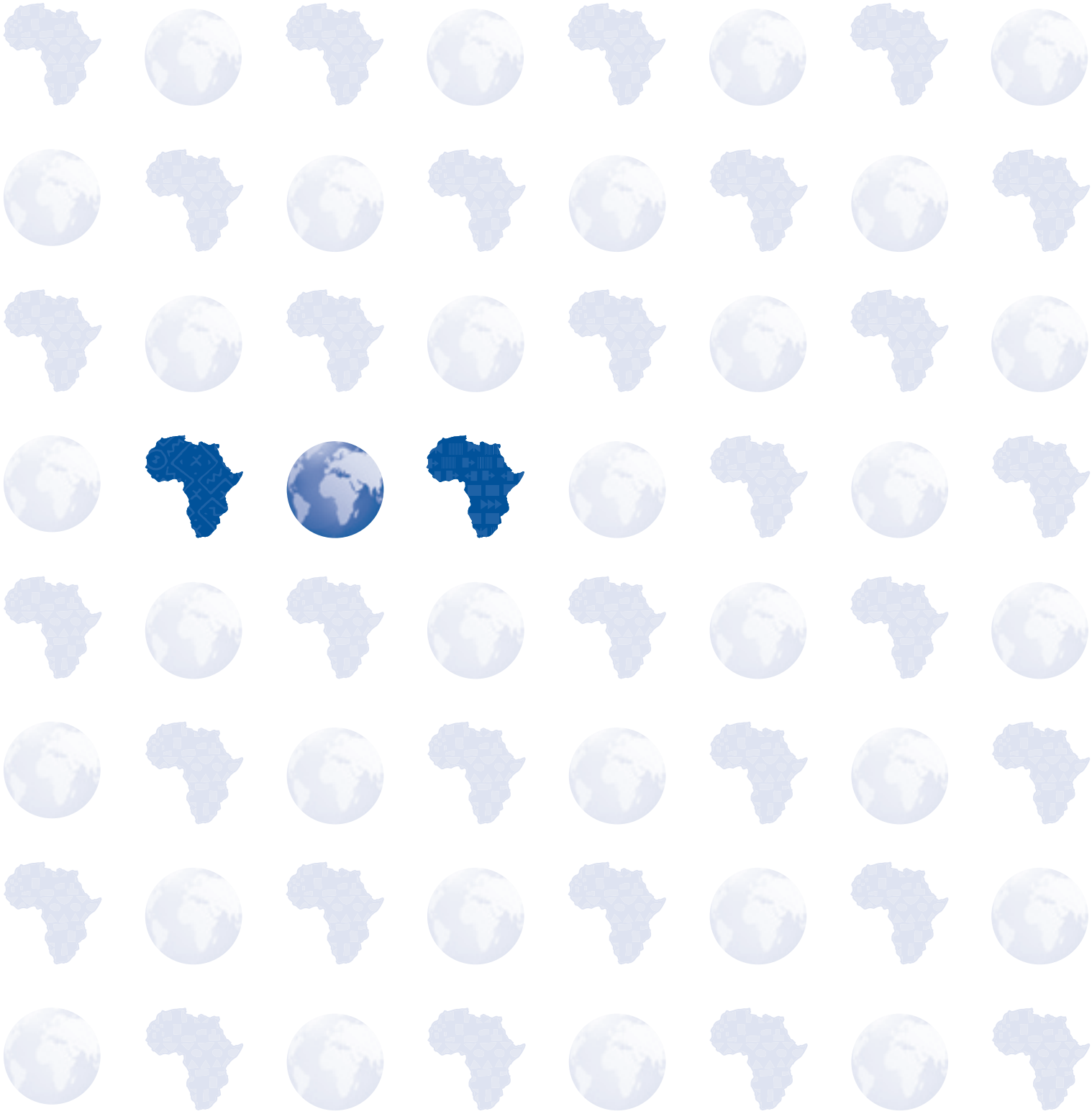


Standard Bank Plc

Consolidated Annual Report 2009

Standard Bank

Annual financial statements

Directors' report

The directors present their report and accounts for the year ended 31 December 2009.

Basis of preparation

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 its approach to capital management and allocation, are described in note 28.

Standard Bank Group profile

The Standard Bank Group Limited, based in Johannesburg, is the ultimate holding company for the global activities of the Standard Bank Group. With total assets in excess of US$180 billion and employing 50 000 people worldwide, the Standard Bank Group is one of Africa's leading banking and financial services organisations. In November 2007 Standard Bank Group announced 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, Corporate & Investment Banking and Investment Management & Life Insurance. These global business segments operate across South Africa, Africa and other international locations outside of Africa. Standard International Holdings' (SIH) principal operating subsidiary is Standard Bank Plc (SB Plc).

Principal activities and product areas

Standard Bank Plc 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 and is 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 and currency products and natural resources.

Principal product areas

Global Markets Division

The Global Markets division comprises all customer-driven market-making and sales activities across the full spectrum of traded financial and commodity risk, together with the funding and liquidity management activities of the group. 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 & 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

Investment Banking

The Investment Banking division provides a full suite of advisory and financing solutions to clients, both cross border and domestically within our core countries. Financing solutions range from corporate loans and bond issues to highly structured products across the equity and debt capital markets. Key structured product areas, include Project Finance, Structured Trade and Commodity Finance, Acquisition and Leverage Finance, Hybrid Finance, Structured Finance, Asset and Lease Finance, Securitisation and Advisory. These areas are also aligned where applicable by execution expertise to our key sectors within Client Coverage, which work together to create bespoke solutions for our clients.

Principal Investment Management (formerly known as Emerging Markets Asset Management)

The Principal Investment Management business houses the group's alternative investment related activities of Private Equity, Real Estate Investments, Distressed Debt and Debt Funds.

Private Client Services

Private Clients Services (PCS) aims to address the financial and wealth planning needs of high net worth clients in the emerging markets (based primarily in Russia/CEE, Middle East and Africa). It is a relationship driven business that operates on both sides of a client's balance sheet. PCS is closely aligned with the wholesale banking teams, giving the group the ability to provide a holistic client service. PCS also compliments the established private banking, investment services and fiduciary activities in the Standard Bank Offshore Group.

Client Coverage and Distribution

The Client Coverage division entrenches client centricity into the business operating model of the group. It is responsible for the servicing of the group's core client relationships by operating at strategic level and by delivering the firm's full range

of products and services in a solutions based approach. The division locates itself across the globe to be close to and help key clients exploit relevant market opportunities and ideas across the group's emerging markets footprint. The division centres on client interaction and advice but will provide solutions on financing structures as well as the hedging of market exposures. The Client Coverage team is set up along industry lines with experienced industry professionals in each sector group. These global sectors, which also map to the drivers of economic growth for Emerging Markets, are: Oil, Gas and Renewables; Telecoms and Media; Financial Institutions; Mining and Metals; and Power and Infrastructure. Excess risk is distributed and shared with the group's Global investor base, which is strategically covered by the Investor Coverage group.

Market conditions and developments

The Standard Bank Plc business delivered a strong performance for the year given the difficult market and regulatory conditions. The industry continued to see a weak loan origination environment and client investment banking demand with revenue generation weighted towards trading activities. Our performance matched our expectations with strong trading results and an Investment Banking result weakened by rising provision levels but, as anticipated, the credit impairment charges have declined significantly in the second half of 2009. Our cost to income ratio remains stable benefitting from good cost management and headcount reductions from last year. Headcount and costs were reviewed at the start of the year and appropriate reductions made which, while leading to exit costs in 2009, will ensure an efficient cost base going forward.

Regulatory challenges continue to be faced across the board. These include the necessity for higher Tier 1 capital ratios, an anticipated reduction in leverage ratios, stringent monitoring of liquidity portfolios, implementation of revised compensation policies and enhanced supervision by regulators. Further regulatory uncertainty remains with announcements of potential changes to banking structures in the United States and impending elections in the United Kingdom. These developments will continue to be monitored closely and our business model adapted as appropriate. We continue to remain comfortable with our conservative capital, liquidity and leverage positions.

Despite the volatile markets we have continued to implement our strategy emphasising core countries, clients and sectors, a focus on building scale in domestic markets and leveraging our emerging markets cross border capability. We continue to operate a global 'One CIB' operating model which incorporates the Standard Bank Plc business along with all the other corporate and investment activities in the Standard Bank Group, demonstrating our strong track record in client service in global emerging markets. Our strategic relationship with ICBC and our alignment with Africa position us at the heart of predicted growth in trade flows between the high growth countries in emerging markets. The successful acquisition of 36.4% of Troika Dialog (Troika) has enhanced our position and platform in a key BRIC country. We have also invested in a number of key hires across all regions and products to enhance the depth and quality of our management teams.

The ICBC relationship continues to develop and strengthen across all fronts. The scope of co-operation has been widened and value is being delivered through our ability to deliver cross border transactions to and from China and our other presence countries.

Investment in infrastructure has continued to be made across all support areas providing a robust and efficient technology platform from which to operate and further investment will continue in 2010. Significant progress has been made in providing the business with a capital efficient operating model with the FSA granting CAD2 approval for the Credit Trading business. This is in conjunction with prior successful CAD 2 applications and the Equities application which is in progress.

Performance

Global Markets Division

Global Markets performed well in 2009, growing revenue compared to 2008, which itself had been a record performance. In particular, the division took advantage of the market volatility in the early part of 2009 and of the sustained benign trend in short term rates which has fuelled demand for greater yield and commodity exposure. Positive revenues were generated by each of the product units with strong performances from the Credit, Energy and African Local Markets desks. The streams were partially offset with additional costs to maintain enhanced funding, liquidity and capital profiles to protect the group through the adverse credit market conditions. A pleasing note was the low incidence of customer defaults and of any unexpected valuation reductions that might have been affected in a generally difficult year for Emerging Markets, as the effects of dwindling G10 demand finally filtered through the cycle.

Client revenues continued to represent a significant portion of total income, with the balance arising from 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 producer and consumers in the commodity space. Value at Risk (VaR) has remained consistently below 40% of trading limits, with proprietary risk activities housed in a segregated business unit within the division. Our client focus has been enhanced through the new partnership with Troika. All domestic activities in Russia are now conducted through Troika, who have taken on board the assets from the former Standard Bank Russian subsidiary. In addition there has been an increased focus on developing the platforms for future growth in physical commodity and equity trading businesses. These two new desks will sit alongside the existing Commodities, Foreign Exchange, Local Markets and Credit businesses. Each will form part of a centralised trading group within a regional structure, overseen by a single management team and common approach to risk management across all trading aspects of the business.

Investment Banking Division

Investment Banking

In spite of extremely challenging market conditions, Investment Banking posted revenue results broadly in line with the prior year following a strong second half performance. Overall credit impairment charges were higher than the prior year, negatively impacting results, with the majority of the charges falling within the first half of the year. Initiatives completed during the period under review include a focus on future flow to our Securitization business, the establishment of a Structured Commodity Solutions business in co-operation with our commodities trading business in Global Markets, and the embedding of our Loan Syndication and Agency function to enhance our ability to distribute and share risk with our investor base.

The Structured Solution teams again performed well and generated considerably higher revenues. Debt Capital Markets and Project Finance also enjoyed strong revenue growth, offset however by higher credit impairments, whilst the advisory business was adversely impacted by the negative market sentiment brought about by the global economic downturn.

Looking ahead to 2010, initiatives are underway to further develop a deeper high yield and equity capital market capability.

Client Coverage and Distribution

The Coverage teams in the group's core sectors of Oil, Gas & Renewables, Power & Infrastructure, Financial Institutions, Mining & Metals and Telecoms & Media sectors all showed strong growth in business during the year, aligned with the general pick up in growth of these sectors. In terms of credit risk, the sectors principally affected were the Oil and Gas and Mining and Metals sectors, where impairments were within our risk appetite. The strategy of focusing on core clients, core sectors and core countries, with relationships led from an advisory perspective delivered a strong second half of the year with an improved quality of earnings alongside a development in the diversity of business mapping to our core franchise. The team was on hand to offer its services to the group's core relationships as they faced the financial challenges of the year which required, inter alia, strategic advice, innovative financing structures and hedging against volatile market exposures.

Further emphasis has been placed on supporting the group's strong China and Africa link, as well as supporting its role as the connector between other Emerging Markets. Specifically, the client coverage team in Asia has been strengthened and expanded and is working closely with colleagues in ICBC, to help unlock the potential to participate in trade and investment flows between China, Africa and other emerging markets. This resulted in a number of significant deals closing in the year matching to this strategy. The group has created an African Coverage team with a remit to facilitate a greater connection between our African presence and the other core geographies.

Looking ahead to 2010, the strong drivers of business will once again be generated by our core sectors. A key driver of growth globally lies in the emerging markets, and specifically these sectors remain of great importance to ensuring sustainable growth in Emerging Markets and especially within Africa. The continued growth of cross border flows between Emerging Markets, and their relative importance in relation to developed market flows affirms Standard Bank's strategic positioning as the connector in those markets which should continue to drive growth for the Corporate & Investment Banking (CIB) franchise.

Principal Investment Management
(formerly known as Emerging Markets Asset Management)

The Principal Investment Management division continues to develop and benefit from the integration of the group's alternative investments under one management structure. Results were in line with expectations across the division.

The Private Equity business continued to grow its emerging market franchise based on two key components: the calibre of the team and its investment track record, and a focus on markets where, through Standard Bank Group's franchise and network, the business has real differentiation. The Private Equity business' underlying investments maintained value during a difficult year, and overall budgeted revenues were exceeded due to the business being able to take advantage of market events to achieve gains.

During the year part of the Special Situations business was transferred to the Global Markets division and the business re-branded as Distressed Debt focusing on Asian and Turkish non-performing loans (NPL) and distressed debt opportunities. The focus in 2009 was on cash collections in the existing portfolios rather than new investments with the group's exposure significantly reduced over the course of the year. While the income statement performance of the business was disappointing as a result of market conditions, the platform is well developed and in a strong competitive position in the market.

Private Client Services

2009 was a challenging year. The reduction in asset values and the tightening of credit markets negatively impacted the business, both in terms of existing and new business opportunities. However, no significant client accounts have moved away during the period.

Looking ahead to 2010, market conditions are showing early signs of improving and although we still anticipate a very challenging year, we are confident our strategy of targeting selected emerging market clients and aligning with both our offshore private client businesses and the wholesale bank, will deliver positive results.

Financial results

The group's results for the period are shown in the consolidated income statement on page 15 and key performance indicators are discussed below.

Profit attributable to equity shareholders of US$64.3 million was US$6.5 million up on the prior year due to increased trading revenue and improved net interest margin partially offset by increased credit impairment charges. The return on equity of 4.1% (2008: 5.1%) decreased as a consequence of an increased equity base in response to the heightened market uncertainty and regulatory developments. The improvement in the cost to income ratio of 69.0% (2008: 72.6%) reflects the increased revenues and continuing benefits of the cost management activities initiated last year in response to market conditions. The effective tax rate decreased in the year to 26.3% (2008: 47.2%) due mainly to benefits from prior years.

A bank payroll tax was announced in December 2009 by the UK government which is levied on qualifying bonus awards. As the legislation has not yet been enacted, no provision has been recorded in this year's results.

Total assets decreased to US$31 417.2 million from US$35 176.9 million in the prior year, primarily as a result of substantially lower derivative balances and a selectively reduced loan book. These reductions have been partially offset by larger trading balances, mainly related to higher commodity lending positions.

In December 2009, not withstanding the rating agencies' downgrade, the company successfully placed US$500 million of 10 year subordinated debt in the international capital markets and also raised US$300 million of subordinated debt from Standard Bank Group entities. SB Plc's long term credit rating was downgraded to BBB+ and Baa2 by Fitch and Moody's Investor Services respectively. The short term ratings remain unchanged.

Capital resources

At the year end the group's equity capital resources amounted to US$1 676.2 million (2008: US$1 506.8 million) and total capital resources qualifying for prudential purposes amounted to US$2 891.5 million (2008: US$2 040.7 million). The substantial increase in the regulatory capital base has been in response to the extreme market conditions and potential impacts on the group's capital position. The group remains well capitalised with a capital adequacy ratio of 17.7% (2008: 14.0%) and a core Tier I ratio of 9.6% (2008: 9.6%) and Risk Weighted Assets of US$16 340 (2008: US$14 595).

During the year the company increased share capital by US$50 million through a share issue to Standard Bank London Holdings. In December 2009 subordinated debt of US$85 million which qualified as regulatory capital, was redeemed. We expect to maintain the Core Tier 1 ratio at levels which significantly exceed the minimum requirements of the Financial Services Authority, for the duration of the current period of financial and economic stress.

Risk management

The effective management of risk is fundamental to the business activities of the group as we remain committed to the objective of increasing shareholder value by developing and growing business that is consistent with our agreed risk appetite. A number of senior appointments have been made in the year to further enhance this strategy.

The group had a strong focus on managing credit risk in the current environment by means of a number of management actions including early response to credit changes, credit portfolio analysis and stress testing, specific reviews and sector analysis. This has proved to be particularly helpful in early identification of problem concentrations within specific portfolios and has allowed the group to take proactive action to minimise loss. Throughout the year there has been an improvement in general market conditions which has been reflected in tightening counterparty credit spreads, however, distribution markets are yet to respond with the effect that concentration risk remains high. The Portfolio Risk Management Committee monitors concentration risk within the portfolio by country, sector and obligor. Concentrations are measured in terms of economic capital and are reviewed against internal limits of 3% for obligor concentration and 15% for both country and sector. As at the reporting date there were two exceptions to the internal concentration limits, one obligor concentration and one country concentration. The status of these is closely monitored with exposures often supported by collateral arrangements which act as potential risk mitigants. Throughout the year both expected and unexpected losses have decreased due to tightening credit spreads but with an increase in the obligor concentrations as a percentage of the overall loan portfolio. Management and reduction of concentration risk will be a key focus for the business in the coming year.

As in 2008, a strong liquidity profile was maintained throughout 2009 ensuring that the group maintained liquidity buffers at a high level, significantly above minimum requirements on precautionary grounds. Market conditions have seen improvements throughout the year with rallying indices and tightening spreads, however, access to and the shortage in wholesale term funding has been one of the key challenges for all financial institutions. Our diversified funding base, comprising a combination of corporate and institutional deposits, interbank deposits and longer term funding from a variety of Standard Bank Group sources, has grown over the year and has allowed us to meet these market challenges. In December 2009 the group issued US$800 million subordinated debt, qualifying as Tier 2 capital for regulatory purposes, which was well received by the market. The Standard Bank Group will ensure that, except in the case of political risk, and unless specifically excluded by local public notice, that the banking entities within the group are able to meet their contractual liabilities.

The key risks and risk management processes and policies are set out in note 28 of this report.

Dividends

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who currently hold office are as follows:

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

On 25 September 2009, Mr R Vardanian was appointed to the Board.

None of the directors held any beneficial interest in the ordinary share capital of the group during the year or at 31 December 2009.

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.

Internal Control and Financial Reporting

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 24 February 2010, the date of approval of the Consolidated Annual Report for 2009.

The directors and senior management of the group have formally adopted a Group Risk and Controls Policy which sets 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 Board committees.

Executive Committee

This Committee is responsible for the day-to-day management of the group. Subject to the overall authority of the Board, it 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, authorise/approve appointment of staff to senior managerial positions and review the activities of executive sub-committees.

Membership: The Committee comprises the executive directors and certain senior executives, namely David Duffy (Chairman), Jenny Knott, Simone MacLeod-Nairn, Ros Renel, Wim de Bruyn, Gert Vogel, Grant Joyce and Mark Gheerbrant.

The major executive sub-committees, supporting the Executive Committee in fulfilling its responsibilities, are the Credit Committee, the Capital Management Committee and the Business Infrastructure Committee.

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. Its 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, Derek Cooper and Christopher Sheridan.

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 and operational. It 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, Derek Cooper, Jacko Maree, Christopher Sheridan and Henry Staunton.

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), Derek Cooper, 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.

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, religion, sex 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$64 039 during the year.

Payment of suppliers policy

The group follows a formal policy of 30 days with respect to payments to suppliers.

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.

By order of the Board

S C Smollett
Secretary
24 February 2010

20 Gresham Street
London EC2V 7JE
Registered in England No. 2130447

Remuneration policy statement

By creating a reward strategy that is both aligned to the market and supports Standard Bank Plc's growth plans and the wider International operations, we are reinforcing our commitment to creating a leading global emerging markets investment bank that attracts and retains world class people. At the core of our philosophy is the value we place on our people, and the role that they play in delivering sustainable growth for Standard Bank Plc within its agreed risk tolerance and in a responsible manner. Consequently, the remuneration structures and practices seek to align growth of our human resource with delivery of value to our stakeholders.

The Standard Bank Plc Remuneration Committee (Remco) designs and evaluates the remuneration structures, and monitors their functioning, to ensure that they are consistent with sound risk management systems and controls, and operate within the group's stated risk appetite. The Remco role is to develop and govern specific remuneration structures and policies, consistent with the Standard Bank Group philosophy, but specifically aimed at attracting, retaining and motivating the calibre of people required to meet the objectives of SB Plc and deliver on its agreed business strategy.

The group remuneration philosophy strives to ensure that:

- reward strategies and remuneration are competitive, and promote the attraction, motivation and retention of high calibre people at all levels of the organisation,
- reward strategies and remuneration designs motivate strong and sustained performance within the group's stated strategy and risk profile,
- reward strategies and remuneration align with the interpersonal, personal and technical competencies established by role and level in the organisation,
- performance measurement at a number of absolute and relative levels – business, individual and competitive – continues to be integral to remuneration practice,
- incentive pools are derived by major business area, and are strongly shaped by the risk-adjusted profitability, and other key financial metrics,
- remuneration schemes are not linked by formula to revenue generation, nor do they induce risk-taking in excess of the group's risk appetite,
- the asymmetry inherent in variable compensation is effectively managed,
- the interests of senior management are closely aligned with those of shareholders,
- transparency on remuneration designs and processes is maintained with both employees and shareholders,
- stakeholders are able to make a reasonable assessment of reward practices and the associated governance process and
- rigorous oversight and control of remuneration is in place and that the group complies with all applicable laws and codes.

Base salary is generally targeted at the market median for a particular role being performed at a competent level. Individual base salaries are reviewed normally on an annual basis. Market data is used to benchmark salaries and SB Plc takes part in benchmarking surveys. Salary ranges are in place for executive and managerial positions and are also reviewed annually.

The remuneration philosophy includes both short and long term incentives:

Short term incentives are delivery specific, and are considered to be strong drivers of competitiveness and performance. A portion of an employee's reward is therefore variable, being determined using the following principles:

- short term incentives are aligned with respective business unit and overall performance against objectives, including its risk profile and evaluation of future development and growth,
- bonus pools are centrally approved, with oversight by Remco, taking into account return on equity, cost to income, earnings growth, risk profile, governance and other metrics – balancing delivery to both shareholders and employees,
- individual awards are shaped by quantitative ratings against objective criteria, and qualitative assessments using a variety of assessments, conducted during the performance period,
    - individual performance rating
    - criticality assessment
    - risk management assessment
    - future development assessment
    - peer ranking
- external competitor benchmarking and current market conditions also affect individual awards and
- guaranteed incentive awards are used only in exceptional circumstances and not for periods greater than 12 months.

A percentage of any individual incentive award over US$150,000 is deferred into Quanto Stock Units for periods of up to 3 years. Quanto stock units are linked to the share price of Standard Bank Group Limited, but expressed in US dollars. These seek to ensure that the objectives of management and shareholders are broadly aligned over longer periods of time and business performance. The deferred incentives provide management and employees with a stronger link to the continuing performance of the overall group, thereby encouraging an equity culture and to encourage employees to think and act like long term shareholders.

Deferred incentive awards are also designed to allow for forfeiture or 'clawback' in circumstances where an employee's behaviour results in events that are detrimental, such as a material financial misstatement, or misconduct that results in legal, regulatory or reputational harm to Standard Bank Plc or the wider group.

In addition, awards may be made to senior management of Standard Bank Group options, being options on Standard Bank Group Limited shares with a life of 10 years and vesting periods of 3-7 years.

Details of share based incentives are disclosed in the notes to the financial statements.

Remuneration for 2010 - A Total Compensation Philosophy

Employee compensation will be measured on a 'Total Compensation' basis. We will monitor salary and incentive increases combined on a year to year basis. The reward framework will comprise these key elements managed together to ensure that total compensation is appropriate.

Additionally, the group will continue to ensure its remuneration policies and practices remain competitive, incentivise performance and align with the group's values. Remco will continue to monitor the alignment of awards granted to staff and risks assumed by the group.

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.

Under applicable law and regulations, the directors are also preparing a Directors' report and corporate governance statement that complies with that law and those regulations.

Independent auditor's report to the members 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 2009, set out on pages 14 to 87. 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 members, 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 members 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 members, 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 12, 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 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 web site at www.frc.org.uk/apb/scope/UKP.

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 2009 and of the group's profit 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 matters 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:

Under the Companies Act 2006 we are required 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
1 Canada Square, London E14 5AG
24 February 2010

Consolidated statement of financial position

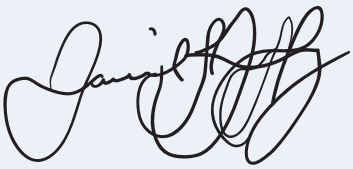
at 31 December 2009

	Note	2009 $m	2008 $m
Assets			
Derivative assets	3	**6 363.1**	11 162.9
Trading assets	4	**7 108.0**	4 904.1
Financial investments	5	**79.2**	81.0
Pledged assets	6	**251.1**	207.4
Loans and advances	7	**17 219.5**	17 967.7
Loans and advances to banks	7	**8 230.2**	8 036.6
Loans and advances to customers	7	**8 989.3**	9 931.1
Other assets	8	**239.2**	744.5
Deferred tax asset	9	**13.2**	27.7
Intangible assets	11	**96.6**	73.0
Property and equipment	12	**47.3**	8.6
Total assets		**31 417.2**	35 176.9
Liabilities and equity			
Liabilities		**29 741.0**	33 670.1
Derivative liabilities	3	**7 593.1**	11 024.2
Trading liabilities	13	**2 135.4**	2 012.1
Deposit and current accounts	14	**18 053.7**	19 321.1
Deposits from banks	14	**14 024.9**	14 584.0
Deposits from customers	14	**4 028.8**	4 737.1
Other liabilities	15	**568.9**	623.3
Current tax liability		**43.8**	50.7
Deferred tax liability	9	**17.2**	2.6
Subordinated debt	16	**1 328.9**	636.1
Equity		**1 676.2**	1 506.8
Equity attributable to ordinary shareholders		**1 672.0**	1 499.9
Ordinary share capital	21	**1 071.0**	1 038.7
Ordinary share premium		**274.3**	256.6
Reserves		**326.7**	204.6
Minority interest		**4.2**	6.9
Total liabilities and equity		**31 417.2**	35 176.9

The accounting policies and notes on pages 22 to 87 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 24 February 2010.

B.J. Kruger, Chairman



D.J. Duffy, Chief Executive

Consolidated income statement

for the year ended 31 December 2009

	Note	2009 $m	2008 $m
Net interest income		**260.1**	210.1
Interest income	23.1	**590.9**	989.4
Interest expense	23.2	**(330.8)**	(779.3)
Non-interest revenue	23.3	**447.2**	414.3
Net fees and commission		**(32.6)**	(35.4)
Fees and commission revenue		**138.9**	147.4
Fees and commission expenses		**(171.5)**	(182.8)
Trading revenue		**464.6**	411.4
Other revenue		**15.2**	38.3
Net income		**707.3**	624.4
Credit impairment charges	23.4	**(131.8)**	(61.2)
Net income after impairment charges		**575.5**	563.2
Operating expenses		**(488.2)**	(453.3)
Staff costs	23.5	**(290.5)**	(261.6)
Other operating expenses	23.6	**(197.7)**	(191.7)
Profit before income tax		**87.3**	109.9
Income tax expense	24	**(23.0)**	(51.9)
Profit for the period		**64.3**	58.0
Profit attributable to minorities		**-**	(0.2)
Profit attributable to equity shareholders		**64.3**	57.8

The accounting policies and notes on pages 22 to 87 should be read as part of the financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	2009	2008
	$m	$m
Profit for the period	**64.3**	58.0
Other comprehensive income for the period, after tax:		
Exchange rate and other movements	**(1.4)**	1.1
Cash flow hedges		
Effective portion of changes in fair value	**36.6**	(53.7)
Net amount transferred to profit or loss	**19.5**	14.6
Total comprehensive income for the period	**119.0**	20.0
Attributable to equity shareholders	**119.0**	19.8
Attributable to minorities	**-**	0.2

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2009

	Ordinary share capital and share premium	Cash flow hedging reserve	Foreign currency translation and other reserve	Long term incentive reserve[1]	Retained earnings	Ordinary shareholders equity	Minority interest[2]	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 January 2008	724.3	(0.8)	1.4	16.5	172.4	913.8	4.5	918.3
Total comprehensive income for the period	-	(39.1)	1.1	-	57.8	19.8	0.2	20.0
Equity settled share based payment transactions	-	-	-	(4.7)	-	(4.7)	-	(4.7)
Issue of share capital and share premium	571.0	-	-	-	-	571.0	-	571.0
Adjustments in relation to minority shareholders	-	-	-	-	-	-	2.2	2.2
Balance at 31 December 2008	1 295.3	(39.9)	2.5	11.8	230.2	1 499.9	6.9	1 506.8
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 for the period	**-**	**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**
Adjustment in relation to minority 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**

[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 minority interest arises on the consolidation of entities related to the NPL business.

Consolidated cash flow statement

for the year ended 31 December 2009

	Note	2009 $m	2008 $m
Cash flows from operating activities			
Profit before income tax		87.3	109.9
Adjusted for:			
Net interest income		(260.1)	(210.1)
Amortisation of intangible assets		16.4	9.9
Depreciation of property and equipment		7.4	2.5
Impairment of property and equipment		-	4.7
Non cash flow movements on subordinated debt		(18.1)	-
Cash settled share based payments		17.0	(11.1)
Equity settled share based payments		2.3	1.0
Net credit impairments raised and released		132.3	61.2
Discount element recognised from credit impairments against loans and advances		(3.6)	(2.6)
Provisions for leave pay		1.2	(0.4)
		(17.9)	(35.0)
Changes in operating funds		(874.8)	1 941.1
(Increase) / decrease in income earning assets	25.1	(1 075.6)	3 363.6
Increase / (decrease) in deposits and other liabilities	25.2	200.8	(1 422.5)
Interest received		506.3	1 130.0
Interest paid		(307.5)	(923.0)
Tax paid	25.3	(29.9)	(25.6)
Net cash flows (utilised in) / from operating activities		(723.8)	2 087.5
Investing activities			
Capital expenditure on - intangible assets		(40.0)	(33.9)
- property and equipment		(46.9)	(6.7)
Proceeds on disposal - intangible assets		-	0.1
Net cash flows used in investing activities		(86.9)	(40.5)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders	21	50.0	571.0
Issue / (redemption) of subordinated debt	16	706.5	(237.1)
Subordinated Floating Rate EUR Loan Stock 2008		-	(68.4)
Step-Up Subordinated Floating Rate Notes 2015		-	(10.4)
Subordinated Floating Rate Loan 2017		-	(100.0)
Step-Up Perpetual Subordinated Notes		-	(58.3)
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	-
Net cash flows generated from financing activities		756.5	333.9
Effects of exchange rate changes on cash and cash equivalents		4.0	0.6
Net (decrease) / increase in cash and cash equivalents		(50.2)	2 381.5
Cash and cash equivalents at beginning of the year		4 321.5	1 940.0
Cash and cash equivalents at end of the year	25.4	4 271.3	4 321.5

Company statement of financial position

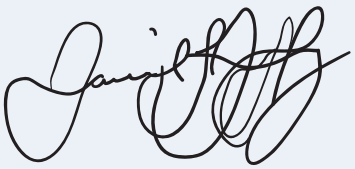
at 31 December 2009

	Note	2009 $m	2008 $m
Assets			
Derivative assets	3	**6 343.5**	11 153.0
Trading assets	4	**7 087.1**	4 902.2
Financial investments	5	**79.2**	81.0
Pledged assets	6	**251.1**	207.4
Loans and advances	7	**17 176.7**	17 979.0
Loans and advances to banks	7	**8 229.0**	8 059.0
Loans and advances to customers	7	**8 947.7**	9 920.0
Other assets	8	**230.7**	712.7
Deferred tax asset	9	**13.2**	27.7
Investments in group companies	10	**6.2**	0.8
Intangible assets	11	**96.6**	73.0
Property and equipment	12	**45.5**	7.7
Total assets		**31 329.8**	35 144.5
Liabilities and equity			
Liabilities		**29 662.6**	33 645.6
Derivative liabilities	3	**7 569.5**	11 014.5
Trading liabilities	13	**2 135.4**	2 012.1
Deposit and current accounts	14	**18 028.0**	19 324.6
Deposits from banks	14	**14 001.7**	14 584.6
Deposits from customers	14	**4 026.3**	4 740.0
Other liabilities	15	**542.4**	605.4
Current tax liability		**41.2**	50.3
Deferred tax liability	9	**17.2**	2.6
Subordinated debt	16	**1 328.9**	636.1
Equity			
Equity attributable to ordinary shareholders		**1 667.2**	1 498.9
Ordinary share capital	21	**1 071.0**	1 038.7
Ordinary share premium		**274.3**	256.6
Reserves		**321.9**	203.6
Total liabilities and equity		**31 329.8**	35 144.5

The accounting policies and notes on pages 22 to 87 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 24 February 2010.

B.J. Kruger, Chairman



D.J. Duffy, Chief Executive

Company statement of changes in shareholder's equity

for the year ended 31 December 2009

	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 2008	724.3	(0.8)	16.5	165.2	905.2
Total comprehensive income for the period	-	(39.1)	-	66.5	27.4
Equity settled share based payment transactions	-	-	(4.7)	-	(4.7)
Issue of share capital and share premium	571.0	-	-	-	571.0
Balance at 31 December 2008	1 295.3	(39.9)	11.8	231.7	1 498.9
Balance at 1 January 2009	**1 295.3**	**(39.9)**	**11.8**	**231.7**	**1 498.9**
Total comprehensive income for the period	**-**	**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**

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

Company cash flow statement

for the year ended 31 December 2009

	Note	2009 $m	2008 $m
Cash flows from operating activities			
Profit before income tax		79.2	117.2
Adjusted for:			
Net interest income		(276.1)	(226.9)
Amortisation of intangible assets		16.4	9.9
Depreciation of property and equipment		7.1	2.5
Impairment of property and equipment		-	4.7
Non cash flow movements on subordinated debt		(18.1)	-
Cash settled share based payments		17.0	(11.1)
Equity settled share based payments		2.3	1.0
Net credit impairments raised and released		132.3	61.2
Discount element recognised from credit impairments against loans and advances		(3.6)	(2.6)
Provisions for leave pay		1.3	(0.3)
		(42.2)	(44.4)
Changes in operating funds		(885.2)	1 940.7
(Increase) / decrease in income earning assets	25.1	(1 045.0)	3 376.2
Increase / (decrease) in deposits and other liabilities	25.2	159.8	(1 435.5)
Interest received		522.1	1 146.6
Interest paid		(307.3)	(922.8)
Tax paid	25.3	(30.4)	(22.6)
Net cash flows (utilised in) / from operating activities		(743.0)	2 097.5
Investing activities			
Capital expenditure on - intangible assets		(40.0)	(33.8)
- property and equipment		(46.8)	(6.6)
Proceeds on sale of intangibles		-	0.1
Investment in subsidiary		(5.4)	0.4
Net cash flows used in investing activities		(92.2)	(39.9)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders	21	50.0	571.0
Issue / (redemption) of subordinated debt	16	706.5	(237.1)
Subordinated Floating Rate EUR Loan Stock 2008		-	(68.4)
Step-Up Subordinated Floating Rate Notes 2015		-	(10.4)
Subordinated Floating Rate Loan 2017		-	(100.0)
Step-Up Perpetual Subordinated Notes		-	(58.3)
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	
Net cash flows generated from financing activities		756.5	333.9
Effects of exchange rate changes on cash and cash equivalents		4.7	(0.6)
Net (decrease) / increase in cash and cash equivalents		(74.0)	2 390.9
Cash and cash equivalents at beginning of the year		4 344.0	1 953.1
Cash and cash equivalents at end of the year	25.4	4 270.0	4 344.0

Accounting policies

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

1. Basis of preparation

Both the parent company financial statements and the group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the interpretations of the International Financial Reporting Committee (IFRIC). In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these financial statements.

Both the parent company financial statements and the group consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis except as modified by the revaluation of:

- available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment property, liabilities for cash settled share based payment arrangements, interests in mutual funds, policyholder investment contract liabilities and third party financial liabilities arising on consolidation of mutual funds are measured at fair value 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, Standard Bank Group (SBG) has made certain accounting policy elections in terms of IFRS, in the preparation of the SBG consolidated financial statements. Accordingly Standard Bank Plc 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),
- jointly controlled entities are accounted for using the equity method (accounting policy 6),
- property and equipment are accounted for using the cost model (accounting policy 8).

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 2009 that have had an effect on the group's financial statements:

Revised IAS 1 Presentation of Financial Statements

As a result of adopting this revised standard, the group presents all owner changes in equity in the statement of changes in equity. All non-owner changes in equity are presented in the income statement and the statement of comprehensive income.

Comparative information has been re-presented to conform with the revised standard with an impact only on presentation.

Amendments to IFRS 7 Improving Disclosures about Financial Instruments

The amendments require enhanced fair value measurement and liquidity risk disclosures. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy (refer to note 18).

In accordance with the relevant transitional provisions, comparative disclosures for 2008 have not been presented. This has resulted only in additional disclosures being provided in 2009.

Amendments to IAS 40 Investment Property (included in the Improvements to IFRSs 2008)

These amendments result in property under construction or development for future use as investment property being within the scope of IAS 40. Such property is therefore required to be measured at fair value, in accordance with the group's accounting policy for investment property (unless it is not possible to measure fair value reliably). Previously, such property was measured at cost less impairment.

In accordance with the relevant transitional provisions, this change in accounting policy has been applied prospectively. The change in accounting policy has not had a material impact on any of the financial statement line items.

The group has also adopted all other effective new and amended IFRSs (not previously early adopted) as of 1 January 2009, with no material impact on the group's accounting policies or results and no restatement of prior period results.

Early adoption of new standards and interpretations

The group has early adopted the following new and amended IFRSs as of 1 January 2009, with no material impact on the group's accounting policies or results and no restatement of prior period results:

- improvements to IFRSs 2009 (with the exception of those listed under New standards and interpretations not yet adopted),
- revised IFRS 1 First-Time Adoption of International Financial Reporting Standards,
- amendments to IFRS 1 Limited Exemption from Comparative IFRS7 Disclosure for First-Time Adopters,
- amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions,
- amendments to IAS 39 Eligible Hedged Items,
- amendments to IAS 32 Classification of Rights Issues,
- amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

Comparative information has been re-presented to conform with the revised standard.

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of an acquisition over the group's share of the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy 7. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference, referred to as negative goodwill, is recognised directly in profit and loss.

Intra-group transactions, balances and unrealised gains and losses within banking and investment management and life insurance activities are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies of subsidiaries conform to the policies adopted by the group.

Investments in subsidiaries are accounted for at cost less impairment losses in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary.

Special purpose entities

Special purpose entities are entities created to accomplish a narrow and well-defined objective such as the securitisation of financial assets. These entities may take different legal forms. A special purpose entity 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.

Transactions with minority shareholders

Transactions with minority shareholders that do not result in the gain or loss of control, are accounted for as transactions with equity holders of the group. For purchases of additional interests from minority shareholders, the excess of the purchase consideration over the group's proportionate share of the additional net asset value of the subsidiary acquired is accounted for directly in equity. For disposals to minority shareholders, the profit or loss on partial disposal of the group's interest in a subsidiary is also accounted for directly in equity.

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 foreign operation, where control is not lost, a proportionate share of the balance of the foreign currency translation reserve is transferred to the same reserve in which the profit or loss on partial disposal is recognised. On disposal of a foreign operation, the relevant amount in the foreign currency translation reserve is transferred to profit or loss at the time at

which the profit or loss on disposal of the foreign operation is recognised.

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of group entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in profit or loss (except when recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities classified as available-for-sale financial assets are included in the available-for-sale reserve in other comprehensive income whereas the exchange differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in the group's foreign currency translation reserve. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or when the foreign operation is disposed.

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 and 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:

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 where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost or
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and 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.

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 or available-for-sale. 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.

Available-for-sale
Financial assets classified by the group as available-for-sale financial assets are strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When dated (undated) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in other comprehensive income are transferred to interest income (other revenue).

Interest income, calculated using the effective interest rate method, is recognised in profit or loss. Dividends received on available-for-sale instruments are recognised in profit or loss when the group's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt instruments are recognised in profit or loss.

Reclassification of financial assets
The group may choose to reclassify non-derivative trading assets out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date with prospective effect. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Fair value
Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arms length transaction.

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.

Impairment of financial assets

Assets carried at amortised cost
The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that loss event had a negative effect on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

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

Non-performing loans are impaired for doubtful debts identified during periodic evaluations of advances. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case by case basis taking into account breaches of key loan conditions. The impairment of non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to the present value of estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial assets' original effective interest rate.

If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns, adjusted to reflect the impact of current economic conditions, and estimated emergence periods. Loans are also impaired when adverse economic conditions develop after initial recognition which may impact future cash flows.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account 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 profit or loss.

Subsequent to impairment, the effects of discounting unwind over time are recorded as interest income.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are reset to performing loan status.

Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered impaired or past due if the terms of renegotiation result in any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through other comprehensive income, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in other comprehensive income as a reduction in fair value, the cumulative net loss that had been recognised in other comprehensive income is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in other comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions unless they are considered material then net presentation is not applied.

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 if so, 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 and hedge effectiveness is established.

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.

Net investment hedges

Where considered appropriate, the group hedges net investments in foreign operations using derivative instruments. For such hedges, the foreign exchange difference arising on the hedging instrument and relating to the effective portion of the hedge is recognised directly in the 'foreign currency hedge of net investment reserve'. Any ineffective portion is immediately recognised profit or loss in non-interest revenue. On the partial disposal of a foreign operation, the proportionate share of those deferred gains and losses is recognised directly in profit or loss. On disposal of a foreign operation, all remaining deferred gains and losses are recognised directly in profit or loss.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as trading revenue.

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest 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.

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.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks 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.

Sale and repurchase agreements and lending of securities

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 (reverse repos) are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers as appropriate.

The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed are not recognised in the financial statements unless these are sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

6 Interest in associates and joint ventures

Associates and jointly controlled entities

Associates are those entities in which the group has a significant influence, but not control, over the financial and operating policies. Significant influence generally accompanies, but is not limited to, a shareholding of between 20% and 50% of the voting rights.

A jointly controlled entity is one where a contractual arrangement establishes joint control over the economic activity of the entity.

Associates

Interest in associates and jointly controlled entities are accounted for using the equity method and are measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the associate or jointly controlled entity (including goodwill). Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the group's share of the associate's and jointly controlled entities income and expenses and other comprehensive income. Equity accounting of losses in associates and jointly controlled entities is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associate or jointly controlled entity. Unrealised intra-group profits and losses are eliminated in determining the group's share of equity accounted profits. This method is applied from the date on which the enterprise becomes an associate, up to the date on which it ceases to be an associate. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Jointly controlled operations

Jointly controlled operations exist where two or more venturers combine their operations, resources or expertise to market or distribute jointly a particular product. Each venturer recognises the assets it controls, the liabilities and expenses that it incurs, and its share of the income in respect of its interest in the joint venture.

7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Acquisition costs include any directly attributable transaction costs.

Goodwill arising on the acquisition of subsidiaries is reported in the statement of financial position as an intangible asset, and goodwill arising on the acquisition of associates or joint ventures is included in interest in associates and joint ventures on the statement of financial position. Goodwill arising on acquisitions before or on 31 December 2003 has been amortised using the straight-line method over its estimated useful life and is carried at cost less any accumulated amortisation and impairment recognised up to 31 December 2003.

Goodwill arising on acquisitions after 31 December 2003 and the carrying values of goodwill that existed on this date are not amortised, but allocated to cash generating units and are tested annually for impairment.

Negative goodwill is recognised as income in profit or loss in the period in which it arises. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

Other intangible assets

The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in profit or loss as incurred. Prepayment assets are recognised for advertising or promotional expenditure until the group has obtained the right to access the goods purchased or received the services.

The group capitalises brands, customer lists, customer contracts and similar rights acquired in business combinations.

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, not exceeding 20 years, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

8 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.

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.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to 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:

Property	50 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.

9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are tested annually for impairment. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash generating units). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed 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.

10 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 leases' inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances in the statement of financial position.

Finance charges earned are computed using the effective interest 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.

11 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.

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.

12 Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted, or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred 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 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.

13 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.

14 Long term incentive scheme

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

The cash-settled incentive scheme grant employees notional 'shadow' share options, the value of which is derived from Standard International Holding's current and future performance. Throughout the life of the scheme, the liability is valued 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 Standard Bank Group 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 (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 at the end of 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 valued at the end of each 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.

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 valued 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. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date the estimate of the number of options expected to vest is reassessed and adjusted against 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.

Interest income and expense 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.

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 and 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 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.

17 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.

18 New standards and interpretations not yet adopted

The following new / revised standards and amendments are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these financial statements:

Pronouncement	Title	Effective date[1]
IFRS 3 (revised)	**Business Combinations** The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through profit or loss. There is a choice, on an acquisition-by-acquisition basis to measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets. All acquisition-related costs will be recognised in profit or loss immediately. The revised IFRS 3 will be applied prospectively to all business combinations from 1 January 2010. The effect on the financial statements will be a function of the number and value of any business combinations transacted from this date.	Annual periods beginning on or after 1 July 2009
IAS 27 (amendments)	**Consolidated and Separate Financial Statements** The amendments require changes in a parent's ownership interest in a subsidiary that do not result in a loss of control to be accounted for within equity. This is consistent with the group's current accounting policy for such transactions. The amendments also specify that when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. These requirements will be applied prospectively to transactions with non-controlling interests from 1 January 2010.	Annual periods beginning on or after 1 July 2009
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

[1] It is expected that the group and company, where applicable, will adopt these requirements only when effective.

Pronouncement	Title	Effective date[1]
IFRIC 17	Distributions of Non-cash Assets to Owners	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs 2008	*Amendments to the following standard:*	
	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs 2009	*Amendments to the following pronouncements:*	
	IFRS 2 Share-based Payment and the revised IFRS 3 Business Combinations;	Annual periods beginning on or after 1 July 2009
	IAS 17 Leases;	Annual periods beginning on or after 1 January 2010
	IAS 38 Intangible Assets (additional consequential amendments arising from the revised IFRS3)	Annual periods beginning on or after 1 July 2009
	IAS 39 Financial Instruments: Recognition and Measurement (scope exemption for business contracts); and	Annual periods beginning on or after 1 January 2010
	IFRIC 9 Reassessment of Embedded Derivatives.	Annual periods beginning on or after 1 July 2009

[1] It is expected that the group and company, where applicable, will adopt these requirements only when effective.

Notes to the annual financial statements

1 Segment reporting

1.1 Business segments

	Global Markets		Investment Banking		Total	
	2009 $m	2008 $m	**2009 $m**	2008 $m	**2009 $m**	2008 $m
Profit for the period	**87.6**	51.9	**(23.3)**	6.1	**64.3**	58.0
Included in profit for the period:						
Net interest income	**86.7**	65.6	**173.4**	144.5	**260.1**	210.1
Credit impairment charges	**(12.2)**	(24.3)	**(119.6)**	(36.9)	**(131.8)**	(61.2)
Depreciation	**(4.9)**	(1.4)	**(2.5)**	(1.1)	**(7.4)**	(2.5)
Amortisation of intangible assets	**(14.8)**	(5.6)	**(1.6)**	(4.3)	**(16.4)**	(9.9)
Income tax expense	**(19.5)**	(29.1)	**(3.5)**	(22.8)	**(23.0)**	(51.9)
Other information						
Total assets	**22 931.0**	25 169.7	**8 486.2**	10 007.2	**31 417.2**	35 176.9
Total liabilities	**23 935.6**	24 945.0	**5 805.4**	8 725.1	**29 741.0**	33 670.1

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 group is structured on the basis of products and services and the segments have been identified on this basis. The principal business units in the group are as follows:

Business unit	
Global Markets	Global Markets includes foreign exchange, 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 and private client services.

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.

1.2 Geographical analysis

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

	United Kingdom		Outside the UK		Total	
	2009 $m	2008 $m	**2009 $m**	2008 $m	**2009 $m**	2008 $m
Total income	**701.3**	612.5	**6.0**	11.9	**707.3**	624.4
Non-current assets	**143.7**	81.3	**0.2**	0.3	**143.9**	81.6

No countries outside the UK 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 judgements and estimates

In preparing the financial statements estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

2.1 Credit impairment losses on loans and advances

Performing loans

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit and loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on 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 (4.5 months) is a key input. A change of one month in the emergence period will result in a US$6 million (2008: US$4 million) change on the value of the impairment.

Non-performing loans

Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The expected recovery of security, estimated as a 21 month period (2008: 12 month), represent 84% (2008: 82%) of gross impaired loans and 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 point in the value of the estimated recovery will result in a US$7.8 million (2008: US$3.0 million) change in the value of the impairment.

2.2 Income taxes

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 period 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 arms' length basis. In markets or instruments that exhibit very low trading volumes and intermittent trading patterns it can be difficult to establish if a price reflects a fully active market. If the market for financial investments is not active the group establishes fair value using valuation techniques.

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 (for example, models) 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. Changes in these assumptions could affect the reported fair values of financial instruments, as diclosed in note 18.

2.4 Special purpose entities

The group sponsors the formation of special purpose entities (SPEs) primarily for the purpose of allowing clients to hold investments for asset securitisation transactions and for buying or selling credit protection. The group consolidates SPEs that it controls. 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. All aspects of control are considered in making these judgements. The group makes investments in portfolios of non-performing loans and other distressed debt, primarily in the Asia region. The portfolios are acquired by SPEs specifically set up in each jurisdiction to acquire these loans. The group is exposed to the major risks on these portfolios and a substantial portion of economic benefit and accordingly consolidates the entities. The total assets consolidated amount to US$278.9 million (2008: US$271.5 million).

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 position 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	2009							2008			
	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	(682.4)	(304.4)	2.7	(984.1)	903.8	(1 887.9)	64 501.9	(683.7)	2 174.0	(2 857.7)	74 892.5
Forwards & futures	130.7	3.5	1.9	136.1	869.5	(733.4)	29 217.7	132.3	2 118.3	(1 986.0)	35 034.2
Options	(813.1)	(307.9)	0.8	(1 120.2)	34.3	(1 154.5)	35 284.2	(816.0)	55.7	(871.7)	39 858.3
Interest rate derivatives	9.7	114.6	54.8	179.1	1 888.7	(1 709.6)	393 122.3	185.6	2 333.5	(2 147.9)	466 454.6
Caps and floors	(0.7)	1.4	0.3	1.0	15.0	(14.0)	3 251.3	(0.5)	14.8	(15.3)	1 356.9
Future options	5.8	10.0	-	15.8	16.3	(0.5)	285 861.9	58.8	132.7	(73.9)	387 547.4
Forwards	(0.3)	-	-	(0.3)	0.2	(0.5)	959.4	(1.0)	3.2	(4.2)	1 128.2
Swaps	4.9	103.2	54.5	162.6	1 857.2	(1 694.6)	103 049.7	128.3	2 182.8	(2 054.5)	76 422.1
Commodity derivatives	317.9	(197.7)	3.0	123.2	2 993.8	(2 870.6)	322 393.8	770.9	5 506.2	(4 735.3)	407 600.9
Futures & forwards	274.8	(176.9)	3.0	100.9	2 707.9	(2 607.0)	306 785.3	823.6	4 806.6	(3 983.0)	395 519.2
Options	43.1	(20.8)	-	22.3	285.9	(263.6)	15 608.5	(52.7)	699.6	(752.3)	12 081.7
Credit derivatives	(86.1)	(206.4)	(235.2)	(527.7)	520.6	(1 048.3)	21 944.4	(109.5)	1 091.6	(1 201.1)	16 932.9
Credit default swaps	(0.5)	60.1	(12.7)	46.9	458.8	(411.9)	20 492.1	270.5	994.8	(724.3)	15 635.0
Total return swaps	(85.6)	(266.5)	(222.5)	(574.6)	61.8	(636.4)	1 452.3	(380.0)	96.8	(476.8)	1 297.9
Equity derivatives	(13.1)	(13.8)	-	(26.9)	24.7	(51.6)	1 875.1	38.5	57.1	(18.6)	48 842.7
Futures	(0.1)	-	-	(0.1)	0.1	(0.2)	81.2	1.0	1.3	(0.3)	11.1
Options & Swaps	(13.0)	(13.8)	-	(26.8)	24.6	(51.4)	1 793.9	37.5	55.8	(18.3)	48 831.6
Total derivative assets / (liabilities) held for trading	(454.0)	(607.7)	(174.7)	(1 236.4)	6 331.6	(7 568.0)	803 837.5	201.8	11 162.4	(10 960.6)	1 014 723.6
Derivatives held for hedging											
Derivatives designated as cash flow hedges	12.1	13.6	-	25.7	31.5	(5.8)	259.7	(63.1)	0.5	(63.6)	524.7
Foreign exchange forwards	12.1	-	-	12.1	14.1	(2.0)	259.7	(54.9)	0.5	(55.4)	524.7
Equity options	-	13.6	-	13.6	17.4	(3.8)	-	(8.2)	-	(8.2)	-
Derivatives designated as fair value hedges	-	-	(19.3)	(19.3)	-	(19.3)	500.0	-	-	-	-
Interest rate swaps	-	-	(19.3)	(19.3)	-	(19.3)	500.0	-	-	-	-
Total derivative assets / (liabilities) held for hedging	12.1	13.6	(19.3)	6.4	31.5	(25.1)	759.7	(63.1)	0.5	(63.6)	524.7
Total derivative assets / (liabilities)	(441.9)	(594.1)	(194.0)	(1 230.0)	6 363.1	(7 593.1)	804 597.2	138.7	11 162.9	(11 024.2)	1 015 248.3
Included above are the following amounts with related parties:											
Group undertakings - fellow subsidiaries				(1 637.8)	411.4	(2 049.2)		(1 221.7)	529.3	(1 751.0)	

The company present derivative assets of US$6 343.5 million (2008: US$11 153.0 million) and derivative liabilities of US$7 569.5 million (2008: US$11 014.5 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 and
- total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is affected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

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 consists of caps and floors, forward rate agreements and swaps.

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 consists of futures, options, index options, swaps and other equity related financial derivative instruments.

3 Derivative instruments (continued)

3.5 Derivatives held for hedging

3.5.1 Derivatives designated as cash flow hedges

The group enters into derivative contracts which are designated as cash flow hedges. The income statement volatility associated with future highly probable expenses incurred in currencies other than the functional currency, are hedged utilising forward exchange contracts.

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

The schedule of forecast cash flows that will result in the release of the cash flow hedging reserve at 31 December 2009 is as follows:

	Group		Company	
	2009 $m	2008 $m	**2009 $m**	2008 $m
3 months or less	**64.6**	57.8	**64.6**	57.8
More than 3 months but less than 1 year	**195.0**	177.7	**195.0**	177.7
More than 1 year but less than 5 years	**68.0**	58.2	**68.0**	58.2
	327.6	293.7	**327.6**	293.7
Reconciliation of movements in the cash flow hedging reserve				
Balance at beginning of the year	**(39.9)**	(0.8)	**(39.9)**	(0.8)
Amounts recognised directly in equity during the year	**52.3**	(77.2)	**52.3**	(77.2)
Less: amounts released in the income statement (operating costs)	**30.0**	21.0	**30.0**	21.0
Less: deferred tax	**(26.2)**	17.1	**(26.2)**	17.1
Balance at end of the year	**16.2**	(39.9)	**16.2**	(39.9)

There were no transactions for which cash flow hedge accounting had to be ceased in 2009 or 2008 as a result of highly probable cash flows no longer expected to occur. No gain or loss on ineffective portions of such derivatives were recognised in the income statement in 2009 or 2008.

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 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 income.

	Group		Company	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Gains / (losses) arising from fair value hedges				
- on hedging instruments	**(19.3)**	-	**(19.3)**	-
- on the hedged items attributable to the hedged risk	**19.9**	-	**19.9**	-

3.6 Unobservable inception profits

Any initial gain or loss on financial instruments in a situation in which valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or until the instrument is redeemed, transferred or sold, or the fair value becomes observable.

The table below sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balance during the year.

	Group		Company	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Unamortised balance at beginning of the year	**1.9**	(0.6)	**1.9**	(0.6)
Deferral of profit on new transactions	**-**	1.9	**-**	1.9
Recognised in the income statement during the year	**(1.9)**	0.6	**(1.9)**	0.6
Unamortised balance at end of the year	**-**	1.9	**-**	1.9

	Group		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
4 Trading assets				
Government, municipality and utility bonds	**1 219.7**	1 008.4	**1 219.7**	1 008.4
Corporate bonds	**2 290.8**	1 345.4	**2 290.8**	1 345.4
Listed equities	**138.0**	39.6	**138.0**	39.6
Unlisted equities	**39.0**	120.1	**39.0**	120.1
Commodities	**3 259.7**	1 774.1	**3 238.8**	1 772.2
Other unlisted instruments	**160.8**	616.5	**160.8**	616.5
	7 108.0	4 904.1	**7 087.1**	4 902.2
Maturity analysis				
The maturities represent periods to contractual redemption of the trading assets recorded.				
- Redeemable on demand [1]	**3 194.4**	1 842.2	**3 173.5**	1 842.2
- Maturing within 1 month	**215.4**	51.1	**215.4**	51.1
- Maturing after 1 month but within 6 months	**419.1**	253.1	**419.1**	253.1
- Maturing after 6 months but within 12 months	**95.0**	230.1	**95.0**	230.1
- Maturing after 12 months	**3 007.1**	2 366.0	**3 007.1**	2 366.0
- Undated assets	**177.0**	161.6	**177.0**	159.7
	7 108.0	4 904.1	**7 087.1**	4 902.2

[1] Commodities, comprising Metals Stock are included in the category Redeemable on demand

5 Financial investments				
Government, municipality and utility bonds	**1.5**	-	**1.5**	-
Corporate bonds	**10.3**	1.1	**10.3**	1.1
Listed equities	**3.0**	-	**3.0**	-
Unlisted equities	**64.4**	79.9	**64.4**	79.9
	79.2	81.0	**79.2**	81.0
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investment recorded.				
- Maturing after 12 months	**11.8**	1.1	**11.8**	1.1
- Undated investments	**67.4**	79.9	**67.4**	79.9
	79.2	81.0	**79.2**	81.0

	Group		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
6 Pledged assets				
6.1 Financial assets that may be repledged or resold by counterparties				
Government, municipality and utility bonds	**15.4**	25.8	**15.4**	25.8
Corporate bonds	**235.7**	181.6	**235.7**	181.6
	251.1	207.4	**251.1**	207.4
Maturity analysis				
The maturities represent periods to contractual redemption of the pledged assets recorded.				
- Maturing within 1 month	**-**	12.8	**-**	12.8
- Maturing after 1 month but within 6 months	**49.0**	33.7	**49.0**	33.7
- Maturing after 6 months but within 12 months	**-**	14.2	**-**	14.2
- Maturing after 12 months	**202.1**	146.7	**202.1**	146.7
	251.1	207.4	**251.1**	207.4

The associated liabilities relating to pledged assets amount to US$260.3 million (2008: US$196.5 million), classified under trading liabilities. 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 6.1) at 31 December 2009 was US$718.0 million (2008: US$1 005.0 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$8 380.1 million (2008: US$6 635.7 million).

The fair value of financial assets accepted as collateral that have been sold or repledged is US$1 666.9 million (2008: US$1 116.9 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 bank acts as an intermediary.

	Group		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
7 Loans and advances				
7.1 Loans and advances net of impairments				
Loans and advances to banks	**8 230.2**	8 036.6	**8 229.0**	8 059.0
Gross loans and advances to banks	**8 283.0**	8 040.5	**8 281.8**	8 062.9
- Call loans	**1 118.8**	2 009.7	**1 118.8**	2 032.1
- Loans granted under resale agreements	**3 011.1**	1 709.3	**3 011.1**	1 709.3
- Balances with banks	**4 153.1**	4 321.5	**4 151.9**	4 321.5
Credit impairments for loans and advances to banks	**(52.8)**	(3.9)	**(52.8)**	(3.9)
Loans and advances to customers	**8 989.3**	9 931.1	**8 947.7**	9 920.0
Gross loans and advances to customers	**9 131.3**	10 021.8	**9 089.7**	10 010.7
- Demand loans and advances	**1 737.6**	1 048.4	**1 629.3**	809.9
- Term loans	**5 574.7**	7 107.0	**5 641.4**	7 334.4
- Loans granted under resale agreements	**1 819.0**	1 866.4	**1 819.0**	1 866.4
Credit impairments for loans and advances to customers	**(142.0)**	(90.7)	**(142.0)**	(90.7)
- Credit impairments for non-performing loans	**(95.4)**	(59.7)	**(95.4)**	(59.7)
- Credit impairments for performing loans	**(46.6)**	(31.0)	**(46.6)**	(31.0)
	17 219.5	17 967.7	**17 176.7**	17 979.0
Comprising:				
Gross loans and advances	**17 414.3**	18 062.3	**17 371.5**	18 073.6
Less: Credit impairments for non-performing loans	**(148.2)**	(63.6)	**(148.2)**	(63.6)
Less: Credit impairments for performing loans	**(46.6)**	(31.0)	**(46.6)**	(31.0)
	17 219.5	17 967.7	**17 176.7**	17 979.0
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
- Redeemable on demand	**2 853.6**	1 862.5	**2 846.4**	1 935.4
- Maturing within 1 month	**5 847.4**	5 872.4	**5 847.4**	5 900.3
- Maturing after 1 month but within 6 months	**2 147.5**	3 166.9	**2 192.4**	3 159.2
- Maturing after 6 months but within 12 months	**2 458.5**	1 356.0	**2 470.4**	1 346.7
- Maturing after 12 months	**4 107.3**	5 804.5	**4 014.9**	5 732.0
	17 414.3	18 062.3	**17 371.5**	18 073.6

	Group		Company	
	2009	2008	2009	2008
	$m	$m	$m	$m
7 Loans and advances (continued)				
Segmental analysis - industry				
Agriculture	210.1	373.5	210.1	373.5
Construction	78.7	69.5	78.7	69.5
Electricity	143.5	149.4	143.5	149.4
Finance - Banks[1]	8 283.0	8 040.5	8 281.8	8 062.9
Finance - Other financial services	3 460.7	3 366.3	3 690.9	3 593.9
Individuals	629.7	699.8	357.9	461.1
Leisure	300.5	249.0	300.5	249.0
Manufacturing	835.4	951.8	835.4	951.8
Mining	1 328.1	1 699.3	1 328.1	1 699.3
Other services	714.7	902.1	714.7	902.1
Telecommunications	535.5	887.4	535.5	887.4
Transport	696.1	378.3	696.1	378.3
Wholesale	198.3	295.4	198.3	295.4
	17 414.3	18 062.3	17 371.5	18 073.6

[1] Includes secured short term cash placements of US$4 271.3 million (2008: US$4 321.5 million) for the group and US$4 270.0 million (2008: US$4 344.0 million) for the company.

Included above are the following amounts due from related parties:				
Group undertakings - fellow subsidiaries				
- Loans and advances to banks	516.0	1 749.1	516.0	1 778.6
- Loans granted under resale agreements	581.4	221.4	581.4	221.4
- Loans and advances to customers	-	277.8	-	277.8
	1 097.4	2 248.3	1 097.4	2 277.8
Minimum amount during the year	697.5	768.6	574.5	768.6
Maximum amount during the year	2 435.2	2 248.3	2 465.0	2 277.8

7.2 Credit impairments for loans and advances				
Non-performing loans				
Balance at beginning of the year	63.6	21.2	63.6	21.2
Amounts written off	(28.8)	-	(28.8)	-
Discount element recognised in interest income (note 23.1)	(3.6)	(2.6)	(3.6)	(2.6)
Net impairments raised	116.7	45.0	116.7	45.0
Other movements	0.3	-	0.3	-
Balance at end of the year	148.2	63.6	148.2	63.6
Performing loans				
Balance at beginning of the year	31.0	14.8	31.0	14.8
Net impairments raised	15.6	16.2	15.6	16.2
Balance at end of the year	46.6	31.0	46.6	31.0
Total	194.8	94.6	194.8	94.6

	Group		Company	
	2009 $m	2008 $m	2009 $m	2008 $m
7 Loans and advances (continued)				
Segmental analysis of impairments for non-performing loans - industry				
Agriculture	-	8.5	-	8.5
Construction	2.8	-	2.8	-
Electricity	0.7	-	0.7	-
Finance	54.1	24.5	54.1	24.5
Manufacturing	48.0	-	48.0	-
Mining	6.5	-	6.5	-
Other services	31.5	24.1	31.5	24.1
Wholesale	4.6	6.5	4.6	6.5
	148.2	63.6	148.2	63.6

8 Other assets				
Unsettled dealing balances	116.4	593.5	116.4	593.5
Other receivables	122.8	151.0	114.3	119.2
	239.2	744.5	230.7	712.7
Included above are the following amounts due from related parties:				
Group undertakings - fellow subsidiaries	29.6	36.0	29.2	36.0
Minimum amount during the year	29.6	20.4	26.2	36.0
Maximum amount during the year	355.2	234.0	357.6	230.8

9 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group and company

	2009			2008		
	Asset $m	Liability $m	Net $m	Asset $m	Liability $m	Net $m
Timing differences on:						
- Capital allowances	-	(6.6)	(6.6)	-	(0.1)	(0.1)
- Bad debts	3.1	-	3.1	2.2	-	2.2
- Cash flow hedges	-	(8.7)	(8.7)	17.5	-	17.5
- Other short term timing differences	10.1	(1.9)	8.2	8.0	(2.5)	5.5
	13.2	(17.2)	(4.0)	27.7	(2.6)	25.1

9 Deferred tax assets and liabilities (continued)

The movements in the deferred tax balance were as follows:

	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)
- Bad debts	2.2	0.9	-	3.1
- Cash flow hedges	17.5	-	(26.2)	(8.7)
- Other short term timing differences	5.5	2.7	-	8.2
	25.1	(2.9)	(26.2)	(4.0)

	2008			
	Opening balance $m	Recognised in profit or loss $m	Recognised in other comprehensive income $m	Closing balance $m
- Capital allowances	(2.3)	2.2	-	(0.1)
- Bad debts	2.7	(0.5)	-	2.2
- Cash flow hedges	0.4	-	17.1	17.5
- Other short term timing differences	10.6	(5.1)	-	5.5
	11.4	(3.4)	17.1	25.1

	Company	
	2009 $m	2008 $m
10 Investments in group companies		
Carrying value at end of the year	6.2	0.8

The subsidiary undertakings are as follows:

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

Equity is held directly by Standard Bank Plc.

On 7 May an additional investment of US$6 million was made into Standard Resources (China) Limited.

Standard Capital Japan Co Limited and Standard Commodities (Asia) Limited were liquidated during the year.

	Group		Company	
	2009 $m	2008 $m	2009 $m	2008 $m
11 Intangible assets				
Computer software				
Cost				
Balance at beginning of the year	87.0	53.2	87.0	53.2
Additions	40.0	33.9	40.0	33.9
- Internal development	34.1	25.9	34.1	25.9
- External costs	5.9	8.0	5.9	8.0
Disposals	-	(0.1)	-	(0.1)
Balance at end of the year	127.0	87.0	127.0	87.0
Accumulated Depreciation				
Balance at beginning of the year	(14.0)	(4.1)	(14.0)	(4.1)
Amortisation	(16.4)	(9.9)	(16.4)	(9.9)
Balance at end of the year	(30.4)	(14.0)	(30.4)	(14.0)
Net intangible assets	96.6	73.0	96.6	73.0

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.

	2009			2008		
	Cost $m	Accumulated depreciation $m	Carrying value $m	Cost $m	Accumulated depreciation $m	Carrying value $m
12 Property and equipment						
Group						
12.1 Summary						
Leasehold improvements	28.4	2.1	26.3	-	-	-
	28.4	2.1	26.3	-	-	-
Equipment						
Computer equipment	20.2	5.3	14.9	28.3	23.3	5.0
Motor vehicles	0.1	0.1	-	0.8	0.7	0.1
Office equipment	2.7	0.2	2.5	10.3	6.9	3.4
Furniture and fittings	4.3	0.7	3.6	11.9	11.8	0.1
	27.3	6.3	21.0	51.3	42.7	8.6
	55.7	8.4	47.3	51.3	42.7	8.6

	2008 Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	2009 Carrying value $m
12 Property and equipment (continued)						
12.2 Movement						
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

	2007 Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	2008 Carrying value $m
Equipment						
Computer equipment	0.6	5.1	-	(0.7)	-	5.0
Motor vehicles	-	0.1	-	-	-	0.1
Office equipment	3.0	0.5	-	(0.1)	-	3.4
Furniture and fittings	5.5	1.0	-	(1.7)	(4.7)	0.1
	9.1	6.7	-	(2.5)	(4.7)	8.6

	2009 Cost $m	2009 Accumulated depreciation $m	2009 Carrying value $m	2008 Cost $m	2008 Accumulated depreciation $m	2008 Carrying value $m
Company						
12.3 Summary						
Property						
Leasehold improvements	28.4	2.1	26.3	-	-	-
	28.4	2.1	26.3	-	-	-
Equipment						
Computer equipment	20.1	5.3	14.8	28.3	23.3	5.0
Motor vehicles	-	-	-	0.7	0.6	0.1
Office equipment	1.0	0.2	0.8	9.3	6.7	2.6
Furniture and fittings	4.3	0.7	3.6	11.8	11.8	-
	25.4	6.2	19.2	50.1	42.4	7.7
	53.8	8.3	45.5	50.1	42.4	7.7

	2008 Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	2009 Carrying value $m
12 Property and equipment (continued)						
12.4 Movement						
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

	2007 Carrying value $m	Additions $m	Disposals $m	Depreciation charge $m	Impairments $m	2008 Carrying value $m
Equipment						
Computer equipment	0.6	5.1	-	(0.7)	-	5.0
Motor vehicles	-	0.1	-	-	-	0.1
Office equipment	2.2	0.5	-	(0.1)	-	2.6
Furniture and fittings	5.5	0.9	-	(1.7)	(4.7)	-
	8.3	6.6	-	(2.5)	(4.7)	7.7

	Group		Company	
	2009	2008	2009	2008
	$m	$m	$m	$m
13 Trading liabilities				
Government, municipality and utility bonds	1 022.6	729.4	1 022.6	729.4
Corporate bonds	187.4	22.7	187.4	22.7
Listed equities	15.9	6.9	15.9	6.9
Unlisted equities	36.9	18.4	36.9	18.4
Credit linked notes	822.7	1 052.6	822.7	1 052.6
Other unlisted instruments	49.9	182.1	49.9	182.1
	2 135.4	2 012.1	2 135.4	2 012.1
Maturity analysis				
The maturities represent periods to contractual redemption of the trading liabilities recorded.				
- Redeemable on demand	6.8	27.5	6.8	27.5
- Maturing within 1 month	126.4	80.5	126.4	80.5
- Maturing after 1 month but within 6 months	180.5	139.1	180.5	139.1
- Maturing after 6 months but within 12 months	149.3	208.3	149.3	208.3
- Maturing after 12 months	1 619.5	1 496.5	1 619.5	1 496.5
- Undated liabilities	52.9	60.2	52.9	60.2
	2 135.4	2 012.1	2 135.4	2 012.1
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	-	53.3	-	53.3
Minimum amount during the year	-	53.3	-	53.3
Maximum amount during the year	70.1	195.0	70.1	195.0
14 Deposit and current accounts				
Deposits from banks	14 024.9	14 584.0	14 001.7	14 584.6
Deposits from banks	12 764.8	13 869.4	12 741.6	13 870.0
Repurchase agreements	1 158.1	647.6	1 158.1	647.6
Negotiable certificates of deposit	102.0	67.0	102.0	67.0
Deposits from customers	4 028.8	4 737.1	4 026.3	4 740.0
Call deposits	1 875.5	2 814.3	1 873.0	2 817.2
Term deposits	2 051.1	1 581.1	2 051.1	1 581.1
Repurchase agreements	87.8	341.7	87.8	341.7
Negotiable certificates of deposit	14.4	-	14.4	-
	18 053.7	19 321.1	18 028.0	19 324.6

	Group		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
14 Deposit and current accounts (continued)				
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
- Repayable on demand	**6 309.0**	7 352.3	**6 286.1**	7 355.2
- Maturing within 1 month	**3 713.1**	3 752.6	**3 713.1**	3 752.6
- Maturing after 1 month but within 6 months	**4 351.2**	4 262.1	**4 348.4**	4 262.1
- Maturing after 6 months but within 12 months	**1 638.8**	2 383.0	**1 638.8**	2 383.0
- Maturing after 12 months	**2 041.6**	1 571.1	**2 041.6**	1 571.7
	18 053.7	19 321.1	**18 028.0**	19 324.6
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries				
Deposits from banks [1]	**8 919.1**	9 145.2	**8 920.0**	9 145.8
Other deposits and loan accounts	**102.2**	405.7	**102.2**	405.7
	9 021.3	9 550.9	**9 022.2**	9 551.5
[1] Included in Deposits from banks is US$3 519.9 million (2008: US$3 321.2 million) placed by Standard Bank Jersey and Standard Bank Isle of Man.				
Minimum amount during the year	**8 684.4**	8 677.5	**8 684.5**	8 677.5
Maximum amount during the year	**10 942.4**	12 309.1	**10 942.8**	12 309.1
15 Other liabilities				
Unsettled dealing balances	**88.7**	240.3	**88.7**	240.3
Other	**480.2**	383.0	**453.7**	365.1
	568.9	623.3	**542.4**	605.4
Comprising:				
Due within one year	**542.6**	607.9	**516.1**	590.0
Due after one year	**26.3**	15.4	**26.3**	15.4
	568.9	623.3	**542.4**	605.4
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	**116.7**	52.6	**123.0**	56.5
Minimum amount during the year	**52.5**	52.6	**52.1**	56.5
Maximum amount during the year	**234.0**	260.7	**235.4**	264.1

	Group		Company	
	2009	2008	2009	2008
	$m	$m	$m	$m
16 Subordinated debt				
Carrying value				
Subordinated Floating Rate Notes 2009 [1]	-	50.0	-	50.0
Subordinated Unsecured Floating Rate Loan Stock 2009 [2]	-	35.0	-	35.0
Subordinated Floating Rate Notes 2012 [3]	144.0	139.6	144.0	139.6
Step-Up Subordinated Floating Rate Notes 2015 [4]	239.6	239.6	239.6	239.6
Subordinated Fixed Rate Notes 2019 [5]	474.9	-	474.9	-
Step-up Subordinated Floating Rate Notes 2019 [6]	298.5	-	298.5	-
Step-Up Perpetual Subordinated Notes [7]	141.7	141.7	141.7	141.7
Subordinated Floating Rate Loan Stock 2050 [8]	19.2	19.2	19.2	19.2
Accrued interest	11.0	11.0	11.0	11.0
	1 328.9	636.1	1 328.9	636.1
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	321.1	22.5	321.1	22.5
Minimum amount during the year	20.1	19.2	20.1	19.2
Maximum amount during the year	321.1	181.9	321.1	181.9

[1] Bonds issued in US Dollars (US$50 million) at a floating rate equal to the aggregate of 1.85% per annum and the London interbank offer rate for three-month US Dollar deposits matured on 13 December 2009.

[2] Bonds issued in US Dollars (US$35 million) at a floating rate equal to the aggregate of 2% per annum and the London interbank offer rate for three-month US Dollar deposits matured on 27 December 2009.

[3] Bonds issued in Euros (€100 million) at a floating rate equal to the aggregate of 4% per annum and the interbank offer rate for three-month Euro deposits, until maturity on 28 December 2012. The bonds carry an option to be redeemed in full at every coupon date at their nominal value.

[4] Bonds issued in US Dollars (US$239.6 million) bearing interest equal to the aggregate of 1.15% 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 8 October 2010. After this option date, the bonds bear interest at the aggregate of 1.65% per annum and the London interbank offer rate for three-month US Dollar deposits, until maturity on 7 October 2015.

[5] 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.

[6] 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 offer rate for three-month US Dollar deposits, until maturity on 2 December 2019.

[7] 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.

[8] Bonds issued in US Dollars (US$19.2 million) at a floating rate equal to the aggregate of 1.25% per annum and the London interbank offer rate for six-month US Dollar deposits until maturity on 30 September 2050. The bonds carry an option to be redeemed in full at their nominal value subject to five years and two days notice. As at the date of signature of these accounts, no such notice had been given or received.

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 2009 and 2008.

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[1] $m	Financial instruments at amortised cost $m	Other non-financial assets / liabilities $m	Total carrying amount $m	Fair value[2] $m
31 December 2009							
Assets							
Derivative assets	3	6 363.1	-	-	-	6 363.1	6 363.1
Trading assets	4	7 108.0	-	-	-	7 108.0	7 108.0
Financial investments	5	-	79.2	-	-	79.2	79.2
Pledged assets	6	251.1	-	-	-	251.1	251.1
Loans and advances to banks	7	-	63.3	8 166.9	-	8 230.2	8 230.2
Loans and advances to customers	7	-	496.7	8 492.6	-	8 989.3	8 957.9
Financial assets		13 722.2	639.2	16 659.5	-	31 020.9	30 989.5
Other non-financial assets		-	-	-	396.3	396.3	
Total assets		13 722.2	639.2	16 659.5	396.3	31 417.2	
Liabilities							
Derivative liabilities	3	7 593.1	-	-	-	7 593.1	7 593.1
Trading liabilities	13	2 135.4	-	-	-	2 135.4	2 135.4
Deposits from banks	14	-	412.0	13 612.9	-	14 024.9	14 032.3
Deposits from customers	14	-	67.5	3 961.3	-	4 028.8	4 028.8
Subordinated debt	16	-	-	1 328.9	-	1 328.9	1 297.2
Financial liabilities		9 728.5	479.5	18 903.1	-	29 111.1	29 086.8
Other non-financial liabilities		-	-	-	629.9	629.9	
Total liabilities		9 728.5	479.5	18 903.1	629.9	29 741.0	

[1] The change from 2008 to 2009 is largely due to the treasury book no longer being managed on a fair value basis.

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

17 Classification of assets and liabilities (continued)

	Note	Held for trading	Designated at fair value[1]	Financial instruments at amortised cost	Other non-financial assets / liabilities	Total carrying amount	Fair value[2]
		$m	$m	$m	$m	$m	$m
31 December 2008							
Assets							
Derivative assets	3	11 162.9	-	-	-	11 162.9	11 162.9
Trading assets	4	4 904.1	-	-	-	4 904.1	4 904.1
Financial investments	5	-	81.0	-	-	81.0	81.0
Pledged assets	6	207.4	-	-	-	207.4	207.4
Loans and advances to banks	7	-	4 259.0	3 777.6	-	8 036.6	8 054.1
Loans and advances to customers	7	-	636.4	9 294.7	-	9 931.1	9 892.3
Financial assets		16 274.4	4 976.4	13 072.3	-	34 323.1	34 301.8
Other non-financial assets		-	-	-	853.8	853.8	
Total assets		16 274.4	4 976.4	13 072.3	853.8	35 176.9	
Liabilities							
Derivative liabilities	3	11 024.2	-	-	-	11 024.2	11 024.2
Trading liabilities	13	2 012.1	-	-	-	2 012.1	2 012.1
Deposits from banks	14	-	6 718.0	7 866.0	-	14 584.0	14 598.7
Deposits from customers	14	-	1 264.1	3 473.0	-	4 737.1	4 738.9
Subordinated debt	16	-	-	636.1	-	636.1	591.7
Financial liabilities		13 036.3	7 982.1	11 975.1	-	32 993.5	32 965.6
Other non-financial liabilities		-	-	-	676.6	676.6	
Total liabilities		13 036.3	7 982.1	11 975.1	676.6	33 670.1	

[1] The change from 2008 to 2009 is largely due to the treasury book no longer being managed on a fair value basis.

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

17 Classification of assets and liabilities (continued)

Estimation of fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits, illiquid securities and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of the value realisable in a future sale.

All valuation models are validated before they are used as a basis for financial reporting, by qualified personnel independent of the area that created the model. Wherever possible, the group compares valuations derived from models with quoted prices of similar financial instruments, and with actual values when realised, in order to further validate and calibrate the models. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and may not be realised in an immediate sale of the instruments.

The fair value of derivatives is estimated either using broker quotes or by discounting future cash flows. Future cash flows are estimated based on management's best estimates of the amount it would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current credit worthiness of the counterparties if applicable. The discount rate used is a market rate for a similar instrument at the reporting date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model. Inputs are based on market related data at the reporting date.

The fair values of portfolios of non-performing loans held in the trading book are based on discounted cash flow models, determined by the underlying nature of each portfolio and security held. The discount rates applied reflect the internal rate of return based on initial projected cash flows used in pricing allocations. The actual vs projected cash flows are reviewed on a loan by loan basis.

Valuation adjustments are an integral part of the valuation process. In making appropriate valuation adjustments, the group follows methodologies that consider counterparty credit risk. The adjustment amount is determined at each reporting date by assessing the potential credit exposure to all counterparties taking into account any collateral held, the effect of any master netting agreements, expected loss given default and the credit risk for each counterparty based on historic default levels.

Fair value of financial instruments held at amortised cost

The calculation of fair 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 financial liabilities settled, between knowledgeable, willing parties in an arm's length transaction. It does not reflect the economic benefits and costs that the group expects to flow from the instruments' cash flows over their expected future lives. 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 are stated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. In many cases, it would not be possible to realise immediately the estimated fair values and these fair values do not represent the value of these financial instruments to the group as a going concern.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments not carried at fair value.

- the fair value of demand deposits with no specific maturity is assumed to be the amount payable on demand at the reporting date.
- the fair value of variable and fixed rate financial instruments carried at amortised cost is estimated by comparing market interest rates and credit spreads when the loans were granted with current market rates offered 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 (forward transactions), 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 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The levels have been defined as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets					
Derivative assets	3	1 366.0	4 935.5	61.6	6 363.1
Trading assets	4	1 392.6	5 255.9	459.5	7 108.0
Financial investments	5	-	16.1	63.1	79.2
Pledged assets	6	15.5	235.6	-	251.1
Loans and advances to banks	7	-	63.3	-	63.3
Loans and advances to customers	7	-	232.5	264.2	496.7
		2 774.1	10 738.9	848.4	14 361.4
Liabilities					
Derivative liabilities	3	1 239.4	6 350.0	3.7	7 593.1
Trading liabilities	13	682.2	1 062.1	391.1	2 135.4
Deposits from banks	14	-	412.0	-	412.0
Deposits from customers	14	-	67.5	-	67.5
		1 921.6	7 891.6	394.8	10 208.0

18.1 Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data.

	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	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	-	(76.8)	-	-	(76.8)
Balance at end of the year	61.6	459.5	63.1	264.2	848.4

Gains or losses for the period included in net income for level 3 financial assets held at the end of the reporting period

	Derivative assets $m	Trading assets $m	Financial investments $m	Loans and advances to customers $m	Total $m
Trading revenue	54.8	17.6	4.9	20.7	98.0

18 Fair value hierarchy (continued)

18.2 Reconciliation of level 3 financial liabilities

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data.

	Derivative liabilities	Trading liabilities	Total
	$m	$m	$m
Balance at beginning of the year	-	294.6	294.6
Total losses	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

Losses for the period included in net income for level 3 financial liabilities held at the end of the reporting period

	Derivative liabilities	Trading liabilities	Total
	$m	$m	$m
Trading revenue	3.7	35.2	38.9

18.3 Sensitivity of level 3 financial assets and liabilities

The fair value of level 3 financial instruments are determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments. For recognised fair values measured using significant unobservable inputs, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

	Fair value recognised	Effect recorded in profit or loss	
		Favourable	(Adverse)
	$m	$m	$m
Derivative assets	61.6	14.4	(14.4)
Trading assets	459.5	7.1	(7.1)
Financial investments	63.1	1.3	(1.3)
Loans and advances to customers	264.2	2.9	(2.9)
	848.4	25.7	(25.7)
Derivative liabilities	(3.7)	-	-
Trading liabilities	(391.1)	7.8	(7.8)
	(394.8)	7.8	(7.8)

	2009 $m	2008 $m
19 Reclassification of financial assets		
Amount reclassified from held for trading to loans and receivables at amortised cost		
No assets were reclassified in the current reporting period. In 2008, certain trading assets were reclassified to loans and receivables for which there was a clear change in intent to hold the assets for the forseeable future rather than to exit or trade in the short term.		
Carrying value at date of transfer	-	412.9
Carrying value at year-end	307.0	394.1
Fair value at year-end	268.8	328.3
If the reclassification had not been made, the profit and loss would have included an unrealised fair value gain of US$30.6 million (2008: unrealised losses of US$75.9 million)		
The table below sets out the amounts actually recognised in profit or loss		
Period before reclassification		
Trading income	-	(12.5)
Period after reclassification		
Net interest income	21.6	6.0
Credit impairment charges	(0.5)	-
Net income / (loss)	21.1	(6.5)

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$560.0 million (2008: US$4 895.4 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 amounts to US$20.7 million (2008: US$11.4 million). 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 attributable to changes in credit risk amounts to US$1.1 million (2008: US$11.5 million).

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$474.5 million (2008: US$8 004.7 million).

The changes in fair value of the designated financial liabilities attributable to changes in credit risk have been calculated by reference to the change in the credit risk implicit in the market value of the Bank's senior notes.

		2009 $m	2008 $m
21 Ordinary share capital			
Authorised			
1 'A' ordinary share of US$1		-	-
1 'A' ordinary share of £1		-	-
1 000 000 000	ordinary shares of US$1 each	1 000.0	1 000.0
299 999 999	ordinary shares of £1 each	536.4	536.4
500 000 000	undesignated shares of US$1 each [1]	500.0	500.0
Issued and fully paid			
1 'A'	ordinary share of US$1	-	-
1 070 869 134	ordinary shares of US$1 each (2008: 1 038 611 069)	1 070.9	1 038.6
50 000	ordinary shares of £1 each (2008: 50 000)	0.1	0.1
		1 071.0	1 038.7

[1] 70 869 134 issued as ordinary shares.

Reconciliation of ordinary shares issued	Number	Number
Shares in issue at beginning of the year	1 038 661 069	645 435 048
- Shares with par value of £1	50 000	50 000
- Shares with par value of US$1	1 038 611 069	645 385 048
Shares with par value of US$1 issued during the year	32 258 065	393 226 021
Shares in issue at end of the year	1 070 919 134	1 038 661 069
- Shares with par value of £1	50 000	50 000
- Shares with par value of US$1	1 070 869 134	1 038 611 069

The rights of the ordinary shares and the 'A' ordinary shares 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 2009, the company issued 32 258 065 ordinary shares of US$1 each at a premium of US$0.55 per share.

	2009 $m	2008 $m
22 Contingent liabilities and commitments		
Group and company		
22.1 Contingent liabilities		
Guarantees	**125.2**	250.0
	125.2	250.0
22.2 Commitments		
Letters of credit	**620.9**	644.3
Unutilised facilities	**289.8**	268.4
	910.7	912.7

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.

	2009 $m	2008 $m
22.3 Operating lease commitments		
The future minimum payments under non-cancellable operating leases are as follows:		
Properties		
Within 1 year	**0.4**	5.4
After 1 year but within 5 years	**47.4**	31.6
After 5 years	**122.4**	102.3
	170.2	139.3

	2009 $m	2008 $m
23 Supplementary income statement information		
Group		
23.1 Interest income		
Interest on loans and advances and short term funds	**587.3**	986.8
Unwinding of discount element of credit impairments for loans and advances (note 7.2)	**3.6**	2.6
	590.9	989.4
Included above are the following amounts received from related parties:		
Group undertakings - fellow subsidiaries	**16.4**	12.9
All interest income reported above relates to financial assets not carried at fair value through profit or loss, except for US$51.4 million (2008: US$153.4 million) on financial assets that are carried at fair value through profit or loss.		
23.2 Interest expense		
Subordinated debt	**31.2**	39.4
Other interest-bearing liabilities	**299.6**	739.9
	330.8	779.3
Included above are the following amounts paid to related parties:		
Group undertakings - fellow subsidiaries	**175.6**	539.1
All interest expense reported above relates to financial liabilities not carried at fair value through profit or loss, except for US$26.6 million (2008: US$160.3 million) on financial liabilities that are carried at fair value through profit or loss.		
23.3 Non-interest revenue		
Knowledge based fees and commission revenue	**138.9**	147.4
Knowledge based fees and commission expenses	**(171.5)**	(182.8)
Trading revenue	**464.6**	411.4
- Foreign exchange	**52.3**	74.6
- Debt securities	**195.0**	160.9
- Commodities	**204.2**	230.2
- Equities	**13.1**	(54.3)
Other revenue	**15.2**	38.3
	447.2	414.3
Included in net fee and commission are the following amounts with related parties:		
Group undertakings - fellow subsidiaries	**(155.6)**	(140.5)

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

Trading revenue arise 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 revenues include related fee and investment income as well as associated funding costs as a result of trading operations.

Included in other revenue is a gain on revaluation of private equity funds of US$15.1 million (2008: US$4.6 million).

23 Supplementary income statement information (continued)

	2009 $m	2008 $m
23.4 Credit impairment charges		
Net credit impairments raised and released	132.3	61.2
Recoveries on loans and advances previously written off	(0.5)	-
	131.8	61.2
23.5 Staff costs		
Salaries and allowances	227.4	235.2
Other direct staff costs	34.1	25.7
Long term incentive scheme	19.3	(10.1)
Retirement benefit costs	9.7	10.8
	290.5	261.6

The following table indicates the average number of persons employed:

	Group		Company	
	2009 Number	2008 Number	2009 Number	2008 Number
Key management	14	14	14	14
Other	968	987	957	972
	982	1,001	971	986

In December 2009, the UK government proposed introducing 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. It is not yet certain whether the Finance Bill 2010 (currently in draft) will be enacted into UK law in its present form. The additional payroll tax has not been provided for in the current period.

	2009 $m	2008 $m
23 Supplementary income statement information (continued)		
23.6 Other operating expenses		
Amortisation of intangible assets	**16.4**	9.9
Auditors' remuneration	**2.6**	3.5
Statutory audit fees - Current year	**1.4**	1.3
Non audit fees - Assurance services [1]	**0.8**	1.8
Non audit fees - Tax advisory services	**0.4**	0.4
Depreciation (note 12.2)	**7.4**	2.5
Property		
- Leasehold improvements	**2.1**	-
Equipment		
- Computer equipment	**4.4**	0.7
- Motor vehicles	**0.1**	-
- Office equipment	**0.2**	0.1
- Furniture and fittings	**0.6**	1.7
Impairment of equipment		
Furniture and fittings	**-**	4.7
Indirect tax expense	**10.7**	15.2
Value added tax	**10.6**	14.0
Duties	**0.1**	1.2
Operating lease charges		
Properties and other	**17.5**	12.2
Information technology and communication	**35.3**	45.3
Premises	**13.1**	7.5
Other expenses	**94.7**	90.9
	197.7	191.7

[1] Includes fees for both statutory auditors of the Standard Bank Group.

23 Supplementary income statement information (continued)

23.7 Long term incentive schemes

23.7.1 Shadow Share Scheme

Standard International Holdings S.A. (SIH) has a long term incentive scheme (the Scheme) whereby certain employees, including certain executive directors of Standard Bank Plc group, are granted notional 'shadow' share options. The Scheme, which was set up in 1998, provides for eligible employees to be rewarded in cash, the value of which is derived from current and future performance of SIH. Throughout the life of the Scheme, the liability is valued 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 Standard Bank Group (SBG) Limited 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, were underpinned by share options issued by Standard Bank Group Limited. From March 2005 shadow share options have been issued without funding from Standard Bank Group 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 includes assumptions about future performance and leavers.

The provision in respect of liabilities under the shadow share scheme amount to US$15.0 million at 31 December 2009 (2008: US$15.4 million), and the charge for the year is US$2.2 million (2008: US$11.4 million write-back).

	2009	2008
	Number	Number
Options outstanding at beginning of the year	**22 141 029**	29 164 236
Exercised	**(2 370 312)**	(5 234 000)
Transfers	**(175 198)**	(191 884)
Leavers / lapses	**(1 666 392)**	(1 597 323)
Options outstanding at end of the year	**17 929 127**	22 141 029
Of which relates to key management	**2 589 295**	2 954 900

Share options were exercised at US$2.44 and US$2.41
(2008: US$2.45 and US$3.01)

The following options granted to employees had not been exercised at 31 December 2009:

Options expiry period	**Option price range (US$)**		
Year to December 2009	2.21	**-**	1 052 785
Year to December 2010	2.79	**1 324 144**	1 377 787
Year to December 2011	2.38	**1 523 021**	1 576 664
Year to December 2012	1.59	**1 225 124**	1 444 929
Year to December 2013	2.83	**1 636 072**	1 913 228
Year to December 2014	0 - 2.20	**3 018 563**	4 197 836
Year to December 2015	0 - 1.89	**2 186 403**	2 956 500
Year to December 2016	0 - 1.99	**6 875 300**	7 571 300
Year to December 2017	2.48	**140 500**	50 000
		17 929 127	22 141 029

23 Supplementary income statement information (continued)

23.7 Long term incentive schemes (continued)

23.7.2 SBG Equity Scheme

Certain employees have been granted share options under the SBG equity settled share based scheme. The reserve in respect of liabilities under the SBG share scheme amounts to US$5.3 million at 31 December 2009 (2008: US$2.4 million), and the amount charged for the year is US$2.3 million (2008: US$1.0 million).

	2009 Number	2008 Number
Options outstanding at beginning of the year	3 285 450	2 374 900
Granted	939 500	1 070 000
Transfers in	191 150	-
Exercised	(331 825)	(53 200)
Leavers / lapses	(40 000)	(106 250)
Options outstanding at end of the year	4 044 275	3 285 450
Of which relates to key management	1 352 900	935 000

Share options were exercised regularly throughout the period, other than closed periods. The average share price for the year was ZAR88.09.

The following options granted to employees had not been exercised at 31 December 2009:

Options expiry period	Option price range per share (ZAR)	2009 Number	2008 Number
Year to December 2014	17.15 - 50.91	185 900	447 700
Year to December 2015	60.35 - 65.50	411 075	400 450
Year to December 2016	79.50 - 81.00	827 000	791 500
Year to December 2017	92.05 - 107.91	617 200	600 800
Year to December 2018	89.00 - 92.00	1 083 600	1 045 000
Year to December 2019	62.39 - 65.00	919 500	-
		4 044 275	3 285 450

23.7.3 Quanto Stock Unit Scheme

In 2007, a new long term incentive scheme was introduced termed the Standard Bank Group Quanto Stock Unit scheme. In terms of this scheme, qualifying employees are awarded a number of Quanto Stock units denominated in US$, 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 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 includes a discretionary option for an 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.

	2009 Units	2008 Units
Units outstanding at beginning of the year	256 782	-
Granted	352 469	277 021
Transfers	(1 672)	-
Leavers / lapses	(16 691)	(20 239)
Units outstanding at end of the year	590 888	256 782
Of which relates to key management	90 798	19 860

23 Supplementary income statement information (continued)

23.7 Long term incentive schemes (continued)

The following Quanto Stock Units granted to employees had not been exercised at 31 December 2009:

Options expiry period	Option price range per share (US$)	2009 Units	2008 Units
Year to December 2018	77.00 - 92.00	244 049	256 782
Year to December 2019	62.39 - 100.5	346 839	-
		590 888	256 782

Quanto stock units granted during the year, all of which were granted for nil consideration

Options expiry period	Option price range per share (US$)		
Year to December 2018	77.00 - 92.00	-	277 021
Year to December 2019	62.39 - 100.5	352 469	-
		352 469	277 021

	2009 $m	2008 $m
23.8 Directors' emoluments		
Executive directors [1]		
Emoluments of directors in respect of services rendered		
Emoluments	3.6	4.7
Proceeds from exercise of options	-	1.0
Pension contribution	0.1	0.1
Highest paid director		
Emoluments	1.2	1.7
Proceeds from exercise of options	-	1.0
Pension contribution	0.1	0.1
Number of directors for whom pension contribution are paid	3	3

Long term benefits under the SIH shadow option scheme	Number ('000)	Number ('000)
Number of options brought forward	2 270	2 746
Exercised	(134)	(476)
As at 31 December	2 136	2 270

[1] Compensation relates to services rendered to the Standard Bank Plc group.

23 Supplementary income statement information (continued)

23.8 Directors' emoluments continued

Long term benefits under the SBG equity settled share based scheme	2009 Number	2008 Number
Number of options brought forward	785 000	615 000
Issued during the year	125 000	150 000
New directors existing options	-	20 000
As at 31 December	910 000	785 000

Long term benefits under the Quanto stock scheme	Units	Units
Number of units brought forward	19 860	-
Issued during the year	36 786	19 860
As at 31 December	56 646	19 860

23.9 Company profits

As permitted by section 408 of the Companies Act 2006, the income statement of Standard Bank Plc has not been presented. The company profit of US$60.8 million (2008: US$66.3 million) has been included in the group income statement.

23.10 Dividends

No dividends were declared in 2009 (2008: nil).

24 Income tax expense

	2009 $m	2008 $m
Current year	33.6	48.2
- UK corporation tax	28.9	40.4
- UK deferred tax	2.9	3.4
- Overseas tax	1.8	4.4
Prior years	(10.6)	3.7
- UK corporation tax	(10.6)	3.7
Total tax expense	23.0	51.9

The corporation tax liability for the year has been offset by US$6.8 million (2008: US$7.0 million) group relief for losses of other group companies which have been surrendered.

The current tax charge for the year is lower (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The differences are explained below.

UK tax rate reconciliation

Profit on ordinary activities before tax	87.3	109.9
Corporation tax	24.4	31.3
Effects of:		
Adjustment to tax charge in respect of prior years	(10.6)	3.7
Different tax rates in other countries	(1.6)	(0.5)
Group relief received	(1.9)	(2.0)
Non-deductible expenses	11.8	17.7
Payment for group relief	0.9	1.7
	23.0	51.9
Effective tax rate	26.3%	47.2%

	Group		Company	
	2009	2008	**2009**	2008
	$m	$m	**$m**	$m
25 Notes to the cashflow statement				
25.1 (Increase) / decrease in income-earning assets				
Trading assets	**(2 203.9)**	3 763.2	**(2 184.9)**	3 763.0
Pledged assets	**(43.7)**	(181.2)	**(43.7)**	(181.2)
Financial investments	**1.8**	(36.2)	**1.8**	(36.2)
Loans and advances	**653.6**	217.1	**683.9**	201.0
Other assets	**516.6**	(399.3)	**497.9**	(370.4)
	(1 075.6)	3 363.6	**(1 045.0)**	3 376.2
25.2 Increase / (decrease) in deposits and other liabilities				
Deposits and current accounts	**(1 290.7)**	1 248.3	**(1 319.9)**	1 251.8
Net derivative liabilities	**1 424.8**	(1 141.2)	**1 420.6**	(1 141.0)
Trading liabilities	**123.3**	(1 480.5)	**123.3**	(1 480.5)
Other liabilities	**(56.6)**	(49.1)	**(64.2)**	(65.8)
	200.8	(1 422.5)	**159.8**	(1 435.5)
25.3 Tax paid				
Amounts unpaid at beginning of the year	**(50.7)**	(21.0)	**(50.3)**	(18.6)
Direct income tax	**(23.0)**	(55.3)	**(21.3)**	(54.3)
Amounts unpaid at end of the year	**43.8**	50.7	**41.2**	50.3
	(29.9)	(25.6)	**(30.4)**	(22.6)
25.4 Cash and cash equivalents				
Cash and balances with central banks	**-**	-	**-**	-
Other cash equivalents (included in loans and advances) [1]	**4 271.3**	4 321.5	**4 270.0**	4 344.0
Cash and cash equivalents at end of the year	**4 271.3**	4 321.5	**4 270.0**	4 344.0

[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.

26 Related party transactions

26.1 Subsidiaries

The subsidiary companies in the group comprise a limited part of the group's activities and transactions with these entities 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.

26.2 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 or 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.

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

26.3 Other

Mahmut Ünlü, the CEO of Standard Ünlü, a Turkish based subsidiary of Standard Bank London Holdings (SBLH), owns a controlling interest in a company (the co-investor) which is a co-investor in a private equity fund called Turkish Private Equity Opportunities I, SICAR.

On 30 June 2009 Standard Bank Plc (SB Plc), a wholly owned subsidiary of SBLH, entered into a Total Return Swap (TRS) with the co-investor whereby SB Plc receives cash flows arising from 66.7% of co-investor's share in the fund in return for a fixed amount and relieving the co-investor from its outstanding capital commitment (US$93.5 million) to the PE Fund. The TRS is to be settled in cash at the date of the termination of the underlying share in fund and has a carrying value of US$25.4 million at 31 December 2009.

SBLH receives 64% of the economic benefit of the fund calculated comprised of the value of the 12.8% investment and the above mentioned TRS held by SB Plc.

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 parties.

26.4 Key management compensation

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

	2009 Directors and key management $'000	2008 Directors and key management $'000
Salaries and other short term benefits	**6 438**	8 427
Post-employment benefits	**-**	-
Gains on exercise of long term incentives and other payments	**35**	1 123
	6 473	9 550

26.5 Transactions with key management

There were no transactions with key management in 2009 (2008: nil).

27 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 other pension costs are contributions paid by group companies which amounted to US$9.7 million (2008: US$10.8 million). There were no outstanding contributions at year end (2008: nil).

28 Financial risk management

28.1 Overview and executive summary

The effective management of risk within our stated risk appetite is fundamental to the banking activities of Standard Bank Plc. We seek to achieve an appropriate balance between risk and reward in all our businesses and in this regard continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

Risk management is at the core of the operating 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 and loss volatility are essential elements of the risk management and control framework which serve to protect the group's reputation and business franchise.

Responsibility and 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 our 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 their 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 SB Plc Board Audit Committees.

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

During the recent financial crisis the group significantly strengthened its risk management capabilities. The group anticipated the weakening credit environment and as a result had initiated a series of management actions to de-risk and deleverage the portfolio in response to a series of 'deep drill' reviews that highlighted potential areas of concern.

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

- Portfolio Risk Management Committee which 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 which 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 under which if any counterparty / performing asset in the banking book breaches, for example, a condition of sanction or a key performance ratio it is 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'.

28.2 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 and 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.

All standards are applied consistently 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 at least annually their compliance with the group risk standards and policies.

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 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 robust 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:

- reviewing and changing limits,
- limiting exposures in specific sectors, countries, regions or portfolios,
- influencing the type, quantum and maturity of new business that can be originated,
- securitisation and/or rebalancing of the portfolio to reduce risk sensitivity, and
- hedging strategies.

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,
- ad-hoc assessment of the impact of short term macroeconomic factors on the group's performance, and
- setting the Performing Portfolio Provision.

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.

28.3 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.

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.

28.4 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 we have 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 which 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 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 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 21 point master rating scale for all performing counterparties. This is shown in the table on page 72 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 Corporate & Investment Banking business is centrally managed,

Group master rating scale	Credit quality steps	Moody's	Standard and Poors	Fitch	Group grading category
1 - 4	1	Aaa to Aa3	AAA to AA-	AAA to AA-	Normal monitoring
5 - 7	2	A1 to A3	A+ to A-	A+ to A-	
8 - 13	3	Baa1 to Ba3	BBB+ to BB-	BBB+ to BB-	
14 - 16	4	B1 to B3	B+ to B-	B+ to B-	
17 - 21	5	Caa to C	CCC+ to C-	CCC+ to C-	Close monitoring
Default	6	D	D	D	Default

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.

Where the group has uncollateralised marked to market risk and/or potential future exposure, this is subject to weekly review at the group's credit committee with the largest positions being subject to specific scrutiny and limit control.

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 our 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.

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 (PRMC). 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 our 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.

The Portfolio Risk Management Committee monitors concentration risk within the portfolio by country, sector and obligor. Concentrations are measured in terms of economic capital and are reviewed against internal limits of 3% for obligor concentration and 15% for both country and sector. As at the reporting date there were two exceptions to the internal concentration limits, one obligor concentration and one country concentration. The status of these is closely monitored with exposure often supported by collateral arrangements which act as potential risk mitigants. Throughout the year both expected and unexpected losses have decreased due to tightening credit spreads but with an increase in the obligor concentrations as a percentage of the overall loan portfolio. Management and reduction of concentration risk will be a key focus for the business in the coming year.

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. Generally, however, the extent of legal commitments which could result in collateral calls triggered by a rating downgrade is not material and would not have an adverse effect on the group's financial position.

Analysis of maximum exposure to credit risk

The quality of the exposures in terms of creditworthiness, varying from normal monitoring to close monitoring as determined by the internal models, are defined in terms of the group master rating scale.

Credit quality based on the group's credit rating system

	Neither past due nor impaired				
	Normal monitoring $m	Close monitoring $m	Past due but not impaired[1] $m	Impaired $m	Gross credit exposure $m
2009					
Derivative assets	**6 212.8**	**150.3**	**-**	**-**	**6 363.1**
Loans and advances to banks	**8 085.1**	**122.4**	**-**	**75.5**	**8 283.0**
Loans and advances to customers	**6 908.0**	**1 008.7**	**392.3**	**822.3**	**9 131.3**
	21 205.9	**1 281.4**	**392.3**	**897.8**	**23 777.4**

	Neither past due nor impaired				
	Normal monitoring $m	Close monitoring $m	Past due but not impaired[1] $m	Impaired $m	Gross credit exposure $m
2008					
Derivative assets	10 979.0	183.9	-	-	11 162.9
Loans and advances to banks	7 865.8	125.9	-	48.8	8 040.5
Loans and advances to customers	8 924.4	791.0	9.6	296.8	10 021.8
	27 769.2	1 100.8	9.6	345.6	29 225.2

[1] Included are exposures fully supported by collateral held. Based on facts and circumstances available at 31 December 2009, management expect the full collateral to be realised.

The table includes US$763.1 million (2008: US$435.7 million) exposures subject to enhanced monitoring under the Watchlist process.

Including gross derivatives and contingent exposures, the maximum credit exposure for the group on 31 December 2009 is US$24 813.3 million (2008: US$30 387.9 million). The value of collateral held is reviewed on a regular basis, although it is impractical to obtain a fair value of total of all collateral on a specified date for reporting purposes.

Past due loans and advances, but not impaired

The table below shows past due loans and advances by number of days after the due date that are not due to technical arrears or delays in payment due to timing. For the Corporate & Investment Banking portfolio, accounts that have breached a facility covenant or obligation but do not have an impairment raised against them are considered past due but not impaired.

In addition to the amounts below is a distressed asset portfolio amounting to US$264.2 million (2008: US$238.7 million) which has not been included in the table as it was acquired in the ordinary course of business and carried at fair value.

Age analysis of loans and advances past due but not impaired

	Less than 30 days $m	31 to 61 days $m	61 to 90 days $m	91 to 180 days $m	More than 180 days $m	Past due but not impaired $m
2009						
Loans and advances	**54.0**	**-**	**34.4**	**109.8**	**194.1**	**392.3**
	54.0	**-**	**34.4**	**109.8**	**194.1**	**392.3**

	Less than 30 days $m	31 to 61 days $m	61 to 90 days $m	91 to 180 days $m	More than 180 days $m	Past due but not impaired $m
2008						
Loans and advances	-	-	9.6	-	-	9.6
	-	-	9.6	-	-	9.6

Impaired loans and advances

For individually assessed accounts, loans and advances are treated as impaired where amounts are due and unpaid for three or more months and / or where there is objective evidence that an impairment loss has been incurred. The criteria used by the group to determine that there is such objective evidence include:

- known cash flow difficulties experienced by the borrower,
- overdue contractual payments of either principal or interest,
- breach of loan covenants or conditions,
- the probability that the borrower will enter bankruptcy or other financial realisation and
- a significant downgrading in credit rating by an external credit rating agency.

Analysis of financial assets impaired

	Sub standard[1] $m	Doubtful[2] $m	Loss[3] $m	Total $m	Security against impaired loans[4] $m	Impairment $m
2009						
Loans and advances	**607.9**	**237.5**	**52.4**	**897.8**	**749.6**	**148.2**
	607.9	**237.5**	**52.4**	**897.8**	**749.6**	**148.2**

	Sub standard[1] $m	Doubtful[2] $m	Loss[3] $m	Total $m	Security against impaired loans[4] $m	Impairment $m
2008						
Loans and advances	265.4	1.8	78.4	345.6	284.7	60.9
	265.4	1.8	78.4	345.6	284.7	60.9

[1] Items that show underlying well defined weaknesses that could lead to probable loss if not corrected. The risk of default is probable and the group relies to a large extent on the available security.

[2] Items that are considered to be impaired, but are not yet considered final losses because of some pending factors which may strengthen the quality of the items.

[3] Items that are considered to be uncollectable and where the realisation of legal proceedings have been unsuccessful. These items are considered of such little value that they should no longer be included in the net assets of the group.

[4] Included are exposures where realisation of collateral is subject to associated execution risk.

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. Renegotiated loans that would otherwise be past due or impaired totalled US$330.4 million as at 31 December 2009 (2008: US$174.8 million).

28.5 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 Country Risk Committee approves country risk appetite limits for countries other than sub-Saharan Africa. Limits for sub-Saharan Africa are referred to the parent in South Africa for review and decision. A country-rating model is used to determine the relative ranking of each country. The internal model is 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 our 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, New York and Hong Kong. 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.

	2009 %	2008 %
Region[1]		
Asia	**11.5**	9.5
Eastern Europe	**3.9**	5.4
North Africa & Middle East	**4.9**	9.1
North America	**15.7**	16.0
South America	**1.8**	3.5
Sub-Saharan Africa	**15.4**	18.1
Western Europe	**46.8**	38.4
	100.0	100.0

[1] Based on the location of the customer

During the year the group saw a progressive shift in our exposures towards Western Europe due to placement of liquidity with financial institutions.

28.6 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 bank'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 Standard Bank Group 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). Group Capcom 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 a Capcom to monitor compliance with these market risk standards and report to International Capcom.

Market risk management units, independent of trading operations and accountable to their respective business unit Capcom, monitor market risk exposures due to both trading activities and banking activities. Exposures and any limit excesses are monitored daily, reported monthly to each business unit Capcom and quarterly to the Group Capcom, GROC and Group Capital and Risk Management Committee (GCRMC).

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,
- economic value of equity and
- ICAAP.

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 (QARM) 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.

ICAAP

The group monitors the usage of both regulatory and economic credit capital as well as incurred and expected losses using both internally and externally developed models and systems across its portfolios.

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.

Our trading units achieved a positive actual income for over 80% of the trading days in 2009. The average daily revenue earned in 2009 was US$2.2 million with a standard deviation of US$3.3 million. During the year there were a total of 5 exceptions to the VaR limits at a 95% confidence level (3 exceptions at a 99% confidence level).

	Normal VaR[2]			
	Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
2009				
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]			
	Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
2009				
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)

	Normal VaR [2]			
	Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
2008				
Commodities	3.4	1.1	2.0	1.3
Foreign exchange	1.5	0.1	0.4	0.5
Equities	1.2	0.2	0.6	0.4
Debt Securities	5.9	2.5	3.6	4.7
Diversification benefit [4]				(4.0)

	Stress VaR [3]			
	Maximum[1] $m	Minimum[1] $m	Average $m	Year end $m
2008				
Commodities	21.6	7.2	12.0	8.3
Foreign exchange	36.2	0.6	2.8	3.5
Equities	5.1	1.4	3.2	2.3
Debt Securities	64.4	10.4	22.9	36.0
Diversification benefit [4]				(29.1)

Reporting categories have changed, with Interest rate trading moving from Foreign exchange to Debt Securities along with Credit trading. The 2008 comparatives have been adjusted to reflect the changes.

[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.

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 & Liability Management (ALM) 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 below. 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

	0-3 months $m	3-6 months $m	6-12 months $m	>12 months $m
2009				
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%**
	0-3 months $m	3-6 months $m	6-12 months $m	>12 months $m
2008				
Interest rate sensitivity gap	16.5	824.9	237.7	256.1
Cumulative interest rate sensitivity gap	16.5	841.4	1 079.1	1 335.2
Cumulative interest rate sensitivity gap as a percentage of total banking assets	0.2%	9.9%	12.7%	15.7%

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.

	Increase in basis points	1 month $m	2 months $m	3 months $m	4-6 months $m
2009					
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**
	Increase in basis points	1 month $m	2 months $m	3 months $m	4-6 months $m
2008					
1% up (interest-rate increase)	100	(0.1)	(0.1)	(0.1)	(2.9)
1% down (interest-rate decrease)	100	0.1	0.1	0.1	2.9

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. All gains and losses on foreign exposures and derivatives are reported in profit and loss. 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

Functional currency	2009 $m	2008 $m
Chinese Renmimbi	28.3	14.8
Hong Kong Dolar	-	0.3
Japanese Yen	-	1.1
	28.3	16.2

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.

28.7 Liquidity risk

Framework and governance

Implicit in the nature of banking and trading activities results in a continuous exposure to liquidity risk. The group's liquidity risk management framework, which is consistent with the previous financial reporting period, 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 initiated in 2008, 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. Our diversified funding base, comprising of a combination of corporate and institutional deposits, interbank deposits and longer term funding from a variety of Standard Bank Group sources, has grown over the year and has allowed us to meet these market challenges. The Standard Bank Group will ensure that except in the case of political risk and unless specifically excluded by local public notice, that 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 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 balance sheet 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 balance sheet. 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 on page 81. 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.

	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
2009							
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

	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
2008							
Financial liabilities							
Derivative liabilities	694.7	(186.3)	51.8	(1.3)	1 465.9	-	2 024.8
Trading liabilities	1 289.8	1 909.2	1 698.3	308.2	1 276.4	13.8	6 495.7
Deposits from banks	4 130.7	2 286.3	4 130.5	2 494.3	1 585.4	-	14 627.2
Deposits from customers	1 699.2	401.3	78.9	19.3	24.6	-	2 223.3
Subordinated debt	-	-	-	85.0	398.4	141.7	625.1
Total recognised financial liabilities	7 814.4	4 410.5	5 959.5	2 905.5	4 750.7	155.5	25 996.1
Letters of credit	-	0.1	2.0	1.1	172.3	-	175.5
Guarantees	-	-	-	-	-	-	-
Irrevocable unutilised facilities	-	-	5.0	94.9	179.9	-	279.8
Total unrecognised financial liabilities	-	0.1	7.0	96.0	352.2	-	455.3
Total	7 814.4	4 410.6	5 966.5	3 001.5	5 102.9	155.5	26 451.4

Contractual liquidity mismatch	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
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)**
2008					
Net liquidity mismatch	118.7	(715.6)	(1 906.7)	(114.7)	1 058.4
Cumulative mismatch	118.7	(596.9)	(2 503.6)	(2 618.3)	(1 559.9)

By way of illustration, the table below shows the group's cumulative maturity mismatch between assets and liabilities, after applying behavioural profiling.

Behavioural liquidity mismatch	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
2009					
Net liquidity mismatch	**5 711.9**	**(1 771.9)**	**(2 127.7)**	**(175.9)**	**(2 100.5)**
Cumulative mismatch	**5 711.9**	**3 940.0**	**1 812.3**	**1 636.4**	**(464.1)**
2008					
Net liquidity mismatch	2 130.6	(715.6)	(1 906.7)	(114.7)	(953.5)
Cumulative mismatch	2 130.6	1 415.0	(491.7)	(606.4)	(1 559.9)

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 2009, 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 has been updated to reflect the experience of 2008, and in particular the market stress subsequent to the failure of Lehman Brothers in September 2008, and the range of management actions adopted to protect the group's position at that time.

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 end of 2009, the group was compliant with all stress testing limits.

The FSA Consultation paper on liquidity indicates a range of prescriptive requirements on the management and control, of liquidity by banks, with an especial focus on the use of stress tests. Standard Bank Plc has designed and implemented an asset and liability database and stress testing system which will provide considerably enhanced management information and flexibility in planning its liquidity scenarios and stress tests, which will enable it to be compliant with the FSA requirements.

28.8 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 our 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. Our 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 the 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 our internal processes and the engagement of law enforcement agencies and industry forums to discuss initiatives to adopt best practice to combat fraud and theft.

28.9 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.

28.10 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.

28.11 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 operations 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 Standard Bank Group. 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, Standard Bank Group, is incorporated in South Africa and regulated by the Bank Supervision Department of the South African Reserve Bank, who also regulates the subsidiaries of Standard Bank Group.

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.

28.12 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.

28.13 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 Standard Bank Group 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 firm 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 they operate. 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. Perpetual, non-cumulative preference shares also qualify as Core Tier I capital,
- 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 a bank's 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	2009 $m	2008 $m
Regulatory capital		
Core Tier I		
Share capital	**1 071.0**	1 038.7
Share premium	**274.3**	256.6
Reserves	**327.8**	178.8
Less regulatory deductions	**(96.6)**	(73.0)
Total Core Tier 1	**1 576.5**	1 401.1
Tier II		
Subordinated debt instruments	**1 198.4**	400.5
Credit impairment against performing loans	**46.6**	14.8
Tier II Excess	**(268.4)**	-
Total Tier II	**976.6**	415.3
Less deductions from Tier I and Tier II	**(74.0)**	(0.3)
Total qualifying Tier I and Tier II capital	**2 479.1**	1 816.1
Tier III		
Short term subordinated debt instruments	**144.0**	224.6
Tier II Excess	**268.4**	-
Total Tier II	**412.4**	224.6
Total eligible capital	**2 891.5**	2 040.7

29 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 Bank London Holdings Plc, a company incorporated in the United Kingdom. The consolidated financial statements of these groups are available to the public for inspection at:

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Acronyms and abbreviations

Acronyms and abbreviations

ALM	Asset and Liability Management
BCM	Business Continuity Management
BIC	Business Infrastructure Committee
BRMC	Board Risk Management Committee
Capcom	Capital and Liquidity Management Committee
CIB	Corporate and Investment Banking division
Company	Standard Bank Plc
CSA	Credit Support Annex
FSA	Financial Services Authority
GAC	Group Audit Committee
GCC	Group Credit Committee
GORC	Group Operational Risk Committee
GRCMC	Group Risk and Capital Management Committee
GROC	Group Risk Oversight Committee
Group	Standard Bank Plc group
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISDA	International Swap Dealers Association
ORM	Operational Risk Management
OTC	Over-the-counter
QARM	Quantitative Analytics and Risk Methods
RWA	Risk Weighted Assets
SARB	South African Reserve Bank
SBG	Standard Bank Group
SIH	Standard International Holdings S.A.
SPE	Special Purpose Entity
Tier I	Primary Capital
Tier II	Secondary Capital
Tier III	Tertiary Capital
VaR	Value-at-Risk
VAT	Value Added Tax
$m	Millions of US dollar

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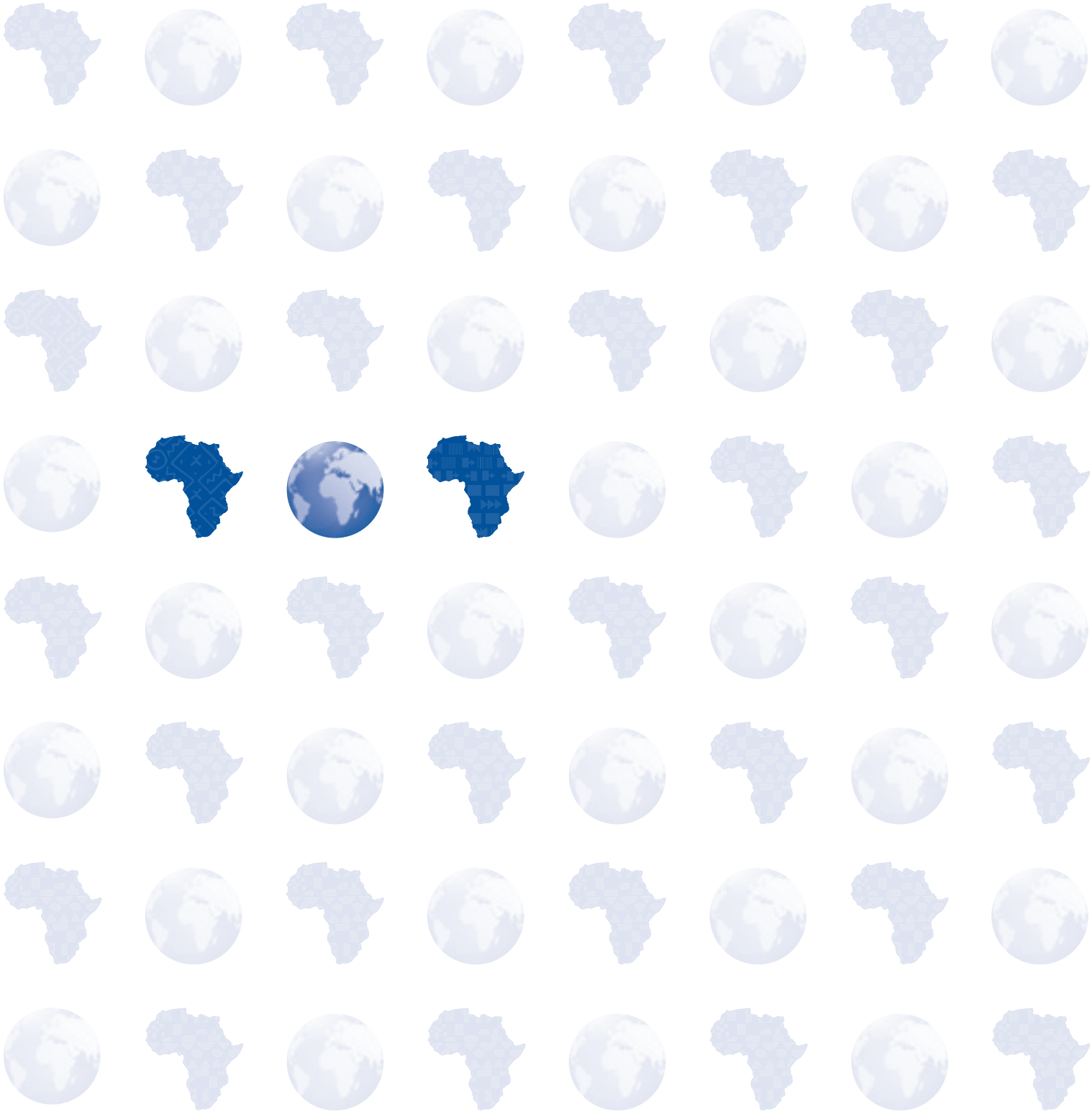

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