The Standard Bank of South Africa

Annual financial statements

2004

Standard Bank

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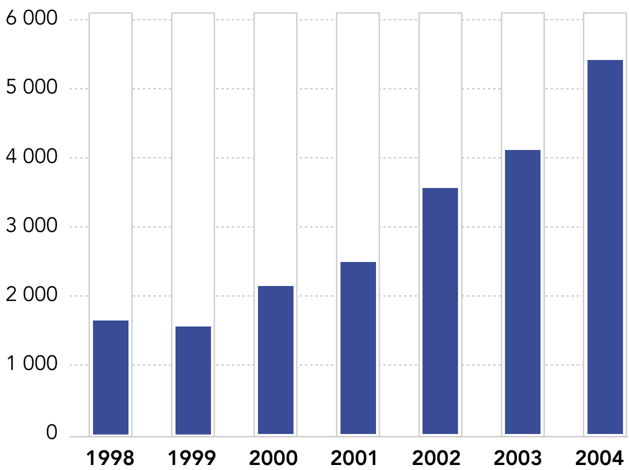
Financial highlights

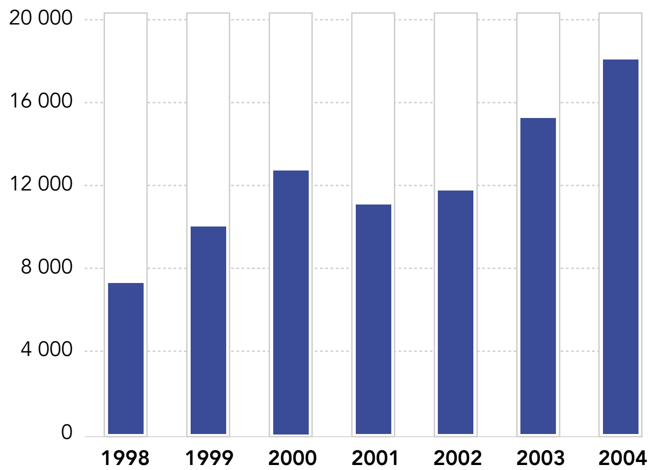
	2004	2003	% change	2004 USD equivalent
Income statement (Rm)				
Net income from operations	**7 390**	5 986	23	1 148
Headline earnings	**5 412**	4 110	32	840
Profit for the year	**5 438**	4 233	28	844
Balance sheet (Rm)				
Capital and reserves	**18 197**	15 237	19	3 232
Total assets	**384 913**	320 853	20	68 368
Loans and advances	**201 225**	153 345	31	35 742
Financial performance				
Return on equity (%)	**32,4**	30,5		
Share statistics per ordinary share (cents)				
Headline earnings	**9 020**	6 852	32	1 401
Earnings	**9 064**	7 057	28	1 407
Dividends	**9 998**	2 416	>100	1 552
Net asset value	**30 330**	25 396	19	5 387
Capital adequacy				
Total risk-weighted assets (Rm)	**201 232**	174 423	15	35 743
Primary capital (Rm)	**18 258**	14 853	23	3 243
Total capital (Rm)	**26 969**	21 705	24	4 790
Primary capital to risk-weighted assets (%)	**9,1**	8,5		
Total capital to risk-weighted assets (%)	**13,4**	12,5		

The 2004 rand/US dollar exchange rates : period end rate – R5,63 (2003: R6,68)
: average rate – R6,44 (2003: R7,55)

Headline earnings (Rm)



Capital and reserves (Rm)



Risk management overview | capital adequacy | corporate governance

Risk management

The effective management of risk in a diverse and complex organisation such as The Standard Bank of South Africa Limited (SBSA) requires a strong risk management culture. This culture ensures that sound commercial decisions are taken which adequately balance risk and reward.

Approach to risk management

The company follows a risk management approach that balances strong corporate oversight with independent risk management structures within the business units. The risk management framework is based on four main building blocks: risk governance and ownership; risk management culture and capability; risk assurance; and risk reporting:

- Risk governance and ownership
  - A risk governance structure is in place to ensure independent oversight of all business activities. It begins with the board of directors (the board). The board reviewsand agrees the type and level of risk that the company is willing to take in the pursuit of business.
  - Risk ownership is clearly defined in and between the business units and the centralised risk functions.
- Risk management culture and capability
  - Continuous training, development and awareness programmes are followed in the company.
  - Policies are formally documented and approved, with the group risk management department being responsible for developing and maintaining group risk policies.
  - Risk identification and measurement is performed across the company using defined methodologies and, where appropriate, specific to the requirements of the individual business units.
- Risk assurance

  In addition to the assurance provided by management, through various reports tabled at risk committees and the board, the internal audit department gives the board independent assurance that risk is appropriately managed through regular audits of areas in the company.
- Risk reporting

  The group risk management committee receives regular reports from management covering its assessment of the significant risks and the effectiveness of the systems and controls used to manage these risks.

Major risks

Risks to which the company is exposed are discussed below:

Credit risk – the risk arising from customer or counterparty non-performance or default. In lending transactions, credit risk arises through non-performance by a counterparty for facilities utilised. These facilities typically take the form of loans and advances, 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. There are three components to credit risk:

- settlement risk – the risk arises in transactions involving the exchange of values when the company must honour its obligations to deliver without first being able to determine that the company has received the countervalue;
- pre-settlement risk – the risk arises from the potential non-performance by a counterparty to a derivative obligation. The company is exposed to the loss of value through the cost of replacing the transaction which is no longer at market rates; and
- issuer risk – the risk that the issuer of a debt instrument defaults on a particular principal payment or set of payments due under the instrument.

Market risk and credit risk overlap in traded credit products, including debt instruments and credit derivatives. SBSA manages issuer concentration and default risks through the credit and country risk processes and market price sensitivity through market risk processes.

Market risk – the risk of a decrease in the market value of a portfolio of financial instruments caused by an adverse move in market variables such as equity, bond and commodity prices, currency exchange rates, interest rates, credit spreads and implied volatilities on all of the above. Market risk exists wherever the company has trading, banking or investment positions. Major exposures to market risk occur in markets served by formal financial exchanges and over-the-counter markets. These exposures arise from customer-driven business and from proprietary positions.

Market risk exposure on trading positions and capital funds

The board of directors grants general authority to take on market risk exposure to an Africa asset and liability committee (ALCO), which is chaired by the chief executive.

The company manages market risk through risk limits. The company uses a range of risk measurement methodologies and tools to establish limits, including Value at Risk (VaR), stress testing, loss triggers and traditional risk management measures.

Market risk on equity investments

Equity management committees approve investments in listed and unlisted entities within an approval limit framework. 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.

Market risk exposure on banking positions and capital funds

Banking-related market risk exposure is primarily due to structural interest rate risk arising from the differing repricing characteristics of banking assets and liabilities. Independent asset and liability management (ALM) functions monitor exposures to interest rate risk. The main analytical techniques used to measure banking book interest rate risk are forward-looking dynamic scenario analyses and static repricing gap analyses, which measure interest rate risk at a point in time. The results obtained from analytical techniques assist the company in evaluating the optimal hedging and yield-enhancing strategies on a risk-return basis.

Liquidity risk – the risk that the company will have insufficient funds or marketable assets available to fulfil its future cash flow obligations on time.

The nature of banking, investment and trading activities results in a continuous exposure to liquidity risks. Liquidity obligations arise from requirements to repay deposits, advance committed funds, and make interest and other expense payments. Sound liquidity management is crucial in protecting the company's depositor base, maintaining market confidence and ensuring future growth.

Guidelines issued by the Financial Services Authority (FSA) in the United Kingdom are adopted to constrain asset versus liability mismatches on a maturity ladder.

Compliance risk – the risk of regulatory censure as a result of non-compliance with any statutory requirements of central or local government, including regulations imposed by the South African Reserve Bank (SARB), the Financial Services Board and various financial exchanges. The company's lead regulator is the Bank Supervision Department of the SARB.

A policy of constructive engagement is followed with all regulators and the SARB Bank Supervision Department, in particular, is regarded as a key stakeholder.

Several significant, new regulatory developments impacted on the company during the year. These developments include the Financial Intelligence Centre Act (FICA) to counter money laundering, as well as the Financial Advisory and Intermediary Services (FAIS) Act.

Operational risk – the risk resulting from inadequate or failed internal processes, people and systems or from external events.

The company recognises operational risk, inclusive of information risk and business continuity, as a significant risk category and manages it within acceptable levels. The company continues to develop and expand its guidelines, standards, methodologies and systems in order to enhance the management of operational risk. This challenge is heightened by the proposed Basel II capital adequacy regulations, which will impose a capital charge for operational risk and will come into effect at the end of 2007. The company has opted to use the standardised approach to calculate its capital charge for operational risk.

Insurance, in general, is a component of the management of operational risk and, where appropriate, insurance cover is purchased to mitigate potential losses associated with such risks. A comprehensive insurance programme is maintained as additional protection against potential losses from fraud, theft, loss of physical assets and professional liability claims.

The company has shifted its focus from a reliance on paper-based business continuity plans to a more practical approach in which the business continuity management methodology prescribes the use of simulations as a major driver. These simulations rehearse a business unit's executive management structure through to its operational staff ensuring preparedness for unforeseen events. All mission critical areas were exposed to simulations in 2004.

Information risk is defined as the possibility of losses or damage being caused to a business as a result of breach in the confidentiality, integrity or availability of the company's information. Information risk management includes the practices and procedures necessary to ensure the secure use of information resources by reducing the possibility of harm.

Reputational risk – the risk of damaging the company's image, which may impair its ability to retain and generate business. The company manages reputational risk through its evaluation and control of the major risk types as set out above. In addition, there is an open communication culture that allows for all issues to be appropriately dealt with in a timely manner.

Risk assurance – at the group risk management committee meetings, management provide assurance to the board with regards to the adequacy and effectiveness of the risk management systems and processes.

The Basel Capital Accord (Basel II)

During June 2004, the Bank of International Settlement released the final Basel II Capital Adequacy Framework (Basel II). The revision to the capital accord focuses mainly on improvements in the quantification and management of credit and operational risks, enhancements to the supervisory review process and more extensive disclosure of risk. Basel II aims to incentivise banks, through lower capital requirements, to improve their risk management processes.

The SARB has announced that the South African implementation date of the new capital adequacy framework will be 1 January 2008, with banks in South Africa and the regulator evaluating the impact of the new framework on the capital requirements and risk management processes during a parallel run to be conducted for one year prior to implementation (that is, commencing on 1 January 2007).

Several projects are in progress in the company to ensure the Basel II risk management principles are incorporated in the day-to-day risk management functions across the company and to ensure that the optimal benefit is obtained through compliance with the new regulations. The projects are mainly in the areas of credit risk rating, collateral management, operational risk methodologies and risk systems.

The Basel II programme of projects is managed through a governance structure, which includes dedicated Basel II coordinators and business unit level Basel II steering committees. The primary function of this structure is to oversee projects and provide monthly updates to senior management and the board.

Capital adequacy

Minimum requirements

The capital adequacy ratio reflects the capital strength of an entity when compared to the minimum requirement set out by the regulator.

SBSA is required to meet the SARB capital requirements, being a minimum capital adequacy ratio of 10%. These regulations are based on guidelines developed by the Bank for International Settlement.

Qualifying capital

Qualifying capital is divided into three tiers: primary, secondary and tertiary capital.

Primary capital comprises funds raised through the issue of ordinary shares; non-redeemable, non-cumulative preference shares; retained earnings and reserves (other than statutory revaluation reserves).

Secondary capital comprises cumulative preference shares, certain subordinated loan funding, general debt provisions net of any related deferred tax and 50% of statutory revaluation reserves.

Tertiary capital comprises certain subordinated loan funding and may only be used to support trading activities.

Risk-weighted assets

Risk-weighted assets are determined by applying a set risk weighting to on- and off-balance sheet financial instruments, according to the relative credit risk of the counterparty. Included in the overall risk-weighted assets is a notional risk-weighting for the trading book, calculated based on the market, counterparty and large exposure risks.

Capital adequacy ratio

The capital adequacy ratio improved from 12,5% in 2003 to 13,4% in 2004.

The reason for the increase was mainly attributable to good earnings growth and the raising of R2 billion additional Tier 2 capital. This was partly offset by dividend payments, including an amount of R1 billion for Standard Bank Group's (SBG) Black Ownership Initiative, coupled with an increase in risk-weighted assets.

Corporate governance

During the year under review SBG has maintained its commitment to the highest levels of corporate governance in the conduct of the group's affairs. SBSA is a major subsidiary of SBG and implements the governance objectives established by the group within its overall governance framework.

SBSA has complied with legislation, regulation and relevant codes of conduct. It endorses the principles set out in the revised Code of Banking Practice (the code). Compliance with the code was again audited by group internal audit, which was ratified by an independent firm of auditors, and certified SBSA's satisfactory compliance with the code.

Full details of group governance practices are detailed in the SBG annual report that can be found at www.standardbank.co.za.

Board of directors

The board of SBSA is effective in retaining ultimate control and ensures that its conduct is in line with group principles of transparency, integrity and accountability. The board has the ultimate responsibility for the strategic direction of the company and compliance with legislative and regulatory requirements. An annual meeting is held to discuss strategy.

There are currently 19 directors on the board, the majority of whom are independent non-executive directors. The roles of chairman and chief executive remain separate and distinct. There are two executive directors, namely Jacko Maree (chief executive) and Myles Ruck (chief executive, Liberty Group). There is a sufficient mix of skills and the right level of independence to ensure that independent thought is brought to bear on board decisions.

The information needs of the board are considered on an ongoing basis to ensure that the information is adequate to enable them to fulfil their responsibilities. Where necessary, information is adjusted to meet board requirements.

Board directors have access to the advice and services of the company secretary, the ability to interact with any employee and the right to seek legal advice at the bank's expense. The company secretary also assists the directors in providing any information or documentation that they may require to enable them to discharge their responsibilities. Further, the board is kept advised of any changes in regulation and legislation on an ongoing basis. New directors receive an induction which includes a governance manual together with meetings with management that are structured to meet their individual needs.

The board of directors has a mandate with agreed terms of reference that are reviewed on an ongoing basis to ensure that they remain relevant. Annually the performance of the board is assessed against its mandate. This is reviewed by an independent firm of auditors and a report prepared for the directors affairs committee of SBG. Further, the board conducted an assessment of its own effectiveness through the means of a questionnaire. Feedback was analysed and discussed at a session, convened for this purpose, following on from the March meeting.

There is a well formulated risk governance structure in the group. Management operates within limits in terms of delegated authorities. The greater risk management framework of SBG, of which SBSA is a participant, is set out in the SBG annual report.

Going concern

The company continues to adopt the going concern basis in preparing the financial statements. The directors have documented the basis for their conclusion and have adequate reason to believe that the company has sufficient resources to continue operating as a going concern in the foreseeable future.

The board meets regularly and during 2004, six board meetings were held. The attendance at meetings was as follows:

Board of directors at 31 December 2004	**Mar**	**May**	**Jul**	**Aug**	**Oct**	**Dec**
D E Cooper (chairman)[1]	✓	✓	✓	✓	✓	✓
D D B Band	✓	✓	✓	✓	✓	✓
E Bradley[1]	✓	✓	A	✓	✓	✓
T Evans[1]	✓	✓	✓	✓	✓	✓
T S Gcabashe[1]	✓	A	A	✓	✓	A
D A Hawton[1]	✓	✓	✓	✓	✓	✓
Sir Paul Judge[1]	✓	✓	✓	✓	✓	✓
S J Macozoma	✓	✓	R	A	✓	✓
J H Maree[4]	✓	✓	✓	✓	✓	✓
R P Menell[1]	✓	✓	✓	✓	✓	✓
K D Moroka[1]	✓	A	A	✓	✓	✓
A C Nissen[1]	✓	✓	✓	✓	✓	✓
R A Plumbridge[1]	✓	✓	✓	✓	✓	✓
M C Ramaphosa[2]					✓[5]	✓
M J D Ruck[4]	✓	✓	✓	✓	✓	✓
M J Shaw[1,3]				✓	✓	✓
Sir Robert Smith[1]	✓	✓	✓	✓	✓	✓
C L Stals[1]	✓	✓	✓	✓	✓	✓
C B Strauss[1]	✓	✓	✓	✓	A	✓

1 Independent non-executive director.
2 Appointed on 1 November 2004.
3 Appointed on 22 July 2004.
4 Executive director.
5 Attended by invitation.

A = apology
R = recused
✓ = attendance

Financial definitions

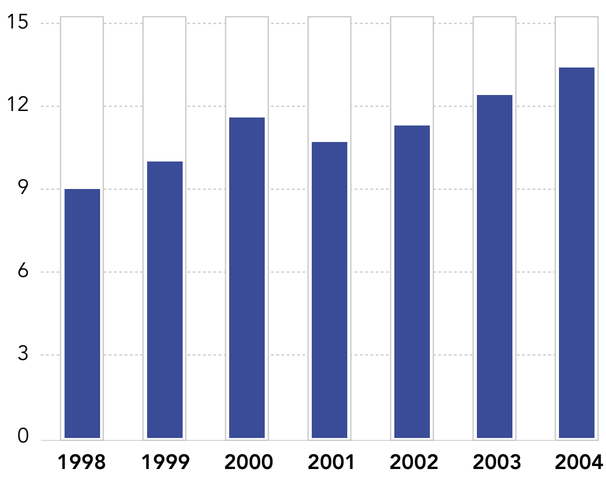
CAGR (%)	Compound annual growth rate.
Cost-to-income ratio (%)	Operating expenses as a percentage of total income before deducting provisions for credit losses.
Dividends per share (cents)	Total ordinary dividends declared per share in respect of the year.
Earnings per share (cents)	Earnings attributable to the ordinary shareholder divided by the weighted average number of ordinary shares in issue.
Effective tax rate (%)	Direct and indirect tax as a percentage of income before tax.
Headline earnings (Rm)	Earnings attributable to the ordinary shareholder excluding goodwill amortisation, capital profits and losses, and profits and losses on available-for-sale financial instruments.
Headline earnings per share (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Net asset value per share (cents)	Ordinary shareholder's funds divided by the number of ordinary shares in issue at year end.
Return on equity (%)	Headline earnings as a percentage of average ordinary shareholder's funds.
Return on risk-weighted assets (%)	Headline earnings as a percentage of average risk-weighted assets.

Seven-year review

Balance sheet

	CAGR %	**2004 Rm**	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
Assets								
Cash and balances with banks	0	**8 750**	8 201	25 312	19 397	10 192	12 755	8 701
Short-term negotiable securities	19	**16 045**	15 160	5 771	4 458	8 985	6 092	5 608
Trading assets	39	**6 545**	9 068	6 145	3 639	3 550	1 433	914
Investment securities	29	**16 110**	14 566	9 654	11 757	3 509	3 973	3 560
Loans and advances	13	**201 225**	153 345	125 075	110 710	101 727	95 370	97 836
Derivative and other assets	62	**104 447**	87 568	20 908	21 436	13 651	6 478	5 700
Interest in group companies, associates and joint ventures	26	**29 517**	30 587	18 968	13 387	11 304	14 682	7 531
Goodwill and other intangible assets		**205**	209	226	225	107	–	–
Property and equipment	(1)	**2 069**	2 149	2 136	1 924	2 204	2 220	2 185
Total assets	20	**384 913**	320 853	214 195	186 933	155 229	143 003	132 035
Equity and liabilities								
Capital and reserves	16	**18 197**	15 237	11 744	11 062	12 726	10 010	7 280
Liabilities	20	**366 716**	305 616	202 451	175 871	142 503	132 993	124 755
Deposit and current accounts	14	**244 423**	198 982	172 728	150 635	125 283	122 554	113 002
Derivative, trading and other liabilities	59	**107 346**	91 520	17 382	14 060	10 122	6 494	6 547
Subordinated bonds	28	**7 869**	5 830	5 700	4 700	2 700	35	1 760
Liabilities to group companies	13	**7 078**	9 284	6 641	6 476	4 398	3 910	3 446
Total equity and liabilities	20	**384 913**	320 853	214 195	186 933	155 229	143 003	132 035

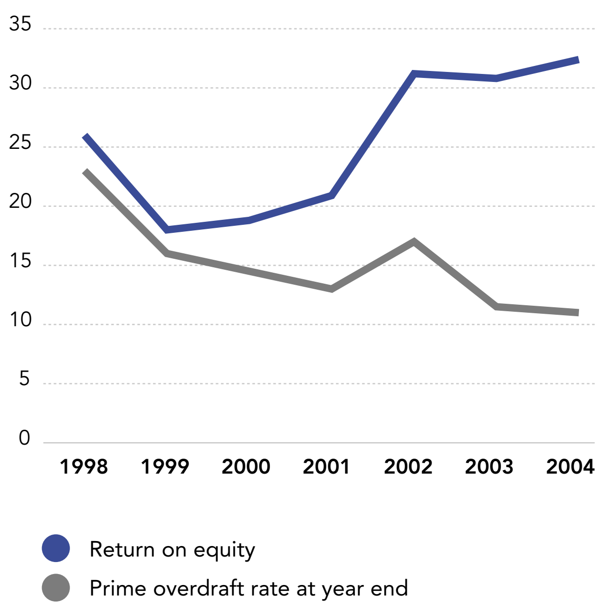
Total capital to risk-weighted assets (%)



Income statement

	CAGR %	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
Interest income	8	**30 677**	31 517	26 249	19 403	17 050	18 662	19 632
Interest expense	6	**21 130**	22 652	18 332	13 196	11 333	13 447	14 723
Net interest income before provisions for credit losses	12	**9 547**	8 865	7 917	6 207	5 717	5 215	4 909
Provisions for credit losses	(3)	**851**	1 341	1 359	1 330	1 303	1 545	1 003
Net interest income	14	**8 696**	7 524	6 558	4 877	4 414	3 670	3 906
Non-interest revenue	17	**9 345**	7 672	7 006	5 745	4 763	4 548	3 639
Income from operations	16	**18 041**	15 196	13 564	10 622	9 177	8 218	7 545
Operating expenses	12	**10 651**	9 210	8 233	6 979	6 305	6 168	5 447
Net income from operations	23	**7 390**	5 986	5 331	3 643	2 872	2 050	2 098
Goodwill amortisation		**–**	(4)	(2)	–	–	–	–
Exceptional items		**(8)**	114	258	–	768	(22)	(18)
Income from associates and joint ventures	(12)	**79**	32	36	61	117	102	168
Income before tax	22	**7 461**	6 128	5 623	3 704	3 757	2 130	2 248
Indirect tax expense	14	**316**	325	331	261	308	356	147
Income before direct tax expense	23	**7 145**	5 803	5 292	3 443	3 449	1 774	2 101
Direct income tax expense	24	**1 707**	1 570	1 475	953	539	197	463
Profit for the year	22	**5 438**	4 233	3 817	2 490	2 910	1 577	1 638

Financial performance (%)



Statistics, returns and capital adequacy

	CAGR %	**2004**	2003	2002	2001	2000	1999	1998
Share statistics								
Number of ordinary shares in issue (millions)								
– weighted average		**60**	60	59	57	56	53	52
– end of period		**60**	60	60	59	56	56	52
Headline earnings (Rm)	22	**5 412**	4 110	3 561	2 490	2 142	1 557	1 646
Share statistics per ordinary share (cents)								
Headline earnings	19	**9 020**	6 852	6 054	4 384	3 793	2 918	3 195
Earnings	19	**9 064**	7 057	6 490	4 384	5 153	2 955	3 180
Dividends	46	**9 998**	2 416	7 684	6 963	2 047	243	1 015
Net asset value	14	**30 330**	25 396	19 600	18 820	22 537	17 727	14 136
Selected returns and ratios								
Return on equity (%)		**32,4**	30,5	31,2	20,9	18,8	18,0	26,3
Return on average risk-weighted assets (%)		**2,9**	2,5	2,3	1,8	1,8	1,5	1,7
Average ordinary shareholder's funds to average total assets (%)		**4,7**	5,0	5,7	7,0	7,6	6,3	5,0
Cost-to-income ratio (%)		**56,4**	55,7	55,2	58,4	60,2	63,2	63,7
Effective tax rate (%)		**27,1**	30,9	32,1	32,8	22,5	26,0	27,1
Headline earnings per employee (rand)		**204 713**	158 620	135 989	98 186	85 179	58 045	62 896
Number of employees at year end		**26 437**	25 911	26 186	25 360	25 147	26 824	26 170
Capital adequacy								
Risk-weighted assets (Rm)	12	**201 232**	174 423	159 320	151 469	121 094	110 905	103 108
Primary capital (Rm)	19	**18 258**	14 853	11 414	10 756	10 182	9 126	6 365
Total capital (Rm)	19	**26 969**	21 705	17 991	16 243	14 045	10 554	9 272
Primary capital to risk-weighted assets (%)		**9,1**	8,5	7,2	7,1	8,4	8,2	6,2
Total capital to risk-weighted assets (%)		**13,4**	12,5	11,3	10,7	11,6	9,5	9,0
Exchange rates								
USD	(1)	**5,63**	6,68	8,58	12,00	7,57	6,16	5,89
UK£	2	**10,82**	11,95	13,82	17,45	11,30	9,92	9,63
Euro	4	**7,66**	8,42	9,01	10,68	7,10	6,17	n/a
Market indicators								
Prime overdraft rate at year end (%)		**11,00**	11,50	17,00	13,00	14,50	15,50	23,00
JSE All Share Index (closing)	17	**12 657**	10 387	9 277	10 457	8 164	8 357	5 016
JSE Banks Index (closing)	15	**22 975**	14 153	12 035	12 812	13 697	12 482	9 778

Report of the independent auditors

To the member of The Standard Bank of South Africa Limited

We have audited the annual financial statements of the company set out on pages 12 to 57 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
8 March 2005

Directors' responsibility for financial reporting

In accordance with Companies Act requirements, the directors are responsible for the preparation of the annual financial statements which conform with South African Statements and Interpretations of Generally Accepted Accounting Practice and which fairly present the state of affairs of the company at the end of the financial year, and the net income and cash flows for that period, in terms of those statements.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for company assets. Accounting policies supported by judgements, estimates and assumptions which comply with South African Statements of Generally Accepted Accounting Practice, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the company. Greater detail of such is provided in the risk management overview and corporate governance section on pages 2 to 5.

Based on the information and explanations given by management and the internal and external auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the company's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the company, has occurred during the year and up to the date of this report. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. No directors report has been prepared as SBSA is a wholly-owned subsidiary of SBG.

The financial statements which appear on pages 12 to 57, were approved by the board of directors on 8 March 2005 and signed on its behalf by

Jacko Maree
Chief executive

Derek Cooper
Chairman

Company secretary's certification

Compliance with Companies Act 61, of 1973

In terms of the Companies Act 61 of 1973 ("the Act"), and for the year ended 31 December 2004, I certify that The Standard Bank of South Africa Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.

Loren Wulfsohn
Company secretary
8 March 2005

Balance sheet at 31 December 2004

	Note	2004 Rm	2003 Rm
Assets			
Cash and balances with banks	2	**8 750**	8 201
Short-term negotiable securities	3	**16 045**	15 160
Derivative assets	4	**97 619**	79 573
Trading assets	5	**6 545**	9 068
Investment securities	6	**16 110**	14 566
Loans and advances	7	**201 225**	153 345
Other assets	8	**6 828**	7 995
Interest in group companies, associates and joint ventures	9	**29 517**	30 587
Intangible assets	10	**205**	209
Property and equipment	11	**2 069**	2 149
Total assets		**384 913**	320 853
Equity and liabilities			
Liabilities		**366 716**	305 616
Deposit and current accounts	14	**244 423**	198 982
Trading liabilities	15	**1 860**	4 757
Derivative liabilities	4	**92 349**	73 701
Other liabilities and provisions	16	**13 137**	13 062
Subordinated bonds	17	**7 869**	5 830
Liabilities to group companies	9	**7 078**	9 284
Capital and reserves		**18 197**	15 237
Share capital	12	**60**	60
Share premium	13	**8 137**	5 643
Reserves		**10 000**	9 534
Total equity and liabilities		**384 913**	320 853

Income statement for the year ended 31 December 2004

	Note	2004 Rm	2003 Rm
Interest income	19.1	**30 677**	31 517
Interest expense	19.2	**21 130**	22 652
Net interest income before provisions for credit losses		**9 547**	8 865
Provisions for credit losses	19.3	**851**	1 341
Net interest income		**8 696**	7 524
Non-interest revenue	19.4	**9 345**	7 672
Income from operations		**18 041**	15 196
Operating expenses		**10 651**	9 210
Staff costs	19.5	**5 850**	4 859
Other operating expenses	19.6	**4 801**	4 351
Net income from operations		**7 390**	5 986
Goodwill amortisation	9.2	**–**	(4)
Exceptional items	20.3	**(8)**	114
Income from associates and joint ventures	9.2	**79**	32
Income before tax		**7 461**	6 128
Indirect tax expense	21	**316**	325
Income before direct tax expense		**7 145**	5 803
Direct income tax expense	21	**1 707**	1 570
Profit for the year		**5 438**	4 233
Headline earnings (Rm)	20.3	**5 412**	4 110
Headline earnings per share (cents)	20.4	**9 020**	6 852
Earnings per share (cents)	20.4	**9 064**	7 057
Dividends per share (cents)	20.2	**9 998**	2 416

Cash flow statement for the year ended 31 December 2004

	Note	2004 Rm	2003 Rm
Operating activities			
Cash receipts from customers	22.2	**38 942**	38 271
Cash paid to customers, employees and suppliers	22.3	**(31 102)**	(31 247)
Dividends received	22.4	**854**	667
Net cash flows from operating activities	22.1	**8 694**	7 691
Changes in operating funds			
Increase in income-earning assets	22.5	**(44 535)**	(41 327)
Increase in deposits, other liabilities and provisions	22.6	**40 050**	29 079
Net cash flows used in operating funds		**(4 485)**	(12 248)
Tax paid	22.7	**(1 790)**	(1 801)
Investing activities			
Capital expenditure on			
– property		**(3)**	(2)
– equipment, furniture and vehicles		**(696)**	(911)
– intangible assets		**(65)**	(132)
Investment in associates and joint ventures		**–**	(62)
Proceeds from sales of			
– property		**39**	355
– equipment, furniture and vehicles		**127**	193
– shares in business operations		**27**	38
Net cash flows used in investing activities		**(571)**	(521)
Financing activities			
Proceeds from issue of share capital	13	**2 494**	498
Increase in subordinated bonds		**2 000**	–
Dividends paid	20.2	**(4 850)**	(1 250)
Net cash flows used in financing activities		**(356)**	(752)
Effects of exchange rate changes on cash and cash equivalents		**(58)**	(91)
Net increase/(decrease) in cash and cash equivalents		**1 434**	(7 722)
Cash and cash equivalents at beginning of the year		**23 361**	31 083
Cash and cash equivalents at end of the year[1]		**24 795**	23 361

[1]Cash and cash equivalents at end of the year is made up of cash, balances with banks and short-term negotiable securities.

Statement of changes in shareholder's funds

for the year ended 31 December 2004

	Note	Share capital and premium Rm	Translation reserve Rm	Cash flow hedging reserve Rm	Available-for sale reserve Rm	Retained earnings[1] Rm	Total Rm
Balance at 1 January 2003 as previously reported		5 205	88	20	5	6 463	11 781
Change in accounting policy	23					69	69
Restated balance at 1 January 2003		5 205	88	20	5	6 532	11 850
Items accounted for directly in reserves			(91)	3	(6)		(94)
– currency translation differences			(91)				(91)
– cash flow hedges – net fair value gains				3			3
– mark-to-market of available-for-sale assets					(6)		(6)
Issue of share capital and share premium	13	498					498
Profit for the year						4 233	4 233
Dividends paid	20.2					(1 250)	(1 250)
Balance at 31 December 2003		5 703	(3)	23	(1)	9 515	15 237
Balance at 1 January 2004		**5 703**	**(3)**	**23**	**(1)**	**9 515**	**15 237**
Reallocation of reserves				**21**		**(21)**	**–**
Items accounted for directly in reserves			**(58)**	**(64)**			**(122)**
– currency translation differences			**(58)**				**(58)**
– cash flow hedges – net fair value loss				**(64)**			**(64)**
Issue of share capital and share premium	13	**2 494**					**2 494**
Profit for the year						**5 438**	**5 438**
Dividends paid	20.2					**(4 850)**	**(4 850)**
Balance at 31 December 2004		**8 197**	**(61)**	**(20)**	**(1)**	**10 082**	**18 197**

All balances are stated net of any applicable tax.

[1]No statutory general credit risk reserve is required as the current provisions exceed the SARB DI 500 prudential credit risk requirements. The reserve amounting to R184 million at 31 December 2003, has now been included in retained earnings.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The accounting policies are consistent with those adopted in the previous year, except for changes made as a result of the adoption of the new accounting statement on Secondary Tax on Companies (STC), AC 501, and the transitional requirements of the accounting statement on Business Combinations, AC 140.

In terms of AC 501 a deferred tax asset is recognised on STC credits to the extent that it is probable that dividends will be declared against which unused STC credits can be utilised. Deferred tax assets were not previously raised on STC credits.

AC 140 prohibits the amortisation of goodwill on acquisitions after 31 March 2004. Goodwill arising on acquisitions on or after 1 January 2000 but before or on 31 March 2004 is amortised over its estimated useful life, not exceeding 20 years.

The impact on the financial results and position of the company following the adoption of these statements is detailed in note 23 on page 51. Comparative financial information has been restated to recognise a deferred tax asset for STC credits.

1. Basis of preparation

These financial statements are prepared in accordance with, and comply with, South African Statements of Generally Accepted Accounting Practice (GAAP) and the South African Companies Act of 1973. The financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial instruments classified as instruments available-for-sale, held for trading, instruments held at fair value and derivative instruments.

All monetary figures appearing in the financial statements, unless otherwise indicated, are stated in millions of rands (Rm).

2. Foreign currency translations

Foreign entities

Foreign entities are branches where the activities are not an integral part of those of the reporting enterprise.

Assets and liabilities of foreign branches are translated into South African rands at year-end exchange rates. Capital and reserves are translated at historical rates. Income statement items are translated at the weighted average exchange rates for the year.

Translation differences arising from foreign branches are taken directly to equity. On disposal of foreign branches, such translation differences are recognised in the income statement as part of the profit or loss on disposal.

Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Such balances are translated at year-end exchange rates. Translation differences on available-for-sale financial assets are recognised in equity until disposal.

3. Cash and balances with banks

Cash and balances with banks comprise coin and bank notes, balances with central and other banks.

4. Short-term negotiable securities, trading assets and investment securities

Recognition and measurement

Financial assets are held for liquidity, investment, trading or hedging purposes. All financial assets are measured initially at cost including transaction costs. These financial assets are recognised on the date the company commits to purchase the assets (trade date) and are derecognised when the company no longer has control over the assets. Gains or losses on disposal are determined using the average costing method.

Classification

Management determines the appropriate classification of financial assets on acquisition.

Originated

Short-term negotiable securities and investment securities originated by the company are financial assets that are created by the company by providing money directly to a debtor, other than those that are originated with the intent to be sold immediately or in the short term. Financial assets classified as originated by the company are carried at amortised cost, using the effective yield method, less any provisions for impairment.

Held-to-maturity

Short-term negotiable securities and investment securities with fixed maturity, where management has both the intent and the ability to hold the securities to maturity, are classified as held-to-maturity. Financial assets classified as held-to-maturity by the company are carried at amortised cost, using the effective yield method, less any provisions for impairment.

Trading

Financial assets that the company holds for short-term profit taking are classified as assets held for trading. Subsequent to initial recognition, trading assets are measured at fair value. All related realised and unrealised gains and losses arising from the change in fair value of trading assets are included in trading income in the income statement. Interest earned and dividends received while holding trading assets are included in trading revenue.

Held at fair value

In terms of AC 133, an accounting option exists to carry any financial asset at fair value. Where the company has elected this option, these financial assets are classified as assets held at fair value and subsequent to initial recognition, are carried at fair value. All related realised and unrealised gains and losses arising from the change in fair value of these financial assets are included in interest income for all dated financial assets and in other income for all undated financial assets. Such classification is not changed subsequent to initial recognition.

Available-for-sale

Financial assets that are not held for trading purposes, originated by the company or held-to-maturity, are classified as available-for-sale assets. Unrealised gains or losses arising from the changes in the fair value of available-for-sale assets are recognised in equity. On disposal of available-for-sale assets, the fair value adjustments accumulated in equity are recognised in the income statement.

Fair value

The fair value of trading assets, financial assets held at fair value and available-for-sale assets are based on quoted bid prices, excluding transaction costs. Fair values for unquoted equity financial assets are estimated using applicable fair value models. If a quoted bid price is not available for dated financial assets, the fair value is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the balance sheet date.

If specific circumstances occur that disqualify a financial asset from continuing to be accounted for at amortised cost, the difference between amortised cost and fair value is accounted for in the period in which it arises in the income statement, if the financial asset is reclassified as a trading asset or held at fair value, or in equity, if the financial asset is reclassified as an available-for-sale instrument.

Impairment

A review for impairment indicators is carried out at each financial year end. If impairment indicators are present, an impairment test is carried out. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount of a financial asset measured at fair value is the quoted market price for quoted instruments, for unquoted instruments, the present value of expected cash flows discounted at the current market rate of interest for a similar financial asset, or at the original effective interest rate in the case of assets carried at amortised cost.

Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired and a loss on the financial asset was previously recognised directly in equity, the cumulative net loss that had been recognised in equity is transferred to the income statement and recognised as part of the impairment loss.

Where an available-for-sale asset is impaired, and an increase in the fair value of the financial asset was previously recognised in equity, the increase in fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired and recognised as part of the impairment loss.

Any additional impairment loss is recognised in the income statement. 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 write-down, the write-down is reversed through the income statement.

5. Repurchase and resale agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as trading or investment securities and valued in terms of accounting policy number 4. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to other banks or clients as appropriate.

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

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with accounting policy number 4. 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. Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. All derivatives are accounted for as trading instruments unless they meet the criteria for hedge accounting. Derivatives are initially recognised at cost, including transaction costs, and subsequently remeasured to fair value. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models, and option pricing models which consider current market and contractual prices for the underlying instruments as well as time value of money.

All derivative instruments of the company 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 in accounting policy number 19. Realised and unrealised gains and losses are recognised in the income statement.

Embedded derivatives included in hybrid instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with fair value changes recognised in the income statement. Where separated from the host contracts, embedded derivatives are accounted for and measured at fair value with any gains or losses from the change in fair value included in the income statement. The host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument.

7. Hedge accounting

On the date that a derivative contract is designated as a hedging instrument, the company designates the derivative as either:

- a hedge of the fair value of a recognised asset or liability (fair value hedge); or
- a hedge of future cash flow attributable to a recognised asset or liability, a forecast transaction or a firm commitment (cash flow hedge).

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting period; and
- for a hedge of a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit.

Hedge accounting requires that the hedging instrument be measured at fair value. The fair value of a derivative hedging instrument is calculated in the same manner as the fair value of a trading instrument.

Where a hedge relationship is designated as a fair value hedge, the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the fair value hedge and the hedged item are recognised in the income statement. Fair value adjustments relating to the hedged instrument are allocated to the same income statement category as the related hedged item.

The effective portion of changes in the fair value of derivatives that are cash flow hedges are recognised in equity. The ineffective part of any gain or loss is recognised in the income statement. Where a forecast transaction or firm commitment results in the recognition of an asset, liability, income or expense, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset, liability, income or expense.

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gains or losses recognised in equity remains in equity and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity is immediately recognised in the income statement and is classified as trading income.

8. Loans and advances

Loans and advances originated by the company are classified as originated loans and advances. Purchased loans that the company has the intent and ability to hold to maturity are classified as held-to-maturity assets. Originated loans and loans held-to-maturity are accounted for at amortised cost. Origination transaction costs and origination fees received are capitalised to the value of the loan and amortised through interest income. Where the company has elected to classify and account for any loan at fair value, the movement in the fair value is accounted for in the income statement as interest income.

9. Provisions for credit losses

Advances and other assets are stated after the deduction of provisions for loan impairments. Advances and other assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such impairment indicators signify that it is probable that the company will be unable to collect all amounts due, a provision for impairment is made to reduce the carrying amount of the asset to its estimated recoverable amount.

Provisions for non-performing loans, covering identified doubtful debts, are based on periodic evaluations of advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure.

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.

When a loan carried at amortised cost has been identified as impaired or the interest earned is not at a market-related rate, the carrying amount of the loan is reduced to an amount equal to the present value of expected future cash flows, discounted at the original effective interest rate of the loan. The resulting loss is accounted for as a provision for loan impairment in the income statement.

Subsequent to impairment, the effects of discounting unwind over time as interest income, based on the original effective interest rate.

Portfolio provisions for the impairment of performing loans cover losses which, although not yet specifically identified, are present in any portfolio of bank advances based on historic loss patterns.

Increases in the provisions for loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the income statement. Advances are written off using specific provisions for loan impairments once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

10. Assets leased to clients and instalment sale contracts – lessor accounting

Lease and instalment sale contracts are regarded as financing transactions and rentals and instalments receivable, less unearned finance charges, are included in loans and advances on the balance sheet.

Finance charges earned are computed using the effective interest rate method. The benefits arising from investment allowances on assets leased to clients are accounted for in taxation.

11. Interest in associates and joint ventures

Associates

An associate is an entity, not being a subsidiary, in which an investment is held and over whose financial and operating policies the company is able to exercise significant influence.

These investments are accounted for by means of the equity method. Equity accounting involves recognising the company's share of the associate's profit or loss for the year in the income statement. 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.

Where an investment is acquired and held exclusively with a view to its disposal in the near future, it is not accounted for under the equity method. These investments are accounted for on the basis set out in accounting policy number 4.

Jointly controlled entities

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

The company's interests in jointly controlled entities are accounted for using the equity method.

Interests in associates and jointly controlled entities are carried in the balance sheet at an amount that reflects the company's share of the net assets of the associate or jointly controlled entity and includes the unamortised portion of goodwill on acquisitions after 1 January 2000.

Inter-company profits and losses are eliminated in determining the company's share of equity accounted profits.

Jointly controlled assets

Jointly controlled assets are assets contributed or acquired for the purpose of a joint venture. Each venturer has control over its share of future economic benefits through its share in the jointly controlled assets. The company recognises its share of the jointly controlled assets, liabilities, income and expenses in respect of its interest in the joint venture.

12. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net assets of the acquired associate or joint venture at the date of acquisition.

Goodwill arising on the acquisition of associates or joint ventures occurring on or after 1 January 2000, is reported in the balance sheet as an intangible asset.

Goodwill arising on acquisitions on or after 1 January 2000 but before or on 31 March 2004 is amortised using the straight-line method over its estimated useful life, not exceeding 20 years and is carried at cost less any accumulated amortisation. The carrying amount of goodwill is reviewed annually and written down for impairment where considered necessary. Negative goodwill relating to identifiable expected losses is recognised in the income statement when the future losses or expenses are recognised.

Goodwill arising on acquisitions with an agreement date after 31 March 2004 is not amortised, but allocated to cash generating units and tested annually for impairment. Cash generating units are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognised if the carrying amount of a cash generating unit exceeds its recoverable amount. Negative goodwill is recognised as income in the period in which it arises.

13. Intangible assets

Computer software

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, strategic information technology development costs that are clearly associated with an identifiable and unique system, which will be controlled by the company and have a probable benefit exceeding one year, are recognised as intangible assets.

Computer software costs recognised as assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets, not exceeding 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 the carrying amount exceeds the recoverable amount.

14. Property and equipment

Investment properties are held to earn rentals and for capital appreciation, whereas owner-occupied properties are held for use in the supply of services or for administrative purposes.

Equipment, furniture, vehicles and other tangible assets are stated at cost less accumulated depreciation and are depreciated on the straight-line basis over the estimated useful lives of the assets to expected residual values. The carrying value of assets is reviewed regularly to assess whether there is any indication of impairment and where the carrying amounts of assets are greater than their recoverable amounts, the assets are written down to these recoverable amounts. The recoverable amount is the greater of the net selling price of the asset or the value in use. Depreciation and impairment losses are included in the income statement.

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income. Gains and losses on disposal of assets are included in the income statement.

Freehold buildings are 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, not exceeding 40 years. The freehold land portion is not depreciated. Leasehold buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate.

The estimated useful lives of tangible assets are as follows:

Property	– not exceeding 40 years
Computer equipment	– 3 to 5 years (2003: 5 years)
Motor vehicles	– 5 years
Office equipment	– 5 to 8 years
Furniture and fittings	– 5 to 13 years
Capitalised leased assets	– over the shorter of the lease term or its useful life

15. Lessee accounting

Leases, where the company assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised 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 effective interest rate method to identify the finance cost, which is charged against income 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 effectively retains all the risks and benefits. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

16. Provision for leave pay

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the balance sheet date.

17. Other provisions

Provisions are recognised when the company 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.

When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

18. Tax

Normal tax

Income tax and capital gains tax on the profit or loss for the year comprise current and deferred tax and represent the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred income tax and deferred capital gains tax are provided for on the comprehensive basis, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates enacted at the balance sheet date.

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 and liabilities are not discounted.

Deferred tax relating to fair value remeasurements of available-for-sale assets and cash flow hedges which are charged or credited directly to equity, is also charged or credited directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Secondary tax on companies (STC)

To the extent that it is probable that dividends will be declared against which unused STC credits can be utilised, a deferred tax asset is recognised for STC credits.

The STC effect of dividends paid on equity instruments is recognised in the period in which the company declares the dividend. For financial instruments that are classified as liabilities, the STC relating to any contractual payments is accrued in the same period as the interest accrual.

Indirect tax

Indirect taxes, including non-recoverable value added tax (VAT), regional service council (RSC) levies, skills development levies and other duties for banking operations, are separately disclosed in the income statement.

19. Offsetting

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

20. Equity

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity is deducted from equity, net of related taxation. All other share issue costs are expensed immediately.

Dividends on ordinary shares

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

21. Equity participation plans

No compensation cost is recognised on the issue of equity participation rights in the holding company.

22. Revenue and expenditure

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 the income statement for all interest-bearing instruments on an accrual basis using the effective yield method. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Net interest income includes fair value adjustments on interest-bearing financial instruments held at fair value, excluding financial instruments held for trading. Dividends received on lending activities are included in interest income.

External expenses incurred directly as a result of bringing margin-yielding assets on-balance sheet are amortised through interest income over the life of the asset.

Non-interest revenue

Non-interest revenue includes dividends from investments, fees and commissions from banking, insurance and related transactions, net revenue from exchange and securities trading and net gains on the realisation or revaluation of investment banking assets.

Dividends are recognised in the period in which right to receipt is established. Scrip dividends are recognised as dividends received to the extent that they compare to cash dividends in a similar entity, after considering the purpose of the scrip dividends. Fees and commissions are recognised when the related service is performed.

23. Post-retirement benefits

The company operates a number of defined contribution plans based on a percentage of pensionable earnings funded by both the employer and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to these plans are charged to the income statement in the period to which they relate.

The company also operates a number of defined benefit funds, with membership generally limited to employees who were in the employment of the company at specified dates. These funds are governed by the Pension Funds Act 1956. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. Statutory actuarial valuations are required every three years using the projected unit credit method. Interim valuations are also performed annually at the balance sheet date.

These obligations are measured at the present value of the estimated future cash outflows using interest rates of government bonds with maturity dates that approximate the expected maturity of the obligations.

The company's current service costs to the defined benefit funds are recognised as expenses in the current year. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised as expenses or income in the current year to the extent that they relate to retired employees or past service. For active employees, these items are recognised as expenses or income systematically over a period not exceeding the expected remaining service period of employees.

The company operates unfunded post-retirement medical aid schemes, with membership limited to employees who were retired at specified dates and complying with specific criteria. For past service, the company recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method. Independent qualified actuaries carry out valuations of these obligations.

Unrecognised actuarial gains or losses are accounted for over a period not exceeding the remaining working life of active employees.

24. Segment reporting

A segment is a distinguishable component of the company engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Segments with a majority of income earned from external clients and whose total income, operating profit or total assets are 10% or more of the company total, are reported separately. Transactions between segments are priced at market-related rates.

25. Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. Details of reclassifications are provided in note 23.

Notes to the annual financial statements

1. Segment reporting

2004	Retail Banking Rm	Corporate and Investment Banking Rm	Other services Rm	Total Rm
Net interest income before provisions for credit losses	7 324	2 381	(158)	9 547
Provisions for credit losses	781	28	42	851
Net interest income	6 543	2 353	(200)	8 696
Non-interest revenue	5 873	3 276	196	9 345
Income from operations	12 416	5 629	(4)	18 041
Operating expenses	8 147	2 454	50	10 651
– Staff costs	2 859	1 289	1 702	5 850
– Other operating expenses	5 288	1 165	(1 652)	4 801
Net income from operations	4 269	3 175	(54)	7 390
Goodwill amortisation	–	–	–	–
Exceptional items	(23)	–	15	(8)
Income from associates and joint ventures	77	2	–	79
Income before tax	4 323	3 177	(39)	7 461
Indirect tax expense	180	49	87	316
Income before direct tax expense	4 143	3 128	(126)	7 145
Direct income tax expense	1 266	559	(118)	1 707
Profit for the year	2 877	2 569	(8)	5 438
Headline earnings	2 897	2 569	(54)	5 412
Operating information				
Total assets	152 197	223 354	9 362	384 913
Total liabilities	143 266	216 905	6 545	366 716
Number of employees	17 092	2 787	6 558	26 437
Other information				
Interest in associates and joint ventures	104	66	–	170
Capital expenditure	390	99	275	764
Depreciation and amortisation	307	71	335	713
Impairments	14	–	13	27

2003	Retail Banking Rm	Corporate and Investment Banking Rm	Other services Rm	Total Rm
Net interest income before provisions for credit losses	6 755	1 999	111	8 865
Provisions for credit losses	1 108	176	57	1 341
Net interest income	5 647	1 823	54	7 524
Non-interest revenue	5 020	2 396	256	7 672
Income from operations	10 667	4 219	310	15 196
Operating expenses	7 173	2 129	(92)	9 210
– Staff costs	2 435	1 047	1 377	4 859
– Other operating expenses	4 738	1 082	(1 469)	4 351
Net income from operations	3 494	2 090	402	5 986
Goodwill amortisation	–	–	(4)	(4)
Exceptional items	(17)	–	131	114
Income from associates and joint ventures	28	4	–	32
Income before tax	3 505	2 094	529	6 128
Indirect tax expense	153	77	95	325
Income before direct tax expense	3 352	2 017	434	5 803
Direct income tax expense	1 040	475	55	1 570
Profit for the year	2 312	1 542	379	4 233
Headline earnings	2 329	1 542	239	4 110
Operating information				
Total assets	114 378	196 252	10 223	320 853
Total liabilities	106 693	190 001	8 922	305 616
Number of employees	16 167	2 956	6 788	25 911
Other information				
Interest in associates and joint ventures	63	88	–	151
Capital expenditure	415	100	530	1 045
Depreciation and amortisation	214	77	328	619
Impairments	39	41	57	137

1. Segment reporting continued

The principal business units in the company are as follows:

Business unit	Scope of operations
– Retail Banking	Banking, investment, insurance and other financial services to individual customers and small – to medium – sized enterprises.
– Corporate and Investment Banking	Commercial and investment banking services in South Africa to corporates, foreign banks and international counterparties.
– Other services	Support functions to business units and advisory services.

The segment report includes only those business units of which the activities are conducted within SBSA legal entity. No secondary segment information is disclosed, due to the fact that all business activities relates to South Africa. The consolidated results of each business unit, containing all the activities of the business units across SBG, are reflected in the segment reporting in the SBG annual financial statements.

Where reporting responsibility for individual divisions within business units changes, the segmental analysis is reclassified accordingly.

During the year the capital management policy was revised to allocate minimum tier I capital to domestic business units based on 8,5% of risk-weighted assets, including capital adequacy buffers. The 2003 segmental balances have been restated to account for this change effective 1 January 2003.

	2004 Rm	2003 Rm
2. Cash and balances with banks		
Coins and bank notes	**2 479**	2 818
Balances with central banks	**4 848**	3 170
Balances with other banks	**1 423**	2 213
	8 750	8 201
3. Short-term negotiable securities		
Held at fair value	**16 045**	15 160
	16 045	15 160

4. Derivative financial instruments

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

4.1 Fair values

The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

4.2 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the company's participation in derivative contracts.

	Maturity analysis of net fair value < 1 year 2004 Rm	1 – 5 years 2004 Rm	> 5 years 2004 Rm
4.3 Derivative assets and liabilities			
Derivatives held for trading			
Foreign exchange derivatives	**2 740**	**(597)**	**(585)**
Forwards	1 622	253	–
Futures	–	(1)	–
Options	1 118	(849)	(585)
Interest rate derivatives	**3 236**	**825**	**467**
Bonds and options	32	26	(445)
Caps and floors	16	55	–
Future options	(2)	–	–
Forwards	38	77	–
Swaps	3 164	647	912
Swaptions	(12)	20	–
Commodity derivatives	**(36)**	**48**	**13**
Forwards	(121)	–	6
Futures	1	–	–
Options	84	48	7
Credit derivatives	**179**	**(2)**	**10**
Credit default swaps	117	(2)	10
Total return swaps	62	–	–
Equity derivatives	**(248)**	**(86)**	**(33)**
Forwards	41	–	–
Futures	6	–	–
Index options	(295)	(139)	(52)
Options	5	35	11
Swaps	(5)	18	8
Other	–	–	–
Total derivative assets/(liabilities) held for trading	**5 871**	**188**	**(128)**
Derivatives held for hedging			
Derivatives designated as fair value hedges – interest rate swaps	(1 422)	579	644
Derivatives designated as cash flow hedges – currency swaps	(1)	(21)	2
Derivatives designated as cash flow hedges – interest rate swaps	–	(3)	–
Derivatives designated as fair value portfolio hedges – interest rate swaps	(541)	15	87
Total derivative assets/(liabilities) held for hedging	**(1 964)**	**570**	**733**
Total derivative assets/(liabilities)	**3 907**	**758**	**605**

Net fair value 2004 Rm	**Fair value of assets 2004 Rm**	**Fair value of liabilities 2004 Rm**	**Contract/ notional amount 2004 Rm**	Net fair value 2003 Rm	Fair value of assets 2003 Rm	Fair value of liabilities 2003 Rm	Contract/ notional amount 2003 Rm
1 558	**16 976**	**(15 418)**	**200 452**	(781)	15 454	(16 235)	428 659
1 875	**12 685**	**(10 810)**	**133 092**	(314)	14 812	(15 126)	390 193
(1)	**–**	**(1)**	**1 617**	–	–	–	6 728
(316)	**4 291**	**(4 607)**	**65 743**	(467)	642	(1 109)	31 738
4 528	**73 286**	**(68 758)**	**2 466 241**	2 872	54 592	(51 720)	2 444 426
(387)	**1 375**	**(1 762)**	**113 657**	(192)	1 501	(1 693)	76 139
71	**176**	**(105)**	**38 687**	25	160	(135)	44 596
(2)	**1**	**(3)**	**–**	–	–	–	–
115	**978**	**(863)**	**526 050**	(485)	1 412	(1 897)	934 598
4 723	**70 690**	**(65 967)**	**1 783 354**	3 518	51 491	(47 973)	1 325 076
8	**66**	**(58)**	**4 493**	6	28	(22)	64 017
25	**1 468**	**(1 443)**	**23 982**	438	1 735	(1 297)	86 434
(115)	**1 298**	**(1 413)**	**15 916**	270	1 468	(1 198)	77 814
1	**1**	**–**	**100**	(2)	–	(2)	108
139	**169**	**(30)**	**7 966**	170	267	(97)	8 512
187	**188**	**(1)**	**2 113**	52	1 203	(1 151)	19 197
125	**125**	**–**	**2 045**	115	1 079	(964)	18 035
62	**63**	**(1)**	**68**	(63)	124	(187)	1 162
(367)	**1 359**	**(1 726)**	**115 118**	1 886	4 363	(2 477)	519 198
41	**44**	**(3)**	**239**	221	241	(20)	158 360
6	**19**	**(13)**	**79 897**	4	5	(1)	10 042
(486)	**876**	**(1 362)**	**28 913**	–	–	–	–
51	**383**	**(332)**	**4 643**	1 354	3 431	(2 077)	350 445
21	**37**	**(16)**	**1 426**	32	32	–	351
–	**–**	**–**	**–**	275	654	(379)	–
5 931	**93 277**	**(87 346)**	**2 807 906**	4 467	77 347	(72 880)	3 497 914
(199)	**3 506**	**(3 705)**	**53 133**	1 378	2 199	(821)	28 392
(20)	**49**	**(69)**	**21**	27	27	–	1 550
(3)	**47**	**(50)**	**800**	–	–	–	–
(439)	**740**	**(1 179)**	**3 200**	–	–	–	–
(661)	**4 342**	**(5 003)**	**57 154**	1 405	2 226	(821)	29 942
5 270	**97 619**	**(92 349)**	**2 865 060**	5 872	79 573	(73 701)	3 527 856

4.4 Use and measurement of derivative instruments

In the normal course of business, the company enters into a variety of derivative transactions. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange and interest rate exposure. Derivative instruments used by the company 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 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 company 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 derivatives, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third party.
- Total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risks and rewards 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.

4.5 Derivatives held for trading

The company trades derivative instruments on behalf of customers and for its own positions. The company transacts derivative contracts to address customer demands both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The company also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

4.5.1 Foreign exchange derivatives

Foreign exchange derivatives are used to hedge foreign currency risks on behalf of customers and for the company's own positions. Foreign exchange derivatives primarily consist of forwards, futures and options.

4.5.2 Interest rate derivatives

Interest rate derivatives are used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the company's own positions. Interest rate derivatives primarily consist of bonds and options, caps and floors, future options, forwards, swaps and swaptions.

4.5.3 Commodity derivatives

Commodity derivatives are used to address customer commodity demands and to take proprietary positions for the company's own account. Commodity derivatives primarily consist of forwards, futures and options.

4.5.4 Credit derivatives

Credit derivatives are used to hedge the credit risk from one counterparty to another and to manage the credit exposure to selected counterparties on behalf of customers and for the company's own positions. Credit derivatives primarily consist of credit default swaps and total return swaps.

4.5.5 Equity derivatives

Equity derivatives are used to transact customer equity derivative requirements and to take proprietary positions for the company's own accounts. Equity derivatives primarily consist of either option or forward transactions and include futures, index options, swaps and warrants.

4.6 Derivatives held for hedging

The company enters into derivative transactions, which are designated and qualify as either fair value or cash flow hedges for recognised assets or liabilities or forecast transactions. Derivatives held for hedging consist of:

4.6.1 Derivatives designated as fair value hedges

The company's fair value hedges principally consist of interest rate swaps that are used to protect against changes in market interest rates.

4.6.2. Derivatives designated as cash flow hedges

The company uses currency swaps and interest rate swaps to protect against changes in cash flows of certain variable rate debt issues. The company applies hedge accounting for its non-trading interest rate risk by analysing expected cash flows. The objective is to protect against changes in future interest cash flows resulting from the impact of changes in market interest rates.

4.6.3. Derivatives designated as fair value portfolio hedges

The company uses interest rate swaps for the portfolio hedge of interest rate risk.

	2004 Rm	2003 Rm
5. Trading assets		
Listed		
– Securities of, or guaranteed by, the South African Government	**2 419**	4 145
– Other	**2 393**	2 674
Unlisted	**1 733**	2 249
	6 545	9 068
Dated assets	**5 997**	8 794
Undated assets	**548**	274
	6 545	9 068
Maturity analysis		
The maturities represent periods to contractual redemption of the trading assets recorded.		
– Redeemable on demand	**–**	125
– Maturing within 1 month	**1 733**	3 562
– Maturing after 1 month but within 6 months	**–**	545
– Maturing after 6 months but within 12 months	**1**	328
– Maturing after 12 months	**4 263**	4 234
Undated assets	**548**	274
	6 545	9 068

Repurchase commitments
Trading assets include assets sold subject to repurchase commitments to the value of R727 million (2003: R1 335 million).

Redemption value
Dated trading assets had a redemption value at 31 December 2004 of R6 995 million (2003: R10 401 million).

Directors' valuation
The directors' valuation of unlisted investments is equal to the carrying value. All unlisted investments were valued at 31 December 2004.

	2004 Rm	2003 Rm
6. Investment securities		
Listed		
– Securities of, or guaranteed by, the South African Government	**11 435**	13 189
– Other	**504**	686
Unlisted	**4 171**	691
	16 110	14 566

Director's valuation of unlisted investment securities: R4 171 million (2003: R691 million).

	2004 Rm	2003 Rm
Comprising:		
Investment securities held at fair value	**11 287**	8 100
Investments designated as available-for-sale	**73**	38
Investments designated as held-to-maturity[1]	**4 750**	6 428
	16 110	14 566

[1] Investment securities held-to-maturity had a fair value of R4 904 million (2003: R6 621 million).

	2004 Rm	2003 Rm
Dated securities	**11 675**	13 643
Undated securities	**4 435**	923
	16 110	14 566

Maturity analysis

The maturities represent periods to contractual redemption of the investment securities recorded.

	2004 Rm	2003 Rm
– Redeemable on demand	**189**	14
– Maturing within 1 month	**–**	503
– Maturing after 1 month but within 6 months	**2 254**	129
– Maturing after 6 months but within 12 months	**125**	1
– Maturing after 12 months	**9 107**	12 996
Undated securities	**4 435**	923
	16 110	14 566

Repurchase commitments

Investment securities include securities sold subject to repurchase commitments to the value of R2 148 million (2003: R2 441 million).

Redemption value

Dated investment securities had a redemption value at 31 December 2004 of R11 454 million (2003: R13 607 million).

Investment registers

Registers of the investment securities are available for inspection by the member, or its authorised agents, at the registered office of the company.

Directors' valuation

The directors' valuation of unlisted investments is equal to the carrying value. All unlisted investments were valued at 31 December 2004.

7. Loans and advances

The company extends advances to the personal, commercial and corporate sectors as well as to the public sector. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts and credit card borrowings. A significant portion of the company's advances to commercial and corporate borrowers consists of advances made to companies engaged in manufacturing, finance and service industries.

	2004 Rm	2003 Rm
7.1 Loans and advances originated by the company		
Loans and advances to banks	**1 985**	2 492
Loans and advances to customers	**201 441**	152 473
– Loans and overdrafts	**55 393**	43 634
– Card debtors	**6 950**	4 885
– Mortgage lending	**105 354**	74 886
– Instalment finance	**32 331**	26 375
– Loans granted under resale agreements	**1 283**	2 570
– Trade, other bills and bankers' acceptances	**130**	123
Loans and advances held-to-maturity		
Loans and advances to customers		
– Instalment finance	**689**	1 155
	204 115	156 120
Provisions for credit losses (note 7.2)	**2 890**	2 775
Loans and advances net of provisions for credit losses	**201 225**	153 345

Loans and advances include net positive fair value adjustments of R1 150 million (2003: R 494 million) relating to originated loans and advances which were subject to specific hedging relationships and were therefore fair valued only for the risk subject to hedging.

	2004 Rm	2003 Rm
Maturity analysis		
The maturity analysis is based on the remaining periods to contractual maturity from year end.		
– Redeemable on demand	**17 835**	13 143
– Maturing within 1 month	**22 247**	10 906
– Maturing after 1 month but within 6 months	**15 827**	15 716
– Maturing after 6 months but within 12 months	**11 798**	13 027
– Maturing after 12 months	**136 408**	103 328
	204 115	156 120

	2004 Rm	2003 Rm
Segmental analysis – industry		
Agriculture	**5 939**	3 593
Construction	**1 422**	740
Electricity	**1 034**	1 665
Finance, real estate and other business services	**36 943**	33 796
Individuals	**110 306**	80 159
Manufacturing	**10 456**	6 071
Mining	**2 709**	2 117
Other services	**24 204**	20 954
Transport	**6 225**	3 594
Wholesale	**4 877**	3 431
	204 115	156 120

Segmental analysis – geographic area

The following table sets out the distribution of the company's loans and advances by geographic area where the loans are recorded.

	2004 Rm	2003 Rm
Eastern Cape	**8 328**	6 981
Free State	**4 660**	3 413
Gauteng	**109 974**	86 468
KwaZulu-Natal	**24 032**	17 569
Limpopo	**4 527**	2 234
Mpumalanga	**7 919**	4 594
North West	**5 884**	3 516
Northern Cape	**1 702**	931
Western Cape	**30 867**	18 930
International	**6 222**	11 484
	204 115	156 120

7.2 Provisions for credit losses

	2004 Rm	2003 Rm
Balance at beginning of the year	**2 775**	2 526
– Credit losses written off	**(812)**	(1 024)
– Net provisions raised and released (note 19.3)	**1 151**	1 596
– Discount element recycled to interest income	**(220)**	(314)
– Exchange and other movements	**(4)**	(9)
Balance at end of the year	**2 890**	2 775
Comprising:		
Loans and advances		
Provisions for non-performing loans	**1 626**	1 685
Provisions for performing loans	**1 264**	1 090
	2 890	2 775

	2004 Rm	2003 Rm
Segmental analysis of provisions for non-performing loans – industry		
Agriculture	**48**	34
Construction	**33**	35
Electricity	**–**	1
Finance, real estate and other business services	**310**	418
Individuals	**785**	646
Manufacturing	**70**	105
Mining	**52**	8
Other services	**241**	324
Transport	**20**	18
Wholesale	**67**	96
	1 626	1 685
7.3 Unearned finance charges deducted from instalment sale and finance leases	**6 562**	5 692

8. Other assets

	2004 Rm	2003 Rm
Trading settlement assets	**2 010**	3 797
Items in the course of collection	**373**	322
Accrued interest	**1 606**	1 725
Current tax asset	**282**	140
Deferred tax asset (note 16.2)	**50**	62
Other debtors	**2 507**	1 949
	6 828	7 995

	2004 Rm	2003 Rm
9. Interest in group companies, associates and joint ventures		
9.1 Interest in group companies		
Holding company		
– Indebtedness to the company	**585**	499
Interest in subsidiary companies	**2 019**	2 211
– Shares at cost	**26**	26
– Indebtedness to the company	**1 993**	2 185
Interest in fellow subsidiary companies	**26 743**	27 726
– Shares at cost	**1**	1
– Indebtedness to the company	**26 742**	27 725
	29 347	30 436
9.2 Interest in associates and joint ventures		
Carrying value at beginning of the year	**151**	64
Movement for the year		
– Share of profit	**79**	32
– Net (disposals)/acquisitions	**(32)**	62
– Goodwill amortisation	**–**	(4)
– Distribution of profit	**(28)**	(3)
Carrying value at end of the year	**170**	151
Comprising:		
Cost of investment	**104**	118
Share of reserves	**66**	40
Goodwill amortisation	**–**	(7)
	170	151
Total interest in group companies, associates and joint ventures	**29 517**	30 587

Goodwill on acquisition of associates and joint ventures of R2 million (2003: R15 million) is amortised over 5 years. Associates and joint ventures are listed in **Annexure B** on page 56.

	2004 Rm	2003 Rm
9.3 Liabilities to group companies		
Indebtedness by the company to:		
– Holding company	**383**	527
– Subsidiary companies	**3 132**	3 372
– Fellow subsidiary companies	**3 563**	5 385
	7 078	9 284

	2004 Rm	2003 Rm
10. Intangible assets		
10.1 Computer software		
Cost at beginning of the year	**307**	281
Additions	**65**	132
Assets decommissioned	**(33)**	(106)
Cost at end of the year	**339**	307
Accumulated amortisation at beginning of the year	**98**	55
Amortisation (note 19.6)	**57**	53
Impairments	**12**	96
Assets decommissioned	**(33)**	(106)
Accumulated amortisation at end of the year	**134**	98
Balance at end of the year	**205**	209

	2004 Cost Rm	2004 Accumulated depreciation Rm	2004 Net book value Rm	2003 Cost Rm	2003 Accumulated depreciation Rm	2003 Net book value Rm
11. Property and equipment						
11.1 Summary						
Property						
– Freehold	**582**	**273**	**309**	620	274	346
– Leasehold	**9**	**7**	**2**	9	7	2
	591	**280**	**311**	629	281	348
Equipment						
– Computer equipment	**1 987**	**976**	**1 011**	1 965	865	1 100
– Motor vehicles	**487**	**202**	**285**	466	188	278
– Office equipment	**161**	**54**	**107**	158	44	114
– Furniture and fittings	**702**	**347**	**355**	622	313	309
	3 337	**1 579**	**1 758**	3 211	1 410	1 801
Total	**3 928**	**1 859**	**2 069**	3 840	1 691	2 149

2004	Opening net book value Rm	Additions Rm	Disposals Rm	Depreciation Rm	Impairments Rm	Closing net book value Rm
11.2 Movement						
Property						
– Freehold	**346**	**3**	**(15)**	**(12)**	**(13)**	**309**
– Leasehold	**2**	**–**	**–**	**–**	**–**	**2**
	348	**3**	**(15)**	**(12)**	**(13)**	**311**
Equipment						
– Computer equipment	**1 100**	**401**	**(8)**	**(480)**	**(2)**	**1 011**
– Motor vehicles	**278**	**166**	**(73)**	**(86)**	**–**	**285**
– Office equipment	**114**	**20**	**(7)**	**(20)**	**–**	**107**
– Furniture and fittings	**309**	**109**	**(5)**	**(58)**	**–**	**355**
	1 801	**696**	**(93)**	**(644)**	**(2)**	**1 758**
Total	**2 149**	**699**	**(108)**	**(656)**	**(15)**	**2 069**
2003						
Property						
– Freehold	503	2	(104)	(14)	(41)	346
– Leasehold	3	–	–	(1)	–	2
	506	2	(104)	(15)	(41)	348
Equipment						
– Computer equipment	1 010	598	(124)	(384)	–	1 100
– Motor vehicles	286	134	(51)	(91)	–	278
– Office equipment	62	70	(1)	(17)	–	114
– Furniture and fittings	272	109	(13)	(59)	–	309
	1 630	911	(189)	(551)	–	1 801
Total	2 136	913	(293)	(566)	(41)	2 149

11.3 Valuation

The open-market value of freehold property, based on valuations undertaken during 2004 by valuers registered under the Valuers Act 1982, was estimated at R675 million (2003: R673 million). Registers of property are available for inspection by the member or its authorised agents, at the registered offices of the company. Valuations were generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

	2004 Rm	2003 Rm
12. Share capital		
12.1 Authorised		
80 000 000 (2003: 80 000 000) ordinary shares of R1 each	**80**	80
1 000 000 000 (2003: Nil) non-redeemable, non-cumulative, non-participating preference shares of R0,01 each.	**10**	–
	90	80
12.2 Issued		
59 997 106 (2003: 59 997 103) ordinary shares of R1 each	**60**	60
During the year, 3 (2003: 80 000) ordinary shares of R1 each were issued at a premium of R833,30 million (2003: R6 249) per ordinary share.		
	60	60
12.3 Unissued shares		
20 002 894 (2003: 20 002 897) ordinary shares of R1 each are under the general authority of the directors, whose authority expires at the annual general meeting to be held on 25 May 2005.	**20**	20
1 000 000 000 (2003: Nil) non-redeemable, non-cumulative, non-participating preference shares of R0,01 each are under the general authority of the directors, whose authority expires at the annual general meeting to be held on 25 May 2005.	**10**	–
	30	20
13. Share premium – ordinary shares		
Share premium on issue of shares	**8 137**	5 643
A share issue at a premium of R2 494 million (2003: R498 million) net of stamp duty of R6 million (2003: R2 million) was made during the year.		
	8 137	5 643

	2004 Rm	2003 Rm
14. Deposit and current accounts		

14. Deposit and current accounts

Deposit products include cheque accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit.

	2004 Rm	2003 Rm
Deposits and loans from banks	**12 423**	8 312
– Deposits from banks and central banks	**8 015**	4 409
– Deposits from banks under repurchase agreements	**4 408**	3 903
Customers' current accounts	**82 280**	73 993
Customers' savings accounts	**24 589**	20 298
Other deposits and loan accounts	**85 236**	65 769
Promissory notes	**11 054**	17 298
Negotiable certificates of deposit	**26 570**	10 077
Customer deposits received under repurchase agreements	**2 271**	3 235
	244 423	198 982

Deposits and current accounts were increased by fair value adjustments of R2 166 million (2003: R555 million) relating to deposit and current accounts which were subject to specific hedging relationships and were therefore fair valued only for the risk subject to hedging.

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	2004 Rm	2003 Rm
– Repayable on demand	**138 398**	121 022
– Maturing within 1 month	**28 775**	22 782
– Maturing after 1 month but within 6 months	**43 961**	35 208
– Maturing after 6 months but within 12 months	**18 114**	11 429
– Maturing after 12 months	**15 175**	8 541
	244 423	198 982

15. Trading liabilities

	2004 Rm	2003 Rm
Listed dated liabilities	**1 860**	4 757
	1 860	4 757

16. Other liabilities and provisions

	2004 Rm	2003 Rm
16.1 Summary		
Trading settlement liabilities	**1 030**	753
Items in the course of transmission	**127**	416
Accrued interest	**4 959**	5 463
Current tax liability	**396**	–
Deferred tax	**2 390**	2 423
Other liabilities and provisions	**4 235**	4 007
	13 137	13 062
16.2 Deferred tax		
Deferred tax asset (note 8)	**(50)**	(62)
Deferred tax liability (note 16.1)	**2 390**	2 423
	2 340	2 361
Deferred tax analysis		
Accrued interest	**36**	91
Assets on lease	**173**	424
Depreciation	**79**	96
Derivatives	**1 760**	1 714
Fair value adjustments of financial instruments	**26**	19
Provisions for credit losses	**(405)**	(471)
Secondary tax on companies	**(50)**	(62)
Other differences	**721**	550
Deferred tax liability at end of year	**2 340**	2 361
16.3 Deferred tax reconciliation		
Balance at beginning of the year	**2 361**	2 131
Change in accounting policy – secondary tax on companies		(69)
Restated balance	**2 361**	2 062
Various categories of (reversing)/originating temporary differences for the year	**(21)**	299
Accrued interest	**(55)**	(20)
Assets on lease	**(251)**	25
Depreciation	**(17)**	(84)
Derivatives	**46**	579
Fair value adjustments of financial instruments	**7**	(9)
Provisions for credit losses	**66**	(186)
Secondary tax on companies	**12**	7
Other differences	**171**	(13)
Deferred tax balance at end of year	**2 340**	2 361

Subsequent to the financial year end dividends of 4 083 cents per share were declared (2003: 2 166 cents). This declaration will result in a secondary tax on companies charge of R306 million (2003: R162 million).

	2004 Rm	2003 Rm
17. Subordinated bonds		
Unsecured, subordinated, redeemable		
Qualifying as secondary capital in terms of applicable banking legislation	**6 869**	4 830
Redeemable in 2010 (SBK 1) [1]	**1 219**	1 264
Redeemable in 2010 (SBK 2) [2]	**1 500**	1 500
Redeemable in 2013 (SBK 3) [3]	**2 066**	2 066
Redeemable in 2016 (SBK 5) [4]	**2 084**	–
Qualifying as tertiary capital in terms of applicable banking legislation		
Redeemable in 2005 (SBK 4) [5]	**1 000**	1 000
Total bonds	**7 869**	5 830

The difference of R169 million (2003: R130 million) between the carrying value and nominal value represents subordinated bonds fair valued for interest rate risk as the hedge items in interest rate hedging relationships. Certain hedge relationships expired during the prior year and the fair value adjustment is now amortised over the remaining life of the bonds.

[1] 15,5% bonds (nominal value: R1 200 million) issued in rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal amount on 1 June 2005 or on any interest payment date thereafter. After this option date, the coupon switches to floating at the Johannesburg interbank agreed rate plus 260 basis points, until maturity on 1 June 2010.

[2] 13,75% bonds (nominal value: R1 500 million) issued in rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal amount on 2 December 2005 or on any interest payment date thereafter. After this option date, the coupon switches to floating at the Johannesburg interbank agreed rate plus 217 basis points, until maturity on 2 December 2010.

[3] 11,25% bonds (nominal value: R2 000 million) issued in rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal amount on 31 October 2008 or on any interest payment date thereafter. After this option date, the coupon switches to a floating average mid-market yield rate per annum for three month ZAR deposits plus 209 basis points, until maturity on 31 October 2013.

[4] 9,5% bonds (nominal value: R2 000 million) issued in rands and paying a fixed annual coupon. The bonds carry an option to be called at their nominal amount on 17 November 2011 or on any interest payment date thereafter. After this option date, the coupon switches to a 3 month floating Johannesburg interbank agreed rate plus 162 basis points, until maturity on 17 November 2016.

[5] 12,5% bonds (nominal value: R1 000 million) issued in rands and paying a fixed semi-annual coupon. The due date for payment of any principal or interest in respect of the bonds may be defered if so required by the Registrar of Banks. The bonds were redeemed on 15 February 2005.

	2004 Rm	2003 Rm
18. Contingent liabilities and capital commitments		
18.1 Contingent liabilities		
Letters of credit	**2 059**	1 334
Guarantees	**14 918**	14 448
Irrevocable unutilised facilities	**17 845**	11 435
	34 822	27 217

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

	2004 Rm	2003 Rm
18.2 Capital commitments		
Contracted capital expenditure	**182**	64
Capital expenditure authorised but not yet contracted	**142**	486
	324	550

The capital expenditure will be funded from the company's internal resources.

18.3 Operating lease commitments

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

	2004 Rm	2003 Rm
Properties		
Within 1 year	**83**	61
After 1 year but within 5 years	**370**	299
After 5 years	**472**	501
	925	861
Equipment		
Within 1 year	**2**	8
After 1 year but within 5 years	**1**	15
	3	23

	2004 Rm	2003 Rm
19. Supplementary income statement information		
19.1 Interest income		
Interest on loans and advances and short-term funds	**26 895**	28 115
Interest on investment securities	**2 702**	2 484
Discount element recognised from provisions for credit losses	**220**	314
Fair value adjustments on dated financial instruments	**34**	(60)
Dividends on unlisted investment securities	**826**	664
	30 677	31 517

Dated securities are held in connection with normal banking business and income derived therefrom is included above in interest on loans and advances and interest on investment securities.

	2004 Rm	2003 Rm
Dividends on unlisted investment securities as shown above arose as follows:		
Subsidiaries and fellow subsidiaries	**455**	335
Unlisted equities	**371**	329
	826	664
19.2 Interest expense		
Current accounts	**139**	354
Savings and deposit accounts	**2 017**	2 435
Market bid accounts	**9 105**	12 050
Foreign finance creditors	**224**	199
Subordinated bonds	**830**	766
Other interest-bearing liabilities	**8 815**	6 848
	21 130	22 652
19.3 Provisions for credit losses		
Net provisions raised and released (note 7.2)	**1 151**	1 596
Recoveries	**(300)**	(255)
	851	1 341
Comprising:		
Provisions for non-performing loans	**673**	955
Provisions for performing loans	**178**	386
	851	1 341

	2004 Rm	2003 Rm
19.4 Non-interest revenue		
Fees and commission revenue	**7 059**	5 779
– Point of representation fees	**3 541**	2 977
– Card based commission	**1 121**	915
– Knowledge based fees and commission	**158**	134
– Electronic banking fees	**669**	564
– Foreign currency service fees	**331**	280
– Documentation and administration	**208**	224
– Subsidiaries and fellow subsidiaries	**210**	202
– Other	**821**	483
Trading revenue	**1 511**	1 113
– Foreign exchange	**1 071**	1 034
– Debt securities	**277**	(71)
– Commodities	**58**	98
– Equities	**116**	70
– Other	**(11)**	(18)
Total other revenue	**775**	780
– Banking, insurance and other revenue	**489**	562
– Property related revenue	**120**	117
– Subsidiaries and fellow subsidiaries	**166**	101
	9 345	7 672

	2004 Rm	2003 Rm
19.5 Staff costs		
Salaries and allowances	**5 573**	4 579
Retirement benefit costs	**277**	280
	5 850	4 859

	2004 Rm	2003 Rm
19.6 Other operating expenses		
Amortisation – intangible assets (note 10)	**57**	53
Auditors' remuneration	**40**	27
– Audit fees	**19**	16
– Fees for other services	**21**	11
Depreciation (note 11.2)	**656**	566
Property		
– Freehold	**12**	14
– Leasehold	**–**	1
Equipment		
– Computer equipment [1]	**480**	384
– Motor vehicles	**86**	91
– Office equipment	**20**	17
– Furniture and fittings	**58**	59
Operating lease charges	**473**	399
– Property	**438**	368
– Equipment	**35**	31
Premises	**393**	335
Professional fees	**281**	345
– Managerial	**15**	12
– Technical and other	**266**	333
Other expenses	**2 901**	2 626
	4 801	4 351

[1] During the year the estimated life of desktop computers was reduced from 5 years to 4 years, this has resulted in an additional charge of R100 million for the year.

	2004 Rm	2003 Rm
20. Supplementary income statement information		
20.1 Directors' emoluments		
Executive directors		
Emoluments of directors in respect of services rendered:		
As directors of SBSA	**10**	11
While directors of SBSA		
– otherwise in connection with the affairs of SBSA or its subsidiaries	**41**	10
Non-executive directors		
Emoluments of directors in respect of services rendered:		
As directors of SBSA	**1**	1
While directors of SBSA		
– otherwise in connection with the affairs of SBSA or its subsidiaries	**3**	2
Pensions of past directors	**–**	1
	55	25

Full details of directors' emoluments are detailed in the SBG annual report that can be found at www.standardbank.co.za.

	2004 Rm	2003 Rm
20.2 Dividends		
Ordinary dividends		
Dividend 87 of 225 cents per share paid on 24 March 2003 to the shareholder registered on 24 March 2003		135
Dividend 88 of 775 cents per share paid on 25 March 2003 to the shareholder registered on 25 March 2003		465
Dividend 89 of 833 cents per share paid on 25 March 2003 to the shareholder registered on 25 March 2003		500
Dividend 90 of 250 cents per share paid on 15 September 2003 to the shareholder registered on 15 September 2003		150
Dividend 91 of 833 cents per share paid on 31 January 2004 to the shareholder registered on 31 January 2004	**500**	
Dividend 92 of 233 cents per share paid on 24 March 2004 to the shareholder registered on 24 March 2004	**140**	
Dividend 93 of 1 100 cents per share paid on 25 March 2004 to the shareholder registered on 25 March 2004	**660**	
Dividend 94 of 2 500 cents per share paid on 14 July 2004 to the shareholder registered on 14 July 2004	**1 500**	
Dividend 95 of 566 cents per share paid on 7 September 2004 to the shareholder registered on 7 September 2004	**340**	
Dividend 96 of 183 cents per share paid on 7 September 2004 to the shareholder registered on 7 September 2004	**110**	
Dividend 97 of 1 833 cents per share paid on 28 September 2004 to the shareholder registered on 28 September 2004	**1 100**	
Dividend 98 of 833 cents per share paid on 28 December 2004 to the shareholder registered on 28 December 2004	**500**	
	4 850	1 250

On 1 March 2005 the following dividends were declared:
Dividend 99 of 833 cents per share payable on 15 March 2005 to the shareholder registered on 15 March 2005.
Dividend 100 of 833 cents per share payable on 7 April 2005 to the shareholder registered on 7 April 2005.
Dividend 101 of 2 417 cents per share payable on 8 April 2005 to the shareholder registered on 8 April 2005, bringing the total dividends declared in respect of 2004 to 9 998 cents per share (2003: 2 416 cents).

	2004 Gross Rm	2004 Tax Rm	2004 Net Rm	2003 Net Rm
20.3 Headline earnings				
Profit for the year	**7 461**	**(2 023)**	**5 438**	4 233
Adjusted for the following:				
Exceptional items[1]	**8**	**(5)**	**3**	(127)
– Profit on sale of property	**(24)**	**1**	**(23)**	(223)
– Loss on disposal of businesses and divisions	**5**	**(2)**	**3**	–
– Impairment of property and equipment	**15**	**(1)**	**14**	29
– Impairment of intangible assets	**12**	**(3)**	**9**	67
Goodwill amortised	**–**	**–**	**–**	4
Profit on sale of equipment	**(34)**	**5**	**(29)**	–
	7 435	**(2 023)**	**5 412**	4 110

[1]The 2003 gross exceptional items amounted to a net profit of R114 million, before accounting for tax credits of R13 million.

	2004	2003
20.4 Earnings per share		
The calculations of earnings and headline earnings per share are as follows:		
Headline earnings (Rm)	**5 412**	4 110
Earnings (Rm)	**5 438**	4 233
Weighted average number of ordinary shares in issue (thousands)	**59 997**	59 979
Headline earnings per share (cents)	**9 020**	6 852
Earnings per share (cents)	**9 064**	7 057
Reconciliation of weighted average number of ordinary shares in issue (thousands)		
Shares in issue at beginning of the year	**59 997**	59 917
The effect of shares issued during the year	**–**	62
Weighted average number of ordinary shares in issue (thousands)	**59 997**	59 979

21. Tax

	2004 Rm	2003 Rm
21.1 Direct income tax expense		
Current year	**1 707**	1 570
– South African normal tax	**1 705**	1 223
– South African deferred tax	**(33)**	292
– Secondary tax on companies (deferred tax)	**12**	7
– Foreign normal and withholding tax	**23**	48
Indirect tax expense	**316**	325
Regional services council levies	**75**	78
Value added tax	**231**	217
Duties	**(9)**	14
Skills development levy (net of recoveries)	**19**	16
Total tax expense	**2 023**	1 895
21.2 South African tax rate reconciliation (%)		
The tax charge for the year as a percentage of income before tax	**27**	31
Regional services council levies and stamp duties	**(1)**	(1)
Value added tax	**(3)**	(4)
Duties, STC and skills development levy	**–**	–
Tax relating to prior years	**–**	–
Net tax charge	**23**	26
The charge for the year has been reduced/(increased) as a consequence of:		
– Dividends received	**5**	5
– Other non-taxable income	**5**	3
– Other permanent differences	**(3)**	(4)
Standard rate of South African tax	**30**	30

	2004 Rm	2003 Rm
22. Cash flow statement		
22.1 Reconciliation of income before tax to cash flows from operating activities		
Income before tax	**7 461**	6 128
Adjusted for:	**1 233**	1 563
– Depreciation – property and equipment	**656**	566
– Provisions for credit losses	**851**	1 341
– Profit on sale of equipment	**(34)**	(4)
– Profit on sale of properties	**(24)**	(251)
– Amortisation of intangible assets	**57**	53
– Impairment losses	**27**	137
– Fair value adjustments on dated financial instruments	**(34)**	60
– Interest recognised on impaired loans	**(220)**	(314)
– Goodwill amortised	**–**	4
– Income less dividends from associates and joint ventures	**(51)**	(29)
– Loss on disposal of business units	**5**	–
Cash flows from operating activities	**8 694**	7 691
22.2 Cash receipts from customers		
Interest income and investment income	**29 597**	30 599
Fees and commission revenue	**7 059**	5 779
Trading and other revenue	**2 286**	1 893
	38 942	38 271
22.3 Cash paid to customers, employees and suppliers		
Interest expense	**(21 130)**	(22 652)
Total operating expenses	**(9 972)**	(8 595)
	(31 102)	(31 247)
22.4 Dividends received		
Dividends from subsidiaries	**455**	335
Dividends from associates	**28**	3
Dividends from dated investment securities	**371**	329
	854	667

	2004 Rm	2003 Rm
22.5 (Increase)/decrease in income-earning assets		
Investment securities	**(1 510)**	(4 912)
Trading assets	**2 523**	(676)
Loans and advances	**(48 511)**	(29 365)
Net derivative assets/liabilities	**578**	(1 160)
Investments in group companies	**1 088**	(11 561)
Other assets	**1 297**	6 347
	(44 535)	(41 327)
22.6 Increase/(decrease) in deposits and other liabilities and provisions		
Customers' current, savings and other deposits, and deposits and loans from banks	**29 407**	20 574
Deposits received under repurchase agreements	**(459)**	3 034
Negotiable certificates of deposit	**16 493**	2 646
Trading liabilities	**(2 897)**	1 102
Liabilities to group companies	**(2 206)**	2 643
Other liabilities and provisions	**(288)**	(920)
	40 050	29 079
22.7 Tax paid		
Amounts paid/(unpaid) at beginning of the year	**140**	(65)
Income statement charge	**(2 044)**	(1 596)
Amounts unpaid/(paid) at end of the year	**114**	(140)
	(1 790)	(1 801)

	2004 Rm	2003 Rm

23. Changes in accounting policy and prior year reclassifications

23.1 Restatements to the opening balance of reserves

	2004 Rm	2003 Rm
The impact of complying with AC 501 on opening shareholder's equity is as follows:		
Effect of raising a deferred tax asset on adoption of AC 501	**62**	69
	62	69

23.2 Effect on current period income

	2004 Rm	2003 Rm
Effect of adopting AC 501 on income before tax	**–**	–
Tax	**(12)**	(7)
	(12)	(7)

In terms of the requirements of AC 501, the statement has been applied on a retrospective basis and consequently the 2003 results have been restated.

23.3 Prior year reclassifications, restatements and change in accounting policy

	Balance previously disclosed Rm	STC[1] Rm	Reclassification of trading assets[2] Rm	Balance reclassified Rm
Trading assets	6 821	–	2 247	9 068
Other assets	10 180	62	(2 247)	7 995
Effect on assets		62	–	
Capital and reserves	15 175	62		15 237
Effect on equity and liabilities		62		

[1] Recognition of deferred tax asset for secondary tax on companies in terms of AC501.
[2] Reclassification of structured debt finance trades from other assets to trading assets.

Emoluments of Standard Bank directors

The 2003 comparative relating to gains on exercise of share options and other related payments was restated, to include amounts omitted with respect to payments made to Myles Ruck, under the SCMB Shadow Share Scheme amounting to R4 282 000.

24. Related party transactions

24.1 Associates and joint ventures

During the year, the company and its subsidiaries, in the ordinary course of business, entered into various non-material transactions with associates and joint ventures. These transactions occurred under terms that are not more favourable than those arranged with third parties.
Details of interests in and income from associates and joint ventures are disclosed in **Annexure B on page 56.**

24.2 Subsidiaries

SBSA is a wholly-owned subsidiary of SBG.
Transactions between subsidiaries are conducted in the ordinary course of business at arms length.
Details of interests in subsidiaries are disclosed in **Annexure A on page 55.**

24.3 Directors

Details relating to directors' emoluments are disclosed in note 20.1. Further detail is included in the SBG annual financial statements.

	2004 Rm	2003 Rm
25. Post-retirement benefits		
Amounts recognised in the balance sheet		
Retirement fund	**311**	180
Post retirement healthcare benefits		
– Provider Fund	**21**	21
– Other	**348**	342
	680	543

Retirement funding

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF) exceeds 95% of Standard Bank operations' permanent staff in South Africa. The fund, one of the largest in South Africa, is a trustee administered defined contribution fund governed by the Pension Funds Act, 1956. Member elected trustees represent 50% of the trustee board. The assets of the fund are held independently of the company's assets.

The fund is subject to statutory financial review by actuaries at an interval of not more than three years. As a result of delays in relevant regulations and pension fund guidelines being published in late 2004, the Financial Services Board (FSB) approved an extension in submitting the 31 December 2001 valuation, which has now been submitted.

Employees who were members of the fund on 31 December 1994, have guaranteed benefits available under the rules of the defined benefit fund. A specific liability has been recognised within the fund to provide for guaranteed benefits which may arise under the rules of the scheme. New members from 1 January 1995 participate only in the benefits of the defined contribution fund.

As reported last year, the employer received approval from the FSB to create an employer surplus account which at 31 December 2004 amounted to R122 million (2003: R338 million). At 31 December 2004, the valuation of the fund, the determination of its financial position and the determination of any shortfall or surplus position are still to be finalised and approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001. Consequently no account has been taken of any potential shortfall or surplus.

	2004 Rm	2003 Rm
The amounts recognised in the balance sheet are determined as follows:		
Surplus	**(122)**	(338)
Present value of unfunded obligations	**12 923**	10 174
Fair value of plan assets	**(13 045)**	(10 512)
Unrecognised actuarial gains	**433**	518
Included in other liabilities and provisions in the balance sheet	**311**	180

Unrecognised actuarial gains or losses are deferred and recognised in the income statement over a period not exceeding the estimated service lives of the employees.

	2004 Rm	2003 Rm
The amounts recognised in the income statement are determined as follows:		
Current service cost	**227**	204
Interest cost	**1 024**	1 086
Expected return on plan assets	**(1 086)**	(1 109)
Net actuarial gain recognised in the year	**(32)**	–
Included in staff costs	**133**	181
Movement in the liability recognised in the balance sheet:		
Balance at beginning of the year	**180**	–
Income statement charge	**133**	181
Contributions paid	**(2)**	(1)
Balance at end of the year	**311**	180

Post-retirement healthcare benefits

The bank provides the following post-retirement healthcare benefits to its employees:

Provider Fund

A post-retirement healthcare benefit fund provides eligible employees, who were employed in South Africa on 1 March 2000, with a lump sum benefit on retirement enabling them to purchase an annuity to be applied towards their post-retirement healthcare costs. This benefit is pre-funded in a provident fund. Any shortfall in the payment to be made by these employees towards their healthcare costs subsequent to retirement is not the responsibility of the bank. The last actuarial valuation was performed on 1 March 2001 and reflected an excess in the fund.

The company received approval from the Financial Services Board to transfer the excess to an employee reserve.

Other

The largest portion of this liability represents a South African post-retirement healthcare benefit commitment that covers all employees who retired before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full statutory actuarial valuation was performed on 31 December 2002.

	2004 Rm	2003 Rm
The amounts recognised in the balance sheet in respect of post-retirement healthcare benefits are determined as follows:		
Unfunded obligations	**216**	220
Present value of unfunded obligations	**1 014**	872
Fair value of plan assets	**(798)**	(652)
Unrecognised actuarial gains	**153**	143
Included in other liabilities and provisions in the balance sheet	**369**	363
The amounts recognised in the income statement are determined as follows:		
Current service cost	**28**	24
Interest cost	**81**	105
Expected return on plan assets	**(65)**	(54)
Net actuarial gain recognised in the year	**(6)**	–
Included in staff costs	**38**	75
Movement in the liability recognised in the balance sheet		
Balance at beginning of the year	**363**	318
Income statement charge	**38**	75
Contributions paid	**(32)**	(30)
Balance at end of the year	**369**	363

The principal actuarial assumptions used for accounting purposes were:

	Retirement fund %	Provider Fund %	Retired employees %
Discount rate	8,5	8,5	9,5
Return on investments	9,5	9,0	
Salary/benefit inflation	5,0	6,0	
CPI inflation	4,0	4,0	5,0
Medical inflation			7,0
Remaining service life of employees	16	20	

Subsidiaries	Nature of operation	Issued capital	Effective holding		Book value of shares		Net indebtedness	
			2004	2003	**2004**	2003	**2004**	2003
		Rm	**%**	%	**%**	%	**%**	%
Non-banking subsidiaries								
Andisa Securities (Pty) Limited	Stockbrokers	*	**100**	100	**3**	3	**(2 365)**	(2 578)
Blue Bond Investments Limited	Participation mortgage bond finance	*	**100**	100	**	**	**544**	490
Diners Club (S.A.) (Pty) Limited	Travel and entertainment card	*	**100**	100	**	**	**555**	565
FHP Managers (Pty) Limited	Investment holding company	*	**100**	100	**	**	**151**	160
Standard Bank Financial Services Holding (Pty) Limited	Long and short-term insurance broking	*	**100**	100	**	**	**(1)**	–
Standard Bank Insurance Brokers (Pty) Limited	Insurance broking	*	**100**	100	***	***	**(59)**	47
Miscellaneous	Finance companies		**100**	100	**23**	23	**36**	129
Total investment in subsidiaries					**26**	26	**(1 139)**	(1 187)

The detailed information is only given in respect of subsidiaries which are material to the financial position of the company.

* Issued share capital less than R1 million.

** Book value less than R1 million

*** Held indirectly

Annexure B | associates and joint ventures

Associates	Edu-Loan (Proprietary) Limited		FIHRST Management Services (Proprietary) Limited		Andisa Capital (Proprietary) Limited	
Nature of business	Student loans		Payroll processing systems		Securities trading	
Year end	December		March		December	
Date to which equity accounted	31 December 2004		31 December 2004		31 December 2004	
	2004	2003	**2004**	2003	**2004**	2003
Effective holding	**45%**	45%	–	46%	**49%**	49%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**30**	26	**–**	5	**(31)**	(17)
Directors' valuation	**30**	26	**–**	5	**–**	–
Balance sheet						
Non-current assets	**26**	10	**–**	10	**309**	54
Current assets	**164**	150	**–**	3	**120**	142
Non-current liabilities	**(54)**	(61)	**–**	(22)	**(328)**	(37)
Current liabilities	**(73)**	(62)	**–**	(3)	**(166)**	(181)
Loans to entity	**–**	–	**–**	–	**55**	53
Income statement						
Attributable income	**5**	–	**–**	–	**(14)**	(17)

Associates	Mathomo Group Limited		Other associates		Total associates	
Nature of business	Retailer		Various			
Year end	September		Various			
Date to which equity accounted	31 December 2004		31 December 2004			
	2004	2003	**2004**	2003	**2004**	2003
Effective holding	**26%**	41%	**Various**	Various	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**29**	42	**68**	64	**96**	120
Directors' valuation	**29**	42	**68**	64	**127**	137
Balance sheet						
Non-current assets	**19**	16	**135**	172	**489**	262
Current assets	**98**	98	**452**	304	**834**	697
Non-current liabilities	**(23)**	(34)	**(101)**	(98)	**(506)**	(252)
Current liabilities	**(82)**	(66)	**(285)**	(171)	**(606)**	(483)
Loans to entity	**–**	–	**–**	42	**55**	95
Income statement						
Attributable income	**(1)**	6	**17**	14	**7**	3

Joint ventures	The Standard Bank African Bank partnership		Other joint ventures		Total joint ventures	
Nature of business	Banking		Various			
Year end	September		Various		December	
Date to which equity accounted	31 December 2004		31 December 2004		31 December 2004	
	2004	2003	**2004**	2003	**2004**	2003
Effective holding	**60%**	60%	**Various**	Various	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**69**	29	**5**	2	**74**	31
Directors' valuation	**69**	29	**5**	2	**74**	31
Balance sheet						
Non-current assets	**568**	380	**1**	265	**569**	645
Current assets	**32**	15	**41**	39	**73**	54
Non-current liabilities	**(445)**	(254)	**–**	(272)	**(445)**	(526)
Current liabilities	**(18)**	(22)	**(29)**	(30)	**(47)**	(52)
Loans to entity	**209**	119	**–**	–	**209**	119
Income statement						
Attributable income	**68**	29	**4**	–	**72**	29

	Total associates and joint ventures	
	2004	2003
	Rm	Rm
Carrying value	**170**	151
Directors' valuation	**201**	168
Balance sheet		
Non-current assets	**1 058**	907
Current assets	**907**	751
Non-current liabilities	**(951)**	(778)
Current liabilities	**(653)**	(535)
Loans to entity	**264**	214
Income statement		
Attributable income	**79**	32

Directorate

D E Cooper (chairman)

J H Maree (chief executive)[1]

D D B Band

E Bradley

T Evans

T S Gcabashe

D A Hawton

Sir Paul Judge[2]

S J Macozoma

R P Menell

Adv K D Moroka

A C Nissen

R A Plumbridge

M C Ramaphosa[4]

Dr M A Ramphele[5]

M J D Ruck[1]

M J Shaw[3]

Sir Robert Smith[2]

Dr C L Stals

Dr C B Strauss

[1] Executive director.

[2] British.

[3] Appointed 22 July 2004.

[4] Appointed 1 November 2004.

[5] Appointed 17 March 2005.

Secretary

L Wulfsohn

Contact details

The Standard Bank of South Africa Limited

(Reg No 1962/000738/06)

Holding company details

Standard Bank Group Limited

(Incorporated in the Republic of South Africa)
(Registered bank controlling company)
(Reg No 1969/017128/06)

Registered office

9th Floor, Standard Bank Centre
5 Simmonds Street, Johannesburg, 2001
PO Box 7725, Johannesburg, 2000

Registered address

9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg 2001

PO Box 7725
Johannesburg
2000

Contact numbers

Telephone: +27 11 636 7811
Fax: +27 11 636 4207
email: InvestorRelations@standardbank.co.za

Chief financial officer

Simon Ridley
Telephone: +27 11 636 3756
email: Simon.Ridley@standardbank.co.za

Company secretary

Loren Wulfsohn
Telephone: +27 11 636 5119
email: Loren.Wulfsohn@standardbank.co.za

Director, investor relations

Kim Howard
Telephone: +27 11 636 7811
email: Kim.Howard@standardbank.co.za

Credit ratings

The latest credit ratings for SBSA are detailed below:

Standard Bank ratings	Short-term	Long-term	Outlook
Fitch Ratings (June 2004)			
Foreign currency	F3	BBB	Positive
Local currency		A-	Positive
National	F1+(zaf)	AA+(zaf)	Stable
Moody's Investors Services (January 2005) public information rating			
Bank deposit rating	P-2	Baa1	Stable
Financial strength rating			C+
Standard & Poor's (November 2004) public information rating			
Local currency		BBBpi	
RSA Sovereign ratings: Foreign currency			
Fitch Ratings		BBB	
Moody's Investors Services		Baa1	
Standard & Poor's		BBB	
RSA Sovereign ratings: Local currency			
Fitch Ratings		A-	
Moody's Investors Services		A2	
Standard & Poor's		A	

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