Standard Bank Plc

Consolidated Annual Report 2010

Standard Bank

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Annual financial statements

Directors' report

The directors present their report and accounts for the year ended 31 December 2010.

Going concern basis

The financial statements are prepared on a going concern basis, as the directors are satisfied that the group and parent company have the resources to continue in business for the foreseeable future. In making this assessment, the directors have considered a wide range of information relating to present and future conditions. Further information relevant to the assessment is provided in the following sections of the financial statements:

- principal activities, strategic direction and challenges and uncertainties are described in the business review,
- a financial summary, including a review of the income statement and statement of financial position, is provided in the financial results section, and
- objectives, policies and processes for managing credit, liquidity and market risk, and the group's approach to capital management and allocation, are described in note 29.

The current economic environment is challenging and the company has reported an operating loss for the year. Management performed a strategic review during the year which led to the exit of certain business lines, a refocus of existing business as well as stringent cost measures including a staff retrenchment programme. As a result of these measures, management expect the group to return to profit in the current year and for these reasons and in conjunction with the group maintaining a strong capital and liquidity position and confirmed support from SBG, continue to adopt the going concern basis in preparing the annual financial statements.

Business Review

Standard Bank Group profile

Standard Bank Group Limited, listed on the Johannesburg Stock Exchange, is the ultimate holding company for the global activities of the Standard Bank Group. With total assets in excess of US$200 billion and employing 53 000 people worldwide, the Standard Bank Group is one of Africa's leading banking and financial services organisations. In 2007 the Standard Bank Group entered into a major strategic partnership with Industrial and Commercial Bank of China Limited (ICBC), the world's largest bank by market capitalisation, which resulted in ICBC becoming a 20% shareholder in the Standard Bank Group.

The Standard Bank Group operates within three key business segments: Personal & Business Banking (PBB), Corporate & Investment Banking (CIB) and Investment Management & Life Insurance. These global business segments operate across South Africa, Africa and selected international locations outside of Africa. Standard Bank Plc is the main subsidiary outside Africa and an integral part of the Standard Bank Group's CIB business segment.

Principal activities and product areas

The company is a bank authorised and regulated by the United Kingdom Financial Services Authority, providing a range of banking and related financial services. It is a member of the London Stock Exchange, the London Bullion Market Association, the London Metal Exchange and the London Platinum and Palladium Market. It acts as Chairman of the London Platinum and Palladium Fixing and has two seats on the New York Mercantile Exchange (Comex division). The franchise of Standard Bank Plc and its subsidiaries (together the group) focuses on emerging markets – primarily debt, interest rate, equity, currency products and natural resources.

Principal product areas

Global Markets division

The Global Markets division transacts all customer-driven market-making and sales activities across the full spectrum of traded financial and commodity risk. The division seeks to originate exposures, directly from clients or market-making activities, which are repackaged and traded with market participants, asset managers and other clients through the group's distribution network. A comprehensive range of foreign exchange, money markets, interest rate, credit, equity and commodity products are provided, ranging from simple risk management tools to sophisticated investment structures. The division's expertise extends to the management and financing of physical commodity inventories across the base and precious metals and energy spectrum, and to the provision of foreign exchange and access products for all major African, Asian, Central and Eastern European/Middle East/Central Asia (CEEMECA) and Latin American currencies.

Investment Banking division

The Investment Banking division provides a full suite of advisory and financing solutions to clients, both cross border and domestically within core countries. Financing solutions range from corporate loans and bond issues to highly structured products across equity and debt capital markets. The division is structured along the major product lines of Debt products, Capital markets and Advisory. These areas are also aligned, where applicable, by execution expertise to the key sectors within client coverage, which work together to create bespoke solutions for clients.

Investment Banking contains a client coverage area, whose goal is to entrench a client focus into the business operating model of the group. The division operates in a number of selected global locations with financing solutions, risk management activities and market opportunities across the group's emerging markets footprint centring on client interaction and advice. The client coverage team is managed along industry lines with experienced industry professionals in each sector group. These sectors, which also map to the drivers of economic growth for emerging markets, are: Oil, Gas and Renewables; Mining and Metals; Telecommunications and Media; Power and Infrastructure; and Financial Institutions.

Discontinued Operations

A redefined focus on strategic business and revenue streams resulted in the closure of non-core businesses, Principal Investment Management (PIM) and Private Client Services (PCS). In the fourth quarter of 2010 the Board made the decision to discontinue these separate major business lines, to provide no further investment for the business and to focus on realising the carrying value of the assets. The affected business units are classified as discontinued operations and their results are disclosed in a single line in the income statement.

Market conditions and developments

Market conditions in 2010 have been difficult for the banking industry due to the many challenges faced by developed economies, especially countries within the Eurozone. Within that region, economic growth is forecast to be slow and incremental over a number of years and this has highlighted the weak capital structures of European banks, leading to them raising new capital whilst protecting existing capital through the adoption of conservative lending strategies. Impending changes in the regulatory environment could exacerbate this situation where regulators continue to become more actively involved in the future.

The recovery in developing economies has led to a growth in demand and subsequent rebound in commodity prices. The impact of this has been a marked change in the competitive landscape with an increasing number of competitors such as large multinational banks re-focusing their strategy on emerging markets.

Financial markets have seen some recovery on the back of improved economic data, however trading conditions are expected to remain subdued through 2011. Against this background the Board felt the need to react, and have taken decisive action. A review of the current business model was performed and consequently the decision taken to discontinue the PIM and PCS business lines. A staff retrenchment programme focusing primarily in London, with a parallel initiative taking place within South Africa, was carried out to adjust the cost base. In London, 270 employees were put at risk and going forward the group is looking at various initiatives to further improve operating efficiency.

Across the banking industry market volumes and margins are declining, whilst competition is increasing, resulting in challenging trading conditions for all market participants. The decrease in client activity towards the end of last year continued into 2011, where low levels of market activity and volatility have coincided with a slow down in the mergers and acquisitions business. Clients remain risk adverse, and confidence in the sustainability of the global recovery is needed before a full return to normal business activity can be achieved. However, new business opportunities remain strong notwithstanding the continuing trend of longer lead times.

During the year a number of strategic initiatives have been undertaken to further develop core business areas, in line with Standard Bank Group strategy, including investment in a cash equity strategy across emerging markets. This has been strengthened through the completion of the buyout by Standard Bank Group of the joint venture with Credit Suisse of Credit Suisse Standard Securities (CSSS), now rebranded as SBG Securities.

The Global Structuring Group, a joint development between Global Markets and Investment Banking, has been implemented and is expected to be a strong driver of future growth.

The group continues to invest in the development of the commodities product offering to service our clients' needs. The group has also strengthened the risk and control framework in this area with dedicated teams of risk specialists.

Looking forward, a key focus for the business will be the facilitation of cross border client activity emphasising trade flows to and from Africa by utilising the SBG's major balance sheets in South Africa and London. The group's key differentiators remain the relationship with ICBC, deep African roots and knowledge, natural-resource banking and specific understanding of emerging markets.

The regulatory environment has seen a number of new initiatives in 2010. In September, the Basel III capital requirements for the banking sector were published announcing increases in the core Tier 1 capital requirements from 2% to 4.5% and introducing a 2.5% conservation buffer, bringing the total requirement to 7%. The new regulations will be phased in and fully implemented by 2019. The group remains well capitalised and as at the end of the reporting period had maintained a Core Tier I ratio of 8.8%.

The UK Government announced the introduction of a new Bank Levy with effect from 1 January 2011, applying the levy on the chargeable equity and liabilities of banking groups operating in the UK where these exceed £20 billion. Based on the preliminary assessment carried out, the tax will not be applicable to the group.

Performance

The performance of the business units has been below expectations, with each business unit experiencing a decline in client activity coupled with an increasing cost base. The decrease in client activity has resulted in a reduction in advances to clients with a corresponding shortening of asset maturities. A key focus for management in the coming year will be to continue to contain costs, whilst driving revenue generation and managing risk closely.

Global Markets division

Global Markets has had a challenging year with results below expectations. Growing concerns over European sovereign risk and uncertainty over regulatory reform led to reduced client levels in all markets and an increasingly competitive environment.

Lower client activity levels and tighter spreads saw revenue for the year fall compared to 2009, however, on a positive note the Equity, Principal Trading and Money Markets businesses all outperformed. Revenue streams were also impacted by higher funding costs as regulatory requirements to hold large capital and liquidity surpluses proved expensive.

Client revenues continued to represent a significant portion of total income, with the balance driven by facilitated flow trading and directional positions. The business model remains sharply focused on the provision of demand-driven structures in the fixed income, credit and equity markets, and servicing producers and consumers in the commodity space. Value at Risk (VaR) has remained consistently within trading limits, with proprietary risk activities housed in a segregated business unit within the division.

The rollout of the group's equity and physical commodity strategy made further progress. The acquisition of Credit Suisse's shareholding in CSSS at the end of 2010 was the catalyst for the roll out of a cash equity distribution hub, based in London, selling African, Turkish and Russian equity. The physical commodities business expanded into steel and coal as well as physical energy trading.

Investment Banking division

The Investment Banking business returned a profit before tax compared to a loss in the prior year, with a net write back in credit impairments. The first half of the year saw reduced client activity across the group's client base, in regard to both financing and advisory. Although the second half improved, the result was an overall reduction in revenues from the prior year.

Our continued focus on delivering cross border advisory services to our client base was reflected in a significant increase in advisory revenues with the group concluding a number of landmark transactions in the year. A combination of active management of the group's credit exposure, and the reduction of client activity reduced our balance sheet utilisation year on year. The business achieved an improved average margin, however, overall revenues decreased across debt products. Capital Markets deal flow in the year was subdued, which resulted in a decrease in revenues in comparison to a strong prior year. Although overall revenues were down in the year, the performance in the second half of the year was robust with a strong pipeline for 2011.

A review of the cost base and staffing requirements was completed in the last quarter of the year, and the subsequent actions will result in a reduced cost base for the business, which together with the potential pipeline, give rise to a positive outlook for Investment Banking into 2011.

Investment Banking has also taken steps to focus its resources further around its core sectors. The resource based sectors of Mining and Metals; Oil, Gas and Renewables; and Power & Infrastructure have been strengthened to capitalise on the group's competitive offering in these markets. At the same time Telecommunications and Media, and Financial Institutions have been consolidated to focus on specific areas of opportunity within our emerging market franchise.

Further emphasis has been placed on supporting the group's strong China and Africa link, as well as its role as the connector between other emerging markets. Focussing on the link to ICBC has unlocked the potential to participate in trade and investment flows between China, Africa and other emerging markets, resulting in a number of significant deals in the year.

Looking ahead to 2011, the strong drivers of business will continue to be generated by the group's core sectors, with a key driver being the continued growth of cross border flows to and from selected emerging markets.

Discontinued Operations

Principal Investment Management

A strategic review of the group was undertaken and the decision made to discontinue the PIM business. Consequently the PIM business has ceased making direct investments, with the exception of meeting existing legally binding commitments to extend funds, and will be focussing on asset sales, collections and collateral sales.

This year has proved to be disappointing, largely as a result of market conditions impacting the acquired distressed debt business, with further revenue losses incurred in relation to single names and non-performing loan portfolios.

Private Client Services

The strategic review of the group was undertaken and concluded to discontinue the PCS business. Despite tight control of direct costs, performance for 2010 was disappointing with net revenues severely impacted by the loan portfolio losses.

Financial results

The group's results for the year are shown in the consolidated income statement on page 18 and key performance indicators are discussed below.

The group reported a loss attributable to equity shareholders for the year of US$114.3 million (2009: US$64.3 million profit).

The negative return on equity of 7.0% (2009: positive return of 4.1%) is primarily due to the loss attributable to the discontinued operations in the current year. The cost to income ratio from continuing operations of 103.0% (2009: 69.8%) reflects the decrease in revenues and increased operating costs. The effective tax rate on continuing and discontinued operations decreased in the year to 19.3% (2009: 26.3%) primarily due to non-allowable expenses including the bank payroll tax.

Total assets were reported as US$31 077.6 million compared to US$31 466.7 million in the prior year, the decrease attributable to a reduction in client activity and advances to clients with a corresponding shortening of asset maturities.

Discontinued operations contributed a loss of US$99.4 million for the year (2009: US$8.2 million profit) due to credit impairments in the PCS division and fair value losses on the distressed debt business in PIM. As a result of the strategic review, both PIM and PCS have been discontinued.

Continuing operations contributed a net loss of US$14.9 million for the year (2009: US$56.1 million profit) generating a pre-tax loss of US$13.8 million (2009: US$74.8 million profit). Included in these results are a number of noteworthy items that have had a negative impact in the current year and are not expected to recur. The group incurred a charge of US$20.0 million for the United Kingdom bank payroll tax following legislation introduced in 2009 and enacted in 2010. The group initiated a strategic review which led to the provision of US$36.1 million for restructuring costs, comprising staff costs, severance packages, real estate costs and impairments of intangible assets that have been discontinued.

Revenues decreased across all divisions as client flow business reduced and the group continued implementing a conservative approach to risk. In contrast, the trend of improving credit conditions experienced in the second half of 2009 led to a significant fall in credit impairments.

The staff retrenchment cost alignment initiative concluded in January 2011, which will benefit the 2011 results.

The results for 2011 are expected to return to profit with continued focus on cost control to ensure a cost base that is aligned to the projected revenues.

Capital resources

At the end of the reporting period, the group's equity capital resources amounted to US$1 580.1 million (2009: US$1 676.2 million) and total capital resources qualifying for prudential purposes amounted to US$2 370.7 million (2009: US$2 891.5). The group remains well capitalised with a total capital adequacy ratio of 14.0% (2009: 17.7%), a Core Tier 1 ratio of 8.8% (2009: 9.6%) and risk weighted assets of US$16 932 million (2009: US$16 340 million).

During the year the company increased share capital by US$19.2 million through a share issue to Standard Bank London Holdings Plc and also recognised subordinated debt of US$50 million as qualifying regulatory capital. Subordinated debt of US$394.0 million, which qualified as regulatory capital was redeemed as planned. This followed the placement of US$500 million of 10 year subordinated debt in the international markets and raising of US$300 million of subordinated debt from Standard Bank Group entities during December 2009. The group expects to maintain the Core Tier 1 ratio at levels which significantly exceed the minimum requirements of the Financial Services Authority. Subsequent to year-end SBG injected a further US$150 million share capital into the company.

Liquidity

Continuing the trend of 2009, the group maintained a strong liquidity profile throughout the year ensuring that liquidity cushions were maintained comfortably above the minimum requirements, on precautionary grounds.

The group reviews the current and prospective funding requirements for all operations on an on-going basis through regular reviews of the liquidity ratio, maturity mismatch, diversification and stability of the deposit base as well as liquidity stress testing results.

The structural liquidity mismatch improved throughout the year to be positive across all short term buckets and, as at year end, the group maintained a significant surplus of liquid assets over the regulatory requirements. Under the required stress testing scenarios, the group maintained survival horizons in excess of the regulatory and internally established limits. Management continues to focus on monitoring of relevant stress scenarios to the group.

Key risk areas and risk management

The group faces a number of risks and uncertainties in the normal course of conducting business. The key areas of focus for management are described below.

The profitability and the performance of the business have been a key area of focus for management this year, which has seen adverse market conditions with reduced volumes and client activity. These economic conditions are likely to prevail, leading management to respond with a strategic review to align the cost base to the revenue environment. The group has carried out a number of strategic initiatives during the year to further develop core business areas with a focus on the investment in a cash equity strategy across emerging markets strengthened through the completion of the buyout by Standard Bank Group of the joint venture with Credit Suisse of Credit Suisse Standard Securities (CSSS). Furthermore, the commodities business has continued with the development of the product offering expanding into steel and coal as well as physical energy trading.

Funding is a core activity and the focus continues to be on the development of diversified funding sources and effective liquidity risk management.

The maintenance of the group's credit rating is important to its business operations. Management monitor key ratios, metrics, stress scenarios and relevant management responses as well as maintain regular dialogue with the analysts on the performance and strategic focus of the business.

The regulatory environment is currently undergoing a number of changes and the group has responded to the uncertainty of the new operating environment by maintaining a strong liquidity position and capital ratios, in both cases in excess of minimum regulatory requirements. The group has implemented the ICAAP process and includes emerging capital legislation in the forward looking capital planning, forecasting capital requirements and stress testing to ensure the group continues to be adequately capitalised.

The management team has continued their focus on managing and reducing single obligor and concentration risk through a number of initiatives including strengthening the risk management process and managing the risk profile through the use of extended capabilities of other SBG balance sheets to accommodate foreign assets allowing for a more effective balancing of the portfolios.

The difficult market conditions led to the PIM and PCS divisions recording losses for year. The Board resolved to discontinue the businesses with management focus on selling the remaining assets and recovering the carrying value.

The effective management of risk is fundamental to activities as the group remains committed to growing the business in a way that is consistent with the agreed risk appetite.

During 2010 the group was successful in strengthening risk management procedures and aligning more directly with the SBG Risk function. This has allowed the group to ensure consistency in process and procedure and managing risk through three clear lines of defence (business line management, globally operating risk function and SBG risk oversight and impartial internal audit oversight).

Demand for new credit was relatively weak as corporate clients remained reluctant to leverage balance sheets in light of the global slowdown, ongoing market volatility and the problems within the Eurozone. Lending margins also narrowed as the global banking sector sought to deploy its excess liquidity, and competition for emerging markets assets increased. However during this time, the group has seen the quality of its credit portfolio improve, with a continued focus on reducing single obligor concentration, additional resources deployed to recoveries and rehabilitation, and early remedial action. Consequently the group has been able to achieve significant stabilisation in impairments. Furthermore, in the current year the group has focussed on country risk concentration issues in the loan portfolio and will be subject to continued monitoring throughout the year.

In addition, increased access to the Standard Bank of South Africa (SBSA) balance sheet during 2010 has enabled the group to better manage the risk profile, ensuring risk is booked in the appropriate location and within each individual entity's limits.

The group has in place processes designed to identify and escalate, at an early stage, any deterioration in the quality of credit portfolios and / or a possible variance in the risk profile to its stated risk appetite, these include:

- Pre-Credit Committee,
- Credit Committee,
- Credit Risk Review,
- Portfolio Risk Management Committee, and
- Watchlist Review.

During 2011, management will continue to focus on maintaining an appropriate structure to enable business development and growth. In areas where large volumes have been experienced, such as in the physical commodities business, dedicated roles in credit, operational and market risk have been created, based in key locations and functioning as a virtual team to ensure consistency of approach.

More broadly, management focus on structuring the team effectively across jurisdictions, including constant review of the operating model to ensure the right people are in the right locations. Efficiency savings can be leveraged from this approach and delivered to the SBG.

Dividends

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who currently hold office are as follows:

M E Austen
D P H Burgess
J K Knott (Chief Executive)
B J Kruger (Chairman)
R A G Leith
J H Maree
C J Sheridan
H E Staunton
R Vardanian

Mr Cooper resigned as a director on 13 May 2010.
Mr Duffy resigned as a director on 20 October 2010.

None of the directors held any beneficial interest in the ordinary share capital of the group during the year or at 31 December 2010.

Internal Control and Financial Reporting

The directors who held office at the date of approval of this report confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and that each director has taken all steps that they ought to have taken as directors to make them aware of any relevant audit information, and to establish that the company's auditors are aware of that information.

The directors are responsible for internal control in the group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that the directors have established are designed to provide effective internal control within the group.

Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the group have been in place throughout the year and up to 25 February 2011, the date of approval of the Consolidated Annual Report for the year ended 31 December 2010.

The directors and senior management of the group have adopted policies which set out the Board's attitude to risk and internal control. Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties.

The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

There are well established budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data.

The effectiveness of the internal control system is reviewed regularly by the Board and the audit committee, which also receives reports of reviews undertaken by the internal audit function as well as reports from the external auditors which include details of internal control matters that they have identified. Certain aspects of the system of internal control are also subject to regulatory supervision, the results of which are monitored closely by the Board.

Committees

The Board of the company delegates certain functions and responsibilities to the following committees.

Governance committee

This committee is responsible for the day-to-day management of the group. Subject to the overall authority of the Board, the committee meets regularly, to develop business strategy, initiate and review strategic initiatives, review and approve annual business plans, monitor financial performance against budget, approve the introduction of new products, monitor risk and all matters related to regulatory responsibilities and review the activities of its sub-committees.

Membership: The committee comprises executive directors and certain senior executives, currently, Jenny Knott (Chairperson), Ros Renel, Gert Vogel, Grant Joyce, Nikki Auret, Glen Beamson, Peter Hosier, Will Dennis, Paul Chelsom and Chris Sweeney.

The major sub-committees, supporting the governance committee in fulfilling its responsibilities, are the CIB credit committee, the capital management committee, the CIB portfolio risk management committee and the business infrastructure committee.

Board Audit committee

This non-executive board committee monitors the process for identifying, evaluating and managing risks and controls. In particular, this includes the quality, integrity and reliability of compliance, financial and accounting control systems. The committee's other responsibilities are to review the scope of external and internal audit, to receive regular reports from Internal Audit and KPMG Audit Plc, and to review the financial statements focusing in particular on accounting policies, areas of management judgement and estimates. The committee meets quarterly.

Membership: Henry Staunton (Chairman), Mark Austen, Patrick Burgess and Christopher Sheridan.

Board Risk Management committee

The objective of this board committee is to provide an independent review and challenge to the group's risk policies and the composition of the risk portfolio, its concentrations and the risk-taking decisions of the group, covering all aspects of risk - market, credit, country, liquidity and operational. The committee complements the audit committee which also studies, inter alia, risk controls and their operation, but from a different perspective. The committee meets quarterly.

Membership: Ben Kruger (Chairman), Mark Austen, Patrick Burgess, Jacko Maree, Christopher Sheridan and Henry Staunton.

Board Remuneration committee

This non-executive committee approves remuneration policy and long term incentive schemes for staff, sets the remuneration of executive directors and other senior executives and approves guidelines for the company's annual salary and incentive reviews.

Membership: Christopher Sheridan (Chairman), Ben Kruger, Jacko Maree and Henry Staunton.

Transactions with directors and related parties

There are no loans, arrangements or agreements that require disclosure under the Companies Act 2006 or International Accounting Standard IAS24 regarding transactions with related parties, other than those shown in notes to the financial statements.

Directors' liability insurance

The group maintained directors' and officers' liability insurance during the twelve months ended 31 December 2010.

Employees

It is the group's policy to ensure that all employees and job applicants are given equal opportunities and that they do not face discrimination on the grounds of ethnic origin, colour, nationality, marital same sex partnership or family status, religion, sex, age, sexual orientation, gender reassignment or disability. Should an employee become disabled during his or her career with the group every effort will be made to ensure continued employment, with appropriate training if necessary.

Employee involvement in the group's business is encouraged and information disseminated through communication meetings, and an internal staff publication.

The group recognises its responsibilities to provide a safe working environment for all its staff and measures are in place to ensure that the Health and Safety at Work regulations are observed.

Charitable Donations

The group made charitable donations of US$126 461 during the year (2009: US$64 039).

Payment of supplier's policy

The group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the group's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract.

Auditors

KPMG Audit Plc has indicated their willingness to continue as auditors of the group. Accordingly, a resolution is to be proposed at the next annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the group.

Events subsequent to the reporting date

On 8 February 2011, the company increased its ordinary share capital by the issue of one share to Standard Bank Group for the consideration of US$150 million.

By order of the Board

Sue Smollett

SC Smollett
Secretary

25 February 2011
20 Gresham Street
London EC2V 7JE
Registered in England and Wales No. 2130447

Remuneration policy statement

This statement is intended to provide stakeholders with an understanding of Standard Bank Plc's (group) remuneration philosophy and practices. The philosophy and practices are consistent with those of Standard Bank Group.

Regulators continued to develop their compensation frameworks and regulation during 2010. The Remuneration Committee of Standard Bank Plc (Remco) continue to work with local regulators to ensure that the group's remuneration philosophy and practices meet these developing requirements, maintain market competitiveness and are consistent with, and promote, effective risk management.

Remuneration philosophy and policy

The group is committed to building a leading emerging markets financial services organisation that attracts and retains world-class people. Consequently, the group works 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 agreed risk tolerances.

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

As an integral part of growing and fortifying the 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 structure 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. The intention is to provide total compensation at a market competitive level, using a variety of inputs, data and external advisors,
- 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,
- the Standard Bank Group (SBG) remuneration committee approves the SBG 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 the group's 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 aligns 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.

Annual performance bonus – criteria:

For all employees, performance-related payments have formed an important element of total remuneration over time to achieve business objectives and reward individual contribution. This has allowed for a stronger link to overall business results. The bonus scheme seeks to attract and retain high-performing individuals and ensure that excessive risk-taking is discouraged. Individual awards are based on a combination of group, business unit and individual performance. Individual performance includes both financial and non-financial metrics.

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.

Annual performance bonus – deferrals:

Standard Bank Plc operates a deferred bonus arrangement 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 ownership culture.

Quanto stock units are linked to the Standard Bank Group Limited share price, but expressed in US dollars. The deferral into Quanto stock is determined from the total annual incentive.

Deferred incentive awards are also designed to allow forfeiture or claw back during the vesting period in circumstances where, at Remco's discretion, it is considered that an employee's behavior results in events that are detrimental, such as a material error by the employee, or misconduct that results in a material failure of risk management, or the relevant business unit suffers a material downturn in its financial performance.

Annual performance bonus – deferral rates:

For employees deemed as Code Staff (per the UK FSA regulations) deferral rates will be either 40% or 60% depending on the level of the bonus. The deferred portion is delivered in Quanto stock units with a three year pro rated vesting plus an additional six month holding period after vesting. Half of the non-deferred portion is paid immediately in cash and the balancing 50% is delivered in Quanto shares with a six month vesting period.

For Non Code Staff a proportion of the incentive is deferred into Quanto stock units for incentives in excess of US$150 000. The deferral increases from 20% at US$150 000 to 60% deferral for the highest awards. The deferral portion applies to the entire bonus amount and is delivered in Quanto stock units with a three year pro rated vesting period.

Retention agreements

Retention agreements are only entered into in exceptional circumstances. 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.

Remco will continue to monitor the evolving regulatory landscape as it pertains to remuneration and will respond constructively as appropriate.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the member of Standard Bank Plc

We have audited the consolidated group and parent company financial statements of Standard Bank Plc for the year ended 31 December 2010, set out on pages 17 to 109. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's member, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 4, in relation to going concern.

Mike Peck

Mike Peck (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square, London E14 5GL
25 February 2011

Consolidated statement of financial position

at 31 December 2010

	Note	2010 $m	2009[1] $m
Assets			
Derivative assets	3	**6 454.3**	6 347.5
Trading assets	4	**7 329.1**	7 213.0
Financial investments	5	**121.4**	79.2
Pledged assets	6	**735.1**	507.0
Loans and advances	7	**15 680.7**	16 923.7
Loans and advances to banks	7	**5 932.4**	6 435.3
Loans and advances to customers	7	**9 748.3**	10 488.4
Other assets	8	**546.9**	239.2
Current tax asset		**27.8**	-
Deferred tax asset	9	**21.4**	13.2
Intangible assets	11	**115.6**	96.6
Property and equipment	12	**45.3**	47.3
Total assets		**31 077.6**	31 466.7
Liabilities and equity			
Liabilities		**29 497.5**	29 790.5
Derivative liabilities	3	**7 542.2**	7 412.3
Trading liabilities	13	**3 157.5**	2 389.6
Deposit and current accounts	14	**17 135.8**	18 029.8
Deposits from banks	14	**12 936.0**	14 015.2
Deposits from customers	14	**4 199.8**	4 014.6
Other liabilities	15	**605.7**	568.9
Current tax liability		**42.9**	43.8
Deferred tax liability	9	**10.9**	17.2
Subordinated debt	16	**1 002.5**	1 328.9
Equity		**1 580.1**	1 676.2
Equity attributable to ordinary shareholder		**1 580.1**	1 672.0
Ordinary share capital	21	**1 083.5**	1 071.0
Ordinary share premium		**281.0**	274.3
Reserves		**215.6**	326.7
Non-controlling interest		**-**	4.2
Total liabilities and equity		**31 077.6**	31 466.7

[1] 2009 figures reclassified and restated, refer to note 30 on page 107.

The accounting policies and notes on pages 25 to 109 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 25 February 2011.

B.J. Kruger, Chairman

J.K. Knott, Chief Executive

Consolidated income statement

for the year ended 31 December 2010

	Note	2010 $m	2009[1] $m
Net interest income		**185.4**	250.9
Interest income	23.1	**448.2**	570.1
Interest expense	23.2	**(262.8)**	(319.2)
Non-interest revenue	23.3	**369.5**	422.1
Net fees and commission		**8.6**	(35.8)
Fees and commission revenue		**107.6**	131.6
Fees and commission expenses		**(99.0)**	(167.4)
Trading revenue		**360.9**	457.9
Total income		**554.9**	673.0
Credit impairment recovery / (charge)	23.4	**3.0**	(128.7)
Income after impairments		**557.9**	544.3
Operating expenses		**(571.7)**	(469.5)
Staff costs	23.5	**(342.6)**	(278.4)
Other operating expenses	23.6	**(162.8)**	(180.6)
Indirect taxation	23.7	**(30.2)**	(10.5)
Restructuring costs	23.8	**(36.1)**	-
(Loss) / profit before direct taxation		**(13.8)**	74.8
Direct taxation	24	**(1.1)**	(18.7)
(Loss) / profit for the year from continuing operations		**(14.9)**	56.1
Discontinued operations	25	**(99.4)**	8.2
(Loss) / profit attributable to equity shareholders		**(114.3)**	64.3

[1] 2009 figures reclassified and restated to conform with current year presentation of discontinued operations.

The accounting policies and notes on pages 25 to 109 should be read as part of the financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2010

	2010 $m	2009 $m
(Loss) / profit for the year	**(114.3)**	64.3
Other comprehensive income / (losses) after tax for the year [1]		
Foreign currency translation reserve	**5.6**	(1.4)
Cash flow hedging reserve	**(9.7)**	56.1
Effective portion of changes in fair value	**(9.4)**	36.6
Net amount transferred to profit or loss	**(0.3)**	19.5
Total comprehensive (loss) / income attributable to equity shareholders	**(118.4)**	119.0

[1] Income tax relating to each component of other comprehensive income is disclosed in note 9.

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2010

	Ordinary share capital and share premium $m	Cash flow hedging reserve $m	Foreign currency translation reserve $m	Long term incentive reserve[1] $m	Retained earnings $m	Ordinary share-holder's equity $m	Non-controlling interest[2] $m	Total equity $m
Balance at 1 January 2009	1 295.3	(39.9)	2.5	11.8	230.2	1 499.9	6.9	1 506.8
Total comprehensive income / (loss) for the year	-	56.1	(1.4)	-	64.3	119.0	-	119.0
Equity-settled share-based payment transactions	-	-	-	2.9	-	2.9	-	2.9
Issue of share capital and share premium	50.0	-	-	-	-	50.0	-	50.0
Transactions with non-controlling shareholders	-	-	-	-	0.2	0.2	(2.7)	(2.5)
Balance at 31 December 2009	1 345.3	16.2	1.1	14.7	294.7	1 672.0	4.2	1 676.2
Balance at 1 January 2010	**1 345.3**	**16.2**	**1.1**	**14.7**	**294.7**	**1 672.0**	**4.2**	**1 676.2**
Total comprehensive (loss) / income for the year	**-**	**(9.7)**	**5.6**	**-**	**(114.3)**	**(118.4)**	**-**	**(118.4)**
Equity-settled share-based payment transactions	**-**	**-**	**-**	**3.1**	**-**	**3.1**	**-**	**3.1**
Issue of share capital and share premium	**19.2**	**-**	**-**	**-**	**-**	**19.2**	**-**	**19.2**
Transactions with non-controlling shareholders	**-**	**-**	**-**	**-**	**4.2**	**4.2**	**(4.2)**	**-**
Balance at 31 December 2010	**1 364.5**	**6.5**	**6.7**	**17.8**	**184.6**	**1 580.1**	**-**	**1 580.1**

[1] This reserve forms part of the capital contribution from the ultimate parent and is included as a component of ordinary shareholder funds.
[2] This non-controlling interest arises on the consolidation of special purpose entities related to the distressed debt business.

Consolidated statement of cash flows

for the year ended 31 December 2010

	Note	2010 $m	2009[1] $m
Cash flows from operating activities			
(Loss) / profit before direct taxation			
Continuing operations		(13.8)	74.8
Discontinued operations	25	(127.9)	12.5
Adjusted for:			
Net interest income		(187.0)	(260.1)
Amortisation of intangible assets		22.9	16.4
Impairment of intangible assets		2.5	-
Depreciation of property and equipment		12.5	7.4
Non cash flow movements on subordinated debt		26.8	(18.1)
Cash settled share based payments		34.2	17.0
Equity settled share based payments		2.4	2.3
Net credit impairments raised and released	23.4	96.3	132.3
Discount element recognised from credit impairments against loans and advances		(1.1)	(3.6)
Provisions for severance		0.1	1.2
		(132.1)	(17.9)
Changes in operating funds		(1 242.5)	(874.8)
Increase in income earning assets	26.1	(1 367.1)	(964.9)
Increase in deposits and other liabilities	26.2	124.6	90.1
Interest received		672.1	506.3
Interest paid		(461.5)	(307.5)
Tax paid	26.3	(9.5)	(29.9)
Net cash flows used in operating activities		(1 173.5)	(723.8)
Investing activities			
Capital expenditure on - intangible assets		(44.4)	(40.0)
- property and equipment		(11.6)	(46.9)
Net cash flows used in investing activities		(56.0)	(86.9)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders	21	19.2	50.0
(Redemption) / issue of subordinated debt	16	(394.0)	706.5
Subordinated floating rate notes 2009		-	(50.0)
Subordinated unsecured floating rate loan stock 2009		-	(35.0)
Subordinated fixed rate notes 2019		-	493.0
Step-up subordinated floating rate notes 2019		-	298.5
Subordinated floating rate notes 2012		(135.2)	-
Step-up subordinated floating rate notes 2015		(239.6)	-
Subordinated floating rate loan stock 2050		(19.2)	-
Net cash flows (used in) / generated from financing activities		(374.8)	756.5
Effects of exchange rate changes on cash and cash equivalents		(7.5)	4.0
Net decrease in cash and cash equivalents		(1 611.8)	(50.2)
Cash and cash equivalents at beginning of the year		4 271.3	4 321.5
Cash and cash equivalents at end of the year	26.4	2 659.5	4 271.3

[1] 2009 figures reclassified and restated, refer to note 30 on page 107.

Company statement of financial position

for the year ended 31 December 2010

	Note	2010 $m	2009[1] $m
Assets			
Derivative assets	3	**6 388.2**	6 327.9
Trading assets	4	**7 251.7**	7 192.1
Financial investments	5	**139.4**	79.2
Pledged assets	6	**735.1**	507.0
Loans and advances	7	**15 735.6**	16 880.9
Loans and advances to banks	7	**5 911.1**	6 434.1
Loans and advances to customers	7	**9 824.5**	10 446.8
Other assets	8	**478.5**	230.7
Current tax asset		**27.8**	-
Deferred tax asset	9	**21.4**	13.2
Investments in group companies	10	**16.0**	6.2
Intangible assets	11	**115.6**	96.6
Property and equipment	12.3	**44.6**	45.5
Total assets		**30 953.9**	31 379.3
Liabilities and equity			
Liabilities		**29 373.2**	29 712.1
Derivative liabilities	3	**7 469.6**	7 388.7
Trading liabilities	13	**3 157.5**	2 389.6
Deposit and current accounts	14	**17 112.1**	18 004.1
Deposits from banks	14	**12 915.4**	13 992.0
Deposits from customers	14	**4 196.7**	4 012.1
Other liabilities	15	**578.8**	542.4
Current tax liability		**41.8**	41.2
Deferred tax liability	9	**10.9**	17.2
Subordinated debt	16	**1 002.5**	1 328.9
Equity			
Equity attributable to ordinary shareholder		**1 580.7**	1 667.2
Ordinary share capital	21	**1 083.5**	1 071.0
Ordinary share premium		**281.0**	274.3
Reserves		**216.2**	321.9
Total liabilities and equity		**30 953.9**	31 379.3

[1] 2009 figures reclassified and restated, refer to note 30 on page 107.

The accounting policies and notes on pages 25 to 109 should be read as part of the financial statements.

Approved by the Board of directors and signed on its behalf on 25 February 2011.

B.J. Kruger, Chairman

J.K. Knott, Chief Executive

Company statement of changes in shareholder's equity

for the year ended 31 December 2010

	Ordinary share capital and share premium $m	Cash flow hedging reserve $m	Long term incentive reserve[1] $m	Retained earnings $m	Total equity $m
Balance at 1 January 2009	1 295.3	(39.9)	11.8	231.7	1 498.9
Total comprehensive income for the year	-	56.1	-	59.3	115.4
Equity settled share based payment transactions	-	-	2.9	-	2.9
Issue of share capital and share premium	50.0	-	-	-	50.0
Balance at 31 December 2009	1 345.3	16.2	14.7	291.0	1 667.2
Balance at 1 January 2010	**1 345.3**	**16.2**	**14.7**	**291.0**	**1 667.2**
Total comprehensive income for the year	**-**	**(9.7)**	**-**	**(99.1)**	**(108.8)**
Equity settled share based payment transactions	**-**	**-**	**3.1**	**-**	**3.1**
Issue of share capital and share premium	**19.2**	**-**	**-**	**-**	**19.2**
Balance at 31 December 2010	**1 364.5**	**6.5**	**17.8**	**191.9**	**1 580.7**

[1] This reserve forms part of the capital contribution from the ultimate parent and is included as a component of ordinary shareholder funds.

Company statement of cash flows

for the year ended 31 December 2010

	Note	2010 $m	2009[1] $m
Cash flows from operating activities			
(Loss) / profit before direct taxation			
Continuing operations		**(26.3)**	63.8
Discontinued operations	25	**(102.0)**	15.4
Adjusted for:			
Net interest income		**(187.2)**	(276.1)
Amortisation of intangible assets		**22.9**	16.4
Impairment of intangible assets		**2.5**	-
Depreciation of property and equipment		**12.2**	7.1
Non cash flow movements on subordinated debt		**26.8**	(18.1)
Cash settled share based payments		**34.2**	17.0
Equity settled share based payments		**2.4**	2.3
Net credit impairments raised and released	23.4	**96.3**	132.3
Discount element recognised from credit impairments against loans and advances		**(1.1)**	(3.6)
Provisions for severance		**0.1**	1.3
		(119.2)	(42.2)
Changes in operating funds		**(1 263.9)**	(885.2)
Increase in income earning assets	26.1	**(1 218.7)**	(934.3)
(Decrease) / increase in deposits and other liabilities	26.2	**(45.2)**	49.1
Interest received		**504.2**	522.1
Interest paid		**(293.4)**	(307.3)
Tax paid		**(6.2)**	(30.4)
Net cash flows used in operating activities		**(1 178.5)**	(743.0)
Investing activities			
Capital expenditure on - intangible assets		**(44.4)**	(40.0)
- property and equipment		**(11.3)**	(46.8)
Investment in subsidiary		**(9.8)**	(5.4)
Net cash flows used in investing activities		**(65.5)**	(92.2)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders	21	**19.2**	50.0
(Redemption) / issue of subordinated debt	16	**(394.0)**	706.5
Subordinated floating rate notes 2009		**-**	(50.0)
Subordinated unsecured floating rate loan stock 2009		**-**	(35.0)
Subordinated fixed rate notes 2019		**-**	493.0
Step-up subordinated floating rate notes 2019		**-**	298.5
Subordinated floating rate notes 2012		**(135.2)**	-
Step-up subordinated floating rate notes 2015		**(239.6)**	-
Subordinated floating rate loan stock 2050		**(19.2)**	-
Net cash flows (used in) / generated from financing activities		**(374.8)**	756.5
Effects of exchange rate changes on cash and cash equivalents		**(13.1)**	4.7
Net decrease in cash and cash equivalents		**(1 631.9)**	(74.0)
Cash and cash equivalents at beginning of the year		**4 270.0**	4 344.0
Cash and cash equivalents at end of the year	26.4	**2 638.1**	4 270.0

[1] 2009 figures reclassified and restated, refer to note 30 on page 107.

Accounting policies

The principal accounting policies applied in the presentation of the financial statements are set out below.

1 Basis of preparation

The current economic environment is challenging and the group has reported an operating loss for the year. Management performed a strategic review during the year which led to the exit of certain business lines, a refocus of existing business as well as stringent cost measures including a staff retrenchment programme. As a result of these measures, management believe that the group should return to profit in the current year.

As at the reporting date the group maintains a strong liquidity position with surplus liquid assets and no breaches of regulatory or internal structural liquidity mismatch limits. The group remains well capitalised at year end with equity capital resources amounting to US$1 580.1 million.

The ultimate parent company, Standard Bank Group Limited (SBG), has confirmed that it will continue to ensure that the group is able to meet their contractual liabilities. This statement of support is included in the SBG financial statements for the year ended 31 December 2009 and will be included in the financial statements for 31 December 2010. In February 2011, SBG injected US$150 million capital into the parent company of the group.

For the above reasons it is considered appropriate to continue to prepare both the group and company financial statements in accordance with the going concern principle under the historical cost basis except as modified by the revaluation of:

- financial assets and liabilities at fair value through profit or loss, 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, and
- liabilities for cash-settled share-based payment arrangements.

The consolidated financial statements include the parent company and all subsidiary companies.

The ultimate parent company, SBG, has made certain accounting policy elections in terms of IFRS, in the preparation of the SBG consolidated financial statements. Accordingly the group has made the following 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);
- property and equipment are accounted for using the cost model (accounting policy 7).

The accounting policies are consistent with those adopted in the previous year except for the following:

Adoption of changes to existing standards and new interpretations effective for the current financial year

The group has adopted the following new and amended IFRSs as of 1 January 2010. These amendments had no material impact on the group's financial statements:

- IFRS 3 (revised 2008) dealing with Business Combinations and
- IAS 27 (revised 2008) dealing with Consolidated and Separate Financial Statements

Amendments to IFRS 2008 and 2009

Amendments to the following standards are adopted, this has not resulted in any material change in recognition, measurement or disclosures of items in the financial statements:

- Improvements to IFRSs 2008
  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Improvements to IFRSs 2009

- IFRS 2, *Share Based Payments;*
- IFRS 3 *(revised 2008), Business Combinations;*
- IAS 17, *Leases;*
- IAS 38, *Intangible Assets (additional consequential amendment arising out of revised IFRS 3);*
- IAS 39, *Financial Instruments; and*
- IFRIC 9, *Reassessment of Embedded Derivatives.*

New Interpretations adopted

- IFRIC 17, *Distribution of Non-cash Assets to Owners; and*
- IFRIC 18, *Transfer of Assets from Customers.*

2 Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are consolidated from the date on which the group acquires the power to control, up to the date that control ceases. For this purpose, subsidiaries are companies 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.

Intra-group transactions, balances and unrealised gains and losses within banking and investment management 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 is consolidated when the substance of the relationship between the group and the special purpose entity's risks and rewards indicate that the group controls the entity.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The consideration transferred is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Transaction costs for any business combinations prior to 1 January 2010 are capitalised as part of the consideration transferred. Transaction costs on or after 1 January 2010 are recognised in profit or loss as and when they are incurred.

The group elects to initially measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

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 non-controlling interest. The excess of the consideration transferred, the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary over the subsidiary's fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy for intangible assets.

If the consideration transferred, the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary is less than the fair value of the net assets of the subsidiary acquired, the difference, referred to as a gain from a bargain purchase, is recognised directly in profit or loss.

When a business combination occurs in stages, the previously held equity interest is remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Transactions with non-controlling interests

Transactions with non-controlling interests 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 non-controlling interests, the difference between the purchase consideration and the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity. Profits or losses on the partial disposal (where a change in ownership occurs and control is not lost) of the group's interest in a subsidiary to non-controlling interests are also accounted for directly in equity.

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 US dollars and all amounts, unless otherwise indicated, are stated in millions of dollars (US$ million).

Group companies

The results and financial position of all foreign operations 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 subsidiary that includes a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a subsidiary that includes 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. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of the cumulative reserve is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

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 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 and when the foreign operation is disposed. 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 cash flow statements consist of cash and balances with central banks, along with other highly liquid short term placements. Cash flows arising from operating activities are stated after excluding the impact of foreign currency translation differences on asset and liability classes.

Cash and balances with central banks comprise coins, bank notes and balances with central banks, whereas other short term placements are disclosed under loans and advances. These balances are subject to insignificant changes in fair value and are reported at amortised cost.

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 at either fair value or amortised cost, depending on their classification as follows:

Trading assets and liabilities

Trading assets and liabilities are those financial assets and liabilities that the group has 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, and all gains and losses arising from changes therein are recognised in the income statement in trading revenue under non-interest revenue.

Interest earned and dividends received on trading assets at fair value through profit or loss are also 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:

- doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or liabilities, or recognising gains and losses on them on different bases. Under this criterion, the main class of financial instruments designated by the group are loans and advances to customers and debt securities where doing so significantly reduces measurement inconsistencies that would have otherwise arisen if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost;
- 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 information about groups of financial instruments is reported to the group's key management personnel on a fair value basis. Under this criterion, certain private equity investments, acquired non-performing loan portfolios 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 cash flows of the financial instrument.

The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are remeasured, and 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.

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. This category includes purchased loans.

Loans and receivables are measured at amortised cost using the effective interest rate 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.

Reclassification of financial assets

The group may 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 liability settled, between knowledgeable willing parties in an arms length transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. 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 input, 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 by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, pricing models and valuation techniques commonly used by market participants. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price.

Where discounted cash flow analysis is 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 pricing models are used, inputs are based on observable market indicators at the reporting date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

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 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 loan or group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred only if objective evidence indicates that a loss event has occurred after initial recognition and that loss event has a negative effect on the estimated future cash flows of the loans that can be estimated reliably.

The group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant.

Loans are impaired for doubtful debts identified during periodic evaluations of advances. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. The impairment of 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 specifically 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.

If the group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans 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 groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods. Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss. Previously impaired financial assets 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 and the amount of the reversal is 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 are recorded as interest income.

Renegotiated loans

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

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, that requires little or no initial net investment, and that 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 above.

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.

When hybrid instruments are reclassified to loans and advances, the embedded derivative is separated out and not reclassified.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading, or are designated as hedging instruments, and the nature of the hedge relationship. All gains and losses from changes in the fair value of derivatives 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 assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- hedges of net investments in a foreign operation (net investment hedge).

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 hedge relationships. The group also documents its assessment, both at hedge inception and on an ongoing basis on retrospective and prospective 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 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 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 from equity 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 profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in other comprehensive income are immediately transferred to profit or loss and classified as trading revenue.

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 rate method.

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 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.

Premiums paid on financial guarantees received are amortised over the life of the exposure. Any claims under the guarantee are recognised when the rights are virtually certain.

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.

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 and 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, for example 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.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts being recognised in profit and loss.

Sale and repurchase agreements and lending of securities (commodity leasing)

Securities sold subject to linked repurchase agreements (repos) 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, at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans granted under resale agreements and included under trading assets or loans and advances to other banks or customers, as appropriate. The difference between the purchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method.

Securities lent (commodities leased out) to counterparties are retained in the financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed (commodities leased in) are not recognised in the financial statements unless these are sold to third parties. In these cases, the obligation to return the securities borrowed (commodities leased in) 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.

Commodities

Commodities that are acquired principally by the group for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-trader's margin are measured at fair value less cost to sell and are reported as trading assets. All changes in fair value less cost to sell are recognised in trading revenue in the period of the change.

Forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract, are recognised as derivative financial instruments and measured at fair value. All changes in fair value are recognised in trading revenue in the period of the change.

6 Intangible assets

Computer software

Generally, costs associated with developing or maintaining computer software programs 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 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 cost where the group is able to demonstrate its intention and ability to complete and use the software and can reliably measure the costs to complete 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 (five years), and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

7 Property and equipment

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 and equipment have different useful lives, they are accounted for as separate items 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. Maintenance and repairs, which do not meet these criteria, are recognised in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in profit or loss.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected 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 are reviewed and adjusted, if appropriate, at each reporting date and the depreciation method is reviewed annually.

Freehold buildings, comprising mainly offices and branches, are generally classified as owner-occupied properties and accounted for in terms of the cost method. These buildings are depreciated on the straight-line basis over their estimated useful lives to the current value of their estimated residual value. The freehold land portion is not depreciated.

The estimated useful lives of tangible assets for the current financial year are as follows:

Leasehold improvements	5 to 7 years
Computer equipment	2 to 5 years
Office equipment	5 to 7 years
Motor vehicles	5 years
Furniture and fittings	5 to 7 years

There has been no change to useful lives from those applied in the previous financial year.

8 Impairment of non-financial assets

Intangible assets are subject to amortisation and 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.

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 through profit or loss if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed 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.

9 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 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 installment sale contracts are primarily financing transactions in banking activities, with rentals and installments 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 rate 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.

10 Provisions and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and 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 the probability of outflow of economic benefits is remote.

11 Tax

Direct taxation

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 (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), 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 as at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred income 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 substantially enacted as 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 (outside of a business combination) which affect neither accounting nor taxable profits or losses; and
- investments in subsidiaries and jointly controlled entities 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.

Current and deferred tax relating to items which are charged or credited directly to other comprehensive income, are also charged or credited directly to other comprehensive income and are subsequently recognised in profit or loss when the related deferred gain or loss is recognised.

Indirect taxation

Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities (including Bank Payroll Tax), are recognised in profit and loss and disclosed separately.

12 Equity

Share issue cost

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.

Dividends on ordinary shares

Dividends are recognised in the period in which they are declared. Dividends declared after the reporting date are disclosed in the dividends note.

13 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.

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.

14 Long term incentive scheme

The group operates both cash settled and equity settled share based compensation plans.

The Standard Bank Quanto Stock Unit scheme awards a number of Quanto Stock units denominated in US$ and is a cash-settled incentive scheme. The value is based on the Standard Bank Group Limited (SBG) share price and moves in parallel to the change in price of the SBG shares listed on the Johannesburg Stock Exchange. The awards, which are granted following remuneration committee approval subsequent to year end, vest over a three year period dependent on the employee being in service for the period and are accrued from award date over the vesting period. The scheme provides for an incremental amount to be paid if the employee is in service for four years. The amount of the accrued liability is re-measured at the end of each reporting period, taking into account assumptions about leavers. The changes in liability are accounted for through profit or loss over the life of the Quanto Stock units. The changes in the liability arising from share price movements have been hedged, applying cash flow hedging principles.

SIH Shadow Share Options (cash-settled equity based scheme), the value of this award is derived from Standard International Holding's current and future performance. Throughout the life of the scheme, the liability is re-measured at the end of each reporting period based on a defined formula. The changes in liability are accounted for through profit or loss over the life of the shadow share options and includes assumptions about future performance and leavers.

The equity-settled share-based compensation plan awards options over the Standard Bank Group Limited shares. Throughout the life of the scheme, the obligation is re-measured at the end of each reporting period based on a valuation of the option. The changes in value are accounted for through profit or loss over the vesting period of the share options with a corresponding increase in the long term incentive reserve as the obligation to employees is settled by Standard Bank Group. 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 the end of each reporting date the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the vesting period.

15 Revenue

Revenues described below represent the most appropriate equivalent of turnover. Revenue is derived substantially from the business of banking and related activities and comprises net interest income and non-interest revenue.

Net interest income

Interest income and expenses are recognised in profit or loss on an accrual basis using the effective interest rate method for all interest-bearing instruments, except for those classified at fair value through profit or loss. In terms of the effective interest rate 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 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 through interest income or expense over the life of the asset or liability as part of the effective interest rate. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

Interest income and expenses presented in profit or loss include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis; and
- Interest and fair value changes on interest-bearing financial instruments designated at fair value.

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 equity 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 participate at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed.

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 and dividends relating to these financial instruments.

Net income from financial instruments designated at fair value includes all gains and losses from changes in the fair value of 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 removed from equity and included in profit or loss on realisation of the investments. Dividends on these instruments are recognised in the profit and loss.

Gains and losses on all other undated financial instruments, excluding those classified as held for trading, are recognised in other revenue.

Dividend income

Dividends are recognised in profit or loss in the reporting period in which right to receipt is established.

16 Discontinued operations

The results of discontinued operations are shown as a single amount in the income statement comprising the post-tax profit or loss. A discontinued operation is a cash generating unit or a group of cash-generating units part of a single co-ordinated plan to dispose of a separate major line of business.

17 Post-retirement benefits

The group makes defined contributions to employees' pension providers, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are held in separate trustee-administered funds. Contributions to these plans are charged to profit or loss in the reporting period to which they relate.

18 Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are regularly reviewed 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 are based on the group's internal reporting to management. It represents the classification of the group's activities in segments that reflect the risk and return of the group's product offerings in different product markets. Transactions between segments are priced at market-related rates.

19 Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation in the current year.

20 Client Money

The group acts as trustee and other fiduciary capacities that result in the holding or placing of assets on behalf of clients. Such assets and income arising thereon are excluded from these financial statements, as they are not assets of the group.

21 New standards and interpretations not yet adopted

The following new / revised standards and amendments are not yet effective for the year ended 31 December 2010 and have not been applied in preparing these financial statements:

Pronouncement	Title	Effective date
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
Improvements to IFRS 2010	**Amendments to following pronouncements:** IFRS 3, *Business Combinations,* IFRS 7, *Financial Instruments: Disclosures,* IAS 1, *Presentation of Financial Statements,* IAS 27, *Consolidated and Separate Financial Statements, and* IAS 34, *Interim Financial Reporting.* *Interpretations:* IFRIC 13, *Customer Loyalty Programmes and IFRIC 14 Repayments of a Minimum Funding Requirement.*	 1 July 2011 1 January 2011 1 January 2011 1 July 2011 1 January 2011 1 January 2011

Notes to the annual financial statements

1 Segment reporting

The ultimate parent, SBG, is a leading African banking group focused on emerging markets globally. Its operations are organised on the basis of products and services with the banking operations divided into two major segments, Personal & Business Banking (PBB) and Corporate & Investment Banking (CIB). The CIB segment provides banking, finance, trading, investment, risk management and advisory services to larger corporates, financial institutions and international counterparties in selected developing economies around the world. Standard Bank Plc is the major operating entity of the SBG's CIB business outside of Africa, with its principal business units of Global Markets and Investment Banking.

Business unit

Global Markets	Global markets includes foreign exchange, interest rates, credit trading, derivatives, equities and commodities trading business, client financing and money market funding units.
Investment Banking	Commercial and investment banking services to corporates and financial institutions include investment and advisory business, structured trade and commodity finance, loan syndications, alternative investments[1] and private client services[1].

[1] Classified as discontinued operations during the current year.

1.1 Business segments

	Global Markets		Investment Banking		Total	
	2010 $m	2009 $m	**2010 $m**	2009 $m	**2010 $m**	2009 $m
Net interest income	**75.2**	86.7	**110.2**	164.2	**185.4**	250.9
Non-interest revenue	**296.0**	326.8	**73.5**	95.3	**369.5**	422.1
Total income	**371.2**	413.5	**183.7**	259.5	**554.9**	673.0
Credit impairment recovery / (charge)	**(11.9)**	(12.2)	**14.9**	(116.5)	**3.0**	(128.7)
Income after impairments	**359.3**	401.3	**198.6**	143.0	**557.9**	544.3
Operating expenses	**(373.5)**	(294.3)	**(198.2)**	(175.2)	**(571.7)**	(469.5)
(Loss) / profit before direct taxation	**(14.2)**	107.0	**0.4**	(32.2)	**(13.8)**	74.8
Income tax (expense) / credit	**(0.5)**	(19.4)	**(0.6)**	0.7	**(1.1)**	(18.7)
(Loss) / profit for the year from continuing operations	**(14.7)**	87.6	**(0.2)**	(31.5)	**(14.9)**	56.1
Discontinued operations	**-**	-	**(99.4)**	8.2	**(99.4)**	8.2
(Loss) / profit attributable to equity shareholders	**(14.7)**	87.6	**(99.6)**	(23.3)	**(114.3)**	64.3
Included in (loss) / profit attributable to equity shareholders:						
Depreciation	**(8.0)**	(4.9)	**(4.5)**	(2.5)	**(12.5)**	(7.4)
Amortisation of intangible assets	**(21.7)**	(14.8)	**(1.2)**	(1.6)	**(22.9)**	(16.4)

The group relies primarily on net interest income rather than interest income and interest expense to assess the performance of the segments.
Centrally incurred expenses are allocated to business units based on appropriate cost drivers.
The central treasury is housed within Global Markets and business units pay and receive interest on an arm's length basis to reflect the allocation of funding costs.

1 Segment reporting (continued)

1.1 Business segments (continued)

	Global Markets		Investment Banking		Total	
	2010 $m	2009 $m	**2010 $m**	2009 $m	**2010 $m**	2009 $m
Other information						
Total assets	**25 167.8**	22 980.5	**5 909.8**	8 486.2	**31 077.6**	31 466.7
- Continuing operations	**25 167.8**	22 980.5	**5 342.1**	7 567.9	**30 509.9**	30 548.4
- Discontinued operations	**-**	-	**567.7**	918.3	**567.7**	918.3
Total liabilities	**25 093.8**	23 985.1	**4 403.7**	5 805.4	**29 497.5**	29 790.5
- Continuing operations	**25 093.8**	23 985.1	**4 237.6**	5 652.2	**29 331.4**	29 637.3
- Discontinued operations	**-**	-	**166.1**	153.2	**166.1**	153.2

1.2 Geographical analysis

The geographical analysis has been compiled on the basis of location of office where the transactions are recorded.

	United Kingdom		Outside the United Kingdom		Total	
	2010 $m	2009 $m	**2010 $m**	2009 $m	**2010 $m**	2009 $m
Total income	**556.5**	701.3	**(12.1)**	6.0	**544.4**	707.3
- Continuing operations	**551.5**	673.5	**3.4**	(0.5)	**554.9**	673.0
- Discontinued operations	**5.0**	27.8	**(15.5)**	6.5	**(10.5)**	34.3
Non-current non-financial assets	**160.2**	143.7	**0.7**	0.2	**160.9**	143.9

No countries outside the United Kingdom 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 group and company financial statements, estimates and judgements are made that could affect the reported amounts of assets and liabilities within the next reporting period. 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 current year.

2.1 Credit impairment losses on loans and advances

Portfolio loan impairments

The group assesses its loan portfolios for impairment at the end of 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 also 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 calculated loss ratios, adjusted for specific economic conditions and other indicators of potential default.

These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. At the year end, a number of factors including emergence period, recovery rates and probability of default were considered of which the loss emergence period is a key input (2010: 5 months; 2009: 4.5 months). A change of one month in the emergence period will result in a US$5 million (2009: US$6 million) change on the value of the impairment.

Specific loan impairments

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. The expected recovery is subject to the execution risks associated with the recovery of collateral. Judgement is particularly required, due in part to, single obligor exposures. A change of one percentage in the value of the estimated recovery will result in a US$5.6 million (2009: US$7.5 million) change in the value of the impairment.

2.2 Taxation

The group is subject to direct and indirect 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 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 expense in the year in which such determination is made.

2.3 Determining fair value

The best evidence of fair value of financial instruments is quoted prices in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and these prices represent actual and regularly occurring market transactions on an arm's length basis. It can be difficult to establish if a price reflects a fully active market in markets or instruments that exhibit very low trading volumes and intermittent trading patterns. If the market for financial investments is not active the group establishes fair value using valuation techniques. (Refer to note 17)

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Where valuation techniques are used to determine fair values, they are validated and periodically independently reviewed by qualified senior personnel. All models are approved before they are used, and models are calibrated and back-tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations.

Credit valuation adjustments are taken against derivative exposures in order to reflect the potential current and future impact of counterpart performance with regards to these contracts. The exposures upon which a provision is calculated is not the current replacement value in the balance sheet but rather an expectation of future exposures that the group will have to such counterparts. The typical calculation of a future exposure on a trade is based on a simulation of expected positive exposures performed to standard market methodologies.

A number of market participants have changed inputs in the valuation methodology of certain products from the use of Libor to Overnight Index Swap (OIS) to reflect the nature of the cost of financing of the product. The group has reviewed the valuation methodologies and considers that the current process of using Libor remains valid and represents a true representation of the fair value. Changes in these assumptions could affect the reported fair values of financial instruments, as disclosed in note 18.

2.4 Discontinued operations

In the presentation of the group's results, the PIM and PCS business units have been classified as discontinued operations through abandonment in accordance with IFRS 5. The divisions, which constitute separate major business lines within the group, have been discontinued through resolution by the Board. In making this decision the following were considered: the abandonment is part of a single co-ordinated plan; no significant interest revenue will be generated; and the divisions represent a separate major line of business.

2.5 Special purpose entities

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 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 holds investments in portfolios of distressed debt, primarily in the Asia region. The portfolios were acquired by SPEs specifically set up in each jurisdiction to acquire these loans. The group has consolidated the following SPEs with assets of US$271.2 million (2009: US$278.9 million).

SPE	Country of incorporation	% Interest
Fundo Multimercado Safari Investimentos no Exterior	Brazil	100
Star Two Holdings Inc.	Philippines	11
Star Asset Management Ltd.	Thailand	17

3 Derivative instruments

All derivatives are classified as either derivatives held for trading or derivatives held for hedging.

3.1 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.

3 Derivative instruments (continued)

3.2 Derivative assets and liabilities

Group

	2010							2009			
	Maturity analysis of net fair value										
	< 1 year $m	1 - 5 years $m	> 5 years $m	Net fair value $m	Fair value of assets $m	Fair value of liabilities $m	Contract/ notional amount $m	Net fair value $m	Fair value of assets $m	Fair value of liabilities $m	Contract / notional amount $m
Derivatives held for trading											
Foreign exchange derivatives	(778.6)	(27.0)	2.4	(803.2)	594.9	(1 398.1)	76 931.3	(984.1)	903.8	(1 887.9)	64 501.9
Forwards and futures	(168.5)	(32.3)	1.9	(198.9)	550.9	(749.8)	53 120.3	136.1	869.5	(733.4)	29 217.7
Options	(610.1)	5.3	0.5	(604.3)	44.0	(648.3)	23 811.0	(1 120.2)	34.3	(1 154.5)	35 284.2
Interest rate derivatives	42.2	176.6	25.4	244.2	2 270.8	(2 026.6)	667 003.5	179.1	1 888.7	(1 709.6)	393 122.3
Caps and floors	(3.8)	(1.4)	0.4	(4.8)	1.1	(5.9)	1 373.1	1.0	15.0	(14.0)	3 251.3
Future options	5.2	9.2	(0.1)	14.3	22.5	(8.2)	526 235.2	15.8	16.3	(0.5)	285 861.9
Forwards	2.0	-	-	2.0	2.4	(0.4)	1 492.0	(0.3)	0.2	(0.5)	959.4
Swaps	38.8	168.8	25.1	232.7	2 244.8	(2 012.1)	137 903.2	162.6	1 857.2	(1 694.6)	103 049.7
Commodity derivatives	111.7	(134.6)	6.7	(16.2)	3 163.1	(3 179.3)	418 128.1	288.4	2 978.2	(2 689.8)	321 160.0
Forwards	399.7	48.1	1.0	448.8	1 118.8	(670.0)	22 242.9	240.1	1 069.6	(829.5)	30 567.8
Futures	(277.2)	(142.0)	(1.1)	(420.3)	1 770.9	(2 191.2)	379 189.7	26.0	1 622.7	(1 596.7)	274 983.7
Options	(10.8)	(40.7)	6.8	(44.7)	273.4	(318.1)	16 695.5	22.3	285.9	(263.6)	15 608.5
Credit derivatives	48.3	(296.2)	(273.2)	(521.1)	363.3	(884.4)	32 256.2	(527.7)	520.6	(1 048.3)	21 944.4
Credit default swaps	10.3	13.7	5.7	29.7	295.4	(265.7)	31 123.8	46.9	458.8	(411.9)	20 492.1
Total return swaps	38.0	(309.9)	(278.9)	(550.8)	67.9	(618.7)	1 132.4	(574.6)	61.8	(636.4)	1 452.3
Equity derivatives	(37.1)	21.1	-	(16.0)	27.4	(43.4)	297.4	(26.9)	24.7	(51.6)	1 875.1
Futures	(0.1)	-	-	(0.1)	-	(0.1)	127.1	(0.1)	0.1	(0.2)	81.2
Options	2.6	20.0	-	22.6	26.2	(3.6)	156.1	5.7	24.1	(18.4)	1 793.4
Swaps	(39.6)	1.1	-	(38.5)	1.2	(39.7)	14.2	(32.5)	0.5	(33.0)	0.5
Total derivative assets / (liabilities) held for trading	(613.5)	(260.1)	(238.7)	(1 112.3)	6 419.5	(7 531.8)	1 194 616.5	(1 071.2)	6 316.0	(7 387.2)	802 603.7

Comparatives restated to conform with current year presentation. Refer to note 30.

	< 1 year $m	1 - 5 years $m	> 5 years $m	Net fair value $m	Fair value of assets $m	Fair value of liabilities $m	Contract/ notional amount $m	Net fair value $m	Fair value of assets $m	Fair value of liabilities $m	Contract / notional amount $m
Derivatives held for hedging											
Derivatives designated as cash flow hedges	-	15.4	-	15.4	25.8	(10.4)	383.9	25.7	31.5	(5.8)	320.8
Foreign exchange forwards	2.4	-	-	2.4	5.0	(2.6)	217.7	12.1	14.1	(2.0)	259.7
Equity options	(2.8)	15.4	-	12.6	20.4	(7.8)	106.7	13.6	17.4	(3.8)	61.1
Cross currency interest rate swaps	0.4	-	-	0.4	0.4	-	59.5	-	-	-	-
Derivatives designated as fair value hedges	-	-	9.0	9.0	9.0	-	500.0	(19.3)	-	(19.3)	500.0
Interest rate swaps	-	-	9.0	9.0	9.0	-	500.0	(19.3)	-	(19.3)	500.0
Total derivative assets / (liabilities) held for hedging	-	15.4	9.0	24.4	34.8	(10.4)	883.9	6.4	31.5	(25.1)	820.8
Total derivative assets / (liabilities)	(613.5)	(244.7)	(229.7)	(1 087.9)	6 454.3	(7 542.2)	1 195 500.4	(1 064.8)	6 347.5	(7 412.3)	803 424.5
Included above are the following amounts with related parties:											
Group undertakings - fellow subsidiaries				(1 077.9)	431.4	(1 509.3)		(1 639.5)	409.7	(2 049.2)	

The company present derivative assets of US$6 388.2 million (2009: US$6 327.9 million) and derivative liabilities of US$7 469.6 million (2009: US$7 388.7 million). The difference between group and company amounts are due to foreign exchange and commodity derivatives.

3 Derivative instruments (continued)

3.3 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 and interest rate 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 balance sheet 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.
- Cross currency interest rate swaps involve the exchange of interest payments based on two different currency principal balances and interest reference rates and generally also entail exchange of principal amounts at the start and / or end of the contract.
- 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.
- 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 there from.

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.

3.4 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 demands 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 accounts. Trading derivative products include the following derivative instruments:

3.4.1 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.

3.4.2 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 caps and floors, future options, forward rate agreements and swaps.

3 Derivative instruments (continued)

3.4.3 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.

3.4.4 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.

3.4.5 Equity derivatives

Equity derivatives are used to address customer equity demands and to take proprietary positions for the group's own accounts. Equity derivatives primarily consist of futures, options, index options, swaps and other equity related financial derivative instruments.

3.5 Derivatives held for hedging

3.5.1 Derivatives designated as cash flow hedges

The group enters into derivative contracts to hedge future probable cash flows, which are designated as cash flow hedges.

- The income statement volatility associated with future highly probable expenses in currencies other than the functional currency, is hedged utilising forward exchange contracts.
- Equity options are used to mitigate risk of change in cash flows arising from changes in the long term incentive liability, underpinned by the SBG share price (note 23.9.1).
- Cross currency interest rate swaps are used to mitigate risk of changes in cash flows arising from changes in rates on the foreign currency denominated assets.

Gains and losses on the effective portion of derivatives designated as cash flow hedges of forecast transactions are initially recognised directly in other comprehensive income, in the cash flow hedging reserve, and are transferred to the income statement when the forecast cash flows impact the income statement.

The forecast timing of the release of net cash flows from the cash flow hedging reserve into the income statement at 31 December is as follows:

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
3 months or less	**85.3**	64.6	**85.3**	64.6
More than 3 months but less than 1 year	**223.1**	195.0	**223.1**	195.0
More than 1 year but less than 5 years	**48.3**	68.0	**48.3**	68.0
	356.7	327.6	**356.7**	327.6
Reconciliation of movements in the cash flow hedging reserve				
Balance at beginning of the year	**16.2**	(39.9)	**16.2**	(39.9)
Amounts recognised directly in other comprehensive income	**(13.2)**	52.3	**(13.2)**	52.3
Less: amounts released in profit or loss	**(2.8)**	30.0	**(2.8)**	30.0
Interest income	**1.1**	-	**1.1**	-
Operating expenses	**(3.9)**	30.0	**(3.9)**	30.0
Less: deferred tax	**6.3**	(26.2)	**6.3**	(26.2)
Balance at end of the year	**6.5**	16.2	**6.5**	16.2

There were no transactions for which cash flow hedge accounting had to be ceased in 2010 or 2009 as a result of highly probable cash flows no longer expected to occur. A gain of US$0.1 million (2009: nil) on the ineffective portions of such derivatives was recognised in profit or loss.

3 Derivative instruments (continued)

3.5.2 Derivatives designated as fair value hedges

The group's fair value hedges consist of interest rate swaps that are used to mitigate the risk of changes in the fair value of financial instruments as a result of changes in market interest rates.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the item in relation to the risk being hedged are recognised in profit or loss.

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Gains / (losses) arising from fair value hedges				
- on hedging instruments	**28.3**	(19.3)	**28.3**	(19.3)
- on the hedged items attributable to the hedged risk	**(27.8)**	19.9	**(27.9)**	19.9

4 Trading assets

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Government, municipality and utility bonds	**1 100.2**	1 219.7	**1 094.1**	1 219.7
Corporate bonds	**2 011.1**	2 290.8	**2 011.1**	2 290.8
Listed equities	**229.5**	138.0	**229.5**	138.0
Unlisted equities	**25.3**	39.0	**25.3**	39.0
Reverse repurchase agreements	**1 438.8**	811.0	**1 438.8**	811.0
Commodities	**1 961.6**	2 553.7	**1 890.3**	2 532.8
Other unlisted instruments	**562.6**	160.8	**562.6**	160.8
	7 329.1	7 213.0	**7 251.7**	7 192.1
Maturity analysis				
The maturities represent periods to contractual redemption of the trading assets recorded.				
- Redeemable on demand [1]	**1 894.3**	2 216.5	**1 822.9**	2 195.6
- Maturing within 1 month	**539.3**	346.6	**539.3**	346.6
- Maturing after 1 month but within 6 months	**1 180.5**	1 369.7	**1 180.5**	1 369.7
- Maturing after 6 months but within 12 months	**375.8**	96.1	**375.8**	96.1
- Maturing after 12 months	**3 079.3**	3 007.1	**3 073.3**	3 007.1
- Undated assets	**259.9**	177.0	**259.9**	177.0
	7 329.1	7 213.0	**7 251.7**	7 192.1

Comparatives restated to conform with current year presentation. Refer to note 30.

[1] The category redeemable on demand includes commodities

5 Financial investments

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Government and corporate bonds	**-**	11.8	**-**	11.8
Unlisted certificates of deposit	**50.0**	-	**50.0**	-
Listed equities	**1.7**	3.0	**1.7**	3.0
Unlisted equities	**62.6**	64.4	**62.6**	64.4
Investment funds	**-**	-	**25.1**	-
Mutual funds	**7.1**	-	**-**	-
	121.4	79.2	**139.4**	79.2
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investment recorded.				
- Redeemable on demand	**7.1**	-	**-**	-
- Maturing within 1 month	**25.0**	-	**25.0**	-
- Maturing after 1 month but within 6 months	**25.0**	-	**25.0**	-
- Maturing after 12 months	**-**	11.8	**-**	11.8
- Undated investments	**64.3**	67.4	**89.4**	67.4
	121.4	79.2	**139.4**	79.2

6 Pledged assets

6.1 Financial assets that may be repledged or resold by counterparties

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Government, municipality and utility bonds	**25.1**	15.4	**25.1**	15.4
Corporate bonds	**77.5**	235.7	**77.5**	235.7
Commodities	**632.5**	255.9	**632.5**	255.9
	735.1	507.0	**735.1**	507.0

Comparatives restated to conform with current year presentation. Refer to note 30.

Maturity analysis The maturities represent periods to contractual redemption of the pledged assets recorded.				
- Redeemable on demand	**632.4**	255.9	**632.4**	255.9
- Maturing after 1 month but within 6 months	**-**	49.0	**-**	49.0
- Maturing after 6 months but within 12 months	**2.0**	-	**2.0**	-
- Maturing after 12 months	**100.7**	202.1	**100.7**	202.1
	735.1	507.0	**735.1**	507.0

The associated liabilities relating to pledged assets amount to US$657.2 million (2009: US$514.5 million), classified under trading liabilities and deposit and current accounts. Risks to which the group remains exposed include credit and interest rate risk.

6.2 Total assets pledged

The carrying amount of total financial assets that have been pledged as collateral for liabilities (including amounts reflected in note 6.1) at 31 December 2010 was US$2 447.6 million (2009: US$973.9 million).

The assets pledged by the group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and / or re-pledge the assets, they are classified on the statement of financial position as pledged assets.

6.3 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities 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 US$9 311.3 million (2009: US$8 380.1 million).

The fair value of financial assets accepted as collateral that have been sold or repledged is US$2 092.4 million (2009: US$1 666.9 million). The group is obliged to return equivalent securities.

These transactions are conducted under terms that are customary to standard securities borrowing and lending activities as well as requirements determined by exchanges where the group acts as an intermediary.

7 Loans and advances

7.1 Loans and advances net of impairments

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Loans and advances to banks	**5 932.4**	6 435.3	**5 911.1**	6 434.1
Gross loans and advances to banks	**5 937.7**	6 488.1	**5 916.4**	6 486.9
- Demand and term loans	**1 089.4**	839.7	**1 089.4**	839.7
- Loans granted under resale agreements	**3 137.2**	2 836.3	**3 137.2**	2 836.3
- Balances with banks	**1 711.1**	2 812.1	**1 689.8**	2 810.9
Credit impairments for loans and advances to banks	**(5.3)**	(52.8)	**(5.3)**	(52.8)
Loans and advances to customers	**9 748.3**	10 488.4	**9 824.5**	10 446.8
Gross loans and advances to customers	**9 946.9**	10 630.4	**10 023.1**	10 588.8
- Demand loans and advances	**3 600.0**	3 294.4	**3 676.2**	3 186.1
- Term loans	**3 844.2**	5 342.2	**3 844.2**	5 408.9
- Loans granted under resale agreements	**2 502.7**	1 993.8	**2 502.7**	1 993.8
Credit impairments for loans and advances to customers	**(198.6)**	(142.0)	**(198.6)**	(142.0)
- Specific credit impairments	**(159.6)**	(95.4)	**(159.6)**	(95.4)
- Portfolio credit impairments	**(39.0)**	(46.6)	**(39.0)**	(46.6)
	15 680.7	16 923.7	**15 735.6**	16 880.9
Comprising:				
Gross loans and advances	**15 884.6**	17 118.5	**15 939.5**	17 075.7
Less: Specific credit impairments	**(164.9)**	(148.2)	**(164.9)**	(148.2)
Less: Portfolio credit impairments	**(39.0)**	(46.6)	**(39.0)**	(46.6)
	15 680.7	16 923.7	**15 735.6**	16 880.9

Comparatives restated to conform with current year presentation. Refer to note 30

	Group		Company	
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
- Redeemable on demand	**3 609.6**	2 853.6	**3 586.8**	2 846.4
- Maturing within 1 month	**6 910.4**	5 702.3	**6 910.4**	5 702.3
- Maturing after 1 month but within 6 months	**2 265.4**	1 997.9	**2 265.4**	2 042.8
- Maturing after 6 months but within 12 months	**772.5**	2 457.4	**706.1**	2 469.3
- Maturing after 12 months	**2 326.7**	4 107.3	**2 470.8**	4 014.9
	15 884.6	17 118.5	**15 939.5**	17 075.7

7 Loans and advances (continued)

7.1 Loans and advances net of impairments (continued)

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Segmental industry analysis - gross				
Agriculture	**108.0**	210.1	**108.0**	210.1
Construction	**2.3**	52.4	**2.3**	52.4
Electricity	**97.2**	143.5	**97.2**	143.5
Finance - Banks[1]	**5 937.7**	6 488.1	**5 916.4**	6 486.9
Finance - Non Bank Financial Institutions[1]	**5 803.5**	5 192.3	**6 023.5**	5 422.5
Individuals	**431.5**	629.7	**287.7**	357.9
Leisure	**159.7**	300.5	**159.7**	300.5
Manufacturing	**592.6**	684.7	**592.6**	684.7
Mining	**1 244.2**	1 316.4	**1 244.2**	1 316.4
Other services	**235.2**	670.9	**235.2**	670.9
Telecommunications	**301.3**	535.5	**301.3**	535.5
Transport	**652.4**	696.1	**652.4**	696.1
Wholesale	**319.0**	198.3	**319.0**	198.3
	15 884.6	17 118.5	**15 939.5**	17 075.7

[1] Includes secured short term cash placements of US$2 659.5 million (2009: US$4 271.3 million) for the group and US$2 638. 1million (2009: US$4 270.0 million) for the company.

	Group 2010 $m	Group 2009 $m	Company 2010 $m	Company 2009 $m
Included above are the following amounts due from related parties:				
Group undertakings - fellow subsidiaries				
- Loans and advances to banks	**527.6**	516.0	**527.6**	516.0
- Loans granted under resale agreements	**46.4**	581.4	**46.4**	581.4
- Loans and advances to customers	**90.4**	-	**104.3**	-
	664.4	1 097.4	**678.3**	1 097.4
Minimum amount during the year	**664.4**	697.5	**678.3**	574.5
Maximum amount during the year	**1 379.7**	2 435.2	**1 400.8**	2 465.0

7 Loans and advances (continued)

7.2 Credit impairments for loans and advances

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Specific impairments				
Balance at beginning of the year	**148.2**	63.6	**148.2**	63.6
Amounts written off	**(81.8)**	(28.8)	**(81.8)**	(28.8)
Discount element recognised in interest income (note 23.1)	**(1.1)**	(3.6)	**(1.1)**	(3.6)
Net impairments raised	**103.9**	116.7	**103.9**	116.7
Exchange and other movements	**(4.3)**	0.3	**(4.3)**	0.3
Balance at end of the year	**164.9**	148.2	**164.9**	148.2
Portfolio impairments				
Balance at beginning of the year	**46.6**	31.0	**46.6**	31.0
Net impairments (released) / raised	**(7.6)**	15.6	**(7.6)**	15.6
Balance at end of the year	**39.0**	46.6	**39.0**	46.6
Total	**203.9**	194.8	**203.9**	194.8
Comprising:				
Continuing operations	**116.4**	185.7	**116.4**	185.7
Discontinued operations	**87.5**	9.1	**87.5**	9.1
	203.9	194.8	**203.9**	194.8
Segmental analysis of specific impairments - industry				
Agriculture	**3.5**	-	**3.5**	-
Construction	**2.5**	2.8	**2.5**	2.8
Electricity	**1.6**	0.7	**1.6**	0.7
Finance	**27.7**	54.1	**27.7**	54.1
Individuals	**7.8**	-	**7.8**	-
Leisure	**81.3**	-	**81.3**	-
Manufacturing	**10.3**	48.0	**10.3**	48.0
Mining	**22.0**	6.5	**22.0**	6.5
Other services	**8.2**	31.5	**8.2**	31.5
Wholesale	**-**	4.6	**-**	4.6
	164.9	148.2	**164.9**	148.2

8 Other assets

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Unsettled dealing balances	**249.4**	116.4	**249.4**	116.4
Other receivables	**297.5**	122.8	**229.1**	114.3
	546.9	239.2	**478.5**	230.7
Included above are the following amounts due from related parties:				
Group undertakings - fellow subsidiaries	**220.0**	29.6	**220.0**	29.2
Minimum amount during the year	**31.8**	29.6	**31.8**	26.2
Maximum amount during the year	**328.0**	355.2	**327.3**	357.6

9 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group and company	2010			2009		
	Asset $m	**Liability $m**	**Net $m**	Asset $m	Liability $m	Net $m
Timing differences on:						
- Capital allowances	**-**	**(7.1)**	**(7.1)**	-	(6.6)	(6.6)
- Impaired loans	**2.4**	**-**	**2.4**	3.1	-	3.1
- Cash flow hedges	**-**	**(2.4)**	**(2.4)**	-	(8.7)	(8.7)
- Share based payments	**19.0**	**-**	**19.0**	10.1	-	10.1
- Other short term timing differences	**-**	**(1.4)**	**(1.4)**	-	(1.9)	(1.9)
	21.4	**(10.9)**	**10.5**	13.2	(17.2)	(4.0)

9 Deferred tax assets and liabilities (continued)

The movements in the deferred tax balance were as follows:

2010	Opening balance $m	Recognised in profit or loss $m	Recognised in other comprehensive income $m	Closing balance $m
- Capital allowances	(6.6)	(0.5)	-	(7.1)
- Impaired loans	3.1	(0.7)	-	2.4
- Cash flow hedges	(8.7)	-	6.3	(2.4)
- Share based payments	10.1	8.9	-	19.0
- Other short term timing differences	(1.9)	0.5	-	(1.4)
	(4.0)	8.2	6.3	10.5

2009	Opening balance $m	Recognised in profit or loss $m	Recognised in other comprehensive income $m	Closing balance $m
- Capital allowances	(0.1)	(6.5)	-	(6.6)
- Impaired loans	2.2	0.9	-	3.1
- Cash flow hedges	17.5	-	(26.2)	(8.7)
- Share based payments	7.9	2.2	-	10.1
- Other short term timing differences	(2.4)	0.5	-	(1.9)
	25.1	(2.9)	(26.2)	(4.0)

10 Investments in group companies

	Company	
	2010 $m	2009 $m
Carrying value at end of the year	16.0	6.2

The subsidiary undertaking is as follows:

Entity	Activity	Country of incorporation	% Interest
Standard Resources (China) Limited	Trading company	The People's Republic of China	100

Equity is held directly by the company.

On 14 September 2010 an additional investment of US$9.8 million was made into Standard Resources (China) Limited.

11 Intangible assets

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Computer software				
Cost				
Balance at beginning of the year	**127.0**	87.0	**127.0**	87.0
Additions	**44.4**	40.0	**44.4**	40.0
- Internal development	**26.8**	34.1	**26.8**	34.1
- External costs	**17.6**	5.9	**17.6**	5.9
Impairments	**(2.5)**	-	**(2.5)**	-
Balance at end of the year	**168.9**	127.0	**168.9**	127.0
Accumulated amortisation				
At beginning of the year	**(30.4)**	(14.0)	**(30.4)**	(14.0)
Amortisation	**(22.9)**	(16.4)	**(22.9)**	(16.4)
Balance at end of the year	**(53.3)**	(30.4)	**(53.3)**	(30.4)
Net intangible assets	**115.6**	96.6	**115.6**	96.6

Capitalised computer software represents computer software and development costs which are of a strategic nature with an expected useful life of 5 years. They are comprised mainly of core front office trading systems and back office settlement or risk systems and represent a combination of internal and external costs. The assets are amortised on the straight-line basis over their expected life. No research and development costs have been incurred during the period.

The impairment charge relates to the discontinuing of projects as part of the restructuring programme.

12 Property and equipment

12.1 Summary

Group

	2010			2009		
	Cost $m	Accumulated depreciation $m	Carrying value $m	Cost $m	Accumulated depreciation $m	Carrying value $m
Property						
Leasehold improvements	28.6	(6.4)	22.2	28.4	(2.1)	26.3
	28.6	(6.4)	22.2	28.4	(2.1)	26.3
Equipment						
Computer equipment	20.9	(10.4)	10.5	20.2	(5.3)	14.9
Motor vehicles	0.2	(0.1)	0.1	0.1	(0.1)	-
Office equipment	6.8	(1.7)	5.1	2.7	(0.2)	2.5
Furniture and fittings	9.4	(2.0)	7.4	4.3	(0.7)	3.6
	37.3	(14.2)	23.1	27.3	(6.3)	21.0
	65.9	(20.6)	45.3	55.7	(8.4)	47.3

12.2 Movement

	2009					2010
	Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	Carrying value $m
Property						
Leasehold improvements	26.3	-	-	(4.1)	-	22.2
	26.3	-	-	(4.1)	-	22.2
Equipment						
Computer equipment	14.9	2.0	-	(6.4)	-	10.5
Motor vehicles	-	0.1	-	-	-	0.1
Office equipment	2.5	4.5	(1.2)	(0.7)	-	5.1
Furniture and fittings	3.6	5.1	-	(1.3)	-	7.4
	21.0	11.7	(1.2)	(8.4)	-	23.1
	47.3	11.7	(1.2)	(12.5)	-	45.3

	2008					2009
	Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	Carrying value $m
Property						
Leasehold improvements	-	28.4	-	(2.1)		26.3
	-	28.4	-	(2.1)	-	26.3
Equipment						
Computer equipment	5.0	14.5	(0.2)	(4.4)	-	14.9
Motor vehicles	0.1	-	-	(0.1)	-	-
Office equipment	3.4	-	(0.7)	(0.2)	-	2.5
Furniture and fittings	0.1	4.0	0.1	(0.6)	-	3.6
	8.6	18.5	(0.8)	(5.3)	-	21.0
	8.6	46.9	(0.8)	(7.4)	-	47.3

12 Property and equipment (continued)

12.3 Summary

Company

	2010 Cost $m	2010 Accumulated depreciation $m	2010 Carrying value $m	2009 Cost $m	2009 Accumulated depreciation $m	2009 Carrying value $m
Property						
Leasehold improvements	28.6	(6.4)	22.2	28.4	(2.1)	26.3
	28.6	(6.4)	22.2	28.4	(2.1)	26.3
Equipment						
Computer equipment	20.7	(10.3)	10.4	20.1	(5.3)	14.8
Motor vehicles	-	-	-	-	-	-
Office equipment	5.3	(0.8)	4.5	1.0	(0.2)	0.8
Furniture and fittings	9.4	(1.9)	7.5	4.3	(0.7)	3.6
	35.4	(13.0)	22.4	25.4	(6.2)	19.2
	64.0	(19.4)	44.6	53.8	(8.3)	45.5

12.4 Movement

	2009 Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	2010 Carrying value $m
Property						
Leasehold improvements	26.3	-	-	(4.1)	-	22.2
	26.3	-	-	(4.1)	-	22.2
Equipment						
Computer equipment	14.8	2.0	-	(6.4)	-	10.4
Motor vehicles	-	-	-	-	-	-
Office equipment	0.8	4.1	-	(0.4)	-	4.5
Furniture and fittings	3.6	5.2	-	(1.3)	-	7.5
	19.2	11.3	-	(8.1)	-	22.4
	45.5	11.3	-	(12.2)	-	44.6

	2008 Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	2009 Carrying value $m
Property						
Leasehold improvements	-	28.4	-	(2.1)	-	26.3
	-	28.4	-	(2.1)	-	26.3
Equipment						
Computer equipment	5.0	14.3	(0.2)	(4.3)	-	14.8
Motor vehicles	0.1	-	(0.1)	-	-	-
Office equipment	2.6	-	(1.7)	(0.1)	-	0.8
Furniture and fittings	-	4.1	0.1	(0.6)	-	3.6
	7.7	18.4	(1.9)	(5.0)	-	19.2
	7.7	46.8	(1.9)	(7.1)	-	45.5

13 Trading liabilities

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Government, municipality and utility bonds	**525.3**	1 022.6	**525.3**	1 022.6
Corporate bonds	**45.0**	187.4	**45.0**	187.4
Listed equities	**38.9**	15.9	**38.9**	15.9
Unlisted equities	**62.2**	36.9	**62.2**	36.9
Repurchase agreements	**1 197.5**	254.2	**1 197.5**	254.2
Credit linked notes	**1 208.4**	822.7	**1 208.4**	822.7
Other unlisted instruments	**80.2**	49.9	**80.2**	49.9
	3 157.5	2 389.6	**3 157.5**	2 389.6

Comparatives restated to conform with current year presentation. Refer to note 30.

Maturity analysis

The maturities represent periods to contractual redemption of the trading liabilities recorded.

	Group 2010 $m	Group 2009 $m	Company 2010 $m	Company 2009 $m
- Redeemable on demand	**-**	6.8	**-**	6.8
- Maturing within 1 month	**432.9**	126.4	**432.9**	126.4
- Maturing after 1 month but within 6 months	**913.7**	434.7	**913.7**	434.7
- Maturing after 6 months but within 12 months	**68.2**	149.3	**68.2**	149.3
- Maturing after 12 months	**1 642.1**	1 619.5	**1 642.1**	1 619.5
- Undated liabilities	**100.6**	52.9	**100.6**	52.9
	3 157.5	2 389.6	**3 157.5**	2 389.6
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	**1 200.1**	254.2	**1 200.1**	254.2
Minimum amount during the year	**254.2**	-	**254.2**	-
Maximum amount during the year	**1 200.1**	324.3	**1 200.1**	324.3

14 Deposit and current accounts

	Group 2010 $m	Group 2009 $m	Company 2010 $m	Company 2009 $m
Deposits from banks	**12 936.0**	14 015.2	**12 915.4**	13 992.0
Deposits from banks	**11 629.7**	12 755.1	**11 609.1**	12 731.9
Repurchase agreements	**564.0**	1 158.1	**564.0**	1 158.1
Commercial paper	**742.3**	102.0	**742.3**	102.0
Deposits from customers	**4 199.8**	4 014.6	**4 196.7**	4 012.1
Call deposits	**2 091.5**	1 875.5	**2 088.4**	1 873.0
Term deposits	**1 847.7**	2 036.9	**1 847.7**	2 036.9
Repurchase agreements	**260.6**	87.8	**260.6**	87.8
Negotiable certificates of deposit	**-**	14.4	**-**	14.4
	17 135.8	18 029.8	**17 112.1**	18 004.1

Comparatives restated to conform with current year presentation. Refer to note 30.

14 Deposit and current accounts (continued)

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
- Repayable on demand	**5 874.9**	6 309.0	**5 877.9**	6 286.1
- Maturing within 1 month	**4 705.6**	3 699.2	**4 696.7**	3 699.2
- Maturing after 1 month but within 6 months	**3 361.3**	4 341.2	**3 354.3**	4 338.4
- Maturing after 6 months but within 12 months	**1 266.8**	1 638.8	**1 266.8**	1 638.8
- Maturing after 12 months	**1 927.2**	2 041.6	**1 916.4**	2 041.6
	17 135.8	18 029.8	**17 112.1**	18 004.1
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries [1]	**8 283.6**	9 021.3	**8 290.0**	9 022.2
Minimum amount during the year	**8 283.6**	8 684.4	**8 290.0**	8 684.5
Maximum amount during the year	**11 704.2**	10 942.4	**11 706.8**	10 942.8

[1] Included in deposits from banks is US$3 334.7 million (2009: US$3 519.9 million) placed by Standard Bank Jersey Limited and Standard Bank Isle of Man Limited.

15 Other liabilities

	Group 2010 $m	Group 2009 $m	Company 2010 $m	Company 2009 $m
Unsettled dealing balances	**38.0**	88.7	**38.0**	88.7
Long term share incentive	**66.4**	29.3	**66.4**	29.3
Other	**501.3**	450.9	**474.4**	424.4
	605.7	568.9	**578.8**	542.4
Comprising:				
Due within one year	**563.0**	542.6	**536.1**	516.1
Due after one year	**42.7**	26.3	**42.7**	26.3
	605.7	568.9	**578.8**	542.4
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	**77.2**	116.7	**80.4**	123.0
Minimum amount during the year	**77.2**	52.5	**80.3**	52.1
Maximum amount during the year	**167.0**	234.0	**169.5**	235.4

16 Subordinated debt

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Carrying value				
Subordinated floating rate notes 2012 [1]	**-**	144.0	**-**	144.0
Step-up subordinated floating rate notes 2015 [2]	**-**	239.6	**-**	239.6
Subordinated floating rate loan stock 2050 [3]	**-**	19.2	**-**	19.2
Subordinated fixed rate notes 2011 [4]	**25.0**	-	**25.0**	-
Subordinated step-up rate notes 2019 [5]	**25.0**	-	**25.0**	-
Subordinated fixed rate notes 2019 [6]	**501.3**	474.9	**501.3**	474.9
Step-up subordinated floating rate notes 2019 [7]	**298.9**	298.5	**298.9**	298.5
Step-up perpetual subordinated notes [8]	**141.7**	141.7	**141.7**	141.7
Accrued interest	**10.6**	11.0	**10.6**	11.0
	1 002.5	1 328.9	**1 002.5**	1 328.9
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	**301.1**	321.1	**301.1**	321.1
Minimum amount during the year	**301.1**	20.1	**301.1**	20.1
Maximum amount during the year	**323.3**	321.1	**323.3**	321.1

[1] Bonds issued in Euros (€100 million) were redeemed at the nominal value on 29 March 2010. The bonds bore interest at a floating rate equal to the aggregate of 4% per annum and the interbank offered rate for three-month Euro deposits.

[2] Bonds issued in US Dollars (US$239.6 million) were redeemed at the nominal value on 8 October 2010. The bonds bore interest equal to the aggregate of 1.15% per annum and the London interbank offered rate for three-month US Dollar deposits.

[3] Bonds issued in US Dollars (US$19.2 million) were redeemed at the nominal value on 15 November 2010. The bonds bore interest at a floating rate equal to the aggregate of 1.25% per annum and the London interbank offered rate for six-month US Dollar deposits.

[4] Bonds issued in US Dollars (US$25 million) bearing interest equal to 5% per annum until maturity on 3 December 2011.

[5] Bonds issued in US Dollars (US$25 million) bearing interest equal to 8% per annum until 3 December 2014 whereafter it will increase to 8.5% until maturity on 3 December 2019.

[6] Bonds issued in US Dollars (US$500 million) bearing interest equal to 8.125% per annum until maturity on 2 December 2019. To manage interest rate volatility the group has entered into a fair value hedge. Refer note 3.5.2

[7] Bonds issued in US Dollars (US$300 million) at a floating rate bearing interest equal to the aggregate of 4% per annum and the London interbank offered rate for three-month US Dollar deposits. The bonds carry an option to be redeemed in full at their nominal value on or after 2 December 2014. After this option date, the bonds bear interest at the aggregate of 4.5% per annum and the London interbank offered rate for three-month US Dollar deposits, until maturity on 2 December 2019.

[8] Bonds issued in US Dollars (US$141.7 million) at a fixed rate equal to 8.012% per annum. The bonds carry an option to be redeemed in full at their nominal value on or after 27 July 2016. After this option date, the bonds bear interest at the aggregate of 3.25% per annum and the London interbank offer rate for three-month US Dollar deposits. The principal has no fixed repayment date.

Claims in respect of the loan capital are subordinated to the claims of the other creditors. The group has not defaulted on principal, interest or other breaches with respect to its subordinated liabilities during 2010 and 2009.

17 Classification of assets and liabilities

The table below sets out the group's classification of each class of assets and liabilities, and their fair values.

	Note	Held for trading $m	Designated at fair value $m	Loans and receivables $m	Other amortised cost $m	Other non-financial assets / liabilities $m	Total carrying amount $m	Fair value[1] $m
31 December 2010								
Assets								
Derivative assets	3	6 454.3	-	-	-	-	6 454.3	6 454.3
Trading assets	4	7 329.1	-	-	-	-	7 329.1	7 329.1
Financial investments	5	-	71.4	50.0	-	-	121.4	121.4
Pledged assets	6	735.1	-	-	-	-	735.1	735.1
Loans and advances to banks	7	-	323.7	5 608.7	-	-	5 932.4	5 915.1
Loans and advances to customers	7	-	184.7	9 563.6	-	-	9 748.3	9 727.1
Financial assets		14 518.5	579.8	15 222.3	-	-	30 320.6	30 282.1
Other non-financial assets		-	-	-	-	757.0	757.0	
Total assets		14 518.5	579.8	15 222.3	-	757.0	31 077.6	
Liabilities								
Derivative liabilities	3	7 542.2	-	-	-	-	7 542.2	7 542.2
Trading liabilities	13	3 157.5	-	-	-	-	3 157.5	3 157.5
Deposits from banks	14	-	35.8	-	12 900.2	-	12 936.0	12 931.4
Deposits from customers	14	-	26.5	-	4 173.3	-	4 199.8	4 199.8
Subordinated debt	16	-	-	-	1 002.5	-	1 002.5	941.6
Financial liabilities		10 699.7	62.3	-	18 076.0	-	28 838.0	28 772.5
Other non-financial liabilities		-	-	-	-	659.5	659.5	
Total liabilities		10 699.7	62.3	-	18 076.0	659.5	29 497.5	

[1] Carrying value has been used where it closely approximates fair value.

17 Classification of assets and liabilities (continued)

	Note	Held for trading $m	Designated at fair value $m	Loans and receivables $m	Other amortised cost $m	Other non-financial assets / liabilities $m	Total carrying amount $m	Fair value[1] $m
31 December 2009								
Assets								
Derivative assets	3	6 347.5	-	-	-	-	6 347.5	6 347.5
Trading assets	4	7 213.0	-	-	-	-	7 213.0	7 213.0
Financial investments	5	-	79.2	-	-	-	79.2	79.2
Pledged assets	6	507.0	-	-	-	-	507.0	507.0
Loans and advances to banks	7	-	-	6 435.3	-	-	6 435.3	6 435.3
Loans and advances to customers	7	-	264.2	10 224.2	-	-	10 488.4	10 457.0
Financial assets		14 067.5	343.4	16 659.5	-	-	31 070.4	31 039.0
Other non-financial assets		-	-	-	-	396.3	396.3	
Total assets		14 067.5	343.4	16 659.5	-	396.3	31 466.7	
Liabilities								
Derivative liabilities	3	7 412.3	-	-	-	-	7 412.3	7 412.3
Trading liabilities	13	2 389.6	-	-	-	-	2 389.6	2 389.6
Deposits from banks	14	-	402.3	-	13 612.9	-	14 015.2	14 022.6
Deposits from customers	14	-	53.3	-	3 961.3	-	4 014.6	4 014.6
Subordinated debt	16	-	-	-	1 328.9	-	1 328.9	1 297.2
Financial liabilities		9 801.9	455.6	-	18 903.1	-	29 160.6	29 136.3
Other non-financial liabilities		-	-	-	-	629.9	629.9	
Total liabilities		9 801.9	455.6	-	18 903.1	629.9	29 790.5	

[1] Carrying value has been used where it closely approximates fair value.

17 Classification of assets and liabilities (continued)

Estimation of fair values

The process of marking to market seeks to value a financial instrument at its fair value. The best indicator of a fair value is an independently published price quoted in an active market. If the instrument is not traded in an active market, its fair value is determined using valuation techniques consistent with other market participants to price similar financial instruments.

The fair value can be a function of many variables. These variables can include factors unique to the position such as liquidity and oversupply, as well as the rationale for holding the instrument. Fair value does not factor in fire-sale or distressed sale conditions unless immediate sale is the trading objective. Equally, fair value does not factor in trading off the information curve i.e. trades between unequally informed counterparties.

In order to arrive at fair value, valuation adjustments are made where appropriate, to include liquidity risk, model risk, parameter uncertainty, credit risk, administrative costs and revenue recognition. It is permitted to value a portfolio (whether comprised of OTC or exchange traded instruments) at mid-market if it has assets and liabilities with offsetting market risks. This would include situations where instruments that incorporate a combination of risks (i.e. corporate bonds which trade interest rate risk and credit risk) are hedged against some of the risks, leaving the other risks open. In that case bid/offer adjustment is applied on the net open risk position as appropriate.

The valuation methodologies used are objective and deterministic, i.e. given the same market conditions and holding assumptions, the marking process should produce identical results. However, valuing any instrument or portfolio involves a degree of judgement and can never be completely defined in mechanistic terms.

There may not be one perfect mark for any position, but rather ranges of possible values. At any point in time, the mark-to-market on a financial instrument must be based on the effective deal tenor or term.

For certain commodity trades, where the group purchases spot and sells to the same counterparty at a fixed price on a forward settling basis, transactions are valued as financing transactions and are priced accordingly. Where similar trades occur but the far leg is executed as an option or at a prevailing market price, the individual trades are priced as individual spot and forward trades.

Private equity positions are valued according to specific private equity valuation policies which follow international guidelines. These items include private equity investments in individual enterprises and in funds.

Derivatives are estimated using either market prices, broker quotes or discounting future flows. Performance risk of the counterparts to the trade is also factored into valuation.

Fair value of financial instruments held at amortised cost

The value of financial instruments not carried at fair value incorporates the group's estimate of the amount at which financial assets could be exchanged, or liabilities settled between knowledgeable, willing counterparts in an arm's length transaction. It does not reflect the costs/benefits that the group expects to measure on the flows generated over the expected life of the instrument. Other reporting entities may use different valuation methodologies and assumptions in determining fair values for which no observable market prices are available.

The fair values stated at a point in time may differ significantly from the amounts which will actually be paid on the maturity date or settlement dates of the instruments. In many cases it will not be possible to realise immediately the estimated fair values.

The following methods and significant assumptions have been applied in determining the fair values:

- The fair value of demand deposits with no specific maturity is assumed to be the amount payable at the end of the reporting period.
- The fair value of the variable and fixed rate financial instruments carried at amortised cost is estimated by comparing interest rates when the loans were granted with current market interest rates and credit spreads on similar loans.
- For impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered, which includes consideration of collateral.
- For secured loans and deposits arising from sale and repurchase agreements and for bond transactions that are due to settle on a date beyond the market norm (i.e. forward settlement), the group receives collateral in the form of cash or securities. The collateral is valued using established valuation techniques and variation margin is called or paid. Carrying amounts therefore closely reflect fair values.

18 Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value at the end of the reporting period (note 17), by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value and the levels have been defined as follows:

Level 1

Fair values are based on quoted market prices (unadjusted) in active markets for identical instruments.

Level 2

Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. 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 inputs for the asset or liability are not based on observable market data (unobservable inputs).

	2010			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Derivative assets	1 403.0	4 756.0	295.3	6 454.3
Trading assets	589.3	6 170.0	569.8	7 329.1
Financial investments	7.7	1.4	62.3	71.4
Pledged assets	638.5	96.6	-	735.1
Loans and advances to banks	-	323.7	-	323.7
Loans and advances to customers	-	8.6	176.1	184.7
	2 638.5	11 356.3	1 103.5	15 098.3
Comprising:				
Held for trading				14 518.5
Designated at fair value				579.8
				15 098.3
Liabilities				
Derivative liabilities	1 812.9	5 727.2	2.1	7 542.2
Trading liabilities	453.7	2 246.7	457.1	3 157.5
Deposits from banks	-	35.8	-	35.8
Deposits from customers	-	26.5	-	26.5
	2 266.6	8 036.2	459.2	10 762.0
Comprising:				
Held for trading				10 699.7
Designated at fair value				62.3
				10 762.0

The increase in the value of level 3 items is mainly due to a significant increase in cross currency swap exposures, the group has entered into a number of hedges including credit linked notes and insurance contracts to manage credit risk exposure.

18 Financial instruments measured at fair value (continued)

	2009			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Derivative assets	1 366.0	4 919.9	61.6	6 347.5
Trading assets	1 664.5	5 089.0	459.5	7 213.0
Financial investments	-	16.1	63.1	79.2
Pledged assets	271.4	235.6	-	507.0
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	264.2	264.2
	3 301.9	10 260.6	848.4	14 410.9
Comprising:				
Held for trading				14 067.5
Designated at fair value				343.4
				14 410.9
Liabilities				
Derivative liabilities	1 239.4	6 169.2	3.7	7 412.3
Trading liabilities	682.2	1 316.3	391.1	2 389.6
Deposits from banks	-	402.3	-	402.3
Deposits from customers	-	53.3	-	53.3
	1 921.6	7 941.1	394.8	10 257.5
Comprising:				
Held for trading				9 801.9
Designated at fair value				455.6
				10 257.5

Restated to conform with current year presentation. Refer to note 30.

18 Financial instruments measured at fair value (continued)

18.1 Reconciliation of level 3 financial assets

2010

	Derivative assets $m	Trading assets $m	Financial investments $m	Loans and advances to customers $m	Total $m
Balance at beginning of the year	61.6	459.5	63.1	264.2	848.4
Total gains / (losses) included in trading revenue	220.2	41.5	4.0	(28.5)	237.2
- Realised	(6.1)	7.6	(3.0)	(3.5)	(5.0)
- Unrealised	226.3	33.9	7.0	(25.0)	242.2
Purchases	6.5	388.3	1.1	30.8	426.7
Sales	-	(303.8)	(4.8)	4.3	(304.3)
Settlements	-	-	-	(59.7)	(59.7)
Transfers into level 3 [1]	7.0	61.4	-	-	68.4
Transfers out of level 3 [2]	-	(77.1)	(1.1)	(44.3)	(122.5)
Foreign exchange movement	-	-	-	15.0	15.0
Balance at end of the year	**295.3**	**569.8**	**62.3**	**181.8**	**1 109.2**

2009

	Derivative assets $m	Trading assets $m	Financial investments $m	Loans and advances to customers $m	Total $m
Balance at beginning of the year	6.8	576.8	22.7	225.0	831.3
Total gains included in trading revenue [3]	54.8	17.6	4.9	20.7	98.0
Purchases	-	35.1	35.5	18.5	89.1
Sales	-	(93.2)	-	-	(93.2)
Transfers out of level 3 [2]	-	(76.8)	-	-	(76.8)
Balance at end of the year	**61.6**	**459.5**	**63.1**	**264.2**	**848.4**

[1] During the year, the inputs of certain valuation models became unobservable and consequently the fair values were transferred into level 3.
[2] During the year, the inputs of certain valuation models became observable and consequently the fair values were transferred out of level 3.
[3] Positions held at year-end.

18 Financial instruments measured at fair value (continued)

18.2 Reconciliation of level 3 financial liabilities

2010

	Derivative liabilities $m	Trading liabilities $m	Total $m
Balance at beginning of the year	3.7	391.1	394.8
Total (gains) / losses included in trading revenue	(7.9)	50.1	42.2
- Realised	(2.0)	2.3	0.3
- Unrealised	(5.9)	47.8	41.9
Purchases	6.3	-	6.3
Sales	(3.0)	-	(3.0)
Issues	-	203.0	203.0
Settlements	-	(174.4)	(174.4)
Transfers into level 3 [1]	4.3	38.2	42.5
Transfers out of level 3 [2]	(1.3)	(50.9)	(52.2)
Balance at end of the year	2.1	457.1	459.2

2009

	Derivative liabilities $m	Trading liabilities $m	Total $m
Balance at beginning of the year	-	294.6	294.6
Total losses included in trading revenue [3]	3.7	35.2	38.9
Sales	-	(14.8)	(14.8)
Issues	-	114.2	114.2
Settlements	-	(38.1)	(38.1)
Balance at end of the year	3.7	391.1	394.8

[1] During the year, the inputs of certain valuation models became unobservable and consequently the fair values were transferred into level 3.
[2] During the year, the inputs of certain valuation models became observable and consequently the fair values were transferred out of level 3.
[3] Positions held at year-end.

18 Financial instruments measured at fair value (continued)

18.3 Sensitivity of level 3 financial assets and liabilities

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's 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. Summarised below are the valuation techniques and main assumptions used in the determination of the fair value of the level 3 financial instruments. The table 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 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.

	Valuation basis / technique	**Main assumptions**
Derivative instruments	Discounted cash flow model	Discount rates and volatility
Trading assets	Discounted cash flow model	Discount rates
Financial investments	Discount cash flow model, earnings multiple, sustainable earnings, combination techniques	Discount rates and earnings multiple
Loans and advances to customers	Discounted cash flow model	Discount rates
Trading liabilities	Discounted cash flow model	Discount rates

	2010 Effect recorded in profit or loss		2009 Effect recorded in profit or loss	
	Favourable $m	**(Adverse) $m**	Favourable $m	(Adverse) $m
Derivative instruments	**6.2**	**(6.2)**	14.4	(14.4)
Trading assets	**14.2**	**(14.2)**	7.1	(7.1)
Financial investments	**0.7**	**(0.7)**	1.3	(1.3)
Loans and advances to customers	**1.1**	**(1.1)**	2.9	(2.9)
Trading liabilities	**12.5**	**(12.5)**	7.8	(7.8)
	34.7	**(34.7)**	33.5	(33.5)

19 Reclassification of financial assets

	2010 $m	2009 $m
Amount reclassified from held as trading to loans and receivables at amortised cost		
During 2008, trading assets to the value of US$412.9 million were reclassified to loans and receivables for which there was a clear change in intent to hold the assets for the foreseeable future rather than to exit or trade in the short term. No assets were reclassified in 2009 or 2010.		
Carrying value at year-end	**195.9**	307.0
Fair value at year-end	**166.0**	268.0
If the reclassification had not been made, the profit and loss would have included an unrealised fair value gain of US$23.0 million (2009: unrealised gain of US$30.6 million).		
The table below sets out the amounts actually recognised in profit or loss:		
Net interest income	**28.7**	21.6
Credit impairment charges	**(9.6)**	(0.5)
Total income	**19.1**	21.1

20 Financial assets and financial liabilities designated at fair value through profit or loss

20.1 Loans and advances

The group's maximum exposure to credit risk for loans and advances designated at fair value through profit or loss is US$508.4 million (2009: US$264.2 million). No credit derivatives were used to mitigate credit risk on these instruments.

The change in fair value of the loans and advances designated at fair value through profit or loss attributable to changes in credit risk resulted in a loss of US$22.7 million (2009: US$20.7 million profit). The change in fair value of the designated loans and advances attributable to changes in their credit risk is determined as the amount of change in fair value that is not attributable to changes in market conditions.

20.2 Financial liabilities

The change in fair value of the financial liabilities designated at fair value through profit or loss is attributable to changes in interest rate risk.

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 US$63.9 million (2009: US$450.6 million).

21 Ordinary share capital

	2010 $m	2009 $m
Issued and fully paid		
1 'A' ordinary share of US$1 each	**-**	-
1 083 408 349 ordinary shares of US$1 each (2009: 1 070 869 134)	**1 083.4**	1 070.9
50 000 ordinary shares of £1 each (2009: 50 000)	**0.1**	0.1
	1 083.5	1 071.0

Reconciliation of ordinary shares issued	**Number**	Number
Shares in issue at beginning of the year	**1 070 919 134**	1 038 661 069
- Shares with par value of £1 each	**50 000**	50 000
- Shares with par value of US$1 each	**1 070 869 134**	1 038 611 069
Shares with par value of US$1 each issued during the year	**12 539 215**	32 258 065
Shares in issue at end of the year	**1 083 458 349**	1 070 919 134
- Shares with par value of £1 each	**50 000**	50 000
- Shares with par value of US$1 each	**1 083 408 349**	1 070 869 134

The rights of the ordinary shares and the 'A' ordinary share are identical with regard to voting rights and amounts receivable upon winding up. The 'A' ordinary share carries a preferential right to dividends, the extent of which may be determined by the directors at their complete discretion.

During 2010, the company issued 12 539 215 ordinary shares of US$1 each at a premium of US$0.53 per share for a total consideration of US$19.2 million.

In line with the change in the Companies Act 2006, the company's articles have been amended to cancel the existing authorised share capital. The directors are generally and unconditionally authorised at any time during a period of five years to allot or to grant any rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £300 million and US$1 000 million.

22 Contingent liabilities and commitments

Group and company

	2010 $m	2009 $m
22.1 Contingent liabilities		
Guarantees	**11.2**	125.2
	11.2	125.2

22.2 Commitments

	2010 $m	2009 $m
Letters of credit	**656.8**	620.9
Unutilised facilities	**563.4**	289.8
	1 220.2	910.7

No material losses are anticipated as a result of these transactions.

From time to time the group is involved in litigation, receives claims from tax authorities or claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, the directors do not believe that there are any potential proceedings, or other claims which will have a material adverse impact on the group's financial position.

22.3 Operating lease commitments

The future minimum payments under non-cancellable operating leases are as follows:

	2010 $m	2009 $m
Properties		
Within 1 year	**8.1**	0.4
After 1 year but within 5 years	**45.4**	47.4
After 5 years	**104.5**	122.4
	158.0	170.2

23 Supplementary income statement information

Group

23.1 Interest income

	2010 $m	2009 $m
Interest on loans and advances and short term funds	447.1	566.5
Unwinding of discount element of credit impairments for loans and advances (note 7.2)	1.1	3.6
	448.2	570.1
Included above are the following amounts received from related parties:		
Group undertakings - fellow subsidiaries	41.6	16.4

All interest income reported above relates to financial assets not carried at fair value through profit or loss, except for US$17.5 million (2009: US$51.4 million) on financial assets that are carried at fair value through profit or loss.

23.2 Interest expense

	2010 $m	2009 $m
Subordinated debt	56.3	31.2
Other interest-bearing liabilities	206.5	288.0
	262.8	319.2
Included above are the following amounts paid to related parties:		
Group undertakings - fellow subsidiaries	192.0	175.6

All interest expense reported above relates to financial liabilities not carried at fair value through profit or loss, except for US$0.4 million (2009: US$26.6 million) on financial liabilities that are carried at fair value through profit or loss.

23.3 Non-interest revenue

	2010 $m	2009 $m
Knowledge based fees and commission revenue	107.6	131.6
Fees and commission expenses	(99.0)	(167.4)
Trading revenue	360.9	457.9
- Foreign exchange	9.4	56.2
- Debt securities	134.9	182.8
- Commodities	169.6	204.2
- Equities	47.0	14.7
	369.5	422.1
Net interest income included in trading revenue	158.3	166.0
Included in net fee and commissions are the following amounts with related parties:		
Group undertakings - fellow subsidiaries	(93.2)	(155.6)

23 Supplementary income statement information (continued)

Net fees and commission income includes payments made to Standard Bank Group companies under transfer pricing arrangements.

Trading revenue arises from the use of the following customer facilitation and proprietary trading activities:

- Foreign exchange: foreign exchange spot, forwards and option contracts.
- Debt securities and interest rate: debt securities, interest rate futures, swaps, forward rate agreements and credit derivatives.
- Commodities: physical, forward, futures and option contracts in precious metals, base metals and energy.
- Equities: equity and equity derivatives.
- Trading revenue include related fee and investment income as well as associated funding costs as a result of trading operations.

23.4 Credit impairment (recovery) / charge

	2010 $m	2009 $m
Net impairments raised / (released)	**96.3**	132.3
- Specific impairments (note 7.2)	**103.9**	116.7
- Portfolio impairments (note 7.2)	**(7.6)**	15.6
Less: Credit impairments raised in discontinued operations (note 25)	**97.7**	3.1
Net credit impairments (released) / raised in continuing operations	**(1.4)**	129.2
Recoveries on loans and advances previously written off	**(1.6)**	(0.5)
Credit impairment (recovery) / charge in continuing operations	**(3.0)**	128.7

23.5 Staff costs

	2010 $m	2009 $m
Salaries and allowances	**251.6**	216.5
Other direct staff costs	**39.9**	32.9
Long term incentive scheme	**36.7**	19.3
Retirement benefit costs	**14.4**	9.7
	342.6	278.4

The following table indicates the average number of persons employed:

	Group		**Company**	
	2010 Number	2009 Number	**2010 Number**	2009 Number
Key management	**16**	14	**16**	14
Other	**1 273**	968	**1 260**	957
	1 289	982	**1 276**	971

23 Supplementary income statement information (continued)

23.6 Other operating expenses

	2010 $m	2009 $m
Amortisation of intangible assets	**22.9**	16.4
Auditors' remuneration	**2.1**	2.1
Statutory audit fees	**1.6**	1.4
Non-audit fees - Tax advisory services	**0.5**	0.4
Non-audit fees - other services	**-**	0.3
Depreciation (note 12.2)	**12.5**	7.4
Leasehold improvements	**4.1**	2.1
Computer equipment	**6.4**	4.4
Motor vehicles	**-**	0.1
Office equipment	**0.7**	0.2
Furniture and fittings	**1.3**	0.6
Operating lease charges – properties and other	**9.4**	17.5
Information technology and communication	**34.1**	35.3
Premises	**11.6**	13.1
Other expenses	**70.2**	88.8
	162.8	180.6

23.7 Indirect taxation

	2010 $m	2009 $m
Value added tax	**10.0**	10.4
Bank payroll tax	**20.0**	-
Duties	**0.2**	0.1
	30.2	10.5

In December 2009, the United Kingdom (UK) government proposed a bank payroll tax of 50% applicable to discretionary bonuses over £25 000 awarded to UK bank employees between 9 December 2009 and 5 April 2010. The company's tax liability was settled during 2010, disclosed in indirect taxes above.

23.8 Restructuring costs

During October 2010, SBG (ultimate parent) initiated a strategic review of the business, focussing on cost reduction across all its operations. A staff retrenchment programme was initiated in the company, focussing principally on the discontinued business lines and adjusting the cost base to reflect the current market environment. As a consequence of the process, certain IT development projects were cancelled which resulted in an impairment of intangible assets. Surplus floor space requirements have been given up and are being actively marketed. The provision represents the cost of maintaining the space until it is successfully re-let. Redundancy costs include all salary costs, benefits and severance packages of employees placed at risk.

	2010 $m	2009 $m
Impairment of intangible assets	**2.5**	-
Onerous lease provision	**3.3**	-
Redundancy costs	**30.3**	-
	36.1	-

23 Supplementary income statement information (continued)

23.9 Long term incentive schemes

23.9.1 Quanto stock unit scheme

A Quanto stock unit scheme was implemented which defers a portion of the incentive over a minimum threshold for key management and executives. In terms of the scheme, qualifying employees are awarded Quanto stock units denominated in US$ for nil consideration, the value of which moves in parallel to the change in price of the SBG shares listed on the Johannesburg Stock Exchange. The awards vest over two to three years dependent on the employee being in service for the period and the employee may call for payment, termed exercise at any point up until the 10 year maturity of the units (except for US taxpayers where it is an automatic settlement date). The scheme makes provision for a discretionary incremental amount to be paid if the employee is in service for four years and has not exercised the units. The cost of the award is accrued over the vesting period, normally commencing in the following year to which the awards relate.

The provision in respect of liabilities under the scheme amount to US$60.3 million as at 31 December 2010 (2009: US$14.3 million), and the charge for the year is US$38.3 million (2009: US$15.0 million). The change in liability due to the change in the SBG share price, is hedged through the use of equity options designated as a cash flow hedge.

	2010 Units	2009 Units
Units outstanding at beginning of the year	**590 888**	256 782
Granted	**337 992**	352 469
Transfers	**1 177**	(1 672)
Leavers / lapses	**(31 286)**	(16 691)
Units outstanding at end of the year	**898 771**	590 888
Of which relates to key management	**175 233**	90 798

The following Quanto stock units granted to employees had not been exercised at 31 December 2010:

Expiry period

	2010 Units	2009 Units
Year to December 2018	**234 069**	244 049
Year to December 2019	**330 830**	346 839
Year to December 2020	**333 872**	-
	898 771	590 888

23 Supplementary income statement information (continued)

23.9.2 SBG equity scheme

Certain employees are granted share options under the SBG equity-settled share-based scheme. The outstanding award value under the SBG share scheme amounts to US$8.6 million (2009: US$5.3 million), and the amount charged for the year is US$2.4 million (2009: US$2.3 million).

	2010 Number	2009 Number
Options outstanding at beginning of the year	**4 044 275**	3 285 450
Granted	**456 250**	939 500
Transfers in	**-**	191 150
Exercised	**(195 275)**	(331 825)
Leavers / lapses	**(683 362)**	(40 000)
Options outstanding at end of the year	**3 621 888**	4 044 275
Of which relates to key management	**1 190 400**	1 352 900

Share options were exercised regularly throughout the year, other than closed periods. The weighted average share price for the year was ZAR107.49.

The following options granted to employees had not been exercised at 31 December 2010:

Options expiry period	**Option price range per share (ZAR)**	**2010 Number**	2009 Number
Year to December 2014	17.15 - 50.91	**45 000**	185 900
Year to December 2015	60.35 - 65.50	**371 700**	411 075
Year to December 2016	79.50 - 81.00	**671 513**	827 000
Year to December 2017	92.05 - 107.91	**483 525**	617 200
Year to December 2018	89.00 - 92.00	**918 900**	1 083 600
Year to December 2019	62.39 - 65.00	**757 500**	919 500
Year to December 2020	111.94	**373 750**	-
		3 621 888	4 044 275

23.9.3 SIH shadow share scheme

The Shadow share scheme provides for eligible employees to be rewarded in cash, the value of which is derived from the current and future performance of Standard International Holdings (SIH). Throughout the life of the scheme, the liability is valued at the end of each period based on a defined formula. The notional share options which have a 10 year life are generally first exercisable during the period of the month following the approval of the SBG accounts, 50% after three years, up to 75% after four years and 100% after five years. Exercise thereafter may take place in the month after the month in which the final or interim accounts of SBG are approved up until the expiry of the shadow share options. The scheme, up until and including options issued in March 2004, was underpinned by share options issued by SBG. From March 2005 shadow share options have been issued without funding from SBG options.

Commencing in 2005, certain shadow share options have been allocated with a zero strike price, all of which can be exercised after 4 years. All other terms of these shadow share options are the same as those described above. The change in liability under the scheme is accounted for through the income statement over the vesting period of the shadow share options and include assumptions about future performance and leavers.

The provision in respect of liabilities under the scheme amounts to US$6.1 million at 31 December 2010 (2009: US$15.0 million), and the amount released for the year is US$4.1 million (2009: US$2.2 million charge).

23 Supplementary income statement information (continued)

23.9.3 SIH shadow share scheme (continued)

	2010 Number	2009 Number
Options outstanding at beginning of the year	17 929 127	22 141 029
Exercised	(3 992 645)	(2 370 312)
Transfers	(736 691)	(175 198)
Leavers / lapses	(1 793 317)	(1 666 392)
Options outstanding at end of the year	11 406 474	17 929 127
Of which relates to key management	970 073	2 589 295

Share options were exercised at US$2.52 and US$2.43 (2009: US$2.44 and US$2.41).

The following options granted to employees had not been exercised at 31 December 2010:

Options expiry period	Grant per shadow share (US$)	2010 Number	2009 Number
Year to December 2010	2.79	-	1 324 144
Year to December 2011	2.38	1 353 151	1 523 021
Year to December 2012	1.59	1 023 813	1 225 124
Year to December 2013	2.83	1 408 088	1 636 072
Year to December 2014	0 - 2.20	2 023 077	3 018 563
Year to December 2015	0 - 1.89	1 334 874	2 186 403
Year to December 2016	0 - 1.99	4 172 971	6 875 300
Year to December 2017	2.48	90 500	140 500
		11 406 474	17 929 127

23.10 Directors' emoluments

	2010 $m	2009 $mr
Executive directors [1]		
Emoluments of directors in respect of services rendered		
Emoluments	2.3	3.6
Proceeds from exercise of share-based incentives	1.7	-
Pension contribution	0.1	0.1
Redundancy costs	5.9	-
Highest paid director		
Emoluments	0.6	1.2
Proceeds from exercise of share-based incentives	1.6	-
Pension contribution [2]	-	0.1
Number of directors for whom pension contribution are paid	3	3

[1] Compensation relates to services rendered to the Standard Bank Plc group.
[2] 2010 contribution less than US$50 000.

23 Supplementary income statement information (continued)

23.10 Directors' emoluments (continued)

Long term benefits under the Quanto stock scheme

	2010 Units	2009 Units
Number of units brought forward	56 646	19 860
Issued during the year	49 466	36 786
As at 31 December	**106 112**	56 646

Long term benefits under the SBG equity settled share based scheme

	2010 Number	2009 Number
Number of options brought forward	910 000	785 000
Issued during the year	150 000	125 000
Exercised	(92 000)	-
Lapsed	(98 000)	-
As at 31 December	**870 000**	910 000

Long term benefits under the SIH shadow option scheme

	2010 Number ('000)	2009 Number ('000)
Number of options brought forward	2 478	2 612
Exercised	(894)	(134)
Lapsed	(302)	-
As at 31 December	**1 282**	2 478

23.11 Company profits

As permitted by section 408 of the Companies Act 2006, the company's statement of comprehensive income has not been presented. The company loss of US$99.1 million (2009: US$60.8 million profit) has been included in the group income statement.

23.12 Dividends

No dividends were declared in 2010 (2009: nil).

24 Direct taxation

	2010 $m	2009 $m
Current year	**(19.6)**	33.6
- UK corporation tax	**(18.1)**	28.9
- UK deferred tax	**(8.2)**	2.9
Origination and reversal of temporary differences	**(8.7)**	2.9
Impact of change in tax rate	**0.5**	-
- Overseas tax	**6.7**	1.8
Prior years	**(7.8)**	(10.6)
- UK corporation tax	**(7.0)**	(10.6)
- Overseas tax	**(0.8)**	-
Total tax (credit) / expense	**(27.4)**	23.0
Comprising:		
Continuing operations	**1.1**	18.7
Discontinued operations (note 25)	**(28.5)**	4.3
	(27.4)	23.0

For the current year corporation tax liability, no group relief for losses of other group companies have been surrendered (2009: US$6.8 million).

UK tax rate reconciliation

The current tax charge for the year is lower (2009: lower) than the standard rate of corporation tax in the UK of 28%.

The differences are explained below.

	2010 $m	2009 $m
(Loss) / profit before direct taxation		
Continuing operations	**(13.8)**	74.8
Discontinued operations (note 25)	**(127.9)**	12.5
	(141.7)	87.3
Tax (credit) / charge at the standard rate (28%)	**(39.7)**	24.4
Effects of:		
Adjustment to tax charge in respect of prior years	**(7.8)**	(10.6)
Different tax rates in other countries	**(1.1)**	(1.6)
Group relief received	**-**	(1.9)
Non-deductible expenses	**11.6**	9.7
Tax losses for which no deferred tax asset was recognised	**7.2**	0.8
Other short term timing differences	**1.9**	1.3
Payment for group relief	**-**	0.9
Re-measurement of deferred tax - change in tax rate	**0.5**	-
Tax (credit) / charge	**(27.4)**	23.0
Effective tax rate	**19.3%**	26.3%

The effective tax rate of 19.3% is the result of a reduced tax credit due to non-deductable expenses and other short term timing differences. Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable income is probable. Deferred tax assets of US$7.7 million have not been recognised in respect of losses amounting to US$25.8 million that can be carried forward against future taxable income.

25 Discontinued operations

A redefined focus on strategic business and revenue streams resulted in the exit of non-core businesses, Principal Investment Management and Private Client Services. No further investment in the businesses will be made and the company is focussing on selling down positions, collections and collateral sales.

The affected business units are classified as discontinued operations and shown as a single amount on the face of the income statement.

The result of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2010 $m	2009 $m
Net interest income	**1.6**	9.2
Non-interest (expense) / revenue	**(12.1)**	25.1
Total (loss) / income	**(10.5)**	34.3
Credit impairment charges	**(97.7)**	(3.1)
(Loss) / income after impairment charges	**(108.2)**	31.2
Operating expenses	**(19.7)**	(18.7)
(Loss) / profit before direct taxation	**(127.9)**	12.5
Income tax credit / (expense)	**28.5**	(4.3)
(Loss) / profit for the period from discontinued operations	**(99.4)**	8.2

During the year, the PIM and PCS business units contributed US$0.8 million (2009: US$14.7 million) to the group's net operating cash flows. The business units did not contribute to the group's investment and financing activities.

The effect of discontinued operations on segment results is disclosed in note 1.

26 Notes to the cash flow statement

26.1 Increase in income-earning assets

	Group		Company	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Trading assets	**(116.1)**	(1 866.2)	**(59.6)**	(1 847.2)
Pledged assets	**(228.1)**	(299.6)	**(228.1)**	(299.6)
Financial investments	**(42.2)**	1.8	**(60.2)**	1.8
Loans and advances	**(673.0)**	682.5	**(623.0)**	712.8
Other assets	**(307.7)**	516.6	**(247.8)**	497.9
	(1 367.1)	(964.9)	**(1 218.7)**	(934.3)

26.2 Increase / (decrease) in deposits and other liabilities

	Group 2010 $m	Group 2009 $m	Company 2010 $m	Company 2009 $m
Deposits and current accounts	**(654.3)**	(1 252.8)	**(820.1)**	(1 282.0)
Net derivative liabilities	**13.4**	1 022.0	**10.9**	1 017.8
Trading liabilities	**767.9**	377.5	**767.9**	377.5
Other liabilities	**(3.1)**	(56.6)	**(4.6)**	(64.2)
	123.9	90.1	**(45.9)**	49.1

Comparatives restated to conform with current year presentation. Refer to note 30.

26.3 Tax paid

	Group 2010 $m	Group 2009 $m	Company 2010 $m	Company 2009 $m
Amounts unpaid at beginning of the year	**(43.8)**	(50.7)	**(41.2)**	(50.3)
Direct taxation	**19.2**	(23.0)	**21.0**	(21.3)
Amounts unpaid at end of the year	**15.1**	43.8	**14.0**	41.2
	(9.5)	(29.9)	**(6.2)**	(30.4)

26.4 Cash and cash equivalents

	Group 2010 $m	Group 2009 $m	Company 2010 $m	Company 2009 $m
Cash and balances with central banks	**-**	-	**-**	-
Other cash equivalents (included in loans and advances) [1]	**2 659.5**	4 271.3	**2 638.1**	4 270.0
Cash and cash equivalents at end of the year	**2 659.5**	4 271.3	**2 638.1**	4 270.0

[1] Other cash equivalents include short term placements that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

27 Related party transactions

27.1 Subsidiaries

The subsidiary company listed in note 10 comprises a limited part of the group's activities and transactions with the entity are not significant. The principal nature of the transactions are payments for business introduced and trading facilitation activities. Intercompany transactions, balances and unrealised surpluses and deficits are eliminated on consolidation.

27.2 Fellow subsidiaries

The group enters into transactions with other entities forming part of the ultimate parent company, the Standard Bank Group Limited.

The transactions are entered into in the course of banking operations and are conducted in the ordinary course of business at arm's length. These transactions include lending, acceptance of interbank deposits and correspondent banking transactions. The transactions are priced at the prevailing market rates at the time of the transactions. A significant portion of this activity involves the placement of excess liquidity by other entities with the company. The extent of these activities is presented in note 14.

As part of the risk management process, a number of collateralised guarantee transactions have been entered into with the Standard Bank of South Africa (SBSA) to the value of US$1 633.2 million during the year, of which US$425.9 million remains outstanding as of the reporting date. Under the transaction, SBSA provides financial guarantees to the company and places a deposit for the value of the loan exposure which is assigned as collateral for the obligations under the guarantee contract. Under IFRS, the loan exposure is not derecognised, with the deposit recognised on the statement of financial position and guarantee fees being accrued over the life of the deal.

The group also advances funds to other group entities, as part of normal activity, the extent of which is disclosed in note 7.

27.3 Other

Mahmut Ünlü, the CEO of Standard Ünlü Menkul Degerler, a Turkey based subsidiary of Standard Bank London Holdings Plc (SBLH), owns a controlling interest in a company (the Co-investor) which is a co-investor in a private equity fund called SU Turkish Private Equity Opportunities I, S.C.A., SICAR (the Fund).

Standard Bank Plc (the company), a wholly owned subsidiary of SBLH, entered into a total return swap (TRS) with the co-investor whereby the company receives cash flows arising from 66.67% of the co-investor's share in the fund in return for a nominal fixed amount and relieving the co-investor from its outstanding capital commitment (US$92.3 million; 2009:US$93.5 million) to the fund. The TRS is to be settled in cash at the date of the distribution from the fund relating to the underlying shares held in the fund by the co-investor, and has a carrying value of US$56 million (2009:US$25.4 million).

SBLH and the co-investors have joint control over the fund through the General Partner and its investment committee as all significant decisions (such as investment or divestment) approved by the Investment Committee requires the positive vote of all parties.

27.4 Key management compensation

Key management is comprised of directors and the members of the executive committee of the principal operating entities.

	2010 Directors and key management $'000	2009 Directors and key management $'000
Salaries and other short term benefits	5 441	6 438
Post-employment benefits	-	-
Gains on exercise of long term incentives and other payments	1 801	35
Redundancy cost	8 498	-
	15 740	6 473

27.5 Transactions with key management

There were no transactions with key management in 2010 (2009: nil).

28 Pensions and other post-retirement benefits

The company makes defined contributions to employees' pension providers. The assets of these providers are held separately from the company. Included in staff costs are contributions paid by group companies which amounted to US$14.4 million (2009: US$9.7 million). There were no outstanding contributions at the end of the reporting period (2009: nil).

29 Financial risk management

29.1 Overview and executive summary

The effective management of risk within the stated risk appetite is fundamental to the banking activities of Standard Bank Plc. The group seek to achieve a measured balance between risk and reward in the businesses as described below. In this regard, the group continues to build and enhance the risk management capabilities that assist in delivering growth plans in a controlled environment.

Risk management is at the core of the operating and management structures of the group. Managing and controlling risks, and in particular avoiding undue concentrations of exposure, limiting potential losses from stress events, restricting significant positions in less quantifiable risk areas and constraining profit or loss volatility are essential elements of the risk management and control framework which serve to protect the group's reputation and business franchise.

Overall responsibility for risk management within the group rests with the Board of Directors. Accountability for risk management resides at all levels within the group, from the executive down through the organisation to each business manager and risk specialist; the three lines of defence model is embedded in the group's operating model.

In the first line of defence, business unit management is primarily responsible for risk management. The assessment, evaluation and measurement of risk is an ongoing process which is integrated into day-to-day business activities. This includes the continued development of the group's operational risk management framework, identification of material issues and the implementation of remedial action where required. Business unit management is also accountable for appropriate reporting to the various governance bodies within the group.

The second line of defence is represented by the group's risk management function which is independent of line management within the business areas. The risk function is primarily accountable for establishing and maintaining the group's risk management framework, standards and supporting policies, as well as for providing risk oversight and independent reporting of risk to executive management, Board level committees and to the group Board.

The third line of defence consists of internal audit which provides an independent assessment of the adequacy and effectiveness of the group's overall system of internal control and risk governance structures; the audit function reports independently to both the Standard Bank Group and Standard Bank Plc Board Audit Committees.

External audit has a statutory duty to report its independent opinion on the group's financial statements to the shareholder.

The year under review

During 2010, the group was successful in further strengthening the risk management procedures and aligning more directly with the Standard Bank Group risk function. The group has focused on developing an aligned global risk operating model and as a result, have added to and / or enhanced existing procedures to enable the early stage identification of deterioration in the quality of credit portfolios and / or detect possible variance in the risk profile to the stated risk appetite. These include:

- Pre-credit committee (PCC) – Global and regional forums, consisting of senior business and risk representatives to screen and review new transactions / proposals prior to formal credit assessment. Approval by PCC is the first step in the risk sanctioning / approval process as it will lead to the commitment of resources to pursue the opportunity both by business and risk; ensures that transactions are aligned to agreed business strategy; determines up front distribution, legal entity booking, ancillary business and related issues.
- Credit committee – Credit decisions within the group are governed by the CIB credit delegated authority policy. A new CIB credit committee was established as the highest credit approval body within CIB. The group is represented at this committee by senior credit, risk, business and executive membership. The Committee also has responsibility for oversight of the credit process and related governance / policy matters. Below the authority level assigned to CIB credit committee, credit decisions are made on a four-eyes basis by individuals from within the credit and risk teams. Individual authorities are scaled to experience, seniority, sector / product specialisation and are reviewed regularly.

- Portfolio risk management committee – Meets monthly to review the key performance indicators in the portfolio (e.g. probability of default (PD), exposure at default (EAD), loss given default (LGD), unexpected loss (UL), regulatory and economic capital (Ecap) utilisation, concentration limits) and to stress the portfolio with a view to initiating management action where it is necessary to curtail the portfolio risk tendency within the stated risk appetite.
- Credit risk review function – Reviews the quality of the credit decisions taken within delegated authority based on the information available to make those decisions.
- Watchlist review – An early warning mechanism which identifies any counterparty / performing asset in the banking book that breaches, for example, a condition of sanction or a key performance ratio. These exposures are immediately subject to independent scrutiny and, where necessary, a programme of intensive care until such time as the position can be transferred back to line management.
- This control framework also considers the legal entity structure when assigning limits.

29.2 Risk management framework

Governance structure

Overall responsibility for risk management within the group rests with the Board of Directors. Day-to-day responsibility is delegated to the executive committee and its sub-committees, which review, inter alia, summaries of market, liquidity, credit, operational, country and regulatory risks.

The Board of Standard Bank Plc delegates certain functions and responsibilities to the Board Audit Committee and the Board Risk Management Committee.

Risk governance standards, policies and procedures

Governance standards (standards) for each principal risk type have been established as a key component of good governance and business practice in the group. The standards form an integral part of the group's control infrastructure and represent a high level articulation of the expectation and requirements of the Board in respect of risk appetite, risk reporting and key areas of control activity.

The group's primary objective is to protect and enhance shareholder value and this drives the focus and development of its system of internal control.

Standards are applied across the group. It is the responsibility of the business unit executive management to ensure that the requirements of the risk governance standards, policies and procedures are implemented within the business units and independently monitored by the unit's own risk management teams.

Each standard is supported by both group-wide and business unit policies and procedural documents as required.

Business units are required to self assess their compliance with the group risk standards and policies at least annually.

Risk appetite

Risk appetite is an expression of the maximum level of residual risk the group is prepared to accept in order to deliver its business objectives. It is reviewed by executive management and the Board at least annually and is defined using a number of measures, including:

- a target credit rating for the group;
- the level of profit or loss volatility the group is prepared to accept;
- capital adequacy as measured by the ratio of available financial resources to economic capital consumption; and
- the level of liquidity the group will hold to ensure it can meet its minimum regulatory requirements under normal and stressed conditions.

The risk profile of the group in both normal and potential stress conditions is monitored continuously against risk appetite by the portfolio risk management committee which is empowered to take management action to change the nature and quantum of risks on the balance sheet and / or influence the types of new business being originated to the balance sheet.

Stress testing

Stress testing serves as a diagnostic and forward-looking tool to improve the group's understanding of how its risk profile may change (i.e. the risk tendency) based on certain stress scenarios.

A stress testing framework guides the regular monthly execution of scenario analysis on both the group's credit and market risk portfolios. The stress scenarios are reviewed at least quarterly to ensure their continued appropriateness and applicability to the portfolios. A proprietary stress testing engine calculates the impact of the stress scenarios on earnings and capital adequacy. Management reviews the outcomes of stress tests at the portfolio risk management committee and selects appropriate mitigating actions to minimise and manage the risk tendency of the portfolios within the group's agreed risk appetite.

Examples of actions taken include:

- limiting exposures in specific sectors, countries, regions or portfolios;
- influencing the type, quantum and maturity of new business that can be originated;
- hedging strategies; and
- reviewing and changing limits.

Residual risk is evaluated against the group's risk appetite and informs the following processes on a forward looking basis:

- improved understanding of risk tendency and the risk appetite setting of the group;
- the setting of capital and liquidity buffers for the group;
- the impact of stresses on earnings volatility,
- internal capital planning;
- the budgeting and strategic planning process; and
- ad-hoc assessment of the impact of short term macroeconomic factors on the group's performance.

Risk profile

The group's trading activities comprise both customer related and principal business. These activities result in the group holding positions in foreign exchange, commodities and marketable securities for its own account and to facilitate client business.

The group's non-trading portfolios of financial instruments include loans, deposits, and debt securities.

29.3 Risk categories

The principal risks to which the group is exposed and which it manages are defined as follows:

Credit risk

Credit risk is the risk that a customer or counterparty will not be able or willing to pay interest, capital or otherwise fulfil their contractual obligations under loan or other facilities as they fall due.

Country and cross-border risk

Country risk is the 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.

Cross-border risk is the risk that actions taken by a government may restrict the transfer and convertibility of funds of local currency into non-local currency, thereby impacting the ability to obtain payment from counterparties on their financial obligations to the group.

Market risk

Market risk is defined as 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 rates, interest rates, credit spreads, recovery rates and correlations and implied volatilities in all of the above.

Liquidity risk

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.

Operational risk

Operational risk is defined as the risk of loss suffered as a result of inadequacy of, or a failure in, internal processes, people and systems or from external events. This includes information risk and legal risk, but excludes reputational risk and strategic risk.

Business risk

Business risk is the risk of loss due to adverse operating conditions caused by market-driven pressures such as decreased demand, increased competition, or cost increases, or by group specific causes such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation. These losses may be exacerbated through inflexible cost structures or inefficiencies.

29.4 Credit risk

Credit risk arises mostly from lending, related banking product activities (including underwriting activity), traded products (such as derivative contracts) and securities borrowing and lending products. In lending transactions, credit risk arises through non-performance by a customer or market counterparty for facilities granted. These facilities are typically loans and advances, including the advancement of securities and contracts to support customer obligations such as letters of credit and guarantees. In trading activities, credit losses arise due to non-performance by a counterparty for payments linked to trading-related financial obligations.

As a general rule, the group will always seek to mitigate the amount of open credit risk it is prepared to accept through either collateralisation and / or hedging. Trading book exposures are typically documented under ISDA/CSA arrangements (or their equivalent) and structured such that the group has liquid collateral which is marked to market daily against agreed trigger thresholds and hard limits. Banking book exposures can be collateralised by a range of assets, but the liquidity and ease of valuation of these assets will govern the amount of collateral taken. The group also engages in contingent credit hedging which enables it to offset the economic risk to a client/counterparty by taking a position in a trading book instrument.

Market risk within traded credit products (whether traded as principal or held as collateral) including debt instruments and credit derivatives arises through market price sensitivity, issuer concentration and default risks. All of these are managed through market risk processes.

In times of severe stress and market illiquidity, market risk moves much closer to adopting credit risk characteristics.

Framework and governance

Strategy and process to manage risk

Credit risk is the group's most significant risk as measured by absolute amount and quantum of capital consumed. It is managed in accordance with the group's comprehensive risk management control framework, which is consistent with the previous financial reporting period. The group's credit standard sets out the principles under which it is prepared to assume credit risk.

The group's Chief Credit Officer has functional responsibility for credit risk across the organisation and reports to the Chief Risk Officer. The regional heads of credit report functionally to the Chief Credit Officer.

Structure and organisation of credit risk management function

A formal structure exists for the approval of credit limits which are agreed through delegated authority derived from the Global Corporate & Investment Bank (CIB) Credit Committee to regional credit committees encompassing a legal entity focus and, finally, individual delegated authority. The committees have clearly defined mandates, memberships and delegated authorities that are reviewed at least annually. Credit committee responsibilities include oversight of governance; recommending risk appetite; overseeing model performance; development and validation; establishment of counterparty and portfolio risk limits; setting industry, market, product, customer segment and maturity concentration risk; agreeing and overseeing risk mitigation; as well as reviewing watchlist accounts and non-performing accounts.

Methodology to assign credit limits

The group uses internal models and practices to measure and manage credit risk, deploying considerable resources to ensure that it is properly understood, managed and controlled.

The credit modelling framework includes the use of PD, LGD, EAD, UL, expected loss (EL), Ecap consumption and economic profit (EP). The group's risk appetite is in part calibrated to these economic risk drivers.

Probability of default models are used to assess the probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon. The models use a combination of forward-looking qualitative factors and quantitative inputs. Each customer is assigned an internal credit rating which in turn is mapped to a statistically calibrated probability of default. Different models are used for each discrete credit portfolio and counterparty, and each model has its own particular set of risk factors and inputs used for assessing the rating. All models are statistically tested and independently validated to ensure that they have an acceptable level of predictive power, provide an accurate forward-looking rating assessment suitable for use in regulatory and economic capital assessment and are stable through an economic cycle. For regulatory capital purposes, these ratings are associated with through the cycle (TTC) PDs. For economic capital management, the group uses forward-looking ratings but also explores point in time (PIT) versus TTC impacts through stress testing and deploys a credit migration model to assess the impact of risk rating downgrades.

The group makes use of an internationally comparable 25 point master rating scale for all performing counterparties. This is shown below calibrated against external credit assessment institutions alphanumerical rating scales and group grading category.

Credit risk mitigation and hedging

Collateral, guarantees, credit derivatives and on and off balance sheet netting are widely used by the group for credit risk mitigation. The amount and type of credit risk mitigation depends on the circumstances of each case. The collateral management function for the CIB business is centrally managed, on a global basis, by global collateral management in Johannesburg with oversight by, and escalation to, the relevant credit division as required. The amount and type of collateral required depends on the nature of the underlying risk, an assessment of the credit risk of the counterparty as well as requirements or intentions with respect to reductions in capital requirements. Guidelines are implemented regarding the acceptability of types of collateral, their strength as credit risk mitigation and valuation parameters. Collateral is generally not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

For derivative transactions, the group uses internationally recognised and enforceable ISDA agreements with a credit support annex, where necessary, with most of the group's largest trading counterparts. Generally, exposures are marked to market daily, netting is applied to the full extent contractually agreed to between the parties, and cash and liquid collateral posted where contractually provided for. Because counterparty credit risk of derivatives generally can vary over time with the movement of underlying market factors, exposures to counterparty credit risk are calculated by adding increases in potential future exposure to the balance of present exposure.

The group holds collateral against loans and advances to customers in the form of registered securities over assets, guarantees and mortgage interest over property. The main types of collateral required are plant and machinery, charges over real estate properties, inventory and trade receivables and other assets such as life policies and physical commodities held to order.

Guarantees and similar legal contracts are often required particularly in support of credit extension to groups of companies and weaker credits. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor in the normal course for counterparty credit approvals.

Group master rating scale	Moody's Investor Services	Standard & Poors	Fitch	Grading	Credit quality
1 - 4	Aaa to Aa3	AAA to AA-	AAA to AA-	Investment grade	Normal monitoring
5 - 7	A1 to A3	A+ to A-	A+ to A-		
8 - 12	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-		
13 - 21	Ba1 to B3	BB+ to B-	BB+ to B-	Sub-investment grade	
22 - 25	Caa1 to Ca	CCC+ to CCC-	CCC+ to CCC-		Close monitoring
Default	C	D	D	Default	Default

To manage actual or potential portfolio risk concentrations, areas of higher credit risk and credit portfolio growth, the group from time to time implements hedging and other strategies typically at the individual counterparty, sub-portfolio and portfolio levels. Syndication, distribution and sale of assets, asset and portfolio limit management and credit derivatives and credit protection are examples of the techniques used to manage this type of risk.

The group performs monthly stress tests on its credit portfolio. The appropriateness of the stresses applied are reviewed and approved quarterly at the portfolio risk management committee. The outputs from the stress results inform management of the expected risk tendency of the portfolio against the group's stated risk appetite. Where necessary, PRMC is empowered to initiate management action to contain the risk tendency within risk appetite. This process has been in place for several years and continues to be a cornerstone of the group's risk management discipline. In addition to the monthly stress tests, semi-annual reverse stress testing is carried out to examine the impact of selected scenarios from a bottom up perspective.

Wrong way risk exposure

Wrong way risk arises where there is positive correlation between a counterparty default and any underlying transaction exposure. This risk is addressed by taking into consideration the higher than normal correlation between the default event and the exposure to the counterparty when calculating the potential exposure on these transactions. Counterparty assessments are conducted at the time the contract is entered into and a risk weighting is assigned based on the length and value of the contract. The value of the contract is calculated according to mark-to-market values. On longer-term contracts, further periodic assessments are conducted.

Collateral required in respect of a rating downgrade

The group enters into derivative contracts with rated and unrated counterparties. In order 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 provides 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 and reciprocal basis. Exceptionally, such rating downgrades may be conceded to unrated counterparties when their size, credit strength and business potential are deemed acceptable. In these cases, the concessions must be approved by the responsible chief credit officer.

The impact on the group of the amount of collateral it would have to provide given a credit downgrade would be determined by the then 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 a downgrading is deemed to be material, the potential exposure is taken into account in the business unit's capital management committee (Capcom) model stress testing.

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's master rating scale.
- Past due but not impaired loans include those exposures where the counterparty has failed to make its contractual payment or has breached a material covenant, but are not yet considered impaired due to the expected recoverability of future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse condition persists. These exposures are analysed further between those that are less than 90 days past due and those that are 90 days or more past due.
- Specifically impaired loans include those where there is objective evidence that an impairment loss has been incurred and for which there has been a measurable decrease in the estimated future cash flows as a result of its payment status or objective evidence of impairment. Other criteria that are

used by the group to determine that there is such objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower;
- 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 are further analysed into the following categories:
  - *sub-standard* items that show underlying, well defined weaknesses and are considered to be impaired;
  - *doubtful* 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; and
  - *loss* items that are considered to be uncollectable. The group provides fully for its anticipated loss, after taking securities into account.

The value of collateral held is reviewed on a regular basis, although it is impractical to obtain a fair value of all collateral on a specified date for reporting purposes.

The management team has continued their focus on managing and reducing single obligor and concentration risk through a number of initiatives including strengthening the risk management process and managing the risk profile through the use of extended capabilities of other SBG balance sheets to accommodate foreign assets allowing for a more effective balancing of the portfolios.

In addition to the amounts disclosed in the table on the next page is a distressed asset portfolio amounting to US$143.8 million (2009: US$183.1 million) which has not been included in the table as it was acquired in the ordinary course of business and carried at fair value. The portfolio has been written down to net realisable value and forms part of the discontinued operations disclosed in the notes to the financial statements.

Maximum exposure to credit risk by credit quality

2010

	Neither past due nor impaired		Past due but not impaired		Specifically impaired	
	Normal monitoring $m	Close monitoring $m	< 90 days $m	≥ 90 days $m	$m	Gross credit exposure $m
Derivative assets	6 431.4	22.9	-	-	-	6 454.3
Loans and advances to banks	5 917.0	3.9	-	-	16.8	5 937.7
Loans and advances to customers	8 661.5	392.5	71.7	33.9	787.3	9 946.9
Gross	21 009.9	419.3	71.7	33.9	804.1	22 338.9
Cash collateral on impaired loans					(81.6)	(81.6)
	21 009.9	419.3	71.7	33.9	722.5	22 257.3
Trading assets						5 112.7
Financial investments						57.1
Pledged assets						735.1
Total exposure						28 162.2

2009

	Neither past due nor impaired		Past due but not impaired		Specifically impaired	
	Normal monitoring $m	Close monitoring $m	< 90 days $m	≥ 90 days $m	$m	Gross credit exposure $m
Derivative assets	6 197.2	150.3	-	-	-	6 347.5
Loans and advances to banks	6 290.2	122.4	-	-	75.5	6 488.1
Loans and advances to customers	8 407.1	1 008.7	88.4	303.9	822.3	10 630.4
Gross	20 894.5	1 281.4	88.4	303.9	897.8	23 466.0
Cash collateral on impaired loans					-	-
	20 894.5	1 281.4	88.4	303.9	897.8	23 466.0
Trading assets						4 482.3
Financial investments						11.8
Pledged assets						735.1
Total exposure						28 695.2

Age analysis of loans and advances past due but not impaired

2010

	Less than 31 days $m	31 - 60 days $m	61 - 90 days $m	91 - 180 days $m	More than 180 days $m	Past due but not impaired $m
Loans and advances to customers	48.8	-	22.9	4.9	29.0	105.6

2009

	Less than 31 days $m	31 - 60 days $m	61 - 90 days $m	91 - 180 days $m	More than 180 days $m	Past due but not impaired $m
Loans and advances to customers	54.0	-	34.4	109.8	194.1	392.3

Analysis of impaired financial assets

2010

	Sub standard $m	Doubtful $m	Loss $m	Total $m	Cash collateral $m	Exposure net of cash collateral $m	Securities and expected recoveries $m	Specific impairment $m	Gross impairment coverage %
Loans and advances to banks	-	16.8	-	16.8	-	16.8	(11.4)	(5.4)	32.1
Loans and advances to customers	520.8	258.9	7.6	787.3	(81.6)	705.7	(546.2)	(159.5)	22.6
	520.8	275.7	7.6	804.1	(81.6)	722.5	(557.6)	(164.9)	22.8

2009

	Sub standard $m	Doubtful $m	Loss $m	Total $m	Cash collateral $m	Exposure net of cash collateral $m	Securities and expected recoveries $m	Specific impairment $m	Gross impairment coverage %
Loans and advances to banks	10.4	44.2	20.9	75.5	-	75.5	(22.7)	(52.8)	69.9
Loans and advances to customers	597.5	193.3	31.5	822.3	-	822.3	(726.9)	(95.4)	11.6
	607.9	237.5	52.4	897.8	-	897.8	(749.6)	(148.2)	16.5

Renegotiated loans and advances

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 probably continue after the restructure. Loans and advances are assessed on an individual basis and monitored during the rehabilitation period before being transferred into the performing portfolio. Following rehabilitation, risk grades are assigned that are reflective of the risk in the exposure. Consequent impairment recognition is evaluated as part of the normal credit process. Renegotiated loans that would otherwise be past due or impaired, totalled US$230.4 million as at 31 December 2010 (2009: US$330.4 million).

Collateral obtained by the group

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 2010 was US$6.5 million (2009: nil).

29.5 Country and cross-border risk

Country risk is the 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. Country risk events may include sovereign defaults, banking or currency crises, social instability and changes in governmental policies such as expropriation, nationalisation and the confiscation of assets.

Cross-border obligations include cross-border claims on third parties as well as investments in and funding of local franchises. Cross-border claims on third parties include cross-border loans and deposits, credit equivalents of over-the-counter derivatives and securities financing, and the market value of the inventory of debt securities.

A global country risk committee approves country risk appetite limits for all countries. A country-rating model and a sovereign rating model are used to determine country and sovereign ratings for every country. The internal models are continuously updated to reflect the economic and political changes in individual countries. The results are compared with those of reputable rating agencies to validate the consistency of the model.

Country risk limits are set to force diversification and to avoid a build up of concentration risk. In this regard, the country limits are calibrated to a risk appetite which constrains the level of unexpected loss in the portfolio.

Country risk is further monitored through reviews of economic and political data by country risk resources based in Johannesburg, London and New York. Use is made of the group's network of operations, country visits and external sources of information. Countries designated as higher risk are subject to increased central monitoring.

Country concentration risk is managed and monitored by geographic region and country.

	2010 %	2009 %
Region [1]		
Asia	**8.2**	11.5
Eastern Europe	**11.4**	3.9
Middle East & North Africa	**5.6**	4.9
North America	**8.1**	15.7
South America	**5.5**	1.8
Sub-Saharan Africa	**11.6**	15.4
Western Europe	**49.6**	46.8
	100.0	100.0

[1] Based on the location of the customer

The concentration of exposures in Western Europe is mainly due to the placement of liquidity with major financial institutions. Concentrations to PIIGS and MENA countries are limited to 1.1% and 5.6% respectively of the total exposure.

29.6 Market risk

Definition

The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Major exposures to market risk occur in markets served by formal financial exchanges and over-the-counter markets. These exposures arise primarily as a result of the execution of customers' orders, although the group also assumes proprietary risk positions (which are not material in the context of the group's overall market risk positions). The group's exposure to market risk can be categorised as follows:

Trading market risk

These risks arise in trading activities where the group acts as a principal with clients in the market. The group policy is that all trading activities are contained within the CIB trading operations.

Banking book interest rate risk

These risks arise from the structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

Foreign currency risk

These risks arise as a result of changes in the fair value or future cash flows of financial exposures as a result of changes in foreign exchange rates other than those changes included in the VaR analysis for CIB's trading positions.

Equity investments

These risks arise from equity price changes caused by listed and unlisted investments, which is monitored and authorised by the investment committee.

Framework and governance

The SBG Board approves the market risk appetite for all types of market risk. The Board grants general authority to take on market risk exposure to group risk oversight committee (GROC) which delegates responsibility for limit setting and exposure monitoring to the capital management committee (Capcom) at a legal entity level. Group Asset & Liability Committee (ALCO) also sets market risk standards to ensure that the measurement, reporting, monitoring and management of market risk associated with operations across the group follow a common governance framework. Each operating entity within the SIH Group has an ALCO to monitor compliance with these market risk standards and report to international capcom.

Market risk management units, independent of trading operations, monitor market risk exposures due to both trading activities and banking activities. Exposures and any limit excesses are monitored daily, and reported monthly to Capcom. Level 1 limit breaches are also reported quarterly to the Group ALCO, GROC and group capital and risk management committee.

Market risk measurement

The techniques used to measure and control market risk include:

- daily VaR,
- stress tests,
- other market risk measures,
- annual net interest income at risk, and
- economic value of equity.

Daily value-at-risk

The group generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal market 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. All business unit and legal entity level 1 VaR limits require prior approval from Capcom.

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, thereby ensuring the appropriateness of models. Back-testing compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day VaR.

Stress tests

Stress testing provides an indication of the potential losses that could occur in extreme market conditions. The stress tests carried out include individual market risk factor testing and combinations of market factors per trading desk and for combinations of trading desks. Stress tests include a combination of historical and hypothetical type simulations. The potential losses indicated from the market risk stress testing program are all within the risk appetite of the group. This has been the case throughout the current period of market volatility and uncertainty.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers. In general, only approved products that can be independently priced and properly processed are permitted to be traded.

The quantitative analytics and risk methods department independently validate and document new pricing models and perform an annual review of existing models to ensure models are still relevant and behaving within expectations.

Analysis of trading book market risk exposures

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 periods specified. Stop loss triggers are designed to contain losses for individual business units by enforcing management intervention at predetermined loss levels measured against the individual highwater mark year-to-date profit and loss. Other basic risk measures specific to individual business units are also used. These measures include permissible instruments, concentration of exposures, gap limits and maximum tenor.

The agreed standard method for calculating VaR within the group is to use a historical simulation using the last 251 days of historical market data (to create 250 scenarios). Because of inconsistencies in the infrastructure across business lines, the VaR may be calculated using different data sets or using a different methodology such as a parametric model. In order to aggregate these different VaR calculations, the group combines either the resulting profit or loss vectors or a zero correlation (which is consistent with the manner in which the limits are allocated). Back-testing results indicate that the VaR is conservative at the overall trading level and hence this is regarded as a reasonable approach.

The group's trading activities achieved a positive actual income for over 73% of the trading days in 2010. The average daily revenue earned in 2010 was US$1.8 million with a standard deviation of US$3.2 million. During the year there were a total of four exceptions to the VaR limits at a 95% confidence level (2 exceptions at a 99% confidence level).

	Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
2010				
Normal VaR[2]				
Commodities	**7.8**	**2.8**	**4.2**	**5.3**
Foreign exchange	**1.2**	**0.4**	**0.7**	**0.5**
Equities	**2.5**	**1.4**	**1.8**	**1.8**
Debt Securities	**5.1**	**2.0**	**3.3**	**2.3**
Diversification benefit[4]				**(3.4)**
Stress VaR[3]				
Commodities	**46.4**	**15.1**	**22.9**	**25.7**
Foreign exchange	**9.2**	**2.6**	**4.6**	**2.9**
Equities	**13.9**	**8.0**	**10.0**	**10.8**
Debt Securities	**37.2**	**14.6**	**21.8**	**16.5**
Diversification benefit[4]				**(23.4)**

	Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
2009				
Normal VaR[2]				
Commodities	5.2	1.3	3.0	3.7
Foreign exchange	1.4	0.3	0.6	0.4
Equities	0.9	0.2	0.4	0.5
Debt Securities	9.9	3.7	5.8	5.1
Diversification benefit[4]				(1.6)
Stress VaR[3]				
Commodities	33.4	9.1	19.0	20.6
Foreign exchange	9.0	1.7	4.1	2.5
Equities	6.3	1.1	2.8	3.1
Debt Securities	76.4	27.2	43.5	37.7
Diversification benefit[4]				(15.6)

[1] The maximum (and minimum) VaR figures reported for each market variable did 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 have occurred on different dates.

[2] Normal VaR is based on a holding period of one day and a confidence interval of 95%.

[3] Stress VaR is based on a holding period of 10 days and a confidence interval of 99.7%.

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

Commodity exposure

The group has continued to develop the product offering in the commodity business as reflected in the VaR usage above.

The commodities business is primarily client driven with price risk hedged on major exchanges offering all standardised products such as forwards, european and asian options, swaps, leases and lease rate swaps. The group has physical capabilities in precious and base metals predominantly in London, Dubai and Singapore with access into all major physical markets in Europe, Asia, North and South America. The business consists of a diversified client-base including producers, consumers (including jewellers), hedge funds, private banks, recycling and refining companies, financial institutions and central banks.

To mitigate trading risk, a number of strategies are employed. Firstly, the group trades on a cleared basis with counterparties posting margins to a central clearer. Where this is not possible, the group executes credit support Annex (CSA) agreements such that margin or collateral is posted on a daily basis to offset any exposure arising from any live trades. Where this is not possible, the group will actively manage any embedded credit spread via the contingent credit protection (CCP) process and as a last resort take a credit calculation adjustment where no credit mitigation is possible.

Operational risk is managed through a dedicated commodities management unit and the group's operations team, using a number of automated systematic confirmations with exchanges, brokers, warehouses and clients. A daily reconciliation is performed for open trades, cash accounts, inventory, collateral and client account balances with any discrepancies being escalated to the appropriate relationship manager for resolution directly with the client. The group's separate operational risk department monitors KRIs around key business processes which are monitored and discussed with the business on a regular basis.

Base metals

Base metals business generally relates to metal stock positions forward sold to the original counterparty via reverse repo style transactions as well as metal warrants. The repo transactions are considered not to have any outright price risk as the risk and rewards of the stock have not been transferred to the group and the warrants are fully hedged by LME futures.

Precious Metals

The precious metals business relates to long metal stock positions primarily in gold, silver, platinum and palladium. Positions are typically transacted through metal trading facilities (MTF) where clients have deposited metal with the group in exchange for cash. The business subsequently hedges the stock exposure primarily through Comex futures positions.

Energy Trading

Energy business relates to long crude oil stock positions transacted with oil producing clients. The desk enters into floating rate forward sale agreements with a typical term of three months or less, generally with the original client, and hedges the price risk through fungible exchange traded and OTC forwards. The stock is located in highly liquid locations so that in the event of default they can be easily realised.

Analysis of banking book interest rate risk exposure

Banking related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on net interest income and equity. This risk is transferred to and managed within the group’s asset and liability management team under monitoring of the local Capcom. Each operating entity within the group manages this risk on a stand-alone basis.

The main analytical techniques used to quantify banking book interest rate risk are earnings and valuation-based measures. The results obtained from simulations assist in evaluating the optimal hedging strategies on a risk-return basis. Desired changes to a particular interest rate risk profile are achieved through the restructuring of the balance sheet and, where possible, the use of derivative instruments, such as interest rate swaps. The shape of the yield curve and the group’s own view of future interest rates are used as inputs in developing hedging strategies. Interest rate risk limits are set in terms of both changes in forecast net interest income and economic value of equity.

The repricing gaps for the group’s non-trading portfolios are shown on the next page. This view is for the purpose of illustration only, as positions are managed by currency to take account of the fact that interest rate changes are unlikely to be perfectly correlated. All assets, liabilities and derivative instruments are sited in gap intervals based on their repricing characteristics. Assets and liabilities for which no specific contractual repricing or maturity dates exist are placed in gap intervals based on management's judgement and statistical analysis, as determined by the most likely repricing behaviour.

Repricing gap for non-trading portfolios

	2010			
	0-3 months $m	3-6 months $m	6-12 months $m	>12 months $m
Interest Rate sensitivity gap	1,444.1	255.5	29.1	(96.2)
Cumulative Interest rate sensitivity gap	1,444.1	1,699.6	1,728.7	1,632.5
Cumulative interest rate sensitivity gap as a percentage of total banking assets	21.6%	25.5%	25.9%	24.5%

	2009			
	0-3 months $m	3-6 months $m	6-12 months $m	>12 months $m
Interest Rate sensitivity gap	1 447.5	305.8	(26.4)	78.6
Cumulative Interest rate sensitivity gap	1 447.5	1 753.3	1 726.9	1 805.5
Cumulative interest rate sensitivity gap as a percentage of total banking assets	16.8%	20.3%	20.0%	20.9%

Sensitivity of net interest income

The table below indicates the sensitivity in US Dollar equivalents of the group's net interest income in response to a change in interest rates, after taking into account all risk mitigating instruments, with all other variables held constant.

		2010			
	Increase in basis points	1 month $m	2 months $m	3 months $m	4-6 months $m
1% up (interest-rate increase)	100	(0.2)	-	(0.6)	0.4
1% down (interest-rate decrease)	100	0.2	-	0.6	(0.4)

		2009			
	Increase in basis points	1 month $m	2 months $m	3 months $m	4-6 months $m
1% up (interest-rate increase)	100	0.1	(0.2)	(1.6)	(1.1)
1% down (interest-rate decrease)	100	(0.1)	0.2	1.6	1.1

It is the group's policy that banking book assets and liabilities with duration greater than one week be match funded with the money markets desk, thus removing interest rate risk. However, a few business areas are exempt where their banking book interest rate risk is monitored in the same way as if it were a trading book, i.e. PV01 sensitivities are calculated. This is then aggregated in a similar manner to the other traded risks as detailed earlier.

Foreign currency risk

The group's foreign exchange positions arise mainly from foreign exchange trading activities, which are governed by position limits approved by the capcom in accordance with the group's market risk policy. These position limits are subject to review at least annually and foreign exchange exposures are monitored daily by the market risk function and reviewed monthly to ensure they remain within the approved risk appetite.

The group does not ordinarily hold open exposures in respect of the banking book of any significance. Consequently any gains or losses on foreign exposures and derivatives reported in profit or loss are not significant. 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.

Net investment in foreign operations

	2010 $m	2009 $m
Functional currency		
Chinese Renmimbi	54.2	28.3

The increase in net investment is due to a capital injection in Standard Resources (China) Limited, disclosed in note 10.

Market risk on equity investments

The investment committee approves investments in listed and unlisted entities, 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. Periodic reviews and reassessments are undertaken on the performance of the investments.

29.7 Liquidity risk

Framework and governance

Implicit in the nature of banking and trading activities is a continuous exposure to liquidity risk. The group's liquidity risk management framework has been significantly upgraded in line with increased regulatory standards compared to the previous financial reporting period. The framework is designed to measure and manage the liquidity position at various levels of consolidation such that payment obligations can be met at all times, under both normal and considerably stressed conditions. Under the delegated authority of the Board of Directors, the group capcom sets liquidity risk standards in accordance with regulatory requirements. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the group. Limits and guidelines are prudently set and reflect the group's conservative appetite for liquidity risk. Each banking entity within the group has a capcom charged with ensuring compliance with liquidity risk standards and policies.

Liquidity and funding management

In terms of the group's decentralised approach to the management of liquidity and funding, the group is required to incorporate the following elements as part of a cohesive liquidity management process:

- short term and long term cash flow management;
- maintaining a structurally sound balance sheet;
- foreign currency liquidity management;
- ensuring the availability of sufficient contingency liquidity;
- preserving a diversified funding base;
- undertaking regular liquidity stress testing; and
- maintaining adequate liquidity contingency plans.

The group's Capcom reviews the current and prospective funding requirements for all operations on an on-going basis through regular review of the liquidity ratio, maturity mismatch, deposit base diversification and stability as well as liquidity stress testing results. In addition, where deemed necessary, adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflow in the ordinary course of business.

Continuing the trend of 2009, the group maintained a strong liquidity profile throughout the year, ensuring that liquidity cushions were maintained at a high level above the minimum requirements, on precautionary grounds. The diversified funding base, comprising of a combination of corporate and institutional deposits, interbank deposits and longer term funding from a variety of SBG sources, has remained in line with business requirements and has allowed the group to meet these market challenges. SBG will ensure that, except in the case of political risk and unless specifically excluded by local public notice, the banking entities within the group are able to meet their contractual liabilities.

Structural requirements

The maturity analysis for financial liabilities represents the basis for effective management of exposure to structural liquidity risk. The table on the following page shows the undiscounted cash flows for all financial liabilities on a contractual basis based on the earliest date on which the group can be required to pay. This basis of disclosure differs from the carrying value of financial liabilities since those values are typically disclosed on a discounted basis. The table also includes contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the statement of financial position. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

Contractual maturities of the financial liabilities based on undiscounted cash flows

Expected cash flows vary significantly from the analysis below. For this reason, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or draw-down period, as well as to certain liquid assets. This process 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 although repayable on demand or at short notice, exhibit stable behaviour.

	2010						
	Redeemable on demand $m	Maturing within 1 month $m	Maturing 1 - 6 months $m	Maturing 6 - 12 months $m	Maturing after 12 months $m	Undated $m	Total $m
Financial liabilities							
Derivative liabilities	43.5	2 245.3	2 998.3	1 089.8	2 905.0	-	9 281.9
Trading liabilities	194.4	482.7	246.7	115.7	1 325.0	-	2 364.5
Deposits from banks	3 762.5	1 425.8	3 725.5	1 024.0	1 742.2	-	11 680.0
Deposits from customers	2 036.1	1 040.5	625.7	285.5	216.0	-	4 203.8
Subordinated debt	9.5	-	-	25.0	825.0	141.7	1 001.2
Total recognised financial liabilities	6 046.0	5 194.3	7 596.2	2 540.0	7 013.2	141.7	28 531.4
Letters of credit	-	39.6	91.7	46.8	16.2	-	194.3
Guarantees	-	-	-	-	-	-	-
Irrevocable unutilised facilities	-	4.5	72.0	49.1	344.7	-	470.3
Total unrecognised financial liabilities	-	44.1	163.7	95.9	360.9	-	664.6
Total	6 046.0	5 238.4	7 759.9	2 635.9	7 374.1	141.7	29 196.0

	2009						
	Redeemable on demand $m	Maturing within 1 month $m	Maturing 1 - 6 months $m	Maturing 6 - 12 months $m	Maturing after 12 months $m	Undated $m	Total $m
Financial liabilities							
Derivative liabilities	232.8	134.6	(169.4)	107.6	3 128.9	-	3 434.5
Trading liabilities	1 588.0	1 195.1	1 516.2	2 344.6	1 722.5	0.7	8 367.1
Deposits from banks	4 099.7	1 835.9	3 770.9	1 104.1	1 253.7	-	12 064.3
Deposits from customers	1 555.5	1 031.5	271.4	19.8	31.8	-	2 910.0
Subordinated debt	10.1	-	-	-	1 157.0	141.7	1 308.8
Total recognised financial liabilities	7 486.1	4 197.1	5 389.1	3 576.1	7 293.9	142.4	28 084.7
Letters of credit	-	69.0	297.8	128.3	125.8	-	620.9
Guarantees	-	9.2	69.5	13.6	33.0	-	125.3
Irrevocable unutilised facilities	-	5.0	7.4	159.6	117.8	-	289.8
Total unrecognised financial liabilities	-	83.2	374.7	301.5	276.6	-	1 036.0
Total	7 486.1	4 280.3	5 763.8	3 877.6	7 570.5	142.4	29 120.7

	Sight to 7 days $m	8 days to 1 month $m	1 to 3 months $m	3 to 6 months $m	6 to 12 months $m
			2010		
Contractual liquidity mismatch					
Net liquidity mismatch	**6 421.2**	**(2 284.4)**	**(3 520.3)**	**(538.2)**	**(609.3)**
Cumulative mismatch	**6 421.2**	**4 136.8**	**616.5**	**78.3**	**(531.0)**
			2009		
Net liquidity mismatch	3 617.4	(1 771.8)	(2 127.7)	(175.9)	(6.1)
Cumulative mismatch	3 617.4	1 845.6	(282.1)	(458.0)	(464.1)

Limits and guidelines are set to restrict the mismatch between the expected inflows and outflows of funds in different time buckets. As at the end of 2010, the group was within all regulatory and internal mismatch limits, and met all other internal requirements.

Contingency liquidity

Portfolios of highly marketable assets over and above prudential requirements are maintained as protection against unexpected disruptions in cash flows. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the event of a liquidity crisis. These assets include stocks of precious and base metals as well as securities. Additional to the possibility of liquidating asset positions, there are a range of other management actions available to manage liquidity under stressed conditions. These include reductions in the rate of origination of assets, transfers of assets to other group companies to optimize liquidity, and additionally declining to roll-over loans or reverse repos as they fall due from clients.

Liquidity contingency plans

Liquidity contingency plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The crisis response strategy is formulated around the relevant crisis management structures and addresses internal and external communications, liquidity generation, operations, as well as heightened and supplementary information requirements. Standard Bank Plc's liquidity contingency plan is continually reviewed and updated to reflect current market trends and conditions as well as reflecting the experience of recent historical market stress scenarios, rating changes and the range of management actions adopted to protect the group's position.

Diversified funding base

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties. Primary sources of funding are in the form of deposits across a spectrum of clients, as well as long term loan and capital market funding. A significant proportion of funding is received from the group's affiliate banks in Jersey and Isle of Man which handle the group's wealth businesses, and accordingly provide an element of retail funding to the group. Further funding is received from Standard Bank of South Africa's surplus foreign currency liquidity position. The group sets limits on this funding source to avoid undue dependence on South African sourced funding.

Liquidity stress testing

Anticipated on-and off-balance sheet cash flows are subjected to a variety of group specific and systemic stress scenarios in order to evaluate the impact of unlikely but plausible events on liquidity positions. Scenarios are based on both historical events, such as past emerging markets crises, and hypothetical events, such as a group specific crisis together with combinations of general market and firm specific stress events. The results obtained from stress testing provide meaningful input when defining target liquidity risk positions. At the current time, liquidity stress tests are run on a monthly basis and controlled to ensure that the results do not breach the parameters set by the Capital Management Committee. As at the end of 2010, the group was compliant with all stress testing limits.

The new FSA liquidity regime came into force during the current year in two stages, with the control framework becoming effective in December 2009 and the quantitative reporting in October 2010. This included a suite of new regulatory returns in addition to qualitative regime including prescriptive stress tests. Further enhancements were made to the group's asset and liability database to meet these requirements.

29.8 Operational risk *

Approach to operational risk management

The group's approach to managing operational risk is to adopt practices that are fit for purpose to suit the organisational maturity and particular environments in which the business operates. The current framework follows a primarily qualitative approach, being focused on ensuring underlying risks are identified and owned and that the residual risk is maintained within an acceptable level in the opinion of the relevant management overseen by an independent operational risk function within risk management. Independent assurance on the satisfactory management of operational risk is provided by internal audit. The day to day management of operational risk is embedded within the business areas in order for the risks to be managed where they arise. This is intended to increase the efficiency and effectiveness of the group's resources and minimise losses.

Framework and governance

The board risk management committee (BRMC), as the appropriately delegated risk oversight body on behalf of the board, has ultimate responsibility for operational risk. BRMC ensures that the operational risk management (ORM) framework for the management and reporting of operational risk is implemented across the group, whilst ensuring regulatory compliance where applicable.

The International business infrastructure committee (BIC) serves as the oversight body in the application of the group's operational risk management framework, including business continuity management and information risk. This is achieved through enforcing standards for identification, assessing, controlling, monitoring and reporting. The International BIC approves SIH level ORM policies and methodologies and oversees risk appetite and tolerance.

The roles and responsibilities for managing operational risks are stipulated in the operational risk governance standard and various ORM policies. These policies indicate the responsibilities of operational risk specialists, at all levels, and of the risk owners. Local heads of ORM may develop their own policies and procedures that better suit their unique environments. These policies and procedures must align to the SIH policies and procedures and must be approved by their respective executive committees.

The management and measurement of operational risk

The ORM framework serves to ensure that risk owners are clearly accountable for the risk inherent within the business activities of the group. The key elements in the ORM framework include methodologies and tools to identify, assess, monitor and manage operational risks.

Risk and control self-assessments are designed to be forward-looking. Management is required to identify risks that could threaten the achievement of business objectives and, together with the required set of controls and actions, to mitigate the risks as appropriate. Risk assessment incorporates a regular review of identified risks to monitor significant changes.

The incident data collection process ensures that all relevant operational risk incidents (including loss events, near misses and non-financial impacts) are captured into a centralised database. The flow of information into the incident database is a bottom-up approach. The capture process identifies and classifies all incidents in terms of an incident classification list. This information is used to monitor the state of operational risk, address trends, implement corrective action and manage recovery, where possible.

The group uses key risk indicators to monitor the relevant risks and controls highlighted in the risk and control self-assessment process. The implementation of the key risk indicators process is an integral element of ORM and is therefore compulsory throughout the group.

Operational risk reports are produced on both a regular and an event-driven basis. The reports include a profile of the key risks to the achievement of their business objectives, relevant control issues, and operational risk incidents. Specific reports are prepared on a regular basis for the BIC, BRMC and relevant Standard Bank Group committees.

The group maintains adequate insurance to cover key operational and other risks. The group's insurance process and requirements are the responsibility of the ORM Function.

Business resilience (including business continuity management and crisis management)

Business resilience is defined as the ability of Standard Bank's business operations to rapidly adapt and respond to internal or external dynamic changes - opportunities, demands, disruptions or threats - and continue operations with limited impact to the business through pro-active management and resilient infrastructure. Business resilience is primarily focused on developing and maintaining a pro-active and holistic response. Crisis management is based on a streamlined command and control process for managing the business through a crisis to full recovery. These processes may also be deployed to manage non-operational crises, including business crises, at the discretion of senior management.

Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of the group's information resources, which compromises their confidentiality, integrity or availability.

From a strategic perspective, information risk management is treated as a particular discipline within the operational risk framework. Essentially, information risk management not only protects the group's information resources from a wide range of threats, but also enhances business operations, ensures business continuity, maximises return on investments and supports the implementation of various services.

Fraud risk management

Standard Bank Group forensic services, which is mandated by the group audit committee (GAC), is responsible for fraud risk management practices throughout the group. There is a zero tolerance approach to fraud and corruption. Where necessary, disciplinary, civil and criminal action is taken against staff. Staff found guilty of dishonesty through the group's disciplinary processes will be listed on appropriate industry databases of dismissed staff. Losses incurred as a result of criminal activity from staff and third parties are investigated in conjunction with law enforcement agencies with the end-result being a criminal conviction and recovery of the proceeds of the crime. There are numerous anti-fraud mechanisms and campaigns in place to mitigate these losses from fraud, including: constant reviewing and re-engineering of internal processes and the engagement of law enforcement agencies and industry forums to discuss initiatives to adopt best practice to combat fraud and theft.

29.9 Legal risk *

The group's legal obligations arise throughout its global operations and where the group may be faced with risk where legal proceedings are brought against it.

Legal risk arises where:

- 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 in 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.

29.10 Taxation risk *

Framework and governance

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 fulfill 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;
- the group continually reviews its existing operations and planned operations in this context, and
- the group 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.

The identification and management of 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 fulfillment 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.

29.11 Compliance risk *

Compliance risk refers to the risk of failing to comply with applicable laws, regulations, codes of conduct and standards of good practice, which may result in regulatory sanctions, financial or reputational loss.

Framework and governance

The group operates a decentralised compliance risk management structure. Each primary business unit has central independent compliance functions. Executives with responsibility for all aspects of compliance risk management are subject to the appropriate corporate governance reporting structures.

All business units are responsible for compliance with the relevant legislation and have a reporting responsibility for compliance matters to the Chief Compliance Officer of SBG. This position of head of compliance has a statutory responsibility accorded by the South African Banks Act, 1990, and takes its mandate from the GAC, to which significant compliance risk management matters are reported on a quarterly basis. To support the group's approach to compliance risk management, which includes the adherence to the implementation of the SBG compliance policy and standards, a centrally based monitoring discipline undertakes a programme of review of business areas and high risk compliance exposures, using a risk-based approach. This approach is substantially aligned to the methodologies used by the group's other risk assurance functions. In addition, all the decentralised business unit compliance functions are enhancing their independent monitoring assurance capabilities.

Group compliance provides leadership through specialist support units on compliance with money laundering and terrorist financing control, occupational health and safety and emerging legislative developments.

Regulation and supervision

The group operates within a highly regulated industry and across multiple jurisdictions. The group is supervised by various regulatory bodies, with the Financial Services Authority its primary regulator. The group's ultimate holding company, SBG, is incorporated in South Africa and regulated by the Bank Supervision Department of the South African Reserve Bank, who also regulates the subsidiaries of SBG.

Money laundering control

Legislation pertaining to money laundering and terrorist financing control imposes significant record keeping and customer identification requirements on financial institutions, as well as obligations to detect, prevent and report money laundering and terrorist financing. The group continues to strengthen its commitment to combat money laundering and terrorist financing by improving control measures as the regulatory environment becomes more dynamic. To this end, automated monitoring and detection systems are being extended to include correspondent banking.

Client Money

The group has established policies and procedures to comply with specific FSA guidelines regarding client money. Where the group places client money with a third party bank, the account is designated as a client account and maintained separate from any account used to hold the group's own money.

29.12 Reputational risk *

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. 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. As a banking group, Standard Bank's good reputation depends upon the way in which it conducts its business, but it can also be affected by the way in which clients, to whom it provides financial services, conduct themselves.

* Indicates risk management section not subject to audit.

29.13 Capital management

The group manages its capital resource and requirements to:

- achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders;
- ensure that each group entity maintains sufficient capital levels for legal and regulatory compliance purposes; and
- ensure that its actions do not compromise sound governance and appropriate business practices and it eliminates any negative effect on payment capacity, liquidity or profitability.

The group is subject to regulation and supervision by the Financial Services Authority (FSA) and forms part of the SBG which is supervised by the South African Reserve Bank (SARB).

The group is subject to the Basel II regulatory framework for calculating minimum capital requirements published by the Basel Committee on Banking Supervision (the Basel Committee) as implemented by the FSA with effect from 1 January 2008. Basel II is structured around three pillars:

- minimum capital requirements;
- supervisory review process; and
- market discipline.

The group calculates credit and counterparty risk capital requirements using the FSA standard rules as well as on the FIRB basis for internal use and for reporting to the SARB. Market risk is calculated as a combination of approved models and standardised methods. Operational risk is calculated on the standardised approach.

As part of the pillar 2 process, the group has adopted the Internal Capital Adequacy Assessment Process (ICAAP) which is the firm's self assessment of capital requirements including for those risks not captured by pillar 1. As part of the governance process, and incorporated into the ICAAP, the group has implemented a macro economic stress testing model to assess the additional capital requirements and the impact on capital resource as a result of adverse economic conditions.

In addition to managing against the regulatory capital requirements, management also increasingly utilize more risk sensitive internal economic capital models to monitor and control the risk profile of the organization.

Economic Capital

The group also calculates economic capital, the management of which forms part of the overall risk management framework, including:

- capital adequacy as measured by the ratio of available financial resources to economic capital consumption forms part of the risk appetite;
- concentrations in terms of economic capital are reviewed against limits and managed by the portfolio risk management committee; and
- economic capital utilisation and various related performance metrics are reviewed by the capital management committee and form part of the capital allocation process.

Regulatory capital

During the period under review the group complied with all externally imposed capital requirements to which its banking activities are subject, mainly, but not limited to, the relevant requirements of the FSA and the SARB.

In addition to compliance with the requirements prescribed by the FSA, the group is required to meet minimum capital requirements of regulators in those countries in which it operates. Banking regulations are generally based on the guidelines developed by the Basel Committee under the auspices of the Bank for International Settlements. In addition to the requirements of host country regulators, all banking operations are also expected to comply with the capital adequacy requirements in terms of the FSA banking regulations on a consolidated basis.

The capital adequacy ratio, which reflects the capital strength of an entity compared to the minimum regulatory requirement, is calculated by dividing the capital held by that entity by its risk-weighted assets.

Capital is split into three tiers:

- Core Tier I (primary capital) represents permanent forms of capital such as share capital, share premium and retained earnings;
- Tier II (secondary capital) includes medium to long term subordinated debt, revaluation reserves and general debt provisions; and
- Tier III (tertiary capital) represents short-dated subordinated debt instruments to support trading activities.

Risk-weighted assets are determined by applying prescribed risk weightings to on and off balance sheet exposures according to the relative credit risk of the counterparty. Included in overall risk-weighted assets is a notional risk weighting for market risks, counterparty risks and large exposure risks relating to trading activities.

Capital Resources

The table below sets out the qualifying capital of the regulated entity

	2010 $m	2009 $m
Regulatory capital		
Core Tier I		
Share capital	1 083.5	1 071.0
Share premium	281.0	274.3
Qualifying reserves	247.9	327.8
Less regulatory deductions	(115.6)	(96.6)
Total Core Tier I	1 496.8	1 576.5
Tier II		
Subordinated debt instruments	966.7	1 198.4
Credit impairment against performing loans	39.0	46.6
Tier II Excess	(76.6)	(268.4)
Total Tier II	929.1	976.6
Less deductions from Tier I and Tier II	(156.8)	(74.0)
Total qualifying Tier I and Tier II capital	2 269.1	2 479.1
Tier III		
Short term subordinated debt instruments	25.0	144.0
Tier II excess	76.6	268.4
Total Tier III	101.6	412.4
Total eligible capital	2 370.7	2 891.5

30 Reclassifications and restatements

The reclassifications set out below result in an increase of US$49.5 million in total assets and total liabilities. These reclassifications require no adjustment to shareholder's equity or the income statement.

Group - 31 December 2009

	IFRS as previously reported $m	Commodity repurchase transactions[1] $m	Commodity leasing[2] $m	Bank / customer classification[3] $m	IFRS restated $m
Assets					
Derivative assets	6 363.1	(15.6)	-	-	6 347.5
Trading assets	7 108.0	(166.9)	271.9	-	7 213.0
Pledged assets	251.1	255.9	-	-	507.0
Loans and advances	17 219.5	-	(295.8)	-	16 923.7
Loans and advances to banks	8 230.2	-	(63.3)	(1 731.6)	6 435.3
Loans and advances to customers	8 989.3	-	(232.5)	1 731.6	10 488.4
Asset reclassification		73.4	(23.9)	-	
Liabilities					
Derivative liabilities	7 593.1	(180.8)	-	-	7 412.3
Trading liabilities	2 135.4	254.2	-	-	2 389.6
Deposit and current accounts	18 053.7	-	(23.9)	-	18 029.8
Deposits from banks	14 024.9	-	(9.7)	-	14 015.2
Deposits from customers	4 028.8	-	(14.2)	-	4 014.6
Liability reclassification		73.4	(23.9)	-	

Company - 31 December 2009

	IFRS as previously reported $m	Commodity repurchase transactions[1] $m	Commodity leasing[2] $m	Bank / customer classification[3] $m	IFRS restated $m
Assets					
Derivative assets	6 343.5	(15.6)	-	-	6 327.9
Trading assets	7 087.1	(166.9)	271.9	-	7 192.1
Pledged assets	251.1	255.9	-	-	507.0
Loans and advances	17 176.7	-	(295.8)	-	16 880.9
Loans and advances to banks	8 229.0	-	(63.3)	(1 731.6)	6 434.1
Loans and advances to customers	8 947.7	-	(232.5)	1 731.6	10 446.8
Asset reclassification		73.4	(23.9)	-	
Liabilities					
Derivative liabilities	7 569.5	(180.8)	-	-	7 388.7
Trading liabilities	2 135.4	254.2	-	-	2 389.6
Deposit and current accounts	18 028.0	-	(23.9)	-	18 004.1
Deposits from banks	14 001.7	-	(9.7)	-	13 992.0
Deposits from customers	4 026.3	-	(14.2)	-	4 012.1
Liability reclassification		73.4	(23.9)	-	

[1] Based on market practice; analogy to IFRS requirements for financing transactions with a financial instrument underlying; and to ensure consistency with other similar transactions in the banking book, the disclosure of certain commodity based financing transactions has been revised with no impact on results for the year. Historically, certain commodity based financing transactions have been accounted for as outright purchases and sales. The group now disclose these commodity based financing transactions as reverse repurchase agreements (buy and sell back) and repurchase agreements (sell and buy back). These financing transactions are accounted for in accordance with the group's existing accounting policy for Sale and repurchase agreements and lending securities (commodity leasing).

[2] Based on market practice and analogy to IFRS requirements, the treatment of certain leased type transactions has been revised which impacts the classification and disclosure of these transactions with no resultant impact on results for the year. These comprise commodity based leasing transactions which in prior periods were treated as loan transactions with the underlying stock being derecognised. These are now classified as lease type transactions with no derecognition of the commodity holding.

[3] The definition of banks has been aligned to that of SBG. This definition change requires that only entities that are regulated deposit taking institutions be classified as banks. In previous reporting periods, overnight placements with certain banking groups, which are not regulated deposit taking institutions, were included under loans to banks. These placements have now been reclassified as loans to customers.

30 Reclassifications and restatements (continued)

Group – 31 December 2008

	IFRS as previously reported $m	Commodity repurchase transactions $m	Commodity leasing $m	Bank / customer classification $m	IFRS restated $m
Assets					
Derivative assets	11 162.9	(241.8)	-	-	10 921.1
Trading assets	4 904.1	237.6	205.1	-	5 346.8
Loans and advances	17 967.7	-	(266.9)	-	17 700.8
Loans and advances to banks	8 036.6	-	-	(608.8)	7 427.8
Loans and advances to customers	9 931.1	-	(266.9)	608.8	10 273.0
Asset reclassification		(4.2)	(61.8)	-	
Liabilities					
Derivative liabilities	11 024.2	(4.2)	-	-	11 020.0
Deposit and current accounts	19 321.1	-	(61.8)	-	19 259.3
Deposits from banks	14 584.0	-	-	-	14 584.0
Deposits from customers	4 737.1	-	(61.8)	-	4 675.3
Liability reclassification		(4.2)	(61.8)	-	

Company – 31 December 2008

	IFRS as previously reported $m	Commodity repurchase transactions $m	Commodity leasing $m	Bank / customer classification $m	IFRS restated $m
Assets					
Derivative assets	11 153.0	(241.8)	-	-	10 911.2
Trading assets	4 902.2	237.6	205.1	-	5 344.9
Loans and advances	17 979.0	-	(266.9)	-	17 712.1
Loans and advances to banks	8 059.0	-	-	(608.8)	7 450.2
Loans and advances to customers	9 920.0	-	(266.9)	608.8	10 261.9
Asset reclassification		(4.2)	(61.8)	-	
Liabilities					
Derivative liabilities	11 014.5	(4.2)	-	-	11 010.3
Trading liabilities	2 012.1	-	-	-	2 012.1
Deposit and current accounts	19 324.6	-	(61.8)	-	19 262.8
Deposits from banks	14 584.6	-	-	-	14 584.6
Deposits from customers	4 740.0	-	(61.8)	-	4 678.2
Liability reclassification		(4.2)	(61.8)	-	

31 Subsequent events

On 8 February 2011, the company increased its ordinary share capital and share premium by the issue of one share to Standard Bank Group Limited, the ultimate parent, for the consideration of US$150 million.

32 Ultimate holding company

The largest group in which the results of the company are consolidated is that headed by Standard Bank Group Limited, a company incorporated in the Republic of South Africa. The smallest group in which they are consolidated is that headed by Standard International Holdings S.A. a company incorporated in Luxembourg. The consolidated financial statements of these groups are available to the public for inspection at:

Standard Bank Group Limited
Standard Bank Centre
5 Simmonds Street
Johannesburg 2001
Republic of South Africa

Standard International Holdings S.A.
20 Gresham Street
London
EC2V 7JE
United Kingdom

Acronyms and abbreviations

ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
BIC	Business Infrastructure Committee
BRMC	Board Risk Management Committee
CAPCOM	Capital and Liquidity Management Committee
CCP	Contingent credit protection
CEEMECA	Central and Eastern Europe / Middle East / Central Asia
CEO	Chief Executive Officer
CIB	Corporate and Investment Banking division
company	Standard Bank Plc
CSA	Credit Support Annex
CSSS	Credit Suisse Standard Securities
CVA	Credit valuation adjustment
EAD	Exposure at default
Ecap	Economic capital
EP	Economic profit
EU	European Union
FSA	Financial Services Authority
GAC	Group Audit Committee
GROC	Group Risk Oversight Committee
group	Standard Bank Plc and its subsidiary / SPEs
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICBC	Industrial and Commercial Bank of China Limited
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards as adopted by the EU
ISDA	International Swap Dealers Association
LGD	Loss given default
LME	London Metal Exchange
MENA	Middle East and North Africa
MTF	Metal trading facilities
ORM	Operational Risk Management
OTC	Over-the-counter
PCC	Pre credit committee
PCS	Private Client Services
PD	Probability of default
PIIGS	Portugal, Ireland, Italy, Greece and Spain
PIM	Principal Investment Management
PIT	Point in time
PRMC	Portfolio Risk Management Committee
QARM	Quantitative Analytics and Risk Methods
Remco	Remuneration Committee of Standard Bank Plc
SARB	South African Reserve Bank
SB Plc	Standard Bank Plc
SBG	Standard Bank Group Limited
SBLH	Standard Bank London Holdings Plc
SBSA	Standard Bank of South Africa Limited
SIH	Standard International Holdings S.A.
SPE	Special Purpose Entity
TTC	Through the cycle
UL	Unexpected loss
VaR	Value-at-risk
VAT	Value added tax
ZAR	South African Rand

Contact information

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Notes

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