate number of Ordinary Shares reserved for the Scheme and the Standard Bank Group Equity Growth Scheme, any Ordinary Shares which are the subject of an expired or terminated Option, are not to be counted in that aggregate.

The criteria for the grant of Options and making of Offers shall be aligned with the strategic objectives of the Company and shall include, inter alia, the aim of: rewarding Employees for good performance; rewarding Employees for contributing to the continued growth of the Company and ensuring that the Company is able to compete in the market place for talent in order to achieve its strategic objectives.

The exercise price for each Option and the acceptance price for each Offer is an amount equal to the closing market price of an Ordinary Share on the JSE on the trading day preceding the day on which the Employee is granted the Option or made the Offer as the case may be. An Option will lapse after ten years if not exercised. Delivery and payment of the purchase price for the shares must be made within ten years after an Offer is made.

No Option granted or rights in terms of any Offer may be transferred, ceded, pledged or alienated save to a Family Company or Family Trust and the Company Secretary must be notified of such transfer. The Ordinary Shares in respect of which an Option is exercised will rank *pari passu* with existing Ordinary Shares.

The Options may be exercised according to the conditions governing exercise as provided in the Scheme. The earliest date of delivery of shares which are the subject of an agreement entered into by acceptance of an Offer ("Agreement") shall be determined according to the conditions governing delivery in the Scheme.

An Option will lapse and an Agreement may be cancelled within one year after the death of the Employee if not exercised or fulfilled as the case may be by the estate of the deceased Employee and immediately if the Employee ceases to be employed by the Company or its subsidiaries either than on death or retirement.

The board of directors of the Company may declare that Options that have been granted be exercisable and delivery of shares in terms of an Agreement take place immediately in the event of a takeover or merger.

If there is a consolidation, subdivision or other reorganisation of Ordinary Shares, or reduction of Ordinary Shares the number of shares which are the subject of an Option or Offer or Agreement and/or the price thereof may be adjusted by the Auditors (with notice to the Employee by the Board), provided that as far as possible in the circumstances Employees and retired Employees are not prejudiced or given benefits beyond those provided for in the Scheme, and that they are, as far as possible, entitled to the same proportion of the equity capital of the Company as they were prior to the event necessitating the adjustment.

Where there is an adjustment pursuant to a consolidation, subdivision or other reorganisation of Ordinary Shares the aggregate number of unissued Ordinary Shares that may be reserved for the Scheme shall be adjusted proportionately. Where there is an adjustment pursuant to a reduction of Ordinary Shares then the aggregate number of unissued Ordinary Shares which may be acquired or subscribed for by any one Employee shall be adjusted proportionately.

If there is an allotment of Shares ("the Allotment"), other than an allotment from a scrip dividend then the directors shall reserve for an Employee the number of shares as is equal to the additional capitalisation shares to which they would have been entitled had they owned the Ordinary Shares which are the subject of an Option or Agreement on the date of the allotment. Simultaneously with an issue of shares after exercise of an Option and delivery of shares pursuant to an Agreement, the directors shall allot to an Employee that percentage of shares reserved for him in terms of the Allotment as the number of Ordinary Shares in respect of which the Option was exercised or Agreement was made bears to the aggregate number of shares which were the subject of that Option or Agreement.

If the Company undertakes a rights issue an Employee shall be entitled to an allocation of additional Options or Offers, calculated on the same basis as rights to shares in the Company are allocated in terms of the rights issue. Subject to the directors discretion, the additional Options or Offer will remain in force for a period not exceeding ten years after the record date for the rights offer and shall be exercisable at the same price as the rights offer subscription price in question.

Proxy form

Standard Bank Group Limited
(Registration number 1969/017128/06)
("the company")
JSE share code: SBK
NSX share code: SNB
ISIN: ZAE000109815

To be completed by certificated shareholders and dematerialised shareholders with "own name" registrations only.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

I/We (Name in block letters)

of (Address in block letters)

being a shareholder(s) and the holder(s) of ordinary shares of 10 cents each and entitled to vote hereby appoint (see note 1)

1 or, failing him/her

2 or, failing him/her

the chairman of the annual general meeting,
as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of shareholders to be held at 09:30 on Thursday, 27 May 2010, in the HP de Villiers Auditorium, Standard Bank Centre, 6 Simmonds Street, Johannesburg, and at any adjournment thereof as follows:

		Number of Votes		
		For*	Against*	Abstain*
	Ordinary resolution to:			
1	Adopt annual financial statements			
2	Remuneration:			
	Approve non-executive directors' fees (2010):			
2.1	Standard Bank Group chairman			
2.2	Standard Bank Group director			
2.3	Standard Bank Group international director			
2.4	Group credit committee			
2.5	Directors' affairs committee			
2.6	Group risk and capital management committee			
2.7	Group remuneration committee			
2.8	Group transformation committee			
2.9	Group audit committee			
2.10	Ad hoc meeting attendance			
3	Approve an ex gratia payment			
4	**To elect directors:**			
4.1	Richard Dunne			
4.2	Thulani Gcabashe			
4.3	Saki Macozoma			
4.4	Rick Menell			
4.5	Myles Ruck			
4.6	Fred Phaswana			
4.7	Lord Smith of Kelvin, Kt			
5	**Ordinary resolution to:**			
5.1	Place shares for the Standard Bank Equity Growth Scheme under control of directors			
5.2	Place shares for the Group Share Incentive Scheme under control of directors			
5.3	Place unissued ordinary shares under control of directors			
5.4	Place unissued preference shares under control of directors			
5.5	Give directors general authority to make payment to shareholders			
5.6	Amend the Equity Growth Scheme			
5.7	Amend the Group Share Incentive Scheme			

Please read the notes overleaf

** Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.*

Proxy form continued

		Number of Votes		
		For*	Against*	Abstain*
6	**Special resolution to:**			
6.1	Increase the company's authorised share capital			
6.2	Give general authority until the next annual general meeting for the company or subsidiaries to repurchase the company's shares			

Please read the notes below
** Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.*

Signed at on 2010

Signature

Assisted by (where applicable) (State capacity and full name)

Please provide contact details: Tel: ( )

Fax: ( )

Email:

Notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. To be effective, completed proxy forms must be lodged by not later than 09:30 on Wednesday, 26 May 2010 with either the transfer secretaries or the registered office:

   South Africa
   Computershare Investor Services (Proprietary) Limited
   Ground Floor, 70 Marshall Street
   Johannesburg
   PO Box 61051, Marshalltown, 2107
   Fax number +27 11 688 5238

   Namibia
   Transfer Secretaries (Proprietary) Limited
   Shop 8, Kaiserkrone Centre
   Post Street Mall, Windhoek
   PO Box 2401, Windhoek
   Fax number +264 61 248 531

   Registered office
   9th Floor, Standard Bank Centre
   5 Simmonds Street, Johannesburg
   PO Box 7725, Johannesburg, 2000
   Fax number +27 11 636 4207.

3. The completion and lodging of this form of proxy will not prevent the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person at the annual general meeting instead of the proxy.

4. The chairman of the annual general meeting may accept or reject any proxy form which is completed and/or received other than in compliance with these notes.

5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.

6. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company.

7. Where there are joint holders of ordinary shares:
   (a) any one holder may sign the proxy form; and
   (b) the vote of the senior ordinary shareholder (for that purpose seniority will be determined by the order in which the names of the ordinary shareholders who tender a vote (whether in person or by proxy) appear in the company's register) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

8. All beneficial shareholders of ordinary shares who have dematerialised their shares through a CSDP or broker, other than those shareholders who have elected to dematerialise their shares in "own-name" registrations, must provide their CSDP or broker with their voting instructions. Voting instructions must reach the CSDP or broker in sufficient time to allow the CSDP or broker to advise the company or its transfer secretaries of this instruction by no later than 09:30 on Wednesday, 26 May 2010. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   If you have dematerialised your shares and wish to attend the meeting in person, you may do so by requesting your CSDP or broker to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP or broker. Letters of representation must be lodged with the company's transfer secretaries or at the registered office of the company by no later than 09:30 on Wednesday, 26 May 2010. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   Shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own-name" registrations, must lodge their completed proxy forms with the company's transfer secretaries or at the registered office of the company by not later than 09:30 on Wednesday, 26 May 2010.

Directorate

Standard Bank Group Limited

DE Cooper
Chairman

Kaisheng Yang[1]
Deputy chairman

SJ Macozoma
Deputy chairman

JH Maree[2]
Chief executive

DDB Band

RMW Dunne[3]

TS Gcabashe

SE Jonah KBE[4]

Sir Paul Judge[3]

KP Kalyan

Yagan Liu[1]

RP Menell

KD Moroka

AC Nissen

TMF Phaswana

MC Ramaphosa

SP Ridley[2]

MJD Ruck

MJ Shaw

Lord Smith
of Kelvin, Kt[3]

EM Woods

[1] Chinese
[2] Executive
[3] British
[4] Ghanaian
[5] Irish
[6] Russian

The Standard Bank of South Africa Limited

DE Cooper
Chairman

SK Tshabalala[2]
Chief executive

DDB Band

RMW Dunne[3]

TS Gcabashe

SE Jonah KBE[4]

Sir Paul Judge[3]

KP Kalyan

SJ Macozoma

JH Maree[2]

RP Menell

KD Moroka

AC Nissen

TMF Phaswana

MC Ramaphosa

SP Ridley[2]

MJD Ruck

MJ Shaw

Lord Smith
of Kelvin, Kt[3]

EM Woods

Standard Bank Plc

BJ Kruger
Chairman

DJ Duffy[2,5]
Chief executive

ME Austen[3]

DPH Burgess[3]

DE Cooper

JK Knott[2,3]

RAG Leith[2]

JH Maree

CJ Sheridan[3]

HE Staunton[3]

R Vardanian[6]

Liberty Holdings Limited

SJ Macozoma
Chairman

JB Hemphil[2]
Chief executive

RG Tomlinson[2]
Deputy chief executive

HI Appelbaum

AWB Band

AP Cunningham

WR Harte[2]

JH Maree

MP Moyo

L Patel

A Romanis

TDA Ross

SP Sibisi

JH Sutcliffe

BS Tshabalala

PG Wharton-Hood

Shareholders' diary

2009 financial year

Annual general meeting	27 May 2010

2010 financial year

Financial year end	31 December

Reports

Interim report and declaration of interim dividend	August 2010
Summarised annual financial statements and declaration of final dividend	March 2011
Publication of annual report	April 2011

Dividend payments

Ordinary shares:	
– Interim	September 2010
– Final	April 2011
6,5% first cumulative preference shares:	
Six months ending 30 June 2010	September 2010
Six months ending 31 December 2010	April 2011
Non-redeemable, non-cumulative, non-participating preference shares:	
Six months ending 30 June 2010	September 2010
Six months ending 31 December 2010	April 2011

Annual general meeting	May 2011

Shareholder analysis

Ten major shareholders[1]

	2009 Number of shares (million)	2009 % holding	2008 Number of shares (million)	2008 % holding
Industrial and Commercial Bank of China	**313,0**	**20,1**	305,0	20,0
Public Investment Corporation	**189,7**	**12,2**	190,4	12,5
Tutuwa participants	**89,7**	**5,7**	91,0	6,0
– Staff	**36,0**	**2,3**	37,3	2,4
– Strategic partners	**35,8**	**2,3**	35,8	2,4
– Communities and regional businesses	**17,9**	**1,1**	17,9	1,2
Old Mutual Group	**52,3**	**3,3**	57,8	3,8
Dodge & Cox	**46,9**	**3,0**	69,7	4,6
Investment Solutions	**31,0**	**2,0**	29,8	1,9
Liberty Group[2]	**25,7**	**1,6**	30,9	2,0
Sanlam Group	**26,0**	**1,7**	31,5	2,1
Lazard Emerging Markets Fund	**15,1**	**1,0**	0,0	0,0
Ishares MSCI Emerging Markets Index Fund	**15,1**	**1,0**	13,6	0,9
	804,5	**51,6**	819,7	53,8
Spread of ordinary shareholders				
Public[3]	**951,1**	**61,0**	928,6	60,9
Non-public[3]	**607,2**	**39,0**	596,4	39,1
Directors and embargoed employees of Standard Bank Group and its subsidiaries[4]	**10,2**	**0,7**	3,6	0,2
Industrial and Commercial Bank of China	**313,0**	**20,1**	305,0	20,0
Public Investment Corporation	**189,7**	**12,2**	190,4	12,5
Standard Bank Group and Liberty Group retirement funds	**4,6**	**0,3**	5,7	0,4
Tutuwa participants[5]	**89,7**	**5,7**	91,0	6,0
Associates of directors	**0,0**	**0,0**	0,7	0,0
	1 558,3	**100,0**	1 525,0	100,0

	2009 Number of shares	2009 % holding	2008 Number of shares	2008 % holding
Spread of 6,5% cumulative preference shareholders				
Public[3]	**7 996 500**	**100,0**	8 000 000	100,0
Non-public[3]				
Directors and embargoed employees of Standard Bank Group and its subsidiaries	**3 500**	**0,0**		
	8 000 000	**100,0**	8 000 000	100,0
Spread of non-redeemable, non-cumulative, non-participating preference shareholders				
Public[3]	**52 510 976**	**99,1**	52 515 363	99,1
Non-public[3]	**471 272**	**0,9**	466 885	0,9
Directors and embargoed employees of Standard Bank Group and its subsidiaries	**463 905**	**0,9**	448 570	0,9
Associates of directors	**7 367**	**0,0**	18 315	0,0
	52 982 248	**100,0**	52 982 248	100,0

[1] *Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of section 140A of the Companies Act.*
[2] *Policyholders' funds.*
[3] *As per the JSE Limited Listings Requirements.*
[4] *Excludes indirect holdings of strategic partners which are included in the Tutuwa participants.*
[5] *Includes Tutuwa Strategic Holdings 1 and 2, Tutuwa Staff Holdings 1, 2 and 3 and Tutuwa Community and General Staff Share Trust.*

Shareholder analysis continued

Geographic spread of shareholders

	2009 Number of shares (million)	2009 % holding	2008 Number of shares (million)	2008 % holding
South Africa	**844,9**	**54,2**	875,7	57,4
Foreign shareholders	**713,4**	**45,8**	649,3	42,6
China	**313,0**	**20,1**	305,0	20,0
United States of America	**234,8**	**15,1**	197,0	12,9
United Kingdom	**39,7**	**2,6**	35,1	2,3
Namibia	**16,9**	**1,1**	14,2	0,9
Luxembourg	**14,4**	**0,9**	15,0	1,0
Netherlands	**12,9**	**0,8**	16,4	1,1
Singapore	**12,7**	**0,8**	17,0	1,1
United Arab Emirates	**11,0**	**0,7**	9,3	0,6
Norway	**9,9**	**0,6**	7,2	0,5
Other	**48,1**	**3,1**	33,1	2,2
	1 558,3	**100,0**	1 525,0	100,0

	2009	2008
Number of shareholders		
Ordinary shareholders	**57 076**	62 617
– Public	**56 394**	62 297
– Non-public	**682**	320
6,5% first cumulative preference shareholders	**408**	388
– Public	**403**	388
– Non-public	**5**	
Non-redeemable, non-cumulative, non-participating preference shareholders	**9 397**	10 324
– Public	**9 318**	10 273
– Non-public	**79**	51

Share statistics

		2009	2008
Other economic indicators			
Market indicators			
JSE All Share Index		**27 666**	21 509
JSE Banks Index		**36 675**	30 566
MSCI Emerging Markets Index		**989**	567
Share statistics			
Share price			
High for the year	cents	**10 500**	10 250
Low for the year	cents	**5 915**	6 602
Closing	cents	**10 200**	8 300
Shares traded			
Number of shares	thousands	**1 489 980**	1 383 461
Value of shares	Rm	**128 351**	117 807
Turnover in shares traded	%	**96,2**	92,2

Instrument codes

JSE Limited

Ordinary shares

Share code: SBK
ISIN code: ZAE000109815

6,5% cumulative preference shares

Share code: SBKP
ISIN code: ZAE000038881

Non-redeemable, non-cumulative, non-participating preference shares

Share code: SBPP
ISIN code: ZAE000056339

Deposit notes

SBR002: ZAE000083853
SBR003: ZAE000128195

Bond Exchange of South Africa

Subordinated debt

SBK 5: ZAG000023078
SBK 7: ZAG000024894
SBK 8: ZAG000029679
SBK 9: ZAG000029687
SBK 10: ZAG000046640
SBK 11: ZAG000066382
SBK 12: ZAG000073388
SBK 13: ZAG000073396
SBS 1: ZAG000023235
SBS 3: ZAG000030586
SBS 4: ZAG000035049
SBS 5: ZAG000035650
SBS 6: ZAG000051475
SBS 7: ZAG000051483
SBS 8: ZAG000051491
SBS 9: ZAG000069329
SBSI 10: ZAG000069063
SBSI 11: ZAG000075789

Namibian Stock Exchange (NSX)

Ordinary shares

Share code: SNB
ISIN code: ZAE000109815

Credit ratings

Ratings as at 3 March 2010 for entities within Standard Bank Group are detailed below:

	Short term	Long term	Outlook
Fitch Ratings			
The Standard Bank of South Africa			
Issuer default rating	F2	BBB+	Stable
Local currency issuer default rating		BBB+	Stable
National rating	F1+ (ZAF)	AA (ZAF)	Stable
RSA Sovereign ratings			
Foreign currency issuer default rating		BBB+	Negative
Local currency issuer default rating		A	Negative
Standard International Holdings			
Issuer default rating	F2	BBB+	Stable
Standard Bank Plc			
Issuer default rating	F2	BBB+	Stable
Banco Standard de Investimentos SA (Brazil)			
National rating	F1+ (BRA)	AA+ (BRA)	Stable
Standard Bank Argentina SA			
National rating		AA (ARG)	Stable
Stanbic IBTC Bank Plc (Nigeria)			
National rating	F1+ (NGA)	AAA (NGA)	
CfC Stanbic Bank Kenya			
Issuer default rating	B	BB-	Stable
Liberty Group			
National rating		AA- (ZAF)	Negative
National Insurer Financial Strength		AA (ZAF)	Negative
Moody's Investor Services			
The Standard Bank of South Africa			
Foreign currency deposit rating	P-2	A3	Stable
Local currency deposit rating	P-1	A1	Stable
RSA Sovereign ratings: Foreign currency		A3	Stable
RSA Sovereign ratings: Local currency		A3	Stable
Standard International Holdings			
Issuer rating		Baa3	Negative
Standard Bank Plc			
Foreign and local currency deposit rating	P-2	Baa2	Negative
Standard Bank Argentina SA			
Foreign currency deposit rating		Caa1	Stable
Local currency deposit rating		Ba1	Stable
Standard & Poor's			
The Standard Bank of South Africa			
Local currency		BBBpi	
RSA Sovereign ratings: Foreign currency	A-2	BBB+	Negative
RSA Sovereign ratings: Local currency	A-1	A+	Negative

Financial and other definitions

Standard Bank Group

Basic earnings per share (EPS) (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
CAGR (%)	Compound annual growth rate.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Diluted earnings per share (DEPS) (cents)	Headline earnings divided by the weighted average number of shares, adjusted for potential dilutive ordinary shares resulting from share-based payments.
Distribution cover (times)	Headline earnings per share divided by distributions per share.
Distributions per share (cents)	Total distributions to ordinary shareholders including dividends and scrip distributions declared per share in respect of the year.
Distribution yield (%)	Distributions per share as a percentage of the closing share price.
Earnings yield (%)	Headline earnings as a percentage of the closing share price.
Headline earnings (Rm)	Earnings attributable to ordinary shareholders excluding goodwill gain or impairment, capital profits and losses, and recycled profits or losses on available-for-sale financial instruments.
Headline earnings per share (HEPS) (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Net asset value (Rm)	Equity attributable to ordinary shareholders.
Net asset value per share (cents)	Net asset value divided by the number of ordinary shares in issue at year end.
Price earnings ratio (times)	Closing share price divided by headline earnings per share.
Price-to-book (times)	Market capitalisation divided by net asset value.
Profit attributable to ordinary shareholders (Rm)	Profit for the year attributable to ordinary shareholders, calculated as profit for the year less dividends on non-redeemable, non-cumulative, non-participating preference shares declared before year end, less minority interests.
Profit for the year (Rm)	Income statement profit attributable to ordinary shareholders, minorities and preference shareholders for the year.
Return on equity (ROE) (%)	Headline earnings as a percentage of monthly average ordinary shareholders' funds.
Shares in issue (number)	Number of ordinary shares in issue as listed on the JSE.
Tangible net asset value (Rm)	Equity attributable to ordinary shareholders excluding goodwill and other intangible assets.
Tangible net asset value per share (cents)	Tangible net asset value divided by the number of ordinary shares at the end of the year.
Turnover in shares traded (%)	Number of shares traded during the year as a percentage of the weighted average number of shares.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the year as listed on the JSE.

Financial and other definitions continued

Banking activities

Cost-to-income ratio (%)	Operating expenses as a percentage of total income including share of profit from associates and joint ventures.
Credit loss ratio (%)	Total impairment charges on loans and advances per the income statement as a percentage of average daily and monthly gross loans and advances.
Effective taxation rate (%)	Direct and indirect taxation as a percentage of income before taxation.
Gearing ratio (times)	Total assets divided by tangible net asset value.
Gross coverage ratio (%)	Non-performing loan impairments as a percentage of gross non-performing loans.
Impairment of non-performing loans (Rm)	Impairment for specific identified credit losses, net of the present value of estimated recoveries.
Impairment of performing loans (Rm)	Impairment for incurred credit losses inherent in the performing loan book.
Net interest margin (%)	Net interest income as a percentage of daily and monthly average total assets, excluding trading derivative assets.
Non-interest revenue to total income (%)	Non-interest revenue as a percentage of total income.
Return on equity (ROE) (%)	Headline earnings, excluding Liberty, as a percentage of monthly average ordinary shareholders' funds, after deducting capital relating to Liberty.
Risk-weighted assets (Rm)	Determined by applying prescribed risk weightings to on- and off-balance sheet exposures according to the relative credit risk of the counterparty.

Other definitions

Black	African, Coloured, Indian and South African Chinese people (who fall within the ambit of the definition of black people in the relevant legislation as determined by recent court ruling).
Broad-based black economic empowerment (BBBEE)	Socio-economic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups to participate gainfully and equitably in the mainstream economy.
Business risk	Risk of loss, usually from inflexible cost structures or inefficiencies, due to adverse operating conditions caused by market-driven pressures such as decreased demand, increased competition or cost increases and by group specific causes such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.
Capital adequacy requirement (CAR)	The amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and capital adequacy requirement must all be calculated using a method which meets the Financial Services Board's requirements. This amount is required to be held to ensure the ongoing solvency of the insurer.
Country risk	Risk of loss arising when political or economic conditions or events in a particular country reduce the ability of counterparties in that country to meet their financial obligations to the group.
CPIX (%)	A South African index of prices used to measure the change in the cost of basic goods and services excluding interest rates on mortgage bonds.
Credit risk	Risk of loss to the group as a result of the failure by a client or counterparty to meet its contractual obligations to the group.
Deferred acquisition costs	The direct and indirect costs incurred during the financial period arising from the writing or renewing of investment contracts without DPF, which are deferred to the extent that these costs are recoverable out of future premiums.
Deferred revenue liability (DRL)	Initial and other front-end fees received for the rendering of future investment management services relating to investment contracts without DPF, which are deferred and recognised as revenue when the related services are rendered.

Discretionary participation features (DPF)

A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the company, fund or other entity that issues the contract.

Embedded value (EV)

The net worth of an insurer plus the value of in-force business less the cost of solvency capital. The net worth of an insurer includes financial services subsidiaries, other than life companies, at fair value.

Exposure at default (EAD)

Counterparty's expected exposure to the group at the time a default occurs.

Financial soundness valuation (FSV)

The valuation methodology used to value insurance contracts and investment contracts with DPF as described in PGN 104 issued by the Actuarial Society of South Africa.

Incurred but not reported

Claims expected to be made by policyholders in respect of events that have already occurred at the insurer's year end but have not yet been reported to it.

Insurance risk

Risk that future claims and related expenses will exceed the amounts set aside to meet these obligations. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts, whether due to deviations from mortality, morbidity, withdrawal rate and investment performance assumptions in the case of life products and claims incidence and severity assumptions in the case of short-term insurance products.

International Financial Reporting Standards (IFRS)

International accounting standards issued by the International Accounting Standards Board.

Life Offices Association (LOA)

The LOA is a membership body representing South Africa's major life assurance companies.

Liquidity risk

Arises when the group is unable to meet its payment obligations when they fall due. This may be caused by the group's inability to liquidate assets or to obtain funding to meet its liquidity needs.

Loss given default (LGD)

Amount of counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the EAD.

Market risk

Risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads and recovery rates, as well as correlations and implied volatilities in these market variables.

Normalised results

The financial results and ratios restated on an economic substance basis – refer to page 33.

Operational risk

Risk of loss resulting from inadequate or failed processes, people and systems or from external events. This includes information risk and legal risk.

Policyholder liabilities

Measured liabilities on contracts that are in force. In-force contracts have not yet matured or reached their contractual termination date.

Probability of default (PD)

Probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon.

Reinsurance	Insurance or investment risk that is ceded to another insurer in return for premiums. The ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Reputational risk	Caused by damage to an organisation's reputation, name or brand.
Reversionary bonus policy	A policy with DPF where the benefit at a point in time is defined as the sum assured plus past bonus additions, to which annual bonuses are added. A final terminal bonus may also be added.
Risk appetite	An expression of the maximum level of residual risk that the group is prepared to accept in order to deliver its business objectives.
Slotting approach	One of the two Basel II approaches allowed for calculation of risk-weighted assets for specialised lending. With this approach the assets are evaluated against a set number of criteria and based on this evaluation an appropriate risk profile and risk weighting are calculated.
Special purpose entity (SPE)	An entity created to accomplish a narrow and well-defined objective.
Taxation risk	Possibility of suffering loss, financial or otherwise, as a result of the application of tax systems (whether in legislative systems, rulings or practices) applicable to the entire spectrum of taxes and other fiscal imposts to which the group is subject.
Tutuwa	Tutuwa is the group's black economic empowerment ownership initiative entered into in terms of the Financial Sector Charter.
Value of in-force business	The present value of the projected stream of after tax profits for all business in force at the reporting date.
Value of new business	The present value, at point of sale, of the projected stream of after tax profits for new business issued, net of the cost of solvency capital. The present value is calculated using a risk-adjusted discount rate.

Acronyms and abbreviations

AGM	Annual general meeting
AIRB	Advanced internal ratings based
ALCO	Asset and liability committee
ALM	Asset and liability management
AMA	Advanced management approach
ASSA	Actuarial Society of South Africa
ATM	Automated teller machine
Basel	Basel Capital Accord
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BSD	Bank Supervision Department
BPI	Bonus and pension incentive
CAGR	Compound annual growth rate
CAR	Capital adequacy requirement
CGT	Capital gains taxation
Charter	Financial Sector Charter
Companies Act	South African Companies Act
CSDP	Central Securities Depository Participant
DBS	Deferred bonus scheme
DPF	Discretionary participation features
DRL	Deferred revenue liability
EAD	Exposure at default
EGS	Equity growth scheme
EVRM	Enterprise-wide value and risk management
FIRB	Foundation internal ratings based
FSA	Financial Services Authority
FSB	Financial Services Board
FSV	Financial Soundness Valuation
GAAC	Liberty audit and actuarial committee
GAC	Group audit committee
GAO	Guaranteed annuity options
GBSMC	Liberty group balance sheet management committee
GCC	Group credit committee
GDP	Gross domestic product
GIAS	Liberty internal audit services
GRI	Global Reporting Initiative
GRC	Liberty group risk committee
GRCMC	Group risk and capital management committee
GROC	Group or Liberty risk oversight committee
GSIS	Group share incentive scheme
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBTC	IBTC Chartered Bank Plc
ICAAP	Internal capital adequacy assessment process
ICBC	Industrial and Commercial Bank of China
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRB	Internal ratings based
ISDA	Institute of Swap Dealers Association
JSE	JSE Limited, the securities exchange in Johannesburg
King Code	Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2002
LCm	Millions of local currency
LGD	Loss given default
LibFin	Liberty Financial Solutions
LIBOR	London interbank offered rate
MCAR	Minimum capital adequacy requirement
MSCI	An index created by Morgan Stanley Capital International (MSCI) is designed to measure equity market performance in global emerging markets
OCAR	Ordinary capital adequacy requirement
ORC	Operational risk committee
OTC	Over-the-counter
PD	Probability of default
PGN	Professional Guidance Note
PVIF	Present value in-force
QRRE	Qualifying revolving retail exposures
Remco	Standard Bank Group remuneration committee
Rm	Millions of rand
ROE	Return on equity
SARB	South African Reserve Bank
SBG	Standard Bank Group
SBGRF	Standard Bank Group Retirement Fund
SBSA	The Standard Bank of South Africa
SENS	Securities exchange news service
SIH	Standard International Holdings
SME	Small and medium enterprise
SPE	Special purpose entity
STC	Secondary tax on companies
STRATE	Share transactions totally electronic
TCAR	Termination capital adequacy requirement
Tier I	Primary capital
Tier II	Secondary capital
Tier III	Tertiary capital
TSA	The standardised approach
Tutuwa	Black economic empowerment ownership
UK	United Kingdom
US	United States
VaR	Value-at-risk
VAT	Value added tax
ZAR	South African rand

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