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Report of the directors

The directors present their report and accounts for the year ended 31 December 2007.

Business review

Standard Bank Group profile

The Standard Bank Group Limited, based in Johannesburg, is the ultimate holding company for the global activities of the Standard Bank Group. With total assets in excess of US\$140 billion and employing 48,000 people worldwide, the Standard Bank Group is one of Africa's leading banking and financial services organisations. In November 2007 Standard Bank Group announced a major strategic partnership with Industrial and Commercial Bank of China Limited ('ICBC'), the world's largest bank by market capitalisation, which resulted in ICBC becoming a 20% shareholder in the Standard Bank Group.

The Standard Bank Group operates within three key business segments: Personal & Business Banking, Corporate & Investment Banking and Investment Management & Life Insurance. These global business segments operate across South Africa, Africa and other international locations outside of Africa. Standard International Holdings S.A. ('SIH') is a Luxembourg based holding company which together with its subsidiaries, comprises the international segment of the Corporate & Investment Banking business. The business acquired in Argentina also includes an element of retail operations. SIH's principal operating subsidiary is Standard Bank Plc ('SB Plc'). SIH's other main operating subsidiaries include Standard Bank Asia Limited (Hong Kong), Standard Bank Argentina S.A., Standard New York, Inc., Banco Standard de Inverimentos S.A. (Brazil), ZAO Standard Bank (Russia) and Standard Ünlü Menkul Degerler (Turkey).

Established in 1992, SB Plc is a bank authorised and regulated by the United Kingdom Financial Services Authority, providing a range of banking and related financial services. It is a member of the London Stock Exchange, the London Bullion Market Association, the London Metal Exchange and the London Platinum and Palladium Market and is Chairman of the London Platinum and Palladium Fixing. SB Plc is a shareholder in LCH Clearnet Group Limited and has two seats on the New York Mercantile Exchange (Comex division).

During the year, SB Plc applied to the relevant regulators for authorisation to set up a non-banking branch in Tokyo, Japan. Final approval was received and the branch became operational in May 2007.

In September 2007 SB Plc incorporated a subsidiary, Standard Capital Japan Co. Limited, to support the securitisation business in Japan.

During 2007 a decision was made to place Standard Aval s.r.o. into liquidation which was effected in January 2008.

Business overview

The franchise of SB Plc and its subsidiaries (together 'the Group') focuses on emerging markets – primarily debt, interest rate, equity and currency products, and natural resources.

The Global Markets division comprises customer-driven debt capital markets and treasury activities, encompassing both cash products and derivatives contracts. The division is an originator of debt securities financings for bank, corporate and quasi-government issuers within the world's emerging markets. A comprehensive range of foreign exchange, money market and interest rate products is provided, ranging from simple risk management tools to sophisticated investment structures. The division's expertise extends across all of the major and developing market currencies.

The Principal Trading division houses the Group's proprietary trading activities, which include investing and trading primarily in debt securities issued by a wide variety of sovereign, quasi-government and corporate borrowers in Africa, Asia, Europe and Latin America. The distressed debt and non-performing loan ('NPL') business has continued to expand in terms of both size and geography.

The Resource Banking division encompasses the Group's banking activities in the commodities markets, namely the precious metals, base metals and energy markets. The division offers a comprehensive range of services to clients across the industry sector, including trading, risk management, project finance, structured trade finance and corporate advisory. The client base extends across all aspects of the industry, including producers, consumers, merchants, fund managers and governments worldwide.

The Investment Banking division focuses on providing bespoke client solutions, primarily in debt related instruments in emerging markets with trade finance and syndicated loans being the primary components of the business.

Within the Wealth Management division, the Group seeks to leverage its expertise in emerging markets and high yield assets into investment products that can be distributed to individual

investors on a wholesale basis. The Private Client Services business serves high net worth clients through the Group's developing banking network. By distributing a combination of the Group's specialist developing markets and resources product range, together with selected third party products, the division complements the established private banking, asset management and fiduciary activities in the Standard Bank Group.

Performance

Global Markets

Global Markets increased revenues significantly year on year with a high degree of product and regional diversity.

The division's distribution led model ensured revenues continued throughout the credit crisis albeit at a slightly slower pace but with no large trading losses. As volatility increased and credit spreads widened, liquidity and client volumes increased in the Group's niche markets. Local markets trading, which focuses on managing local market currency and interest rates, recorded a strong trading performance, in particular in the African, Latin American and Russian local market businesses.

Looking ahead, key objectives in 2008 include continued investment in staff and the expansion of sales and structuring capabilities in the central business hubs.

Principal Trading

Despite the depressed credit market conditions experienced in the latter half of the year, Principal Trading recorded a strong year with record total revenues. Its results were achieved through executing successful investments in its focus area of emerging markets in both hard and local currency instruments augmented by well-timed trading in equities and derivative positions.

The geographic breakdown of the business in 2007 was well diversified across Africa, Asia and Latin America, with the greatest growth region, in terms of both revenues and personnel, being Asia as the Asian NPLs and Distressed Debt businesses expanded.

With the large amount of NPLs still remaining in Asian banking systems, the uncertain market outlook and the Group's developing relationship with the ICBC, the investment opportunities for Asian NPL business remain excellent. With this backdrop, it is planned to transfer these activities in 2008 into an alternative asset management hedge fund to enable third parties to invest alongside the Group as the fund's initial investors.

Resource Banking

As a consequence of the strong commodity markets, 2007 was another successful year for Resource Banking division with notable revenue growth being recorded by Precious and Base Metals trading, Energy Finance and the Resources equity portfolio.

Business developments achieved during the year included the successful establishment of a local precious metals trading capability on the Tokyo Commodities Exchange, the execution of the Group's first carbon credit trade and the significant growth of the Energy Sales & Trading business. In addition a significant investment in new trading technology was completed to ensure the business keeps up to date with current and anticipated future market developments.

The outlook for 2008 remains positive as commodity prices are expected to remain buoyant. A number of key initiatives which commenced in 2007 will be critical to success in 2008, namely the further development of a hybrid trading capability; the expansion of the carbon credit product offering and the incorporation of the business into the Group's new global distribution and coverage model. In addition, there will be increased focus on expanding the Chinese franchise and it is anticipated that a number of joint initiatives with ICBC will be executed in this regard.

Investment Banking

Investment Banking posted strong results for 2007 significantly exceeding targets and the prior year.

Structured Solutions completed a number of notable transactions during the year including a number of asset financing and structured lending facilities, whilst Specialised Finance expanded its lease and receivables financing franchise in Russia and also achieved considerable success in establishing the Group as an arranger of Islamic financings in the Middle East and Asia.

Both teams were supported by the Transaction Management Unit which proved to be highly effective as a front end risk management and deal execution function during the year.

Looking ahead to 2008, the focus will be on building existing and new business relationships and expanding the leasing and Islamic finance franchises.

In Financial Institutions the portfolio has been conservatively managed with less primary exposure against countries where perceived credit issues may arise. In Structured Trade Finance the

various teams throughout the wider Standard Bank Group have been drawn together to establish one global product unit, bringing strategic and management efficiency and critical mass. A particular focus in the year ahead will be ongoing co-operation with ICBC in transactions involving China - Africa trade flows.

International Wealth Management

During the first half of the year the Asset Management business benefited from good investment performance across both the high yield and emerging market fixed income asset classes. Strong investment performance, together with the marketing efforts over prior years resulted in good growth in assets under management in the first half of the year. However, due to the market conditions in the second half of the year, the gains achieved were eroded. Notwithstanding this, it is anticipated that there will be further market volatility during 2008 and this volatility will provide good investment opportunities especially in the African fixed income markets.

Central to the 2008 strategy will be to focus on growth opportunities in selected, rapidly expanding emerging markets and to achieve increased profitability. The growth in High Net Worth Individuals world-wide and more particularly in emerging markets will ensure growth in the Private Client businesses.

Private Equity

In 2007, the fledgling Private Equity division established a platform upon which to build a much larger emerging market private equity fund management and investment business in the future. Revenues were well diversified being sourced from Africa, the Middle East, Asia and Turkey.

Key objectives for 2008 include the establishment of a large private equity fund focusing on global natural resources opportunities potentially in a joint venture with ICBC; the development of private equity infrastructure fund opportunities in the CEEMEA region and the continuing development of the Group's direct investing capabilities in its key geographies of Russia, Asia and Latin America.

Market conditions and developments

The Group delivered a strong performance for the year, significantly up on 2006. Achieving this level of performance was especially pleasing given the chaotic events in the rapidly deteriorating market place that was a feature of the second half of 2007. The Group did not suffer any direct credit losses directly linked to the sub-prime mortgage markets in the US and maintained a strong liquidity profile throughout.

Looking forward, it is anticipated that the international markets will remain very challenging, however, the Group considers itself very well placed to take advantage of the growth in its key markets and the fact that many of its competitors are facing complex challenges as they deal with the side effects of sub-prime and related asset class deterioration.

In addition, the Group's focus countries are becoming increasingly attractive to external foreign investors and the amount of foreign direct investment, whether coming from the developed or intra-emerging markets, is growing dramatically. The Group is particularly well positioned to take advantage of these cross border flows notably between Africa and China, India and Brazil and Russia respectively. These circumstances, combined with the exciting potential opportunities from the new ICBC relationship, provide a solid platform to move the Group significantly forward.

The Basel II Capital Adequacy Framework ('Basel II') came into effect from 1 January 2008. The implementation of these requirements was a priority for the Group, both from a systems perspective and in addressing any impact on business practice. In anticipation of the increased capital requirements, the capital base was increased in the year. Following on the CADII model recognition received from the FSA for the commodity business in 2006, model recognition was also gained for the interest rates business with further model approvals expected to be achieved in 2008. It is expected that the Foundation Internal Rating Based approach for credit risk will be accredited by the FSA early in 2008.

The Group's new Coverage structure was finalised in late 2007, drawing together relationship managers from across the business into seven industry teams with specialist expertise. The Coverage group works closely with the product divisions to deliver client solutions specific to their needs. It is aligned with a complementary distribution group capability to facilitate a fully fledged 'originate to distribute' operating model.

Standard Bank Plc achieved a rating upgrade to its long-term credit ratings which are now A3 from Moody's Investors Service and A- from Fitch Ratings.

Financial results

The Group's results for the period are shown in the consolidated income statement on page 12. The retained profit for the year of US\$47.6m, up US\$20m on the prior year, has been transferred to reserves. Return on equity of 6.0% (2006: 4.6%) reflects the higher earnings and substantially increased

Report of the directors *continued*

capital base. The cost to income ratio of 81.6% (2006: 88.1%) shows a reduction, a trend that is expected to continue. The effective tax rate increased in the year to 38.7% (2006: 31.1%) due to increased levels of provisions raised against specific prior year exposures.

Capital resources

At the year-end the Group's equity capital resources amounted to US\$918.3m (2006: US\$672.0m) and total capital resources qualifying for prudential purposes amounted to US\$1 702.7m (2006: US\$1 197.9m). The Group remains well capitalised with a capital adequacy ratio of 16.7% (2006: 13.3%).

In December 2007 SB Plc increased its share capital by US\$200m by the issue of new shares to Standard Bank London Holdings Plc and US\$100m of Subordinated Notes to SBIC Investments S.A. During the same period, Eurobonds to the value of US\$50m and €100m respectively were listed on the Irish Stock Exchange.

Risk management

The key risks and risk management processes and policies are set out in note 29 of this report.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors who currently hold office are as follows:

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

Directors and directors' interests

The following directors resigned during the year:

Mr T G Wheeler	13 April 2007
Mr B A Ursell	27 August 2007
Mr T R Smeeton	12 September 2007

It was with regret that we record that Mr T R Smeeton died in September 2007, having served as a director since July 1998.

On 14 February 2008, Ms J K Knott was appointed to the Board.

None of the directors held any beneficial interest in the ordinary share capital of the Group during the year or at 31 December 2007.

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

Committees

The Board of SB Plc delegates certain functions and responsibilities to the following board committees:

Executive Committee

This Committee is responsible for the day-to-day management of the bank. Subject to the overall authority of the Board, it meets regularly, to develop business strategy, initiate and review strategic initiatives, review and approve annual business plans, monitor financial performance against budget, approve the introduction of new products, authorise/approve appointment of staff to senior managerial positions and review the activities of executive sub-committees.

Membership: The Committee comprises the executive directors and certain senior executives, namely David Duffy (Chairman), Paul Hartwell, Jenny Knott, Robert Leith, Simone MacLeod-Nairn, Patrick Tam and Marc van der Spuy.

The major executive sub-committees, supporting the Executive Committee in fulfilling its responsibilities, are the Credit Committee, the Assets and Liabilities Committee, the Capital Committee and the Operations Committees.

Audit Committee

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

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

Report of the directors *continued*

Risk Management Committee

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

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

Remuneration Committee

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

Membership: Christopher Sheridan (Chairman), Derek Cooper, Jacko Maree and Henry Staunton.

Transactions with directors and related parties

There are no loans, arrangements or agreements that require disclosure under the Companies Act 1985 or International Accounting Standard IAS24 regarding transactions with related parties, other than those shown in the notes to the financial statements.

Directors' liability insurance

The Group maintained directors' and officers' liability insurance during the twelve months.

Employees

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

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

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

Charitable Donations

The Group made charitable donations of US\$90 293 during the year.

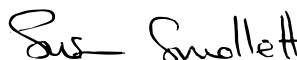
Payment of Suppliers Policy

The Group does not follow a formal policy with respect to payments to suppliers but will negotiate specific terms when applicable.

Auditors

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

By order of the board



S C Smollett

Secretary

18 February 2008

Cannon Bridge House
25 Dowgate Hill
London EC4R 2SB
Registered in England No. 2130447

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Standard Bank Plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Standard Bank Plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Change in Shareholder's Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the consolidated annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the consolidated annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
Registered Auditor
18 February 2008

Consolidated balance sheet

at 31 December 2007

	Note	2007 \$m	2006 \$m
Assets			
Derivative assets	2	7 111.5	4 783.0
Trading assets	3	8 667.3	8 112.2
Pledged assets	4	26.2	108.3
Financial investments	5	44.8	23.5
Loans and advances	6	16 002.5	10 781.8
Loans and advances to banks	6	6 515.8	4 797.7
Loans and advances to customers	6	9 486.7	5 984.1
Other assets	8	340.2	314.8
Current tax asset	9	9.2	2.5
Deferred tax asset	9	12.2	12.0
Intangible assets	11	49.1	23.7
Property and equipment	12	9.1	7.7
Total assets		32 272.1	24 169.5
Liabilities and equity			
Liabilities		31 353.8	23 497.5
Derivative liabilities	2	8 057.8	5 221.0
Trading liabilities	13	3 492.6	3 261.2
Deposit and current accounts	14	18 216.5	13 947.3
Deposits from banks	14	15 057.6	10 030.9
Deposits from customers	14	3 158.9	3 916.4
Other liabilities	15	681.2	506.2
Current tax liability	16	30.2	21.1
Deferred tax liability	16	0.8	3.7
Subordinated debt	17	874.7	537.0
Equity		918.3	672.0
Equity attributable to ordinary shareholders		913.8	672.0
Ordinary share capital	21	645.5	503.6
Ordinary share premium		78.8	20.7
Reserves		189.5	147.7
Minority interest		4.5	-
Total liabilities and equity		32 272.1	24 169.5

The accounting policies and notes on pages 18 to 72 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 18 February 2008



J.H. Maree, Chairman



D.J. Duffy, Chief Executive

Consolidated income statement

for the year ended 31 December 2007

	Note	2007 \$m	2006 \$m
Net interest income		99.3	99.9
Interest income	23.1	618.7	444.8
Interest expense	23.2	(519.4)	(344.9)
Non-interest revenue	23.3	411.1	266.5
Net fees and commission		(55.1)	(35.6)
Fees and commission revenue		98.4	68.5
Fees and commission expenses		(153.5)	(104.1)
Trading revenue		460.3	302.1
Other revenue		5.9	-
Net income		510.4	366.4
Credit impairment charges	23.4	(13.7)	(3.2)
Net income after impairment charges		496.7	363.2
Operating expenses		(416.3)	(322.7)
Staff costs	23.5	(293.2)	(224.4)
Other operating expenses	23.6	(123.1)	(98.3)
Profit before income tax		80.4	40.5
Income tax expense	24	(31.1)	(12.6)
Profit for the period		49.3	27.9
Profit attributable to minorities		(1.7)	-
Profit attributable to equity shareholders		47.6	27.9

The accounting policies and notes on pages 18 to 72 should be read as part of the financial statements.

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2007

	Ordinary share capital and premium \$m	Cash flow hedging reserve \$m	Long-term incentive reserve ¹ \$m	Translation reserve \$m	Retained earnings \$m	Ordinary shareholder funds \$m	Minority interest ² \$m	Total equity \$m
Balance at 1 January 2006	424.3	(4.6)	16.5	(0.2)	96.9	532.9	-	532.9
Items recognised directly in equity	-	13.2	(2.1)	0.1	-	11.2	-	11.2
- Cash flow hedge fair value change	-	22.5	-	-	-	22.5	-	22.5
- Cash flow hedge transfer to income statement	-	(3.6)	-	-	-	(3.6)	-	(3.6)
- Deferred tax on hedges	-	(5.7)	-	-	-	(5.7)	-	(5.7)
- Long-term incentive transactions	-	-	(2.1)	-	-	(2.1)	-	(2.1)
- Translation of subsidiary companies	-	-	-	0.1	-	0.1	-	0.1
Profit attributable to equity shareholders	-	-	-	-	27.9	27.9	-	27.9
Total recognised income	-	13.2	(2.1)	0.1	27.9	39.1	-	39.1
Issues of share capital and premium	100.0	-	-	-	-	100.0	-	100.0
Balance at 31 December 2006	524.3	8.6	14.4	(0.1)	124.8	672.0	-	672.0
Balance at 1 January 2007	524.3	8.6	14.4	(0.1)	124.8	672.0	-	672.0
Items recognised directly in equity	-	(9.4)	2.1	1.5	-	(5.8)	2.8	(3.0)
- Cash flow hedge fair value change	-	2.5	-	-	-	2.5	-	2.5
- Cash flow hedge transfer to income statement	-	(15.9)	-	-	-	(15.9)	-	(15.9)
- Deferred tax on hedges	-	4.0	-	-	-	4.0	-	4.0
- Direct reserve movements	-	-	-	-	-	-	2.8	2.8
- Long-term incentive transactions	-	-	2.1	-	-	2.1	-	2.1
- Translation of subsidiary companies	-	-	-	1.5	-	1.5	-	1.5
Profit attributable to equity shareholders	-	-	-	-	47.6	47.6	1.7	49.3
Total recognised income	-	(9.4)	2.1	1.5	47.6	41.8	4.5	46.3
Issues of share capital and premium	200.0	-	-	-	-	200.0	-	200.0
Balance at 31 December 2007	724.3	(0.8)	16.5	1.4	172.4	913.8	4.5	918.3

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

Note 2 : This minority interest arises on the consolidation of entities related to the NPL business as described in note 1.2.1.

Consolidated cash flow statement

for the year ended 31 December 2007

	Note	2007 \$m	2006 \$m
Operating activities			
Cash flows from operations	25.2	112.0	84.0
Changes in operating funds		358.6	(214.0)
Increase in income-earning assets	25.3	(4 808.2)	(7 535.7)
Increase in deposits and other liabilities	25.4	5 166.8	7 321.7
Tax paid	25.5	(30.6)	(21.9)
Net cash flows from / (used in) operating activities		440.0	(151.9)
Investing activities			
Capital expenditure on - intangible assets	11	(28.5)	(17.1)
- property and equipment	12	(2.7)	(6.2)
Net cash flows used in investing activities		(31.2)	(23.3)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders		200.0	100.0
Increase in subordinated debt	17	330.9	256.7
Step-Up Perpetual Subordinated USD Notes		-	200.0
Subordinated Unsecured Floating Rate EUR Loan Stock 2008		-	56.7
Subordinated Floating Rate Notes 2009		50.0	-
Subordinated Floating Rate Notes 2012		145.9	-
Subordinated Unsecured Floating Rate Loan Stock 2009		35.0	-
Subordinated Floating Rate Loan 2017		100.0	-
Net cash flows generated from financing activities		530.9	356.7
Effects of exchange rate changes on cash and cash equivalents		7.5	0.1
Net increase in cash and cash equivalents		947.2	181.6
Cash and cash equivalents at beginning of the year		992.8	811.2
Cash and cash equivalents at end of the year	25.6	1 940.0	992.8

Company balance sheet

at 31 December 2007

	Note	2007 \$m	2006 \$m
Assets			
Derivative assets	2	7 111.5	4 783.0
Trading assets	3	8 665.2	8 112.2
Pledged assets	4	26.2	108.3
Financial investments	5	44.8	23.5
Loans and advances	6	15 988.3	10 777.9
Loans and advances to banks	6	6 511.6	4 793.8
Loans and advances to customers	6	9 476.7	5 984.1
Other assets	8	337.4	312.1
Current tax asset	9	8.6	2.0
Deferred tax asset	9	12.2	12.0
Investments in group companies	10	1.2	0.7
Intangible assets	11	49.1	23.7
Property and equipment	12	8.3	7.6
Total assets		32 252.8	24 163.0
Liabilities and equity			
Liabilities		31 347.6	23 496.7
Derivative liabilities	2	8 057.8	5 221.0
Trading liabilities	13	3 492.6	3 261.2
Deposit and current accounts	14	18 216.5	13 947.3
Deposits from banks	14	15 057.6	10 030.9
Deposits from customers	14	3 158.9	3 916.4
Other liabilities	15	678.8	506.4
Current tax liability	16	27.2	20.1
Deferred tax liability	16	-	3.7
Subordinated debt	17	874.7	537.0
Equity			
Equity attributable to ordinary shareholders		905.2	666.3
Ordinary share capital	21	645.5	503.6
Ordinary share premium		78.8	20.7
Reserves		180.9	142.0
Total liabilities and equity		32 252.8	24 163.0

The accounting policies and notes on pages 18 to 72 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 18 February 2008



J.H. Maree, Chairman



D.J. Duffy, Chief Executive

Company statement of changes in shareholder's equity

for the year ended 31 December 2007

	Ordinary share capital and premium \$m	Cash flow hedging reserve \$m	Long-term incentive reserve ¹ \$m	Retained earnings \$m	Total equity \$m
Balance at 1 January 2006	424.3	(4.6)	16.5	94.1	530.3
Items recognised directly in equity	-	13.2	(2.1)	-	11.1
- Cash flow hedge fair value change	-	22.5	-	-	22.5
- Cash flow hedge transfer to income statement	-	(3.6)	-	-	(3.6)
- Deferred tax on hedges	-	(5.7)	-	-	(5.7)
- Long-term incentive transactions	-	-	(2.1)	-	(2.1)
Profit attributable to equity shareholders	-	-	-	24.9	24.9
Total recognised income	-	13.2	(2.1)	24.9	36.0
Issues of share capital and premium	100.0	-	-	-	100.0
Balance at 31 December 2006	524.3	8.6	14.4	119.0	666.3
Balance at 1 January 2007	524.3	8.6	14.4	119.0	666.3
Items recognised directly in equity	-	(9.4)	2.1	0.4	(6.9)
- Cash flow hedge fair value change	-	2.5	-	-	2.5
- Cash flow hedge transfer to income statement	-	(15.9)	-	-	(15.9)
- Deferred tax on hedges	-	4.0	-	-	4.0
- Long-term incentive transactions	-	-	2.1	-	2.1
- Other direct reserve movements	-	-	-	0.4	0.4
Profit attributable to equity shareholders	-	-	-	45.8	45.8
Total recognised income	-	(9.4)	2.1	46.2	38.9
Issues of share capital and premium	200.0	-	-	-	200.0
Balance at 31 December 2007	724.3	(0.8)	16.5	165.2	905.2

Note 1 : This reserve forms part of the capital contribution from the ultimate parent and is included as a component of equity.

Company cash flow statement

for the year ended 31 December 2007

	Note	2007 \$m	2006 \$m
Operating activities			
Cash flows from operations	25.2	106.6	78.6
Changes in operating funds		380.5	(200.7)
Increase in income-earning assets	25.3	(4 782.9)	(7 531.6)
Increase in deposits and other liabilities	25.4	5 163.4	7 330.9
Tax paid	25.5	(29.0)	(21.1)
Net cash flows from / (used in) operating activities		458.1	(143.2)
Investing activities			
Capital expenditure on - intangible assets	11	(28.5)	(17.1)
- property and equipment	12	(1.8)	(6.2)
Investment in subsidiary	10	(0.5)	-
Net cash flows used in investing activities		(30.8)	(23.3)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders		200.0	100.0
Increase in subordinated debt	17	330.9	256.7
Step-Up Perpetual Subordinated USD Notes		-	200.0
Subordinated Unsecured Floating Rate EUR Loan Stock 2008		-	56.7
Subordinated Floating Rate Notes 2009		50.0	-
Subordinated Floating Rate Notes 2012		145.9	-
Subordinated Unsecured Floating Rate Loan Stock 2009		35.0	-
Subordinated Floating Rate Loan 2017		100.0	-
Net cash flows generated from financing activities		530.9	356.7
Effects of exchange rate changes on cash and cash equivalents		6.0	-
Net increase in cash and cash equivalents		964.2	190.2
Cash and cash equivalents at beginning of the year		988.9	798.7
Cash and cash equivalents at end of the year	25.6	1 953.1	988.9

Accounting policies

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

1 Basis of presentation

Both the Parent Company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs') and the interpretations of the International Financial Reporting Interpretations Committee. In publishing the Parent Company financial statements here together with the group financial statements, the Company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis except as modified by the revaluation of:

- derivative financial instruments which are measured at fair value;
- financial instruments designated as held at fair value through the profit and loss account; and
- interests in mutual funds.

The consolidated financial statements include the Parent Company and all subsidiary companies.

The Standard Bank Plc Group applies IFRS in the preparation of its financial statements as SB Plc has in issue subordinated debt capital which is listed on the London Stock Exchange's Gilt Edged and Fixed Interest Market and is required to prepare financial statements applying adopted IFRS.

The accounting policies are consistent with those adopted in the previous year except for the following amendments to IFRS and interpretations:

- IFRS 7 Financial Instruments: Disclosures (including amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures)
- IFRIC 10 Interim Financial Reporting and Impairment.

The Group has adopted IFRS 7 and the amendments to IAS 1 with effect from 1 January 2007. This has resulted in increased disclosure relating to financial instruments as well as the nature and extent of financial risks, but has had no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

On 1 January 2007, the Group adopted IFRIC 10. The application of this interpretation has not had a significant effect on the 2007 results, nor has it required any restatement of prior period results.

Standards and interpretations not yet effective

Standards and interpretations which have been issued, but which are not yet effective, have not been early adopted. These include IFRS 8 (Operating Segments), an amended IFRS 2 (Share-based Payments), IFRS 3 (Business Combinations), IAS 1 (Presentation of Financial Statements), IAS 23 (Borrowing Costs) and IAS 27 (Consolidated and Separate Financial Statements), none of which are expected to have a material impact on the results of the Group.

2 Basis of consolidation

The financial statements of subsidiaries are consolidated from the date on which the Group acquires the power to control, up to the date that such control ceases. For this purpose, subsidiaries are companies over which the Group, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the Group effectively controls the entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of an acquisition over the fair value of identifiable net assets acquired is recorded as goodwill. Negative goodwill arising on acquisition is recognised directly in the income statement. If the purchase agreement provides for an adjustment to the cost of the combination contingent on future events, the adjustment is included in the cost of the combination at the acquisition date if probable and can be measured reliably.

Investments in subsidiaries and associates are accounted for at cost in the Company accounts. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

Accounting policies *continued*

Intragroup transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purpose of consolidation.

3 Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Group's presentational currency is US dollars and Standard Bank Plc's company functional and presentation currency is US dollars and all amounts, unless otherwise indicated, are stated in millions of dollars (\$m).

Group companies

The results and financial position of all foreign operations that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the balance sheet date; and
- income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate actual rates;
- any resulting gain or loss on translation is recognised directly in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken directly to separate components of equity. On disposal of foreign operations, such exchange differences are recognised in the income statement as part of the profit or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at balance sheet date.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Exchange

differences on non-monetary items are accounted for based on the classification of the underlying items.

4 Cash and cash equivalents

Cash and cash equivalents disclosed in the cash flow statement consist of cash and balances with central banks, along with other short-term placements. Cash flows arising from operating funds are stated after excluding the impact of foreign currency translation differences on asset and liability classes.

Cash and balances with central banks comprise coins and bank notes and balances with central banks, whereas other short-term placements are disclosed under loans and advances.

5 Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately through the income statement. Financial instruments are recognised on the date the Group commits to purchase or sell the instruments (trade date).

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at either fair value or amortised cost, depending on their classification:

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Were the Group to sell more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in equity. Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment. No assets have been classified as held-to-maturity at the balance sheet date.

Trading assets and liabilities

Trading assets and liabilities are those financial assets and liabilities that the Group has acquired or incurred principally for the purpose of selling or repurchasing in the near term, or they form part of a portfolio of identified financial instruments

that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Subsequent to initial recognition, the fair values are remeasured, and all gains and losses arising from changes therein are recognised in the income statement in trading revenue under non-interest revenue.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in trading revenue. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

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

The Group has designated financial assets and liabilities, other than those held for trading, as at fair value through profit or loss when:

- doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or liabilities, or recognising gains and losses on them on different bases. Under this criterion, the main class of financial instruments designated by the Group are loans and advances to customers where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost;
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and information about groups of financial instruments is reported to the Group's key management personnel on that basis. Under this criterion, certain private equity, acquired non-performing loan portfolios and other investment portfolios have been designated at fair value through profit or loss. The Group has documented risk management and investment strategies designed to manage such assets at fair value, taking into consideration the relationship of assets to liabilities in a way that mitigates market risks.

The fair value designation, once made, is irrevocable. Subsequent to initial recognition, the fair values are remeasured, and gains and losses arising from changes therein are recognised in interest income for all dated financial assets and in other revenue within non-interest revenue for all undated financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as at fair value through profit or loss or available-for-sale. These include purchased loans.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received are capitalised to the value of the loan and amortised through interest income. The majority of the Group's advances are included in the loans and receivables category.

Where the Group has elected to classify and account for any loan as a financial asset at fair value, changes in the fair value are included in the income statement in the period in which they arise.

Available-for-sale

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

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity in the available-for-sale reserve until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in equity are recognised in the income statement.

Interest income, calculated using the effective interest method, is recognised in the income statement.

Fair value

The determination of fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value

Accounting policies *continued*

techniques, the discounted cash flow method comparisons to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Group uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of value, although the value obtained from the model may differ from the transaction price. This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable. The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment, resulting from one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes

the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Non-performing loans are impaired for doubtful debts identified during periodic evaluations of advances. The impairment of non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 the carrying amount of the loan is reduced to an amount equal to the present value of estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. In the case of floating rate assets, the future cash flows are discounted at the current effective interest rate effective under the contract. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised as a credit impairment in the income statement.

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

Impairment of performing loans can only be accounted for if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset but before the balance sheet date. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is created. The Group uses statistical modeling of historical trends of the probability of default and the emergence period of losses, adjusted for management's judgement based on observable market data as to whether current economic or credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling.

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

Accounting policies *continued*

Any subsequent recoveries or reductions in amounts previously impaired are reversed by adjusting the allowance account and the amount of the reversal is recognised as a reduction in impairment for credit losses in the income statement.

Available-for-sale financial assets

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

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they are considered impaired or past due.

Offsetting financial instruments & collateral

The Group enters into master netting agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Where the amounts owed by both the Group and the counterparty are determinable and in freely convertible currencies, and where the Group has the ability to insist on net settlement which is assured beyond doubt, based on a legal right under the netting agreement, and there is an intention to settle on a net basis, transactions with positive fair values are netted against transactions with negative fair values.

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock lending contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from banks or counterparties in the case of cash collateral received and to loans and advances to banks or customers in the case of cash collateral paid away. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described in accounting policy 5.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described in accounting policy 5.

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not recognised at fair value with any gains or losses from the change in fair value recognised in the income statement. The host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument.

The method of recognising fair value gains or losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if so, the nature of the item being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement. When derivatives are designated as hedges, the Group designates them as either:

Accounting policies *continued*

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- hedges of net investments in a foreign operation (net investment hedge).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the hedging relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

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 hedging instrument are allocated to the same income statement category as the related hedged item.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the income statement as part of the recalculated effective interest rate over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The ineffective part of any gain or loss is recognised immediately in the income statement as trading revenue.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously

deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the income statement and classified as trading revenue.

Net investment hedge

Where considered appropriate, the Group hedges net investments in foreign operations using derivative instruments. For such hedges, the foreign exchange difference arising on the hedging instrument and relating to the effective portion of the hedge, is recognised directly in equity. Any ineffective portion is immediately recognised in the income statement. On the disposal of a foreign operation, the cumulative gains or losses reported in equity are recognised in the income statement as part of the profit or loss on disposal.

Derivatives that do not qualify for hedge accounting

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

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

Financial guarantee contracts

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities ('facility guarantees').

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset.

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

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements (repos) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell (reverse repos) are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective interest method.

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

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

6 Interest in associates and joint ventures

Associates and jointly controlled entities

An associate is an entity, not being a subsidiary, in which an investment is held and over whose financial and operating policies the Group is able to exercise significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

Interest in associates and jointly controlled entities are accounted for using the equity method and are carried in the balance sheet at an amount that reflects the Group's share of the net assets of the associate or jointly controlled entity and includes goodwill. Equity accounting involves reorganising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the Group's share of the associate's profit or loss for the year, recognised in the income statement, and other direct reserve movements. Equity accounting of losses in associates or joint ventures is restricted to the interests in these entities, including unsecured receivables or other commitments. Inter-company profits and losses are eliminated in determining the Group's share of equity accounted profits. This method is applied from the date the enterprise becomes an associate, up to the date on which it ceases to be an associate. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the Group.

Private equity and property equity investments, which are associates, are either designated on initial recognition as held at fair value through profit or loss, or equity accounted in the venture capital operations.

Investments in associates and joint ventures are accounted for at cost less impairment losses in the company's separate financial statements.

Jointly controlled operations

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

7 Intangible assets

Computer software

Generally, costs associated with developing or maintaining computer software programs and the acquisition of software licenses are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable system, which will be controlled by the group and have a probable future economic benefit exceeding one year, are recognised as intangible assets when the Group is able to demonstrate its intention and ability to complete and use the software and can reliably measure the costs to complete the development. Direct costs include software development, employee costs and an appropriate portion of direct overheads which is attributable to bring the asset to its existing condition.

Direct computer software development costs recognised as assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to 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. Cost incurred subsequent to bringing the asset into use are only capitalised if it is probable that the future economic benefits embodied within the enhancement will flow to the Group and its cost can be measured reliably. The costs to maintain the software are expensed.

8 Fixed assets

Equipment

Computer equipment, office equipment, furniture and fittings and vehicles are stated at historic cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of

the item can be measured reliably. Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Gains and losses on disposal of assets are included in the income statement.

Equipment is depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date and the depreciation method is reviewed annually.

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 fair value of the asset less costs to sell or the value in use. Depreciation and impairment losses are included in the income statement.

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

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

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

9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

10 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.

11 Other provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

12 Tax

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

Deferred income tax is 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.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences where they reverse, based on the laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities (outside of a business combination) which affect neither accounting nor taxable profits or losses; and
- investments in subsidiaries and joint ventures where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax relating to items which are charged or credited directly to equity, is also charged or credited directly to equity and is subsequently recognised in the income statement at the same time as the deferred gain or loss.

Tax asset and liabilities are only offset when they arise in the same tax jurisdiction and there is both a legal right and intention to settle on a net basis.

13 Dividends on ordinary shares

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

14 Long-term incentive scheme

The Group has a number of long-term incentives schemes. The Bank's intermediate holding company, Standard International Holdings S.A. has a long-term incentive scheme whereby employees are granted notional 'shadow' shares options. The scheme provides for eligible employees to be rewarded in cash, the value of which is derived from the current and future performance of SIH. Throughout the life of the scheme, the liability is valued at the end of each period based on a defined formula. The changes in liability are accounted for through the income statement over the vesting period of the shadow share options and includes assumptions about future performance and leavers.

Awards are also made of options over the Standard Bank Group Ltd shares. Throughout the life of the scheme, the liability is valued at the end of each period based on a valuation of the option. The changes in liability are accounted for through the income statement over the vesting period of the share options and includes assumptions about future performance and leavers.

In 2007, a new long-term incentive scheme was introduced termed the Standard Bank Group Quanto Stock scheme. In terms of this scheme, qualifying senior employees are awarded a number of Quanto Stock units denominated in US\$, the value of which moves in parallel to the change in price of the Standard Bank Group shares listed on the Johannesburg Stock Exchange. The awards vest at the end of a three year period dependent on

Accounting policies *continued*

the employee being in service for the period and are accrued over the vesting period. The scheme provides for an incremental amount to be paid if the employee is in service for four years. Throughout the life of the scheme, the amount of the accrued liability is valued at the end of each period based on the SBG share price. The liability and changes arising from the value of SBG share price are accounted for through the income statement over the vesting period of the Quanto Stock units and include assumptions about leavers.

15 Revenue

Revenue is derived substantially from the business of banking and related activities and comprises net interest income and non-interest revenue.

Interest income and expense

Interest income and expenses are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method, except for those classified as held for trading. In terms of the effective interest method, interest is recognised at a rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. Direct incremental transaction costs incurred and origination fees received as a result of bringing interest bearing assets on balance sheet, are capitalised to the carrying amount of financial instruments and amortised through interest income on an effective interest basis over the life of the asset.

Interest income and expense presented in the income statement include:

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

Interest income and expense on all trading assets and liabilities are considered to be part of the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

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

interest on interest-bearing financial instruments held at fair value, excluding financial instruments held for trading.

Non-interest revenue

Net fee and commission revenue

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight line basis over the commitment period. Loan syndication fees, where the Group does not participate, are recognised as revenue when the syndication has been completed.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are rendered.

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with related interest income, expense and dividends.

Other revenue

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, recycled gains and losses on realised available-for-sale financial assets and dividends relating to these financial instruments.

Net income from financial instruments designated at fair value includes all gains and losses from changes in the fair value of financial assets and financial liabilities designated at fair value through profit or loss, including dividend income arising on these financial instruments.

Gains and losses on available-for-sale financial assets are removed from equity and included in the income statement on realisation of the investments. Dividends on these instruments are recognised in the income statement.

Dividend income

Dividends are recognised in the income statement in the period in which right to receipt is established.

16 Post-retirement benefits

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

17 Segment reporting

The main activity of the Group is investment banking. In the opinion of the directors, this is the only reportable class of business. The directors also consider that the business is not delimited by geographical boundaries.

18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. These relate to classifying balances with banks (other than those with central banks) as part of loans and advances (notes 6 & 29) and separate disclosure of pledged assets which previously formed part of trading assets (notes 3, 4 & 29).

Notes to the annual financial statements

1 Key measurement assumptions

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

1.1 Sources of estimation uncertainty

1.1.1 Credit impairment losses on loans and advances

Performing loans

The Group assesses its loan portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on calculated loss ratios, adjusted for specific economic conditions and other indicators of potential default. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. At year end, the Group applied a loss emergence period of 6 months.

Non-performing loans

Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

1.1.2 Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques and market quotes. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to

make estimates. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

1.1.3 Income taxes

The Group is subject to direct and indirect taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the period in which such determination is made.

1.1.4 Determining fair value

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

Included in the equity portfolio are investments in unlisted commodity companies that are held at cost, amounting to US\$33m, as underlying financial information on these investments are not readily available. Based on the portfolio review and management judgement, there should be no significant divergence between cost and fair value.

1.2 Key judgements in applying the Group's accounting policies

1.2.1 Special purpose entities

The Group sponsors the formation of special purpose entities ('SPEs') primarily for the purpose of allowing clients to hold investments for asset securitisation transactions and for buying or selling credit protection. The Group consolidates SPEs that it controls. As it can sometimes be difficult to determine whether the Group controls an SPE, it makes judgements about its exposure to the risks and rewards. All aspects of control are considered in making these judgements. The Group makes investments in portfolios of non-performing loans and other distressed debt, primarily in the Asia region. The portfolios are acquired by SPEs specifically set up in each jurisdiction to acquire these loans. The Group is exposed to the major risks on these portfolios and a substantial portion of economic benefit and accordingly consolidates the entities. The total assets consolidated amount to US\$218m.

Notes to the annual financial statements *continued*

1.2.2 Active markets

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

2.2 Derivative assets and liabilities

Group and Company

	2007							2006			
	Maturity analysis of net fair value			Net fair value of assets	Fair value of liabilities	Contract / notional amount	Net fair value	Fair value of assets	Fair value of liabilities	Contract / notional amount	
	<1 year	1-5 years	>5 years								
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Derivatives held for trading											
Foreign exchange derivatives	(504.9)	(262.9)	0.3	(767.5)	917.5	(1 685.0)	60 968.7	(421.6)	290.8	(712.4)	32 360.9
Forwards	64.1	39.6	0.3	104.0	894.1	(790.1)	36 019.4	45.1	265.0	(219.9)	23 970.4
Futures	-	-	-	-	-	-	-	-	-	-	78.8
Options	(569.0)	(302.5)	-	(871.5)	23.4	(894.9)	24 949.3	(466.7)	25.8	(492.5)	8 311.7
Interest rate derivatives	(9.6)	(11.6)	56.0	34.8	690.6	(655.8)	234 112.9	7.6	473.9	(466.3)	186 533.2
Bonds and options	(0.5)	2.2	0.1	1.8	3.1	(1.3)	87 832.4	0.7	0.8	(0.1)	3 385.9
Future options	0.7	4.4	-	5.1	26.3	(21.2)	75 964.9	2.1	16.4	(14.3)	127 596.7
Forwards	0.1	0.2	-	0.3	2.2	(1.9)	10 495.1	0.3	0.4	(0.1)	424.1
Swaps	(9.9)	(18.4)	55.9	27.6	659.0	(631.4)	59 820.5	4.5	456.3	(451.8)	55 126.5
Commodity derivatives	150.4	188.0	(1.0)	337.4	4 881.5	(4 544.1)	283 751.3	327.4	3 891.5	(3 564.1)	66 687.7
Forwards	137.7	76.7	(8.6)	205.8	4 107.5	(3 901.7)	275 277.9	(167.1)	2 496.8	(2 663.9)	53 624.5
Options	12.7	111.3	7.6	131.6	774.0	(642.4)	8 473.4	494.5	1 394.7	(900.2)	13 063.2
Credit derivatives	(257.3)	(73.3)	(229.0)	(559.6)	407.9	(967.5)	16 101.7	(361.6)	96.7	(458.3)	7 481.8
Credit default swaps	12.9	60.3	5.3	78.5	298.5	(220.0)	14 294.0	(36.1)	96.7	(132.8)	6 921.6
Total return swaps	(270.2)	(133.6)	(234.3)	(638.1)	109.4	(747.5)	1 807.7	(325.5)	-	(325.5)	560.2
Equity derivatives	(2.2)	11.9	-	9.7	214.0	(204.3)	97 242.8	(2.1)	17.8	(19.9)	88.2
Options	(2.2)	11.9	-	9.7	214.0	(204.3)	97 242.8	(3.5)	16.4	(19.9)	76.4
Other	-	-	-	-	-	-	-	1.4	1.4	-	11.8
Total derivative assets / (liabilities) held for trading	(623.6)	(147.9)	(173.7)	(945.2)	7 111.5	(8 056.7)	692 177.4	(450.3)	4 770.7	(5 221.0)	293 151.8

Derivatives held for hedging

Derivatives designated as cash flow hedges	(0.7)	(0.4)	-	(1.1)	-	(1.1)	443.5	12.3	12.3	-	119.6
Currency swaps	-	-	-	-	-	-	-	12.3	12.3	-	119.6
Exchange traded currency options bought	(0.7)	(0.4)	-	(1.1)	-	(1.1)	443.5	-	-	-	-
Total derivative assets / (liabilities) held for hedging	(0.7)	(0.4)	-	(1.1)	-	(1.1)	443.5	12.3	12.3	-	119.6
Total derivative assets / (liabilities)	(624.3)	(148.3)	(173.7)	(946.3)	7 111.5	(8 057.8)	692 620.9	(438.0)	4 783.0	(5 221.0)	293 271.4

Included above are the following amounts with related parties:

Group undertakings - fellow subsidiaries				(1 036.1)	232.3	(1 268.4)		(413.7)	227.2	(640.9)	
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2 Derivative instruments

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

2.1 Notional amount

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

2 **Derivative instruments (cont.)**

2.3 **Use and measurement of derivative instruments**

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange and interest rate exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures, and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised on the balance sheet and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major types of swap transactions undertaken by the Group are as follows:

- Interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate.
- Cross currency interest rate swaps involve the exchange of interest payments based on two different currency principal balances and interest reference rates and generally also entail exchange of principal amounts at the start and/or end of the contract.
- Credit default swaps are the most common form of credit derivative, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third party.

- Total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is affected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived there from.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded over-the-counter ('OTC') or on a regulated exchange.

Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

2.4 **Derivatives held for trading**

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

2.4.1 **Foreign exchange derivatives**

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

2.4.2 **Interest rate derivatives**

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

2 Derivative instruments (cont.)

2.4.3 Commodity derivatives

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

2.4.4 Credit derivatives

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

2.4.5 Equity derivatives

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

2.5 Derivatives held for hedging

2.5.1 Cash flow hedges

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

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

The schedule of forecast principal balances on which the expected interest cash flows arise at 31 December 2007 is as follows:

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
3 months or less	71.5	44.1	71.5	44.1
More than 3 months but less than 1 year	214.6	75.5	214.6	75.5
More than 1 year but less than 5 years	157.4	-	157.4	-
	443.5	119.6	443.5	119.6
Reconciliation of movements in the cash flow hedging reserve				
Balance at beginning of the year	8.6	(4.6)	8.6	(4.6)
Amounts recognised directly in equity during the year	2.5	22.5	2.5	22.5
Less: amounts released in the income statement (operating costs)	(15.9)	(3.6)	(15.9)	(3.6)
Less: deferred tax	4.0	(5.7)	4.0	(5.7)
Balance at end of the year	(0.8)	8.6	(0.8)	8.6

There were no transactions for which cash flow hedge accounting had to be ceased in 2007 or 2006 as a result of highly probable cash flows no longer expected to occur. No gain or loss on ineffective portions of such derivatives were recognised in the income statement in 2007 or 2006.

Notes to the annual financial statements *continued*

3 *Trading assets*

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
3.1 Classification				
Government, municipality and utility bonds	2 728.5	2 056.7	2 728.5	2 056.7
Corporate bonds	2 975.1	3 855.0	2 975.1	3 855.0
Listed equities	317.1	513.0	317.1	513.0
Unlisted equities	202.7	28.5	202.7	28.5
Commodities	1 770.5	764.6	1 768.4	764.6
Other unlisted instruments	673.4	894.4	673.4	894.4
	8 667.3	8 112.2	8 665.2	8 112.2

Maturity analysis

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

- Redeemable on demand	2 095.3	877.6	2 095.3	877.6
- Maturing within 1 month	386.9	297.1	386.9	297.1
- Maturing after 1 month but within 6 months	1 288.1	1 000.3	1 286.0	1 000.3
- Maturing after 6 months but within 12 months	758.0	740.7	758.0	740.7
- Maturing after 12 months	4 139.0	5 196.5	4 139.0	5 196.5
	8 667.3	8 112.2	8 665.2	8 112.2

4 *Pledged assets*

The assets pledged by the Group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and / or re-pledge the assets, they are classified on the balance sheet as pledged as collateral. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as an intermediary.

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
4.1 Trading assets that may be repledged or resold by counterparties				
Government, municipality and utility bonds	6.3	39.4	6.3	39.4
Corporate bonds	19.9	68.9	19.9	68.9
	26.2	108.3	26.2	108.3

Maturity analysis

The maturities represent periods to contractual redemption of the pledged assets recorded.

- Maturing after 1 month but within 6 months	19.7	-	19.7	-
- Maturing after 12 months	6.5	108.3	6.5	108.3
	26.2	108.3	26.2	108.3

Financial assets that do not qualify for derecognition are debt securities held by counterparties as collateral under repurchase agreements. The associated liabilities under pledged assets above amounted to US\$6.4m (2006: US\$90.9m).

Notes to the annual financial statements *continued*

4 Pledged assets (cont.)

4.2 Other assets pledged

The carrying amount of cash that has been pledged as collateral for liabilities at 31 December 2007 was US\$581.0m (2006: US\$685.9m).

4.3 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the Group has received securities that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default is US\$3 977m (2006: US\$5 547m).

The fair value of financial assets accepted as collateral that have been sold or repledged is US\$1 921m (2006: US\$1 993m). The Group is obliged to return equivalent securities. The associated liability to return these securities is included in trading liabilities.

The amount of cash that has been received as collateral for assets at 31 December 2007 was US\$386.9m (2006: US\$268.7m).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

5 Financial investments

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Unlisted equities	44.8	23.5	44.8	23.5
	44.8	23.5	44.8	23.5

Maturity analysis

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

- Maturing after 12 months	44.8	23.5	44.8	23.5
	44.8	23.5	44.8	23.5

6 Loans and advances

Loans and advances net of credit impairments

Loans and advances to banks	6 515.8	4 797.7	6 511.6	4 793.8
- Call loans	3 811.5	2 563.1	3 803.3	2 559.2
- Loans granted under resale agreements	2 704.3	2 234.6	2 708.3	2 234.6
Loans and advances to customers	9 486.7	5 984.1	9 476.7	5 984.1
Gross loans and advances to customers	9 522.7	6 051.6	9 512.7	6 051.6
- Term lending	4 615.1	4 129.8	4 614.4	4 129.8
- Loans granted under resale agreements	4 542.9	1 789.7	4 543.5	1 789.7
- Other loans and advances	364.7	132.1	354.8	132.1
Credit impairments against loans and advances to customers (note 7)	(36.0)	(67.5)	(36.0)	(67.5)
	16 002.5	10 781.8	15 988.3	10 777.9

Notes to the annual financial statements *continued*

6 *Loans and advances (cont.)*

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
- Redeemable on demand	1 762.2	1 753.8	1 545.3	1 750.5
- Maturing within 1 month	4 921.5	4 098.3	4 921.2	4 097.7
- Maturing after 1 month but within 6 months	5 028.4	1 858.4	5 028.4	1 858.4
- Maturing after 6 months but within 12 months	1 407.9	953.2	1 407.9	953.2
- Maturing after 12 months	2 918.5	2 185.6	3 121.5	2 185.6
	16 038.5	10 849.3	16 024.3	10 845.4
Segmental analysis - industry				
Agriculture	177.3	269.9	177.3	269.9
Construction	62.9	45.5	62.9	45.5
Electricity	140.6	77.6	140.6	77.6
Finance, real estate and other business services	12 489.1	8 030.9	12 583.4	8 027.0
Individuals	226.0	187.1	226.0	187.1
Manufacturing	556.0	550.6	556.0	550.6
Mining	613.0	548.7	613.0	548.7
Other services	1 576.2	856.1	1 470.7	856.1
Transport	138.9	145.0	138.9	145.0
Wholesale	58.5	137.9	55.5	137.9
	16 038.5	10 849.3	16 024.3	10 845.4
Included above are the following amounts due from related parties:				
Group undertakings - fellow subsidiaries				
Loans and advances to banks - Call loans	221.3	610.0	221.3	610.0
Loans and advances to banks - Loans granted under resale agreements	208.0	95.0	208.0	95.0
Loans and advances to customers - Loans and overdrafts	53.9	153.6	53.9	153.6
	483.2	858.6	483.2	858.6
Minimum amount during the year	483.2	251.5	483.2	251.5
Maximum amount during the year	1 328.1	867.0	1 328.1	867.0

Notes to the annual financial statements *continued*

7 Credit impairments against loans and advances

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
7.1 Non-performing loans				
Balance at beginning of the year	55.3	58.3	55.3	58.3
Amounts written off	(44.8)	(13.3)	(44.8)	(13.3)
Discount element recognised in interest income (note 23.1)	(0.4)	(0.3)	(0.4)	(0.3)
Net impairments raised and released (note 23.4)	11.1	2.9	11.1	2.9
Exchange and other movements	-	7.7	-	7.7
Balance at end of the year	21.2	55.3	21.2	55.3
7.2 Performing loans				
Balance at beginning of the year	12.2	11.8	12.2	11.8
Net impairments raised and released (note 23.4)	2.6	0.3	2.6	0.3
Exchange and other movements	-	0.1	-	0.1
Balance at end of the year	14.8	12.2	14.8	12.2
Segmental analysis of impairments for non-performing loans - industry				
Finance	1.6	5.5	1.6	5.5
Mining	5.7	33.4	5.7	33.4
Other services	2.9	-	2.9	-
Wholesale	11.0	16.4	11.0	16.4
	21.2	55.3	21.2	55.3
8 Other assets				
Unsettled dealing balances	179.4	200.6	179.4	200.6
Other receivables	160.8	114.2	158.0	111.5
	340.2	314.8	337.4	312.1
Included above are the following amounts due from related parties:				
Group undertakings - fellow subsidiaries	108.0	11.3	110.2	11.6
Minimum amount during the year	25.6	0.3	23.2	-
Maximum amount during the year	127.7	67.1	127.9	67.1

Notes to the annual financial statements *continued*

9 Current and deferred tax assets

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
9.1 Summary				
Current tax assets	9.2	2.5	8.6	2.0
Deferred tax asset (note 9.2)	12.2	12.0	12.2	12.0
	21.4	14.5	20.8	14.0
9.2 Deferred tax analysis				
Deferred tax liability (note 16)	(0.8)	(3.7)	-	(3.7)
Deferred tax asset	12.2	12.0	12.2	12.0
	11.4	8.3	12.2	8.3
The major components of the deferred tax asset are as follows:				
Timing differences on:				
- Capital allowances	(2.3)	1.4	(2.3)	1.4
- Portfolio impairment	2.7	3.1	2.7	3.1
- Other short-term timing differences	11.8	7.5	11.8	7.5
	12.2	12.0	12.2	12.0
The movements in the deferred tax balance were as follows:				
Balance at beginning of the year	12.0	14.8	12.0	14.8
Amounts recognised in the income statement	(0.1)	(2.8)	0.2	(2.8)
Amounts charged directly to equity	0.3	-	-	-
Balance at end of the year	12.2	12.0	12.2	12.0

10 Investments in group companies

	Company	
	2007 \$m	2006 \$m
Carrying value at end of the year	1.2	0.7

The subsidiary undertakings are as follows:

Company	Activity	Country of Incorporation	Interest %
Standard Aval s.r.o.	Trade and other finance	Czech Republic	100
Standard Capital Japan Co Limited	Other finance	Japan	100
Standard Commodities (Asia) Limited	Introducing broker	Hong Kong	100
Standard Resources (China) Limited	Trading company	The People's Republic of China	100

Equity is held directly by Standard Bank Plc for all subsidiary companies.

Notes to the annual financial statements *continued*

11 Intangible assets

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Computer software				
Balance at beginning of the year	24.7	7.6	24.7	7.6
Additions	28.5	17.1	28.5	17.1
Balance at end of the year	53.2	24.7	53.2	24.7
Accumulated amortisation at beginning of the year	(1.0)	-	(1.0)	-
Amortisation	(3.1)	(1.0)	(3.1)	(1.0)
Accumulated amortisation at end of the year	(4.1)	(1.0)	(4.1)	(1.0)
Net intangible assets	49.1	23.7	49.1	23.7

Capitalised computer software represents information technology computer software and development costs which are of a strategic nature with an expected useful life of at least 3 years. They comprise mainly of core front office trading systems and back office settlement or risk systems and comprise a combination of internal and external costs which are not separable. The assets are amortised on the straight-line basis over their expected life.

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

12 Property and equipment

	2007			2006		
	Cost \$m	Accumulated depreciation \$m	Carrying value \$m	Cost \$m	Accumulated depreciation \$m	Carrying value \$m
Group						
12.1 Summary						
Equipment						
Computer equipment	23.2	22.6	0.6	22.9	22.3	0.6
Motor vehicles	0.7	0.7	-	0.7	0.6	0.1
Office equipment	9.8	6.8	3.0	8.0	6.2	1.8
Furniture and fittings	10.9	5.4	5.5	10.4	5.2	5.2
	44.6	35.5	9.1	42.0	34.3	7.7

Notes to the annual financial statements *continued*

12 Property and equipment (cont.)

	2006 Carrying value \$m	Additions \$m	Disposals \$m	Depreciation charge \$m	Exchange movements \$m	2007 Carrying value \$m
12.2 Movement						
Equipment						
Computer equipment	0.6	0.4	-	(0.4)	-	0.6
Motor vehicles	0.1	-	-	(0.1)	-	-
Office equipment	1.8	1.8	-	(0.6)	-	3.0
Furniture and fittings	5.2	0.5	-	(0.2)	-	5.5
	7.7	2.7	-	(1.3)	-	9.1

	2005 Carrying value \$m	Additions \$m	Disposals \$m	Depreciation charge \$m	Exchange movements \$m	2006 Carrying value \$m
Equipment						
Computer equipment	0.6	0.3	-	(0.3)	-	0.6
Motor vehicles	0.1	0.1	-	(0.1)	-	0.1
Office equipment	0.3	1.7	-	(0.2)	-	1.8
Furniture and fittings	1.3	4.1	-	(0.2)	-	5.2
	2.3	6.2	-	(0.8)	-	7.7

	2007			2006		
	Cost \$m	Accumulated depreciation \$m	Carrying value \$m	Cost \$m	Accumulated depreciation \$m	Carrying value \$m
Company						
12.3 Summary						
Equipment						
Computer equipment	23.2	22.6	0.6	22.8	22.2	0.6
Motor vehicles	0.6	0.6	-	0.6	0.6	-
Office equipment	8.8	6.6	2.2	7.9	6.1	1.8
Furniture and fittings	10.9	5.4	5.5	10.4	5.2	5.2
	43.5	35.2	8.3	41.7	34.1	7.6

Notes to the annual financial statements *continued*

12 Property and equipment (cont.)

	2006 Carrying value \$m	Additions \$m	Disposals \$m	Depreciation charge \$m	Exchange movements \$m	2007 Carrying value \$m
12.4 Movement						
Equipment						
Computer equipment	0.6	0.4	-	(0.4)	-	0.6
Motor vehicles	-	-	-	-	-	-
Office equipment	1.8	0.9	-	(0.5)	-	2.2
Furniture and fittings	5.2	0.5	-	(0.2)	-	5.5
	7.6	1.8	-	(1.1)	-	8.3

	2005 Carrying value \$m	Additions \$m	Disposals \$m	Depreciation charge \$m	Exchange movements \$m	2006 Carrying value \$m
Equipment						
Computer equipment	0.6	0.3	-	(0.3)	-	0.6
Motor vehicles	-	0.1	-	(0.1)	-	-
Office equipment	0.3	1.7	-	(0.2)	-	1.8
Furniture and fittings	1.3	4.1	-	(0.2)	-	5.2
	2.2	6.2	-	(0.8)	-	7.6

Notes to the annual financial statements *continued*

13 *Trading liabilities*

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
13.1 Classification				
Government, municipality and utility bonds	691.7	616.8	691.7	616.8
Corporate bonds	389.0	340.9	389.0	340.9
Equities	153.3	121.8	153.3	121.8
Other unlisted instruments	2 258.6	2 181.7	2 258.6	2 181.7
	3 492.6	3 261.2	3 492.6	3 261.2
Maturity analysis				
The maturities represent periods to contractual redemption of the trading liabilities recorded.				
- Maturing within 1 month	104.7	395.8	104.7	395.8
- Maturing after 1 month but within 6 months	517.6	577.2	517.6	577.2
- Maturing after 6 months but within 12 months	411.9	580.9	411.9	580.9
- Maturing after 12 months	2 458.4	1 707.3	2 458.4	1 707.3
	3 492.6	3 261.2	3 492.6	3 261.2
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	91.5	616.6	91.5	616.6
Minimum amount during the year	91.5	15.8	91.5	15.8
Maximum amount during the year	604.3	616.6	604.3	616.6
14 <i>Deposit and current accounts</i>				
Deposits from banks	15 057.6	10 030.9	15 057.6	10 030.9
Deposits from banks	14 240.1	8 925.8	14 240.1	8 925.8
Deposits from banks under repurchase agreements	752.5	739.4	752.5	739.4
Negotiable certificates of deposit	65.0	365.7	65.0	365.7
Deposits from customers	3 158.9	3 916.4	3 158.9	3 916.4
Call deposits	2 308.4	2 693.0	2 308.4	2 693.0
Term deposits	406.9	377.3	406.9	377.3
Repurchase agreements	443.6	846.1	443.6	846.1
	18 216.5	13 947.3	18 216.5	13 947.3

Notes to the annual financial statements *continued*

14 *Deposit and current accounts (cont.)*

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
- Repayable on demand	5 744.9	5 471.1	5 744.9	5 471.1
- Maturing within 1 month	6 687.4	4 414.8	6 687.4	4 414.8
- Maturing after 1 month but within 6 months	2 647.2	2 886.9	2 647.2	2 886.9
- Maturing after 6 months but within 12 months	1 376.4	346.9	1 376.4	346.9
- Maturing after 12 months	1 760.6	827.6	1 760.6	827.6
	18 216.5	13 947.3	18 216.5	13 947.3
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries				
Deposits from banks	10 510.2	6 017.5	10 510.2	6 017.5
Negotiable certificates of deposits	-	179.9	-	179.9
Other deposits and loan accounts	227.4	307.6	227.4	307.6
	10 737.6	6 505.0	10 737.6	6 505.0
Minimum amount during the year	7 044.7	4 211.3	7 044.7	4 211.3
Maximum amount during the year	10 737.6	7 305.5	10 737.6	7 305.5
15 <i>Other liabilities</i>				
Unsettled dealing balances	308.6	217.6	308.6	239.5
Other	372.6	288.6	370.2	266.9
	681.2	506.2	678.8	506.4
Comprising:				
Due within one year	631.5	458.1	629.1	458.3
Due after one year	49.7	48.1	49.7	48.1
	681.2	506.2	678.8	506.4
Included above are the following amounts due to related parties:				
Group undertakings - fellow subsidiaries	40.7	25.4	40.7	26.7
Minimum amount during the year	40.7	1.0	40.7	1.0
Maximum amount during the year	148.7	59.9	148.7	61.7
16 <i>Current and deferred tax liabilities</i>				
Current tax liabilities	30.2	21.1	27.2	20.1
Deferred tax liabilities (note 9.2)	0.8	3.7	-	3.7
	31.0	24.8	27.2	23.8
The movements in the deferred tax liability were as follows:				
Balance at beginning of the year	3.7	-	3.7	-
Amounts recognised in the income statement	0.8	-	-	-
Amounts charged directly to equity	(3.7)	3.7	(3.7)	3.7
Balance at end of the year	0.8	3.7	-	3.7

Notes to the annual financial statements *continued*

17 Subordinated debt

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Carrying value				
Subordinated Floating Rate Loan Stock 2050 ¹	19.2	19.2	19.2	19.2
Step-Up Subordinated Floating Rate Notes 2015 ²	250.0	250.0	250.0	250.0
Step-Up Perpetual Subordinated Notes ³	200.0	200.0	200.0	200.0
Subordinated Floating Rate EUR Loan Stock 2008 ⁴	62.7	56.7	62.7	56.7
Subordinated Floating Rate Notes 2009 ⁵	50.0	-	50.0	-
Subordinated Floating Rate Notes 2012 ⁶	145.9	-	145.9	-
Subordinated Unsecured Floating Rate Loan Stock 2009 ⁷	35.0	-	35.0	-
Subordinated Floating Rate Loan 2017 ⁸	100.0	-	100.0	-
Accrued interest	11.9	11.1	11.9	11.1
	874.7	537.0	874.7	537.0
Included above are the following amounts due to related parties:				
Group undertakings – fellow subsidiaries	183.6	75.9	183.6	75.9
Minimum amount during the year	75.1	19.2	75.1	19.2
Maximum amount during the year	183.6	77.6	183.6	77.6

1 Interest on the Subordinated Floating Rate Loan Stock 2050 is payable on 31 March and 30 September of each year at the London interbank offered rate for six-month deposits in US dollars plus 125 basis points. The principal is repayable at par at maturity on 30 September 2050 but may be repaid at par prior to maturity upon five years and two days' notice from either the holder or the issuer and subject to the consent of the Financial Services Authority. As at the date of signature of these accounts, no such notice had been given or received.

2 Interest on the Step-Up Subordinated Floating Rate Notes 2015 is payable every three months at the London interbank offered rate for three-month deposits in US dollar plus 115 basis points until 8 October 2010 when this increases to 165 basis points. The principal is repayable at par at maturity on 7 October 2015 but may be repaid at par on 8 October 2010 or any interest payment date thereafter at the option of the issuer and subject to the consent of the Financial Services Authority.

3 Interest on the Step-Up Perpetual Subordinated Notes is payable at a rate of 8.012 per cent per annum payable annually on 27 July each year until 27 July 2016 after which interest is payable every three months at the London interbank offered rate for three-month deposits in US dollar plus 325 basis points. The principal has no fixed repayment date but, subject to prior written notice and receiving no objection from the Financial Services Authority, the notes can be redeemed at the option of the issuer at the principal amount on 27 July 2016 or any interest payment date thereafter.

4 Interest on the Subordinated Unsecured Floating Rate EUR Loan Stock 2008 is payable on 31 March and 30 September of each year at the London interbank offered rate for six-month deposits in Euros plus 125 basis points. The principal is payable at par at maturity on 21 April 2008.

5 On 13 December 2007 Standard Bank Plc issued US\$50,000,000 Floating Rate Subordinated Notes. Interest is payable every three months at the London interbank offered rate for three-month deposits in US dollars plus 185 basis points. The notes are redeemable on 13 December 2009.

6 On 28 December 2007 Standard Bank Plc issued EUR100,000,000 Floating Rate Subordinated Notes. Interest is payable every three months at the interbank offered rate for three-month Euro deposits plus 400 basis points. The notes are redeemable on 28 December 2012. The issuer has the option to redeem the notes at their principal amount on 29 December 2009 or any interest payment date thereafter, subject to the giving of required notices to the noteholders and subject to giving prior written notice to, and receiving no objection from, the Financial Services Authority.

7 On 27 December 2007 Standard Bank Plc issued US\$35,000,000 Unsecured Floating Rate Loan Stock. Interest is payable every three months at the London interbank offered rate for three-month deposits in US dollars plus up to 200 basis points. The Loan Stock is redeemable on 27 December 2009.

8 Interest on the Term Subordinated Loan Facility due 21 December 2017 is payable every three months at the London interbank offered rate for three-month deposits in US dollar plus 375 basis points. The principal is repayable at par at maturity on 21 December 2017. The borrower has the option to repay the principal at par on 21 December 2012 or any interest payment date thereafter, subject to the giving of required notices to the lender and subject to giving prior written notice to, and receiving no objection from, the Financial Services Authority.

Claims in respect of the loan capital are subordinated to the claims of the other creditors.

Notes to the annual financial statements *continued*

18 Classification of assets and liabilities

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

	Note	Held for trading \$m	Designated at fair value \$m	Loans and receivables/ amortised cost \$m	Available-for-sale \$m	Other non-financial assets/ liabilities \$m	Total carrying amount \$m	Fair value ¹ \$m
31 December 2007								
Assets								
Derivative assets	2	7 111.5	-	-	-	-	7 111.5	7 111.5
Trading assets	3	8 667.3	-	-	-	-	8 667.3	8 667.3
Pledged assets	4	26.2	-	-	-	-	26.2	26.2
Financial investments	5	-	44.8	-	-	-	44.8	44.8
Loans and advances to banks	6	-	-	6 515.8	-	-	6 515.8	6 515.8
Loans and advances to customers	6	-	213.1	9 273.6	-	-	9 486.7	9 522.8
Financial assets		15 805.0	257.9	15 789.4	-	-	31 852.3	31 888.4
Other non-financial assets		-	-	-	-	419.8	419.8	
Total assets		15 805.0	257.9	15 789.4	-	419.8	32 272.1	
Liabilities								
Derivative liabilities	2	8 057.8	-	-	-	-	8 057.8	8 057.8
Trading liabilities	13	3 492.6	-	-	-	-	3 492.6	3 492.6
Deposits from banks	14	-	4 007.2	11 050.4	-	-	15 057.6	15 057.6
Deposits from customers	14	-	688.6	2 470.3	-	-	3 158.9	3 158.9
Subordinated debt	17	-	-	874.7	-	-	874.7	874.7
Financial liabilities		11 550.4	4 695.8	14 395.4	-	-	30 641.6	30 641.6
Other non-financial liabilities		-	-	-	-	712.2	712.2	
Total liabilities		11 550.4	4 695.8	14 395.4	-	712.2	31 353.8	
31 December 2006								
Assets								
Derivative assets	2	4 783.0	-	-	-	-	4 783.0	4 783.0
Trading assets	3	8 112.2	-	-	-	-	8 112.2	8 112.2
Pledged assets	4	108.3	-	-	-	-	108.3	108.3
Financial investments	5	-	23.5	-	-	-	23.5	23.5
Loans and advances to banks	6	-	-	4 797.7	-	-	4 797.7	4 797.7
Loans and advances to customers	6	-	16.0	5 968.1	-	-	5 984.1	5 984.1
Financial assets		13 003.5	39.5	10 765.8	-	-	23 808.8	23 808.8
Other non-financial assets		-	-	-	-	360.7	360.7	
Total assets		13 003.5	39.5	10 765.8	-	360.7	24 169.5	
Liabilities								
Derivative liabilities	2	5 221.0	-	-	-	-	5 221.0	5 221.0
Trading liabilities	13	3 261.2	-	-	-	-	3 261.2	3 261.2
Deposits from banks	14	-	4 607.5	5 423.4	-	-	10 030.9	10 030.9
Deposits from customers	14	-	1 259.4	2 657.0	-	-	3 916.4	3 916.4
Subordinated debt	17	-	-	537.0	-	-	537.0	537.0
Financial liabilities		8 482.2	5 866.9	8 617.4	-	-	22 966.5	22 966.5
Other non-financial liabilities		-	-	-	-	531.0	531.0	
Total liabilities		8 482.2	5 866.9	8 617.4	-	531.0	23 497.5	

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

19 Fair values of financial instruments

19.1 Estimation of fair values

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

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

The following methods and significant assumptions have been applied in determining the fair values of financial instruments explained in note 19.2 below:

- the fair value of demand deposits with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;
- the fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances from both the carrying amount and fair value;
- the fair value of fixed rate loans carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value;
- for secured loans and deposits arising from sale and repurchase agreements and for bond transactions that are due to settle on a date beyond the market norm (forward transactions), the Group receives collateral in the form of cash or securities. The collateral is valued using established valuation techniques and variation margin is called or paid. Balance sheet carrying amounts therefore closely reflect fair values;
- the fair value of forward exchange contracts and interest rate swaps is estimated either using broker quotes or by discounting future cash flows. Broker quotes are back tested using pricing models or discounted cash flow techniques. Future cash flows are estimated based on management's best estimates of the amount it would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current credit worthiness of the counterparties. The discount rate used is a market rate for a similar instrument at the balance sheet date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model. Inputs are based on market related data at the balance sheet date;
- the fair values of portfolios of non-performing loans acquired are based on discounted cash flow models, determined by the underlying nature of each portfolio. The discount rates applied reflect the internal rate of return based on initial projected cash flows used in pricing allocations. The actual vs projected cash flows are reviewed on a loan by loan basis.

19.2 Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

Notes to the annual financial statements *continued*

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

Loans and advances

The Group's maximum exposure to credit risk for loans and advances designated at fair value through profit or loss is US\$213.1m (2006: US\$16.0m).

The maximum exposure to credit risk in 2006 was not reduced by using credit derivatives and similar instruments.

The table below shows the changes in the fair value of the loans and advances attributable to changes in credit risk:

	Group 2007		Group 2006	
	For the year \$m	Cumulative \$m	For the year \$m	Cumulative \$m
Loans and advances designated at fair value through profit or loss	22.0	22.0	-	-
	22.0	22.0	-	-

The change, for the year and cumulatively, in fair value of the designated loans and advances that is attributable to changes in their credit risk is determined as the amount of change in fair value that is not attributable to changes in market conditions.

Financial liabilities

The table below shows the change in the fair value of the financial liabilities attributable to changes in credit risk:

	Group and Company 2007		Group and Company 2006	
	For the year \$m	Cumulative \$m	For the year \$m	Cumulative \$m
Financial liabilities designated at fair value through profit or loss	187.9	187.9	142.4	142.4
	187.9	187.9	142.4	142.4

The amount the Group would contractually be required to pay at maturity of the financial liabilities designated at fair value through profit or loss amounts to US\$4 044.0m (2006: US\$5 834.9m).

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

Notes to the annual financial statements *continued*

21 Ordinary share capital

	2007 \$m	2006 \$m
Authorised		
1 'A' ordinary share of US\$1	0.0	0.0
1 'A' ordinary share of £1	0.0	0.0
700,000,000 ordinary shares of US\$1 each	700.0	700.0
299,999,999 ordinary shares of £1 each	536.4	536.4
Issued and fully paid		
1 'A' ordinary share of US\$1	0.0	0.0
645,385,048 ordinary shares of US\$1 each (2006: 503 541 077)	645.4	503.5
50,000 ordinary shares of £1 each (2006: 50 000)	0.1	0.1
	645.5	503.6

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

During 2007 the company issued 141 843 971 ordinary shares of US\$1 each at a premium of US\$0.41 per share.

22 Contingent liabilities and commitments

	2007 \$m	2006 \$m
Group and company		
22.1 Contingent liabilities		
Guarantees	273.9	168.5
	273.9	168.5
22.2 Commitments		
Letters of credit	422.4	143.6
Direct credit substitutes	237.9	212.4
Unutilised facilities		
- Less than one year	35.3	350.1
- One year and over	603.1	31.0
	1 298.7	737.1

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

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

22.3 Operating lease commitments

	2007 \$m	2006 \$m
The future minimum payments under non-cancellable operating leases are as follows:		
Properties		
Within 1 year	8.5	9.6
After 1 year but within 5 years	10.9	18.7
After 5 years	1.0	2.3
	20.4	30.6

Notes to the annual financial statements *continued*

23 *Supplementary income statement information*

	2007 \$m	2006 \$m
23.1 Interest income		
Interest on loans and advances and short-term funds	618.3	444.5
Unwinding of discount element of credit impairments for loans and advances (note 7.1)	0.4	0.3
	618.7	444.8
Included above are the following amounts received from related parties:		
Group undertakings - fellow subsidiaries	31.2	20.1
23.2 Interest expense		
Subordinated debt	37.4	25.2
Designated as held at fair value	187.9	142.4
Other interest-bearing liabilities	294.1	177.3
	519.4	344.9
Included above are the following amounts paid to related parties:		
Group undertakings - fellow subsidiaries	498.6	310.1
23.3 Non-interest revenue		
Fees and commission revenue	98.4	68.5
Fees and commission expenses	(153.5)	(104.1)
Trading revenue	460.3	302.1
- Foreign exchange	50.8	34.2
- Debt securities	199.9	109.5
- Commodities	201.4	151.1
- Equities	8.2	7.3
Other revenue	5.9	-
	411.1	266.5
Included above are the following amounts from related parties:		
Group undertakings - fellow subsidiaries	(30.1)	(26.1)

Net fees and commission includes payments made to group companies under transfer pricing arrangements.

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

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

Other revenue represents a gain on revaluation of private equity funds.

Notes to the annual financial statements *continued*

23 Supplementary income statement information (cont.)

	2007 \$m	2006 \$m
23.4 Credit impairment charges		
Net credit impairments raised and released		
Credit impairment charges for non-performing loans (note 7.1)	11.1	2.9
Credit impairment charges for performing loans (note 7.2)	2.6	0.3
	13.7	3.2
23.5 Staff costs		
Salaries and allowances	252.3	192.0
Other direct staff costs	24.4	19.3
Long-term incentive scheme	8.1	6.3
Retirement benefit costs	8.4	6.8
	293.2	224.4

The following table indicates the average number of persons employed:

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Key management	14	15	14	15
Other	876	763	865	755
	890	778	879	770

	2007 \$m	2006 \$m
Group		
23.6 Other operating expenses		
Amortisation of intangible assets	3.1	1.0
Auditors' remuneration	2.5	2.4
Statutory audit fees - Current year	1.2	1.2
Non audit fees - Assurance services	0.2	0.1
- Tax advisory services	1.1	1.1
Depreciation (note 12.2)	1.3	0.8
Computer equipment	0.4	0.3
Motor vehicles	0.1	0.1
Office equipment	0.6	0.2
Furniture and fittings	0.2	0.2
Indirect tax expense	14.0	4.9
Value added tax	10.9	4.9
Duties	3.1	-
Operating lease charges		
Properties and other	11.5	8.8
Information technology and communication	31.6	24.9
Premises	8.5	6.7
Other expenses	50.6	48.8
	123.1	98.3

23.7 Long-term incentive schemes

The immediate holding company, Standard International Holdings S.A. has a long-term incentive scheme ('the Scheme') whereby certain employees, including certain executive directors of Standard Bank Plc group, are granted notional 'shadow' share options. The Scheme, which was set up in 1998, provides for eligible employees to be rewarded in cash, the value of which is derived from current and future performance of SIH. Throughout the life of the Scheme, the liability is valued at the end of each period based on a defined formula.

The notional share options which have a 10 year life are generally first exercisable in a one month period, the month after the month in which the Standard Bank Group ('SBG') Limited accounts are approved, 50% after three years, up to 75% after 4 years and 100% after 5 years. Exercise thereafter may take place in the month after the month in which the final or interim accounts of SBG are approved up until the expiry of the shadow share options.

The Scheme up until and including options issued in March 2004 were underpinned by share options issued by Standard Bank Group Limited. From March 2005 shadow share options have been issued without funding from Standard Bank Group options.

Commencing in 2005, certain shadow share options have been allocated with a zero strike price all of which can be exercised after 4 years. All other terms of these shadow share options are the same as those described above.

The change in liability under the scheme is accounted for through the income statement over the vesting period of the shadow share options and include assumption about future performance and includes assumptions about future performance and leavers.

The provision in respect of liabilities under the shadow share scheme amount to US\$35.3m at 31 December 2007 (2006: US\$27.9m), and the charge for the year is US\$7.0m (2006: US\$5.8m).

With effect from 2006, certain employees have been granted share options under the SBG equity settled share based scheme. The provision in respect of liabilities under the SBG share scheme amount to US\$1.6m at 31 December 2007 (2006: US\$0.5m), and the amount charged for the year is US\$1.1m (2006: US\$0.5m).

In 2007, a new long-term incentive scheme was introduced termed the Standard Bank Group Quanto Stock scheme. In terms of this scheme, qualifying employees are awarded a number of Quanto Stock units denominated in US\$, the value of which moves in parallel to the change in price of the Standard Bank Group shares listed on the Johannesburg Stock exchange. The awards vest at the end of a three year period dependent on the employee being in service for the period. The scheme provides for an incremental amount to be paid if the employee is in service for four years. The cost of the award is accrued over the vesting period, commencing in 2008. The total award granted in February 2008 amounted to US\$38.0m.

Notes to the annual financial statements *continued*

23 Supplementary income statement information (cont.)

23.7 Long-term incentive schemes (cont.)

	2007 Number (‘000)	2006 Number (‘000)
Long-term incentive scheme liability		
At 1 January	22 628	21 881
Issued	7 911	4 423
Transfers	533	(307)
Leavers / lapses	(1 519)	(3 035)
Exercised	(389)	(334)
At 31 December	29 164	22 628
Of which relates to key management	3 116	3 448

a) Terms of unexpired and unexercised Shadow Share Options at balance sheet date:

Option	Grant price per Shadow Share (US\$)	2007 Number (‘000)	2006 Number (‘000)
Expiry date	Exercise periods		
10/01/2008	April & September 2004 to 2008	-	391
10/01/2008	April & September 2002 to 2008	1.15	2 174
01/01/2010	April & September 2003 to 2009	2.21	1 378
01/01/2011	April & September 2004 to 2010	2.79	1 782
01/01/2012	April & September 2005 to 2011	2.38	2 328
01/01/2013	April & September 2006 to 2012	1.59	2 381
01/01/2014	April & September 2007 to 2013	2.83	2 203
01/01/2015	April & September 2008 to 2014	2.20	3 427
01/01/2015	April & September 2009 to 2014	-	1 438
07/01/2015	September & April 2008 to 2015	1.89	42
01/01/2016	April & September 2009 to 2015	1.79	3 246
01/01/2016	April & September 2010 to 2015	-	78
07/01/2016	September & April 2010 to 2016	-	644
01/01/2017	April & September 2010 to 2016	1.99	7 511
07/01/2017	September & April 2010 to 2017	2.48	141
		29 164	22 628

b) Details of Shadow Share Options granted during the year, all of which were granted for nil consideration:

Exercise periods	Grant price per Shadow Share (US\$)	2007 Number (‘000)	2006 Number (‘000)
01/01/2008 - 31/12/2015	1.79	-	3 701
01/01/2009 - 31/12/2015	-	-	78
01/07/2009 - 30/06/2016	-	-	644
01/07/2009 - 30/06/2016	1.99	7 770	-
01/07/2009 - 30/06/2016	2.48	141	-
		7 911	4 423

Notes to the annual financial statements *continued*

23 Supplementary income statement information (cont.)

	2007 \$m	2006 \$m
23.8 Directors' emoluments		
Executive directors		
Emoluments of directors in respect of services rendered		
Emoluments	5.5	6.7
Pension contribution	0.1	0.1
Highest paid director		
Emoluments	2.4	2.5
Pension contribution*	0.1	0.0
Number of directors for whom pension contribution are paid		
	2	3
	Number ('000)	Number ('000)
Long-term benefits under the SIH shadow option scheme		
Number of options brought forward		
	2 768	1 874
Issued during the year to the current directors	380	894
Retirement as directors	(295)	-
Exercised	(107)	-
As at 31 December	2 746	2 768

*Includes an amount of US\$69 555 (2006: US\$18 548)

23.9 Company profits

As permitted by section 230 of the Companies Act 1985, the income statement of Standard Bank Plc has not been presented. The Company profit of US\$45.8m (2006: US\$24.9m) has been included in the Group income statement.

23.10 Dividends

No dividends were declared in 2007 (2006: nil).

Notes to the annual financial statements *continued*

24 Income tax expense

	2007 \$m	2006 \$m
Current year	31.3	14.1
- UK corporation tax	29.3	9.8
- UK deferred tax	0.1	2.8
- Overseas tax	1.1	1.5
- Overseas deferred tax	0.8	-
Prior years	(0.2)	(1.5)
- UK corporation tax	(0.2)	(1.5)
- UK deferred tax	-	-
Total tax expense	31.1	12.6

The corporation tax liability for the year has been offset by US\$4.9m (2006: US\$2.4m) group relief for losses of other Group companies which have been surrendered. US\$1.4m (2006: nil) was received from non-group companies. Group relief for losses of other Group companies which have been surrendered is payable in full.

The current tax charge for the year is higher (2006: higher) than the standard rate of corporation tax in the UK 30% (2006: 30%).

The differences are explained below:

UK tax rate reconciliation	2007 \$m	2006 \$m
Profit on ordinary activities before tax	80.4	40.5
Corporation tax	24.1	12.2
Effects of:		
- Different tax rates in other countries	(0.6)	(0.5)
- Non-deductible expenses	9.2	2.4
- Change in portfolio impairment	0.5	(0.4)
- Other short-term timing differences	0.4	(2.4)
- Group relief received	(4.9)	(2.4)
- Payment for group relief	3.5	2.4
- Adjustment to tax charge in respect of prior years	(0.2)	(1.5)
	32.0	9.8
Deferred tax		
Deferred tax - current year	(0.9)	2.8
Capital allowances	(1.9)	0.8
Portfolio impairment	(0.5)	0.4
Other short-term timing differences	1.5	1.6
Deferred tax - prior year	-	-
	(0.9)	2.8
	31.1	12.6
Effective tax rate	38.7%	31.1%

Notes to the annual financial statements *continued*

25 Cash flow statement notes

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
25.1 Reconciliation of net income from operations to cash flows from operating activities				
Net income from operations	80.4	40.5	75.2	35.1
Adjusted for:				
Amortisation of intangible assets	3.1	1.0	3.1	1.0
Cash-settled share-based payments	1.9	5.8	1.9	5.8
Credit impairment charges against loans and advances	17.9	34.5	17.9	34.5
Depreciation - property and equipment	1.3	0.8	1.1	0.8
Discount element recognised from credit impairments against loans and advances	(0.4)	(0.3)	(0.4)	(0.3)
Equity-settled share-based payments	6.2	0.5	6.2	0.5
Provisions for leave pay	1.6	1.2	1.6	1.2
Cash flows from operating activities	112.0	84.0	106.6	78.6
25.2 Cash flows from operations				
Interest, fees and commission receipts	563.6	408.9	557.6	399.9
Interest receipts	618.7	444.5	620.5	444.5
Net fees and commission receipts	(55.1)	(35.6)	(62.9)	(44.6)
Trading receipts	460.3	302.1	452.6	302.0
Other receipts	5.9	-	5.9	-
Cash recovery of credit impairments	3.8	31.3	3.8	31.3
Interest payments	(519.4)	(344.9)	(519.5)	(344.9)
Cash payments to employees and suppliers	(402.2)	(313.4)	(393.8)	(309.7)
	112.0	84.0	106.6	78.6

Notes to the annual financial statements *continued*

25 Cash flow statement notes (cont.)

	Group		Company	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
25.3 Increase in income-earning assets				
Trading assets	(555.1)	(4 628.5)	(553.0)	(4 628.5)
Pledged assets	82.1	-	82.1	-
Financial investments	(21.3)	-	(21.3)	-
Loans and advances	(4 291.0)	(2 722.0)	(4 263.7)	(2 722.0)
Other assets	(22.9)	(185.2)	(27.0)	(181.1)
	(4 808.2)	(7 535.7)	(4 782.9)	(7 531.6)
25.4 Increase in deposits and other liabilities				
Deposits and current accounts	4 269.2	4 998.5	4 269.2	5 008.6
Net derivative liabilities	503.0	32.4	503.0	32.4
Trading liabilities	231.4	2 055.7	231.4	2 055.7
Other liabilities	163.2	235.1	159.8	234.2
	5 166.8	7 321.7	5 163.4	7 330.9
25.5 Tax paid				
Amounts unpaid at beginning of the year	(18.6)	(30.8)	(18.1)	(30.6)
Direct income tax	(33.0)	(9.7)	(29.5)	(8.6)
Amounts unpaid at end of the year	21.0	18.6	18.6	18.1
	(30.6)	(21.9)	(29.0)	(21.1)
25.6 Cash and cash equivalents				
Cash and balances with central banks	-	-	-	-
Other cash equivalents (included in loans and advances) ¹	1 940.0	992.8	1 953.1	988.9
Cash and cash equivalents at end of the year	1 940.0	992.8	1 953.1	988.9

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

26 Third party funds under management

Members of the Group provide discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in the income statement. Assets managed on behalf of third parties include:

	2007 \$m	2006 \$m
Fund management	1 155.8	1 196.0

Notes to the annual financial statements *continued*

27 *Related party transactions*

27.1 *Subsidiaries*

The subsidiary companies in the Group comprise a limited part of the Group's activities and transactions with these entities are not significant.

The principal nature of the transactions are payments for business introduced and trading facilitation activities.

Intercompany transactions, balances and unrealised surpluses and deficits are eliminated on consolidation.

27.2 *Fellow subsidiaries*

The Group enters into transactions with other entities forming part of the ultimate Parent Company, the Standard Bank Group Limited.

The transactions are entered into in the course of banking operations, including lending, acceptance or interbank deposits and correspondent banking transactions. The transactions are priced at the prevailing market rates at the time of the transactions.

A significant portion of this activity involves the placement of excess liquidity by other entities with the company. The extent of these activities is presented in note 14.

The Group also advances funds to other group entities, as part of normal activity, the extent of which is disclosed in note 6.

27.3 *Key management compensation*

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

	2007 Directors and key management \$'000	2006 Directors and key management \$'000
Salaries and other short-term benefits	10 546.2	9 587.7
Post-employment benefits	198.4	189.0
Gains on exercise of long-term incentives and other payments	184.8	80.2
	10 929.4	9 856.9

Value of shadow share scheme options vested at 31 December 2007 was US\$4.5m (2006: US\$4.1m).

27.4 *Transactions with key management*

There were no transactions with key management in 2007 (2006: nil).

28 *Pensions and other post-retirement benefits*

The Company makes defined contributions to employees' pension providers. The assets of these providers are held separately from the Company. Included in other pension costs are contributions paid by Group companies which amounted to US\$8.4m (2006: US\$6.8m). There were no outstanding contributions at year end (2006: nil).

29 Financial risk management

29.1 Risk management framework

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

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

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

The Standards underpin the Bank's Governance Principles, which are:

Shareholder value based

The Bank's primary objective is to protect and enhance shareholder value. As such, this objective drives the Bank's system of internal control.

Embedded

The culture of the Bank should reflect its appetite for risk. A suitable organisational structure, policies and procedures, and appropriate staff training in risk management are in place to enable risk to be managed at all levels of the business.

Supported and assured

The system of governance and internal control should provide management with the assurance it needs that risks are being managed appropriately. The Boards of the major trading subsidiaries regularly receive and review reports on internal control from the governance and control process.

Reviewed

The Board must undertake a specific review of the effectiveness of the system of internal control and risk management processes at least annually.

29.2 Risk management and internal control practices

The Bank is committed to employing best practice controls and compliance:

- Complying with the letter and the spirit of the laws that govern us;
- Setting high standards for our control and compliance activities;
- Viewing 'excellence' in compliance as a key leadership responsibility;
- Working with regulators to ensure compliance and to support the development of best practice capabilities;
- Being open amongst ourselves and with external stakeholders about our standards and opportunities for improvement;
- Not relying solely on internal audit to detect control weaknesses.

A key organisational capability is to develop, implement and operate a management framework with appropriate risk identification and measurement processes and efficient control mechanisms, including appropriate controls around reputationally sensitive business.

Business areas within the Bank own, and are responsible for managing, the risks that arise within their operations. The role of the 'Support Functions' is to establish a risk control framework and advise the business areas in the management of the risks.

29 Financial risk management (cont.)

29.2 Risk management and internal control practices (cont.)

Effective risk management should provide complete, timely, accurate and relevant information to enhance senior management's decision-making ability to:

- Calculate risk adjusted performance earnings;
- Manage volatility of earnings;
- Minimise financial distress;
- Help appraise new business initiatives on a comparable basis, and
- Address other stakeholder issues with a view to maximising shareholder value.

This approach to risk management is integrated into business area processes and the Bank's system of internal control is:

- Embedded in the operations of the Bank and forms part of its culture;
- Capable of responding quickly to evolving risks to the businesses arising from factors within the bank and to changes in the business environment; and
- Includes procedures for reporting immediately, to appropriate levels of management, any significant control failings or weaknesses that are identified, together with details of corrective action being undertaken.

29.3 Risk profile

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

The Group's non-trading portfolios of financial instruments include loans, deposits, and debt securities. Certificates of deposit are highly liquid and form an important part of the Group's liquidity portfolio.

The Group's credit and country risk is well diversified, although as an active participant in the international banking markets, it has a sectoral concentration of risk to financial institutions. The largest exposures are to the United States, United Kingdom, European nation countries and Canada. The largest emerging market exposures are to China and Russia, both investment grade countries.

The principal sources of market risks relate to interest rate, credit spread, equity, commodity and foreign exchange which are diversified across both developed and emerging market countries.

The Group mitigates liquidity risk by managing the liquidity structure of its assets, liabilities and commitments to ensure that its operations can always meet its funding needs and the statutory liquidity ratio requirement.

29.4 Market risk

Market risk is the risk that will impact on the Group's profitability as a result of movements in market parameters such as interest rates, foreign exchange rates, assets or equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Major exposures to market risk occur in markets served by formal financial exchanges and over-the-counter markets. These exposures arise from customer-driven business and from proprietary positions. The Group is exposed to market risk on the financial instruments mainly held in foreign exchange, commodity and capital markets as well as the equity market.

Market risk positions are primarily taken as a result of the execution of customers' orders but the Bank also assumes proprietary risk positions but these are not significant in the context of the Bank's overall risk portfolio.

Trading risk management is primarily the responsibility of traders, overseen by trading management on the desk. The Group provides its traders with appropriate technology and assures itself that risks are measured, monitored and controlled by independent processes and that risk limits are overseen by the Market Risk department and Asset and Liability committee ('ALCO').

29 Financial risk management (cont.)

29.4 Market risk (cont.)

The Bank manages market risk through risk limits and a control environment which is CAD2 compliant for all of its Resource Banking trading businesses. The CAD2 framework will be extended in 2008 to cover all of its principal trading books. The Bank uses a range of risk measurement methodologies and tools to establish limits, including Value-at-Risk ('VaR'), stress testing, loss triggers and capital limits.

The Bank generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal market conditions. While VaR, calculated daily, provides an indication of possible losses under normal market conditions, the Bank supplements VaR with stress tests and scenario analysis which take into account likely events that characterise the markets in which the Bank operates.

The Bank back-tests its VaR models to verify the predictive power of the VaR calculations. Back-testing compares the daily profit and losses under the buy and hold assumption with the estimates our VaR models had forecast.

Loss triggers are designed to contain daily, monthly and year-to-date losses for individual business units by enforcing management intervention at predetermined loss levels. Other basic risk measures specific to individual business units are also used. These measures include permissible instruments, concentration of exposures, gap limits and maximum tenor.

Trading book Value-at-risk (VaR) analysis

The table below shows the aggregated historical VaR calculations in trading positions. The maximum (and minimum) VaR amounts show the bands in which the values at risk fluctuated during the periods specified. The Group calculates historical VaR with a holding period of one day and a confidence interval of 95%:

31 December 2007

	Normal VaR ²			
	Maximum ¹	Minimum ¹	Average	Year end
	\$m	\$m	\$m	\$m
Commodities	4.4	1.4	2.6	1.8
Foreign exchange and interest rate trading	4.3	1.2	2.1	1.6
Equities	2.6	0.4	0.9	2.6
Credit trading	6.3	3.0	4.7	3.2
Diversification benefit ⁴				4.4

31 December 2007

	Stress VaR ³			
	Maximum ¹	Minimum ¹	Average	Year end
	\$m	\$m	\$m	\$m
Commodities	21.5	6.8	12.4	8.9
Foreign exchange and interest rate trading	20.6	5.6	10.3	7.6
Equities	12.8	2.1	4.4	12.4
Credit trading	30.7	14.5	22.8	15.4
Diversification benefit ⁴				21.3

29 Financial risk management (cont.)

29.4 Market risk (cont.)

31 December 2006

	Normal VaR ²			Year end \$m
	Maximum ¹	Minimum ¹	Average	
	\$m	\$m	\$m	
Commodities	4.4	0.7	2.2	2.4
Foreign exchange and interest rate trading	4.7	1.3	2.6	4.0
Equities	0.8	-	0.1	0.8
Credit trading	3.9	2.0	3.0	3.2
Diversification benefit ⁴				4.6

31 December 2006

	Stress VaR ³			Year end \$m
	Maximum ¹	Minimum ¹	Average	
	\$m	\$m	\$m	
Commodities	21.3	3.2	10.9	11.4
Foreign exchange and interest rate trading	22.7	6.1	12.7	19.3
Equities	3.8	-	0.6	3.7
Credit trading	19.0	9.6	14.8	15.5
Diversification benefit ⁴				22.4

1 The maximum (and minimum) VaR figures reported for each market variable did not necessarily occur on the same days. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may have occurred on different dates.

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

3 Stress VaR is based on a holding period of between 10 and 20 days and a confidence interval of 99.7%.

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

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

29.4.1 Currency risk

The Group's foreign exchange positions arise mainly from foreign exchange trading activities, which are governed by position limits approved by the Asset and Liability Committee ('ALCO') in accordance with the Group's Market Risk policy. These position limits are subject to review at least annually and forex exposures are monitored daily by the Market Risk function and reviewed monthly to ensure they remain within the approved risk appetite.

29 Financial risk management (cont.)

29.4 Market risk (cont.)

29.4.2 Foreign investment risk

Foreign investment risk arises from the Group's investment in overseas operations.

A 1% increase or decrease in non US\$ currencies would have had no impact on profit after tax (2006: nil) and a US\$0.1m (2006: US\$0.1m) impact to equity, either positive or adverse, had the result for the period ended 31 December 2007 been translated at exchange rates against the US\$ adjusted, with all other variables held constant.

	2007 \$m	2006 \$m
The Bank's net investments in overseas operations at 31 December were as follows:		
Functional currency of the operations involved:		
Chinese Renminbi	8.1	4.3
Czech Krona	0.7	2.0
Hong Kong Dollar	0.3	0.3
Japanese Yen	0.3	-
	9.4	6.6

29.4.3 Liquidity and interest rate risk

The Group's interest rate positions arise mainly from treasury and capital market trading activities. Sensitivity limits are approved by ALCO in accordance with the Group's Market Risk policy.

Liquidity risk is the risk that the Group cannot meet its payment obligations as they fall due. The Group manages the liquidity structure of its assets, liabilities and commitments to ensure that its operations can always meet its funding needs and the statutory liquidity ratio requirement.

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

The Group maintained a strong liquidity profile throughout the rapidly deteriorating market place that was a feature of the second half of 2007. Additionally, as a response to current market conditions, the Bank has maintained higher levels of liquidity than that required by local regulations and internal limits. The funding base has grown over the year and comprises a combination of corporate and institutional deposits, interbank deposits and funding from the Standard Bank Group sources.

The principal interest rate risk to which the bank is exposed occurs in the trading portfolios. This risk is managed within the Market Risk framework described in note 29.4. Within the non-trading portfolios the principal risk to which the Bank is exposed is the risk of loss from fluctuations in future cash flows because of a change in market interest rates. Non trading book interest rate risk is limited as non-trading portfolios are required to match fund exposures within prescribed limits and generally terms are on a floating rate basis. Interest rate risk is managed principally through monitoring interest rate gaps.

Notes to the annual financial statements *continued*

29 Financial risk management (cont.)

29.4.3 Liquidity and interest rate risk (cont.)

The Group's repricing analysis of assets and liabilities is disclosed below. The repricing analysis of the Company closely follows the analysis below and is therefore not separately disclosed.

At 31 December 2007

	Not more than three months \$m	More than three months but not more than six months \$m	More than six months but not more than one year \$m	More than one year but not more than five years \$m	More than five years \$m	Trading book and non-interest bearing \$m	Total \$m
Assets							
Derivative assets	-	-	-	-	-	7 111.5	7 111.5
Trading assets	-	-	-	-	-	8 667.3	8 667.3
Pledged assets	-	-	-	-	-	26.2	26.2
Financial investments	-	-	-	-	-	44.8	44.8
Loans and advances	9 066.7	2 609.3	1 407.9	2 223.5	695.1	-	16 002.5
Other assets	241.4	19.5	70.3	9.0	-	79.6	419.8
Total assets	9 308.1	2 628.8	1 478.2	2 232.5	695.1	15 929.4	32 272.1
Liabilities and equity							
Liabilities	(10 353.3)	(1 815.9)	(1 376.4)	(1 584.2)	(388.1)	(15 835.9)	(31 353.8)
Derivative liabilities	-	-	-	-	-	(8 057.8)	(8 057.8)
Trading liabilities	-	-	-	-	-	(3 492.6)	(3 492.6)
Deposit and current accounts	(9 019.1)	(1 805.9)	(1 376.4)	(1 572.5)	(188.1)	(4 254.5)	(18 216.5)
Other liabilities	(659.5)	(10.0)	-	(11.7)	-	(31.0)	(712.2)
Subordinated debt	(674.7)	-	-	-	(200.0)	-	(874.7)
Equity							
Equity attributable to ordinary shareholders	-	-	-	-	-	(913.8)	(913.8)
Minority interest	-	-	-	-	-	(4.5)	(4.5)
Total equity and liabilities	(10 353.3)	(1 815.9)	(1 376.4)	(1 584.2)	(388.1)	(16 754.2)	(32 272.1)
Interest rate sensitivity gap	(1 045.2)	812.9	101.8	648.3	307.0	(824.8)	-
Cumulative gap	(1 045.2)	(232.3)	(130.5)	517.8	824.8	-	-

Notes to the annual financial statements *continued*

29 Financial risk management (cont.)

29.4.3 Liquidity and interest rate risk (cont.)

At 31 December 2006

	Not more than three months \$m	More than three months but not more than six months \$m	More than six months but not more than one year \$m	More than one year but not more than five years \$m	More than five years \$m	Trading book and non-interest bearing \$m	Total \$m
Assets							
Derivative assets	-	-	-	-	-	4 783.0	4 783.0
Trading assets	-	-	-	-	-	8 112.2	8 112.2
Pledged assets	-	-	-	-	-	108.3	108.3
Financial investments	-	-	-	-	-	23.5	23.5
Loans and advances	6 088.4	1 583.6	953.2	1 619.8	536.8	-	10 781.8
Other assets	79.7	77.5	132.9	24.5	0.2	45.9	360.7
Total assets	6 168.1	1 661.1	1 086.1	1 644.3	537.0	13 072.9	24 169.5
Liabilities and equity							
Liabilities	(6 126.4)	(2 066.0)	(830.7)	(395.0)	(1 027.6)	(13 051.8)	(23 497.5)
Derivative liabilities	-	-	-	-	-	(5 221.0)	(5 221.0)
Trading liabilities	-	-	-	-	-	(3 261.2)	(3 261.2)
Deposit and current accounts	(5 341.1)	(2 056.2)	(830.7)	(346.9)	(827.6)	(4 544.8)	(13 947.3)
Other liabilities	(448.3)	(9.8)	-	(48.1)	-	(24.8)	(531.0)
Subordinated debt	(337.0)	-	-	-	(200.0)	-	(537.0)
Equity							
Equity attributable to ordinary shareholders	-	-	-	-	-	(672.0)	(672.0)
Minority interest	-	-	-	-	-	-	-
Total equity and liabilities	(6 126.4)	(2 066.0)	(830.7)	(395.0)	(1 027.6)	(13 723.8)	(24 169.5)
Interest rate sensitivity gap	41.7	(404.9)	255.4	1 249.3	(490.6)	(650.9)	-
Cumulative gap	41.7	(363.2)	(107.8)	1 141.5	650.9	-	-

Notes to the annual financial statements *continued*

29 Financial risk management (cont.)

29.4.3 Liquidity and interest rate risk (cont.)

Banking book - Interest rate risk

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement:

31 December 2007

Sensitivity of net interest income	Increase in basis points	Nil to six months \$m	Six months to one year \$m	One year to five years \$m	More than five years \$m	Total \$m
Currency						
Rand	100	-	-	-	-	-
USD	100	(2.5)	(0.9)	-	-	(3.4)
GBP	100	-	-	-	-	-
EUR	100	(0.8)	-	-	-	(0.8)
Others	100	(0.1)	-	-	-	(0.1)

31 December 2007

Sensitivity of net interest income	Decrease in basis points	Nil to six months \$m	Six months to one year \$m	One year to five years \$m	More than five years \$m	Total \$m
Currency						
Rand	100	-	-	-	-	-
USD	100	2.5	0.9	-	-	3.4
GBP	100	-	-	-	-	-
EUR	100	0.8	-	-	-	0.8
Others	100	0.1	-	-	-	0.1

31 December 2006

Sensitivity of net interest income	Increase in basis points	Nil to six months \$m	Six months to one year \$m	One year to five years \$m	More than five years \$m	Total \$m
Currency						
Rand	100	-	-	-	-	-
USD	100	(0.9)	(0.4)	-	-	(1.3)
GBP	100	-	-	-	-	-
EUR	100	(0.1)	-	-	-	(0.1)
Others	100	-	-	-	-	-

Notes to the annual financial statements *continued*

29 Financial risk management (cont.)

29.4.3 Liquidity and interest rate risk (cont.)

31 December 2006

Sensitivity of net interest income	Decrease in basis points	Nil to six months \$m	Six months to one year \$m	One year to five years \$m	More than five years \$m	Total \$m
Currency						
Rand	100	-	-	-	-	-
USD	100	0.9	0.4	-	-	1.3
GBP	100	-	-	-	-	-
EUR	100	0.1	-	-	-	0.1
Others	100	-	-	-	-	-

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

Liquidity risk

The table below summarises the remaining contractual maturities of the Group's financial liabilities based on undiscounted cash flows:

31 December 2007

	Redeemable on demand \$m	Maturing within one month \$m	Maturing after one month but within six months \$m	Maturing after six months but within twelve months \$m	Maturing after one year \$m	Undated \$m	Total \$m
Financial liabilities							
Derivative liabilities	3 238.4	1 261.5	775.9	427.2	2 694.8	-	8 397.8
Trading liabilities	11.7	97.8	541.8	429.8	2 109.5	440.3	3 630.9
Deposits from banks	5 251.0	6 086.7	2 411.9	1 250.1	1 560.3	-	16 560.0
Deposits from customers	781.9	906.3	359.1	186.1	232.3	-	2 465.7
Subordinated debt	-	-	-	-	699.2	208.3	907.5
Total recognised financial liabilities	9 283.0	8 352.3	4 088.7	2 293.2	7 296.1	648.6	31 961.9
Letters of credit	-	30.0	59.5	16.9	332.2	-	438.6
Financial guarantees	7.3	21.5	37.9	7.9	209.9	-	284.5
Irrevocable unutilised facilities	-	-	11.9	26.7	623.2	-	661.8
Total unrecognised financial liabilities	7.3	51.5	109.3	51.5	1 165.3	-	1 384.9
Total	9 290.3	8 403.8	4 198.0	2 344.7	8 461.4	648.6	33 346.8

Notes to the annual financial statements *continued*

29 Financial risk management (cont.)

29.4.3 Liquidity and interest rate risk (cont.)

31 December 2006

	Redeemable on demand \$m	Maturing within one month \$m	Maturing after one month but within six months \$m	Maturing after six months but within twelve months \$m	Maturing after one year \$m	Undated \$m	Total \$m
Financial liabilities							
Derivative liabilities	2 490.5	970.6	1 346.1	392.0	300.0	-	5 499.2
Trading liabilities	306.0	110.9	608.2	611.9	1 665.8	128.1	3 430.9
Deposits from banks	6 488.8	848.0	1 770.4	1 288.4	170.9	-	10 566.5
Deposits from customers	2 533.4	331.1	691.2	503.0	66.7	-	4 125.4
Subordinated debt	-	-	-	-	354.1	210.4	564.5
Total recognised financial liabilities	11 818.7	2 260.6	4 415.9	2 795.3	2 557.5	338.5	24 186.5
Letters of credit	-	48.0	71.6	16.4	15.2	-	151.2
Financial guarantees	-	-	34.8	110.2	31.4	1.0	177.4
Irrevocable unutilised facilities	-	42.8	282.3	76.4	-	-	401.5
Total unrecognised financial liabilities	-	90.8	388.7	203.0	46.6	1.0	730.1
Total	11 818.7	2 351.4	4 804.6	2 998.3	2 604.1	339.5	24 916.6

29 Financial risk management (cont.)

29.4.4 Credit risk

Considerable resources, expertise and controls are in place to ensure efficient and effective management of credit risk.

In lending transactions, credit risk arises through non-performance by a customer or market counterparty for facilities granted. These facilities are typically loans and advances, including the advancement of securities and contracts to support customer obligations such as letters of credit and guarantees. In trading activities, credit losses arise due to non-performance by a counterparty for payments linked to trading-related financial obligations.

Market and credit risk overlap in traded credit products (whether traded as principal or held as collateral) including debt instruments and credit derivatives. In these circumstances, issuer concentration and default risks are managed through credit and country risk processes, and market price sensitivity through market risk processes.

A formal structure exists for the approval of credit limits which are agreed through delegated authority from the CIB Credit Committee to regional credit committees and individual delegated authority. The Group has a formal internal credit rating process which is 'IRB' compliant under Basel 2. The bank monitors the usage of both regulatory and economic credit capital as well as incurred and expected losses using both internally and externally developed models and systems across its portfolios.

A Country Risk Committee meets on a monthly basis to approve country risk appetite limits for countries other than sub-Saharan Africa. Limits for sub-Saharan Africa are referred to the parent in South Africa for review and decision. A country-rating model is used to determine the relative ranking of each country. The internal model is continuously updated to reflect the economic and political changes in individual countries. The results are compared with those of reputable rating agencies to validate the consistency of our model.

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

The maximum credit exposure for the Bank on 31 December 2007 is US\$33 460.9m (2006: US\$24 781.9m), including loans and advances and contingent exposures.

The credit quality of financial assets is managed by the group using internal credit ratings. The table below shows the credit quality by class of financial asset for credit risk related items, based on the Group's credit rating system:

31 December 2007

	Neither past due nor impaired			Past due but not impaired ¹	Total performing Loans	Impaired	Total	Security against impaired loans	Net impaired loans
	A grade AA+ to BBB-	B grade BB+ to B-	C grade CCC+ to C						
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial investments	-	-	44.8	-	44.8	-	44.8	-	-
Loans and advances to banks	4 632.7	1 813.4	69.7	-	6 515.8	-	6 515.8	-	-
Loans and advances to customers	4 498.7	4 386.3	266.4	335.5	9 486.9	35.8	9 522.7	13.6	22.2
	9 131.4	6 199.7	380.9	335.5	16 047.5	35.8	16 083.3	13.6	22.2

31 December 2006

	Neither past due nor impaired			Past due but not impaired ¹	Total performing Loans	Impaired	Total	Security against impaired loans	Net impaired loans
	A grade AA+ to BBB-	B grade BB+ to B-	C grade CCC+ to C						
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial investments	-	-	23.5	-	23.5	-	23.5	-	-
Loans and advances to banks	3 162.6	1 497.7	137.4	-	4 797.7	-	4 797.7	-	-
Loans and advances to customers	2 550.7	3 075.8	353.0	-	5 979.5	72.1	6 051.6	1.9	70.2
	5 713.3	4 573.5	513.9	-	10 800.7	72.1	10 872.8	1.9	70.2

¹ Includes portfolios of non-performing loans acquired which are past due but not impaired.

29 Financial risk management (cont.)

29.4.4 Credit risk (cont.)

For individually assessed accounts, loans and advances are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by Standard Bank to determine that there is such objective evidence include, inter alia:

- Known cash flow difficulties experienced by the borrower;
- Overdue contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial realisation.

The Group holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral are as follows:

- Plant and machinery;
- Charges over real estate properties, inventory and trade receivables; and
- Other assets such as life policies, physical commodities held to our order and corporate / personal guarantees.

Age analysis of past due but not impaired financial assets

The table below shows the ageing of financial assets that are past due at the reporting date but not impaired, per class of financial asset:

As at 31 December 2007

	Less than 30 days \$m	31 to 60 days \$m	61 to 90 days \$m	91 to 180 days \$m	More than 180 days \$m	Total \$m
Loans and advances to customers	215.5	-	-	8.0	112.0	335.5
	215.5	-	-	8.0	112.0	335.5

As at 31 December 2006 there were no financial assets that were past due but not impaired.

Renegotiated loans are classified as all accounts that are highlighted as requiring enhanced credit monitoring through the watchlist committee during the year and have subsequently been returned to the business line due to the risk having reverted to a normal level.

Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for financial assets that would otherwise be past due or impaired whose terms have been renegotiated, by class:

	2007 \$m	2006 \$m
Loans and advances to customers	5.0	114.2
	5.0	114.2

29 Financial risk management (cont.)

29.4.4 Credit risk (cont.)

Collateral and other credit enhancements

The Collateral Management function for our Corporate & Investment Banking business is centrally managed, on a global basis by Global Collateral Management in Johannesburg with oversight by and escalation to the relevant Credit division as required. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty as well as requirements or intentions with respect to reductions in capital requirements. Guidelines are implemented regarding the acceptability of types of collateral, their strength as credit risk mitigation and valuation parameters. Collateral is generally not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually not held against financial investments, and no such collateral was held at 31 December 2007.

The main types of collateral obtained are as follows:

- For securities lending / borrowing and repurchase / reverse repurchase transactions: cash or securities;
- For other derivative transactions: cash and financial (bank) guarantees;
- For commercial lending: charges over real estate and industrial properties, inventory, trade receivables, listed and unlisted equities and collective investments, special notarial bonds, cash, short and long-term debt securities and registered cession of life assurance policies.

The Bank also obtains guarantees and suretyships from parent companies or other related parties for certain exposures and also makes use of credit derivatives to manage its credit risks. Management monitors levels of collateral, and requests additional collateral in accordance with underlying agreements as and when required. It is the Bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In the trading and derivative areas the Bank makes use of master netting agreements with counterparties, provided appropriate legal opinions are obtained confirming the ability to offset, net, enforce and to liquidate such collateral.

Collateral repossessed

During the year, the group took possession of the following:

	Carrying amount 2007 \$m	Carrying amount 2006 \$m
Coal mine and mining assets	4.5	11.4
Total collateral in possession	4.5	11.4

Disposal of collateral that is not readily realisable into cash is assessed on a case by case basis. The Bank's objective is to maximise cash recovery in the shortest time possible whilst minimising the risk of depreciation in the collateral value.

29 Financial risk management (cont.)

29.4.4 Credit risk (cont.)

Concentration of credit risk

The geographical analysis of loans and advances shown in the graph below is based on the location of the customer:

	2007 %	2006 %
Region		
North America	18.0	18.0
Asia	10.0	10.0
Eastern Europe	11.0	12.0
Western Europe	42.0	40.0
North Africa & Middle East	9.0	8.0
South America	2.0	7.0
Sub-Saharan Africa	8.0	5.0
	100.0	100.0

Loans and advances analysis by industry segment is disclosed in note 6.

Impaired exposures

Impaired exposures are loans and other exposures for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans or securities agreements.

Notes to the annual financial statements *continued*

29 Financial risk management (cont.)

29.4.4 Credit risk (cont.)

The table below sets out the impaired loans and other exposures, expected recoveries and credit impairment provisions raised.

As at 31 December 2007

	Gross NPLs (net of interest in suspense) \$m	Securities and expected recoveries \$m	Net after securities and expected recoveries \$m	Impairments of NPLs ³ \$m	Gross impairment coverage %
Loans and advances	35.8	17.0	18.8	21.2	59.2
Derivatives	-	-	-	-	-
	35.8	17.0	18.8	21.2	59.2

As at 31 December 2006

Loans and advances	72.1	17.5	54.6	55.3	76.7
Derivatives	0.2	-	0.2	0.2	100.0
	72.3	17.5	54.8	55.5	76.8

NPL coverage % to gross advances

	2007 %	2006 %
Gross NPLs	0.2	0.7
Less: Securities and collateral	(0.1)	(0.2)
Less: Impairments for non-performing loans	(0.1)	(0.5)
Net NPLs	-	-
Coverage: Gross ¹	59.2	76.8
Net ²	112.8	101.3
Gross advances (\$m)	16 038.5	10 849.3

¹ Gross coverage = impairment for NPLs / gross NPL

² Net coverage = impairment for NPLs / (gross NPL - security)

³ Impairments include legal costs incurred that are directly related to the recovery and exercise of rights over security and amounts due.

29.4.5 Capital management

The Group manages its capital base to achieve a balance between maintaining prudent capital ratios and the objective to provide a competitive return to the shareholder. The Group is subject to regulation and supervision by the FSA and forms part of the Standard Bank Group which is supervised by the South African Reserve Bank.

The Internal Capital Adequacy Assessment Process ('ICAAP') provides transparency and formalisation of the capital adequacy and management process. Overall responsibility for the ICAAP resides with the board of directors and day to day responsibility is delegated to the Executive Committee and its sub-committees.

Capital is split into three tiers. Tier 1 (equity capital) represents the permanent forms of capital such as share capital, share premium and retained earnings. Tier 2 capital includes medium to long-term subordinated debt, revaluation reserves and performing portfolio provisions. Tier 3 represents short-dated subordinated debt instruments to support the trading activities.

At the year-end the Group's equity capital resources amounted to US\$918.3m (2006: US\$672.0m) and total capital resources qualifying for prudential purposes amounted to US\$1 702.7m (2006: US\$1 197.9m). The Group remains compliant with prudential capital requirements with a capital adequacy ratio of 16.7% (2006: 13.3%).

Notes to the annual financial statements *continued*

30 *Ultimate holding company*

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

Standard Bank Group Limited

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Standard Bank London Holdings Plc

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Contact information

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UNITED STATES OF AMERICA

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