Standard Bank Group

ANNUAL FINANCIAL STATEMENTS 2019

Standard Bank Moving Forward™

Also trading as Stanbic Bank

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The consolidated and separate annual financial statements were audited in terms of the Companies Act 71 of 2008.

The preparation of The Standard Bank Group Limited (SBGL) consolidated and separate annual financial statements was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP.

A summary of these results was made publicly available on 5 March 2020.

OUR REPORTING SUITE

THIS REPORT

INTENDED READERS

Intended readers	Report	
Our shareholders, debt providers and regulators	**ANNUAL FINANCIAL STATEMENTS** Sets out the group's full audited annual financial statements, including the report of the group audit committee.	AFS
Primarily investors but relevant to all our stakeholders	**ANNUAL INTEGRATED REPORT** Provides a holistic assessment of our ability to create sustainable value in the short, medium and long term.	AIR
Our shareholders, debt providers and regulators	**GOVERNANCE AND REMUNERATION REPORT** Discusses the group's governance and remuneration priorities, as well as the group's remuneration policy and implementation report. The invitation to the annual general meeting (AGM) and notice of resolutions to be tabled is sent separately to shareholders and is available online.	GOV REM
Our shareholders, debt providers and regulators	**RISK AND CAPITAL MANAGEMENT REPORT** Sets out the group's approach to risk management, including our risk universe.	RCM
Our clients, employees and society more broadly	**REPORTING TO SOCIETY SUITE** The report to society (RTS) explains how we contribute to the group's ability to achieve its purpose through our SEE impact. Our environmental, social and governance (ESG) report provides an overview of the processes and governance structures the group has in place to support our commitment to do the right business, the right way. The reporting to society suite also includes our South African transformation report.	RTS

INTENDED READERS

Our subsidiary stakeholders

SUBSIDIARY ANNUAL REPORTS

To account to their stakeholders, our subsidiaries produce their own annual reports and audited annual financial statements, which are available on their respective websites.

- The Standard Bank of South Africa (SBSA)
- Liberty
- Other subsidiary reports, including legal entities in Africa Regions.

	AIR	GOV REM	RCM	AFS	RTS
Frameworks applied					
The International Integrated Reporting <IR> Framework	✓				
Companies Act, No 71 of 2008, as amended (Companies Act)		✓		✓	
Johannesburg Stock Exchange (JSE) Listings Requirements	✓	✓	✓	✓	
King IV™ Report on Corporate Governance for South Africa 2016*	✓	✓	✓	✓	✓
International Financial Reporting Standards (IFRS)			✓	✓	
South African Banks Act 94 of 1990 (Banks Act)		✓	✓	✓	
Basel Committee on Banking Supervision's public disclosure framework		✓	✓		
CDP (previously Carbon Disclosure Project)					✓
United Nations (UN) Sustainable Development Goals (SDGs)					✓
Assurance					
Certain information extracted from audited reports	✓	✓			
Unmodified audit opinion expressed by KPMG Inc. and PricewaterhouseCoopers Inc.				✓	
Selected information assured by PricewaterhouseCoopers Inc.					✓

* Also known as the King Code and King IV™. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

All our reports and latest financial results presentations, booklets and SENS announcements are available online, together with financial and other definitions, acronyms and abbreviations used. We urge our stakeholders to make use of our reporting site at **https://reporting.standardbank.com/** to assist in the reduction of our carbon footprint.

How to navigate our reports

The following icons refer readers to information across our suite of reports:

Refers readers to information elsewhere in this report.

Refers readers to information in our other reports, which are available online.

At the time of writing this report, COVID-19 had begun spreading more rapidly across the world. Its impact on our communities and business activities is still being quantified. We intend to include these impacts into our strategy and short- and long-term budget plans.

Directors' responsibility for financial reporting

In accordance with the Companies Act, the directors are responsible for the preparation of the annual financial statements. These annual financial statements conform to IFRS as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, and fairly present the affairs of SBGL and Standard Bank Group (SBG) as at 31 December 2019, and the net income and cash flows for the year then ended.

The directors are ultimately responsible for the internal controls of the company and the group. Management enables the directors to meet these responsibilities. Standards and systems of internal controls are designed, implemented and monitored by management to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and company and group assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

Based on the information and explanations provided by management and the group's internal auditors, the directors are of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and to maintain accountability for the company and the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that a breakdown in the functioning of these controls, resulting in material loss to the company and the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the company and the group will have adequate resources to continue in operational existence and as a going concern in the financial year ahead. The 2019 annual financial statements which appear on pages 20 to 230 were approved by the board on 4 March 2020 and signed on its behalf by:

Thulani Gcabashe
Chairman
4 March 2020

Sim Tshabalala
Group chief executive
4 March 2020

Group secretary's certification

Compliance with the Companies Act

In terms of the Companies Act and for the year ended 31 December 2019, I certify that Standard Bank Group Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.

Zola Stephen
Group secretary
4 March 2020

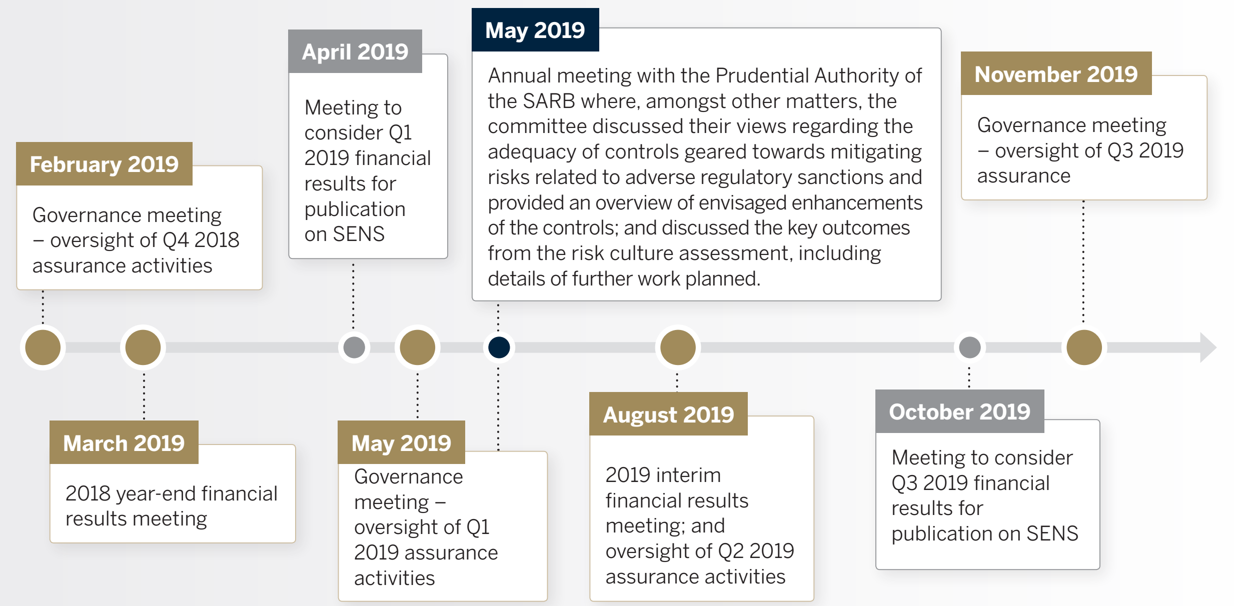
Report of the group audit committee

This report is provided by the group audit committee, in respect of the 2019 financial year of Standard Bank Group Limited, in compliance with section 94 of the Companies Act, as amended from time to time, and in terms of the JSE Listings Requirements. The committee's operation is guided by a detailed mandate that is informed by the Companies Act, the Banks Act, the JSE Listings Requirements and the King IV Code on Corporate Governance and is approved by the board. Section 94(2) of the Companies Act determines that, at each annual general meeting, a public company must elect an audit committee comprising at least three members. In view of the exemption granted in section 94(1), this section does not apply to the group audit committee and, accordingly, the appointment of its members is approved annually by the board.

The committee comprises six independent non-executive directors. All members have the necessary financial literacy, skills and experience to execute their duties effectively. To ensure that risk-related matters of relevance to the audit committee are considered, the chairman is a member of and attended the group risk and capital management committee meetings held during the financial year. John Vice and Peter Sullivan, both independent non-executive directors and chairmen of the group technology and information committee and group remuneration committee respectively, are both members of the group audit committee, which further enhances collective and integrated oversight and ensures that key matters are considered in the respective committees' deliberations. All members were present for all meetings held during 2019.

The committee met eight times during 2019, including two meetings to consider quarterly financial results for publication on SENS and the annual meeting with the Prudential Authority of the SARB.

MEETINGS HELD DURING THE YEAR



Information on the committee's role and responsibilities; its composition, including members' qualifications and experience; the date of members' appointment to the committee; the number of meetings held during the year and attendance at those meetings; as well as key areas of focus during the reporting period is provided in greater detail in the corporate governance statement which is included in the group's governance and remuneration report available at **www.standardbank.com/reporting**.

Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the group's accounting, internal and external auditing, compliance, internal control and financial reporting practices.

During the year under review, the committee, among other, considered the following:

In respect of the external auditors and the external audit:

- considered and recommended the reappointment of KPMG Inc. and PricewaterhouseCoopers Inc. as joint external auditors for the financial year ended 31 December 2019, in accordance with all applicable legal requirements
- approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable
- reviewed the audit process and evaluated the effectiveness of the audit, taking into consideration the group finance function's assessment of the audit and respective audit firms
- assessed and obtained assurance from the external auditors that their independence was not impaired
- confirmed that no amendments were required to the non-audit services policy, which governs the use of the group's external auditors for non-audit services
- approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount
- considered the nature and extent of all non-audit services provided by the external auditors
- monitored that the non-audit service fees for the year ended 31 December 2019 were within the threshold set by the group audit committee for such engagements
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005
- through the group's governance structures, considered reports from subsidiary audit committees and from management on the activities of subsidiary entities.

In respect of the financial statements:

- confirmed the going concern basis for the preparation of the interim and annual financial statements
- examined and reviewed the interim and annual financial statements prior to submission and approval by the board
- reviewed external audit's report on the adequacy of credit provisions for performing and non-performing loans and impairment tests with respect to assets and considered feedback from the external auditors regarding the models applied by management in determining such impairments
- ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year
- ensured that the interim and annual financial statements conform with IFRS, the requirements of the JSE Listings Requirements, the Companies Act and all other applicable accounting guides and pronouncements
- considered accounting treatments, significant unusual transactions and accounting judgements
- considered the appropriateness of the accounting policies adopted and changes thereto
- considered and made recommendations to the board on the interim and final dividend payments to shareholders
- noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of annual financial statements, internal controls and related matters
- reviewed any significant legal and tax matters that could have a material impact on the financial statements
- reviewed the content of the JSE's annual proactive monitoring report, including specific considerations in the preparation of financial statements
- reviewed and discussed the independent auditors' report.

As part of the group audit committee's responsibilities, notably its review of financial results, reports from internal and external audit, finance and internal financial control reports, the group's accounting policies, as well as the annual financial statements, the audit committee took cognisance of the key audit matters as reported in the independent auditors' report. In addition, the audit committee reviewed management's judgements on significant accounting and external reporting issues and confirmed external audit's agreement with the treatment thereof.

In respect of financial accounting and reporting developments:

- reviewed management's process and progress with respect to new financial accounting and reporting developments.

In respect of external reporting:

- recommended the annual reporting suite, including the annual integrated report, to the board for approval
- evaluated management's judgements and reporting decisions in relation to the annual integrated report and ensured that all material disclosures had been included
- reviewed both financial and non-financial information, forward-looking statements and sustainability information

In respect of internal control and internal audit:

- reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter
- considered reports of the internal and external auditors on the group's systems of internal control, including internal financial controls, and maintenance of effective internal control systems
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action taken in response to such findings
- noted that there were no significant differences of opinion between the internal audit function and management
- assessed the independence and effectiveness of the group chief audit officer, the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory
- considered the outcome of the group's external auditors' annual assessment of internal audit against the requirements of International Standards on Auditing (ISA) 601, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of external audit engagements
- noting that King IV and the Institute of Internal Audit Standards require an external and independent quality review of internal audit every five years, the committee confirmed that all actions in relation to areas of improvement as reported in the 2014 review of internal audit had been completed; and noted that the results of the 2019 review would be presented to the audit committee in April 2020

- based on the above, the committee formed the opinion that, at the date of this report, there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the group
- over the course of the year, met with the chief audit officer, the group chief compliance and data officer, group chief financial crime compliance officer, the group financial director, management and the external auditors
- considered quarterly reports from the group's internal financial control committee.

In respect of legal, regulatory and compliance requirements:

- reviewed and approved the annual compliance mandate and compliance plan
- reviewed, with management, matters that could have a material impact on the group
- monitored compliance with the Companies Act, the Banks Act, JSE Listings Requirements, King IV and other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of these
- reviewed the findings from the SARB Prudential Authority's anti-money laundering/combating the funding of terrorism (AML/CFT) compliance inspection as conducted during 2018
- noted that no complaints were received through the group's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.

In respect of risk management and information technology:

- through the chairman and three other group audit committee members' membership on the group risk and capital management committee, as well as interaction with the chairman of the group risk and capital management committee, considered risks as they pertained to the control environment, financial reporting and the going concern assessment
- considered updates on key internal and external audit findings in relation to the IT control environment, significant IT programmes and IT intangible assets

In respect of the coordination of assurance activities, the committee:

- reviewed the plans and work outputs of the external and internal auditors, as well as compliance and the internal financial control function, and concluded that these were adequately robust to place reliance on the combined assurance underlying the statements made in external reports
- considered the expertise, resources and experience of the finance function and senior members of management responsible for this function and concluded that these were appropriate
- considered the appropriateness of the experience and expertise of the group financial director and concluded that these were appropriate.

Independence, skills and expertise of the external auditors

The audit committee is satisfied that KPMG Inc. and PricewaterhouseCoopers Inc. are independent of the group and that KPMG Inc. and PricewaterhouseCoopers Inc. and the partners who are responsible for signing the group's financial statements have the requisite skills and expertise. This conclusion was arrived at, inter alia, after considering the following factors:

- the representations made by KPMG Inc. and PricewaterhouseCoopers Inc. to the audit committee, including confirmation of the firms' and individual auditors' accreditation on the JSE List of Auditors
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the group
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor
- in accordance with regulatory requirements, the group's engagement partners rotated during 2016
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

The audit committee noted the Independent Regulatory Board for Auditors' announcement of its Mandatory Audit Firm Rotation (MAFR) ruling on 2 June 2016 which determined that an audit firm may not be appointed auditor of a public interest entity for more than ten years. As a result, the group would, at a minimum, be required to rotate one of the audit firms for its 2024 financial year end, and the other for its 2026 financial year.

In conclusion, the audit committee is satisfied that it has fulfilled its responsibilities and complied with its legal, regulatory and governance responsibilities as set out in its mandate.

On behalf of the group audit committee:

Trix Kennealy

Trix Kennealy
Chairman
2 March 2020

Directors' report

for the year ended 31 December 2019

Nature of business

Standard Bank Group Limited is the holding company for the interests of the group, an African financial services organisation with South African roots. It is South Africa's largest banking group by assets and currently operates in 20 countries in sub-Saharan Africa. Our strategic position enables us to connect Africa to other selected emerging markets and pools of capital in developed markets.

Headquartered in Johannesburg, South Africa, the group's primary listing is on the JSE and its secondary listings on A2X Markets and the Namibian Stock Exchange (NSX). Subsidiary entities are listed on exchanges in Kenya, Malawi, Namibia, Nigeria and Uganda.

A simplified group organogram with principal subsidiaries is shown in annexure A.

Group results

Group headline earnings and headline earnings per share increased by 1% to R28 207 million (2018: R27 865) and 1% to 1 766.7 cents (2018: 1 748.4 cents) respectively. Net asset value per share increased to 10 742 cents (2018: 10 380 cents) and group return on equity decreased to 16.8% (2018: 18.0%). A final dividend of 540 cents per share has been declared bringing the total dividend declared for the year to 994 cents per share (2018: 970 cents per share).

Share capital

Ordinary shares

During the year, 1 195 330 (2018: 1 729 572) ordinary shares were issued in terms of the group's equity compensation plans, notably the Equity Growth Scheme (EGS) and Group Share Incentive Scheme (GSIS). No surplus capital was used to purchase ordinary shares in 2019 (2018: 2 483 523) to counteract the dilutive impact of the shares issued under the equity compensation plans. Effective from 2017, the group no longer issues EGS and GSIS awards. Awards are now provided in terms of the group's other share schemes, notably the Deferred Bonus Scheme and the Share Appreciation Rights Plan, both of which are settled by the group to employees with shares that the group purchases from the open market participants, and the Cash Settled Deferred Bonus Scheme, which is settled in cash (refer to Annexure D: Group share incentive schemes for further information). At the end of the year, the group would need to issue 1 485 507 (2018: 2 847 244), SBG ordinary shares to settle the outstanding GSIS options and EGS rights that were awarded to participants in previous years. The shares issued since inception for the EGS and GSIS together with the expected number of shares to settle the outstanding options and rights as a percentage of the total number of shares in issue is 2.1% (2018: 2.1%).

Registered office

The address of the registered office is, 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001.

Insurance

The group protects itself against financial loss by maintaining bankers' comprehensive crime and professional indemnity cover. The insurance terms and conditions are reviewed by the group insurance committee annually to ensure they are 'fit-for-purpose' against the group's risk exposures.

Analysis of shareholders

Shareholders at the close of the financial year, holding beneficial interests in excess or equal to 5% of the company's issued share capital, determined from the share register and investigations conducted on the group's behalf, were as follows:

	% held	
	2019	2018
Ordinary shares		
Industrial and Commercial Bank of China Limited (ICBC)	**20.1**	20.1
Government Employees Pension Fund (PIC)	**13.3**	12.4
6.5% preference shares		
L Lombard	**12.0**	12.0
Old Sillery Proprietary Limited	**9.1**	9.1
DJ Saks	**7.5**	7.5
MT Goulding	**12.9**	8.6
AP Macdonald	**5.4**	1.1
JIR Campbell		5.3
The Spiz Family Trust		8.0
Non-cumulative preference shares		
Prescient Inc. Provider Fund	**8.2**	7.4

Events during 2019

Other banking interest

Industrial and Commercial Bank of China (Argentina) S.A. (ICBCA)

In November 2012, the group completed the disposal of a controlling interest in each of Industrial and Commercial Bank of China (Argentina) S.A. (previously Standard Bank Argentina S.A.), ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión (previously Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión) and Inversora Diagonal S.A. (collectively ICBCA) to ICBC.

The group retained a 20% shareholding in ICBCA, held by Standard Bank Group's wholly owned subsidiary, Standard Bank London Holdings Limited. This residual investment was classified as an investment in associate and accounted for using the equity accounting method in terms of IAS 28 *Investments in Associates and Joint Ventures* (IAS 28).

In the ICBCA shareholders' agreement, Industrial and Commercial Bank of China (ICBC) granted a put option to the group under which the group was given the right to sell its remaining shareholding in ICBCA to ICBC, by giving notice at any time between 1 December 2014 and 30 November 2019. The strike price of the put option is fixed at USD181 million. Having taken the independent advice required under the JSE Listings Requirements, on 8 August 2019, the group exercised the put option and gave the required notice to ICBC. The transaction is subject to conditions precedent customary to transactions of this nature, including regulatory approvals in China. The completion date in respect of the transaction is anticipated to be in the first half of 2020. The group would seek to reinvest net proceeds received at completion of the transaction to support its African strategy.

Based on the above, the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5), were met and equity accounting of this investment was ceased at the end of August 2019. Therefore, as at 31 December 2019, the investment in ICBCA has been disclosed as non-current assets held for sale and presented separately on the statement of financial position. The investment in ICBCA is measured at the lower of the carrying amount and fair value less costs to sell, being R1 196 million at 31 December 2019. The investment in ICBCA was not impaired at date of classification as held for sale, nor at year end.

ICBC Standard Bank Plc (ICBCS)

ICBCS, in which the group is a 40% shareholder, incurred a loss of USD248 million for the 2019 financial year, which includes losses and provisions relating to a single client loss, refer below for detail, of USD198 million and restructuring costs of USD30 million following the closure of certain regional offices and management actions to reduce operational costs.

The single client loss arose as a result of an explosion at the client's oil refinery and its subsequent bankruptcy in July 2019. This single client loss includes estimates of the prices that will be achieved on disposal of remaining inventory owned by ICBCS and any other costs that ICBCS will incur in extracting its remaining inventory from the oil refinery site and in terminating the transaction. Given the nature of these estimates, there is potential variability in the actual sale prices that will be achieved and additional costs that will be incurred. ICBCS is pursuing recovery of its losses by exercise of security rights and claims against the client's bankruptcy estate, including any recoveries under insurance policies maintained by the client in respect of its business and operations. Various other parties, including the client's term lenders, are seeking to recover losses they have incurred as a result of this incident from the client's bankruptcy estate. As a result, the timing and extent of any recovery of losses incurred by ICBCS on its inventory intermediation activities in 2019 remain uncertain and consequently no significant amount has been recognised at 31 December 2019.

Following a review of ICBCS's business model, the ICBCS board has taken actions to reduce costs and simplify ICBCS's business model and will focus on driving efficiencies through working more closely with ICBC. As at 31 December 2019, having issued additional tier 1 (AT1) capital to ICBC, ICBCS was sufficiently capitalised to meet its regulatory requirements and to support the business levels indicated in its business plan.

Given the significant losses suffered by ICBCS and the deterioration of market conditions, the group reviewed the recoverable amount of the associate investment at 30 September 2019. At that time, the group took into consideration available information, applying a value in use (VIU) approach in determining carrying value. Following this review, the group's carrying value in ICBCS was impaired from USD383 million to USD220 million with an impairment of R2.4 billion recognised in earnings attributable to ordinary shareholders.

At 31 December 2019, after further losses recorded by ICBCS in the fourth quarter of 2019, including restructuring provisions, the group's 40% associate investment in ICBCS was carried at USD189 million (R2.6 billion).

The group has assessed the recoverable amount of its investment in ICBCS at 31 December 2019, consistent with the approach used at 30 September 2019, and the group adopted a VIU approach to determine the recoverable amount utilising the latest available information at year end. Cash flow projections were based on future cash flows the group could derive from the investment, taking into consideration various scenarios. In addition, an appropriate discount rate of 9.8%, which reflects current market assessments of the time value of money and risks specific to ICBCS, was applied. Key inputs to the VIU include ICBCS management's most recent business plan projections. The VIU reflects the present value of the expected future cash flows and is based on the weighted average of potential business outcomes.

Based on the outcome of this analysis and the value derived, we conclude that the recoverable amount approximates carrying value and therefore no further impairment was recognised by the group at 31 December 2019. The group will continue to engage and work with ICBC and ICBCS to enable the business to generate acceptable returns.

Stanbic Bank Zimbabwe functional currency

The only legal exchange mechanism that Stanbic Bank Zimbabwe (SBZ) had access to in the financial period since the change in functional currency from United States dollar (USD) to Zimbabwean dollar (ZWL), on 1 October 2018, was ZWL as the official exchange mechanism. This led to SBZ concluding that the appropriate exchange rate to use at the date of the change in functional currency and subsequent to the change in functional currency up until the end of the 2018 reporting period was the official rate of 1:1.

The Reserve Bank of Zimbabwe (RBZ) implemented certain key monetary policy measures during February 2019. The most significant change was the establishment of a new foreign exchange interbank market and this interbank market will complement the existing official foreign exchange mechanism with the RBZ. The establishment of this interbank market has created an additional legal exchange mechanism whereby the bank is able to trade real-time gross settlement (RTGS) dollars (official currency). The starting rate of trade in this interbank market was 2.5 RTGS:USD. As at 31 December 2019, the rate deteriorated to 16.54 RTGS:USD from 1 RTGS:USD as at 31 December 2018, which resulted in a foreign currency translation reserve (FCTR) loss of R2.5 billion for the group, after the hyperinflation adjustment translation adjustment per IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21) .

During 2019, the Zimbabwe year-on-year monthly inflation rate increased from 42% at the end of December 2018 to 521% at the end of December 2019. Therefore, SBZ is considered to be hyperinflationary as at 31 December 2019 and the results for SBZ were adjusted in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. This resulted in the group's profit attributable to ordinary shareholders for the period ended 31 December 2019 decreasing by R82 million and an increase in retained earnings of R730 million.

Listing of Standard Bank Namibia Holdings Limited (SBNH)

In Namibia, the group successfully completed the listing of its Namibian bank holding company, SBN Holdings Limited (SBNH) on the Namibian Stock Exchange (NSX) on 15 November 2019. As part of the public offer, SBNH raised equity of R200 million through an issue of ordinary shares, while Standard Bank Group Limited (SBGL) sold a portion of its stake in SBNH for a sale consideration of R522 million.

SBGL's legal shareholding in SBNH prior to the listing was 90%, but due to the degree of control SBGL retained over the shares of the empowerment structure, SBNH was consolidated at 100%, with the group accounting for the total SBNH earnings up until the listing. Post the listing, SBGL's legal shareholding in SBNH reduced from 90% to 74.9% and the empowerment structure's legal shareholding was diluted from 10% to 9.6% by the issue of ordinary shares. From the date of listing to 31 December 2019, SBNH remains consolidated, but with 84.5% of SBNH earnings attributable to ordinary shareholders and the remaining 15.5% of SBNH earnings attributable to non-controlling shareholders. The group recognised an increase in NCI of R617 million and a decrease in retained earnings and equity attributable to ordinary shareholders of R105 million due to the changes in the group's ownership interest in SBNH.

Post balance sheet event

With effect from 1 January 2020, the restrictions on the allocated shares held within the empowerment structure expired and SBGL no longer retains control over those shares. Accordingly, while SBGL continues to consolidate SBNH from 1 January 2020, 74.9% of SBNH earnings are attributable to SBGL as controlling shareholder and the remaining 25.1% of SBNH earnings are attributable to non-controlling shareholders.

DIVIDENDS AT 31 DECEMBER 2019

	Ordinary shares	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)
Interim			
2018			
Dividend per share (cents)	430	3.25	386.43
2019			
Dividend number	**100**	**100**	**30**
Dividend per share (cents)	**454**	**3.25**	**391.38**
Record date in respect of the cash dividend	**Friday, 13 September 2019**	**Friday, 6 September 2019**	**Friday, 6 September 2019**
Dividend cheques posted and CSDP[1]/broker accounts credited/updated (payment date)	**Monday, 16 September 2019**	**Monday, 9 September 2019**	**Monday, 9 September 2019**
Final			
2018			
Dividend per share (cents)	540	3.25	390.22
2019			
Dividend number	**101**	**101**	**31**
Dividend per share (cents)	**540**	**3.25**	**389.12**
Record date in respect of the cash dividend	**Friday, 24 April 2020**	**Friday, 17 April 2020**	**Friday, 17 April 2020**
Dividend cheques posted and CSDP[1]/broker accounts credited/updated (payment date)	**Tuesday, 28 April 2020**	**Monday, 20 April 2020**	**Monday, 20 April 2020**

[1] Central Securities Depository Participant.

Change in group directorate

The following changes in directorate took place from 1 January 2019 up to 5 March 2020:

Appointments		
MA Erasmus	As non-executive director	12 July 2019
BP Mabelane	As non-executive director	1 January 2020
NMC Nyembezi	As non-executive director	1 January 2020

Resignations		
Dr H Hu	As joint deputy chairman	25 February 2020

Independent auditors' report

for the year ended 31 December 2019

To the shareholders of Standard Bank Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated (the "Group") and separate ("the Company") financial statements of Standard Bank Group Limited, set out on pages 20 to 223 which comprise:

- the Statements of financial position as at 31 December 2019;
- the Income statement for the year then ended;
- the Statement of other comprehensive income for the year then ended;
- the Statement of comprehensive income for the year then ended;
- the Statements of cash flows for the year then ended;
- the Statements of changes in equity for the year then ended;
- Accounting policy elections and IFRS 16 transition and restatements;
- Key management assumptions;
- the Notes to the annual financial statements; and
- Annexures A to F, excluding the section marked as "not audited" in Annexure C.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Bank Group Limited as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Level	Key audit matter	How our audit addressed the key audit matter
Group – *consolidated financial statements*	**Expected credit losses on Corporate & Investment Banking (CIB) loans and advances** *Refer to the key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the annual financial statements.*	
	The expected credit losses ("ECL") for CIB loans and advances ("exposures") are material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the Group's credit risk management processes and operations. This has resulted in this matter being considered to be a matter of most significance in the audit of the consolidated financial statements. The ECL of CIB exposures are estimated on a counterparty basis. For CIB exposures, the key areas of significant management judgement within the ECL calculations include: • Evaluation of significant increase in credit risk ("SICR"); • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; • Assessment of ECL raised for Stage 3 exposures; and • Input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement.	Our audit effort focussed on the ECL of CIB exposures as follows: **Evaluation of SICR** We selected a sample of counterparties and assessed their assigned credit rating by: • Testing the inputs into the credit rating systems against the financial information obtained from the counterparty and the Group's 25-point master rating scale; and • Assessing assumptions made by management during the credit risk rating process for reasonability, by obtaining an understanding of the counterparty and industry factors, performing an independent assessment of the counterparty and comparing the results to those used by management. We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the Group's accounting policy for SICR at reporting date since the origination date of these exposures. These procedures included the inspection of credit risk ratings at reporting date relative to origination date. We evaluated management's processes for identifying Stage 3 exposures by selecting a sample of exposures not classified at Stage 3 to assess whether the stage classification was in line with the Group's accounting policy for the definition of default for Stage 3 exposures.

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Expected credit losses on Corporate & Investment Banking (CIB) loans and advances
Refer to the key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the annual financial statements.</td></tr>
<tr><td>Evaluation of SICR
For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to counterparties on origination and reporting date, based on the Group's 25-point master rating scale to quantify credit risk for each exposure.

Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement
Macro-economic expectations are incorporated in CIB's counterparty ratings to reflect the Group expectation of future economic and business conditions.

Assessment of ECL raised for Stage 3 exposures
Management applies its internal credit risk management approach and definitions to determine the recoverable amounts (including collateral) and timing of the future cash flows for Stage 3 exposures at an individual counterparty level.

Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement.
Input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and is determined at an exposure level.</td><td>We selected a sample of Stage 1 and Stage 2 counterparties and performed the following procedures to determine if the counterparties credit risk increased since origination date:
Compared the credit rating on inception of the facility to the credit rating as at the reporting date;
For any significant downgrades in credit rating as per the policy assessed whether the counterparty is correctly classified as Stage 2 for impairment purposes; and
For any deviations from the Group's credit policy, assessed the reasonability for these deviations.
Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement
We selected a sample of exposures and assessed the incorporation of forward-looking information into their assigned credit risk rating. We have done this by obtaining an understanding of the forward-looking information which was taken into account for the exposure and evaluated this for reasonability against management's expectation and other industry factors for the SICR assessment and ECL measurement.

Assessment of ECL raised for Stage 3 exposures
Where an ECL has been raised for Stage 3 exposures, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverability of the exposure. For a sample of Stage 3 exposures, we independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level.

For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral.

The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines.

Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement
Making use of our internal valuation experts, we assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) against the requirements of IFRS 9 Financial Instruments (IFRS 9). In addition, our procedures included assessing the appropriateness of the models through reperformance and validation procedures.

We obtained an understanding and tested the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management.

As a result of the deterioration of the South African sovereign outlook, we assessed, for a sample of exposures relating to public sector entities whether the ECL raised on these exposures are appropriate through the inspection of legal agreements, including any related government guarantees to confirm the existence and legal right to collateral.

We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.</td></tr>
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<tr><th>Level</th><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="3">ECL on Personal & Business Banking (PBB) loans and advances
Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the credit risk section of Annexure C, Risk and capital management – IFRS disclosures in the annual financial statements.</td></tr>
<tr><td colspan="2">The ECL for PBB loans and advances (exposures) is material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the impairment of loans and advances and on the Group's credit risk management processes and operations. This has resulted in this matter being considered to be a matter of most significance in the audit of the consolidated financial statements.

A significant portion of the PBB ECL is calculated on a portfolio basis. For exposures quantitatively above a pre-defined threshold in secured portfolios, management assesses the recoverability of those exposures individually. The ECL on exposures also includes out-of-model adjustments where certain aspects of the ECL are not fully reflected in the model. Out-of-model adjustments are calculated and assessed based on management's judgement.

For PBB, the key areas of significant management judgement within the ECL calculation include:
• Evaluation of SICR;
• Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement;
• Application of out-of-model adjustments into the ECL measurement;
• Assessment of the ECL raised for individual exposures; and
• Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement.

Evaluation of SICR
The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to Stage 2. This transfer rate is such that the proportion of the 0 – 29 DPD book transferred into Stage 2 is no less than the observed 12-month roll rate of 0 – 29 day accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.

Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement.
Forward-looking economic expectations are included in the ECL based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcomes based on the Group's macro-economic outlook expectations.</td><td>Our audit effort focussed on the ECL for PBB exposures as follows:
Evaluation of SICR
Management provided us with a quantitative assessment of the Group's calculation of the impact of SICR against the requirements of IFRS 9. We performed an independent recalculation of the resultant ECL for a sample of portfolios.

We evaluated behavioural scores which are used to assess the significant increase in credit risk against the Group's accounting policies.

We evaluated the reasonability of changes in credit risk of the portfolio against key performance indicators.

We performed sensitivity analyses to determine the impact of change in credit risk on the ECL recognised.

We tested the design and operating effectiveness of relevant controls that identify renegotiated and cured loans to assess whether the curing policies were appropriately applied.

Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement
We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing to independent industry data.

We evaluated management's forward-looking information models to assess whether the macro-economic inputs are appropriately incorporated into the ECL models.

Where management applied out-of-model adjustments to the forward-looking information, we evaluated these for reasonableness and evaluated the methodology applied to incorporate these into the forecasts.

Application of out-of-model adjustments into the ECL measurement
We evaluated the reasonableness of a selection of out-of-model adjustments by assessing key assumptions, inspecting the calculation methodology and tracing a sample of out-of-model adjustments back to source data.</td></tr>
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Level	Key audit matter	How our audit addressed the key audit matter
Group – *consolidated financial statements continued*	**ECL on Personal & Business Banking (PBB) loans and advances** *Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the credit risk section of Annexure C, Risk and capital management – IFRS disclosures in the annual financial statements.*	
	Application of out-of-model adjustments into the ECL measurement Management identified that due to modelling complexity, certain aspects of the ECL may not be fully reflected by the underlying model and an out-of-model adjustment is required for the forward-looking information impact for specific events and trends not captured in the model. **Assessment of ECL raised for individual exposures** Impairment is assessed on individual exposures above a quantitative threshold in Stage 3, and for accounts placed on the watchlist due to evidence of increased credit risk e.g. potential security shortfalls, deteriorating financial performance, etc. This assessment relates primarily to business lending accounts and incorporates judgement in determining the foreclosure value of the underlying collateral. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience and the loss experience given default; and timing and amount of forecasted cash flows related to the exposures.	**Assessment of ECL raised for individual exposures** Where ECL has been raised for individual exposures, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral. The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** Making use of our internal valuation experts, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by reperformance and validation procedures. We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.
Group – *consolidated financial statements*	**Valuation of level 3 financial instruments** *Refer to the Key management assumptions note, note 2 – Derivative instruments, note 3 – Trading assets, note 5 – Financial investments, note 17 – Trading liabilities, and the market risk section of Annexure C: Risk and capital management – IFRS disclosures in the consolidated financial statements*	
	The fair value of financial instruments significantly affects the measurement of profit or loss and disclosures of financial risks in the consolidated financial statements. Fair value calculations are dependent on various sources of external and internal data and on sophisticated modelling techniques used to value financial instruments. These models and techniques are constantly changing in line with developing market practices and trends. Level 3 financial instruments inherently contain elements of estimation uncertainty due to their illiquid and unobservable nature. These financial instruments include unlisted equity investments, loans and advances and various derivative financial instruments. Significant judgement is required to be exercised by management due to the absence of verifiable third-party information to determine key inputs in the valuation models. Some of these unobservable key inputs include: • credit spreads; and • discount rates denominated in illiquid foreign currencies. Given the combination of inherent subjectivity and judgement involved in estimating these fair values and the material nature of the balance, the valuation of level 3 financial instruments has been considered to be a matter of most significance to the current year audit of the consolidated financial statements.	Our audit effort focussed on the valuation of level 3 financial instruments as follows: We tested the design and operating effectiveness of the relevant controls relating to the valuation of level 3 financial instruments to assess whether there is appropriate governance over the development of the valuation models and change control as well as the monthly independent price verification process. For a sample of financial instruments, using an independent model, we compared the fair value results to management's valuation to assess the reasonableness of management's model methodology and the output of model calculations. We assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent market information. We assessed the appropriateness and sensitivity of the credit spreads by evaluating the unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent market information. Where independent market information was not available, we generated theoretical inputs based on other sources, incorporating assumptions that include proxy pricing transactions in the market as well as historic data, macro-economic information and correlations.

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<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Valuation of long-term policyholders' assets and liabilities under insurance contracts
Refer to the Key management assumptions note and note 8 – Policyholders' contracts in the notes to the annual financial statements.</td></tr>
<tr><td>As at 31 December 2019, the carrying amounts of the policyholders' assets and liabilities under insurance contracts were R7 billion and R206 billion respectively, which is measured in accordance with the Standard of Actuarial Practice 104 (SAP 104).

Policyholders' assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums and for claims incurred but not reported (IBNR).

Complex and subjective judgements are required over a variety of uncertain future operating assumptions within the life insurance business. These assumptions include, amongst others, mortality and morbidity rates, withdrawals, investment return and discount rates, recurring expenses, taxation, and expense inflation.
The assumptions applied by management, as disclosed in Note 8 to the consolidated financial statements, in determining the value of the policyholders' assets and liabilities and any changes to these assumptions, may result in a material adjustment to the value of policyholders' assets and liabilities and ultimately the results of the Group.

We considered the valuation of the policyholders' assets and liabilities a matter of most significance to our current year audit due to:
the significant management judgement required in determining the value of the policyholders' assets and liabilities; and
the magnitude of the policyholders' assets and liabilities in relation to the total assets and liabilities of the Group.</td><td>Our audit effort focussed on the valuation of the policyholders' assets and liabilities, which included making use of our actuarial expertise as follows:
Updated our understanding of the actuarial control environment and governance, including the functioning of the Actuarial Committee, which approves the methodology and assumption changes against industry practice and regulatory requirements;
We attended management meetings where valuation principles were discussed and approved. We performed tests and reasonability checks to corroborate that these principles as approved were applied in the valuation model;
Compared the changes in valuation methodology against the requirements of SAP 104 and industry practice;
Compared the assumptions applied by management against the latest experience, industry trends and economic market trends; and
Examined and corroborated management's Analysis of Surplus by analysing the sources of profit and how it relates to the change in the policyholders' assets and liabilities and the impact on the statement of comprehensive income.
To test the inputs used in the valuation models we performed, on a sample basis, the following:
Assessed the reasonability of the classification of expenses between maintenance and acquisition and how they are capitalised in the valuation by considering the nature of the expenses and inspecting the source document relating to the expense; and
Traced the policyholders' valuation input data, such as premiums, claims and expense data used in the valuation model back to information contained in the administration and accounting systems.</td></tr>
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<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group –
consolidated financial statements</td><td colspan="2">Valuation of investment property at year-end
Refer to the Key management assumptions note and note 11 – Investment property in the notes to the annual financial statements</td></tr>
<tr><td>
The majority of the Group's investment property comprises retail investment properties. As at 31 December 2019, the carrying value of the Group's total investment property portfolio was R34 billion, representing a R0.9 billion increase compared to the prior year.
The Group's accounting policy is to measure investment property at fair value using the discounted cash flow model. The fair value is dependent on the inputs and assumptions into valuation techniques applied and the inputs into the valuation model.
The inputs made by management in determining the fair value of the investment property are set out in the key management assumptions section of the consolidated financial statements and include amongst others the key assumptions relating to exit capitalisation rates and discount rates.
The accounting policy requires all properties to be valued annually. Management engage external independent valuers (the external valuers) to carry out a valuation of all investment properties.
We considered the year-end valuation of investment properties as a matter of most significance to our current year audit due to:

the significant judgements required in determining the exit capitalisation rates and discount rates; and
the magnitude of the investment properties at year-end.

</td><td>
We obtained the latest independent property market reports to understand the prevailing market conditions in which the Group invests, and our audit effort focused on the following:

We updated our understanding of and tested the relevant controls related to:

Entering and amending of leases in support of contractual rental income;
Setting and approval of budgets by the Group;
Detailed analysis of forecasts and trends against actual results that inform management of the business;
Consideration of external valuation reports by an internally appointed appraiser; and
Board approval of the valuations obtained.

In respect of the external valuers we:

Considered their objectivity, independence and expertise by inspecting the external valuers' valuation reports for a statement of independence and compliance with generally accepted valuation standards; and
Confirmed the external valuers' affiliation with the relevant professional body;

On a risk-based sample basis, we assessed the calculation of the fair values in the external valuers' valuation reports by performing the following procedures:

Utilised our internal valuation expertise to assess the appropriateness of the valuation methodology;
Considered the applicability of minority discounts to fractional ownership;
Assessed the reasonableness of the cash flows, growth, exit capitalisation and discount rates against market related data for similar investment properties;
Recalculated acceptable ranges for the valuations of a sample of properties based on industry benchmarks; and
Inspected the final valuation reports and agreed the fair value to the Group's accounting records.

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<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Impairment of the Investment in ICBC Standard Bank Plc (ICBCS)
Refer to Annexure B – Associates and joint ventures, Annexure F – Detailed accounting policies and Key management assumptions</td></tr>
<tr><td>Standard Bank Group (SBG) holds a 40% investment in ICBCS through Standard Bank London Holdings (SBLH).

ICBCS has incurred significant losses over the past year, comprising mainly of impairment losses, operational losses and restructuring costs arising from losses and provisions relating to a single client loss, as well as a revised business strategy. The Group considered this to be an indicator of impairment resulting in an impairment loss of R2.4bn (US$163m) recognised during the year. As a result, the carrying value of the investment at year end has been reduced to R2.6bn (US$189m).

The impairment loss recognised in respect of the associate interest in ICBCS was considered to be a matter of most significance in the current year audit due to the inherent high degree of judgement and uncertainty involved in determining the recoverable amount of the investment in ICBCS for the purposes of preparing the consolidated financial statements of SBG.

Management applied the assumptions as set out in the key management assumptions section of the consolidated financial statements to determine if there was an indicator of impairment and to calculate the recoverable amount of the investment at 30 September and 31 December 2019. These are as follows:
• The Group applied a value-in-use approach to determine the recoverable amount of ICBCS utilising the latest available information at year end.
• Cash flow projections were based on future cash flows the Group expects to derive from the investment taking into consideration the weighted average of various scenarios. These include key inputs based on ICBCS' most recent business plan.
• A discount rate of 9.8% reflecting current market assessment of the time value of money and related risks.

For purposes of preparing the consolidated financial statements, the impairment loss was determined in accordance with the detailed accounting policies as set out in Annexure F, note 2.</td><td>Our audit effort focussed on management's impairment assessment and value-in-use calculation in respect of the investment in ICBCS and included:
• An evaluation of management's assessment in considering the circumstances giving rise to the indicator of an impairment. We assessed this information against our knowledge of the underlying business;
• Assessed the methodology applied by management to estimate the value-in-use. We assessed the key assumptions supporting the value-in-use calculation, evaluating the accuracy and relevance of the input data to support the calculation, including approved budgets and considering the reasonableness of the budgets by comparing the budgets to historical results and market data as well as our knowledge of the business;
• Engaged our internal valuation experts to assist in reviewing the methodology of the value-in-use calculations and discount rate applied;
• Independently recalculated the value-in-use of the investment in ICBCS and performed appropriate sensitivity analyses in consideration of the potential impact of reasonably possible downside changes in key assumptions, such as the cost of equity and the future business plans surrounding the ongoing operations of ICBCS; and
• We assessed the appropriateness of the disclosures made in accordance with the requirements of International Accounting Standards (IAS) 28 Investments in associates and joint ventures and IAS 36 Impairment of assets.</td></tr>
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Level	Key audit matter	How our audit addressed the key audit matter
Group – *consolidated financial statements*	**Hyperinflationary considerations relating to Stanbic Bank Zimbabwe Limited** *Refer to Annexure A – Subsidiaries, consolidated and unconsolidated structured entities and Annexure F – Detailed accounting policies*	
	Zimbabwe has experienced cumulative price increases which have accelerated to 521% as at 31 December 2019. As a result, management evaluated and determined the economy of Zimbabwe to be hyperinflationary. Stanbic Bank Zimbabwe applied the requirements of IAS 29 *Financial reporting in Hyperinflationary Economies* (IAS 29). These hyperinflationary adjustments were determined to be a matter of most significance in the current year audit due to the magnitude of the balances, transactions, and the complexity and subjectivity relating to the application of IAS 29. This resulted in the Group's profit attributable to ordinary shareholders for the year ended 31 December 2019 decreasing by R82 million and an increase in retained earnings of R730 million.	Our audit effort in respect of the hyperinflationary considerations relating to Stanbic Bank Zimbabwe focussed on: • We obtained an understanding of the Group's process for identifying hyperinflationary economies and evaluated the Group's accounting policy in relation to hyperinflation; • We assessed whether the indicators of hyperinflation on the Zimbabwean economy have been met through consideration of industry reports and pronouncements issued by the Public Accountants and Auditors Board (PAAB) in Zimbabwe; • We tested the accuracy of the hyperinflation computations prepared by management with reference to the economic indicators included (such as the inflation rate, cumulative inflation rate and consumer price indices from various sources); • We assessed the reasonability of the assumptions used by comparing these to externally available industry, financial and economic data; and • We assessed whether disclosures in the financial statements appropriately reflected the effects of the application of IAS 29.
Company – *separate financial statements*	**Impairment of interest in subsidiaries** *Refer to Annexure A – Subsidiaries, consolidated and unconsolidated structured entities, Annexure F – Detailed accounting policies, Key management assumptions and note 46 – interest in subsidiaries in the notes to the annual financial statements.*	
	The Company has material interests in subsidiaries. Interest in subsidiaries represents 83% of the total assets of the Company. Interests in subsidiaries are measured at cost and are reviewed annually for impairment with reference to impairment indicators described in Note 46 to the separate financial statements. The impairment of interest in subsidiaries was considered to be a matter of most significance to the current year audit due to the judgement applied in assessing the impairment indicators and the magnitude of the Company's interest in subsidiaries.	Our audit effort in respect of impairment of interest in subsidiaries focussed on: • Evaluated management's policies for identifying impairment indicators relating to the Company's interest in subsidiaries against the requirements of IAS 36, *Impairment of Assets*; and • Performed an independent impairment assessment by comparing the recoverable amount of the investment in subsidiary to the carrying value to determine if there is an impairment loss that needs to be recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Standard Bank Group Annual financial statements 2019"* which includes the Group secretary's certification, the Report of the group audit committee and the Directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the document titled, *"Standard Bank Group Annual integrated report 2019"* which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and/or Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. and PricewaterhouseCoopers Inc. have been the joint auditors of Standard Bank Group Limited for 57 years.

PricewaterhouseCoopers Inc.	KPMG Inc
PricewaterhouseCoopers Inc.	**KPMG Inc.**
Director: John Bennett Registered Auditor Johannesburg 4 March 2020	Director: Heather Berrange Registered Auditor Johannesburg 4 March 2020

Statement of financial position

as at 31 December 2019

		GROUP		
	Note	2019 Rm	2018 Restated Rm	1 January 2018 Restated Rm
Assets				
Cash and balances with central banks	1	75 288	85 145	75 310
Derivative assets	2	71 407	51 678	75 610
Trading assets	3	222 802	181 112	160 894
Pledged assets	4	29 377	19 879	20 785
Financial investments[1]	5	567 319	548 526	534 624
Current tax assets		567	601	612
Disposal group assets held for sale	6	2 599	762	
Loans and advances[1]	7	1 181 067	1 119 547	1 038 555
Policyholders' assets	8	7 017	6 708	7 484
Other assets	9	29 901	22 514	22 923
Investment in associates and joint ventures	10	5 423	10 376	9 609
Investment property	11	34 180	33 326	32 226
Property, equipment and right of use assets[2]	12	22 018	19 194	16 179
Goodwill and other intangible assets	13	22 323	23 676	23 329
Deferred tax assets	14	4 301	3 918	3 898
Total assets		2 275 589	2 126 962	2 022 038
Equity and liabilities				
Equity		209 484	199 063	183 380
Equity attributable to ordinary shareholders		171 229	165 061	150 759
Ordinary share capital	15	162	162	162
Ordinary share premium	15	17 822	17 698	17 901
Reserves		153 245	147 201	132 696
Equity attributable to other equity instrument holders	15	10 989	9 047	9 047
Preference share capital and premium	15	5 503	5 503	5 503
Additional tier 1 capital	15	5 486	3 544	3 544
Equity attributable to non-controlling interests		27 266	24 955	23 574
Liabilities		2 066 105	1 927 899	1 838 658
Derivative liabilities	2	69 498	55 057	76 896
Trading liabilities	17	83 847	59 947	62 855
Current tax liabilities		5 407	5 188	5 107
Disposal group liabilities held for sale	6	246	237	
Deposits and debt funding	18	1 426 193	1 357 537	1 243 911
Policyholders' liabilities	8	324 246	310 994	322 918
Subordinated debt	19	28 901	26 359	24 289
Provisions and other liabilities[2]	20	124 101	109 753	99 175
Deferred tax liabilities	14	3 666	2 827	3 507
Total equity and liabilities		2 275 589	2 126 962	2 022 038

1 Refer to page 31 for details on the restatement to financial investments and loans and advances.
2 The group has, as permitted by IFRS 16 *Leases* (IFRS 16), elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 *Leases* (IAS 17) basis. Refer to page 29 for more detail on the adoption of IFRS 16.

Income statement

for the year ended 31 December 2019

	Note	GROUP 2019 Rm	GROUP 2018 Restated Rm
Income from banking activities		**110 461**	105 331
Net interest income		**62 919**	59 505
Interest income[1]	26	**129 500**	128 066
Interest expense[1, 2]	26	**(66 581)**	(68 561)
Non-interest revenue		**47 542**	45 826
Net fee and commission revenue		**30 622**	30 375
Fee and commission revenue	27	**37 354**	36 592
Fee and commission expense	27	**(6 732)**	(6 217)
Trading revenue[1]	28	**12 075**	10 799
Other revenue[1]	29	**4 089**	3 863
Other gains and losses on financial instruments[1]	30	**756**	789
Income from investment management and life insurance activities		**23 573**	21 722
Insurance premiums received	31	**39 801**	38 521
Revenue from contracts with customers	32	**4 076**	4 073
Interest income	32	**1 920**	1 516
Insurance benefits and claims paid	31	**(44 241)**	(26 484)
Investment management and service fee income and gains	32	**3 245**	3 533
Fair value adjustments to investment management liabilities and third-party fund interests	33	**18 772**	563
Total income		**134 034**	127 053
Credit impairment charges	34	**(7 964)**	(6 489)
Net income before operating expenses		**126 070**	120 564
Operating expenses in banking activities[2]	35	**(62 335)**	(60 084)
Operating expenses in investment management and life insurance activities[2]	35	**(16 486)**	(16 404)
Net income before capital items and equity accounted earnings		**47 249**	44 076
Non-trading and capital related items	36	**(2 890)**	(641)
Share of post tax (loss)/profit from associates	10	**(512)**	912
Net income before indirect taxation		**43 847**	44 347
Indirect taxation	37	**(2 592)**	(2 609)
Profit before direct taxation		**41 255**	41 738
Direct taxation	37	**(10 559)**	(9 095)
Profit for the year		**30 696**	32 643
Attributable to ordinary shareholders		**25 443**	27 453
Attributable to other equity instrument holders		**873**	738
Attributable to non-controlling interests		**4 380**	4 452
Earnings per share			
Basic earnings per ordinary share (cents)	38	**1 593.5**	1 722.6
Diluted earnings per ordinary share (cents)	38	**1 584.7**	1 705.3

1 Restated. Refer to page 31 for further details on the restatements.
2 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.

Statement of other comprehensive income

for the year ended 31 December 2019

	Note	GROUP 2019 Rm	GROUP 2018 Rm
Profit for the year		**30 696**	32 643
Other comprehensive (loss)/income after taxation for the period[1]		**(6 208)**	5 056
Items that may be subsequently reclassified to profit or loss		**(6 355)**	5 104
Exchange differences on translating foreign operations[2]		**(6 661)**	5 217
Movement in the cash flow hedging reserve	2	**205**	(108)
Net change in fair value of cash flow hedges		**415**	(373)
Realised fair value adjustments transferred to profit or loss		**(210)**	265
Net change in debt financial assets measured at fair value through other comprehensive income (FVOCI)	22	**101**	(5)
Net change in expected credit loss		**41**	19
Net change in fair value		**74**	22
Realised fair value adjustments transferred to profit or loss		**(14)**	(46)
Items that may not be subsequently reclassified to profit or loss		**147**	(48)
Defined benefit fund remeasurement		**101**	12
Change in own credit risk recognised on financial liabilities designated at fair value through profit or loss (FVTPL)		**(8)**	55
Net change in fair value of equity financial assets measured at FVOCI	22	**45**	(130)
Other gains		**9**	15
Total comprehensive income for the period		**24 488**	37 699
Attributable to ordinary shareholders		**20 000**	31 877
Attributable to other equity instrument holders		**873**	738
Attributable to non-controlling interests		**3 615**	5 084

1 Income tax relating to each component of other comprehensive income is disclosed in note 37.
2 For the year ended 31 December 2019, the most significant contributor of this change relates to the deterioration of the Zimbabwean functional currency, refer to annexure A for more detail.

Statement of cash flows

for the year ended 31 December 2019

	Note	GROUP 2019 Rm	2018 Restated Rm
Net cash flows from operating activities		**23 346**	34 647
Net income before capital items and equity accounted earnings		**47 249**	44 076
Adjusted for non-cash items and other adjustments included in the income statement[1]	41	**(63 506)**	(70 492)
Increase in income-earning assets	41	**(169 094)**	(85 337)
Increase in deposits, trading and other liabilities	41	**140 660**	78 802
Dividends received		**3 830**	3 866
Interest paid		**(67 153)**	(69 021)
Interest received[1]		**130 275**	128 403
Direct taxation paid		**(9 907)**	(10 256)
Purchase of properties		**(175)**	(742)
Proceeds on sales of properties		**0**	45
Proceeds on financial instruments		**10 612**	13 293
Proceeds on realisation of fair value gain		**468**	912
Proceeds on collateral deposits payable		**88**	1 098
Net cash flows used in investing activities		**(5 105)**	(8 728)
Capital expenditure on property and equipment		**(7 424)**	(6 159)
Proceeds from sale of property and equipment		**3 378**	777
Capital expenditure on intangible assets		**(1 489)**	(3 267)
Disposal of interest to non-controlling interests in Liberty Life Swaziland		**15**	
Acquisition of non-controlling interests in Liberty Holdings Namibia		**(8)**	
Sale/(acquisitions) of associates and joint ventures[2]		**486**	(79)
Net cash flows used in investing activities in disposal group		**(63)**	
Net cash flows used in financing activities		**(15 639)**	(18 335)
Issuance/(buy-back) of ordinary share capital		**124**	(203)
Issuance of other equity instruments		**1 942**	
Equity transactions with non-controlling interests[3]		**391**	(1 843)
Cash flows from black economic empowerment transactions		**(132)**	(138)
Issuance of subordinated debt	41	**7 269**	6 100
Redemption of subordinated debt	41	**(4 850)**	(4 550)
Principal lease repayments[4]	20	**(1 734)**	
Dividends paid[5]		**(18 649)**	(17 701)
Effect of exchange rate changes on cash and cash equivalents		**(12 459)**	2 251
Net (decrease)/increase in cash and cash equivalents		**(9 857)**	9 835
Cash and cash equivalents at the beginning of the year		**85 145**	75 310
Cash and cash equivalents at the end of the year		**75 288**	85 145

1 Restated. Refer to page 31 for further details on the restatement.
2 The cash outflows from associates and joint ventures amounted to R255 million and cash inflows amounted to R741 million.
3 Refer to annexure A for more detail on material transactions with non-controlling interests.
4 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.
5 During 2019, coupons to the value of R636 million (2018: R447 million) was paid to additional tier 1 (AT1) capital bond holders. Current tax of R178 million (2018: R125 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R458 million (2018: R322 million).

Statement of changes in equity

for the year ended 31 December 2019

GROUP	Ordinary share capital and premium Rm	Empowerment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Cash flow hedging reserve Rm	Regulatory Statutory credit risk reserve Rm
Balance at 1 January 2019 – IAS 17	**17 860**	**(201)**	**(2 157)**	**(1 800)**	**(983)**	**(194)**	**3 664**
IFRS 16 transition adjustment[3]							
Balance at 1 January 2019 (restated) – IFRS 16	**17 860**	**(201)**	**(2 157)**	**(1 800)**	**(983)**	**(194)**	**3 664**
Total comprehensive (loss)/income for the year				**(5 788)**		**190**	
Profit for the year							
Other comprehensive (loss)/income for the year				(5 788)		190	
Increase in statutory credit risk reserve							696
Unincorporated property partnerships capital reductions and distributions[4]							
Transactions with shareholders and non-controlling interests recorded directly in equity	**124**	**132**	**(502)**	**5**			**(7)**
Equity-settled share-based payment transactions[5]							
Transfer of vested equity options							
Issue of share capital and share premium and capitalisation of reserves	124						
Deferred tax on share-based payment transactions							
Transactions with non-controlling interests[6]			(16)	5			(7)
Net (increase)/decrease in treasury shares			(486)				
Redemption of preference shares		132					
Hyperinflation adjustments[7]							
Disposal of a common control entity							
Net dividends paid							
Dividends paid to equity holders							
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares							
Balance at 31 December 2019	**17 984**	**(69)**	**(2 659)**	**(7 583)**	**(983)**	**(4)**	**4 353**

1 The FVOCI reserve comprises of the FVOCI reserve for debt and equity financial investment. Refer to note 22 for more detail.
2 Other equity instrument holders are holders of preference share capital and AT1 capital. The dividend paid comprises of net equity impact of R458 million (2018: R322 million) on AT1 and preference dividend of R636 million (2018: R416 million). Refer to note 15 for more detail.
3 Refer to the accounting policy elections, transition and restatements on page 29 for more detail on the IFRS 16 transition.
4 Where the group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses and the group consolidates its interest in those property partnerships.
5 Includes hedges of the group's equity-settled share incentive schemes.
6 Refer to annexure A for more detail on material transactions with non-controlling interests.
7 Comprises of the hyperinflation adjustments from Zimbabwe (R730 million) and South Sudan (R17 million).

All balances are stated net of tax, where applicable.

AFS Refer to annexure F for the accounting policies relating to the reserves information.

Fair value through OCI reserve[1] Rm	Own credit risk reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instru-ment holders[2] Rm	Non-con-trolling interests Rm	Total equity Rm
523	34	(1 025)	222	149 118	165 061	9 047	24 955	199 063
				190	190			190
523	34	(1 025)	222	149 308	165 251	9 047	24 955	199 253
74	(8)		(1)	25 533	20 000	873	3 615	24 488
				25 443	25 443	873	4 380	30 696
74	(8)		(1)	90	(5 443)		(765)	(6 208)
				(696)				
							(293)	(293)
		1 309	(1)	(15 082)	(14 022)	1 069	(1 011)	(13 964)
		981		159	1 140		50	1 190
		328		(328)				
					124	1 942	200	2 266
				(30)	(30)			(30)
			(1)	89	70		221	291
				251	(235)		130	(105)
					132			132
				747	747		7	754
				9	9			9
				(15 979)	(15 979)	(873)	(1 619)	(18 471)
				(16 092)	(16 092)	(873)	(1 715)	(18 680)
				113	113		96	209
597	26	284	220	159 063	171 229	10 989	27 266	209 484

Statement of changes in equity continued

for the year ended 31 December 2018

GROUP	Ordinary share capital and premium Rm	Empower-ment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Cash flow hedging reserve Rm	Regulatory statutory credit risk reserve Rm
Balance at 1 January 2018	18 063	(339)	(1 034)	(6 116)	(983)	(94)	2 141
Total comprehensive income/(loss) for the year				4 557		(100)	
Profit for the year							
Other comprehensive income/(loss) for the year				4 557		(100)	
Increase in statutory credit risk reserve							1 296
Unincorporated property partnerships capital reductions and distributions[3]							
Transactions with shareholders and non-controlling interests recorded directly in equity	(203)	138	(1 123)	(241)			227
Equity-settled share-based payment transactions[4]							
Transfer of vested equity options							
Issue of share capital and share premium and capitalisation of reserves	320						
Share buy-back	(523)						
Deferred tax on share-based payment transactions							
Transactions with non-controlling interests[5]			(13)	(241)			227
Net increase in treasury shares			(1 110)				
Redemption of preference shares		138					
Hyperinflation adjustment							
Net dividends paid							
Dividends paid to equity holders							
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares							
Balance at 31 December 2018	17 860	(201)	(2 157)	(1 800)	(983)	(194)	3 664

1 The FVOCI reserve comprises of the FVOCI reserve for debt and equity financial investment. Refer to note 22 for more detail.
2 Other equity holders are holders of preference share capital and AT1 capital. The dividend paid comprises of net equity impact of R322 million on AT1 and preference dividend of R416 million. Refer to note 15 for more detail.
3 Where the group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses and the group consolidates its interest in those property partnerships.
4 Includes hedges of the group's equity-settled share incentive schemes.
5 Refer to annexure A for more detail on material transactions with non-controlling interests.

All balances are stated net of tax, where applicable.

AFS Refer to annexure F for the accounting policies relating to the reserves.

	Fair value through OCI reserve[1] Rm	Own credit risk reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instrument holders[2] Rm	Non-controlling interests Rm	Total equity Rm
	582		(906)	208	139 237	150 759	9 047	23 574	183 380
	(71)	34		14	27 443	31 877	738	5 084	37 699
					27 453	27 453	738	4 452	32 643
	(71)	34		14	(10)	4 424		632	5 056
					(1 296)				
								(222)	(222)
	12		(119)		(16 266)	(17 575)	(738)	(3 481)	(21 794)
			(1 078)		1 678	600		26	626
			959		(959)				
						320			320
						(523)			(523)
					(128)	(128)			(128)
	12				(1 594)	(1 609)		(1 386)	(2 995)
					(185)	(1 295)		(412)	(1 707)
						138			138
					35	35		16	51
					(15 113)	(15 113)	(738)	(1 725)	(17 576)
					(15 221)	(15 221)	(738)	(1 822)	(17 781)
					108	108		97	205
	523	34	(1 025)	222	149 118	165 061	9 047	24 955	199 063

Accounting policy elections and IFRS 16 transition and restatements

The principal accounting policies applied in the presentation of the group and company's annual financial statements are set out below.

Basis of preparation

The group's consolidated and company's separate annual financial statements (annual financial statements) are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the South African Companies Act. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets classified at FVOCI, financial assets and liabilities classified at FVTPL and liabilities for cash-settled share-based payment arrangements.
- Post-employment benefit obligations that are measured in terms of the projected unit credit method.
- Investment property is measured at FVTPL.
- Policyholder insurance contract liabilities and related reinsurance assets are measured in terms of the Financial Soundness Valuations (FSV) basis as set out in accounting policy 12 – Policyholder insurance and investment contracts.

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 3).
- Cumulative gains and losses recognised in OCI in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 3).
- Commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less cost to sell (accounting policy 3).
- Intangible assets and property, equipment and right of use assets are accounted for at cost less accumulated amortisation/depreciation and impairment (accounting policy 6).
- The portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 4).
- Investments in associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method in the separate financial statements (accounting policy 2).
- Investment property is accounted for using the fair value model (accounting policy 6).
- Mutual fund investments held by investment-linked insurance funds, that do not meet the definition of a subsidiary, are designated on initial recognition as at fair value through profit or loss (accounting policy 2).

Functional and presentation currency

The annual financial statements are presented in South African rand, which is the presentation currency of the group and the functional and presentation currency of the company. All amounts are stated in millions of rand (Rm), unless indicated otherwise.

Changes in accounting policies

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial period

- IFRS 9 *Financial Instruments (amendment)* (IFRS 9), the amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The impact on the annual financial statements is not significant.
- IAS 19 *Employee Benefits (amendments)* (IAS 19), the amendments require a company to use the updated assumptions when a change to a plan, either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied prospectively. The impact on the annual financial statements is not significant.
- IAS 28 *Interest in Associates and Joint Ventures (amendment)* (IAS 28), this amendment clarifies that an entity should apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The amendments will be applied retrospectively. The impact on the annual financial statements is not significant.
- IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23), this interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight. The impact on the annual financial statements is not significant.
- Annual improvements 2015 – 2017 cycle, the IASB has issued various amendments and clarifications to existing IFRS.
- SAICA Headline Earnings Circular (Circular 1/2019), the changes relate to amendments to IFRS, specifically IFRS 16.

Early adoption of revised standards

- IAS 1 *Presentation of Financial Statements* (IAS 1) and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8), the amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively.

The adoption of the above mentioned new and amended standards on 1 January 2019 did not affect the group's previously reported financial results or disclosures and did not impact the group's results upon transition. Accounting policies have been amended as relevant. Refer to annexure F detailed accounting policies.

IFRS 16 with effect from 1 January 2019, replaced IAS 17 as well as the related interpretations. IFRS 16 introduces a single lease accounting model for lessees which impacted the group's results upon transition and materially impacted the group's accounting policies for lessees, refer to the IFRS 16 section below for more detail on the transition.

IFRS 16 – transition

Background

With effect from 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 1, except for modification of lease contracts.

Adoption and transition

The group retrospectively adopted IFRS 16 on 1 January 2019 with an adjustment to the group's opening 1 January 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the group and company's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated for each legal entity in the group utilising the internal funding rate of each entity.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

Practical expedients applied:

In applying IFRS 16 for the first time, the group used the following practical expedients permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases provided there was no option to extend the term
- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group and company relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an arrangement contains a Lease*.

The group's leasing activities and how these are accounted for:

The group leases various offices, branch space and ATM space. Rental contracts are typically made for fixed average periods of between three to ten years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right of use asset and a corresponding lease liability.

Extension and termination options:

Extension and termination options are included in a number of building and branch space leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IFRS 16 key financial impacts

The single lessee accounting model which comprises IFRS 16's most material impact for the group results in an increase of R4 886 million in total assets, R4 696 million increase in total liabilities and an increase in reserves of R190 million due to the release of the IAS 17 straight-lined lease provision. The total undiscounted operating lease commitments as at 31 December 2018 amount to R7 271 million, the lease liability as at 1 January 2019 amounted to R4 954 million, this difference primarily relates to discounting the operating lease commitments balance at the group's weighted average incremental borrowing rate which ranges from 2% – 15%, due to the multiple jurisdictions the group operates within.

TABLE 1: IMPACT ON THE GROUP'S SUMMARISED STATEMENT OF FINANCIAL POSITION ON 1 JANUARY 2019

	31 December 2018 Rm	IFRS 16 transition adjustment at 1 January 2019 Rm	1 January 2019 Rm
Assets			
Property, equipment and right of use asset	19 194	**5 394**	**24 588**
Other financial and non-financial assets[1]	2 107 768	**(508)**	**2 107 260**
Total assets	2 126 962	**4 886**	**2 131 848**
Equity and liabilities			
Equity	199 063	**190**	**199 253**
Equity attributable to the ordinary shareholder	165 061	**190**	**165 251**
Equity attributable to other equity holders	9 047		**9 047**
Equity attributable to non-controlling interests	24 955		**24 955**
Liabilities[2]	1 927 899	**4 696**	**1 932 595**
Total equity and liabilities	2 126 962	**4 886**	**2 131 848**

1 Materially relates to the derecognition of the IAS 17 prepaid lease asset.
2 Materially relates to the recognition of lease liabilities of R4 954 million and the release of the IAS 17 straight-lined lease provision.

TABLE 2: IMPACT ON THE GROUP'S SUMMARISED STATEMENT OF CHANGES IN EQUITY ON 1 JANUARY 2019

	31 December 2018 Rm	IFRS 16 transition adjustment at 1 January 2018 Rm	1 January 2019 Rm
Ordinary share capital and share premium	17 860		**17 860**
Retained earnings	149 118	**190**	**149 308**
Other	(1 917)		**(1 917)**
Total ordinary shareholders' equity	165 061	**190**	**165 251**
Other equity instruments	9 047		**9 047**
Non-controlling interests	24 955		**24 955**
Total equity	199 063	**190**	**199 253**

Restatements

Correction of prior period income statement presentation error

In terms of the group's accounting policy, trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends. The group determined that certain other gains/losses were erroneously presented within trading revenue. Therefore, during 2019, the group restated trading revenue to exclude these gains and losses as it does not comprise gains and losses (including related interest income, expense and dividends) from changes in the fair value of trading assets and liabilities. These gains and losses have been presented within Other revenue as it is more representative of the nature of the gains and losses and better aligns to the group's gains and losses presentation policy. This correction has no impact on the group's consolidated income statement, total income, profit for the year and earnings per share. The impact on the non-interest revenue disclosure is as follows:

	2018		
	As previously presented income/ (expense) Rm	Restatement Rm	Restated income/ (expense) Rm
Trading revenue	11 129	(330)	10 799
Other revenue	3 533	330	3 863

Correction of the classification of investment in unit trust and portfolio managed funds

During 2019, it was identified that upon transition to IFRS 9 certain investments in unit trusts and portfolio managed funds were incorrectly classified as loans and advances, instead of financial investments per the group IFRS 9 presentation guidance. As a result, these assets were incorrectly classified as amortised cost instruments, rather than fair value through profit or loss due to the IFRS 9 contractual cash flow test not being met. However, the carrying amount of these assets approximate their fair values and accordingly did not impact the group's total assets, profit for the year, credit impairment charges and earnings per share.

The correction of this error amount to a reclassification between statement of financial position, income statement and statement of cash flows line items as indicated below:

	2018			1 January 2018[1]		
	As previously reported debit/(credit) Rm	Restatement Rm	Restated debit/(credit) Rm	As previously reported debit/(credit) Rm	Restatement Rm	Restated debit/(credit) Rm
Statement of financial position						
Financial investments	547 405	1 121	548 526	533 074	1 550	534 624
Loans and advances	1 120 668	(1 121)	1 119 547	1 040 105	(1 550)	1 038 555
Income statement						
Interest income	(128 183)	117	(128 066)			
Other gains and losses on financial instruments[2]	(672)	(117)	(789)			
Statement of cash flows						
Adjusted for non-cash items and other adjustments included in the income statement	(70 609)	117	(70 492)			
Interest received	128 520	(117)	128 403			

1 Amounts consist of 2017 balances, as reported, after transition to IFRS 9. Refer to the group's transition report for further information relating to the transition to IFRS 9.

Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could materially 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 future events. Post the implementation of IFRS 9 on 1 January 2018, no material changes to assumptions have occurred during the current year. The following represents the most material key management assumptions applied in preparing these financial statements.

Expected credit loss (ECL) on financial assets – drivers

For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post write-off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss. This LGD parameters is aligned to market practice.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

The ECL measurement period for stage 1 exposures is 12 months (or the remaining tenor of the financial asset for CIB, including certain PBB business banking exposures, if the remaining lifetime is less than 12 months).

- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetime includes consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime and the potential ECL.
- The measurement period for unutilised loan commitments utilise the same approach as on-balance sheet exposures.

Significant increase in credit risk (SICR) and low credit risk

PBB

All exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD and absolute PD backstop. Credit risk has increased significantly since initial recognition when these criterion are met.

The group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0 – 29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0 – 29 day accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, the rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

CIB (including certain PBB business banking exposures)

The group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the group's master rating scale as investment grade (within credit risk grade 1 – 12 of the group's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be of a low credit risk. To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table below:

Group Master rating scale band	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

Incorporation of forward-looking information (FLI) in ECL measurement

The group determines the macroeconomic outlook, over a planning horizon of at least three years, for each country based on the group's global outlook and its global view of commodities.

For PBB these forward-looking economic expectations are included in the ECL where adjustments are made based on the group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the group's macro-economic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustments. These out-of-model adjustments are subject to group credit governance committee oversight.

The group's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities, in excess of the current limit).

The group has not rebutted the 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the group's CIB or PBB credit governance committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

The group's forward-looking economic expectations were applied in the determination of the ECL at the reporting date

A range of base, bullish and bearish forward-looking economic expectations were determined, as at 31 December 2019, for inclusion in the group's forward-looking process and ECL calculation:

South African economic expectation

- Our base case for South Africa is premised on a recovery in both business and consumer confidence, which would require real, though incremental, progress with economic reforms. If so, we should see a modest recovery in both real private sector fixed investment and employment. We expect the current government leadership to implement the Eskom turnaround plan. However, further power cuts would pose a significant risk to our growth forecast. From a global perspective, the US-China trade (partial phase one trade deal) signed recently may be derailed, given that some of the key underlying points of contention have not been resolved; however, for now, the rand is reaping the benefits in the wake of the deal.
- A more bearish outcome could materialise should concrete economic reform remain out of reach, despite the initial institutional improvements and some administrative policy reforms. SA's economic growth remains inactive, inhibiting both employment growth and fiscal improvement. Government has thus far failed to ensure debt stabilisation and fiscal sustainability. In addition, SA is likely to in March lose its only remaining investment-grade by Moody's because of potentially no compelling spending cuts in the February 2020 National Budget. The global trade war may well intensify, resulting in further demand weakness from SA's major trading partners.
- There's a moderate probability of a bullish case emerging, from better-than-expected policy reform implementation improving both business and consumer confidence and, ultimately, private sector fixed investment and employment. Consumer spending, still quite resilient, would also further benefit from improved confidence and employment growth.

Africa Regions economic expectation

The Africa Regions base case comprises of the following outlook and conditions:

- The slowdown among developed countries was a significant contributing factor towards restraining growth in African countries, specifically among commodity exporters. Nonetheless, other factors also contributed to the limited growth. There was drought that affected agricultural production in some countries in Southern Africa. In Zambia and Zimbabwe, the severity of the drought also constrained hydro-electricity generation.
- Significant policy missteps in some countries may explain their persistent economic underperformance. Policymakers in these countries probably need to intensify their efforts to improve investment spending and address infrastructural bottlenecks. This is particularly so for Angola (which has been undertaking reforms under the auspices of an IMF-funded economic program), and Nigeria. To attract capital for such investment spending, these governments would find the going easier if global financial market sentiment remained ebullient.
- There are some countries that are likely to continue growing strongly, continuing to attract significant foreign capital inflows to help finance investment spending. The countries in East Africa characterise this, as does Côte d'Ivoire and Senegal in West Africa. Elections in Côte d'Ivoire, Ethiopia and Ghana later this year are, nominally, risk factors. But it seems unlikely that these elections will derail the strong growth that these countries have experienced.

Global economic expectation

The global base case comprises of the following outlook and conditions:

- Despite expectations that the world economy may recover from the likes of the IMF, we look for growth to remain subdued at least through 2020. Trade-related tensions, the new coronavirus and the limited room for monetary policy easing are all seen as contributory factors.
- Financial asset prices have been quite robust for some time, provided by central bank implication. But further strong gains are likely to be harder to achieve. Bond yields are also set to stay low.
- The Federal Reserve envisages stable rates for some time, before modest increases in the long-haul. We think it more likely that rates will have to be cut again.
- Inflationary pressures are expected to stay relatively muted, notwithstanding some risks of higher prices from the disturbances to global supply chains created first by trade tensions and latterly by the coronavirus.
- The dollar stands at quite elevated levels and the US administration is pressurising other countries to avoid devaluing their currencies. We think these two factors combined will help produce a moderately weaker dollar over the long haul.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision on financial assets. For each scenario, namely the base case (55%), bullish (25%) and bearish (20%) scenario, the average values of the factors over the next 12 months, and over the remaining forecast period, are presented.

	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors – 2019	Next 12 months	Remaining forecast period[1]	Next 12 months	Remaining forecast period[1]	Next 12 months	Remaining forecast period[1]
South Africa						
Inflation (%)	4.60	4.86	6.03	5.58	4.38	4.24
Real GDP (%)	1.33	2.17	0.18	0.38	1.96	3.19
Employment rate growth (%)	0.51	0.94	(0.13)	0.17	0.89	1.78
Household credit (%)	6.53	6.82	5.52	6.50	6.96	7.50
Exchange rate USD/ZAR	14.83	14.43	16.44	15.32	13.70	13.58
Prime (%)	9.75	10.03	10.69	10.63	9.50	9.66
Africa Regions[2]						
Inflation (%)	7.60	7.10	9.20	8.40	6.50	6.30
Policy rate (%)	9.40	8.80	10.10	10.10	9.00	8.10
3m Tbill rate (%)	8.70	8.30	9.90	9.30	8.10	7.70
6m Tbill rate (%)	9.40	8.90	10.30	9.50	9.10	8.40
Real GDP (%)	3.70	4.60	2.60	3.60	4.50	5.40
Global[2]						
Inflation (%)	1.70	2.30	2.80	1.70	1.70	1.90
Policy rate (%)	0.30	1.00	0.10	0.80	1.30	1.90
Exchange rate GBP/USD	1.28	1.50	1.18	1.40	1.41	1.40
Real GDP (%)	0.90	1.90	(0.50)	1.40	2.00	1.90
Unemployment rate (%)	4.50	4.50	5.50	5.00	3.80	4.40

1 The remaining forecast period is 2021 to 2024.
2 Where multiple jurisdictions are considered, weighted averages are used.

Macroeconomic factors – 2018	Base scenario		Bearish scenario		Bullish scenario	
	Next 12 months	Remaining forecast period[2]	Next 12 months	Remaining forecast period[1]	Next 12 months	Remaining forecast period[2]
South Africa						
Inflation (%)	5.5	5.3	6.5	5.8	4.8	5.1
Real GDP (%)	1.8	2.5	0.8	1.0	2.4	2.9
Employment rate growth (%)	1.2	1.3	0.1	0.6	1.4	1.6
Household credit (%)	6.1	7.2	1.8	6.0	6.8	7.7
Exchange rate USD/ZAR	13.4	13.8	14.9	14.5	12.1	12.7
Prime (%)	10.3	10.5	10.5	10.8	10.0	10.0
Africa Regions[2]						
Inflation (%)	8.8	7.5	10.3	9.9	7.7	6.3
Policy rate (%)	10.5	10.2	11.9	11.7	10.0	8.9
3m Tbill rate (%)	9.4	9.7	11.1	10.9	8.5	8.1
6m Tbill rate (%)	9.9	9.7	11.3	10.8	9.2	8.7
Real GDP (%)	4.6	5.4	3.6	4.4	5.3	6.3
Global[1]						
Inflation (%)	1.8	2.1	2.7	1.6	1.6	2.0
Policy rate (%)	0.8	1.4	0.2	0.5	1.0	1.8
Exchange rate GBP/USD	1.5	1.5	1.0	1.3	1.5	1.5
Real GDP (%)	1.0	1.7	(1.4)	0.9	1.7	2.0
Unemployment rate (%)	4.4	4.7	5.3	5.3	4.1	4.2

1 The remaining forecast period is 2020 to 2023.
2 Where multiple jurisdictions are considered, weighted averages are used.

Sensitivity analysis of CIB forward-looking impact on ECL provision

Management assessed and considered the sensitivity of the provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Therefore the impact of forward-looking economic conditions is embedded into the total provision for each CIB client and cannot be stressed or separated out of the overall CIB provision.

Sensitivity analysis of PBB forward-looking impact on ECL provision

The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2019 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

	2019		2018	
	Rm	**% change of total PBB provision**	Rm	% change of total PBB provision
Forward-looking impact on IFRS 9 provision	**1 681**		1 741	
Scenarios				
Base	**1 466**	**(1)**	1 488	(1)
Bearish	**2 970**	**4**	2 719	3
Bullish	**983**	**(2)**	1 154	(2)

AFS Refer to note 7 loans and advances, for the carrying amounts of loans and advances and to the credit risk section of the risk and capital management report in annexure C for the group's assessment of the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due.

Derivatives held-for-hedging

Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. This reform is at various stages globally. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group. The group's derivative instruments are governed by ISDA's 2006 definitions. ISDA is currently reviewing its definitions in light of IBOR reform and the group expects it to issue standardised amendments to all impacted derivative contracts at a future date. No derivative instruments have been modified as at the reporting date. Consequently, significant judgement is applied in determining whether certain interest rate risk hedge relationships will continue to qualify for hedge accounting. As at 31 December 2019, management's view is that existing hedge relationships referencing IBORs continue to qualify for hedge accounting given market reliance on existing IBORs and the current absence of term structures in ARRs for products that span longer time periods. Management is monitoring market and accounting developments in this regard.

The group is in the earlier stages of establishing a committee within Treasury and Capital Management to manage the transition to alternative rates. The objectives of the committee would include evaluating the extent to which loans advanced and liabilities that reference IBOR cash flows, require amendments as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee will work closely with business teams across the group to establish pricing for new lending products indexed to the ARR in impacted jurisdictions.

AFS Refer to note 2 for derivative instruments disclosures.

Fair value

Financial instruments

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers
- implied volatilities on thinly traded instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing the exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for the year ended 31 December 2019 was a net gain of R677 million (2018: R1 896 million net gain). Other financial instruments, not at level 3, are utilised to mitigate the risk of these changes in fair value.

AFS Refer to note 22 for the fair value disclosures.

Investment property

The full portfolio of the South African located properties were independently valued as at 31 December 2019 by registered professional valuers, namely Broll Valuation Advisory Services and Jones Lang LaSalle Proprietary Limited, both of which are registered valuers in terms of the Property Valuers Professional Act, No 47 of 2000 and are registered with the Royal Institution of Chartered Surveyors. The Kenyan and Nigerian located properties were independently valued as at 31 December 2019 by various registered professional valuers in each territory.

The valuation of the South African properties is prepared in accordance with the guidelines of and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions.

In the majority of cases, the properties have been valued using the discounted cash flow methodology whereby the forecasted net cash flow and residual value of the asset at the end of the forecasted cash flow period is discounted back to the valuation date, resulting in a present value of the asset.

The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate.

On the basis that turnover or profit rental income has a greater degree of uncertainty and risk than the contractual base rental, a risk premium of between 1% and 6% has been added to the discount rate and to the exit capitalisation rate, to reflect the greater investment risk associated with the variable rental element on a property by property basis.

Valuers may use any reasonable method for developing an appropriate discount rate with consideration being given to:

- the type of asset being valued
- the rates implicit in comparable transactions in the market
- the geographic location of the asset and/or the location of the markets in which the asset would trade
- the life/term and/or maturity of the asset and the consistency of inputs
- the bases of value being applied.

The discount rate and exit capitalisation rate are then tested for reasonableness and benchmarked against recent comparable sales and surveys prepared by the MSCI and South African Property Owners Association (SAPOA).

AFS Refer to note 11 for investment property disclosures.

Consolidation of entities

The group controls and consolidates an entity where the group has power over the entity's relevant activities; is exposed to variable returns from its involvement with the investee; and has the ability to affect the returns through its power over the entity, including Structured Entities (SEs). Determining whether the group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights including whether such rights are substantive.

Interests in unconsolidated SEs that are not considered to be a typical customer-supplier relationship are required to be identified and disclosed. The group regards interest to be a typical customer-supplier relationship where the level of risk inherent in that interest in the SE exposes the group to a similar risk profile to that found in standard market-related transactions. The group sponsors an SE where it provides financial support to the SE when not contractually required to do so. Financial support may be provided by the group to an SE for events such as litigation, tax and operational difficulties.

AFS Refer to annexure A for detail on subsidiaries, consolidated and unconsolidated structured entities within the group.

Significant influence – investment funds

The group accounts for its interests in investment funds as associates where the group is the fund manager, for which there is an irrevocable fund management agreement, and the group has a monetary interest in the particular fund. Such associates are equity accounted unless designated to be measured at fair value through profit or loss.

AFS Refer to annexure B for detail on associates and joint ventures.

Computer software intangible assets

The group reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount. The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

The recoverable amount is determined as the higher of an asset's fair value less cost of disposal and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate.

During the 2019 financial year, certain of the group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by an amount of R234 million (2018: R449 million). These impairments are excluded from the group's headline earnings.

AFS Refer to note 13 for intangible asset disclosure, as well as annexure F for more detail on the accounting policy relating to computer software, the capitalisation thereof, as well as amortisation and impairment policies.

Goodwill impairment

In terms of IFRS, the group is required on an annual basis to test its recognised goodwill for impairment. The impairment tests are performed by comparing the cash-generating units' (CGUs') recoverable amounts to the carrying amounts in the functional currency of the CGU being assessed for impairment.
The recoverable amount is defined as the higher of the entity's fair value less costs of disposal and its value in use. The review and testing of goodwill for impairment inherently requires significant management judgement as management needs to estimate the identified CGU's future cash flows. The principal assumptions considered in determining an entity's value in use include:

- Future cash flows – the forecast periods adopted reflect a set of cash flows which, based on management's judgement and expected market conditions, could be sustainably generated over such a period. A forecast period of greater than five years has been used in order to take into account the level of development in these markets. The cash flows from the final discrete cash flow period are extrapolated into perpetuity to reflect the long-term plans for the entity. It is common valuation methodology to avoid placing too high a proportion of the total value on the perpetuity value.
- Discount rates – the cost of equity (COE) discount rates utilised in the equity pricing models are deemed appropriate based on the entities under review. The risk-free rate used to determine the COE has been derived from the respective local ten-year government bonds adjusted for inflation differential and country risk yield. The future cash flows are discounted using the COE assigned to the appropriate CGUs and by nature can have a significant impact on their valuations.

The following table summarises the impairment test methodology applied and the key inputs used in testing the group's goodwill relating to Stanbic IBTC Holdings PLC and Stanbic Holdings Plc (previously CFC Stanbic Holdings).

	Stanbic IBTC Holdings PLC Value in use		Stanbic Holdings PLC (Kenya) Value in use	
	2019	2018	**2019**	2018
Discounted cash flow				
Discount rate (nominal)(%)	**17.6**	21.7	**16.9**	17.6
Terminal growth rate (nominal)(%)	**7.0**	10.0	**9.1**	7.3
Forecast period (years)[1]	**10**	10	**8**	8

1 In the instance where the group values subsidiaries where the long-term strategy is to hold and grow the investment, the preferred approach is to value future cash flows over a longer period in order to avoid placing too much value on the terminal cash flow period.

AFS Note 13 summarises the group's impairment test results and the main components of goodwill.

Current and deferred taxation

The group is subject to direct and indirect taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 14 and note 38, respectively, in the period in which such determination is made.

Uncertain tax positions are provided for in accordance with the criteria defined within IAS 12 *Income Taxes* and IFRIC 23. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group in order to utilise the deferred tax assets.

AFS Refer to note 14 and note 37.

Post-employment benefits

The group's post-employment benefits consist of both post-employment retirement funds and healthcare benefits for South African operations which have been deemed to be most material. The measurement of the group's obligations to fund these benefits are derived from actuarial valuations performed by the appointed actuaries taking into account various assumptions. The funds are subject to a statutory financial review by the group's independent actuaries at intervals of not more than three years.

The principal assumptions used in the determination of the group's obligations include the following:

	Retirement fund		Post-employment medical aid fund	
	2019	2018	**2019**	2018
Discount rate	**Nominal government bond yield curve**	Nominal government bond yield curve	**Nominal government bond yield curve**	Nominal government bond yield curve
Return on investments (discount rate of term equal to discounted mean term of liabilities)[1]	**9.28% to 11.37%**	9.64% to 10.88%	**Unfunded liability and therefore there is no asset-backing portfolio**	Unfunded liability and therefore there is no asset-backing portfolio
Salary/benefit inflation	**Future salary increases based on inflation curve plus 1% – 2% pa to each point on the curve**	Future salary increases based on inflation curve plus 1% – 2% pa to each point on the curve	**Not applicable to fund**	Not applicable to fund
Medical cost inflation (applicable to members who retired before 1 January 2013)[2]	**Not applicable to fund**	Not applicable to fund	**Inflation curve adjusted by 1%**	Inflation curve adjusted by 1%
Medical cost inflation (applicable to all other members)	**Not applicable to fund**	Not applicable to fund	**Curve implied by the difference between a nominal government bond curve and an index-linked bond**	Curve implied by the difference between a nominal government bond curve and an index-linked bond
CPI inflation	**Difference between nominal and index-linked bond yield curves**	Difference between nominal and index-linked bond yield curves	**Difference between nominal and index-linked bond yield curves**	Difference between nominal and index-linked bond yield curves
Pension increase in allowance	**Inflation rate**	Inflation rate	**Not applicable to fund**	Not applicable to fund
Remaining service life of employees (years)	**8.37**	9.33	**4 years 11 months and 11 years 10 months**	5 years 6 months, and 12 years 4 months

1 This relates to members of material retirement funds within the group.
2 This relates to members within the employment of Liberty.

AFS Refer to note 43 for further details regarding the group's post-employment benefits.

Long-term insurance contracts

Policyholder liabilities under insurance contracts issued and reinsurance assets held are derived from actual claims submitted which are not settled at the reporting date, and estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premiums to be received or paid (net of expected service costs). The key assumptions applied and analysis of their sensitivity have been detailed in the insurance risk and sensitivity analysis components of the risk and capital management report in annexure C.

AFS Refer to annexure C.

Process used to decide on assumptions and changes in assumptions

Mortality and morbidity

An appropriate base table of standard mortality or morbidity is chosen depending on the type of contract and class of business. Industry standard tables are used for smaller classes of business. Company-specific tables, based on graduated industry standard tables modified to reflect the company-specific experience, are used for larger classes. Investigations into mortality and morbidity experience are performed at least once a year for all classes of business. The period of investigation extends over at least the latest three full years. Assumptions are set as the best estimate taking into account all relevant information. The results of the investigation are an input used to set the valuation assumptions, which are applied as an adjustment to the respective base table. In setting the assumptions, provision is made for expected Acquired Immune Deficiency Syndrome (Aids)-related claims. For contracts insuring survivorship, an allowance is made for future mortality improvements based on expected future trends.

Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past, as well as expected future trends. The withdrawal investigations are performed at least once a year for all classes of business. The period of investigation extends over at least the latest two full years. Assumptions are set as the best estimate taking into account all relevant information. The withdrawal rates are analysed by product type and policy duration as rates vary considerably by these two factors. Typically the assumptions are higher for risk type products than for investment type products and are higher at early durations. The surrender values assumed are as per the terms and conditions and any other regulatory restrictions in place at the financial position date.

Investment return

Future investment returns are set for the main asset classes as follows:

- Bond rate – the derived yield from the bond yield curve, at a duration of ten years at the reporting date, 9.17% (2018: 9.42%)
- Equity rate – bond rate plus 3.5% as an adjustment for risk, 12.67% (2018: 12.92%)
- Property rate – bond rate plus 1% as an adjustment for risk, 10.17% (2018: 10.42%)
- Cash – bond rate less 1.5%, 7.67% (2018: 7.92%).

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities. The pre-taxation discount rate is set at the same rate. The rate averaged across these blocks of business is 10.4% per annum in 2019 (2018: 10.6% per annum). Where appropriate the investment return assumption is adjusted to make allowance for investment expenses and taxation.

Expenses

An expense analysis is performed on the actual expenses incurred, split between acquisition and maintenance expenses, in the calendar year preceding the reporting date. This analysis is used to calculate the acquisition costs incurred. The budget in respect of the following year approved by the board is used to set the maintenance expense assumption.

Expense inflation

The expense inflation assumption is set taking into consideration, market implied inflation, the expected future development of the number of in-force policies, as well as the expected future profile of maintenance expenses. The expense inflation assumption for pure risk, life annuity, disability in payment and guaranteed endowments business is consistent with market implied inflation rates. For other classes of business the inflation rate is set at the effective ten-year gilt yield curve rate (gilt rate) less 1.75% when the gilt rate is above 7.25%. The expense inflation rate is set at 72% of the gilt rate when this is below 5.25%. At gilt rates between 5.25% and 7.25% the inflation rate is interpolated to ensure a smooth transition between the two methodologies. This results in a best estimate inflation assumption of 7.42% at 31 December 2019 (2018: 7.67%).

Taxation

Assumptions as to the amount and timing of future income tax and capital gains tax (CGT) payments are based upon the applicable tax law and rates effective as at the reporting date and as set out in the Income Tax Act. Allowance is also made for dividends withholding tax at the rate applicable at the reporting date. Deferred taxation liabilities, in particular a provision for future CGT in respect of unrealised capital gains/(losses), have been taken into account using the full face value.

Correlations

No correlations between assumptions are allowed for.

Contribution increases

In the valuation of the policyholder and reinsurance contracts, voluntary premium increases that give rise to expected profits within broad product groups are not allowed for. However, compulsory increases and increases that give rise to expected losses within broad product groups are allowed for. This is consistent with the requirements of the Standard Actuarial Practice (SAP) 104.

Embedded investment derivative assumptions

The assumptions used to value embedded derivatives in respect of policyholder contracts are set in accordance with Advisory Practice Notes (APN) 110. Account is taken of the yield curve at the valuation date. Both implied market volatility and historical volatility are taken into account when setting volatility assumptions. Correlations between asset classes are set based on historical data. Over sixteen thousand simulations are performed in calculating the liability.

Process used to decide on assumptions and changes in assumptions for Non-South African life companies' change in assumptions

Assumptions used in the valuation of policyholder and reinsurance contracts are set by references to local guidance, taxation legislation and where applicable to the Actuarial Society of South Africa guidance. Economic assumptions are set by reference to local economic conditions at the valuation date. Margins are allowed for as prescribed by local guidance and regulations.

Using the simulated investment returns the prices and implied volatilities of the following instruments are:

	Price		Volatility	
Instrument	**2019 %**	2018 %	**2019 %**	2018 %
A one-year at-the-money (spot) put on the FTSE[1]/JSE Top 40 index	**4.89**	5.98	**17.09**	20.76
A one-year put on the FTSE/JSE Top 40 index, with a strike price equal to 80% of spot	**1.02**	1.53	**21.57**	24.88
A one-year at-the-money (forward) put on the FTSE/JSE Top 40 index	**6.34**	7.73	**16.37**	19.98
A five-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**7.81**	7.68	**20.9**	22.30
A five-year put on the FTSE/JSE Top 40 index, with a strike price equal to $1,04^{5\#}$ of spot	**14.89**	14.29	**20.04**	21.47
A five-year (forward) put on the FTSE/JSE Top 40 index	**15.37**	16.34	**20.00**	21.29
A five-year put with a strike price equal to $1,04^{5\#}$ of spot on an underlying index constructed as 60% FTSE/JSE Top 40 and 40% All Bond Index (ALBI), with rebalancing of the underlying index back to these weights taking place annually	**6.86**	6.14		
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**3.37**	3.04	**26.97**	27.22
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to $1,042^{0\#}$ of spot	**15.67**	14.34	**28.15**	28.44
A 20-year at-the-money (forward) put on the FTSE/JSE Top 40 index	**27.36**	27.71	**28.74**	29.16
A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than the strike price	**0.57**	0.52		

1 Financial Times Stock Exchange.
\# Exponent.

AFS Refer to note 8 for disclosures on policyholders' contracts.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded at, include determining whether there is an obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions, management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the balance sheet date up to the date of the approval of the financial statements.

AFS Refer to note 24 for details regarding the group's legal proceedings defended.

Impairment of ICBCS

ICBCS, in which the group is a 40% shareholder, incurred a loss of USD248 million for the 2019 financial year, which includes losses and provisions relating to a single client loss, refer below for detail, of USD198 million and restructuring costs of USD30 million following the closure of certain regional offices and management actions to reduce operational costs.

The single client loss arose as a result of an explosion at the Philadelphia Energy Solutions (PES) oil refinery complex on the East Coast of the United States. PES filed for bankruptcy protection in July 2019 and various associated actions are currently before the courts. ICBCS is a named beneficiary of certain policies covering Business Interruption in relation to the PES event. ICBCS has lodged a claim with the insurance company and is asserting the priority of its claim. As at 31 December 2019, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, ICBCS has not recognised any insurance recoveries as the significant uncertainty regarding the amount and timing of the insurance recoveries means that the recognition criteria for insurance recoveries are not yet satisfied. The bankruptcy process of PES and insurance claims process are ongoing.

Following a review of ICBCS's business model, the ICBCS board has taken actions to reduce costs and simplify ICBCS's business model and will focus on driving efficiencies through working more closely with the ICBC. As at 31 December 2019, having issued additional tier 1 (AT1) capital to ICBC, ICBCS was sufficiently capitalised to meet its regulatory requirements and to support the business levels indicated in its business plan.

Given the significant losses suffered by ICBCS and the deterioration of market conditions, the group reviewed the recoverable amount of the associate investment at 30 September 2019. At that time, the group took into consideration available information, applying a value in use (VIU) approach in determining the carrying value. Following this review, the value of the group's carrying value in ICBCS was impaired from USD383 million to USD220 million with an impairment of R2.4 billion recognised in earnings attributable to ordinary shareholders.

At 31 December 2019, after further losses recorded by ICBCS in the fourth quarter of 2019, including restructuring provisions, the group's 40% associate investment in ICBCS was carried at USD189 million (R2.6 billion).

The group has assessed the recoverable amount of its investment in ICBCS at 31 December 2019; consistent with the approach used at 30 September 2019, the group adopted a VIU approach to determine the recoverable amount utilising the latest available information at year end. Cash flow projections were based on future cash flows the group could derive from the investment, taking into consideration various scenarios. In addition, an appropriate discount rate of 9.8%, which reflects current market assessments of the time value of money and risks specific to ICBCS, was applied. Key inputs to the VIU include ICBCS management's most recent business plan projections. The VIU reflects the present value of the expected future cash flows and is based on the weighted average of potential business outcomes.

Based on the outcome of this analysis and the value derived, we conclude that the recoverable amount approximates carrying value and therefore no further impairment was recognised by the group at 31 December 2019. The group will continue to engage and work with ICBC and ICBCS to enable the business to generate acceptable returns.

Notes to the annual financial statements

1. Cash and balances with central banks

	2019 Rm	2018 Rm
Coins and bank notes	**16 700**	20 681
Balances with central banks[1]	**58 588**	64 464
Total	**75 288**	85 145

[1] Included in this balance is R48 950 million (2018: R55 414 million) that primarily comprises of reserving requirements held with central banks within the countries of operation and are available for use by the group subject to certain restrictions and limitations levied by central banks within the respective countries. These balances are held at fair value through profit or loss.

2. Derivative instruments

All derivatives are classified either as held-for-trading or held-for-hedging. A summary of the total derivative assets and liabilities is shown in the table below.

	Fair value of assets		Fair value of liabilities	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Total derivative assets/(liabilities) held-for-trading	**67 777**	49 009	**(65 677)**	(53 194)
Total derivative assets/(liabilities) held-for-hedging	**3 630**	2 669	**(3 821)**	(1 863)
Total	**71 407**	51 678	**(69 498)**	(55 057)

2.1 Use and measurement of derivative instruments

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

In the normal course of business, the group enters into a variety of foreign exchange, interest rate, commodity, credit and equity derivative transactions in accordance with the group's risk management policies and practices. Derivative instruments used by the group are held for both trading and hedging purposes and 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.

A summary of the total derivative assets and liabilities are shown in the table below.

2.2 Derivatives held-for-trading

The group enters into derivative contracts to address client demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The group also takes proprietary positions for its own account. Trading derivative products include the following:

	Fair value of assets		Fair value of liabilities		Contract/notional amount[1]	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Foreign exchange derivatives	**31 397**	22 255	**(25 759)**	(20 503)	**1 556 250**	1 367 876
Interest rate derivatives	**29 496**	22 678	**(31 678)**	(26 886)	**5 359 314**	5 128 918
Commodity derivatives	**170**	204	**(119)**	(194)	**7 507**	15 585
Credit derivatives	**1 277**	1 013	**(4 356)**	(2 814)	**91 603**	77 455
Equity derivatives	**5 437**	2 859	**(3 765)**	(2 797)	**2 766 430**	2 444 740
Total	**67 777**	49 009	**(65 677)**	(53 194)	**9 781 104**	9 034 574

[1] The notional amount is the sum of the absolute value of all contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.

2. Derivative instruments continued

2.3 Derivatives and other financial instruments held-for-hedging

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value or cash flow for recognised assets or liabilities and highly probable forecast transactions. The group applies hedge accounting in respect of foreign currency risk, equity risk and interest rate risk. Refer to annexure F on page 195 for more information of these hedging strategies.

2.3.1 Derivatives designated as hedging instruments in fair value hedging relationships

	Fair value			Maturity				
	Assets Rm	Liabilities Rm	Net fair value Rm	Less than one year Rm	Between one to five years Rm	Over five years Rm	Contract/ notional amount[1] Rm	Fair value gain/(loss) Rm
2019								
Interest rate risk fair value hedging relationships	**3 171**	**(1 725)**	**1 446**	**852**	**1 024**	**(430)**	**194 840**	**650**
Interest rate swaps	**3 171**	**(1 709)**	**1 462**	**852**	**1 040**	**(430)**	**194 188**	**610**
Cross-currency interest rate swaps		**(16)**	**(16)**		**(16)**		**652**	**40**
Total	**3 171**	**(1 725)**	**1 446**	**852**	**1 024**	**(430)**	**194 840**	**650**
2018								
Interest rate risk fair value hedging relationships	523	(1 190)	(667)	(20)	(158)	(489)	105 003	(26)
Interest rate swaps	523	(1 190)	(667)	(20)	(158)	(489)	105 003	(26)
Total	523	(1 190)	(667)	(20)	(158)	(489)	105 003	(26)

1 The notional amount is the sum of the absolute value of all contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.

2.3.2 Hedged items classified as fair value hedges

	Fair value				
	Assets Rm	Liabilities Rm	Accumulated fair value gain/(loss) at 31 December Rm	Fair value (loss)/gain used to test hedge ineffectiveness Rm	Fair value hedge adjustments for the period Rm
2019					
Interest rate risk fair value hedging relationships					
Financial investments	**1 908**		**390**	**(90)**	**(90)**
Subordinated debt		**(7 816)**	**107**	**(176)**	**(176)**
Loans and advances to customers	**39 492**		**(869)**	**606**	**606**
Deposits and debt funding		**(65 273)**	**550**	**(852)**	**(852)**
Total	**41 400**	**(73 089)**	**178**	**(512)**	**(512)**
2018					
Interest rate risk fair value hedging relationships					
Financial investments	328			34	34
Subordinated debt		(2 033)	19	15	15
Loans and advances to customers	28 276		656	(206)	(206)
Deposits and debt funding		(60 460)	114	192	192
Total	28 604	(62 493)	789	35	35

2. Derivative instruments continued

2.3 Derivatives and other financial instruments held-for-hedging continued

2.3.3 Derivatives designated as hedging instruments in cash flow hedging relationships[1]

	Fair value			Maturity				
	Assets Rm	Liabilities Rm	Net fair value Rm	Less than one year Rm	Between one to five years Rm	Over five years Rm	Contract/ notional amount Rm	Fair value gain/(loss) Rm
2019								
Foreign currency risk cash flow hedging relationships	**262**	**(413)**	**(151)**	**83**	**(234)**		**80 905**	**662**
Currency forwards	**259**	**(114)**	**145**	**150**	**(5)**		**76 120**	**339**
Currency swaps	**3**	**(299)**	**(296)**	**(67)**	**(229)**		**4 785**	**323**
Equity price risk cash flow hedging relationships	**197**	**(286)**	**(89)**	**(36)**	**(53)**		**661**	**(90)**
Equity forwards	**197**	**(286)**	**(89)**	**(36)**	**(53)**		**661**	**(90)**
Interest rate risk cash flow relationships		**(1 397)**	**(1 397)**	**(480)**	**(671)**	**(246)**	**2 950**	**(6)**
Cross-currency interest rate swaps		**(11)**	**(11)**		**(11)**		**653**	**11**
Currency swaps		**(1 386)**	**(1 386)**	**(480)**	**(660)**	**(246)**	**2 297**	**(17)**
Total	**459**	**(2 096)**	**(1 637)**	**(433)**	**(958)**	**(246)**	**84 516**	**566**
2018								
Foreign currency risk cash flow hedging relationships	160	(240)	(80)	(74)	(6)		8 913	(241)
Currency forwards	59	(96)	(37)	(31)	(6)		4 932	(42)
Currency swaps	101	(144)	(43)	(43)			3 981	(199)
Equity price risk cash flow hedging relationships	383	(433)	(50)	(17)	(33)		550	(128)
Equity forwards	383	(433)	(50)	(17)	(33)		550	(128)
Interest rate risk cash flow relationships	1 603		1 603	132	1 248	223	2 501	(133)
Currency swaps	1 603		1 603	132	1 248	223	2 501	(133)
Total	2 146	(673)	1 473	41	1 209	223	11 964	(502)

[1] The note disclosure has been disaggregated to provide a better analysis of cash flow hedging relationships. This change had no impact on the SOFP.

2. Derivative instruments continued

2.3 Derivatives and other financial instruments held-for-hedging continued

2.3.4 Hedge items classified as cash flow hedges

	2019 Rm	2018 Rm
Fair value gain/(loss) used to test hedge ineffectiveness		
Financial investments	**53**	125
Interest rate risk cash flow hedging relationships	**53**	125
Loans and advances	**(294)**	168
Foreign currency risk cash flow hedging relationships	**(294)**	168
Share scheme liabilities (excludes equity DBS)	**53**	109
Equity price risk cash flow hedging relationships	**53**	109
Other operating expenses	**(297)**	82
Foreign currency risk cash flow hedging relationships	**(297)**	82
Total	**(485)**	484

2.3.5 Hedge ineffectiveness recognised in profit or loss[1]

Hedge ineffectiveness in qualifying hedge relationships arises predominantly due to the presence of costs contained within hedging instruments. This ineffectiveness was recognised in profit or loss together with the gains and losses on the underlying hedged item according to the nature of the risk being hedged as follows:

	Other operating expenses loss Rm	Trading revenue gain/(loss) Rm	Net interest income loss Rm	Total Rm
2019				
Fair value hedges			**138**	**138**
Interest rate risk fair value hedging relationships			**138**	**138**
Cash flow hedges	**(37)**	**118**		**81**
Foreign currency risk cash flow hedging relationships		**71**		**71**
Equity price risk cash flow hedging relationships	**(37)**			**(37)**
Interest rate risk cash flow hedging relationships		**47**		**47**
Total	**(37)**	**118**	**138**	**219**
2018				
Fair value hedges			9	9
Interest rate risk fair value hedging relationships			9	9
Cash flow hedges	(19)	1		(18)
Foreign currency risk cash flow hedging relationships		10		10
Equity price risk cash flow hedging relationships	(19)			(19)
Interest rate risk cash flow hedging relationships		(9)		(9)
Total	(19)	1	9	(9)

[1] The note disclosure has been disaggregated to provide a better analysis of cash flow hedging relationships. This change had no impact on the statement of financial position (SOFP).

2. Derivative instruments continued

2.3 Derivatives and other financial instruments held-for-hedging continued

2.3.6 Reconciliation of movements in the cash flow hedging reserve

	Foreign currency risk Rm	Equity price risk Rm	Total Rm
Balance at 1 January 2018	(128)	34	(94)
Amounts recognised directly in OCI before tax[1]	(374)	(128)	(502)
Add amounts released to profit or loss before tax:	338	46	384
Interest income	49		49
Trading revenue	301		301
Other operating expenses	(12)	46	34
Deferred tax	6	4	10
Non-controlling Interest	8		8
Balance at 31 December 2018	**(150)**	**(44)**	**(194)**
Amounts recognised directly in OCI before tax[1]	**644**	**(78)**	**566**
Add amounts released to profit or loss before tax:	**(373)**	**81**	**(292)**
Interest income	**176**		**176**
Trading revenue	**(386)**		**(386)**
Other operating expenses	**(163)**	**81**	**(82)**
Deferred tax	**(69)**		**(69)**
Non-controlling Interest	**(15)**		**(15)**
Balance at 31 December 2019	**37**	**(41)**	**(4)**

[1] Includes dividends received on equity forwards during the period.

2.3.7 Hedges classified as cash flow hedges

The forecasted timing of the release of net cash flows from the cash flow hedging reserve into profit or loss at 31 December is as follows:

	Three months or less Rm	After three months but within one year Rm	After one year but within five years Rm	More than five years Rm	Total Rm
2019					
Net cash (outflow)/inflow	**16**	**51**	**(28)**	**(43)**	**(4)**
2018					
Net cash outflows	(13)	(37)	(88)	(56)	(194)

2.4 Day one profit or loss

The table below sets out the aggregate net day one profit or loss yet to be recognised in profit or loss at the beginning and end of the period with a reconciliation of changes in the balances during the period.

	2019 Rm	2018 Rm
Unrecognised net profit at the beginning of the year	**176**	160
Additional net profit on new transactions	**387**	299
Recognised in trading revenue during the year	**(315)**	(307)
Exchange differences	**(7)**	24
Unrecognised net profit at the end of the year	**241**	176

3. Trading assets

3.1 Classification

	2019 Rm	2018 Rm
Collateral and other[1]	**6 386**	6 753
Corporate bonds and floating rate notes	**40 581**	27 180
Government, municipality and utility bonds	**80 377**	51 151
Listed equities	**51 547**	40 549
Reverse repurchase and other collateralised agreements	**27 992**	41 334
Unlisted debt securities	**15 919**	14 145
Total	**222 802**	181 112

1 The disclosure has been aggregated as part of the adoption of the amendments to IAS 1 and IAS 8, the aggregation did not impact the statement of financial position (SOFP). The comparative amount of R552 million other instruments is now disclosed with collateral of R6 201 million.

3.2 Day one profit or loss

The table below sets out the aggregate net day one profit or loss yet to be recognised in profit or loss at the beginning and end of the period with a reconciliation of changes in the balances during the period.

	2019 Rm	2018 Rm
Unrecognised net profit at the beginning of the year	**845**	642
Additional net profit on new transactions	**233**	339
Recognised in trading revenue during the year	**(178)**	(136)
Unrecognised net profit at the end of the year	**900**	845

4. Pledged assets

The following table presents details of financial assets which have been sold or otherwise transferred, but which have not been derecognised in their entirety, and their associated, liabilities including any contingent liabilities where applicable. This table does not disclose the total risk exposure in terms of these transactions, instead it provides disclosures as required by IFRS.

	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets[1] Rm	Fair value of associated liabilities[1] Rm	Net fair value[1] Rm
2019					
Bonds	**23 624**	**(17 796)**	**23 625**	**(17 796)**	**5 829**
Listed equities	**5 753**		**5 753**		**5 753**
Pledged assets (as recognised in the statement of financial position)	**29 377**	**(17 796)**	**29 378**	**(17 796)**	**11 582**
Financial investments[2]	**12 805**	**(12 738)**	**12 805**	**(12 735)**	**70**
Total	**42 182**	**(30 534)**	**42 183**	**(30 531)**	**11 652**
2018					
Bonds	12 964	(6 412)	12 948	(6 412)	6 536
Listed equities	6 915	(288)	6 915	(288)	6 627
Pledged assets (as recognised in the statement of financial position)	19 879	(6 700)	19 863	(6 700)	13 163
Financial investments[2]	9 262	(9 261)	9 265	(9 259)	6
Total	29 141	(15 961)	29 128	(15 959)	13 169

1 Where the counterparty has recourse to the transferred asset.
2 For these financial investments the counterparty is not permitted to sell or repledge the assets in the absence of default; hence, they are not classified as pledged assets.

4. Pledged assets continued

The assets pledged by the group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets.

The majority of other financial investments that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements, listed equities held as collateral under scrip lending transactions and financial assets leased out to third-parties. Risks to which the group remain exposed include credit and interest rate risk.

During the current year, there were no instances of financial assets that were sold or otherwise transferred, but which were partially derecognised. Further, there were no instances of financial assets transferred and derecognised for which the group had continuing involvement.

4.1 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities which are not recorded in the statement of financial position that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R94 429 million (2018: R100 791 million).

The fair value of financial assets accepted as collateral and commodities received through commodity leases that have been sold, repledged or leased in terms of repurchase agreements or leasing transactions is R14 215 million (2018: R11 709 million).

These transactions are conducted under terms that are usual and customary to reverse repurchase and securities borrowing activities.

4.2 Assets transferred not derecognised

Securitisations

The group enters into transactions in the normal course of business by which it transfers recognised financial assets directly to third-parties or structured entities. These transfers may give rise to full derecognition of the financial assets concerned.

Full derecognition occurs when the group transfers substantially all the risks and rewards of ownership and its contractual right to receive cash flows from the financial assets or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets IFRS derecognition requirements. The risks include interest rate, currency, prepayment and other price risks. However, where the group has retained substantially all of the credit risk associated with the transferred assets, it continues to recognise these assets.

The following table analyses the cumulative carrying amount of securitised financial assets that did not qualify for derecognition and the associated liabilities.

	Carrying amount of transferred assets[1] Rm	Fair value of transferred assets Rm	Net fair value Rm
2019			
Mortgage loans[2]	**45 751**	**45 730**	**45 730**
2018			
Mortgage loans[2]	45 954	44 747	44 747

1 The associated liabilities relating to the transferred assets only include external funding for the assets. The transferred assets are also funded by intercompany funding, which has been eliminated at a group level.
2 The group invests in vehicles specifically introduced to provide mortgage lending collateral against the Committed Liquidity Facility (CLF). To access the CLF, the South African Reserve Bank (SARB) requires a portfolio of collateral, which is identified as a portfolio of mortgage loans. The SARB requires that these assets are ring-fenced in a separate legal entity, supported by a clearly defined note structure. At 31 December 2019, the mortgages within these vehicles, Blue Shield Investments 01 (RF) Limited and Blue Shield Investments 02 (RF) Limited, amounted to R46 billion (2018: R46 billion).

5. Financial investments

	Total		Banking activities		Investment management and life insurance activities	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Corporate	**73 381**	64 011	**27 494**	23 297	**45 887**	40 714
Sovereign	**205 927**	197 473	**167 341**	161 552	**38 586**	35 921
Banking	**53 364**	71 210	**1 766**	13 978	**51 598**	57 232
Mutual funds and unit-linked investments[1]	**99 499**	86 155	**1 315**	1 316	**98 184**	84 839
Listed equities	**100 367**	96 395	**145**	103	**100 222**	96 292
Unlisted equities	**8 179**	6 506	**4 195**	3 521	**3 984**	2 985
Interest in associates and joint ventures held at fair value (annexure B)	**16 168**	13 848			**16 168**	13 848
Other instruments	**10 434**	12 928	**2 447**	2 734	**7 987**	10 194
Total financial investments	**567 319**	548 526	**204 703**	206 501	**362 616**	342 025
Accounting classification						
Net financial investments measured at amortised cost	**153 760**	144 145				
Gross financial investments measured at amortised cost	**153 828**	144 339				
Less: expected credit loss for financial investments measured at amortised cost[2]	**(68)**	(194)				
Financial investments measured at fair value	**413 559**	404 381				
Financial investments measured at FVTPL	**368 512**	350 044				
Debt financial investments measured at FVOCI[3, 4]	**43 763**	53 083				
Equity financial investments measured at FVOCI[4]	**1 284**	1 254				

1 Refer to page 31 for more details on the restatement to banking activities' mutual funds and unit-linked investments.
2 Refer to note 34 for the credit impairment charges for the current year credit impairment charge of R45 million (2018: R82 million) on financial investments measured at amortised cost.
3 Refer to note 34 for the credit impairment charges for the current year credit impairment charge of R41 million (2018: R19 million) debt financial investments measured at fair value through OCI.
4 Refer to note 22.5.1 for the reconciliation of FVOCI reserve for equity financial investments and note 22.5.2 for the reconciliation of FVOCI reserve for debt financial investments.

6. Disposal group held for sale

The disposal group held for sale includes non-current assets held for sale relating to the Samrand Data Centre.

	2019			2018		
	Gross Rm	Impairment[1] Rm	Net disposal group Rm	Gross Rm	Impairment Rm	Net disposal group Rm
Samrand Data Centre	819		819			
ICBCA	1 196		1 196			
Liberty	891	(307)	584	1 011	(249)	762
Total assets classified as held for sale	**2 906**	**(307)**	**2 599**	1 011	(249)	762
Financial investments	261		261	265		265
Other assets	443	(136)	307	504	(28)	476
Property, equipment and right of use assets	857	(22)	835			
Goodwill and Intangibles	126	(126)		39	(18)	21
Interest in associate and joint ventures (note 10)	1 196		1 196	85	(85)	
Deferred tax assets	23	(23)		118	(118)	
Total liabilities classified as held for sale – Liberty	**(246)**		**(246)**	(237)		(237)
Provisions and other liabilities	17		17	(232)		(232)
Current tax liabilities	(263)		(263)	(5)		(5)
Total	**2 660**	**(307)**	**2 353**	774	(249)	525

[1] The impairment in the disposal group relates to the provision in the SOFP at 31 December 2019, the impairment of the disposal group included in the headline earnings reconciliation includes a R14 million that was written off during the year.

Samrand Data Centre

During December 2019, the group's board approved the disposal of the group's data warehouse. The sale agreement which is expected to conclude in 2020 includes the freehold property, as well as the electromechanical equipment. The requirements of IFRS 5 were met during December 2019 and based on these, the assets subject to the sale agreement have been separately disclosed as non-current assets held for sale on the statement of financial position. The assets are measured at the lower of the carrying amount and fair value less costs to sell. The fair value less costs to sell is based on an assessment of what management believes a purchaser would value the assets, considering the current business viability and operations. The property and equipment was not impaired at 31 December 2019 the net carrying value amounted to R819 million. This is included in the central and other segments.

The group's residual 20% shareholding in ICBCA

In November 2012, the group completed the disposal of a controlling interest in ICBCA.

The group retained a 20% shareholding in ICBCA, held by Standard Bank Group's wholly owned subsidiary, Standard Bank London Holdings Limited. This residual investment was classified as an investment in associates and accounted for using the equity accounting method in terms of IAS 28.

In the ICBCA shareholders' agreement, ICBC granted a put option to the group under which the group was given the right to sell its remaining shareholding in ICBCA to ICBC, by giving notice at any time between 1 December 2014 and 30 November 2019. The strike price of the put option was fixed at USD180.751 million. Having taken the independent advice required under the JSE Listings Requirements, on 8 August 2019, the group exercised the put option and gave the required notice to ICBC.

The transaction is subject to conditions precedent customary to transactions of this nature, including regulatory approvals in China. The completion date in respect of the transaction is anticipated to be in the first half of 2020. The group would seek to reinvest net proceeds received at completion of the transaction to support its African strategy.

Based on the above, the requirements of IFRS 5 were met on 8 August 2019 and equity accounting of this investment was ceased. Therefore, as at 31 December 2019, the investment in ICBCA has been disclosed as non-current assets held for sale and presented separately on the statement of financial position. The investment in ICBCA is measured at the lower of the carrying amount and fair value less costs to sell, being R1 196 million at 31 December 2019. The investment in ICBCA was not impaired at date of classification as held for sale, nor at year end. This is included in the other banking interests segment.

6. Disposal group held for sale continued

Disposal group from investment management and life insurance activities

As part of the strategy refresh exercise conducted during 2018, various cash-generating units were identified as either sub scale or no longer applicable to Liberty's revised strategy. Consequently, the board approved a process of disposals and strategic partnership negotiations which is highly probable to lead to loss of control of these cash-generating units during 2019.

The disposal of three operations, being the short-term insurance technology start-up, and the asset management operations in Ghana and Botswana were concluded in the period under review.

The cash-generating units remaining as held for sale are asset management operations in Uganda and Kenya, health risk solutions and short-term insurance in Malawi.

Based on the requirements of IFRS 5, the assets and liabilities have been disclosed as disposal groups, and are separately disclosed on the statement of financial position. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell, which lead to various impairments, as set out in the table above.

The potential sales are not discontinued operations as defined under IFRS 5 as they are not disposals of separate major lines of business or geographical areas of operation. Profit or loss from cash-generating units within disposal groups have therefore not been separately identified in the income statement. This is included in the Liberty segment.

7. Loans and advances

7.1 Classification

	2019 Rm	2018 Rm
Loans and advances measured at fair value through profit or loss	**161**	1 204
Net loans and advances measured at amortised cost	**1 180 906**	1 118 343
Gross loans and advances measured at amortised cost	**1 216 185**	1 155 028
Mortgage loans	**378 003**	361 830
Vehicle and asset finance (note 7.2)	**94 833**	89 651
Card debtors	**34 612**	32 395
Corporate and sovereign	**425 427**	397 261
Banking	**104 904**	110 852
Other loans and advances[1]	**178 406**	163 039
Expected credit losses on loans and advances (note 7.3)	**(35 279)**	(36 685)
Total loans and advances	**1 181 067**	1 119 547

1 Restated. Refer to page 31 for further information on the restatement.

7. Loans and advances continued

7.2 Vehicle and asset finance

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

	2019			2018		
	Gross advances Rm	Unearned finance charges Rm	Net advances Rm	Gross advances Rm	Unearned finance charges Rm	Net advances Rm
Receivable within one year	33 525	(6 968)	26 557	32 500	(7 751)	24 749
Receivable between one and five years	80 595	(13 027)	67 568	77 584	(13 181)	64 403
Receivable after five years	775	(67)	708	545	(46)	499
Total	114 895	(20 062)	94 833	110 629	(20 978)	89 651

Leases entered into are at market-related terms. Under the terms of the lease agreements, no contingent rentals are payable. Moveable assets are leased or sold to customers under finance leases and instalment sale agreements for periods varying between 12 and 84 months. Depending on the terms of the agreement, the lessee may have the option to purchase the asset at the end of the lease term.

7.3 Expected credit loss reconciliation of loans and advances at amortised cost

	2019				2018			
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Opening ECL	5 740	7 144	23 801	36 685	5 789	8 275	20 975	35 039
Transfers between stages[1]	986	(1 032)	46		984	(2 088)	1 104	
Net impairments (released)/raised	(1 357)	1 779	8 897	9 319	(1 232)	1 066	7 403	7 237
ECL on new exposure raised	1 707	1 009	936	3 652	1 727	1 717	355	3 799
Subsequent changes in ECL	(2 793)	922	8 108	6 237	(2 718)	(329)	7 441	4 394
Change in ECL due to derecognition	(271)	(152)	(147)	(570)	(241)	(322)	(393)	(956)
Impaired accounts written off[2,3]			(12 990)	(12 990)			(9 313)	(9 313)
Exchange and other movements[3,4]	(231)	(364)	2 860	2 265	199	(109)	3 632	3 722
Closing ECL	5 138	7 527	22 614	35 279	5 740	7 144	23 801	36 685

1 The group's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the expected credit loss recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the column 'ECL on new exposure raised' based on the exposure's ECL stage as at the end of the reporting period. It is therefore possible to disclose new/originated exposures in stage 2 and 3.

2 The contractual amount outstanding on loans and advances that were written off during the period that are still subject to enforcement activities is R4.8 billion (2018: R5.9 billion).

3 At 31 December 2018, interest in suspense (IIS) on accounts written off of R1 134 million was previously classified as part of exchange and other movements when it should have been included in the impaired accounts written off line within the note. The comparative has been restated to reflect this change.

4 Exchange and other movements include the net IIS, the time value of money (TVM) unwind raised and released during the period.

7. Loans and advances continued

7.3 Expected credit loss reconciliation of loans and advances at amortised cost continued

7.3.1 Expected credit loss reconciliation of loans and advances – per product

		Transfers between stages			
		Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total transfers Rm
2019					
Mortgage loans	10 130	(500)	306	194	
Stage 1	1 037		367	133	500
Stage 2	2 018	(367)		61	(306)
Stage 3	7 075	(133)	(61)		(194)
VAF	3 402	(92)	193	(101)	
Stage 1	770		74	18	92
Stage 2	948	(74)		(119)	(193)
Stage 3	1 684	(18)	119		101
Card debtors	3 067	(216)	242	(26)	
Stage 1	643	0	192	24	216
Stage 2	980	(192)	0	(50)	(242)
Stage 3	1 444	(24)	50		26
Corporate	8 495	(8)	(107)	115	
Stage 1	950		9	(1)	8
Stage 2	1 041	(9)		116	107
Stage 3	6 504	1	(116)		(115)
Sovereign	80	2	(2)		
Stage 1	73		(2)		(2)
Stage 2	2	2			2
Stage 3	5				
Bank	63				
Stage 1	60				
Stage 2	3				
Other loans and advances	11 448	(172)	400	(228)	
Stage 1	2 207		207	(35)	172
Stage 2	2 152	(207)		(193)	(400)
Stage 3	7 089	35	193		228
Total	36 685	(986)	1 032	(46)	
Stage 1	5 740		847	139	986
Stage 2	7 144	(847)		(185)	(1 032)
Stage 3	23 801	(139)	185		46

Net impairments raised/ (released) Rm	Impaired accounts written off Rm	TVM unwind and IIS movements Rm	Exchange and other movements Rm	Closing ECL Rm
922	(1 069)	1 046	(119)	10 910
(858)			(12)	667
222			(24)	1 910
1 558	(1 069)	1 046	(83)	8 333
1 253	(1 017)	210	(128)	3 720
(199)				663
293			(57)	991
1 159	(1 017)	210	(71)	2 066
1 675	(2 213)	129	(2)	2 656
(268)			1	592
240			(3)	975
1 703	(2 213)	129		1 089
1 718	(4 974)	628	(268)	5 599
246			(53)	1 151
132			(143)	1 137
1 340	(4 974)	628	(72)	3 311
13				93
				71
13				17
				5
61			(79)	45
61			(76)	45
			(3)	
3 677	(3 717)	1 181	(333)	12 256
(339)			(91)	1 949
879			(134)	2 497
3 137	(3 717)	1 181	(108)	7 810
9 319	(12 990)	3 194	(929)	35 279
(1 357)			(231)	5 138
1 779			(364)	7 527
8 897	(12 990)	3 194	(334)	22 614

7. Loans and advances continued

7.3 Expected credit loss reconciliation of loans and advances at amortised cost continued

7.3.1 Expected credit loss reconciliation of loans and advances – per product continued

	Opening ECL Rm	Transfers between stages Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total transfers Rm
2018					
Mortgage loans	9 396	(382)	144	238	
Stage 1	1 126		267	115	382
Stage 2	2 014	(267)		123	(144)
Stage 3	6 256	(115)	(123)		(238)
VAF	3 236	(226)	324	(98)	
Stage 1	766		238	(12)	226
Stage 2	994	(238)		(86)	(324)
Stage 3	1 476	12	86		98
Card debtors	3 179	(176)	109	67	
Stage 1	698		126	50	176
Stage 2	821	(126)		17	(109)
Stage 3	1 660	(50)	(17)		(67)
Corporate	7 667	(150)	1 241	(1 091)	
Stage 1	781		163	(13)	150
Stage 2	1 956	(162)		(1 078)	(1 240)
Stage 3	4 930	12	1 078		1 090
Sovereign	125				
Stage 1	84				
Stage 2	36				
Stage 3	5				
Bank	45				
Stage 1	45				
Stage 2					
Other loans and advances	11 391	(50)	271	(221)	
Stage 1	2 289		162	(112)	50
Stage 2	2 454	(162)		(109)	(271)
Stage 3	6 648	112	109		221
Total	35 039	(984)	2 089	(1 105)	
Stage 1	5 789		956	28	984
Stage 2	8 275	(955)		(1 133)	(2 088)
Stage 3	20 975	(29)	1 133		1 104

1 At 31 December 2018 IIS on accounts written off of R1 134 million was previously classified as part of exchange and other movements when it should have been included in the impaired accounts written off line within the note. The comparative has been restated to reflect this change.

2 The disclosure has been disaggregated as part of the amendments to IAS 1 and IAS 8, the disaggregation did not impact the SOFP. The comparative amount of R2 619 million TVM unwind and IIS is now shown separately.

Changes in gross exposures relating to changes in ECL

The below is an explanation of significant changes in the gross carrying amount on financial instruments used to determine the above changes in ECL:

- The ECL on new exposures raised of R3.7 billion (2018: R3.8 billion) primarily relates to the net growth in the gross carrying amount of:
  - Mortgage loans of R45 billion (2018: R44 billion)
  - VAF of R37 billion (2018: R38 billion)
  - Corporate of R171 billion (2018: R12 billion).
- The decrease in ECL due to impaired accounts written off of R13 billion (2018: R9 billion) resulted in an equal decrease to the gross carrying amount of loans and advances as exposures are 100% provided for before being written off.
- The group policy is to transfer using opening ECL balances based on the exposures' ECL stage at the end of the reporting period.

Net impairments raised/ (released) Rm	Impaired accounts written off[1] Rm	TVM unwind and IIS[2] Rm	Exchange and other movement[1,2] Rm	Closing ECL Rm
1 067	(1 351)	991	27	10 130
(470)			(1)	1 037
131			17	2 018
1 406	(1 351)	991	11	7 075
1 074	(1 100)	142	50	3 402
(227)			5	770
240			38	948
1 061	(1 100)	142	7	1 684
1 187	(1 487)	194	(6)	3 067
(231)				643
266			2	980
1 152	(1 487)	194	(8)	1 444
889	(1 275)	456	758	8 495
(88)			107	950
(124)			449	1 041
1 101	(1 275)	456	202	6 504
(47)			2	80
(13)			2	73
(34)				2
				5
(18)			36	63
(14)			29	60
(4)			7	3
3 085	(4 100)	836	236	11 448
(189)			57	2 207
(85)			54	2 152
3 359	(4 100)	836	125	7 089
7 237	(9 313)	2 619	1 103	36 685
(1 232)			199	5 740
390			567	7 144
8 079	(9 313)	2 619	337	23 801

- The significant gross carrying amounts transferred between the stages are as follows for 2019:
  - Mortgage loans of R5.8 billion that was in stage 2 and stage 3 was transferred to stage 1
  - VAF of R1.4 billion that was in stage 2 was transferred to stage 1, R1.1 billion was transferred from stage 2 to stage 3
  - Other loans and advances of R5.1 billion that was in stage 2 and was transferred to stage 1, R1.4 billion was transferred from stage 2 to stage 3
  - Corporate of R8.2 billion that was in stage 2 was transferred to stage 1.
- The significant gross carrying amounts transferred between the stages are as follows for 2018:
  - Mortgage loans of R6 billion that were in stage 2 and stage 3 were transferred to stage 1
  - VAF of R3 billion that was in stage 2 was transferred to stage 1,
  - Corporate of R4 billion that was in stage 2 was transferred to stage 3.

7. Loans and advances continued

7.4 Modifications on loans and advances measured at amortised cost

	Stage 2		Stage 3	
	Gross amortised cost before modification Rm	Net modification loss Rm	Gross amortised cost before modification Rm	Net modification loss Rm
2019				
Mortgage loans	**1 318**	**78**		
Vehicle and asset finance			**81**	**7**
Card debtors	**247**	**64**		
Other loans and advances	**766**	**122**		
Total	**2 331**	**264**	**81**	**7**
2018				
Mortgage loans	928	58	92	2
Vehicle and asset finance			27	4
Card debtors	141	40	11	2
Corporate	107	6	504	3
Other loans and advances	482	25	22	5
Total	1 658	129	656	16

R16.2 billion (2018: R15.8 billion) is the gross carrying amount for modifications during the reporting period that resulted in no economic loss (i.e. no net modification gain or loss).

8. Policyholders' contracts

	2019		2018	
	Policyholders' assets Rm	Policyholders' liabilities Rm	Policyholders' assets Rm	Policyholders' liabilities Rm
Policyholders' liabilities under insurance contracts	**7 017**	**(216 355)**	6 708	(211 181)
Insurance contracts (note 8.1)	**7 017**	**(206 103)**	6 708	(200 744)
Investment contracts with DPF[1] (note 8.1)		**(10 252)**		(10 437)
Policyholders' liabilities under investment contracts (note 8.2)		**(107 891)**		(99 813)
Total	**7 017**	**(324 246)**	6 708	(310 994)

[1] Discretionary participation feature.

8. Policyholders' contracts continued

8.1 Policyholders' and reinsurance assets and liabilities

	Insurance contracts			
	Policyholders' assets Rm	Policyholders' liabilities Rm	Reinsurance assets and liabilities Rm	Investment contracts with DPF[1] Rm
2019				
Balance at the beginning of the year	6 708	(200 744)	1 416	(10 437)
Reinsurance assets			1 699	
Reinsurance liabilities			(283)	
Inflows	(8 771)	(49 907)	1 798	(2 794)
Insurance premiums	(8 771)	(29 518)	1 795	(1 756)
Investment returns		(20 370)	3	(1 038)
Fee revenue		(19)		
Outflows	8 590	43 354	(1 760)	2 979
Claims and policyholders' benefits	4 969	32 778	(1 824)	2 757
Acquisition costs associated with insurance contracts	1 315	1 723	(3)	85
General marketing and administration expenses	1 846	4 376	(47)	142
Profit share allocations	104	1 313	(5)	
Finance costs and fair value adjustments on financial liabilities	411	860		
Taxation	(55)	2 304	119	(5)
Net income from insurance operations	490	1 169	292	(14)
Changes in assumptions	(52)	99	68	
Discretionary and compulsory margins and other variances	891	2 421	326	(21)
New business	(117)	(296)	20	
Shareholder taxation on transfer of net income	(232)	(1 055)	(122)	7
Exchange differences		25	(1)	14
Balance at the end of the year	7 017	(206 103)	1 745	(10 252)
Reinsurance assets (note 9)			1 991	
Reinsurance liabilities (note 20)			(246)	
Liquidity profile				
Current	2 357	(21 383)	419	(515)
Non-current	4 660	(184 720)	1 326	(9 737)
Balance at the end of the year	7 017	(206 103)	1 745	(10 252)

Refer to footnotes on page 60.

8. Policyholders' contracts continued

8.1 Policyholders' and reinsurance assets and liabilities continued

	Insurance contracts			
	Policyholders' assets Rm	Policyholders' liabilities Rm	Reinsurance assets and liabilities Rm	Investment contracts with DPF[1] Rm
2018				
Balance at the beginning of the year	7 484	(210 554)	818	(11 845)
Reinsurance assets			1 481	
Reinsurance liabilities			(663)	
Inflows	(8 307)	(30 758)	1 576	(2 066)
Insurance premiums	(8 307)	(28 477)	1 576	(1 966)
Investment returns		(2 258)		(100)
Fee revenue		(23)		
Outflows	7 170	40 366	(1 244)	3 731
Claims and policyholders' benefits	3 792	30 995	(1 308)	3 511
Acquisition costs associated with insurance contracts	1 311	1 891	(1)	87
General marketing and administration expenses	1 763	4 434	(43)	144
Profit share allocations	20	1 185		
Finance costs and fair value adjustments on financial liabilities	407	973		
Taxation	(123)	888	108	(11)
Net income from insurance operations	361	418	262	(58)
Changes in assumptions	(605)	(165)	383	
Discretionary and compulsory margins and other variances	1 085	1 804	(44)	(82)
New business	29	(491)	25	
Shareholder taxation on transfer of net income	(148)	(730)	(102)	24
Exchange differences		(216)	4	(199)
Balance at the end of the year	6 708	(200 744)	1 416	(10 437)
Reinsurance assets (note 9)			1 699	
Reinsurance liabilities (note 20)			(283)	
Liquidity profile				
Current	2 332	(20 762)	353	(226)
Non-current	4 376	(179 982)	1 063	(10 211)
Balance at the end of the year	6 708	(200 744)	1 416	(10 437)

[1] The group cannot reliably measure the fair value of the investment contracts with DPF. The DPF is a contractual right that gives investors in these contracts the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group.

8. Policyholders' contracts continued

8.2 Policyholders' liabilities under investment contracts

	2019 Rm	2018 Rm
Balance at the beginning of the year	**(99 813)**	(100 519)
Fund inflows from investment contracts (excluding switches)	**(17 969)**	(17 901)
Net fair value adjustment	**(9 146)**	1 273
Fund outflows from investment contracts (excluding switches)	**17 681**	16 083
Service fee income	**1 330**	1 251
Exchange differences	**26**	
Balance at the end of the year	**(107 891)**	(99 813)
Liquidity profile		
Current	**(7 318)**	(5 262)
Non-current	**(100 573)**	(94 551)
Balance at the end of the year	**(107 891)**	(99 813)
Net income from investment contracts[1]	**(26)**	(38)
Service fee income	**(1 330)**	(1 251)
Expenses	**1 304**	1 213
Property expenses applied to investment returns	**(313)**	(377)
Shareholder taxation on transfer of net income	**9**	14
Acquisition costs	**547**	543
General marketing and administration expenses	**1 041**	1 014
Finance costs	**20**	19

[1] Prior to deferred acquisition costs (DAC) and deferred revenue liability (DRL) adjustments.

9. Other assets

	2019 Rm	2018 Rm
Financial assets[1]	**19 198**	12 034
Operating leases – accrued income (note 11)	**875**	990
Other debtors[2]	**768**	606
Trading settlement assets	**12 339**	5 432
Accounts receivable[2]	**1 559**	1 085
Investment debtors[2]	**158**	804
Reinsurance assets[3]	**2 409**	2 119
Retirement funds (note 43)	**1 090**	998
Non-financial assets[1]	**10 703**	10 480
Items in the course of collection	**1 771**	1 257
Prepayments	**2 985**	3 434
Properties in possession	**110**	50
Fleet rental stock	**541**	9
Deferred acquisition costs	**790**	777
Insurance prepayments	**4 506**	4 953
Total	**29 901**	22 514

[1] The note disclosure has been disaggregated to provide a better analysis of financial and non-financial other assets as part of the adoption of the amendments to IAS 1 and IAS 8, this change had no impact on the SOFP.
[2] Due to the short-term nature of these assets and historical experience, debtors are regarded as having a low probability of default; therefore ECL is insignificant on these debtors.
[3] Reinsurance assets include short-term reinsurance assets of R418 million (2018: R420 million).

10. Interest in associates and joint ventures

	2019 Rm	2018 Rm
Equity accounted associates and joint ventures		
Carrying value at the beginning of the year	**10 376**	9 609
Share of profits	**(512)**	912
Impairments of associates and joint ventures	**(2 418)**	(5)
Acquisitions	**255**	79
Disposals	**(1 271)**	
Disposal group held for sale (note 6)	**(1 196)**	
Share of other comprehensive income movements	**400**	(54)
Foreign currency translation reserve	**(63)**	94
Other	**463**	(148)
Distribution of profit	**(211)**	(165)
Carrying value at the end of the year	**5 423**	10 376
Cost of investments	**5 937**	8 149
Share of reserves	**2 692**	3 015
Cumulative impairment	**(3 206)**	(788)

There are no significant restrictions on the ability of associates and joint ventures to transfer funds to the group in the form of cash dividends or in the repayment of loans or advances.

AFS Refer to annexure B for further information.

11. Investment property

	2019 Rm	2018 Rm
Fair value at the beginning of the year	**33 326**	32 226
Revaluations net of lease straight-lining	**287**	493
Additions – capitalised subsequent expenditure and acquisitions	**187**	719
Disposals		(45)
Transfers from/(to) owner-occupied properties (note 12)	**383**	(70)
Exchange movements	**(3)**	20
Disposal group assets classified as held for sale		(17)
Fair value at the end of the year	**34 180**	33 326
Investment property and related operating lease balances comprise the following:		
Investment properties at fair value	**34 180**	33 326
Operating leases – accrued income (note 9)	**875**	990
Total investment property	**35 055**	34 316
Amount recognised in profit or loss		
Rental income earned, excluding straight-lining operating leases	**3 128**	3 160
Direct operating expenses	**954**	1 060

Most of the investment property comprises shopping malls located in South Africa.

The South African located investment properties were independently valued as at 31 December 2019 by registered professional valuers with the South African Council for the Property Valuers Profession, as well as members of the Institute of Valuers of South Africa. The method of valuation is consistent with that described in the key management assumptions section. The Kenyan and Nigerian located properties were independently valued as at 31 December 2019 by various registered professional valuers in each territory.

AFS Refer to the key management assumptions for details regarding the valuation of investment property.

12. Property, equipment and right of use assets

	Property	
	Freehold Rm	Leasehold[1] Rm
Net book value at 1 January 2018[1]	6 956	825
Cost	8 096	2 981
Accumulated depreciation	(1 140)	(2 156)
Movement	904	525
Additions	1 193	545
Disposals	(88)	(212)
Depreciation	(159)	(308)
Disposal group held for sale		
Exchange movements	(112)	500
Transfer from investment property (note 11)	70	
Net book value at 31 December 2018	**7 860**	**1 350**
Cost	**9 192**	**3 827**
Accumulated depreciation and impairment	**(1 332)**	**(2 477)**
IFRS 16 transition adjustment[3]		
Net book value at 1 January 2019 (restated)	**7 860**	**1 350**
Movement	**(650)**	**(678)**
Additions and modifications[4]	**2 819**	**158**
Disposals and terminations	**(1 448)**	**(30)**
Depreciation	**(167)**	**(276)**
Disposal group held for sale (note 6)	**(472)**	
Exchange and other movements	**(999)**	**(530)**
Transfer to investment property (note 11)	**(383)**	
Net book value 31 December 2019	**7 210**	**672**
Cost	**8 646**	**3 725**
Accumulated depreciation and impairment	**(1 436)**	**(3 053)**

1 During the year, the group identified that certain items of office equipment were incorrectly allocated to leasehold improvements. Therefore, the comparative disclosures have been restated to correct the allocation between these classes of property and equipment. This correction has not changed the overall property and equipment balance as disclosed on the face of the statement of financial position. The net book value of leasehold property has been restated from R1 726 million at 31 December 2018 to R1 350 million (2017: from R1 232 million to R825 million), the net book value of office equipment has been restated from R608 million at 31 December 2018 to R984 million (2017: from R575 million to R982 million). and a depreciation charge of R31 million has been reallocated from leasehold property to office equipment for the year ended 31 December 2018.
2 This balance primarily relates to motor vehicles that are leased to third-parties under operating leases. The group is the lessor.
3 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.
4 Modifications relate to IFRS 16 ROU assets only.

Property and equipment include work in progress of R1 665 million (2018: R1 897 million) for which depreciation has not yet commenced (refer to note 24.2 for details regarding capital commitments).

12.1 Valuation

The fair value of completed freehold property, based on valuations undertaken for the period 2017 to 2019 was estimated at R9 122 million (2018: R10 786 million). Registers of freehold property are available for inspection by members, or their authorised agents, at the registered office of the company and its subsidiaries. Valuations were generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

Equipment				Right of use assets			
Computer equipment Rm	Furniture and fittings Rm	Office equipment[1] Rm	Motor vehicles[2] Rm	Buildings Rm	Branches Rm	ATM spacing and other Rm	Total Rm
3 896	3 273	982	247				16 179
10 919	7 013	2 050	568				31 627
(7 023)	(3 740)	(1 068)	(321)				(15 448)
122	(45)	2	1 507				3 015
1 876	790	157	1 639				6 200
(376)	(49)	(11)	(26)				(762)
(1 469)	(639)	(176)	(107)				(2 858)
(12)	(7)	(2)	(3)				(24)
103	(140)	34	4				389
							70
4 018	**3 228**	**984**	**1 754**				**19 194**
11 673	**7 473**	**2 196**	**2 129**				**36 490**
(7 655)	**(4 245)**	**(1 212)**	**(375)**				**(17 296)**
				2 001	**3 064**	**329**	**5 394**
4 018	**3 228**	**984**	**1 754**	**2 001**	**3 064**	**329**	**24 588**
(422)	**(157)**	**377**	**155**	**(423)**	**(730)**	**(42)**	**(2 570)**
1 222	**615**	**106**	**2 191**	**575**	**487**	**138**	**8 311**
(61)	**(97)**	**(65)**	**(1 689)**	**(126)**	**(148)**	**(22)**	**(3 686)**
(1 506)	**(673)**	**(135)**	**(310)**	**(727)**	**(919)**	**(151)**	**(4 864)**
		(347)					**(819)**
(77)	**(2)**	**818**	**(37)**	**(145)**	**(150)**	**(7)**	**(1 130)**
							(383)
3 596	**3 071**	**1 361**	**1 909**	**1 578**	**2 334**	**287**	**22 018**
11 888	**7 584**	**2 027**	**2 336**	**2 261**	**3 199**	**434**	**42 100**
(8 292)	**(4 513)**	**(666)**	**(427)**	**(683)**	**(865)**	**(147)**	**(20 082)**

13. Goodwill and other intangible assets

	Goodwill Rm	Computer software Rm	Present value of in-force life insurance (PVIF) Rm	Other intangible assets Rm	Total Rm
Net book value at 1 January 2018	1 999	21 244	31	55	23 329
Cost	3 819	33 303	1 453	877	39 452
Accumulated amortisation and impairment	(1 820)	(12 059)	(1 422)	(822)	(16 123)
Movements:	311	77	(7)	(34)	347
Additions		2 848			2 848
Disposals	(16)	(80)			(96)
Amortisation		(2 486)	(10)	(8)	(2 504)
Disposal group held for sale		(85)			(85)
Exchange movements	327	329	3	(26)	633
Impairments		(449)			(449)
Net book value at 31 December 2018	**2 310**	**21 321**	**24**	**21**	**23 676**
Cost	**4 285**	**36 543**	**1 465**	**720**	**43 013**
Accumulated amortisation and impairment	**(1 975)**	**(15 222)**	**(1 441)**	**(699)**	**(19 337)**
Movements	**(27)**	**(1 309)**	**(12)**	**(5)**	**(1 353)**
Additions	**43**	**2 394**			**2 437**
Disposals		**(181)**			**(181)**
Amortisation		**(2 579)**	**(12)**	**(5)**	**(2 596)**
Disposal group held for sale	**(6)**				**(6)**
Exchange movements	**(53)**	**(709)**			**(762)**
Impairments	**(11)**	**(234)**			**(245)**
Net book value at 31 December 2019	**2 283**	**20 012**	**12**	**16**	**22 323**
Cost	**4 256**	**37 607**	**1 465**	**720**	**44 048**
Accumulated amortisation and impairment	**(1 973)**	**(17 595)**	**(1 453)**	**(704)**	**(21 725)**

R124 million (2018: R206 million) of borrowing costs was capitalised to computer software. Borrowing costs are capitalised using an average rate of 7.40% (2018: 7.72%).

Intangible assets include work in progress of R3 389 million (2018: R3 123 million) for which amortisation has not yet commenced.

13. Goodwill and other intangible assets continued

13.1 Goodwill

	2019			2018		
	Gross goodwill Rm	Accumulated impairment Rm	Net goodwill Rm	Gross goodwill Rm	Accumulated impairment Rm	Net goodwill Rm
Stanbic IBTC Holdings PLC	2 070	(1 092)	978	2 126	(1 121)	1 005
Stanbic Holdings PLC (Kenya)	1 025		1 025	1 047		1 047
Other	1 161	(881)	280	1 112	(854)	258
Total	4 256	(1 973)	2 283	4 285	(1 975)	2 310

Stanbic IBTC Holdings PLC

Based on the impairment test performed, no impairment was recognised for 2019 or 2018.

Stanbic Holdings PLC (Kenya)

Based on the impairment test performed, no impairment was recognised for 2019 or 2018.

Goodwill relating to other entities

The remaining aggregated carrying amount of the goodwill of R280 million (2018: R258 million) has been allocated to CGUs that are not considered to be individually significant. Based on the impairment testing performed, R11 million (2018: Rnil) impairment was recognised for 2019 on these CGUs.

14. Deferred taxation

14.1 Deferred tax analysis

	2019 Rm	2018 Rm
Accrued interest receivable	54	37
Assessed losses[1]	(413)	(243)
Leased assets included in loans and advances	84	121
Capital gains tax	990	352
Credit impairment charges	(3 820)	(3 990)
Deferred acquisition costs		1
Deferred revenue liability		(3)
Property, equipment and right of use assets[2]	2 842	3 096
Derivatives and financial instruments	(1)	57
Fair value adjustments on financial instruments	372	196
Intangible asset – PVIF	(6)	(4)
Policyholder change in valuation basis	1 897	2 355
Post-employment benefits	105	55
Share-based payments	(955)	(1 169)
Special transfer to life fund	(842)	(1 020)
Provisions and other items	(942)	(932)
Deferred tax closing balance	(635)	(1 091)
Deferred tax liabilities	3 666	2 827
Deferred tax assets	(4 301)	(3 918)

1 The group has estimated tax losses of R1 381 million (2018: R799 million) which are available for set-off against future taxable income. These tax losses have arisen from the group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities, refer to annexure F detailed accounting policies.

2 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.

14. Deferred taxation continued

14.2 Deferred tax reconciliation

	2019 Rm	2018 Rm
Deferred tax at the beginning of the year	**(1 091)**	2 010
IFRS 9 transition adjustment		(2 401)
IFRS 16 transition adjustment[1]	**72**	
Total temporary differences for the year	**384**	(700)
Accrued interest receivable	**17**	1
Assessed losses	**(170)**	(165)
Leased assets included in loans and advances	**(37)**	(59)
Capital gains tax	**638**	(782)
Credit impairment charges	**170**	(183)
Deferred acquisition costs	**(1)**	(204)
Deferred revenue liability	**3**	77
Property, equipment and right of use assets[1]	**(254)**	350
Derivatives and financial instruments	**(58)**	(221)
Fair value adjustments on financial instruments	**176**	328
Intangible asset – PVIF	**(2)**	(14)
Policyholder change in valuation basis	**(458)**	(178)
Post-employment benefits	**50**	(13)
Share-based payments	**214**	142
Special transfer to life fund	**178**	(38)
Provisions and other items	**(82)**	259
Deferred tax at the end of the year	**(635)**	(1 091)
Recognised in OCI	**114**	(97)
Fair value adjustments on financial instruments	**68**	(69)
Defined benefit fund remeasurements	**52**	(30)
Other	**(6)**	2
Recognised in equity-deferred tax on share-based payments	**30**	128
Recognised in retained earnings – IFRS 9 transition adjustment		(2 401)
Recognised in retained earnings – IFRS 16 transition adjustment	**72**	
Recognised in the income statement	**119**	(618)
Exchange differences	**121**	(113)
Recognised in OCI	**(4)**	10
Recognised in the income statement	**125**	(123)
Total temporary differences	**456**	(3 101)

1 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.

15. Share capital

15.1 Authorised

	2019 Rm	2018 Rm
2 billion ordinary shares (2018: 2 billion)[1]	**200**	200
8 million first preference shares (2018: 8 million)[2]	**8**	8
1 billion second preference shares(2018: 1 billion)[3]	**10**	10
Total	**218**	218

1 Ordinary shares comprise shares of 10 cents each traded on the JSE under the symbol SBK.
2 First preference shares comprise 6.5% first cumulative preference shares of R1 each traded on the JSE under the symbol SBKP.
3 Second preference shares comprise non-redeemable, non-cumulative, non-participating preference shares of 1 cent each traded on the JSE under the symbol SBPP. The non-redeemable, non-cumulative, non-participating preference shares are entitled to an annual dividend, if declared, payable in two semi-annual instalments of not less than 77% of the prime interest rate multiplied by the subscription price of R100 per share.

15. Share capital continued

15.2 Issued

	2019 Rm	2018 Rm
Ordinary shares	**17 984**	17 860
Ordinary share capital	**162**	162
Ordinary share premium	**17 822**	17 698
Other equity instruments attributable to owners of parent	**10 989**	9 047
First preference share capital	**8**	8
Second preference share capital	**1**	1
Second preference share premium	**5 494**	5 494
Additional tier 1 capital (note 15.8)	**5 486**	3 544
Total	**28 973**	26 907

Holders of ordinary share capital hold one vote per ordinary share at the group's annual general meeting (AGM).

First preference shareholders and second preference shareholders are not entitled to voting rights unless:

- the fixed preference dividend payable is in arrears for more than six months, or
- a resolution to be tabled at the shareholders' meeting varies or cancels any of the special rights attached to that preference share or for the reduction of its capital.

In the event that a resolution is tabled at the AGM to authorise, if circumstances are correct, the repurchase of second preference shares, the shareholders will be permitted to vote on the resolution at the AGM. In terms of paragraph 8.3.9 of the memorandum of incorporation, at this meeting the preference shareholders will be entitled to the portion of the total votes which the aggregate amount of the nominal value of the shares held bears to the aggregate amount of the nominal value of all the shares held.

Additional tier 1 capital holders have no voting rights.

	Number of ordinary shares
Reconciliation of shares issued	
Shares in issue at 1 January 2018	1 619 268 169
Shares issued during 2018 in terms of the group's equity compensation plans	1 729 572
Share buy-back	(2 483 523)
Shares in issue at 31 December 2018	**1 618 514 218**
Net shares held in terms of the group's Tutuwa initiative	**2 985 513**
Treasury shares held by entities within the group	**25 310 447**
Shares held by other shareholders	**1 590 218 258**
Shares issued during 2019 in terms of the group's equity compensation plans	**1 195 330**
Shares in issue at 31 December 2019	**1 619 709 548**
Treasury shares held by entities within the group	**25 637 095**
Shares held by other shareholders	**1 594 072 453**

All issued shares are fully paid up. There has been no movement in the first and second preference shares during the year. The number of shares in issue for first and second preference shares are 8 000 000 and 52 982 248 respectively.

15. Share capital continued

15.3 Unissued shares

	2019 Number of shares	2018 Number of shares
Ordinary unissued shares	**257 354 962**	257 354 962
Ordinary shares reserved to meet the requirements of EGS and GSIS[1]	**122 935 490**	124 130 820
Ordinary shares reserved in terms of the rules of EGS and GSIS as approved by members' resolution dated 27 May 2010	**155 825 715**	155 825 715
Less: issued to date of the above resolution for the EGS and GSIS	**(32 890 225)**	(31 694 895)
Unissued ordinary shares	**380 290 452**	381 485 782
Unissued second preference shares	**947 017 752**	947 017 752

1 During the year, 1 195 330 (2018: 1 729 572) ordinary shares were issued in terms of the group's equity compensation plans, notably the Equity Growth Scheme (EGS) and Group Share Incentive Scheme (GSIS). No surplus capital was used to purchase ordinary shares in 2019 (2018: 2 483 523) ordinary shares to counteract the dilutive impact of the shares issues under the equity compensation plans. Effective from 2017, the group no longer issues EGS and GSIS awards. The last awards in GSIS were issued in 2011 and for the EGS, the last award was made in 2016. Awards are now provided in terms of the group's other share schemes, notably the Deferred Bonus Scheme and the Share Appreciation Rights Plan, both of which are settled by the group to employees with shares that the group purchases from external market participants, and the Cash-Settled Deferred Bonus Scheme, which is settled in cash (refer to annexure D – Group share incentive schemes for further information). At the end of the year, the group would need to issue 1 485 507 (2018: 2 847 244), SBG ordinary shares to settle the outstanding GSIS options and EGS rights that were awarded to participants in previous years. The shares issued to date for the EGS and GSIS together with the expected number of shares to settle the outstanding options and rights as a percentage of the total number of shares in issue is 2.1% (2018: 2.1%).

15.4 Interest of directors in the capital of the company

	Direct beneficial[1]		Indirect beneficial[1]	
	2019 Number of shares	2018 Number of shares	2019 Number of shares	2018 Number of shares
Ordinary shares	**927 630**	791 882	**219 358**	708 532
A Daehnke	**133 291**	83 098	**104 683**	58 407
GJ Fraser-Moleketi	**1 890**	1 890	**14 675**	14 675
TS Gcabashe[2]	**40 000**			50 000
BJ Kruger[3]		312 040		
JH Maree	**163 109**	97 847		
KD Moroka[2]	**67 151**	515		66 636
ANA Peterside CON			**100 000**	100 000
MJD Ruck	**25 000**	50 000		
SK Tshabalala	**497 189**	246 492		418 814
Second preference shares	**10 331**	37 122	**3 034**	3 034
BJ Kruger[3]		26 791		
JH Maree[4]	**10 331**	10 331	**3 034**	3 034

1 As per JSE Listings Requirements.
2 Includes an allocation of 125 000 shares in terms of the Tutuwa management trust.
3 Retired as director on 31 December 2018, 2018 balances reflected are as at this date.
4 Shares held by directors under share incentive schemes 929 873 (2018: 1 838 963).

There have been no changes to directors' interests in the group's share capital between 1 January 2020 and 5 March 2020.

15.5 General authority of directors to issue shares[1]

	2019 Number of shares	2018 Number of shares
Ordinary shares	**40 462 856**	40 481 704
Second preference shares	**947 017 752**	947 017 752

1 The general authority expires at the annual general meeting on 28 May 2020.

15. Share capital continued

15.6 Treasury shares

	2019 Number of shares	2018 Number of shares
Purchased during the year[1]	35 372 939	51 954 293
Total treasury shares held at the end of year[2]	25 637 095	25 310 447
Ordinary shares delisted and reinstated to authorised[3]		2 483 523

1 Total number of ordinary shares purchased during the year by the group's banking activities to facilitate client trading activities and by the group's insurance activities for the benefit of policyholders, as well as share buy-backs to mitigate the dilutive impact as a result of the group's share incentive schemes.
2 Total number of ordinary shares held at the end of the period by the group's banking and insurance activities in terms of the transactions mentioned above.
3 Total number of ordinary shares purchased to mitigate the dilutive impact as a result of the group's share incentive schemes and reinstated to authorised share capital.

15.7 Shareholder analysis

15.7.1 Spread of ordinary shareholders (million)

	2019		2018	
	Number of shares (million)	% holding	Number of shares (million)	% holding
Public[1, 4]	1 061.9	65.6	1 072.9	66.3
Non-public[1]	557.8	34.4	545.6	33.7
Directors and prescribed officers of Standard Bank Group, and its subsidiaries[2]	1.2	0.1	1.2	0.1
ICBC	325.0	20.0	325.0	20.1
Government Employees Pension Fund (investment managed by PIC)	215.0	13.3	199.7	12.4
Standard Bank Group retirement funds	2.3	0.1	2.1	0.1
Tutuwa participants[3, 4]	14.1	0.9	16.9	1.0
Associates of directors	0.2		0.70	
Total	1 619.7	100.0	1 618.5	100.0

15.7.2 Spread of first preference shareholders

	2019		2018	
	Number of shares (million)	% holding	Number of shares (million)	% holding
Public[1]	8 000 000	100.0	8 000 000	100.0
Spread of second preference shareholders	52 982 248		52 982 248	
Public[1]	52 968 883	100.0	52 905 909	99.9
Non-public[1]	13 365		76 339	0.1
Directors and prescribed officers of Standard Bank Group, and its subsidiaries[2]	13 365		76 339	0.1
Total	52 982 248	100.0	52 982 248	100.0

1 As per the JSE Listings Requirements.
2 Excludes indirect holdings of strategic partners, which are included in Tutuwa participants.
3 Includes Tutuwa Strategic Holdings 1 and 2, Tutuwa Staff Holdings 1, 2 and 3, Tutuwa Community and General Staff Share Trust.
4 During 2018, there were 4.1 million shares related to Tutuwa participants included in public shareholders. The comparative has been restated for this change.

15. Share capital continued

15.8 Additional tier 1 capital

Bond	Date issued	First callable date	Notional value 2019 Rm	Carrying value 2019 Rm	Carrying value 2018 Rm
SBT101	30 March 2017	31 March 2022	**1 744**	**1 744**	1 744
SBT102	21 September 2017	30 September 2022	**1 800**	**1 800**	1 800
SBT103	20 February 2019	31 March 2024	**1 942**	**1 942**	
Total			**5 486**	**5 486**	3 544

During 2019, the group issued an additional Basel III compliant AT1 capital bond amounting to R1.9 billion (2018: Rnil). The capital notes are perpetual, non-cumulative with an issuer call option after a minimum period of five years and one day and on every coupon payment date thereafter.

Coupons to the value of R636 million (2018: R447 million) were paid to AT1 capital bond holders. Current tax of R178 million (2018: R125 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R458 million (2018: R322 million).

The terms of the Basel III compliant AT1 capital bonds include a regulatory requirement which provides for the write-off, in whole or in part, on the earlier of a decision by the SARB that a write-off without which the issuer would have become non-viable is necessary, or a decision to make a public sector injection of capital or equivalent support, without which the issuer would have become non-viable.

The AT1 capital bonds do not have a contractual obligation to pay cash; hence, they have been recognised within equity attributable to other equity instrument holders on the statement of financial position.

Holders of AT1 capital do not have voting rights at the group's annual general meeting.

16. Empowerment reserve

SBG and Liberty entered into a series of transactions in 2004 whereby investments were made in cumulative redeemable preference shares issued by Black Economic Empowerment (BEE) entities which are Structured Entities (SEs). The initial investments made by SBG and Liberty totalled R4 017 million and R1 251 million respectively. The proceeds received were used by the BEE entities to purchase 99 190 197 ordinary shares of SBG. All participants were subject to a ten-year lock-in period which expired on 31 December 2014.

Since the end of the lock-in period, Tutuwa beneficiaries have been able to exit the scheme and this has seen a progressive reduction in the value of the group's investment in these preference shares. All remaining preference shares in the Tutuwa entities were redeemed prior to the final redemption date of 4 October 2019, thus leaving the only shares in the BEE entities within the Liberty group.

The preference shares owned by the group do not meet the definition of a financial asset in terms of IFRS and are therefore treated as a negative empowerment reserve within the statement of changes in equity. The empowerment reserve represents SBG and Liberty shares held by the SEs that are deemed to be treasury shares in terms of IFRS.

The investment in the cumulative redeemable preference shares of the BEE entities, accounted for by the group as a negative empowerment reserve, is set out below:

	2019 Rm	2018 Rm
Standard Bank Group[1]		148
Liberty (after non-controlling interest)	**69**	53
Outstanding shares issued	**69**	201
Number of SBG shares		2 985 513

[1] 2018 comprises the Black Managers' Trust – Tutuwa Staff Holdings 1 – 3 Proprietary Limited and the Community Trust – Tutuwa Community Holdings Proprietary Limited.

For the purposes of the earnings per share calculation, the weighted average number of the company's shares in issue is reduced by the number of shares held by the BEE entities bought with the proceeds received from the preference shares (note 39).

AFS Refer to annexure F for further details relating to the accounting policies applied.

17. Trading liabilities

	2019 Rm	2018 Rm
Collateral	2 472	730
Credit-linked notes	13 073	10 090
Government, municipality and utility bonds	10 775	19 520
Listed equities	33 215	23 334
Repurchase and other collateralised agreements	11 735	1 190
Other instruments	12 577	5 083
Total	83 847	59 947

18. Deposits and debt funding

	2019 Rm	2018 Rm
Deposits and debt funding from banks	121 119	116 727
Deposits and debt funding from customers	1 305 074	1 240 810
Current accounts	240 246	248 841
Cash management deposits	175 847	171 408
Call deposits	355 172	359 305
Savings accounts	29 913	28 750
Term deposits	287 536	251 709
Negotiable certificates of deposit	148 997	125 428
Foreign currency funding	57 279	47 165
Other funding	10 084	8 204
Total	1 426 193	1 357 537

19. Subordinated debt

	Redeemable/ repayable date	First callable date	Notional value[1] Million	Carrying value[1] 2019 Rm	Carrying value 2018 Rm
Subordinated bonds					
Standard Bank Group Limited				**11 843**	5 057
SBT201	13 February 2028	13 February 2023	**ZAR3 000**	**3 040**	3 041
SBT202	3 December 2028	3 December 2023	**ZAR1 516**	**1 527**	1 528
SBT203	3 December 2028	3 December 2023	**ZAR484**	**506**	488
SBT204	16 April 2029	16 April 2024	**ZAR1 000**	**1 019**	
SBT205	31 May 2029	31 May 2024	**USD400**	**5 751**	
The Standard Bank of South Africa				**8 975**	13 793
SBK17	30 July 2024	30 July 2019	**ZAR2 000**		2 032
SBK19	24 October 2024	24 October 2019	**ZAR500**		509
SBK20[2]	2 December 2024	2 December 2019	**ZAR2 250**		2 269
SBK21[2]	28 January 2025	28 January 2020	**ZAR750**	**763**	764
SBK22[2]	28 May 2025	28 May 2020	**ZAR1 000**	**1 010**	1 010
SBK24[2]	19 October 2025	19 October 2020	**ZAR880**	**886**	899
SBK18	24 October 2025	24 October 2020	**ZAR3 500**	**3 560**	3 563
SBK26[2]	25 April 2026	25 April 2021	**ZAR500**	**521**	511
SBK25[2]	25 April 2026	25 April 2021	**ZAR1 200**	**1 218**	1 225
SBK23[2]	28 May 2027	28 May 2022	**ZAR1 000**	**1 017**	1 011
Subordinated bonds issued to group companies				**(86)**	(122)
Total bonds qualifying as SARB regulatory banking capital				**20 732**	18 728
Africa Regions' bonds not qualifying as SARB regulatory banking capital				**2 501**	1 969
Stanbic Bank Kenya	8 December 2021	1 June 2020	**KES4 000**	**557**	564
Stanbic Bank Kenya	1 January 2029	1 January 2024	**USD20**	**282**	
Stanbic IBTC Bank (Nigeria)	30 September 2024	30 March 2020	**NGN15 440**	**618**	633
Standard Bank Mozambique	September 2025 – October 2025	August 2020 – October 2020	**MZN1 001**	**237**	250
Other Africa Regions' bonds	October 2024 – October 2027	April 2020 – October 2024	**Various**	**807**	522
Total subordinated bonds – banking activities				**23 233**	20 697
Liberty					
Qualifying as regulatory insurance capital				**5 668**	5 662
LGL 04	14 August 2020		**ZAR1 000**	**1 046**	1 063
LGL 05	12 December 2021		**ZAR500**	**513**	508
LGL 06	4 October 2022		**ZAR400**	**423**	414
LGL 07	4 October 2022		**ZAR600**	**612**	605
LGL 08	28 February 2023		**ZAR900**	**931**	929
LGL 09	28 February 2024		**ZAR1 100**	**1 143**	1 143
LGL 10	8 October 2025		**ZAR1 000**	**1 000**	1 000
Total				**28 901**	26 359

1 The difference between the carrying and notional value represents foreign exchange movements, transaction costs included in the initial carrying amounts, accrued interest and the unamortised fair value adjustments relating to bonds, where applicable, hedged for interest rate risk.

2 The terms of the issued bonds include a regulatory requirement which provides for the write-off in whole or in part on the earlier of a decision by the relevant regulator (SARB) that a write-off, or a public sector injection of capital or equivalent support is necessary, without which the issuer would have become non-viable.

20. Provisions and other liabilities

20.1 Classification

	2019 Rm	2018 Rm
Financial liabilities[1]	**94 477**	79 724
Cash-settled share-based payment liability (annexure D)	**452**	748
Expected credit loss for off-balance sheet exposure (note 20.4)	**360**	588
Collateral and other insurance risk management liabilities	**12 474**	11 747
Deferred revenue liability	**330**	314
Third-party liabilities arising on consolidation of mutual funds (note 20.2)	**56 758**	48 186
Reinsurance liabilities (note 8.1)	**246**	283
Insurance payables	**10 591**	9 407
Lease liability[2] (note 20.3)	**4 055**	
Short-term insurance liability	**991**	984
Trading settlement liabilities	**8 220**	7 467
Non-financial liabilities[1]	**29 624**	30 029
Items in the course of transmission	**4 784**	4 385
Post-employment benefits (note 43)	**1 113**	1 228
Staff-related accruals	**11 963**	11 135
Other non-financial liabilities	**11 764**	13 281
Total	**124 101**	109 753

1 The note disclosure has been disaggregated to show a better analysis of financial and non-financial provisions and other liabilities as part of the adoption of the amendments to IAS 1 and IAS 8, this change had no impact on the SOFP.
2 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.

20.2 Third-party liabilities arising on consolidation of mutual funds

	2019 Rm	2018 Rm
Balance at the beginning of the year	**48 186**	49 713
Additional mutual funds classified as subsidiaries	**5 741**	5 853
Distributions	**(1 712)**	(1 189)
Fair value adjustments	**6 327**	2 407
Mutual funds no longer classified as subsidiaries	**(513)**	(4 236)
Net capital repayment or change in effective ownership	**(1 271)**	(4 362)
Balance at the end of the year	**56 758**	48 186

The group has classified certain mutual funds as investments in subsidiaries. Consequently, fund interest not held by the group are classified by the group as third-party liabilities as they represent demand deposit liabilities measured at fair value.

20.3 Reconciliation of lease liabilities

	Balance at 1 January 2019 Rm	Additions/ modification Rm	Terminations and/or cancellations Rm	Interest expense[1] Rm	Payments[2] Rm	Exchange and other movements Rm	Balance at 31 December 2019 Rm
Buildings	1 887	437	(44)	130	(667)	(101)	1 642
Branches	2 745	412	(152)	207	(1 288)	207	2 131
ATM spacing and other	322	107	(21)	24	(140)	(10)	282
Total	4 954	956	(217)	361	(2 095)	96	4 055

1 As at 31 December 2019, R339 million of this interest expense was included in income from banking activities and R22 million was included in operating expenses in investment management and life insurance activities.
2 These amounts include the principal lease payments as disclosed in the statements of cash flows of R1734 million. The remainder represents interest expense paid during the year.

20. Provisions and other liabilities continued

20.4 Reconciliation of expected credit losses for off-balance sheet exposures

	Opening balance Rm	Net ECL raised/ (released) Rm	Exchange and other movements Rm	Closing balance Rm
Letters of credit, bank acceptances and guarantees				
2019				
Stage 1	**158**	**25**	**(14)**	**169**
Stage 2	**58**	**11**	**0**	**69**
Stage 3	**372**	**(234)**	**(16)**	**122**
Total	**588**	**(198)**	**(30)**	**360**
2018				
Stage 1	154	15	(11)	158
Stage 2	71	(11)	(2)	58
Stage 3	198	173	1	372
Total	423	177	(12)	588

21. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

All financial assets and liabilities have been classified according to their measurement category with disclosure of the fair value being provided for those items.

	Fair value through profit or loss		
	Held-for-trading Rm	Designated Rm	Default Rm
2019			
Assets			
Cash and balances with central banks			**65 650**
Derivative assets	**71 407**		
Trading assets	**222 802**		
Pledged assets	**11 629**		**11 577**
Financial investments		**24 028**	**344 484**
Loans and advances			**161**
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Disposal group assets held for sale			**261**
Other financial assets[3]			
Other non-financial assets			
Total assets	**305 838**	**24 028**	**422 133**
Liabilities			
Derivative liabilities	**69 498**		
Trading liabilities	**83 847**		
Deposits and debt funding		**5 646**	
Policyholders' liabilities[4]		**107 891**	
Subordinated debt		**5 668**	
Disposal group liabilities held for sale			
Other financial liabilities[3]		**74 985**	
Other non-financial liabilities			
Total liabilities	**153 345**	**194 190**	

1 Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
2 Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
3 The fair value of other financial assets and liabilities measured at amortised cost approximates the carrying value due to their short-term nature.
4 The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

Fair value through other comprehensive income				Other		
Debt instruments Rm	Equity instruments Rm	Total fair value Rm	Amortised cost[1] Rm	non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		65 650	9 638		75 288	75 289
		71 407			71 407	71 407
		222 802			222 802	222 802
5 509		28 715	662		29 377	29 378
43 763	1 284	413 559	153 760		567 319	567 355
		161	1 180 906		1 181 067	1 182 663
				7 017	7 017	
				5 423	5 423	
				34 180	34 180	34 180
		261		2 338	2 599	261
			19 198		19 198	
				59 912	59 912	
49 272	1 284	802 555	1 364 164	108 870	2 275 589	
		69 498			69 498	69 498
		83 847			83 847	83 847
		5 646	1 420 547		1 426 193	1 426 651
		107 891		216 355	324 246	107 891
		5 668	23 233		28 901	29 263
				246	246	
		74 985	19 492		94 477	
				38 697	38 697	
		347 535	1 463 272	255 298	2 066 105	

21. Classification of assets and liabilities continued

Accounting classifications and fair values of assets and liabilities continued

All financial assets and liabilities have been classified according to their measurement category with disclosure of the fair value being provided for those items.

	Fair value through profit or loss		
	Held-for-trading Rm	Designated Rm	Fair value through profit or loss – default Rm
2018			
Assets			
Cash and balances with central banks			76 095
Derivative assets	51 678		
Trading assets	181 112		
Pledged assets	6 266		12 661
Financial investments[5]		19 740	330 304
Loans and advances[5]			1 204
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Disposal group assets held for sale			265
Other financial assets[3]			
Other non-financial assets			
Total assets	239 056	19 740	420 529
Liabilities			
Derivative liabilities	55 057		
Trading liabilities	59 947		
Deposits and debt funding		6 439	
Policyholders' liabilities[4]		99 813	
Subordinated debt		5 540	
Disposal group liabilities held for sale			
Other financial liabilities[3]		67 822	
Other non-financial liabilities			
Total liabilities	115 004	179 614	

1 Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
2 Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
3 The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature. Other financial liabilities of R8 628 million and other financial assets of R1 590 million were erroneously classified as other liabilities and other assets respectively, rather than at designated at fair value and prior year disclosure has been updated. This has no impact on the group's statement of financial position.
4 The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.
5 Restated. Refer to page 31 for further details on the restatements.

Fair value through other comprehensive income						
Debt instruments Rm	Equity instruments Rm	Total fair value Rm	Amortised cost[1] Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		76 095	9 050		85 145	85 145
		51 678			51 678	51 678
		181 112			181 112	181 112
263		19 190	689		19 879	19 863
53 083	1 254	404 381	144 145		548 526	548 578
		1 204	1 118 343		1 119 547	1 123 115
				6 708	6 708	
				10 376	10 376	
				33 326	33 326	33 326
		265		497	762	265
			12 034		12 034	
				57 869	57 869	
53 346	1 254	733 925	1 284 261	108 776	2 126 962	
		55 057			55 057	55 057
		59 947			59 947	59 947
		6 439	1 351 098		1 357 537	1 358 058
		99 813		211 181	310 994	99 813
		5 540	20 819		26 359	25 431
				237	237	
		67 822	11 902		79 724	
				38 044	38 044	
		294 618	1 383 819	249 462	1 927 899	

22. Fair value disclosures

22.1 Assets and liabilities measured at fair value (measured on a recurring basis[1])

	2019				2018			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Cash and balances with central bank	60 079	5 571		65 650	64 680	11 415		76 095
Derivative assets	143	68 653	2 611	71 407	42	48 227	3 409	51 678
Trading assets	134 506	85 674	2 622	222 802	97 350	81 395	2 367	181 112
Pledged assets	28 612	103		28 715	18 272	918		19 190
Financial investments[3]	216 360	186 535	10 664	413 559	203 695	189 780	10 906	404 381
Loans and advances[2]			161	161		1 204		1 204
Investment property			34 180	34 180			33 326	33 326
Disposal group assets classified as held for sale[2]	261			261	265			265
Total assets at fair value	439 961	346 536	50 238	836 735	384 304	332 939	50 008	767 251
Liabilities								
Derivative liabilities	42	63 854	5 602	69 498	52	48 854	6 151	55 057
Trading liabilities	45 016	35 632	3 199	83 847	41 753	15 437	2 757	59 947
Deposits and debt funding		5 646		5 646		6 439		6 439
Policyholders' liabilities		107 891		107 891		99 813		99 813
Other financial liabilities		67 692	7 293	74 985		61 636	6 186	67 822
Subordinated debt		5 668		5 668		5 540		5 540
Total liabilities at fair value	45 058	286 383	16 094	347 535	41 805	237 719	15 094	294 618

1 Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.
2 The disposal group is measured on a non-recurring basis.
3 Restated. Refer to page 31 for further details on the restatement.

Assets and liabilities transferred between level 1 and level 2

During the year, no significant assets or liabilities were transferred between level 1 and level 2 (2018: Rnil).

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

Level 3 financial assets and financial liabilities

Reconciliation of level 3 assets

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporates inputs that are not based on observable market data (level 3).

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Investment property Rm	Loans and advances Rm	Total Rm
Balance at 1 January 2018	4 049	5 084	8 770	32 226		50 129
Total (losses)/gains included in profit or loss	(453)	154	1 329	493		1 523
Trading revenue	(453)	154				(299)
Other revenue			506			506
Investment gains			823	493		1 316
Total gains included in OCI			(19)			(19)
Issuances and purchases	800	504	448	719		2 471
Sales and settlements	(1 465)	(3 375)	(276)	(62)		(5 178)
Transfers into level 3[1]	418		5			423
Transfers out of level 3[2]	(83)		(312)	(70)		(465)
Reclassifications			831			831
Exchange movement losses	143		130	20		293
Balance at 31 December 2018	**3 409**	**2 367**	**10 906**	**33 326**		**50 008**
Total gains/(losses) included in profit or loss	**261**	**401**	**(643)**	**650**	**(19)**	**650**
Trading revenue	**261**	**401**				**662**
Other revenue			**(97)**		**(19)**	**(116)**
Investment (losses)/gains			**(546)**	**650**		**104**
Total losses included in OCI			**86**			**86**
Issuances and purchases	**1 921**	**969**	**2 182**	**197**	**330**	**5 599**
Sales and settlements	**(2 705)**	**(1 115)**	**(2 089)**		**(150)**	**(6 059)**
Transfers into level 3[1]	**56**			**10**		**66**
Transfers out of level 3[2]	**(304)**					**(304)**
Exchange movement gains	**(27)**		**222**	**(3)**		**192**
Balance at 31 December 2019	**2 611**	**2 622**	**10 664**	**34 180**	**161**	**50 238**

1 Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the year, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred into level 3.
2 During the year, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Investment property Rm	Loans and advances Rm	Total Rm
2019						
Trading revenue	**802**	**364**				**1 166**
Other revenue			**(15)**		**(19)**	**(34)**
Investment management and service fee income and gains			**(504)**	**503**		**(1)**
Total	**802**	**364**	**(519)**	**503**	**(19)**	**1 131**
2018						
Trading revenue	(456)	159				(297)
Other revenue[1]			34			34
Investment management and service fee income and gains[1]			370	717		1 087
Total	(456)	159	404	717		824

1 Amount for investment management and service fee income and gains was erroneously included in other revenue, this change did not have an impact on the income statement.

Reconciliation of level 3 liabilities

The following table provides a reconciliation of the opening to closing balance for all liabilities that are measured at fair value and incorporates inputs that are not based on observable market data (level 3).

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
Balance at 1 January 2018	5 406	3 039	1 229	9 674
Total losses included in profit or loss	1 465	102	329	1 896
Issuances and purchases		738	4 628	5 366
Sales and settlements	(789)	(195)		(984)
Transfers out of level 3[1]	(34)	(1 112)		(1 146)
Transfers into level 3[2]	103	185		288
Balance at 31 December 2018	**6 151**	**2 757**	**6 186**	**15 094**
Total losses/(gains) included in profit or loss	**256**	**(265)**	**(18)**	**(27)**
Issuances and purchases	**347**	**1 050**	**1 125**	**2 522**
Sales and settlements	**(959)**	**(458)**		**(1 417)**
Transfers out of level 3[1]	**(212)**			**(212)**
Transfers into level 3[2]	**19**	**115**		**134**
Balance at 31 December 2019	**5 602**	**3 199**	**7 293**	**16 094**

1 Transfers of financial liabilities between the levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During 2018, the valuation inputs of certain financial liabilities became observable, the fair value of these liabilities were transferred out of level 3.
2 During the year, the valuation inputs of certain financial assets became unobservable. The fair value of these financial assets was transferred into level 3.

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

Unrealised losses/(gains) for the period included in profit or loss for level 3 liabilities held at the end of the reporting period

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
2019				
Trading revenue	**253**	**(264)**	**(18)**	**(29)**
2018				
Trading revenue	1 568	101	329	1 998

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to determine fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates are taken into account when determining appropriate model adjustments.

The table that follows indicates the sensitivity of valuation techniques used in the determination of the fair value of level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption, would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The interrelationship between these significant unobservable inputs (which mainly include discount rates, spot prices of the underlying, correlation factors, volatilities, dividend yields, earning yields and valuation multiples) and the fair value measurement could be favourable/(unfavourable), if these inputs were higher (lower). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted.

	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	Unfavourable Rm
2019			
Derivative instruments	**From (1%) to 1%**	**295**	**(295)**
Financial investments	**From (1%) to 1%**	**445**	**(378)**
Trading assets	**From (1%) to 1%**	**65**	**(65)**
Trading liabilities	**From (1%) to 1%**	**29**	**(29)**
Investment property	**From (1%) to 1%**	**3 979**	**(3 251)**
Total		**4 813**	**(4 018)**
2018			
Derivative instruments	From (1%) to 1%	309	(315)
Financial investments	From (1%) to 1%	59	(58)
Trading assets	From (1%) to 1%	94	(94)
Trading liabilities	From (1%) to 1%	68	(68)
Investment property	From (1%) to 1%	5 628	(4 611)
Total		6 158	(5 146)

In 2019, a 1% change (both favourable and unfavourable) of the significant unobservable inputs relating to the measurement of a financial investment classified as fair value through OCI resulted in a R129 million favourable and R127 million unfavourable, respectively, effect recognised in OCI (2018: R145 million favourable and unfavourable).

The other financial liabilities categorised as level 3 relate to third-party financial liabilities arising from the consolidation of mutual funds. A sensitivity analysis is therefore not provided since a similar sensitivity would arise on the assets that relate to these liabilities.

AFS Refer to key management assumptions and detailed accounting policies in annexure F for more information about valuation techniques used.

22. Fair value disclosures continued

22.2 Assets and liabilities not measured at fair value for which fair value is disclosed

	2019				2018			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Cash and balances with central banks	9 639			9 639	7 374	1 676		9 050
Pledged assets[1]		605	58	663		673		673
Financial investments[1]	122 895	30 038	863	153 796	114 072	25 332	5 914	145 318
Loans and advances	11 056	193 644	977 802	1 182 502	12 560	161 474	947 877	1 121 911
Total assets	143 590	224 287	978 723	1 346 600	134 006	189 155	953 791	1 276 952
Liabilities								
Deposits and debt funding	734 447	656 213	30 345	1 421 005	616 809	701 181	33 628	1 351 618
Subordinated debt		11 891	11 704	23 595		19 891		19 891
Total liabilities	734 447	668 104	42 049	1 444 600	616 809	721 072	33 628	1 371 509

1 The pledged assets and financial investments include a bond position which was disclosed as level 2 as at 31 December 2018; however due to deterioration of trading liquidity the bond position has been disclosed as level 3 as at 31 December 2019.

22.3 Third-party credit enhancements

There were no significant liabilities measured at fair value that existed during the year which had been issued with inseparable third-party credit enhancements.

22.4 Financial assets and financial liabilities designated at FVTPL

Financial assets	Maximum exposure to credit risk Rm	Exposure mitigated Rm	Current year (loss)/gain on changes in fair value attributable to changes in credit risk Rm	Cumulative (loss)/gain on changes in fair value attributable to changes in credit risk Rm	Current year changes in fair value attributable to related credit derivatives Rm	Cumulative changes in fair value attributable to changes in credit derivatives Rm
2019						
Financial investments	4 359		(27)	(4)		
2018						
Financial investments	16 646		37	23		

1 The maximum exposure to credit risk for sovereign exposures is deemed to be insignificant, thus this balance primarily relates to corporate and bank exposures.

22. Fair value disclosures continued

22.4 Financial assets and financial liabilities designated at FVTPL continued

Financial liabilities	Current year loss on changes in fair value attributable to changes in credit risk Rm	Cumulative loss on changes in fair value attributable to changes in credit risk[1] Rm	Contractual payment required at maturity Rm	Carrying amount Rm	Difference between carrying amount and contractual payment Rm
With credit risk recognised in OCI					
2019					
Deposit and debt funding	**4**	**13**	**5 274**	**5 646**	**372**
Policyholders' liabilities			**107 891**	**107 891**	
Subordinated debt	**(16)**	**24**	**5 500**	**5 668**	**168**
Other financial liabilities			**74 985**	**74 985**	
Total	**(12)**	**37**	**193 650**	**194 190**	**540**
2018					
Deposit and debt funding	9	9	6 234	6 439	205
Policyholders' liabilities			99 813	99 813	
Subordinated debt	67	40	5 380	5 540	160
Other financial liabilities			67 822	67 822	
Total	76	49	179 249	179 614	365

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

22.5 Reconciliation of FVOCI reserve movements

22.5.1 Equity financial instruments

	Revaluation		
	Balance at beginning of the year Rm	Gains/ (losses) Rm	Balance at end of year Rm
2019			
Visa shares	**64**	**77**	**141**
STRATE Limited	**118**	**31**	**149**
Other	**95**	**(63)**	**32**
Total	**277**	**45**	**322**
2018			
Visa shares	73	(9)	64
STRATE Limited	205	(87)	118
Other	129	(34)	95
Total	407	(130)	277

Strategic equity investments are designated at fair value through OCI on initial recognition. No gains and losses were transferred to retained earnings during the year. No dividends were received during the year. Amounts are net of taxation.

22. Fair value disclosures continued

22.5 Reconciliation of FVOCI reserve movements continued

22.5.2 Debt financial investments

	Balance at beginning of the year Rm	Net change in fair value Rm	Realised fair value adjustments and reversal to profit or loss Rm	Net expected credit loss raised/ (released) during the period Rm	NCI and other movements Rm	Balance at end of the year Rm
2019						
Sovereign	**246**	**74**	**(14)**	**41**	**(72)**	**275**
Total	**246**	**74**	**(14)**	**41**	**(72)**	**275**
2018						
Sovereign	175	22	(46)	19	76	246
Total	175	22	(46)	19	76	246

22.5.3 Total reconciliation of the FVOCI reserve

	Balance at the beginning of the year Rm	Net change in fair value Rm	Balance at the end of the year Rm
2019			
Total	**523**	**74**	**597**
2018			
Total	582	(59)	523

23. Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IFRS requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, the group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no other instances apart from the cash management accounts, where the group has a current legally enforceable right to offset, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The following table sets out the impact of offset, as well as the required disclosures for financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they have been offset in accordance with IFRS. It should be noted that the information below is not intended to represent the group and company's actual credit exposure, nor will it agree to that presented in the statement of financial position.

	Gross amount of recognised financial assets[1] Rm	Financial liabilities set off in the statement of financial position[2] Rm	Net amount of financial assets subject to netting agreements[3] Rm	Collateral received[4] Rm	Net amount Rm
Assets					
2019					
Derivative assets	**64 347**		**64 347**	**(57 027)**	**7 320**
Trading assets	**25 278**		**25 278**	**(18 327)**	**6 951**
Loans and advances[5]	**100 096**	**(35 348)**	**64 748**	**(62 426)**	**2 322**
Total	**189 721**	**(35 348)**	**154 373**	**(137 780)**	**16 593**
2018					
Derivative assets	45 401		45 401	(41 628)	3 773
Trading assets	35 998		35 998	(33 806)	2 192
Loans and advances[5]	66 943	(32 722)	34 221	(31 417)	2 804
Total	148 342	(32 722)	115 620	(106 851)	8 769

23. Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements continued

	Gross amount of recognised financial liabilities[1] Rm	Financial assets set off in the statement of financial position[2] Rm	Net amount of financial liabilities subject to netting agreements[3] Rm	Collateral pledged[6] Rm	Net amount Rm
Liabilities					
2019					
Derivative liabilities	**64 742**		**64 742**	**(56 717)**	**8 025**
Trading liabilities	**23 291**		**23 291**	**(23 291)**	
Deposits and debt funding[5]	**40 475**	**(35 348)**	**5 127**		**5 127**
Total	**128 508**	**(35 348)**	**93 160**	**(80 008)**	**13 152**
2018					
Derivative liabilities	47 365		47 365	(40 821)	6 544
Trading liabilities	876		876	(876)	
Deposits and debt funding[5]	38 848	(32 722)	6 126	(12)	6 114
Total	87 089	(32 722)	54 367	(41 709)	12 658

1 Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.
2 Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.
3 Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement.
4 This could include financial collateral (whether recognised or unrecognised), cash collateral, as well as exposures that are available to the group and company to be offset in the event of default. In most cases the group and company is allowed to sell or repledge collateral received.
5 The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.
6 In most instances, the counterparty may not sell or repledge collateral pledged by the group.

The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement or similar agreement.

	Nature of agreement	Related rights
Derivative assets and liabilities	International swaps and derivatives association agreements	The agreement allows for offset in the event of default
Trading assets and liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default
Loans and advances	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to all applicable laws and regulations
Deposits and debt funding	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to all applicable laws and regulations

24. Contingent liabilities and commitments

24.1 Contingent liabilities

	2019 Rm	2018 Rm
Letters of credit and bankers' acceptances	15 104	17 802
Guarantees	79 202	85 576
Total	94 306	103 378

Loan commitments of R73 940 million (2018: R77 253 million) that are irrevocable over the life of the facility or revocable only in response to material adverse changes are included in annexure C.

24.2 Commitments

	2019 Rm	2018 Rm
Investment property	601	748
Property and equipment	284	620
Other intangible assets	191	270
Total	1 076	1 638

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

24.3 Lease commitments

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

	2018 Rm
Property and equipment	
Within one year	1 756
After one year but within five years	4 691
After five years	823
Total	7 270

The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16. Low-value assets comprise IT equipment and small items of office furniture.

The future minimum lease payments under non-cancellable operating leases for 2019 comprise of low-value assets and short-term leases of R25 million within one year and for low-value assets R3 million are due within one and five years.

24. Contingent liabilities and commitments continued

24.4 Legal proceedings defended

In the ordinary course of business, the group is involved as a defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation, analysis and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being 'likely to succeed and material' or 'unlikely to succeed but material should they succeed'. The group is also the defendant in some legal cases for which the group is fully indemnified by external third-parties, none of which are individually material. Management is accordingly satisfied that the legal proceedings currently pending against the group should not have a material adverse effect on the group's consolidated financial position and the directors are satisfied that the group has adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions in place to meet claims that may succeed.

Competition Commission – trading of foreign currency

On 15 February 2017, South Africa's Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against The Standard Bank of South Africa Limited (SBSA) and two against a former subsidiary of the group, Standard New York Securities Inc (SNYS), in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group has, with the help of external counsel, conducted its own internal investigations and found no evidence that supports the complaints. Both SBSA and SNYS, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. These applications were heard in July 2018. The complaint against SNYS was dismissed on the grounds that South Africa's competition regulators lack jurisdiction over it. In the case of SBSA the Competition Commission was directed to file an amended complaint containing sufficient facts to evidence the collusion alleged within 40 business days of the ruling or risk dismissal of the complaint. The allegations against SBSA are confined to USD/ZAR trading activities within SBSA and do not relate to the conduct of the group more broadly. A number of respondents have filed an appeal to the ruling raising various grounds, which will impact on the 40 business day deadline imposed on the Competition Commission for the filing of the amended complaint against SBSA. The Competition Tribunal (CT) issued a directive on 24 July 2019 to all parties. Pursuant to two appeals filed by the Competition Commission against judgements handed down by the Competition Appeal Court in favour of The Standard Bank of South Africa Limited (SBSA), on 20 February 2020, the Constitutional Court, by a majority of five to four judges, ordered that (a) the Competition Commission need not disclose its record of investigation into alleged collusion in foreign exchange markets until after both SBSA has filed its written defence to the complaint against it and the Competition Tribunal has directed that all parties make discovery of relevant documents, and (b) the Competition Appeal Court erred in not deciding if it had the requisite jurisdiction before ordering the Competition Commission to lodge its record of decision in SBSA's application to have the Competition Commission's decision to initiate a complaint of collusion against SBSA reviewed and set aside, and remitted that issue of jurisdiction back to the Competition Appeal Court for determination.

Indemnities granted following disposal of Standard Bank Plc

Under the terms of the disposal of Standard Bank Plc on 1 February 2015, the group provided ICBC with certain indemnities to be paid in cash to ICBC or, at ICBC's direction, to any Standard Bank Plc (now ICBCS) group company, a sum equal to the amount of losses suffered or incurred by ICBC arising from certain circumstances. Where an indemnity payment is required to be made by the group to the ICBCS group, such payment would be grossed up from ICBC's shareholding at the time in ICBCS to 100%. These payments may, inter alia, arise as a result of an enforcement action, the cause of which occurred prior to the date of disposal. Enforcement actions include actions taken by regulatory or governmental authorities to enforce the relevant laws in any jurisdiction. While there have been no material claims relating to these indemnification provisions during 2019, the indemnities provided are uncapped and of unlimited duration as they reflect that the pre-completion regulatory risks attaching to the disposed-of business remain with the group post completion.

25. Maturity analysis

The group assesses the maturity of its assets and liabilities at 31 December each year. This gives an indication of the remaining life of these assets at that point in time. The following table illustrates the maturities based on a contractual discounted basis. For the maturity analysis of financial liabilities on a contractual undiscounted basis, refer to the funding and liquidity risk section within annexure C.

25.1 Financial assets and liabilities

	Note	Redeem-able on demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated[1] Rm	Total Rm
2019							
Cash and balances with central banks[2]	1	**16 700**				**58 588**	**75 288**
Trading assets	3	**4 084**	**93 827**	**33 355**	**74 587**	**16 949**	**222 802**
Pledged assets	4		**21 220**	**1 239**	**6 900**	**18**	**29 377**
Financial investments	5	**4 859**	**147 123**	**38 679**	**7 687**	**368 971**	**567 319**
Gross loans and advances[3]	7	**125 454**	**249 510**	**443 128**	**360 833**	**37 421**	**1 216 346**
Other financial assets	9		**17 767**	**420**		**1 011**	**19 198**
Net derivative asset	2	**597**	**4 550**	**(1 175)**	**(2 063)**		**1 909**
Trading liabilities	17	**(3 345)**	**(25 396)**	**(10 632)**	**(11 825)**	**(32 649)**	**(83 847)**
Deposits and debt funding	18	**(856 174)**	**(360 600)**	**(143 127)**	**(46 437)**	**(19 855)**	**(1 426 193)**
Subordinated debt[4]	19		**(8 629)**	**(20 272)**			**(28 901)**
Provisions and liabilities[5]	20	**(65)**	**(22 905)**	**(2 029)**		**(69 478)**	**(94 477)**
2018							
Cash and balances with central banks[2]	1	20 681				64 464	85 145
Trading assets	3	6 631	44 563	28 032	58 810	43 076	181 112
Pledged assets	4		18 058	800	671	350	19 879
Financial investments[6]	5	15 066	191 031	71 185	59 889	211 549	548 720
Gross loans and advances[3, 6]	7	123 469	256 087	408 594	338 461	29 621	1 156 232
Other financial assets[7]	9	2 565	8 778	299		392	12 034
Net derivative liability	2		2 109	(2 949)	(2 539)		(3 379)
Trading liabilities	17	(1 430)	(12 695)	(13 463)	(11 031)	(21 328)	(59 947)
Deposits and debt funding	18	(906 421)	(286 877)	(125 040)	(39 199)		(1 357 537)
Subordinated debt[4]	19		(5 965)	(17 072)	(3 322)		(26 359)
Provisions and liabilities[7]	20	(44)	(17 919)	(1 545)		(60 216)	(79 724)

1 Undated maturity category comprises of non-contractual or indeterminate maturity, including any item or position in respect of which no right or obligation in respect of maturity exists. The will include deferred tax and provisions for non-performing assets.
2 On demand cash and balances with central banks include notes and coins.
3 Includes loans and advances measured at fair value through profit or loss.
4 The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.
5 The group and company have, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16. As a result, included in other financial liabilities are the lease liabilities.
6 Restated. Refer to page 31 on further details on the restatements.
7 The note disclosure has been disaggregated to show a better analysis of financial and non-financial assets and provisions and other liabilities as part of the adoption of the amendments to IAS 1 and IAS 8, this change had no impact on the SOFP.

25. Maturity analysis continued

25.2 Non-financial assets and liabilities

	Note	Less than 12 months after reporting period Rm	More than 12 months after reporting period Rm	Total Rm
2019				
Non-current assets held for sale	6	**2 599**		**2 599**
Other assets	9	**10 593**	**110**	**10 703**
Interest in associates and joint ventures	10		**5 423**	**5 423**
Investment property	11		**34 180**	**34 180**
Property and equipment	12	**898**	**21 120**	**22 018**
Goodwill and other intangible assets	13	**797**	**21 526**	**22 323**
Provisions and other liabilities	20	**(18 257)**	**(11 367)**	**(29 624)**
Current and deferred tax asset	14	*****	*****	**4 868**
Current and deferred tax liability	14	*****	*****	**(9 073)**
2018				
Non-current assets held for sale		762		762
Other assets[1]	9	9 655	825	10 480
Interest in associates and joint ventures	10		10 376	10 376
Investment property	11		33 326	33 326
Property and equipment	12	894	18 300	19 194
Goodwill and other intangible assets	13	293	23 383	23 676
Provisions and other liabilities[1]	20	(19 169)	(10 860)	(30 029)
Current and deferred tax asset	14	*	*	4 519
Current and deferred tax liability	14	*	*	(8 015)

1 The note disclosure has been disaggregated to show a better analysis of financial and non-financial assets and provisions and other liabilities as part of the adoption of the amendments to IAS 1 and IAS 8, this change had no impact on the SOFP.
* Undated.

26. Interest

26.1 Interest income

	2019 Rm	2018 Rm
Effective interest rate interest income on:		
Loans and advances	**113 724**	106 583
Financial investments[1]	**14 694**	20 561
Interest income on credit-impaired financial assets	**1 082**	922
Total	**129 500**	128 066
Interest income on items measured at amortised cost	**126 861**	122 444
Interest income on debt instruments measured at FVOCI	**2 639**	5 622

1 Restated. Refer to page 31 for more details on the restatement.

26.2 Interest expense

	2019 Rm	2018 Rm
Interest on deposits and debt funding	**63 149**	65 862
Interest on lease liabilities[1] (note 20.4)	**339**	
Interest on subordinated debt	**3 093**	2 699
Total	**66 581**	68 561
Interest expense on items measured at amortised cost	**66 242**	68 561
Interest expense on lease liabilities[1]	**339**	

1 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.

27. Fee and commission

27.1 Fee and commission revenue

	2019 Rm	2018 Rm
Account transaction fees	**11 272**	11 669
Card-based commission	**7 041**	6 760
Documentation and administration fees	**2 281**	2 273
Electronic banking fees	**4 546**	3 829
Foreign currency service fees	**2 253**	2 244
Insurance – fees and commission	**1 857**	1 904
Knowledge-based fees and commission	**2 304**	2 350
Other	**5 800**	5 563
Total	**37 354**	36 592

All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.

27.2 Fee and commission expense

	2019 Rm	2018 Rm
Account transaction fees	**1 460**	1 368
Card-based commission	**2 563**	2 378
Documentation and administration fees	**296**	222
Electronic banking fees	**736**	687
Insurance fees and commission	**497**	546
Customer loyalty expense	**664**	624
Other	**516**	392
Total	**6 732**	6 217

All fee and commission expense reported above relates to financial assets or liabilities not carried at fair value through profit and loss.

28. Trading revenue

	2019 Rm	2018[1] Rm
Commodities	**32**	47
Equities	**2 591**	2 171
Fixed income and currencies	**9 452**	8 581
Total	**12 075**	10 799

1 Restated. Refer to page 31 for more detail.

29. Other revenue

	2019 Rm	2018[1] Rm
Banking and other revenue	**1 300**	1 360
Insurance – bancassurance profit	**2 493**	2 096
Property-related revenue	**296**	407
Total	**4 089**	3 863

1 Restated. Refer to page 31 for more detail.

30. Other gains and losses on financial instruments

	2019 Rm	2018 Rm
Derecognition gains/(losses) on financial assets measured at amortised cost	10	(8)
Fair value gains on debt financial assets measured at fair value through profit or loss – default	82	256
Gains on debt realisation of financial assets measured at fair value through OCI[1]	149	174
Fair value gains on financial instruments designated at fair value through profit or loss	515	367
Total	756	789

[1] Restated. Refer to page 31 for further details on the restatement.

31. Insurance

31.1 Insurance premiums received

	2019 Rm	2018 Rm
Insurance premiums	42 182	40 611
Reinsurance premiums	(2 381)	(2 090)
Total	39 801	38 521

31.2 Insurance benefits and claims paid

	2019 Rm	2018 Rm
Claims and policyholders' benefits under insurance contracts	41 730	39 504
Insurance claims recovered from reinsurers	(2 079)	(1 571)
Net insurance claims and policyholders' benefits	39 651	37 933
Change in policyholder liabilities under insurance contracts	4 590	(11 449)
Insurance contracts	5 400	(10 024)
Policyholder assets related to insurance contracts	(309)	776
Investment contracts with DPF	(171)	(1 607)
Reinsurance assets	(330)	(594)
Total	44 241	26 484

32. Investment management and service fee income and gains

	2019 Rm	2018 Rm
Investment income	3 245	3 533
Scrip lending fees	87	103
Rental income from investment property	3 059	2 905
Sundry income	85	74
Adjustment to surplus recognised on defined benefit pension fund	14	18
Other		433
Total	3 245	3 533

32. Investment management and service fee income and gains continued

32.1 Revenue from contracts with customers

	2019 Rm	2018 Rm
Fee income and reinsurance commission		
Service fee income from long-term policyholder investment contracts	**1 312**	1 232
Service fee income from investment contracts	**1 330**	1 251
Deferred revenue released to profit or loss	**38**	35
Deferred income relating to new business	**(56)**	(54)
Fee revenue	**2 182**	2 177
Management fees on assets under management	**1 971**	1 973
Performance fees	**56**	21
Health administration fees	**98**	53
Other fee revenue	**57**	130
Reinsurance commission earned on short-term insurance business	**116**	99
Total fee income and reinsurance commission	**3 610**	3 508
Hotel sales operations		
Hotel sales operations	**466**	565
Total	**4 076**	4 073

32.2 Interest income

	2019 Rm	2018 Rm
Financial assets classified at FVOCI		
Service fee income from long-term policyholder investment contracts		
Term deposits	**1 462**	1 230
At amortised cost		
Policy loans receivable – interest income	**19**	18
Interest income on cash and cash equivalents	**439**	268
Total interest income on financial assets using the effective interest rate method	**1 920**	1 516

33. Fair value adjustments to investment management liabilities and third-party fund interests

	2019 Rm	2018 Rm
Fair value adjustments to long-term policyholder liabilities under investment contracts	**(9 146)**	1 273
Fair value adjustments to third-party mutual fund interests	**(6 523)**	(2 407)
Investment properties	**287**	493
Financial assets at fair value through profit or loss (default)	**35 375**	(209)
Financial instruments at fair value through profit or loss	**34 741**	2 725
Financial instruments held for hedging and for trading	**634**	(2 934)
Financial assets designated at fair value through profit or loss	**5**	2 738
Fair value of financial liabilities	**(1 206)**	(1 381)
Other	**(20)**	56
Total	**18 772**	563

34. Credit impairment charges

	2019 Rm	2018 Rm
Net expected credit loss raised/(released)	**9 207**	7 515
Financial investments (note 5)	**86**	101
Loans and advances (note 7)	**9 319**	7 237
Letters of credit and guarantees (note 20)	**(198)**	177
Recoveries on loans and advances previously written off	**(1 514)**	(1 171)
Modification loss on distressed financial asset	**271**	145
Total	**7 964**	6 489

35. Operating expenses

	2019 Rm	2018 Rm
Banking activities	**62 335**	60 084
Communication	**1 114**	1 117
Information technology	**7 487**	6 379
Marketing and advertising	**1 889**	1 954
Premises[1]	**2 263**	4 052
Staff costs	**34 554**	33 776
Other	**15 028**	12 806
Investment management and life insurance activities[1]	**16 486**	16 404
Acquisition costs	**4 241**	4 413
Office costs	**3 531**	3 729
Staff costs	**4 302**	4 133
Other	**4 412**	4 129
Total	**78 821**	76 488
The following disclosable items are included in other operating expenses:		
Auditors' remuneration	**423**	383
Audit fees – current year	**410**	360
Fees for other services[2]	**13**	23
Amortisation – intangible assets (note 13)	**2 596**	2 504
Depreciation (note 12)	**4 864**	2 858
Operating lease charges[1]	**505**	2 286
Premises – other expenses	**2 263**	1 772
Professional fees	**1 828**	1 712

1 The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.
2 All fees for services paid to the group's auditors were considered and approved by the group's audit committee in terms of its non-audit services policy. Refer to the report of the group audit committee chairman for further information.

36. Non-trading and capital related items

	2019 Rm	2018 Rm
Profit on disposal of business		47
Impairment of associates	**(2 418)**	(5)
Impairment of intangible assets	**(234)**	(449)
Impairment of non-current assets held for sale	**(321)**	(249)
Impairment of goodwill	**(11)**	
(Loss)/profit on sale of property and equipment	**(94)**	15
Fair value gain on investment property	**188**	
Total	**(2 890)**	(641)

37. Direct and indirect taxation

37.1 Indirect taxation

	2019 Rm	2018 Rm
Value added tax (VAT)[1]	1 669	1 722
Other indirect taxes and levies	923	887
Total	2 592	2 609

[1] The group earns certain amounts of VAT exempt income which result in these amounts of VAT input that the group is unable to claim from the revenue authorities.

37.2 Direct taxation

	2019 Rm	2018 Rm
South African normal taxation	9 149	9 672
Current	9 387	9 911
Prior year	(238)	(239)
Deferred taxation	456	(3 101)
Current	397	(3 113)
Prior year	59	12
CGT, foreign normal and withholding tax – current year	1 162	164
Direct taxation before tax recognised in OCI and equity	10 767	6 735
Income tax recognised in OCI	(106)	87
Deferred tax recognised directly in equity	(30)	(128)
Deferred tax recognised directly in retained earnings – IFRS 9		2 401
Deferred tax recognised directly in retained earnings – IFRS 16	(72)	
Direct taxation per the income statement	10 559	9 095

Income tax recognised in OCI

The table below sets out the amount of income tax relating to each component within OCI:

	2019 Rm	2018 Rm
Items that may be subsequently reclassified to profit or loss		
Movements in the cash flow hedging reserve	(69)	10
Net change in fair value of cash flow hedges	(151)	129
Realised fair value adjustments of cash flow hedges transferred to profit or loss	82	(119)
Net change in investments measured at fair value through other comprehensive income (OCI)	5	(5)
Net change in expected credit loss	1	
Net change in fair value	4	6
Realised fair value adjustments transferred to profit or loss		(11)
Items that may not be subsequently reclassified to profit or loss		
Defined benefit fund adjustments	(52)	30
Change in own credit risk recognised on financial liabilities designated at fair value through profit or loss	4	21
Net change in fair value of equity financial investments measured at fair value through OCI		32
Other	6	(1)
Total	(106)	87

37. Direct and indirect taxation continued

37.2 Direct taxation continued

Tax rate reconciliation

	2019 %	2018 %
Direct taxation – statutory rate	**28.0**	28.0
Prior period tax	**(0.4)**	(0.5)
Direct taxation – current year	**27.6**	27.5
Capital gains tax	**1.5**	(1.0)
Foreign tax and withholding tax	**3.4**	2.7
Direct taxation – current year – normal	**32.5**	29.2
Permanent differences	**(6.9)**	(7.4)
Dividends received	**(4.8)**	(3.6)
Other non-taxable income – interest[1]	**(5.5)**	(6.6)
Assessed loss not subject to deferred tax[2]	**0.7**	0.6
Non-deductible expenses	**3.6**	2.9
Effects of profits taxed in different jurisdictions	**(0.9)**	(0.7)
Direct effective tax rate[3]	**25.6**	21.8

1 Relates to interest income earned from certain governments in Africa Regions which is exempt from tax.
2 The group's assessed losses result in an unrecognised deferred tax asset of R269 million (2018: R224 million).
3 Expressed as a percentage of profit before direct taxation.

38. Earnings per ordinary share

The calculations of basic earnings per ordinary share and diluted earnings per ordinary share are as follows:

	2019 Number of units ('000)	2018 Number of units ('000)
Earnings attributable to ordinary shareholders (Rm)	**25 443**	27 453
Weighted average number of ordinary shares in issue (number of shares)		
Weighted average number of ordinary shares in issue before adjustments	**1 619 124**	1 618 700
Adjusted for shares held pursuant to Tutuwa initiative[1]	**(2 050)**	(4 178)
Adjusted for deemed treasury shares held by entities within the group[2]	**(20 450)**	(20 803)
Weighted average number of ordinary shares in issue	**1 596 624**	1 593 719
Basic earnings per ordinary share (cents)	**1 593.5**	1 722.6
Diluted earnings per ordinary share		
Weighted average number of ordinary shares in issue	**1 596 624**	1 593 719
Adjusted for the following potential dilution:		
Share incentive schemes	**8 887**	16 126
Standard Bank GSIS[3]	**188**	318
Standard Bank EGS[4]	**1 322**	2 302
Deferred Bonus Scheme	**5 426**	6 716
Performance Reward Plan	**1 927**	3 680
Share Appreciation Rights Scheme	**24**	34
Tutuwa initiative[5]		3 076
Diluted weighted average number of ordinary shares in issue	**1 605 511**	1 609 845
Diluted earnings per ordinary share (cents)	**1 584.7**	1 705.3

1 The number of shares held by the Tutuwa participants are deducted as they are deemed not to be issued in terms of IFRS.
2 The number of shares held by entities within the group are deemed to be treasury shares for IFRS purposes.
3 275 121 (2018: 696 115) share options were outstanding at the end of the year in terms of the GSIS.
4 4 941 267 (2018: 7 364 238) rights were outstanding at the end of the year in terms of the Standard Bank EGS. These units are convertible into 1 379 838 (2018: 2 557 500) ordinary shares at year end.
5 Dilutive effect of shares held pursuant to Tutuwa initiative.

38. Earnings per ordinary share continued

Dilutive impact of shares issued during the year

Deferred Bonus Scheme

6 979 195 (2018: 5 834 741) units were issued during the year to employees domiciled in South Africa. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

At the end of the reporting period, the group had 9 741 287 (2018: 10 640 573) units hedged, which results in 127 410 (2018: 224 887) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Performance Reward Plan

2 626 716 (2018: 1 947 028) units were issued during the year to employees domiciled in South Africa. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

At the end of the reporting period, 2 501 149 (2018: 5 151 149) units were hedged. which results in 257 464 (2018: 253 762) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Share Appreciation Rights Scheme

1 215 820 (2018: 675 339) rights were issued during the year in terms of the Standard Bank SARP to employees domiciled in South Africa. The outstanding SARP units are convertible into 42 131 (2018: 80 197) ordinary shares. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

AFS Refer to annexure D for further details on the group's share incentive schemes.

39. Headline earnings

	Gross Rm	Direct tax Rm	Non-controlling interests Rm	Profit attributable to ordinary shareholders Rm
2019				
Profit for the year	**41 255**	**(10 559)**	**(5 253)**	**25 443**
Headline adjustable items added	**2 890**	**15**	**(141)**	**2 764**
IAS 16 – Profit on sale of property and equipment	**94**	**(29)**	**1**	**66**
IAS 28/IAS 36 – Impairment of associate	**2 418**			**2 418**
IAS 36 – Impairment of intangible assets	**234**	**(65)**		**169**
IFRS 5 – Impairment of non-current assets held for sale	**321**		**(142)**	**179**
IAS 40 – Fair value gain on investment property	**(188)**	**109**		**(79)**
IAS 36 – Goodwill impairment	**11**			**11**
Standard Bank Group headline earnings	**44 145**	**(10 544)**	**(5 394)**	**28 207**
2018				
Profit for the year	41 738	(9 095)	(5 190)	27 453
Headline adjustable items added	641	(122)	(107)	412
IAS 16 – Profit on sale of property and equipment	(15)	2	3	(10)
IAS 27/IAS 28 – Gain on disposal of business	(47)			(47)
IAS 28/IAS 36 – Impairment of associate	5	(1)		4
IAS 36 – Impairment of intangible assets	449	(123)		326
IFRS 5 – Impairment of non-current assets held for sale	249		(110)	139
Standard Bank Group headline earnings	42 379	(9 217)	(5 297)	27 865

	2019 Rm	2018 Rm
Headline earnings per ordinary share (cents)	**1 766.7**	1 748.4
Diluted headline earnings per ordinary share (cents)	**1 756.9**	1 730.9

Headline earnings is calculated in accordance with the circular titled Headline Earnings issued by SAICA, as amended from time-to-time.

40. Dividends

	2019 Rm	2018 Rm
Ordinary shares	**16 092**	15 221
Final 540 cents per share declared on 6 March 2019 (2018: 510 cents per share declared on 8 March 2018)	**8 740**	8 263
Interim 454 cents per share declared on 7 August 2019 (2018: 430 cents per share declared on 17 August 2018)	**7 352**	6 958
Second preference shares	**415**	416
Final 390.22 cents per share declared on 6 March 2019 (2018: 398.92 cents per share declared on 8 March 2018)	**207**	211
Interim 391.38 cents per share declared on 7 August 2019 (2018: 386.43 cents per share declared on 17 August 2018)	**208**	205
AT1 capital	**458**	322
31 December		
SBT 101	**40**	41
SBT 102	**40**	42
SBT 103	**40**	
30 September		
SBT 101	**40**	40
SBT 102	**40**	40
SBT 103	**40**	
30 June		
SBT 101	**40**	39
SBT 102	**40**	40
SBT 103	**40**	
30 March		
SBT 101	**40**	40
SBT 102	**40**	40
SBT 103	**18**	
Total dividends	**16 965**	15 959

A final dividend No. 101 of 540 cents per ordinary share was declared on 4 March 2020, payable on 28 April 2020 to all shareholders registered on 24 April 2020, bringing the total dividends declared in respect of 2019 to 994 cents per share (2018: 970 cents per share).

6.5% first cumulative preference shares dividend No. 101 of 3.25 cents per share (2018: 3.25 cents) was declared on 4 March 2020, payable on 20 April 2020 to all shareholders registered on 17 April 2020.

Non-redeemable, non-cumulative, non-participating preference shares dividend No. 31 of 389.12 cents per share (2018: 390.22 cents), was declared on 4 March 2020, payable on 20 April 2020 to all shareholders registered on 17 April 2020.

The AT1 capital bonds have coupon rates of three month plus 565 basis points (SBT 101), JIBAR plus 545 basis points (SBT 102) and JIBAR plus 440 basis points (SBT 103) interest is payable quarterly. For more information on AT1 capital, refer to note 15.8.

41. Statement of cash flows notes

41.1 Adjustments for non-cash items and other adjustments included in the income statement

	2019 Rm	2018 Rm
Depreciation and amortisation (note 35)	**7 460**	5 362
Credit impairment losses (note 34)	**7 964**	6 489
Investment gains and policyholders' transfers	**13 966**	(12 306)
Net inflows/(outflows) from third-party financial liabilities arising on consolidation of mutual funds	**2 245**	(3 934)
Interest expense[1]	**66 824**	68 365
Interest income[1, 2]	**(165 660)**	(131 314)
Other	**3 695**	(3 154)
Total	**(63 506)**	(70 492)

1 Included are non-cash flow items disclosed in income/expenses from investment management and life insurance activities.
2 Restated. Refer to page 31 for further details on the restatement.

41.2 Increase in income-earning assets

	2019 Rm	2018 Rm
Net derivative assets	**(3 121)**	85
Trading assets	**(43 306)**	(17 062)
Pledged assets	**(10 747)**	2 023
Financial investments	**(13 772)**	(26 799)
Loans and advances	**(89 119)**	(47 224)
Other assets	**(9 029)**	3 640
Total	**(169 094)**	(85 337)

41.3 Increase in deposits, trading and other liabilities

	2019 Rm	2018 Rm
Deposit and debt funding	**116 387**	72 445
Trading liabilities	**23 027**	(2 704)
Provisions and other liabilities	**1 246**	9 061
Total	**140 660**	78 802

41.4 Reconciliation of subordinated debt

	2019 Rm	2018 Rm
Balance at the beginning of the year	**26 359**	24 397
Subordinated debt issued	**7 269**	6 100
Subordinated debt redeemed	**(4 850)**	(4 550)
Exchange movements	**(36)**	232
Decrease in subordinated bonds issued to group companies		131
Other movements	**159**	49
Balance at the end of the year	**28 901**	26 359

AFS Refer to note 19 for details on subordinated debt.

42. Related party transactions

42.1 Key management personnel

Key management personnel include: the members of the SBG board of directors and prescribed officers active for 2019 and 2018. Non-executive directors are included in the definition of key management personnel as required by IFRS. Prescribed officers are defined by the Companies Act. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with SBG. They may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

	2019 Rm	2018 Rm
Key management compensation		
Salaries and other short-term benefits paid	80	101
Post-employment benefits	4	5
Value of share options, rights and units expensed	93	134
Total key management compensation	177	240
Loans and advances[1]		
Loans outstanding at the beginning of the year	22	12
Change in key management structures	(2)	2
Net change in loans during the year		8
Loans outstanding at the end of the year	20	22
Interest income	1	1
Deposit and debt funding[2]		
Deposits outstanding at the beginning of the year	141	80
Change in key management structures	(4)	57
Net change in deposits during the year	10	4
Deposits outstanding at the end of the year	147	141
Net interest expense	(6)	(5)
Investment products		
Balance at the beginning of the year	435	431
Change in key management structures		2
Net change in investments during the year	105	2
Balance at the end of the year	540	435
Third-party funds under management		
Fund value at the beginning of the year	222	224
Change in key management structures	(130)	
Net change in deposits during the year	10	(2)
Fund value at the end of the year	102	222
Net investment return	5	(16)
Shares and share options held[3]		
Shares beneficially owned (number)	1 667 867	1 738 101
Share options held (number)	2 315 897	3 569 592

1 Loans include mortgage loans, vehicle and asset finance and credit cards. No specific credit impairments have been recognised in respect of loans granted to key management in the current or prior year. The mortgage loans and vehicle and asset finance are secured by the underlying assets. All other loans are unsecured.
2 Deposits and debt funding include cheque, current and savings accounts.
3 Aggregate details of SBG shares and share options held by key management personnel.

42. Related party transactions continued

42.2 Balances and transactions with ICBCS

Transactions with ICBCS are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other third-parties. These transactions also did not involve more than the normal risk of collectability or present other unfavourable features. There were no significant credit impairments related to balances and transactions with ICBCS. The following significant balances and transactions were entered into between the group and ICBCS, an associate of the group:

Amounts included in the group's statement of financial position	2019 Rm	2018 Rm
Derivative assets	**4 227**	905
Trading assets	**10**	9
Loans and advances	**11 394**	28 726
Other assets	**392**	245
Derivative liabilities	**(2 573)**	(3 260)
Trading liabilities		(2 933)
Deposits and debt funding	**(2 184)**	(282)
Other liabilities	**(1 595)**	(437)

Services

The group entered into certain transitional services level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of SB Plc. In terms of these arrangements, services are delivered and received from ICBCS for the account of each respective party. As at 31 December 2019, the expense recognised in respect of these arrangements amounted to R496 million (2018: R229 million).

42.3 Balances and transactions with ICBC

The group has several business relationships with ICBC, a 20.1% shareholder of the group. Transactions with ICBC are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other third-parties. These transactions also did not involve more than the normal risk of collectability or present other unfavourable features. There were no significant credit impairments that related to balances and transactions with ICBC. The following significant balances and transactions were entered into between the group and ICBC, excluding those with ICBCS.

Amounts included in the group's statement of financial position	2019 Rm	2018 Rm
Loans and advances	**14 569**	15 539
Other assets[1]	**433**	345
Deposits and debt funding	**(789)**	(3 724)

[1] The group recognised losses in respect of certain commodity reverse repurchase agreements with third-parties prior to the date of conclusion of the sale and purchase agreement, relating to SB Plc (now ICBCS) with ICBC. As a consequence of the sale and purchase agreement, the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 31 December 2019, a balance of USD26.7 million (R374 million) is receivable from ICBC in respect of this arrangement (2018: USD24.0 million; R345 million).

Letters of credit

The group has off-balance sheet letters of credit exposure issued to ICBC as at 31 December 2019 of R3 573 million (2018: R1 952 million). The group received R91 million in fee and commission income relating to these transactions (2018: R63 million).

42. Related party transactions continued

42.4 Mutual funds

The group invests in various mutual funds that are managed by Liberty. Where the group has assessed that it has control (as defined by IFRS) over these mutual funds, it accounts for these mutual funds as subsidiaries. Where the group has assessed that it does not have control over these mutual funds, but has significant influence, it accounts for them as associates.
The following significant balances and transactions were entered into between the group and the mutual funds which the group does not control:

	2019 Rm	2018 Rm
Trading liabilities	**(86)**	(592)
Deposits and debt funding	**(22 519)**	(24 896)
Trading (losses)/gains	**(17)**	(26)
Interest expense	**(1 270)**	(2 689)

42.5 Post-employment benefit plans

Details of balances with SBG and transactions between SBG and the group's post-employment benefit plans are listed below:

Amounts included in the group's statement of financial position and income statement	2019 Rm	2018 Rm
Fee and commission revenue	**11**	22
Deposits and debt funding	**(361)**	(981)
Interest expense	**(36)**	(50)
Financial investments held in bonds and money market	**833**	778

In addition to the above:

- The group manages R7 774 million (2018: R8 754 million) of the post-employment benefit plans' assets.
- The post-employment benefit plans hold SBG ordinary shares to the value of R2 708 million (2018: R2 969 million).

AFS Refer to annexure A for more details on subsidiaries and annexure B for more details on associates.

43. Pensions and other post-employment benefits

	2019 Rm	2018 Rm
Amount recognised as assets in the statement of financial position (note 9)		
Standard Bank banking activities		
Retirement funds (note 43.1)	**945**	765
Other retirement funds (note 43.1)	**28**	30
Liberty		
Retirement funds (note 43.1)	**117**	203
Total	**1 090**	998
Amounts recognised as liabilities in the statement of financial position (note 20)		
Standard Bank banking activities		
Post-employment healthcare benefits – other funds (note 43.2)	**745**	766
Liberty		
Post-employment healthcare benefits (note 43.2)	**459**	471
Total	**1 204**	1 237

The total amount recognised as an expense for the defined contribution plans operated by the group amounted to R597 million (2018: R593 million).

43. Pensions and other post-employment benefits continued

43.1 Retirement funds

Standard Bank retirement funds

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF), comprises in excess of 95% of SBSA's permanent staff. The fund, one of the ten largest in South Africa, is governed by the Pension Funds Act 24 of 1956 (Pension Funds Act). Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently.

SBGRF is regulated by the Pension Funds Act, as well as the Financial Services Board.

The fund is subject to a statutory financial review by actuaries at an interval of not more than three years. A full actuarial valuation was performed during the 2018 financial year and, in the opinion of the actuary, the fund was considered to be financially sound. The next actuarial valuation is to be performed on 31 December 2020.

From 1 January 1995, new employees became entitled to defined contribution benefits only. Employees who were members of the fund on 31 December 1994, were entitled to guaranteed benefits under the old rules of the defined benefit fund. Given the defined benefit nature of the guaranteed benefits, the entire plan is classified as a defined benefit plan and accounted for as such. A specific liability was recognised within the fund to provide for the guaranteed defined benefits.

On 1 November 2009, the fund introduced individual member investment choice for defined contribution members and the pre-1995 members could choose to give up their guaranteed defined benefits and instead accept an offer of a 10% enhancement to their actuarial reserve values. Over 90% of the pre-1995 defined benefit members accepted the offer and converted to defined contribution plans. The assets and liabilities of the Provider Fund were transferred by way of a Section 14 transfer in terms of the Pension Funds Act, 1956 as amended into the SBGRF.

The majority of employees in South Africa who are not members of the SBGRF are members of two other funds designed for their occupational groups. Employees in territories beyond South African jurisdiction are members of either defined contribution or defined benefit plans governed by legislation in their respective countries.

Liberty retirement funds

The Liberty defined benefit pension scheme closed to new employees from 1 March 2001 and with effect from this date, the majority of employees accepted an offer to convert their retirement plans from defined benefit to defined contribution plans. Employees joining after 1 March 2001 automatically become members of the defined contribution schemes. The Automatic Contribution Arrangement (ACA) and Rentmeester defined benefit pension funds are all fully funded. All funds are governed by the Pension Funds Act.

Description of risks

Post-retirement obligation risk is the risk to the group's comprehensive income that arises from the requirement to contribute as an employer to an under-funded defined benefit plan. The group operates both defined contribution plans and defined benefit plans, with the majority of its employees participating in defined contribution plans. The defined benefit pension and healthcare schemes for past and certain current employees, create post-retirement obligations. The group mitigates these risks through independent asset managers and independent asset and liability management advisors for material funds. Potential residual risks which may impact the group are managed within the group asset and liability management process.

43. Pensions and other post-employment benefits continued

43.1 Retirement funds continued

	2019 Rm	2018 Rm
The amounts recognised in the statement of financial position in respect of the retirement funds are determined as follows:		
Present value of funded obligations	(36 716)	(34 206)
Fair value of plan assets	37 944	35 235
Surplus	1 228	1 029
Asset ceiling	(138)	(31)
Included in the statement of financial position	1 090	998
SBGRF	945	765
Liberty retirement funds	117	203
Other retirement funds	28	30
Included in the following notes to the annual financial statements	1 090	998
Other assets (note 9)	1 090	998
Other liabilities (note 20)		
Movement in the present value of funded obligations		
Balance at the beginning of the year	34 206	35 438
Current service cost	1 287	1 060
Interest cost	3 267	3 174
Employee contributions	918	841
Actuarial loss/(gain)	(124)	(3 765)
Exchange (gain)/loss	(3)	69
Benefits paid	(2 835)	(2 611)
Balance at the end of the year	36 716	34 206
Movement in the fair value of plan assets		
Balance at the beginning of the year	35 235	36 553
Interest income	3 367	3 259
Contributions received	2 194	1 733
Net return on assets	(7)	(3 763)
Exchange (loss)/gain	(10)	64
Benefits paid	(2 835)	(2 611)
Reduction in employer surplus account		
Balance at the end of the year	37 944	35 235
Cash	1 220	711
Equities	14 923	14 796
Bonds	10 669	10 407
Property and other	11 132	9 321

Plan assets do not include property occupied by the group.

The group expects to pay R1 250 million in contributions to the Standard Bank retirement funds in 2020 (2019: R1 294 million).

43. Pensions and other post-employment benefits continued

43.1 Retirement funds continued

Description of risks

	2019 Rm	2018 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	**1 276**	1 060
Net interest costs		(85)
Included in staff costs	**1 276**	975
The expected long-term rate of return is based on the expected long-term returns on equities, cash and bonds. The split between the individual asset categories is considered in setting these assumptions. Adjustments were made to reflect the effect of expenses.		
Components of statement of other OCI		
Actuarial (loss) under asset management	**(7)**	(3 763)
Actuarial gain	**124**	3 765
Gain from changes in demographic assumptions	**6**	
(Loss)/gain from changes in financial assumptions	**(55)**	2 805
Gain from changes in experience adjustments	**173**	960
Asset ceiling	**(107)**	33
Remeasurements recognised in OCI	**10**	35
Reconciliation of net defined benefit asset		
Net defined benefit asset at the beginning of the year	**998**	1 051
Net expense recognised	**(1 188)**	(975)
Amounts recognised in OCI	**10**	35
Company contributions	**1 276**	892
Exchange loss	**(6)**	(5)
Net defined benefit asset at the end of the year	**1 090**	998

43.2 Post-employment healthcare benefits

The group provides the following post-employment healthcare benefits to its employees:

Standard Bank

The largest portion of this liability represents a South African post-employment healthcare benefit scheme that covers all employees who went on retirement before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full actuarial valuation was performed at 31 December 2019. The next actuarial valuation is to be performed on 31 December 2020.

Liberty

Liberty operates an unfunded post-employment medical aid benefit for employees who joined before 1 July 1998. For past service of employees, Liberty recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions on an accrual basis using the projected unit credit method.

43. Pensions and other post-employment benefits continued

43.2 Post-employment healthcare benefits continued

	2019 Rm	2018 Rm
The amounts recognised in the statement of financial position in respect of post-employment healthcare benefits are determined as follows:		
Present value of unfunded defined benefit obligations	1 204	1 237
Included in the statement of financial position	**1 204**	**1 237**
Standard Bank	745	766
Liberty	459	471
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	**1 237**	**1 232**
Net expense recognised	118	126
Benefits paid	(89)	(91)
Amounts recognised in OCI	(61)	(33)
Foreign exchange movements	(1)	3
Balance at end of the year	**1 204**	**1 237**

	2019 Rm	2018 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	10	57
Net interest cost	108	69
Included in staff costs	**118**	**126**
Components of statement of other comprehensive income		
Actuarial losses arising from changes in financial assumptions	(30)	(78)
Actuarial (losses)/gains arising from experience adjustments	(31)	45
Remeasurements recognised in OCI	**(61)**	**(33)**

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in the medical inflation rate would have the following effects on the amounts recognised:

	2019		2018	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Effect on the aggregate of the current service cost and interest cost	6	(5)	7	(5)
Effect on the defined benefit obligation	24	(17)	61	(53)

44. Segment reporting

BUSINESS UNITS AND WHAT WE OFFER

Personal & Business Banking

Banking and other financial services to individual customers, small to medium-sized enterprises and commercial banking customers in South Africa, Africa Regions and Wealth International. We enable customers to take control of all their financial aspects such as transacting, saving, borrowing or planning by making use of the following product sets either through face-to-face interaction or digitally according to their preference

What we offer

Transactional products
Comprehensive suite of transactional, saving, investment, trade, foreign exchange, payment and liquidity management solutions made accessible through a range of physical and digital channels

Mortgage lending
Residential accommodation loans mainly to personal market customers

Card products
- Credit card facilities to individuals and businesses (credit card issuing)
- merchant transaction acquiring services (merchant solutions).

Vehicle and asset finance
- Finance of vehicles for retail market customers
- finance of vehicles and equipment in the business and corporate assets market
- fleet solutions.

Lending products
- Lending products offered to both personal and business markets
- business lending offerings constitute a comprehensive suite of lending product offerings, structured working capital finance solutions, commercial property finance solutions and trade finance.

Wealth
- Short and long-term insurance products comprising:
  - loan protection plans sold in conjunction with related banking products, homeowners' insurance, funeral cover, household contents and vehicle insurance
  - life, disability and investment policies sold by qualified intermediaries.
- financial planning and modelling
- integrated fiduciary services including fiduciary advice, will drafting and custody services as well as trust and estate administration
- tailored banking, wealth management, investment and advisory services solutions for high net worth individuals
- offshore financial services to high net worth, mass-affluent and corporate clients of the group
- investment services including global asset management
- pension fund administration services.

Corporate & Investment Banking

Services to customers, including governments, parastatals, larger corporates, financial institutions and multinational corporates

What we offer

Customer coverage
Provide in-depth sector expertise to develop relevant customer solutions and foster customer relationships

Global markets
Trading and risk management solutions across financial markets, including foreign exchange, money markets, interest rates, equities, credit and commodities

Transactional products and services
Comprehensive suite of cash management, international trade finance, working capital and investor service solutions

Investment banking
Full suite of advisory and financing solutions, from term lending to structured and specialised products across the equity and debt capital markets

Central and other

- Impact of group hedging activities, group capital instruments, group surplus capital and strategic acquisitions.
- Costs of centralised corporate functions, direct costs of corporate functions are recharged to the business segments.

Other banking interests

- Equity investments held in terms of strategic partnership agreements with ICBC, including:
  - ICBC Standard Bank Plc (40% associate)
  - ICBC Argentina (20% associate). In September 2019, ICBC Argentina was reclassified as a non-current asset held for sale and is no longer equity accounted.

Liberty

Life insurance and investment management activities

What we offer

South Africa Retail
Insurance and investment solutions to individual clients in South Africa

Business development
Insurance and investment solutions to corporate clients and retirement funds across sub-Saharan Africa

Asset management
Asset management capabilities to manage investment assets in South Africa and southern Africa Regions

44. Segment reporting continued

44.1 Segmental Income statement

	Personal & Business Banking		Corporate & Investment Banking	
	2019 Rm	2018[1] Rm	2019 Rm	2018[1] Rm
Income from banking activities	**73 100**	69 427	**39 065**	37 353
Net interest income	**44 116**	41 650	**20 329**	19 191
Interest income	**82 372**	77 588	**69 424**	69 374
Interest expense	**(38 256)**	(35 938)	**(49 095)**	(50 183)
Net fee and commission revenue	**24 985**	24 739	**6 002**	5 950
Fee and commission revenue	**30 944**	30 284	**6 609**	6 477
Fee and commission expense	**(5 959)**	(5 545)	**(607)**	(527)
Trading revenue	**425**	174	**11 670**	10 543
Other revenue	**3 553**	2 872	**335**	903
Other gains and losses on financial instruments	**21**	(8)	**729**	766
Income from investment management and life insurance activities				
Insurance premiums received				
Insurance benefits and claims paid				
Investment management and service fee income and gains				
Fair value adjustments to investments management liabilities and third-party fund interests				
Total income	**73 100**	69 427	**39 065**	37 353
Credit impairment charges	**(6 360)**	(5 440)	**(1 590)**	(1 049)
Net income before operating expenses	**66 740**	63 987	**37 475**	36 304
Operating expenses in banking operations[2]	**(43 243)**	(41 906)	**(20 985)**	(20 315)
Operating expenses in life insurance operations				
Net income before capital items and equity accounted earnings	**23 497**	22 081	**16 490**	15 989
Non-trading and capital related items	**(69)**	(22)	**(189)**	(385)
Share of post tax profit/(loss) from associates	**325**	325	**2**	102
Net income before indirect taxation	**23 753**	22 384	**16 303**	15 706
Indirect taxation	**(606)**	(641)	**(318)**	(284)
Profit before direct taxation	**23 147**	21 743	**15 985**	15 422
Direct taxation	**(5 802)**	(5 530)	**(2 285)**	(2 249)
Profit for the year	**17 345**	16 213	**13 700**	13 173
Attributable to non-controlling interests	**610**	542	**1 858**	2 104
Attributable to other equity instrument holders	**160**	141	**229**	144
Attributable to ordinary shareholders	**16 575**	15 530	**11 613**	10 925
Headline earnings	**16 510**	15 539	**11 795**	11 202
Return on equity (ROE) (%)	**22.4**	21.9	**18.1**	19.3
Net interest margin (bps)	**601**	598	**263**	272
Credit loss ratio (bps)	**89**	81	**32**	16
Cost-to-income ratio (%)	**59.2**	60.4	**53.7**	54.4
Number of employees	**26 040**	27 499	**3 555**	3 751

1 Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis' comparative figures are reclassified accordingly. Refer to page 31 for details on restatements, other than cost centre movements.

2 The group has, as permitted by IFRS 16, elected not to restate its comparative financial statements. Comparability will therefore not be achieved as the comparative financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.

Central and other		Banking activities		Other banking interests		Liberty		Standard Bank Group	
2019 Rm	2018[1] Rm	2019 Rm	2018[1] Rm	2019 Rm	2018[1] Rm	2019 Rm	2018[1] Rm	2019 Rm	2018[1] Rm
(1 704)	(1 449)	**110 461**	105 331					**110 461**	105 331
(1 526)	(1 336)	**62 919**	59 505					**62 919**	59 505
(22 296)	(18 896)	**129 500**	128 066					**129 500**	128 066
20 770	17 560	**(66 581)**	(68 561)					**(66 581)**	(68 561)
(365)	(314)	**30 622**	30 375					**30 622**	30 375
(199)	(169)	**37 354**	36 592					**37 354**	36 592
(166)	(145)	**(6 732)**	(6 217)					**(6 732)**	(6 217)
(20)	82	**12 075**	10 799					**12 075**	10 799
201	88	**4 089**	3 863					**4 089**	3 863
6	31	**756**	789					**756**	789
						23 573	21 722	**23 573**	21 722
						39 801	38 521	**39 801**	38 521
						(44 241)	(26 484)	**(44 241)**	(26 484)
						9 241	9 122	**9 241**	9 122
						18 772	563	**18 772**	563
(1 704)	(1 449)	**110 461**	105 331			**23 573**	21 722	**134 034**	127 053
(14)		**(7 964)**	(6 489)					**(7 964)**	(6 489)
(1 718)	(1 449)	**102 497**	98 842			**23 573**	21 722	**126 070**	120 564
1 893	2 137	**(62 335)**	(60 084)					**(62 335)**	(60 084)
						(16 486)	(16 404)	**(16 486)**	(16 404)
175	688	**40 162**	38 758			**7 087**	5 318	**47 249**	44 076
107	15	**(151)**	(392)	**(2 418)**		**(321)**	(249)	**(2 890)**	(641)
6	4	**333**	431	**(864)**	418	**19**	63	**(512)**	912
288	707	**40 344**	38 797	**(3 282)**	418	**6 785**	5 132	**43 847**	44 347
(1 082)	(1 098)	**(2 006)**	(2 023)			**(585)**	(586)	**(2 591)**	(2 609)
(794)	(391)	**38 338**	36 774	**(3 282)**	418	**6 200**	4 546	**41 256**	41 738
199	(44)	**(7 888)**	(7 823)			**(2 672)**	(1 272)	**(10 560)**	(9 095)
(595)	(435)	**30 450**	28 951	**(3 282)**	418	**3 528**	3 274	**30 696**	32 643
60	(7)	**2 528**	2 639			**1 852**	1 813	**4 380**	4 452
484	453	**873**	738					**873**	738
(1 139)	(881)	**27 049**	25 574	**(3 282)**	418	**1 676**	1 461	**25 443**	27 453
(1 089)	(894)	**27 216**	25 847	**(864)**	418	**1 855**	1 600	**28 207**	27 865
		18.1		**(13.1)**	5.6	**16.5**	15.2	**16.8**	18.0
		431	438						
		68	56						
		56.4	57.0						
15 401	16 169	**44 996**	47 419			**5 695**	5 759	**50 691**	53 178

44. Segment reporting continued

44.2 Geographic information

	South Africa Rm	Africa Regions Rm	International Rm	Eliminations[1] Rm	Standard Bank Group Rm
2019					
Total income[2]	**89 776**	**41 551**	**3 694**	**(987)**	**134 034**
Banking activities	**70 052**	**37 702**	**3 694**	**(987)**	**110 461**
Liberty	**19 724**	**3 849**			**23 573**
Total headline earnings	**20 581**	**7 527**	**520**	**(421)**	**28 207**
Banking activities	**18 314**	**7 939**	**1 384**	**(421)**	**27 216**
Other banking interests			**(864)**		**(864)**
Liberty	**2 267**	**(412)**			**1 855**
Total assets	**1 833 665**	**422 860**	**111 391**	**(92 327)**	**2 275 589**
Banking activities	**1 406 815**	**414 614**	**107 550**	**(92 327)**	**1 836 652**
Other banking interests			**3 841**		**3 841**
Liberty	**426 850**	**8 246**			**435 096**
Non-current assets[3]	**65 772**	**13 662**	**194**	**(77)**	**79 551**
Banking activities	**29 078**	**12 944**	**194**	**(77)**	**42 139**
Liberty	**36 694**	**718**			**37 412**
2018[4]					
Total income[2]	87 099	37 599	3 578	(1 223)	127 053
Banking activities	68 737	34 239	3 578	(1 223)	105 331
Liberty	18 362	3 360			21 722
Total headline earnings	19 788	6 932	1 712	(567)	27 865
Banking activities	17 832	7 288	1 294	(567)	25 847
Other banking interests			418		418
Liberty	1 956	(356)			1 600
Total assets	1 702 184	414 046	112 545	(101 813)	2 126 962
Banking activities	1 295 036	406 419	104 693	(101 813)	1 704 335
Other banking interests			7 852		7 852
Liberty	407 148	7 627			414 775
Non-current assets[3]	62 920	13 276	78	(78)	76 196
Banking activities	26 997	12 518	78	(78)	39 515
Liberty	35 923	758			36 681

1 Eliminations include intersegmental transactions and balances as well as central funding and other.
2 Total income is attributable based on where the operations are located.
3 Non-current assets are assets that are expected to be recovered more than 12 months after the reporting period.
4 Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis' comparative figures are reclassified accordingly.

Standard Bank Group Limited – Company annual financial statements

Statement of financial position

as at 31 December 2019

	Note	COMPANY 2019 Rm	COMPANY 2018 Rm
Assets			
Financial investments	45	**81**	84
Other assets		**173**	170
Interest in subsidiaries	46	**90 190**	80 941
Interest in associates	47	**1 233**	1 065
Current tax asset		**8**	12
Total assets		**91 685**	82 272
Equity and liabilities			
Equity		**79 310**	76 537
Ordinary share capital and premium	15	**17 984**	17 860
Equity attributable to other equity instrument holders	15	**10 989**	9 047
Reserves		**50 337**	49 630
Liabilities		**12 375**	5 735
Deferred tax liabilities	48	**1**	2
Subordinated debt	49	**11 704**	5 057
Indebtedness by the company to group subsidiaries	46	**637**	619
Other liabilities		**33**	57
Total equity and liabilities		**91 685**	82 272

Statement of comprehensive income

for the year ended 31 December 2019

	Note	COMPANY 2019 Rm	COMPANY 2018 Rm
Interest income		**805**	350
Interest expense		**(771)**	(286)
Other income	50	**475**	20
Dividends from subsidiaries		**16 999**	17 751
Total income		**17 508**	17 835
Operating expenses		**(45)**	(33)
Net income before impairments of investment		**17 463**	17 802
Impairment of investment in subsidiaries	46	**(2)**	(24)
Net income before equity accounted earnings		**17 461**	17 778
Share of profits from associates and joint ventures		**288**	289
Profit before direct taxation		**17 749**	18 067
Direct taxation	51	**(236)**	(210)
Profit for the year		**17 513**	17 857
Other comprehensive loss after tax for the year		**(6)**	(32)
Net change in fair value of equity financial assets measured at fair value	45	**(8)**	(41)
Deferred tax on net fair value adjustment on equity financial assets measured at fair value through OCI	48	**2**	9
Total comprehensive income		**17 507**	17 825
Attributable to the ordinary shareholder		**16 634**	17 087
Attributable to other equity instrument holders		**873**	738

Statement of cash flows

for the year ended 31 December 2019

	Note	COMPANY 2019 Rm	COMPANY 2018 Rm
Net cash flows from operating activities		**17 462**	17 780
Profit before direct taxation		**17 749**	18 067
Adjusted for non -cash items and other adjustments included in the income statement	52	**(17 794)**	(18 099)
Decrease in income-earning assets			14
(Decrease)/increase in deposits, trading and other liabilities		**(22)**	3
Interest received		**805**	350
Interest paid		**(771)**	(286)
Dividends received		**16 999**	17 751
Proceeds on sale of shares in subsidiary		**522**	
Taxation received/(paid)		**(26)**	(20)
Net cash flows used in from investing activities		**(9 209)**	(6 675)
Increase in investment in subsidiaries	52	**(9 209)**	(6 675)
Net cash flows used in financing activities		**(8 253)**	(11 105)
Proceeds from issue of share capital		**124**	320
Share buy-backs			(523)
Issuance of other equity instruments		**1 942**	
Issuance of subordinated debt	52	**6 647**	5 057
Net dividends paid		**(16 966)**	(15 959)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year			
Cash and cash equivalents at end of the year			

Statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital and premium Rm	Share-based payment reserve Rm
Balance at 1 January 2018		18 063	4
Issue of share capital and share premium	15	320	
Repurchase of share capital and share premium	15	(523)	
Equity-settled share-based payment transactions			
Vested units transfer to retained earnings			(4)
Total comprehensive income			
Other comprehensive income			
Profit for the year			
Dividends paid			
Preference share redemption			
Balance at 31 December 2018		17 860	
Balance at 1 January 2019[1]		**17 860**	
Issue of share capital and share premium	15	**124**	
Repurchase of share capital and share premium	15		
Vested units transfer to retained earnings			
Direct equity movement			
Total comprehensive income			
Total comprehensive income			
Profit for the year			
Dividends paid			
Preference share redemption			
Balance at 31 December 2019		**17 984**	

1 The transition to IFRS 16 had no impact on the SBGL equity balances as at 31 December 2018 or 1 January 2019.

Revaluation reserve Rm	Cash flow hedging reserve Rm	Empower-ment reserve Rm	Fair value through OCI reserve	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instrument holders Rm	Total Rm
3 100	969	(274)	(9)	43 848	65 701	9 047	74 748
					320		320
					(523)		(523)
				4			
			(32)	17 119	17 087	738	17 825
			(32)		(32)		(32)
				17 119	17 119	738	17 857
		8		(15 221)	(15 213)	(738)	(15 951)
		118			118		118
3 100	969	(148)	(41)	45 750	67 490	9 047	76 537
3 100	**969**	**(148)**	**(41)**	**45 750**	**67 490**	**9 047**	**76 537**
					124		**124**
						1 942	**1 942**
				18	**18**		**18**
			(6)	**16 640**	**16 634**	**873**	**17 507**
			(6)		**(6)**		**(6)**
				16 640	**16 640**	**873**	**17 513**
				(16 093)	**(16 093)**	**(873)**	**(16 966)**
		148			**148**		**148**
3 100	**969**		**(47)**	**46 315**	**68 321**	**10 989**	**79 310**

Notes to the company annual financial statements

45. Financial investments

	2019 Rm	2018 Rm
Financial investments held in banking activities – unlisted equities	**81**	84

45.1 Classification

	2019 Rm	2018 Rm
Financial investment measured at fair value through OCI		
Opening balance	**57**	98
Fair value adjustments	**(8)**	(41)
Impairment		
Closing balance	**49**	57
Financial investment measured at fair value through profit or loss		
Opening balance	**27**	
Fair value adjustments	**5**	27
Closing balance	**32**	27
Total	**81**	84

Financial investments comprise of unlisted equities in Unlu Yatarim A.S (4.41%) measured at FVOCI and Business Partners Limited (3.24%) measured at FVTPL. Both investments are classified as level 3 in the fair value hierarchy.

46. Interest in subsidiaries

	2019 Rm	2018 Rm
Shares at cost	**76 380**	73 150
Indebtedness to the company (annexure A)	**12 894**	6 875
Investment through equity-settled share incentives	**916**	916
Total before indebtedness by the company	**90 190**	80 941
Indebtedness by the company (annexure A)	**(637)**	(619)
Total	**89 553**	80 322

AFS Principal subsidiaries and investments and related loans are listed in annexure A. For more detail regarding related party transactions, refer to note 42.

Indebtedness to the company are all current assets and have been classified as loans and advances which are measured on an amortised cost basis. These lending exposures are to entities that form part of the group's risk management framework. This is on the basis that the group has governance and oversight of the risk inherent in these entities and ensures that entities operate within the group's risk appetite as approved by the group risk and capital management committee (GRCMC). The ECL has been assessed to be insignificant.

The carrying value approximates fair value and is classified as level 3 in the fair value hierarchy. Changes in the indebtedness during the year include repayments, new loans, interest accruals and exchange rate differences.

Indebtedness by the company are all liabilities repayable on demand and are measured at amortised cost. The carrying value approximates fair value and is classified as level 3 in the fair value hierarchy. Changes in the indebtedness during the year include repayments, new loans, interest accruals and exchange rate differences.

The company's investments in subsidiaries (measured at cost) are reviewed annually for impairment with reference to impairment indicators that include the following:

- dividends declared by subsidiaries in excess of the subsidiaries' total comprehensive income earned in the reporting period.
- the carrying value of the investment exceeds the net asset value of the subsidiary, including any associated goodwill.

When impairment indicators exist the recoverable amount of the company's investment in the subsidiary is determined (as the higher of the value in use and fair value less cost to sell). An impairment loss is recognised in profit or loss if the carrying value exceeds the recoverable amount.

During 2019, R2 million (2018: R24 million) impairment losses were recognised on the company's investment in SML Limited. The events and circumstances that led to the recognition of the impairment was that the recoverable amount (being the value in use) of the entity was less than the carrying value.

47. Interest in associates

	2019 Rm	2018 Rm
Carrying value at beginning of the year	**1 065**	913
Direct equity movement	**18**	
Share of profit	**288**	289
Dividend received	**(138)**	(113)
IFRS 9 transition adjustment		(24)
Carrying value at end of the year	**1 233**	1 065

The company's investments in associates include South African Home Loans Proprietary Limited.

Refer to annexure B for details on associates.

48. Deferred tax liabilities

	2019 Rm	2018 Rm
Deferred tax reconciliation		
Deferred tax liability at the beginning of the year	**(2)**	(5)
Adding/(reversing) temporary difference for the year	**1**	3
Deferred tax on equity financial asset reserve recognised in OCI	**2**	9
Fair value adjustment – recognised in profit or loss	**(1)**	(6)
Deferred tax liability at end of the year	**(1)**	(2)

49. Subordinated debt

	Redeemable/payable date	First callable date	Nominal value[1] Million	Carrying value[1] 2019 Rm	Carrying value 2018 Rm
SBT201	13 February 2028	13 February 2023	ZAR3 000	**3 040**	3 041
SBT202	3 December 2028	3 December 2023	ZAR1 516	**1 527**	1 528
SBT203	3 December 2028	3 December 2023	ZAR484	**488**	488
SBT204	16 April 2029	16 April 2024	ZAR1 000	**1 020**	
SBT205	31 May 2029	31 May 2024	USD400	**5 629**	
Total				**11 704**	5 057

1 The difference between the carrying amount and nominal value represents accrued interest.

For SBG group, these subordinated bonds are hedged items classified as fair value hedges, interest rate swaps are the derivatives designated as the hedging instruments for these hedge relationships. However, for SBG company (the company), these bonds do not qualify for hedge accounting as the company does not hold derivative instruments.

Subordinated debt is measured on an amortised cost basis and is classified as level 2 in the fair value hierarchy, with a fair value of R11.8 billion (2018: R5.5 billion).

49.1 Maturity analysis

	Within one to five years[2] 2019 Rm	Within one to five years[2] 2018 Rm
Subordinated debt – discounted	**11 704**	5 057
Subordinated debt – undiscounted	**14 468**	5 965

2 The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.

50. Other income

	2019 Rm	2018 Rm
Foreign exchange gains and other		(7)
Unrealised gains on financial instruments	5	27
Profit on the sale of shares	470	
Total	**475**	20

51. Direct taxation

	2019 Rm	2018 Rm
Current year		
South African normal tax	209	147
Deferred tax charge	(1)	6
Foreign and withholding taxes	28	55
Prior years		
South African normal tax prior year under provision		2
Total direct taxation recognised in statement of comprehensive income	**236**	210
South African tax rate reconciliation (%)		
Direct tax – statutory rate	28.0	28.0
Direct tax – current year	28	28.0
Withholding tax	0.2	0.3
Direct tax – current year – normal	28.2	28.3
Permanent differences	(27.1)	(27.1)
Dividends received	(26.0)	(26.8)
Other non-taxable income	(0.6)	0.1
Equity accounted earnings	(0.5)	(0.4)
Direct effective tax rate[1]	**1.1**	1.2

1 Expressed as a percentage of profit before direct tax.

52. Statement of cash flows notes

52.1 Adjustment for non-cash items and other adjustments included in the income statement

	2019 Rm	2018 Rm
Dividends received	(16 999)	(17 751)
Interest income	(805)	(350)
Interest expense	771	286
Share of profits from associates and joint ventures	(288)	(289)
Profit on sale of shares in subsidiary	(470)	
Impairment of investment in subsidiary	2	24
Unrealised gains on financial instruments	(5)	(27)
Foreign exchange gains and losses		8
Total	(17 794)	(18 099)

52.2 Increase in investment in subsidiaries

	2019 Rm	2018 Rm
Increase in investment in subsidiaries	(3 208)	(1 712)
Movement in indebtness	(6 001)	(4 963)
Total	(9 209)	(6 675)

52.3 Reconciliation of subordinated debt

	2019 Rm	2018 Rm
Balance at the beginning of the year	5 057	
Subordinated debt issue	6 647	5 057
Balance at the end of the year	11 704	5 057

53. Liquidity, credit and market risk information

Other assets and liabilities consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk.

Annexure A – subsidiaries, consolidated and unconsolidated structured entities

The diagram depicts principal subsidiaries only. A full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office. The holding in subsidiaries is 100% unless otherwise indicated.

STANDARD BANK GROUP[1]

The Standard Bank of South Africa[1]

- Blue Managers[1]
- Diners Club (S.A.)[1]
- Standard Bank Insurance Brokers[1]

Melville Douglas Investment Management[1]

Standard Insurance[1]

Standard Trust[1]

Stanvest[1]

SBG Securities[1]

Standard Bank Properties[1]

Standard Lesotho Bank (80%)

SBN Holdings Limited (74.9)[2]

Standard Bank Namibia[2]

Standard Bank eSwatini (72.22%)

Standard Bank de Angola (51%)

Standard Advisory London, UK

Standard New York, USA

Stanbic Africa Holdings, UK

- Stanbic Bank (Botswana)
- Stanbic Bank Ghana (99.54%)
- Standard Holdings Côte d'Ivoire (99%)
  - Stanbic Bank, Côte d'Ivoire (99%)
- Stanbic Uganda Holdings (80%)
  - Stanbic Bank, Uganda (99%)
- Stanbic Bank Tanzania (99.99%)
- Stanbic Bank Zambia (99.99%)
- Stanbic Holdings, Kenya (69.05%)[3]
  - Stanbic Bank Kenya
  - Stanbic Insurance Agency
- Stanbic IBTC Holdings, Nigeria (65.35%)[4]
  - Stanbic IBTC Bank (99.99%)
- Stanbic Bank Zimbabwe
- Standard Bank RDC, DRC (99.99%)
- Standard Bank, Malawi (60.18%)
- Standard Bank (Mauritius)
- Standard Bank Mozambique (98.15%)[5]

1 Refer to footnotes on the following page.

STANDARD BANK GROUP[1]

Standard Bank London Holdings, UK

- Standard Advisory Asia, Hong Kong

Standard Bank Offshore Group, Jersey

- Standard Bank Offshore Trust Company Jersey
- Standard Bank Isle of Man
- Standard Bank Trust Company (Mauritius)
- Standard Bank Jersey

Liberty Holdings[1] (53.62%)

- Liberty Group[1]
  - Frank Life[1]
  - Liberty two degrees[1] (58.46%)
- Liberty Group Properties[1]
- Liberty Holdings Namibia (100%)
- Liberty Kenya Holdings (57.74%)
- STANLIB[1]
  - STANLIB Asset Management[1]
  - STANLIB Collective Investments[1]
  - STANLIB Fund Managers Jersey
  - STANLIB Multi-Manager[1]
  - STANLIB Wealth Management[1]

Standard Bank Group International, Isle of Man

- SBIC Finance, Isle of Man
- Stanbic International Insurance, Isle of Man
- Standard Finance, Isle of Man

1 Incorporated in South Africa.
2 Following the listing of SBN Holdings Limited on the Namibian Stock Exchange in November 2019, SBG holds a legal shareholding of 74.9% but accounts for 84.47% of SBN Holdings Limited's attributable earnings as it retains control over the empowerment structure until 31 December 2019.
3 Stanbic Holdings Ghana was incorporated to take transfer of certain financial services operations in Ghana, including Stanlib Ghana, and it is the group's intention, subject to necessary regulatory approvals, for Stanbic Holdings Ghana to hold Stanbic Bank Ghana in due course. Standard Holdings Ghana completed the 100% acquisition of Stanlib Ghana from Liberty Holdings Limited in 2019.
4 Change in holding from 69.05% to 69.15%.
5 Change in holding from 65.35% to 65.70%.

The diagram above depicts principal subsidiaries only. A full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office. The holding in subsidiaries is 100% unless otherwise indicated. The holding in subsidiaries is 100% unless otherwise indicated.

	Nature of operation	Nominal share capital issued Rm
Standard Bank Group Limited will ensure that the capital adequacy of its subsidiaries denoted by # will meet the requirements of home and host regulators, as required by section 70(A) of the South African Banks Act.		
Banking subsidiaries		
Stanbic Bank Botswana Limited (Botswana)[1#]	Commercial bank	423
Stanbic Bank Ghana Limited (Ghana)[1#]	Commercial bank	630
Stanbic Bank Kenya Limited (Kenya)[1#]	Commercial bank	423
Stanbic Bank S.A. (Côte d'Ivoire)[1#]	Commercial bank	974
Stanbic Bank Tanzania Limited (Tanzania)[1, 3#]	Commercial bank	50
Stanbic Bank Zambia Limited (Zambia)[1, 3#]	Commercial bank	660
Stanbic Bank Zimbabwe Limited (Zimbabwe)[#*]	Commercial bank	2
Stanbic Bank Uganda Limited (Uganda)[1#]	Commercial bank	227
Stanbic IBTC Bank PLC (Nigeria)[1#]	Commercial bank	111
Standard Bank de Angola S.A. (Angola)[#]	Commercial bank	768
Standard Bank Isle of Man Limited (Isle of Man)[1#]	Merchant bank	25
Standard Bank Jersey Limited (Jersey)[1#]	Merchant bank	454
Standard Bank PLC (Malawi)[1, 4#]	Commercial bank	23
Standard Bank (Mauritius) Limited (Mauritius)[1#]	Commercial bank	342
Standard Bank Namibia Limited (Namibia)[1, 5#]	Commercial bank	2
Standard Bank RDC (S.A.) (DRC)[1, 3#]	Commercial bank	944
Standard Bank S.A. (Mozambique)[1#]	Commercial bank	309
Standard Bank Eswatini Limited (Eswatini)[#]	Commercial bank	15
Standard Lesotho Bank Limited (Lesotho)[#]	Commercial bank	21
The Standard Bank of South Africa Limited[#]	Commercial bank	60
Total banking subsidiaries		

Refer to footnotes on the following page.

* Stanbic Bank Zimbabwe functional currency

The only legal exchange mechanism that SBZ had access to in the financial period since the change in functional currency from USD to ZWL, on 1 October 2018, ZWL was the official exchange mechanism. This led to SBZ concluding that the appropriate exchange rate to use at the date of the change in functional currency and subsequent to the change in functional currency up until the end of the 2018 reporting period was the official rate of 1:1.

RBZ implemented certain key monetary policy measures during February 2019. The most significant change was the establishment of a new foreign exchange interbank market and this interbank market will complement the existing official foreign exchange mechanism with the RBZ. The establishment of this interbank market has created an additional legal exchange mechanism whereby the bank is able to trade RTGS dollars (official currency). The starting rate of trade in this interbank market was 2.5 RTGS:USD. As at 31 December 2019, the rate deteriorated to 16.54 RTGS:USD from 1 RTGS:USD as at 31 December 2018, which resulted in a FCTR loss of R2.5 billion for the group, after the hyperinflation adjustment translation adjustment per IAS 21 .

During 2019, the Zimbabwe year-on-year monthly inflation rate increased from 42% at the end of December 2018 to 521% at the end of December 2019. Therefore, SBZ is considered to be hyperinflationary and the results for SBZ were adjusted in accordance with IAS 29. This resulted in the group's profit attributable to ordinary shareholders for the period ended 31 December 2019 decreasing by R82 million and an increase in retained earnings of R730 million. The consumer price index at the beginning of the reporting period was 98%, and closed at 552%.

	Effective holding[2]		Non-controlling interest		Book value of shares		Net indebtedness	
	2019 **%**	2018 %	**2019** **%**	2018 %	**2019** **Rm**	2018 Rm	**2019** **Rm**	2018 Rm
	100	100						
	99	99	**1**	1				
	69	69	**31**	31				
	100	100						
	100	100						
	100	100						
	100	100			**136**	136		
	80	80	**20**	20				
	66	65	**34**	35				
	51	51	**49**	49	**359**	359	**139**	130
	100	100						
	100	100						
	60	60	**40**	40				
	100	100						
	84	100	**16**					
	100	100						
	98	98	**2**	2				
	72	72	**28**	28	**94**	94		
	80	80	**20**	20	**13**	13		
	100	100			**50 541**	47 799	**12 070**	6 158
					51 143	48 401	**12 209**	6 288

	Nature of operation	Nominal share capital issued
Non-banking subsidiaries		
Ecentric Payment Systems Proprietary Limited[1]	Development and marketing transactions – switching software and services	
Liberty Group Limited[1]	Insurance company	29
Liberty Holdings Limited[4]	Insurance holding company	26
Liberty Two Degrees Limited[1, 6]	Real Estate Investment trust	
Melville Douglas Investment Management Proprietary Limited[#]	Asset and portfolio management	
SBG Securities Proprietary Limited[#]	Stockbrokers	
SBN Holdings Limited (Namibia)[4, 5]	Bank holding company	1
Stanbic Africa Holdings Limited (UK)	Investment holding company	1 494
Stanbic Holdings Ghana Limited[7]	Holding company	30
Stanbic Holdings PLC (Kenya)[1, 4]	Bank holding company	232
Stanbic IBTC Holdings PLC (Nigeria)[1, 4]	Bank holding company	284
Stanbic Uganda Holdings Limited (Uganda)[4]	Bank holding company	227
Standard Advisory (China) Limited (China)	Trading company	8
Standard Advisory London Limited (UK)	Arranging and advisory company	1
Standard Bank Group International Limited (Isle of Man)	Investment holding company	
Standard Bank International Investments Limited (Jersey)[1#]	Investment service provider	
Standard Bank London Holdings Limited (UK)	Investment holding company	6 337
Standard Bank Offshore Group Limited (Jersey)	Investment holding company	17
Standard Bank Offshore Trust Company Jersey Limited (Jersey)[1#]	Trust company	6
Standard Bank Trust Company (Mauritius) Limited (Mauritius)[1#]	Trust company	
Standard Finance Limited (Isle of Man)[1#]	Finance company	
Standard Insurance Limited	Short-term insurance	15
Standard New York, Inc (US)	Securities broker/dealer	55
Standard Trust Limited[2#]	Trust company	
STANLIB Limited[1]	Wealth and asset management	
Miscellaneous	Finance companies	
Total non-banking subsidiaries		
Total subsidiaries		

1 Held indirectly, no book value in Standard Bank Group Limited.
2 Effective holding company comprises direct and indirect holdings.
3 Minorities or nominee shareholders hold 0.5% or less.
4 Listed on a stock exchange.
5 Following the listing of SBN Holdings Limited on the Namibian Stock Exchange in November 2019, Standard Bank Group Limited legally owns 74.9% (2018: 90%) but consolidates 84.47% (2018: 100%) of SBN Holdings Limited's attributable earnings due to the degree of control over the empowerment structure. Refer to page 135 for further detail on the change in holding post 31 December 2019.
6 Effective shareholding represents Liberty Group's direct shareholding.
7 Established in 2019.

The nominal share capital issued of foreign subsidiaries has been stated in the above table at their rand equivalents at the rates of exchange ruling on the dates of the provision of capital. The country of incorporation is South Africa unless otherwise indicated.

While a full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office, the above disclosures include subsidiaries for which either of the following is present:

- Standard Bank Group Limited has provided a capital adequacy statement (denoted by #)
- there is a non-controlling interest
- there is a net book value as recorded in Standard Bank Group Limited's financial statements
- there is net indebtedness to/from Standard Bank Group Limited.

No significant restrictions exist on the transfer of funds and capital within the group, subject to compliance with the corporate laws of relevant jurisdictions and appropriate motivation to, and approval by, exchange control authorities.

	Effective holding		Non-controlling interest		Book value of shares		Net indebtedness	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
	54	100	**46**					
	54	54	**46**	46				
	54	54	**46**	46	**7 668**	7 668		
	58	59		41				
	100	100			**53**	53		
	100	100			**320**	320		
	84	100	**16**		**348**	400		
	100	100			**8 064**	7 416	**119**	84
	100							
	69	69	**31**	31				
	66	65		35				
	80		**20**					
	100	100			**10**	10		
	100	100			**557**	557		
	100	100			**308**	425		
	100	100						
	100	100			**7 658**	7 658		
	100	100			**49**	49		
	100	100						
	100	100						
	100	100						
	100	100			**30**	30		
	100	100			**55**	55		
	100	100						
	54	54	**46**	46				
					135	108	**(71)**	(116)
					25 255	24 749	**48**	(32)
					76 398	73 150	**12 257**	6 256

Consolidated structured entities

Name of the entity	Nature of the operations	Amount of support provided as at[1, 2, 3] 2019 Rm	2018 Rm	Type of support[4] 2019 Rm	2018 Rm
Blue Granite Investments No. 2 (RF) Proprietary Limited (BG2)	Facilitates mortgage-backed securitisations. The group is the primary liquidity facility provider to BG2.	**26**	28	**Subordinated loan**	Subordinated loan
Blue Granite Investments No. 3 (RF) Proprietary Limited (BG3)	Facilitates mortgage-backed securitisations. The group is the primary liquidity facility provider to BG3.	**59**	59	**Subordinated loan**	Subordinated loan
Blue Granite Investments No. 4 (RF) Proprietary Limited (BG4)	Facilitates mortgage-backed securitisations. The group is the primary liquidity facility provider to BG4.	**18**	18	**Subordinated loan**	Subordinated loan
Siyakha Fund (RF) Limited (Siyakha)	Facilitates mortgage-backed securitisations. The group is the primary liquidity facility provider to Siyakha.	**501**	501	**Subordinated loan**	Subordinated loan
Blue Shield Investments 01 (RF) Limited (Blue Shield 01)	Facilitates mortgage-backed securitisations. The group is the primary liquidity facility provider to Blue Shield 01.	**504**	504	**Subordinated loan**	Subordinated loan
		16 158	16 162	**Mortgage-backed notes**	Mortgage-backed notes

Refer to footnotes on the following page.

Terms of contractual arrangements that require the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 2's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 3's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 4's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income reflected in the management accounts, after taking into account all income and expenses.	Should Siyakha's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The subordinated loan is provided by the group. Interest is charged at the lower of prime plus 10% or net profit after tax or cash balance available in Blue Shield 01.	Should Blue Shield 01's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The group holds class A1, A2, A3 and C notes. Interest for the different classes of notes accrues at the three-month JIBAR rate plus a margin ranging between 1.55% and 4.00%. Interest is payable quarterly. The notes' maturity date is 21 November 2024.	

Consolidated structured entities continued

Name of the entity	Nature of the operations	Amount of support provided as at[1, 2, 3] 2019 Rm	2018 Rm	Type of support[4] 2019 Rm	2018 Rm
Blue Shield Investments 02 (RF) Limited (Blue Shield 02)	Facilitates mortgage-backed securitisations. The group is the primary liquidity facility provider to Blue Shield 02.	**1 816**	1 350	**Subordinated loan**	Subordinated loan
		30 709	30 708	**Mortgage-backed notes**	Mortgage-backed notes
Blue Banner Securitisation Vehicle RC1 Proprietary Limited (Blue Banner)	Originates mortgage loans on behalf of group. The group is required to provide the funding for these mortgage loans.	**7**	88	**Bridging finance**	Bridging finance
Rapvest Investment Proprietary Limited	Facilitates finance deals for other group companies and third-parties through preference share investments and loans to clients.	**6 902**	9 790	**Loan**	Loan
DAF Financial Services (RF) Proprietary Limited	The structure is an asset-backed funding solution. The financial assets, the truck finance receivables, are transferred to DFS and funding is provided by Standard Bank on a limited-recourse basis secured by the receivables.	**234**	301	**Loan**	Loan
Main Street 367 (RF) Proprietary Limited	Facilitates funding to BG1, BG2, BG3, BG4 and Siyakha. SB Debtors (a subsidiary of Standard Bank Group) provides the funding to Mainstreet to originate the loans.	**222**	210	**Subordinated loan**	Subordinated loan
Blue Diamond Investments No. 3 (RF) Limited (BD)3	The group issues notes to Blue Diamond Investments No. 3 (BD), then BD obtains credit protection from third-party investors by issuing notes to third-party investors on single or multiple corporate names. The notes issued by BD are held by Liberty.	**203**	206	**Credit-linked notes**	Credit-linked notes

1 The amount of support provided includes loans and advances and drawn down credit facilities provided to SEs by the group.
2 During the reporting period, the group did not provide any financial or other support to any subsidiary without having a contractual obligation to do so.
3 This is the amount as reported on the balance sheet as at 31 December 2019 and 2018, respectively.
4 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business. These transactions include loans and advances, deposits and current accounts and derivatives.

Terms of contractual arrangements that require the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
The subordinated loan is provided by the group. Interest is charged at 11%.	Should Blue Shield 02's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The group holds class A1, A2, B and C notes. Interest for the different classes of notes accrues at prime rate less a margin ranging between 1% and 1.9%. Interest is payable quarterly. The notes' maturity date is 1 December 2055.	
The loan does not have a fixed term or repayment date. Any profits in Blue Banner are paid out as interest to the group.	Should Blue Banner's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The loan is payable on demand. No interest is charged on the loan.	In the event that the underlying assets are classified as non-performing loans.
The loan bears interest at a rate of prime plus 1%. The maturity date of the loan is 30 September 2023.	SBSA is exposed to the first-loss risk in the structure, as well as potential losses that may be incurred on the receivables as a result of residual asset value risk. The residual asset value risk is, however, limited due to a put option that is in place.
The loan is only repayable to the extent that Mainstreet receives payment from BG1, BG2, BG3, BG4 and Siyakha. The interest is charged at the higher of JIBAR plus 10% and the cash available in terms of Mainstreet's priority of payments less R15 000.	In the event that customers of BG1, BG2, BG3, BG4 and Siyakha are unable to meet their contractual obligations under the mortgage loan agreement and their loans are classified as non-performing.
The group holds the notes issued by (BD)3. The group settles BD's operating expenses as and when necessary, typically in the event that BD has liquidity constraints. Any payment for such amounts is to be refunded by BD to the group.	In the event of a credit event, the group will suffer a loss. The group is also exposed to the risk of loss should it be unable to recover any unexpected operating expenses from (BD)3.

Unconsolidated structured entities

The group has an interest in the following unconsolidated structured entities:

Name of the entity	Nature and purpose of entity	Principal nature of funding	Principal nature of assets
Blue Diamond Investments No. 1 (RF) Limited (BD)1 Blue Diamond Investments No. 2 (RF) Limited (BD)2	These structures have been designed to provide third-party investors indirect exposure to corporate names. The group obtains credit protection from Blue Diamond Investments No. 1 and No. 2 (RF) Limited (BD) in the form of issuing credit-linked notes on single or multiple corporate names. BD then obtains credit protection from third-party investors by issuing notes to third-party investors on single or multiple corporate names.	Credit-linked notes issued to third-party investors	Credit-linked notes issued by the group
Blue Diamonds X (RF) Limited	Loans purchased from SBSA and the issuance of notes to third-party investors.	Commercial paper issued to third-party investors	Loans and advances to various counterparties
Africa ETF Issuer Limited offering the following: **• AfricaPalladium ETF (JSE code: ETFPLD)** **• AfricaPlatinum ETF (JSE code: ETFPLT)** **• AfricaGold ETF (JSE code: ETFGLD)** **• AfricaRhodium ETF (JSE code: ETFRHO)**	The palladium, platinum, gold and rhodium exchange traded funds (ETFs) have been established for investors to participate in changes in the spot price of underlying commodities. The ETFs issue debentures to investors with each debenture backed by the respective physical commodity. On issuance each debenture is based on 1/100th of a troy ounce of the respective commodity. The physical commodities are stored at recognised custodian storage vaults in London. The ETFs are denominated in rands and are classified as domestic assets. The ETFs are regulated by the Financial Markets Act and the JSE's Listings Requirements.	The unconsolidated structured entity is funded by the issue of non-interest-bearing debentures that are 100% backed by the underlying physical commodity	Physical commodities (palladium, platinum, gold and Rhodium)
Calibre Mortgage Fund (Pty) Ltd	Special Purpose Entity (SPV) set up by South African Home Loans (Pty) Ltd (SAHL) into which it originates home loans. The SPV is funded by debt provided by Liberty and equity provided by SAHL.	Debt funders in the securitisation market	Senior secured loan
Greenhouse Funding 3 (Pty) Ltd	A structured entity set up by Nedbank Limited. It is a securitisation vehicle into which it originates home loans, and into which Liberty can lend on a secured basis. Equity is provided by Nedbank Limited.	Debt funders in the securitisation market	Residential mortgage-backed securitisation
SA Taxi Finance Solutions (Pty) Ltd	SPV set up by SA Taxi to raise debt funding which it in turn uses to originate taxi loans.	Debt funders in the securitisation market	Senior, unrated debentures secured by underlying assets
Universal Credit S.A.	Investment fund	Debt funders in the securitisation market	Segregated investment fund

	Terms of contractual arrangements		Events/circumstances that could expose the group to a loss
	12 years	The group settles BD's operating expenses as and when necessary, typically in the event that BD has liquidity constraints. Any payment for such amounts is to be refunded by BD to the group.	In the event of a credit event, the third-party investors will suffer a loss. The group is only exposed to the risk of loss should it be unable to recover any unexpected operating expenses from BD.
	15 years	SBSA acts as the administrator and identifies and invests in suitable financial assets and facilitates the execution and settlement of trades.	None
	Undated	The group established these structured entities to accommodate client requirements to hold investments in specific commodity assets. The group manages the ETFs and also provides liquidity to the ETFs by acting as a committed market maker.	The maximum exposure to loss is limited to the on-balance sheet position held by the group through acting as a committed market maker for the ETFs. This exposes the group to the commodity price risk associated with the underlying commodity and is managed in accordance with the group's market risk management policy.
	The loan tenor is 20 years and bears interest at an average rate of three month JIBAR + 2.30%		To the extent that asset quality in the vehicle deteriorates to a level where losses exceed subordinated debt in the capital structure, the group may be exposed to a credit loss.
	The loan tenor is five years and bears interest at an average rate of three month JIBAR + 1.69%		To the extent that asset quality in the vehicle deteriorates to a level where losses exceed subordinated debt in the capital structure, the group may be exposed to a credit loss.
	The loan tenor is five years and bears interest at an average rate of three month JIBAR + 3.43%		To the extent that asset quality in the vehicle deteriorates to a level where losses exceed subordinated debt in the capital structure, the group may be exposed to a credit loss.
	The loan tenor is five years		In the event of defaults in the underlying pool of credit assets, the group may be exposed to a credit loss.

Unconsolidated structured entities continued

The following represents the group's interests in these entities:

	2019 Rm	2018 Rm
Balance sheet		
Unconsolidated structured entities:		
Financial investments	**248**	340
Deposits and debt funding accounts from customers	**(1 668)**	(2 118)
Trading assets	**42**	31
Total	**(1 378)**	(1 747)

For both 2018 and 2019, Blue Diamond No. 1 and No. 2 earned income via a once-off fee and commission income earned for structuring the SE.

Details of group companies with material non-controlling interests

	Liberty Group Limited		Africa Regions[1]	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Non-controlling's interests (%)	**46**	46	*	*
Summarised financial information on an IFRS basis before intercompany eliminations				
Total assets	**461 674**	437 274	**233 813**	214 883
Total liabilities	**429 285**	405 881	**195 862**	181 335
Total income	**84 447**	50 504	**19 460**	23 061
Profit for the year	**3 635**	3 042	**9 043**	8 511
Change in cash balances	**403**	1 805	**33 911**	8 087
Profit attributable to non-controlling interests after inter-company eliminations	**1 416**	1 169	**2 515**	2 640
Non-controlling interest within statement of financial position	**17 398**	16 933	**9 502**	8 333
Dividends paid to non-controlling interests	**1 005**	1 215	**710**	662

1 All balances except total assets and total liabilities (translated using the closing exchange rate) have been translated using cumulative exchange rates.
* Please refer to pages 124 to 127.

Transactions with non-controlling interests

2019

Listing of Standard Bank Namibia Holdings Limited

In Namibia, the group successfully completed the listing of its Namibian bank holding company, SBN Holdings Limited (SBNH) on the Namibian Stock Exchange (NSX) on 15 November 2019. As part of the public offer, SBNH raised equity of R200 million through an issue of ordinary shares, while Standard Bank Group Limited (SBGL) sold a portion of its stake in SBNH for a sale consideration of R522 million.

SBGL's legal shareholding in SBNH prior to the listing was 90%, but due to the degree of control SBGL retained over the shares of the empowerment structure, SBNH was consolidated at 100%, with the group accounting for the total SBNH earnings up until the listing. Post the listing, SBGL's legal shareholding in SBNH reduced from 90% to 74.9% and the empowerment structure's legal shareholding was diluted from 10% to 9.6% by the issue of ordinary shares. From the date of listing to 31 December 2019, SBNH remains consolidated, but with 84.5% of SBNH earnings attributable to ordinary shareholders and the remaining 15.5% of SBNH earnings attributable to non-controlling shareholders. The group recognised an increase in NCI of R617 million and a decrease in retained earnings and equity attributable to ordinary shareholders of R105 million due to the changes in the group's ownership interest in SBNH.

Post balance sheet event

With effect from 1 January 2020, the restrictions on the allocated shares held within the empowerment structure expired and SBGL no longer retains control over those shares. Accordingly, while SBGL continues to consolidate SBNH from 1 January 2020, 74.9% of SBNH earnings are attributable to SBGL as controlling shareholder and the remaining 25.1% of SBNH earnings are attributable to non-controlling shareholders.

2018

Stanbic Africa Holdings Limited

During the period, Stanbic Africa Holdings Limited (SAHL), a wholly owned subsidiary of Standard Bank Group (SBG), increased its shareholdings in its listed Nigerian and Kenyan subsidiaries through acquisitions of additional shares from non-controlling interests (NCI). Increases in the group's interest in a subsidiary, when the group already has control, are accounted for as transactions with equity holders of the group. The difference between the purchase consideration and the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity.

Nigeria

In Nigeria, SAHL's shareholding in Stanbic IBTC Holdings PLC (SIBTC) increased by 12% from 53% to 65% through an announced off-market trade on the Nigerian Stock Exchange and further on-market share purchases for a total cash consideration of R2 567 million.

The group recognised a net decrease in NCI of R950 million and a decrease in retained earnings and equity attributable to owners of the group of R1 617 million because of changes in the group's ownership interest in SIBTC.

Kenya

In Kenya, SAHL's shareholding in Stanbic Holdings Plc (SH Plc) increased by 9% from 60% to 69% following a two-stage tender offer and further on-market share purchases for a total cash consideration of R485 million.

The group recognised a decrease in NCI of R514 million and an increase in retained earnings and equity attributable to owners of the group of R29 million because of changes in the group's ownership interest in SH Plc.

Liberty Group Limited

During the period, Liberty Group Limited's (Liberty) shareholding in Liberty Two Degrees (L2D) decreased by 4% from 63% to 59% for a total consideration of R301 million. Liberty recognised an increase in NCI of R249 million and an increase in retained earnings and equity attributable to ordinary shareholders of R52 million because of changes in Liberty's ownership interest in L2D.

Annexure B – associates and joint ventures

	Safika holdings Proprietary Limited[1]		Industrial and Commercial Bank of China (Argentina) S.A.#		South African Home Loans Proprietary Limited (SAHL)[3]	
Ownership structure	Associate		Associate		Associate	
Nature of business	Investment holding company		Banking		Finance	
Principal place of business and country of incorporation	South Africa		Argentina		South Africa	
Year end	February		December		February	
Accounting treatment	Equity accounted		Equity accounted		Equity accounted	
Date to which equity accounted	31 December 2019		31 December 2019		31 December 2019	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Effective holding (%)	**20.00**	26.67	**20**	20	**50**	50
Income statement						
Total comprehensive income/(loss)	**11**	465	**2 915**	2 460	**575**	578
Total comprehensive income/(loss) attributed to equity holders of the associate and joint ventures[2]	**2**	124	**583**	492	**288**	289
Dividend received from associates/ joint ventures	**70**	27	**33**		**138**	113
Statement of financial position[3]						
Non-current assets	**2 881**	3 005		1 360	**32 596**	32 965
Current assets	**75**	207		69 053	**5 260**	5 135
Non-current liabilities		(117)		(331)	**(34 496)**	(35 239)
Current liabilities	**(200)**			(63 849)	**(771)**	(605)
Net asset value attributed to equity holders of the associate and joint ventures	**2 756**	3 095		6 233	**2 589**	2 256
Proportion of net asset value based on effective holding	**551**	825		1 247	**1 294**	1 128
Goodwill				136		
Other				6	**(61)**	(63)
Carrying amount			**1 196**			
Disposal group			**(1 196)**			
Carrying value	**551**	825		1 389	**1 233**	1 065
Share of profits/(losses) from associate and joint ventures	**2**	124	**583**	492	**288**	289

1 The investment was made by the group's private equity operations and have been ring-fenced for headline earnings purposes. On the disposal of these associates and joint ventures held by the group's private equity division the gain or loss on the disposal will be included in headline earnings in terms of Headline Earnings Circular 1/2019 as issued by the South African Institute of Chartered Accountants, as amended from time-to-time.

2 Includes FCTR as reported by the associates and joint ventures. Excludes FCTR that originates at a group level as a result of inclusions of the associates and joint ventures in the group's results.

3 Summarised financial information is provided based on the latest available management accounts received.

* Refer to key management assumptions.

Industrial and Commercial Bank of China (Argentina) S.A. (ICBCA)

In November 2012, the group completed the disposal of a controlling interest in each of Industrial and Commercial Bank of China (Argentina) S.A. (previously Standard Bank Argentina S.A.), ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión (previously Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión) and Inversora Diagonal S.A. (collectively ICBCA) to ICBC.

The group retained a 20% shareholding in ICBCA, held by Standard Bank Group's wholly owned subsidiary, Standard Bank London Holdings Limited. This residual investment was classified as an investment in associate and accounted for using the equity accounting method in terms of IAS 28.

	ICBC Standard Bank Plc (ICBCS)*		Other joint ventures		Other associates		Total associates and joint ventures – equity accounted	
	Associate		Joint ventures		Associates		Associates and joint ventures	
	Banking		Various		Various		Various	
	London, UK		Various		Various		Various	
	December		Various		Various		Various	
	Equity accounted		Equity accounted		Equity accounted		Equity accounted	
	31 December 2019		31 December 2019		31 December 2019		31 December 2019	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
	40	40		Various		Various		Various
	(3 502)	(185)						
	(1 401)	(74)						
			3	25				
	186 868	291						
	155 131	353 045						
	(325 567)	(335 251)						
	16 432	18 085						
		7 234						
		(769)						
	2 677							
	2 677	6 465	**62**	57	**900**	575	**5 423**	10 376
	(1 447)	(74)	**5**	46	**57**	35	**(512)**	912

In the ICBCA shareholders' agreement, Industrial and Commercial Bank of China (ICBC) granted a put option to the group under which the group was given the right to sell its remaining shareholding in ICBCA to ICBC, by giving notice at any time between 1 December 2014 and 30 November 2019. The strike price of the put option is fixed at USD181 million. Having taken the independent advice required under the JSE Listings Requirements, on 8 August 2019, the group exercised the put option and gave the required notice to ICBC. The transaction is subject to conditions precedent customary to transactions of this nature, including regulatory approvals in China. The completion date in respect of the transaction is anticipated to be in the first half of 2020. The group would seek to reinvest net proceeds received at completion of the transaction to support its African strategy.

Based on the above, the requirements of IFRS 5 were met and equity accounting of this investment was ceased at the end of August 2019. Therefore, as at 31 December 2019, the investment in ICBCA has been disclosed as non-current assets held for sale and presented separately on the statement of financial position. The investment in ICBCA is measured at the lower of the carrying amount and fair value less costs to sell, being R1 196 million at 31 December 2019. The investment in ICBCA was not impaired at date of classification as held for sale, nor at year end.

	STANLIB Income Fund		STANLIB Balanced Cautious Fund		STANLIB Money Market Fund[2]		STANLIB Corporate Money Market Fund	
Ownership structure	Associate		Associate		Associate		Associate	
Nature of business	Fund		Fund		Fund		Fund	
Principal place of business	South Africa		South Africa		South Africa		South Africa	
Year end	December		December		December		December	
Accounting treatment	Fair value accounted		Fair value accounted		Fair value accounted		Fair value accounted	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Effective holding (%)	**14**	9	**24**	23	**4**	3	**5**	5
Fair value	**6 773**	3 196	**1 555**	1 679	**980**	875	**2 056**	2 014
Income statement								
Revenue	**3 522**	2 832	**390**	450	**1 983**	1 930	**3 737**	3 207
Total profit for the year	**3 280**	2 661	**286**	322	**1 837**	1 787	**3 643**	3 120
Total comprehensive income	**3 280**	2 661	**286**	322	**1 837**	1 787	**3 643**	3 120
Dividend received from associates	**340**	249	**58**		**67**	54	**134**	139
Statement of financial position[1]								
Non-current assets	**46 058**	34 823	**6 480**	7 128	**24 630**	23 406	**36 527**	37 194
Current assets	**105**	475	**83**	252	**432**	1 614	**1 511**	1 932
Current liabilities	**(32)**	(22)	**(8)**	(102)	**(13)**	(12)	**(8)**	(8)
Net asset value	**46 131**	35 276	**6 555**	7 278	**25 049**	25 008	**38 030**	39 118
Total carrying value, including loans measured at fair value	**6 773**	3 196	**1 555**	1 679	**980**	875	**2 056**	2 014

1 Summarised financial information of the associates and joint ventures is provided based on the latest available management accounts received.
2 These funds were not included in the SBG 2018 financial statements due to the materiality of the carrying values. As a result, the carrying value relating to other associates has been restated for 2018.

Private equity/venture capital associates and joint ventures[1]

	2019 Rm	2018 Rm
Cost	**48**	48
Carrying value	**551**	619
Statement of financial position[2]		
Non-current assets	**75**	3 005
Current assets		207
Current liabilities	**(200)**	
Income statement		
Attributable income before impairment	**2**	93
Fair value	**551**	619

1 Included in note 10 associates and joint ventures.
2 Summarised financial information of the associates and joint ventures is provided based on the latest available management accounts received.

	STANLIB Global Equity Feeder Fund[2]		STANLIB Equity Fund[2]		STANLIB Flexible Income Fund[2]		Other associates and joint ventures – fair value accounted		Total associates and joint ventures – fair value accounted	
	Associate		Associate		Associate		Associate		Associates and joint ventures	
	Fund		Fund		Fund		Various		Various	
	South Africa		South Africa		South Africa		Various		Various	
	December		December		December		Various		Various	
	Fair value accounted		Fair value accounted		Fair value accounted		Fair value accounted		Fair value accounted	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
	31	27	**15**	16	**25**	17	**Various**	Various	**Various**	Various
	1 124	708	**593**	614	**602**	189	**2 485**	4 549	**16 168**	13 824
	6	5	**89**	93	**170**	209				
	(16)	9	**40**	(1)	**147**	132				
	(16)	9	**40**	(1)	**147**	132				
			16	3						
	3 583	2 598	**3 948**	3 800	**2 368**	4 355				
	50	36	**60**	101	**3**	156				
	(3)	(2)	**(4)**	(18)	**(2)**	(42)				
	3 630	2 632	**4 004**	3 883	**2 369**	4 469				
	1 124	708	**593**	614	**602**	189	**2 485**	4 549	**16 168**	13 824

Annexure C – risk and capital management – IFRS disclosures

Overview

Capital management

The group's capital management function is designed to ensure that regulatory requirements are met at all times and that the group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ranges, both of which are approved by the board.

It facilitates the allocation and use of capital, to generate a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the group's annual ICAAP and recovery plan.

The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, namely the group asset and liability committee (ALCO) and one of its subcommittees, the group capital management committee. The principal governance documents are the capital management governance framework and the model risk governance framework.

Risk management

The group's activities give rise to various financial, non-financial and strategic financial risks which are categorised into credit, funding and liquidity and market risk.

The group's approach to managing risk and capital is set out in the group's enterprise risk governance framework approved by the group risk and capital management committee (GRCMC).

The risk management disclosure that follows separately discloses the group's banking operations, and investment management and life insurance activities. The group's investment management and life insurance risk is primarily managed within the Liberty group of companies which houses the group's material life insurance operations. The group has a 56.0% interest in Liberty and therefore shares 56.0% of the risk exposure.

Banking operations

Capital management

The group manages its capital levels to support business growth, maintain depositor and creditors' confidence, create value for its shareholders and ensure regulatory compliance.

The main regulatory requirements to be complied with, are those specified in the Banks Act and related regulations, which are aligned with Basel III.

Regulatory capital adequacy is measured through the following three risk-based ratios:

- Common equity tier 1 (CET 1): ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets (RWA).
- Tier 1: CET 1 and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Perpetual non-cumulative preference shares that comply with Basel I and Basel II rules are included in tier I capital but are currently subject to regulatory phase-out requirements over a ten-year period, which commenced on 1 January 2013.
- Total capital adequacy: tier 1 plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Subordinated debt that complies with Basel I and Basel II rules is included in total capital but is currently subject to regulatory phase-out requirements, over a ten-year period, which commenced on 1 January 2013.

BASEL III QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

	2019 Rm	2018 Rm
IFRS ordinary shareholders' equity#	**171 229**	165 061
Qualifying non-controlling interest#	**5 611**	5 451
Less: regulatory adjustments	**(22 459)**	(24 628)
Goodwill	**(2 186)**	(2 208)
Other intangible assets	**(16 518)**	(17 703)
Investments in financial entities	**(5 833)**	(8 616)
Other adjustments including IFRS 9 phase-in	**2 078**	3 899
Unappropriated profit	**(14 159)**	(11 643)
CET I capital	**140 222**	134 241
Qualifying other equity instruments#	**7 123**	5 702
Qualifying non-controlling interests	**636**	385
Tier I capital	**147 981**	140 328
Qualifying tier II subordinated debt#	**19 317**	17 545
General allowance for credit impairments	**2 685**	2 776
Tier II capital	**22 002**	20 321
Total regulatory capital	**169 983**	160 649
Total capital requirement	**126 807**	120 395
Total RWA	**1 099 528**	1 079 546

The numbers above are not audited unless it is denoted with #.

Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk, and represents the largest source of risk to which banking entities in the group are exposed.

Approach to managing and measuring credit risk

The group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk (CCR) arising from derivative and securities financing contracts entered into with our customers and trading counterparties. To the extent equity risk is held on the banking book, it is also managed under the credit risk governance framework's requirements and standards, except in so far as approval authority rests with group equity risk committee (ERC).

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the group, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the group's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A group credit limit and concentration guideline is embedded within the group's enterprise-wide risk management process. Within the group's overall risk appetite disciplines, the credit metrics and concentrations framework includes key credit ratios and counterparty, sector and country concentration guidelines. These in turn are cascaded to business unit and legal entity level where they are monitored against approved appetite thresholds.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within our approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD).

Pre-settlement CCR inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

Wherever warranted, we attempt to mitigate credit risk, including CCR, to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third-parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. CRM policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where we have an unassailable legal title, our policy requires collateral to meet certain criteria for recognition in LGD modelling, including:

- being readily marketable and liquid
- being legally perfected and enforceable
- having a low valuation volatility
- being readily realisable at minimum expense
- having no material correlation to the obligor credit quality
- having an active secondary market for resale.

The main types of collateral obtained for our banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- pledge and cession of financial assets
- bonds over plant and equipment
- the underlying movable assets financed under leases and instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, the group typically uses recognised and enforceable international swaps and derivatives association agreements (ISDA), with a credit support annexure.

Netting agreements, such as collateral under the credit support annexure of an ISDA agreement, are obtained only where the group firstly has a legally enforceable right to offset credit risk by way of such an agreement, and secondly where the group has the intention of utilising such agreement to settle on a net basis.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (the PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. We have no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (specific wrong-way risk). General wrong-way risk, which arises when the EAD and PD for the counterparty is correlated due to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, we implement hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Use of internal estimates

Our credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring.

Corporate, sovereign and banking portfolios

Corporate entities include large companies, as well as small and medium entities (SMEs) that are managed on a relationship basis or have a combined exposure to the group of more than R12 million. Corporate exposures also include specialised lending (project, object and commodity finance, as well as income-producing real estate (IPRE) and public sector entities.

Sovereign and bank borrowers include sovereign government entities, central banks, local and provincial government entities, bank and non-bank financial institutions.

The creditworthiness of corporate (excluding specialised lending), sovereign and bank exposures is assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, together with expert judgement and external rating agency ratings, leads to an assignment of an internal rating to the entity.

Specialised lending's creditworthiness is assessed on a transactional level, rather than on the financial strength of the borrower, in so far as the group relies only on repayment from the cash flows generated by the underlying assets financed.

Concentration risk management is performed to ensure that credit exposure concentrations in respect of obligors, countries, sectors and other risk areas are effectively managed. This includes concentrations arising from credit exposure to different entities within an obligor economic group, such as exposure to public sector and other government entities that are related to the same sovereign.

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI, as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within stage 1 and stage 2 are rated between 1 to 25 in terms of the group's master rating scale. The 25-point master rating scale quantifies using the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the following table. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PBB portfolios. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

The group's definition of default has been aligned to its internal credit risk management definitions and approaches. While the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel definition) as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The group will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

		SB 1 – 12		SB 13 – 20		
2019	**Exposure Rm**	**Stage 1 Rm**	**Stage 2 Rm**	**Stage 1 Rm**	**Stage 2 Rm**	
Loans and advances at amortised cost						
Personal & Business Banking	737 494	264 388	475	355 060	16 932	
Mortgage loans	378 003	168 629	17	146 081	10 231	
Vehicle and asset finance	94 833	10 467	164	68 906	2 238	
Card debtors	34 612	1 245	11	27 480	646	
Other loans and advances	230 046	84 047	283	112 593	3 817	
Personal unsecured lending	66 463	3 065	32	46 597	715	
Business lending and other	163 583	80 982	251	65 996	3 102	
Corporate & Investment Banking	533 348	314 850	2 731	176 738	20 537	
Corporate	406 285	212 144	2 585	156 792	20 162	
Sovereign	19 142	7 472	146	11 325	96	
Banking	107 921	95 234		8 621	279	
Other service	(54 657)	(54 657)				
Gross carrying amount of loans and advances at amortised cost	1 216 185	524 581	3 206	531 798	37 469	
Less: total expected credit loss for loans and advances	(35 279)					
Net carrying amount of loans and advances at amortised cost	1 180 906					
Financial investments at amortised cost						
Corporate	21 323	20 999		324		
Sovereign	124 469	120 592		3 598		
Banking	991	872		47	72	
Other instruments	841	841				
Gross carrying amount of financial investments	147 624					
Less: total expected credit loss for financial investments	(68)					
Net carrying amount of financial investments	147 556					
Financial investments at fair value through OCI						
Corporate	2 843	2 843				
Sovereign	23 062	15 700	33		160	7 169
Gross carrying value of financial investments	25 905					
Add: fair value reserve relating to fair value adjustments (before the ECL balance)	20					
Total financial investment at fair value through OCI	25 925					
Off-balance sheet exposure						
Letters of credit and bankers' acceptances	15 104	12 443	15	2 307	285	
Guarantees	79 202	62 594	13	12 108	3 593	
Unutilised facilities[3]	163 437	142 823	1 218	16 298	2 851	
Total exposure to off-balance sheet credit risk	257 743	217 860	1 246	30 713	6 729	
Expected credit loss for off-balance sheet exposures	(198)					
Net carrying amount of off-balance sheet	257 545					
Total exposure to credit risk on financial assets subject to an expected credit loss	1 611 932					
Exposures not subject to ECL	431 370					
Other loans and advances at FVTPL	161					
Cash and balances with central banks[1]	75 288					
Derivative assets	66 825					
Other financial investments	31 242					
Trading assets	220 409					
Pledged assets	17 800					
Interest associates and joint ventures	5 147					
Other financial assets[2]	14 498					
Total exposure to credit risk	2 043 302					

1 Balances with central banks comprise of FVTPL of R65 650 million that are not subject to ECL considerations and amortised cost of R9 368 million, which has a low probability of default, therefore ECL is insignificant. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entities' ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.

2 Due to the short term nature of these financial assets and historical experience, other financial assets are regarded as having a low probability of default.

3 The ECL on unutilised facilities is included in the total ECL for loans and advances.

SB 21 – 25		Default					
Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss and interest in suspense on stage 3 Rm	Gross default coverage %	Non-performing exposures %
16 076	45 900	38 663	38 663	19 365	19 298	50	5.2
7 046	24 329	21 670	21 670	13 337	8 333	38	0.1
2 406	6 352	4 300	4 300	2 234	2 066	48	
858	2 871	1 501	1 501	412	1 089	73	
5 766	12 348	11 192	11 192	3 382	7 810	70	
4 784	5 935	5 335	5 335	923	4 412	83	0.1
982	6 413	5 857	5 857	2 459	3 398	58	
7 523	2 704	8 265	8 265	4 949	3 316	40	
3 932	2 405	8 265	8 265	4 949			
103					3 316		
3 488	299						
23 599	48 604	46 928	46 928	24 314	22 614	48	
174	105						
19	11	24					
5	207	682					
4	114	129					
28	332	835					

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY CONTINUED

		SB 1 – 12		SB 13 – 20	
2018[4]	Exposure Rm	Stage 1 Rm	Stage 2 Rm	Stage 1 Rm	Stage 2 Rm
Loans and advances at amortised cost					
Personal & Business Banking	701 197	191 076	1 815	407 955	7 083
Mortgage loans	362 006	108 575	1 786	196 795	4 332
Vehicle and asset finance	89 410	1 250	11	75 939	1 214
Card debtors	33 216	1 604	8	25 382	174
Personal unsecured lending	59 459	961		46 457	8
Business lending and other	157 106	78 686	10	63 382	1 355
Corporate & Investment Banking	509 519	291 913	4 912	178 768	17 965
Corporate	390 403	184 008	4 801	170 726	17 598
Sovereign	8 288	4 533	109	3 319	129
Banking	110 828	103 372	2	4 723	238
Other service	(55 688)	(55 688)			
Gross carrying amount of loans and advances at amortised cost	1 155 028	427 301	6 727	586 723	25 048
Less: total expected credit loss for loans and advances	(36 685)				
Net carrying amount of loans and advances at amortised cost	1 118 343				
Financial investments at amortised cost					
Corporate	15 433	14 084		1 349	
Sovereign	126 184	113 771		9 531	
Banking	1 974	1 974			
Other instruments	742	742			
Gross carrying amount of financial investments	144 333				
Less: total expected credit loss for financial investments	(194)				
Net carrying amount of financial investments	144 139				
Financial investments at fair value through OCI					
Corporate	1 756	1 325		409	
Sovereign	34 488	10 181		16 997	
Gross carrying value of financial investments	53 047				
Add: fair value reserve relating to fair value adjustments (before the ECL balance)	36				
Total financial investment at fair value through OCI	53 083				
Off-balance sheet exposure					
Letters of credit and bankers' acceptances	8 206	5 206	82	2 563	321
Guarantees	57 070	42 311	1 053	11 263	1 830
Unutilised facilities[3]	178 959	153 924	1 811	20 307	2 872
Total exposure to off-balance sheet credit risk	244 235	201 441	2 946	34 133	5 023
Expected credit loss for off-balance sheet exposures	(588)				
Net carrying amount of off-balance sheet	243 647				
Total exposure to credit risk on financial assets subject to an expected credit loss	1 561 537				
Exposures not subject to ECL	329 906				
Other loans and advances at fair value	1 204				
Cash and balances with central banks[1]	85 145				
Derivative assets	48 429				
Other financial investments					
Trading assets	178 327				
Pledged assets	7 218				
Other financial assets[2]	9 583				
Total exposure to credit risk	1 891 443				

1 Balances with central banks comprise of FVTPL of R76 085 million that are not subject to ECL considerations and amortised cost of R9 050 million, which has a low probability of default therefore ECL is insignificant. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entities' ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.
2 Due to the short term nature of these financial assets and historical experience, other financial assets are regarded as having a low probability of default.
3 The ECL on unutilised facilities is included in the total ECL for loans and advances.
4 Restated. Refer to page 31 for further details on the restatement.

	SB 21 – 25		Default					
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss and interest in suspense on stage 3 Rm	Gross default coverage %	Non-performing exposures %
	8 220	50 589	34 459	34 459	17 167	17 292	50	4.9
	4 261	27 840	18 417	18 417	11 342	7 075	38	5.1
	347	7 138	3 511	3 511	1 827	1 684	48	3.9
	317	3 882	1 849	1 849	405	1 444	78	5.6
	1 556	5 625	4 852	4 852	900	3 952	81	8.2
	1 739	6 104	5 830	5 830	2 693	3 137	54	3.7
	3 833	2 394	9 734	9 734	3 225	6 509	67	1.9
	1 142	2 394	9 734	9 734	3 225	6 509	67	2.5
	198							
	2 493							
	12 053	52 983	44 193	44 193	20 392	23 801	54	3.8
	2 882							
	22							
	7 310							
	24	8	2					
	2	101	510					
	11	34						
	37	143	512					

Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The group's credit risk portfolio is well-diversified. The group's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing.

IFRS: INDUSTRY SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2019 Rm	2018[1] Rm
Agriculture	37 496	35 252
Construction	16 986	16 218
Electricity	25 794	18 781
Finance, real estate and other business services	329 628	348 904
Individuals	528 993	465 020
Manufacturing	74 503	78 820
Mining	40 319	33 423
Transport	44 439	37 016
Wholesale	71 000	60 078
Other services	47 188	62 720
Gross loans and advances	**1 216 346**	1 156 232

1 Restated. Refer to page 31 for further details on the restatement.

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2019		2018[1]	
	%	Rm	%	Rm
South Africa	72	879 654	70	808 658
Africa Regions	19	228 183	20	229 047
International	9	108 509	10	119 647
Gross loans and advances	**100**	**1 216 346**	100	1 157 332

1 Restated. Refer to page 31 for further details on the restatement.

IFRS: INDUSTRY SEGMENTAL ANALYSIS OF STAGE 3 CREDIT IMPAIRMENT OF LOANS AND ADVANCES

	2019 Rm	2018 Rm
Agriculture	1 840	1 776
Construction	1 076	842
Electricity	72	491
Finance, real estate and other business services	1 473	1 580
Individuals	14 302	13 743
Manufacturing	1 402	1 315
Mining	234	244
Transport	351	318
Wholesale	670	577
Other services	1 194	2 915
Credit impairment of non-performing loans	**22 614**	23 801

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS OF STAGE 3 CREDIT IMPAIRMENT OF LOANS AND ADVANCES

	2019		2018	
	%	Rm	%	Rm
South Africa	77	17 346	70	16 630
Africa Regions	22	5 053	20	4 710
International	1	215	10	2 461
Credit impairment of non-performing loans	**100**	**22 614**	100	23 801

Collateral

The table below shows the financial effect that collateral has on the group's maximum exposure to credit risk. The table is presented according to Basel asset categories and includes collateral that may not be eligible for recognition under Basel but that management takes into consideration in the management of the group's exposures to credit risk. All on- and off-balance sheet exposures that are exposed to credit risk, including NPL, have been included.

Collateral includes:

- financial securities that have a tradable market, such as shares and other securities
- physical items, such as property, plant and equipment
- financial guarantees, suretyships and intangible assets.

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In the retail portfolio, 55% (2018: 56%) is fully collateralised. The R5.3 billion (2018: R4.5 billion) of retail accounts that lie within the 0% to 50% range of collateral coverage mainly comprise accounts which are either in default or legal. The total average collateral coverage for all retail mortgage exposures in the 50% to 100% collateral coverage category is 77% (2018: 79%).

Of the group's total exposure, 52% (2018: 57%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

The group does not currently trade commodities that could give rise to physical commodity inventory or collateral exposure with the exception of precious metals. In the normal course of its precious metal trading operations, the group does not hold allocated physical metal; however, this may occur from time-to-time. Where this does occur, appropriate risk and business approval is required to ensure that the minimum requirements are satisfied, including but not limited to approval of risk limits and insurance cover.

COLLATERAL

						Collateral coverage – Total collateral		
2019	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agree-ments (c) Rm	Secured exposure after netting (b-c) Rm	1 to 50% Rm	50 to 100% Rm	Greater than 100% Rm
Corporate	614 201	422 098	192 103	11 106	180 997	19 995	123 086	37 917
Sovereign	316 427	301 410	15 017	3 351	11 666	1	11 619	46
Bank	217 370	80 482	136 888	61 306	75 582	49 852	21 411	4 319
Retail	638 865	129 574	509 291	439	508 852	5 254	151 509	352 088
Retail mortgage	390 991	33	390 958		390 958	2 430	47 627	340 901
Other retail	247 874	129 541	118 333	439	117 894	2 824	103 882	11 187
Total	1 786 863	933 564	853 299	76 202	777 097	75 102	307 625	394 370
Add: financial assets not exposed to credit risk	197 252							
Less: impairments for loans and advances	(35 279)							
Less: unrecognised off-balance sheet items	(168 246)							
Total exposure	1 780 590							
Cash and balances with central banks	75 288							
Derivative assets	66 825							
Trading assets	220 409							
Pledged assets	17 800							
Financial investments	204 703							
Loans and advances	1 181 067							
Other financial assets	14 498							
Total	1 780 590							

2018	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agreements (c) Rm	Secured exposure after netting (b-c) Rm	Collateral coverage – Total collateral 1 to 50% Rm	50 to 100% Rm	Greater than 100% Rm
Corporate	612 478	439 420	173 058	10 540	162 518	13 855	116 605	32 058
Sovereign	259 994	249 101	10 893	2 265	8 628	771	7 150	706
Bank[1, 2]	359 873	232 815	127 058	45 732	81 326	44 668	31 161	5 497
Retail	604 711	120 343	484 368	473	483 895	4 536	139 280	340 079
Retail mortgage	372 152	68	372 084		372 084	1 217	42 134	328 734
Other retail	232 559	120 275	112 284	473	111 811	3 319	97 146	11 345
Total	1 837 056	1 041 679	795 377	59 010	736 367	63 830	294 196	378 340
Add: financial assets not exposed to credit risk	33 888							
Less: impairments for loans and advances	(36 685)							
Less: unrecognised off-balance sheet items[1]	(180 630)							
Total exposure	1 653 629							
Cash and balances with central banks	85 145							
Derivative assets	48 429							
Trading assets	178 327							
Pledged assets	7 218							
Financial investments	205 380							
Loans and advances[1]	1 119 547							
Other financial assets	9 583							
Total	1 653 629							

1 Restated. Refer to page 31 for further details on the restatement.
2 Security firms in the prior year have been treated as corporates whereas in the current year and in future year, they will be treated as banks.

Funding and liquidity risk

Definition

Liquidity risk is the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Approach to managing liquidity risk

The nature of the group's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the group with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The group manages liquidity in accordance with applicable regulations and within the group's risk appetite framework. The group's liquidity risk management governance framework supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met by the group's legal entities, under both normal and stressed conditions. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times. The group manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and derivative liabilities, which are presented as redeemable on demand) and will therefore not agree directly to the balances disclosed in the consolidated statement of financial position (SOFP).

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities, together with trading liabilities, are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand Rm	Maturing within 1 month Rm	Maturing between 1 – 6 months Rm	Maturing between 6 – 12 months Rm	Maturing after 12 months Rm	Total Rm
2019						
Financial liabilities						
Derivative financial instruments	**64 724**	**6**	**612**	**254**	**2 500**	**68 096**
Instruments settled on a net basis	**40 298**	**6**	**500**	**197**	**2 454**	**43 455**
Instruments settled on a gross basis	**24 426**		**112**	**57**	**46**	**24 641**
Trading liabilities	**83 718**					**83 718**
Deposits and debt funding	**856 174**	**315 553**	**34 564**	**23 398**	**236 545**	**1 466 234**
Subordinated debt		**795**	**2 958**	**5 538**	**18 528**	**27 819**
Other[1]		**19 492**		**6 146**	**16 878**	**42 516**
Total	**1 004 616**	**335 846**	**38 134**	**35 336**	**274 451**	**1 688 383**
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	**15 104**					**15 104**
Guarantees	**79 202**					**79 202**
Irrevocable unutilised facilities	**73 940**					**73 940**
Total	**168 246**					**168 246**
2018						
Financial liabilities						
Derivative financial instruments	49 586	1	198	152	232	50 169
Instruments settled on a net basis	31 016	1	111	53	146	31 327
Instruments settled on a gross basis	18 570		87	99	86	18 842
Trading liabilities	61 267					61 267
Deposits and debt funding	912 296	63 412	154 403	80 128	195 352	1 405 591
Subordinated debt		58	411	6 594	15 901	22 964
Other[1]		18 196				18 196
Total	1 023 149	81 667	155 012	86 874	211 485	1 558 187
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	17 802					17 802
Guarantees	85 576					85 576
Irrevocable unutilised facilities	77 253					77 253
Total	180 631					180 631

[1] The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 for more detail on the adoption of IFRS 16.

Market risk

Definition

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

The group's key market risks are:

- trading book market risk
- Interest rate in the banking book (IRRBB)
- equity risk in the banking book
- foreign currency risk
- own equity-linked transactions
- post-employment obligation risk.

Trading book market risk

Definition

Trading book market risk is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

The group's policy is that all trading activities are undertaken within the group's global markets' operations.

The market risk functions are independent of the group's trading operations and are accountable to the relevant legal entity ALCOs. ALCOs have a reporting line into group ALCO, a subcommittee of GROC.

All VaR and SVaR limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

VaR and SVaR

The group uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on a 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst case loss.

The ten-day period is based on the average expected time to reduce positions. The period of stress for SBSA is currently the 2008/2009 financial crisis while, for other markets, more recent stress periods are used where the group has received internal model approval, the market risk regulatory capital requirements is based on VaR and SVaR, both of which use a confidence level of 99% and a ten-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This will usually not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully
- the use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run increased levels of market risk throughout the year for all asset classes when compared to 2018 aggregate normal VaR, and aggregate SVaR.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2019				
Commodities risk	**3**		**1**	**1**
Foreign exchange risk	**26**	**9**	**14**	**15**
Equity position risk	**18**	**4**	**8**	**11**
Debt securities	**28**	**15**	**21**	**23**
Diversification benefits[2]			**(10)**	**(21)**
Aggregate	**53**	**22**	**34**	**29**
2018				
Commodities risk	3		1	2
Foreign exchange risk	20	8	12	12
Equity position risk	12	2	6	8
Debt securities	33	12	17	20
Diversification benefits[2]			(10)	(16)
Aggregate	37	17	25	25

1 The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.
2 Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

TRADING BOOK SVAR ANALYSIS BY MARKET VARIABLE

	SVaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2019				
Commodities risk	**70**	**17**	**39**	**21**
Foreign exchange risk	**371**	**134**	**210**	**308**
Equity position risk	**272**	**48**	**135**	**254**
Debt securities	**367**	**202**	**280**	**303**
Diversification benefits[1]			**(262)**	**(488)**
Aggregate	**741**	**221**	**403**	**398**
2018				
Commodities risk	80	5	18	51
Foreign exchange risk	339	111	172	200
Equity position risk	310	39	108	121
Debt securities	398	170	274	247
Diversification benefits[2]			(268)	(250)
Aggregate	457	191	304	369

1 Diversification benefit is the benefit of measuring the SVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual regions' SVaRs and the SVaR of the whole trading portfolio.
2 Diversification benefit is the benefit of measuring the SVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual SVaRs and the SVaR of the whole trading portfolio.
3 The 2018 table has been restated to include a breakdown by asset class and to align to the normal VaR disclosure format. The aggregate figures remain unchanged however, the diversification benefit is restated to include asset class diversification as opposed to regional diversification.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

INTEREST RATE SENSITIVITY ANALYSIS[1]

		ZAR	USD	GBP	Euro	Other	Total
2019							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**2 471**	**444**	**246**	**39**	**674**	**3 874**
Decrease in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(2 541)**	**(563)**	**(224)**		**(672)**	**(4 000)**
2018[2]							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 227	623	189	52	529	3 620
Decrease in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 269)	(752)	(207)		(499)	(3 727)

1 Before tax.
2 The NII sensitivity was restated to include the impact of endowment funding in Wealth International, resulting in an increase of R541 million under the upward rate scenario and a further R589 million decrease under the downward rate scenario.

Equity risk in the banking book

Definition

Equity risk is the risk of loss arising from a decline in the value of an equity or equity-type instrument held on the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value (NAV), enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Though issuer risk in respect of tradable equity instruments constitutes equity risk, such traded issuer risk is managed under the trading book market risk framework.

Approach to managing equity risk in the banking book

Equity risk relates to all transactions and investments subject to approval by the group ERC, in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

For the avoidance of doubt, equity risk in the banking book excludes strategic investments in the group's subsidiaries, associates and joint ventures deployed in delivering the group's business and service offerings unless the group financial director and group CRO deem such investments to be subject to the consideration and approval by the group ERC.

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2019			
Equity securities listed and unlisted	**3 906**	**4 340**	**4 774**
Listed		**145**	
Unlisted		**4 195**	
Impact on profit and loss	**(429)**		**429**
Impact on OCI	**(5)**		**5**
2018			
Equity securities listed and unlisted	3 262	3 624	3 986
Listed		103	
Unlisted		3 521	
Impact on profit and loss	(356)		356
Impact on OCI	(7)		7

Foreign currency risk

Definition

The group's primary non-trading related exposures to foreign currency risk arise as a result of the translation effect of the group's net assets in foreign operations and foreign-denominated financial assets and liabilities.

Approach to managing foreign currency risk

The group foreign currency management committee, a subcommittee of the group capital management committee, manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Hedging is undertaken in such a way that it does not constrain normal operating activities. In particular, for banking entities outside of the South African common monetary area, the need for capital to fluctuate with risk-weighted assets is taken into account.

The repositioning of the group's NAV by currency, which is managed at a group level, is a controlled process based on underlying economic views and forecasts of the relative strength of currencies, other than foreign operations.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships in terms of IFRS are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in rand equivalent, resulting from a 10% shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on the group's foreign-denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS

		USD	Euro	GBP	Naira	Other	Total
2019							
Total net long/(short) position	Rm	**298**	**90**	**25**	**1**	**49**	**463**
Sensitivity (ZAR depreciation)[2]	%	**10**	**10**	**10**	**10**	**10**	
Impact on profit or loss	Rm	**30**	**9**	**3**	**0**	**4**	**46**
2018[1]							
Total net long/(short) position	Rm	613	225	89	9	13	949
Sensitivity (ZAR depreciation)[2]	%	10	10	10	10	10	
Impact on profit or loss[1]	Rm	61	22	9	1	1	94

1 SBG expanded the disclosure of its non-trading foreign currency sensitivity to include foreign operations. This resulted in a restatement of expected profit of R82 million and an increase in net long foreign exchange positions by R852 million in 2018.
2 A 10% appreciation in ZAR will have an equal and opposite impact on profit or loss to the amounts disclosed above.

Own equity-linked transactions

Definition

The group has exposure to changes in its share price arising from its equity-linked remuneration contractual commitments.

Depending on the nature of the group's equity-linked share schemes, the group is exposed to either income statement risk or NAV risk through equity due to changes in its own share price as follows:

- Income statement risk arises as a result of losses being recognised in the group's income statement as a result of increases in the group's share price on cash-settled share schemes above the award grant price.
- NAV risk arises as a result of the group settling an equity-linked share incentive scheme at a higher price than the price at which the share incentive was granted to the group's employees.

The following table summarises the group's most material share schemes together with an explanation of which risk (where applicable) the share scheme exposes the group to, and why, and an indication as to whether the share schemes are hedged.

Share scheme	Risk to the group	Explanation	Hedged[1]	Hedged risk
Equity Growth Scheme (EGS)	N/A	The EGS is an equity-settled share scheme that is settled through the issuance of new shares. Accordingly, the group does not incur any cash flow in settling the share schemes and, hence, is not exposed to any risk as a result of changes in its own share price. Since the EGS results in the issuance of new shares and in order to mitigate the dilutionary impact on existing shareholders, the group re-purchases shares from the open market.	No. as there is no cash flow risk.	N/A
Quanto Stock Unit Scheme (Quanto)	Income statement risk	The Quanto is a cash-settled share scheme. Increases in the group's share price results in losses being recognised in the income statement.	Yes	SBK share price risk
Equity-settled Deferred Bonus scheme (DBS) and Performance Reward Plan (PRP)	NAV risk	The DBS and PRP awards that are equity-settled, are settled through the purchase of shares from the open market. Accordingly, for these equity-settled share schemes, increases in the group's share price above the grant price will result in losses being recognised in the group's equity.	Yes	SBK share price risk
Cash-settled DBS and PRP	Income statement risk	The DBS and PRP awards that are cash-settled result in losses being recognised in the income statement as a result of increases in the group's share price.	Yes	SBK share price risk
Share Appreciation Rights Scheme (SARP) – equity-settled	NAV risk	SARP awards that are issued to individuals in the employment of a group entity domiciled in South Africa are classified as equity-settled and are settled through the purchase of shares from the open market. Accordingly, changes in the group's share price above the grant price will result in gains and/or losses being recognised directly in the group's equity.	No, given the current number of awards that have been issued to date. The number of awards, are however, monitored to evaluate for future hedging considerations.	N/A
SARP – cash-settled	Income statement risk	Awards made to individuals of a group entity outside of South Africa are settled in cash. Increases in the group's share price will result in losses being recognised in the income statement.	No, given the current number of awards that have been issued to date. The number of awards, are however, monitored to evaluate for future hedging considerations.	N/A

1 The group partially hedges these exposures.

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Credit risk

The following table provides information regarding the aggregated credit risk exposure of Liberty to debt instruments categorised by credit ratings, if available, as at 31 December:

EXPOSURE TO CREDIT RISK[1]

	A- and above Rm	BBB+ Rm	BBB Rm	BBB- Rm	BB+ Rm	BB Rm	BB- and below Rm	Not rated Rm	Pooled funds Rm	Total Rm
2019										
Debt instruments	**13 569**	**5 035**	**25 461**	**30 460**	**52 658**	**13 392**	**4 454**	**4 599**		**149 628**
Investment policies				**2 330**				**913**		**3 243**
Prepayments, insurance and other receivables	**816**							**3 863**		**4 679**
Mutual funds – interest-bearing instruments									**22 392**	**22 392**
Reinsurance assets	**1 953**							**456**		**2 409**
Derivatives and collateral deposits	**2 857**	**453**	**1 664**	**2 072**	**505**	**2 307**		**145**		**10 003**
Cash and cash equivalents	**5 066**	**84**	**1 030**	**8 198**	**306**	**1 901**		**792**		**17 377**
Total assets bearing credit risk	**24 261**	**5 572**	**28 155**	**43 060**	**53 469**	**17 600**	**4 454**	**10 768**	**22 392**	**209 731**
2018										
Debt instruments	15 514	4 248	31 637	29 429	36 088	11 121	5 523	4 944		138 504
Investment policies				8 208				1 254		9 462
Prepayments, insurance and other receivables	514	82	29	395				3 933		4 953
Mutual funds – interest-bearing instruments									17 338	17 338
Reinsurance assets	1 654		35					430		2 119
Derivatives and collateral deposits	2 508	284	2 551	1 398		3 572		27		10 340
Cash and cash equivalents	3 782	452	4 155	5 712	14	2 316	384	159		16 974
Total assets bearing credit risk	23 972	5 066	38 407	45 142	36 102	17 009	5 907	10 747	17 338	199 690

1 As reported by Liberty, Refer to Liberty's annual financial statements.

Funding and liquidity risk

Long-term insurance

The table below breaks down Liberty's assets according to time to liquidate. It is worth noting that, in a stressed environment, the market value of these assets is likely to be negatively affected.

FINANCIAL PROPERTY AND INSURANCE ASSET LIQUIDITY[1]

	2019		2018	
	%	Rm	%	Rm
Liquid[2]	75	343 091	74	321 472
Medium[3]	15	69 302	16	67 279
Illiquid[4]	10	45 720	10	44 788
Total	100	458 113	100	433 539

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Liquid assets are those that are considered to be realisable within one month (for example, cash, listed equities and term deposits).
3 Medium assets are those that are considered to be realisable within six months (for example, unlisted equities and certain unlisted term deposits).
4 Illiquid assets are those that are considered to be realisable in excess of six months (for example, investment properties and policyholder assets).

Maturity profiles of financial instrument liabilities

The table below summarises the maturity profile of Liberty's financial instrument liabilities based on the remaining undiscounted contractual obligations. These figures will be higher than amounts disclosed in the statement of financial position (where the effect of discounting is taken into account) except for short duration liabilities. Policyholder liabilities under investment contracts, investment contracts with DPF and insurance contracts are shown in a separate table.

MATURITY PROFILE OF FINANCIAL INSTRUMENT LIABILITIES – CONTRACTUAL CASH FLOWS[1] (EXCLUDING POLICYHOLDER LIABILITIES, DERIVATIVE LIABILITIES AND LEASE LIABILITIES)

	Zero to three months[2] Rm	Three to 12 months Rm	One to five years Rm	Five to ten years Rm	Variable Rm	Total Rm
2019						
Subordinated notes	140	1 363	4 676	1 087		7 266
Redeemable preference shares[3]					5	5
Loan facilities		195	2 567			2 762
Third-party financial liabilities arising on consolidation of mutual funds	56 758					56 758
Repurchase agreements	5 002	927				5 929
Collateral deposits payable	6 545					6 545
Insurance and other payables	12 804	311				13 115
Total	81 249	2 796	7 243	1 087	5	92 380
2018						
Subordinated notes	173	378	4 972	2 398		7 921
Commercial paper	811					811
Redeemable preference shares[3]					5	5
Loan facilities		745	1 573			2 318
Third-party financial liabilities arising on consolidation of mutual funds	48 186					48 186
Repurchase agreements	5 135	649				5 784
Collateral deposits payable	5 976					5 976
Insurance and other payables	11 568	347	54	2		11 971
Total	71 849	2 119	6 599	2 400	5	82 972

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Zero to three months are either due within the time-frame or are payable on demand.
3 No fixed maturity date; however, redeemable with a two-year notice period at the instance of Liberty or the holder.

Liquidity risks arising from long-term insurance business

The tables that follow provide an indication of liquidity needs in respect of cash flows required to meet obligations arising under long-term insurance business.

Undiscounted cash flows are shown and the effect of discounting is taken into account to reconcile to total policyholder contract values.

EXPECTED CASH FLOWS – LONG-TERM INSURANCE CONTRACTS[1]

	Insurance contracts				
	Policyholder liabilities Rm	Policyholder assets Rm	Reinsurance assets and liabilities Rm	Investment contracts with DPF[2] Rm	Investment contracts Rm
2019					
Investment-linked liabilities					
Within 1 year	**16 755**			**515**	**6 759**
1 – 5 years	**58 865**			**(137)**	**12 168**
5 – 10 years	**16 766**			**980**	**11 936**
10 – 20 years	**33 439**			**2 781**	**25 117**
Over 20 years	**32 871**			**6 113**	**49 058**
Total investment-linked liabilities	**158 696**			**10 252**	**105 038**
Non-investment-linked liabilities/(assets)					
Within 1 year	**4 629**	**(2 357)**	**(419)**		**559**
1 – 5 years	**25 971**	**(6 704)**	**(882)**		**1 101**
5 – 10 years	**15 321**	**(3 700)**	**(777)**		**2 034**
10 – 20 years	**27 620**	**3 431**	**(730)**		**21**
Over 20 years	**65 742**	**67 759**	**1 605**		**26**
Effect of discounting cash flows	**(91 876)**	**(65 446)**	**(542)**		**(888)**
Total non-investment-linked liabilities/(assets)	**47 407**	**(7 017)**	**(1 745)**		**2 853**
Total long-term insurance business liabilities/ (assets)	**206 103**	**(7 017)**	**(1 745)**	**10 252**	**107 891**
Total surrender value of long-term insurance policyholder liabilities	**170 208**			**9 999**	**107 585**
2018					
Investment-linked liabilities					
Within 1 year	15 569			226	4 679
1 – 5 years	57 136			(314)	8 251
5 – 10 years	14 770			1 004	8 057
10 – 20 years	32 979			1 785	20 633
Over 20 years	35 851			7 736	55 346
Total investment-linked liabilities	156 305			10 437	96 966
Non-investment-linked liabilities/(assets)					
Within 1 year	5 187	(2 332)	(349)		584
1 – 5 years	22 887	(6 416)	(701)		1 266
5 – 10 years	14 470	(3 548)	(633)		2 054
10 – 20 years	25 814	3 063	(586)		30
Over 20 years	61 980	62 905	969		36
Effect of discounting cash flows	(85 899)	(60 380)	(116)		(1 123)
Total non-investment-linked liabilities/(assets)	44 439	(6 708)	(1 416)		2 847
Total long-term insurance business liabilities/ (assets)	200 744	(6 708)	(1 416)	10 437	99 813
Total surrender value of long-term insurance policyholder liabilities	166 589			10 405	99 545

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 DPF refers to discretionary participation features.

Market risk

Exposure to financial, property and insurance assets

The table below summarises Liberty's exposure to financial, property and insurance assets. This exposure has been split into the relevant market risk categories and then attributed to the effective holders of the risk.

SUMMARY OF GROUP ASSETS SUBJECT TO MARKET RISK[1]

		Attributable to				
	Total assets Rm	Long-term policyholder investment-linked (including DPF) liabilities Rm	Other policyholder liabilities[5] Rm	Third-party financial liabilities arising on con-solidation of mutual funds Rm	Non-controlling interests Rm	Residual liabilities and share-holders' interest Rm
2019						
Assets subject to market risk only	**241 365**	**194 554**	**(5 743)**	**31 885**	**7 817**	**12 852**
Equity price	**130 831**	**108 065**	**(4 040)**	**20 810**		**5 996**
Property price[2]	**39 179**	**25 074**	**(248)**	**5 636**	**7 817**	**900**
Mixed portfolios excluding investment policies[3]	**71 355**	**61 415**	**(1 455)**	**5 439**		**5 956**
Assets subject to market and credit risk	**209 731**	**93 361**	**42 320**	**24 873**	**504**	**48 673**
Interest rate	**203 103**	**89 142**	**40 329**	**24 873**	**504**	**48 255**
Investment policies in mixed portfolios	**3 243**	**3 243**				
Reinsurance assets[4]	**2 409**		**1 991**			**418**
Equity derivatives	**976**	**976**				
Long-term policyholder assets	**7 017**					**7 017**
Other assets	**3 561**					**3 561**
Total	**461 674**	**287 915**	**36 577**	**56 758**	**8 321**	**72 103**
Percentage (%)		**62.4**	**7.9**	**12.3**	**1.8**	**15.6**
2018						
Assets subject to market risk only	227 141	190 541	(7 136)	24 103	7 883	11 750
Equity price	123 673	108 886	(4 038)	13 498		5 327
Property price[2]	39 139	23 856	(287)	6 657	7 883	1 030
Mixed portfolios excluding investment policies[3]	64 329	57 799	(2 811)	3 948		5 393
Assets subject to market and credit risk	199 690	84 156	43 716	24 083	507	47 228
Interest rate	187 316	73 901	42 017	24 083	507	46 808
Investment policies in mixed portfolios	9 462	9 462				
Reinsurance assets[4]	2 119		1 699			420
Equity derivatives	793	793				
Long-term policyholder assets	6 708					6 708
Other assets	3 735					3 735
Total	437 274	274 697	36 580	48 186	8 390	69 421
Percentage (%)		62.8	8.4	11.0	1.9	15.9

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Equity price risk is included in property price risk where the invested entity only has exposure to investment properties. Property company debt of R5 327 million (2018: R5 300 million) is included in the interest rate risk line.
3 Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is practically difficult to accurately calculate given the number of mutual funds and hedge funds contained in the group portfolios.
4 Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.
5 Negative exposure to the various risk categories can occur in other policyholder liabilities since the present value of future charges can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholders' market-related liabilities.
The policyholders' market risk exposure, however, remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder investment-linked liabilities by the amount of these negative liabilities.

Interest rate risk

The table below provides additional detail on financial instrument assets and liabilities and their specific interest rate exposure. Due to practical considerations, interest rate risk details contained in investments in non-subsidiary mutual funds and investment policies are not provided. Accounts receivable and accounts payable, where settlement is expected within 90 days, are not included in the analysis. The effect of interest rate risk on these balances is not considered significant given the short-term duration of the underlying cash flows.

INTEREST RATE EXPOSURE[1]

Carrying value	2019 Rm	2018 Rm
Financial instruments liabilities	**20 261**	19 846
Exposed to cash flow interest rate risk	**18 284**	18 369
Exposed to fair value interest rate risk	**1 977**	1 477
Financial instruments assets	**169 269**	159 583
Exposed to cash flow interest rate risk	**103 109**	91 242
Exposed to fair value interest rate risk	**66 160**	68 341

1 As reported by Liberty. Refer to Liberty's annual financial statements.

Property market risk

Liberty's direct exposure to property market risk is shown below:

PROPERTY MARKET RISK[1]

	2019 Rm	2018 Rm
Investment properties	**34 682**	34 316
Owner-occupied properties	**1 612**	1 645
Gross direct exposure	**36 294**	35 961
Attributable to non-controlling interests	**(8 313)**	(7 884)
Net exposure	**27 981**	28 077
Concentration use risk within directly held properties is summarised below:		
Shopping malls	**29 664**	29 520
Office buildings	**2 493**	2 439
Other property (shares in Melrose Arch precinct, Sandton Sun and Towers, Garden Court Sandton City, and the Sandton Convention Centre)	**4 137**	4 002
Total	**36 294**	35 961

1 As reported by Liberty. Refer to Liberty's annual financial statements.

Sensitivity analysis

The table below provides a description of the sensitivities that are provided on market risk assumptions:

Market risk variable	Description of sensitivity
Interest yield curve	A parallel shift in the interest rate yield curve
Implied option volatilities	A change in the implied short-term equity, property and interest rate option volatility assumptions
Equity prices	A change in the local and foreign equity prices
Rand exchange rates	A change in the ZAR exchange rate to all applicable currencies

The equity price and rand currency sensitivities are applied as an instantaneous event at the financial position date with no change to long-term market assumptions used in the measurement of policyholder contract values. In other words, the assets are instantaneously impacted by the sensitivity on the financial position date. The new asset levels are applied to the measurement of policyholder contract values, where applicable, but no changes are made to the prospective assumptions used in the measurement of policyholder contract values.

The interest rate yield curve and implied option volatility sensitivities are applied similarly but the assumptions used in the measurement of policyholder contract values that are dependent on interest rate yield curves and implied option volatilities are updated.

The market sensitivities are applied to all assets held by Liberty (and not just assets backing the policyholder contract values). Each sensitivity is applied in isolation with all other assumptions left unchanged.

The table below summarises the impact of the change in the aforementioned risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation. The market risk sensitivities are net of risk mitigation activities. Consequently the comparability to the previous year is impacted by the level of risk mitigation at the respective financial position dates.

SENSITIVITY ANALYSIS[1]

	2019				2018			
	Change in variable %	**Gross of reinsurance impact on policy-holders' contract values Rm**	**Net of reinsurance impact on policy-holders' contract values Rm**	**Impact on equity and attri-butable profit after taxation Rm**	Change in variable %	Gross of reinsurance impact on policy-holders' contract values Rm	Net of reinsurance impact on policy-holders' contract values Rm	Impact on equity and attri-butable profit after taxation Rm
Market assumptions								
Interest rate yield curve	**12**	**(6 438)**	**(6 494)**	**(362)**	12	(6 119)	(6 162)	(357)
	(12)	**7 849**	**7 891**	**264**	(12)	7 540	7 573	239
Option price volatilities	**20**	**49**	**49**	**(9)**	20	61	61	(21)
	(20)	**(26)**	**(26)**	**(4)**	(20)	(45)	(45)	11
Equity prices	**15**	**21 869**	**21 868**	**1 364**	15	21 810	21 810	1 528
	(15)	**(22 145)**	**(22 145)**	**(1 249)**	(15)	(21 853)	(21 853)	(1 481)
Rand exchange rates	**12[2]**	**(6 476)**	**(6 476)**	**(641)**	12[2]	(5 924)	(5 924)	(563)
Rand exchange rates	**(12)[3]**	**6 490**	**6 490**	**681**	(12)[3]	5 940	5 940	681

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Strengthening of the rand.
3 Weakening of the rand.

The table below provides a description of the sensitivities that are provided on insurance risk assumptions:

Insurance risk variable	Description of sensitivity
Assurance mortality	A level percentage change in the expected future mortality rates on assurance contracts
Annuitant longevity	A level percentage change in the expected future mortality rates on annuity contracts
Morbidity	A level percentage change in the expected future morbidity rates
Withdrawal	A level percentage change in the expected future withdrawal rates
Expense per policy	A level percentage change in the expected maintenance expenses

The table below summarises the impact of the change in the insurance risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation:

SENSITIVITY ANALYSIS OF RISK VARIABLES[1]

	2019				2018			
	Change in variable %	Gross of reinsurance impact on policyholders' contract values Rm	Net of reinsurance impact on policyholders' contract values Rm	Impact on equity and attributable profit after taxation Rm	Change in variable %	Gross of reinsurance impact on policyholders' contract values Rm	Net of reinsurance impact on policyholders' contract values Rm	Impact on equity and attributable profit after taxation Rm
Insurance assumptions								
Mortality								
Assured lives	2	497	403	(290)	2	464	379	(273)
	(2)	(499)	(404)	291	(2)	(466)	(380)	274
Annuitant longevity	4[2]	396	396	(285)	4[2]	392	392	(282)
	(4)[3]	(386)	(386)	278	(4)[3]	(375)	(375)	270
Morbidity	5	803	658	(474)	5	764	628	(452)
	(5)	(798)	(655)	472	(5)	(759)	(625)	450
Withdrawals	8	492	503	(361)	8	502	509	(366)
	(8)	(530)	(542)	389	(8)	(543)	(552)	396
Expense per policy	5	445	445	(322)	5	420	420	(305)
	(5)	(445)	(444)	322	(5)	(420)	(420)	305

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Annuitant life expectancy increases, i.e. annuitant mortality reduces.
3 Annuitant life expectancy reduces, i.e. annuitant mortality increases.

Annexure D – group share incentive schemes

Share-based payments

The group's share incentive schemes enable key management personnel and senior employees to benefit from the performance of the group and group companies' share price. For further detail regarding the share schemes refer to the group's governance and remuneration report.

	2019 Rm	2018 Rm
Expenses recognised in staff cost		
Equity Growth Scheme	**8**	21
Share Appreciation Rights Scheme	**36**	20
Quanto Stock Scheme		15
Deferred Bonus Scheme	**1 280**	1 257
Performance Reward Plan	**245**	427
Cash-Settled Deferred Bonus Scheme	**385**	371
Liberty Share Incentive Scheme	**135**	94
Total	**2 089**	2 205
Summary of liabilities recognised in other liabilities		
Share Appriciation Rights Scheme	**3**	2
Deferred Bonus Scheme	**16**	157
Performance Reward Plan	**58**	216
Cash-Settled Deferred Bonus Scheme	**375**	373
Total	**452**	748

Equity growth scheme (EGS)

The EGS is an equity-settled scheme and represents appreciation rights allocated to employees. The converted value of the rights is effectively settled by issue of shares equivalent to the value of the rights. The scheme has five different subtypes of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Vesting categories			
Type A	**3, 4, 5**	**50, 75, 100**	**10 years**
Type B	**5, 6, 7**	**50, 75, 100**	**10 years**
Type C	**2, 3, 4**	**50, 75, 100**	**10 years**
Type D	**2, 3, 4**	**33, 67, 100**	**10 years**
Type E	**3, 4, 5**	**33, 67, 100**	**10 years**

A reconciliation of the movement of share options is detailed below:

	Number of rights		Average price range (R)
	2019	2018	**2019**
Movement summary			
Rights outstanding at beginning of the year	**7 364 238**	10 772 081	
Exercised	**(2 382 033)**	(3 390 508)	**62.39 – 156.96**
Lapsed/forfeited	**(40 938)**	(17 335)	**62.39 – 114.69**
Rights outstanding at the end of the year	**4 941 267**	7 364 238	

Equity growth scheme (EGS) continued

During 2019, 801 345 (2018: 1 417 128) SBG shares were issued to settle the appreciated rights value. At the end of the year, the group would need to issue 1 379 838 (2018: 2 557 500) SBG shares to settle the outstanding appreciated rights value. The EGS rights are only awarded to individuals in the employment of a group entity domiciled in South Africa.

The group is required to ensure that employees' tax arising from benefits due in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act of South Africa. Where employees have elected not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme. No (2018: nil) SBG shares were issued and sold to settle the employees' tax due during the year. This reduces the liability to the employee in respect of the outstanding appreciated rights value. Share options were exercised regularly throughout the year. The weighted average share price for the year was R183.51 (2018: R195.35).

The following rights granted to employees, including executive directors, had not been exercised at year end:

	2019			2018		
Option expiry period	Number of ordinary shares	Option price range (rand)	Weighted average price (rand)	Number of ordinary shares	Option price range (rand)	Weighted average price (rand)
Year to 31 December 2019				219 475	62.39 – 95.50	64.58
Year to 31 December 2020	**866 419**	**62.39 – 114.69**	**107.14**	2 002 713	102.39 – 114.69	111.83
Year to 31 December 2021	**1 158 593**	**96.68 – 103.03**	**98.94**	1 821 026	96.68 – 103.03	98.93
Year to 31 December 2022	**192 825**	**98.75 – 108.90**	**107.16**	225 962	98.75 – 108.90	107.42
Year to 31 December 2023	**245 761**	**115.51**	**115.51**	250 761	115.51	115.51
Year to 31 December 2024	**472 533**	**126.87**	**126.87**	517 886	126.87	126.87
Year to 31 December 2025	**1 001 291**	**156.96**	**156.96**	1 095 029	156.96	156.96
Year to 31 December 2026	**1 003 845**	**122.24**	**122.24**	1 231 386	122.24	122.24
Total	**4 941 267**			7 364 238		

Shares Appreciation Right Scheme (SARP)

The SARP is a long term scheme and represents appreciation rights awarded to employees and is based on the SBG's share price. Awards that are issued to individuals in the employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled. Vesting and expiry of the rights are as follows:

	Year	% vesting	Expiry
SARP	**2, 3, 4**	**33, 67, 100**	**4, 5, 6**

The converted value of the rights is settled either by purchasing shares for equity-settled awards on an external market and in cash for cash-settled awards equal to the value of the converted rights.

A reconciliation of the movement of share options is detailed below:

	2019		2018	
	Average price range (rand)	**Number of rights**	Average price range (rand)	Number of rights
SARP				
Rights outstanding at the end of the year		**1 433 856**		671 923
Granted[1]	**182.43**	**1 332 940**	220.97	761 933
Exercised		**(73 332)**		
Lapsed/forfeited		**(6 550)**		
Rights outstanding at the end of the year		**2 686 914**		1 433 856
Comprising:				
Outstanding equity-settled units		**2 487 823**		1 302 257
Outstanding cash-settled units		**199 091**		131 599

1 Includes 1 215 820 (2018: 675 339) units that are equity-settled, the balance will be cashed-settled.

During the year, 7 761 (2018: nil) SBG shares were purchased from the market to settle the appreciation rights value.

At the end of the year, the group would need to purchase 44 052 (2018: 85 958) SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised as at 31 December 2019:

	2019			2018		
Option expiry period	**Number of rights**	**Option price range (rand)**	**Weighted average price (rand)**	Number of rights	Option price range (rand)	Weighted average price (rand)
Year to 31 December 2021	**150 635**	**155.95**	**155.95**	223 967	155.95	155.95
Year to 31 December 2022	**475 737**	**155.95 – 220.97**	**190.36**	477 920	155.95 – 220.97	190.50
Year to 31 December 2023	**920 046**	**155.95 – 220.97**	**186.53**	477 942	155.95 – 220.97	190.50
Year to 31 December 2024	**696 130**	**182.43 – 220.97**	**196.37**	254 027	220.97	220.97
Year to 31 December 2025	**444 366**	**182.43**	**182.43**			
Total	**2 686 914**			1 433 856		

The share appreciation rights granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting and the assumptions utilised are illustrated below:

	2019			2018		
	Tranche 1	**Tranche 2**	**Tranche 3**	Tranche 1	Tranche 2	Tranche 3
Number of appreciation rights granted	**444 287**	**444 287**	**444 366**	253 953	253 953	254 027
Weighted average fair value at grant date (rands)	**27.24**	**33.43**	**38.52**	52.90	58.66	63.13
The principal inputs are as follows:						
Weighted average share price (rand)	**182.43**	**182.43**	**182.43**	220.97	220.97	220.97
Weighted average exercise price (rand)	**182.43**	**182.43**	**182.43**	220.97	220.97	220.97
Expected life (years)	**4.00**	**5.00**	**6.00**	4.00	5.00	6.00
Expected volatility (%)	**30.77**	**30.77**	**30.77**	29.19	29.19	29.19
Risk-free interest rate (%)	**6.79**	**7.0**	**7.13**	8.21	8.40	8.55
Dividend yield (%)	**4.76**	**4.59**	**4.49**	4.60	4.48	4.42

Deferred Bonus Scheme

All employees granted an annual performance award over a threshold have part of their award deferred. The awards are indexed to the group's share price and accrue notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final payout is determined with reference to the group's share price on vesting date. These awards have been partially hedged through the use of equity forwards.

Awards that are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards that are made to individuals of a group entity outside of South Africa are classified as cash-settled.

	Units	
	2019	2018
Movement summary		
Units outstanding at beginning of the year	**13 319 512**	14 353 804
Units granted during the year[1]	**7 069 071**	5 912 386
Exercised	**(6 936 960)**	(6 337 114)
Lapsed/forfeited	**(511 040)**	(609 564)
Units outstanding at end of the year	**12 940 583**	13 319 512
Outstanding equity-settled units	**12 725 473**	12 757 885
Outstanding cash-settled units	**215 110**	561 627
Weighted average fair value at grant date (R)	**182.54**	218.68
Expected life (years)	**2.51**	2.51

1 Includes 6 979 195 (2018: 5 834 741) units that are equity-settled, the balance relates to cash-settled rewards.

Performance Reward Plan (PRP)

The PRP is a performance-driven share plan which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, DBS, and other share incentive schemes.

The awards that are indexed to the group's share price and accrue notional dividends during the vesting period, are payable on vesting. Shares that vest (if any), and that are delivered to the employee, are conditional on the pre-specified performance metrics. These awards have been partially hedged through the use of equity forwards.

Awards that are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled.

	Units	
	2019	2018
Movement summary		
Units outstanding at beginning of the year	**7 626 856**	7 517 975
Units granted during the year[1]	**2 908 816**	2 210 428
Exercised	**(3 165 142)**	(2 456 539)
Performance condition uplift for awards vested during the year	**302 966**	360 294
Lapsed/forfeited	**(137 071)**	(5 302)
Units outstanding at the end of the year	**7 536 425**	7 626 856
Outstanding equity-settled units	**6 748 300**	6 500 064
Outstanding cash-settled units	**788 125**	1 126 792
Weighted average fair value at grant date (R)	**182.43**	220.97
Expected life (years)	**3.07**	3.07

1 Includes 2 626 716 (2018: 1 947 028) units that are equity-settled, the balance relates to cash-settled rewards.

Cash-Settled Deferred Bonus Scheme (CSDBS)

Effective for awards made in 2017, employees granted an annual performance award over a threshold and who are in employment of the group and meet other specific criteria have part of their award deferred.

Awards in rand are indexed to SBG's share price and accrues notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18, 30 and 42 months from the date of the award. The maturity value is determined with reference to the SBG share price on the vesting date. These awards are classified as cash-settled from a group perspective. Awards in currencies other than rand (being the employee's host country) are denominated in that currency with the same terms as rand-denominated awards with the value of the awards, in foreign currency, moving in parallel with changes in the SBG share price. These awards have been partially hedged through the use of equity forwards.

			2019				
Currency	Weighted average fair value at grant date	Expected life at grant date (years)	**Opening balance**	**Granted**	**Exercised**	**Lapsed**	**Outstanding**
AOA	182.43	2.51	**317 955**	**491 380**	**(61 860)**	**(226 438)**	**521 037**
BWP	182.43	2.51	**29 867**	**22 519**	**(12 033)**		**40 353**
CNY	182.43	2.51	**50 568**	**35 787**	**(24 937)**		**61 418**
EUR	182.43	2.51	**46**	**47**		**(93)**	
GBP	182.43	2.51	**71 459**	**41 097**	**(35 408)**	**(3 619)**	**73 529**
GHS	182.43	2.51	**11 045**	**10 981**	**(4 552)**		**17 474**
HKD	182.43	2.51	**48 970**	**18 784**	**(32 058)**		**35 696**
KES	182.43	2.51	**764 139**	**475 785**	**(305 594)**		**934 330**
LSL	182.43	2.51	**12 665**	**4 496**	**(5 024)**	**(5 456)**	**6 681**
MUR	182.43	2.51	**81 919**	**67 671**	**(32 494)**		**117 096**
MWK	182.43	2.51	**1 159 039**	**698 544**	**(389 174)**	**(201 659)**	**1 266 750**
MZN	182.43	2.51	**151 942**	**118 612**	**(57 224)**	**(6 534)**	**206 796**
NAD	182.43	2.51	**42 481**	**24 446**	**(15 928)**	**(4 913)**	**46 086**
NGN	182.43	2.51	**7 963 322**	**5 210 031**	**(3 233 749)**	**(307 890)**	**9 631 714**
SGD	182.43	2.51	**2 036**	**8 536**	**(678)**		**9 894**
SZL	182.43	2.51	**12 289**	**9 765**	**(4 743)**		**17 311**
TZS	182.43	2.51	**208 177**	**235 708**	**(69 391)**		**374 494**
UGX	182.43	2.51	**15 401 002**	**11 957 204**	**(6 293 547)**	**(82 224)**	**20 982 435**
USD	182.43	2.51	**37 586**	**21 227**	**(19 206)**	**(411)**	**39 196**
XOF	182.43	2.51	**292 392**	**124 454**	**(138 808)**		**278 038**
ZAR	182.43	2.51	**1 381 670**	**565 604**	**(550 034)**	**(20 771)**	**1 376 469**
ZMW	182.43	2.51	**21 930**	**15 383**	**(8 702)**	**(428)**	**28 183**

Other share schemes

Scheme	Description	Classification	Stock symbol	**2019 Outstanding units**	2018 Outstanding units
Liberty Holdings Group Restricted Share Plan	During 2012, Liberty introduced the Liberty Holding Group Restricted Share Plan which has two methods of participation: 1) Long-term plan awards granted prior to 28 February 2013 vest 33 1/3% at the end of year two, three and four respectively while awards granted subsequently vest 33 1/3% at the end of year three, four and five respectively. 2) Deferred-plan – Awards vest 33 1/3% at the end of 18 months, 30 months and 42 months respectively.	Equity-settled scheme	LBH	**4 223 461**	4 341 587
Nigeria Share Schemes	On 1 March 2010 and 1 March 2011, share appreciation rights were issued to key management personnel. The scheme has various vesting periods, and expires ten years after grant date.	Cash-settled scheme	IBTCCB: NL	**14 510 640**	24 253 104
Group Share Incentive Scheme (GSIS)	GSIS confers rights to employees to acquire shares at the value of the SBG share price at the date the option was granted. The scheme has various vesting periods, and expires ten years after grant date. During the year, 393 985 (2018: 312 444) SBG shares were issued to settle the GSIS awards.	Equity-settled scheme	SBK	**275 121**	696 115

2018				
Opening balance	Granted	Exercised	Lapsed	Outstanding
126 326	233 735	(42 106)		317 955
19 409	17 896	(6 466)	(972)	29 867
41 921	25 188	(16 541)		50 568
	46			46
66 231	33 804	(25 573)	(3 003)	71 459
8 054	5 713	(2 657)	(65)	11 045
52 274	17 009	(20 313)		48 970
557 541	421 129	(177 790)	(36 741)	764 139
7 248	7 831	(2 414)		12 665
46 745	50 754	(15 580)		81 919
797 223	627 553	(265 737)		1 159 039
77 137	100 510	(25 705)		151 942
33 317	20 267	(11 103)		42 481
4 794 223	4 664 095	(1 359 793)	(135 203)	7 963 322
	2 036			2 036
7 793	9 053	(1 954)	(2 603)	12 289
	208 177			208 177
11 465 062	8 758 390	(3 479 691)	(1 342 759)	15 401 002
34 310	17 187	(13 568)	(343)	37 586
176 915	195 506		(80 029)	292 392
918 740	773 271	(304 437)	(5 904)	1 381 670
14 565	12 216	(4 851)		21 930

Annexure E – emoluments and share incentives of directors and prescribed officers

Executive directors' and prescribed officers' emoluments

	SK Tshabalala		A Daehnke	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Cost-to-Company package[2]	**10 222**	9 987	**6 409**	6 294
Cash package paid during the year	**8 781**	8 636	**5 648**	5 570
Retirement contributions paid during the year	**1 235**	1 222	**702**	704
Other allowances	**206**	129	**59**	20
Once-off allowances/payments[3]		632		111
Short-term incentive	**23 250**	25 400	**18 000**	16 750
Short-term incentive (cash)[4]	**10 525**	11 350	**8 150**	8 025
Short-term incentive (share-linked deferral)[5]	**12 725**	14 050	**9 850**	8 725
Total reward (excluding conditional long-term incentive awards)	**33 472**	36 019	**24 409**	23 155
PRP awards vesting[6]	**13 499**	20 228	**7 558**	11 330
PRP notional dividend[7]	**2 225**	2 818	**1 246**	1 578
Total reward (including conditional long-term incentive awards)	**49 196**	59 065	**33 213**	36 063

Refer to footnotes below.

Executive directors' and prescribed officers' emoluments – former prescribed officers

	BJ Kruger[8]	PL Schlebusch[9]
	2018 R'000	2018 R'000
Cost-to-company package[2]	9 906	1 786
Cash package paid during the year	8 480	1 602
Retirement contributions paid during the year	1 159	136
Other allowances	267	48
Once-off allowances/payments[3]	3 022	
Short-term incentive	24 950	6 750
Short-term incentive (cash)[4]	11 125	2 175
Short-term incentive (share-linked deferral)[5]	13 825	4 575
Total reward (excluding conditional long-term incentive awards)	37 878	8 536
EGS conditional reflecting		
PRP reflecting[6]	20 228	19 781
PRP notional dividend reflecting[7]	2 818	1 403
Total reward (including conditional long-term incentive awards)	60 924	29 720

1 ZN Manyathi was appointed as a prescribed officer on 1 April 2018. His fixed remuneration is shown from that date. The short-term incentive is for the full performance year 2018.
2 No Cost to Company (CTC) increases were granted to executive directors and prescribed officers in March 2019. However the introduction of a permanent health insurance plan and the impact of reporting on CTC from January to December has resulted in small uplifts in CTC from 2018 to 2019.
3 Includes a once-off payment made in respect of Death in Service and Permanent Health Insurance benefits.
4 These are performance related short-term incentive payments in respect of the financial year under review.
5 These are deferred bonus scheme awards issued in March every year for the prior year performance period which are subject to choice. Participants can elect to have the value of the deferred awards, or part thereof, invested in the SARP rather than the default DBS. To the extent that the SARP is selected, a 10% premium of the value of the award is added. Deferred bonus amounts not invested in SARP will be unitised with respect to the group's closing share price the day results are announced. The award will be updated in the group's annual financial statements the following year to reflect the choices made and units/rights awarded.
6 PRP units vesting were awarded in March 2016 (disclosed for the performance year 2018) and in March 2017 (disclosed for the performance year 2019). The PRP value delivered is calculated based on the group's closing share price of R168.32 as at 31 December 2019 (R178.81 for 2018) after calculating the delivery percentage based on the 3 year performance conditions (100.0% delivery on the 2017 awards and 110.58% delivery on the 2016 awards). The amount included in the single figure will not be updated in the 2019 remuneration report but rather included at payment value in the settlement schedule.
7 PRP notional dividend is calculated by multiplying the vesting PRP units by the cumulative notional dividend incurred between the grant date and vesting date. The amount included in the single figure will not be updated in the 2019 remuneration report but rather included at payment value in the settlement schedule.
8 BJ Kruger retired from the group on 31 December 2018.
9 PL Schlebusch stepped down as a prescribed officer on 1 April 2018. His fixed remuneration and short-term incentive award disclosed is for the performance period 1 January to 31 March 2018.

	A Fihla		M Nienaber		Z N Manyathi[1]	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
	7 734	7 588	**6 431**	6 257	**7 520**	5 634
	6 628	6 506	**5 571**	5 497	**6 735**	5 039
	855	853	**640**	589	**600**	467
	251	229	**220**	171	**185**	128
		710		78		
	21 750	19 000	**17 500**	15 125	**21 500**	21 500
	10 025	8 650	**7 900**	7 212	**9 900**	9 900
	11 725	10 350	**9 600**	7 913	**11 600**	11 600
	29 484	27 298	**23 931**	21 460	**29 020**	27 134
	6 480	9 709	**10 789**	5 655	**7 019**	9 709
	1 068	1 353	**1 778**	788	**1 157**	1 353
	37 032	38 360	**36 498**	27 903	**37 196**	38 196

Non-executive directors

		Fixed remuneration				
		Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compensation for the year R'000
TS Gcabashe[1]	**2019**	**6 622**			**503**	**7 125**
	2018	6 622			503	7 125
MA Erasmus[2]	**2019**	**457**		**457**		**914**
	2018					
GJ Fraser-Moleketi	**2019**	**277**	**825**	**277**		**1 379**
	2018	277	714	277		1 268
H Hu	**2019**	**963**	**469**	**963**		**2 395**
	2018	919	625	919		2 463
GMB Kennealy	**2019**	**277**	**1 344**	**277**		**1 898**
	2018	277	1 195	277		1 749
JH Maree[3]	**2019**	**277**	**1 200**	**3 170**		**4 647**
	2018	277	1 255	3 170		4 702
NNA Matyumza	**2019**	**277**	**823**	**277**		**1 377**
	2018	277	718	277		1 272
Adv KD Moroka	**2019**	**277**	**857**	**277**		**1 411**
	2018	277	857	277		1 411
Dr ML Oduor-Otieno	**2019**	**963**	**450**	**963**		**2 376**
	2018	919	492	919		2 330
AC Parker	**2019**	**277**	**698**	**277**		**1 252**
	2018	277	670	277		1 224
ANA Peterside CON	**2019**	**963**	**676**	**963**		**2 602**
	2018	919	676	919		2 514
MJD Ruck[4]	**2019**	**277**	**1 441**	**1 472**		**3 190**
	2018	277	1 886	1 733		3 896
PD Sullivan	**2019**	**963**	**1 436**	**963**		**3 362**
	2018	919	1 492	919		3 330
JM Vice	**2019**	**277**	**1 233**	**277**		**1 787**
	2018	277	1 233	277		1 787
L Wang	**2019**	**277**	**351**	**277**		**905**
	2018	277	334	277		888
RMW Dunne[5]	**2019**					
	2018	110	535	110		755
Total	**2019**	**13 424**	**11 803**	**10 890**	**503**	**36 620**
Total	**2018**	12 901	12 682	10 628	503	36 714

1 TS Gcabashe other benefits relate to use of motor vehicle.
2 MA Erasmus was appointed to the board on 12 July 2020.
3 JH Maree's fees for services as a director of group subsidiaries include fees paid by Liberty Holdings Limited.
4 MJD Ruck's fees for services as a director of group subsidiaries include fees paid by Industrial and Commercial Bank of China (Argentina) S.A.
5 RMW Dunne retired on 24 May 2018.

Fees are excluding VAT.

Share incentives

Standard Bank equity growth scheme

The EGS represents participation rights in the future growth of Standard Bank Group's share price. The eventual value of the right is settled by the receipt of Standard Bank Group shares equivalent to the full value of the participation rights. Certain EGS awards issued prior to March 2014 included performance conditions.

Deferred Bonus Scheme

Employees are awarded a deferred bonus, as a mandatory deferral of their short-term incentive or as discretionary award, into the Deferred Bonus Scheme. The deferred bonus is unitised into a number of units with respect to the group's share price on the date of award. The shares are delivered to the employee on the vesting date for equity-settled share incentives. The cash-settled Deferred Bonus Scheme awards are settled in cash on the vesting date. Notional dividends on the units are paid to the employees on the vesting date.

Performance Reward Plan

The group's PRP, effective from March 2014, is an equity-settled share scheme with a three-year vesting period and is designed to incentivise the group's senior executives whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic long-term objectives and to align the interests of those executives with overall group performance in both earnings growth and ROE. These are the most important financial metrics to create shareholder value and, therefore aligns the interests of management and shareholders. The awards are subject to the achievement of performance conditions set at award date and that determine the number of shares that ultimately vest. The awards will only vest in future in terms of the rules of the PRP. The shares, subject to meeting the pre-specified conditions, are delivered to the employee on vesting date. Notional dividends accrue during the vesting period and will be payable on vesting date.

Wealth and Investment medium-term investment

Selected employees are awarded an incentive award into the Wealth and investment medium-term Investment scheme. The incentive awards are unitised into a number of units with respect to the selected Melville Douglas funds. The incentive awards are settled in cash or units at the election of the employee.

SK Tshabalala[1]

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2015	2016/03/03	122.24	3 950	2019/09/30	
2016	2017/03/02	155.95	1 667	2019/09/30	
2016	2017/03/02	155.95	1 667	2020/09/30	
2016*	2017/03/02	155.95	2 597	2019/09/30	
2016*	2017/03/02	155.95	2 597	2020/09/30	
2017	2018/03/08	220.97	1 667	2019/09/30	
2017	2018/03/08	220.97	1 667	2020/09/30	
2017	2018/03/08	220.97	1 667	2021/09/30	
2017*	2018/03/08	220.97	3 017	2019/09/30	
2017*	2018/03/08	220.97	3 017	2020/09/30	
2017*	2018/03/08	220.97	3 017	2021/09/30	
2018	**2019/03/07**	**182.43**	**1 666**	**2020/09/30**	
2018	**2019/03/07**	**182.43**	**1 666**	**2021/09/30**	
2018	**2019/03/07**	**182.43**	**1 667**	**2022/09/30**	
2018*	**2019/03/07**	**182.43**	**3 017**	**2020/09/30**	
2018*	**2019/03/07**	**182.43**	**3 017**	**2021/09/30**	
2018*	**2019/03/07**	**182.43**	**3 017**	**2022/09/30**	
Performance Reward Plan					
2015	2016/03/03	122.24	12 500	2019/03/31	
2016	2017/03/02	155.95	12 500	2020/03/31	
2017	2018/03/08	220.97	14 009	2021/03/31	
2018	**2019/03/07**	**182.43**	**14 011**	**2022/03/31**	
Totals for 2019			**93 600**		

Refer to footnotes on page 184.

Units					Exercise date share price	Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2019		Award (R'000)[2]	Notional dividend (R'000)[3]	Award (R'000)[4]	Notional dividend (R'000)[5]
32 315		32 315			178	5 746	1 126		
10 687		10 687			178	1 900	296		
10 688				10 688				1 799	296
16 650		16 650			178	2 960	462		
16 652				16 652				2 803	462
7 542		7 542			178	1 341	146		
7 542				7 542				1 269	146
7 544				7 544				1 270	146
13 652		13 652			178	2 427	264		
13 652				13 652				2 298	264
13 652				13 652				2 298	264
	9 135			9 135				1 538	91
	9 135			9 135				1 538	91
	9 138			9 138				1 538	91
	16 536			16 536				2 783	164
	16 536			16 536				2 783	164
	16 537			16 537				2 784	164
113 128		113 128			185	20 955	2 818		
80 200				80 200				13 499	2 225
63 400				63 400				10 671	1 226
	76 800			76 800				12 927	763
						35 329	5 112	61 798	6 557

A Daehnke

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2015	2016/03/03	122.24	2 073	2019/09/30	
2016	2017/03/02	155.95	1 000	2019/09/30	
2016	2017/03/02	155.95	1 000	2020/09/30	
2016*	2017/03/02	155.95	1 700	2019/09/30	
2016*	2017/03/02	155.95	1 700	2020/09/30	
2017	2018/03/08	220.97	1 000	2019/09/30	
2017	2018/03/08	220.97	1 000	2020/09/30	
2017	2018/03/08	220.97	1 000	2021/09/30	
2017*	2018/03/08	220.97	1 908	2019/09/30	
2017*	2018/03/08	220.97	1 908	2020/09/30	
2017*	2018/03/08	220.97	1 909	2021/09/30	
2018	**2019/03/07**	**182.43**	**1 000**	**2020/09/30**	
2018	**2019/03/07**	**182.43**	**1 000**	**2021/09/30**	
2018	**2019/03/07**	**182.43**	**1 000**	**2022/09/30**	
2018*	**2019/03/07**	**182.43**	**1 908**	**2020/09/30**	
2018*	**2019/03/07**	**182.43**	**1 908**	**2021/09/30**	
2018*	**2019/03/07**	**182.43**	**1 909**	**2022/09/30**	
Performance Reward Plan					
2015	2016/03/03	122.24	7 004	2019/03/31	
2016	2017/03/02	155.95	7 002	2020/03/31	
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	**2019/03/07**	**182.43**	**12 004**	**2022/03/31**	
Equity Growth Scheme vested					
2009	2010/03/05	111.94		A	2020/03/05
2009	2010/03/05	111.94		B	2020/03/05
2010	2011/03/04	98.80		A	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
Totals for 2019			**60 943**		

Refer to footnotes on page 184.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2019	Exercise date share price	Award (R'000)[2]	Notional dividend (R'000)[3]	Award (R'000)[4]	Notional dividend (R'000)[5]
16 956		16 956			178	3 015	591		
6 412		6 412			178	1 140	178		
6 413				6 413				1 079	178
10 901		10 901			178	1 938	302		
10 901				10 901				1 835	302
4 525		4 525			178	805	88		
4 525				4 525				762	88
4 527				4 527				762	88
8 636		8 636			178	1 535	167		
8 636				8 636				1 454	167
8 637				8 637				1 454	167
	5 481			5 481				923	54
	5 481			5 481				923	54
	5 483			5 483				923	55
	10 460			10 460				1 761	104
	10 460			10 460				1 761	104
	10 462			10 462				1 761	104
63 365		63 365			185	11 737	1 578		
44 900				44 900				7 558	1 246
45 300				45 300				7 625	876
	65 800			65 800				11 075	654
12 500				12 500					
12 500				12 500					
12 500				12 500					
9 375				9 375					
3 125				3 125					
45 832				45 832					
22 918				22 918					
						20 170	2 904	41 656	4 241

AKL Fihla[6]

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2015	2016/03/03	122.24	2 450	2019/09/30	
2016	2017/03/02	155.95	833	2019/09/30	
2016	2017/03/02	155.95	834	2020/09/30	
2016*	2017/03/02	155.95	2 033	2019/09/30	
2016*	2017/03/02	155.95	2 034	2020/09/30	
2017	2018/03/08	220.97	1 333	2019/09/30	
2017	2018/03/08	220.97	1 333	2020/09/30	
2017	2018/03/08	220.97	1 334	2021/09/30	
2017*	2018/03/08	220.97	2 283	2019/09/30	
2017*	2018/03/08	220.97	2 283	2020/09/30	
2017*	2018/03/08	220.97	2 284	2021/09/30	
2018	**2019/03/07**	**182.43**	**1 333**	**2020/09/30**	
2018	**2019/03/07**	**182.43**	**1 333**	**2021/09/30**	
2018	**2019/03/07**	**182.43**	**1 334**	**2022/09/30**	
2018*	**2019/03/07**	**182.43**	**2 117**	**2020/09/30**	
2018*	**2019/03/07**	**182.43**	**2 117**	**2021/09/30**	
2018*	**2019/03/07**	**182.43**	**2 117**	**2022/09/30**	
Performance Reward Plan					
2015	2016/03/03	122.24	6 002	2019/03/31	
2016	2017/03/02	155.95	6 004	2020/03/31	
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	**2019/03/07**	**182.43**	**12 004**	**2022/03/31**	
Equity Growth Scheme vested					
2009	2010/03/05	111.94		A	2020/03/05
2009	2010/03/05	111.94		B	2020/03/05
2010	2011/03/04	98.80		A	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
Totals for 2019			**63 405**		

Refer to footnotes on page 184.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2019	Exercise date share price	Award (R'000)[2]	Notional dividend (R'000)[3]	Award (R'000)[4]	Notional dividend (R'000)[5]
20 044		20 044			178	3 564	699		
5 343		5 343			178	950	148		
5 345				5 345				900	148
13 038		13 038			178	2 318	362		
13 040				13 040				2 195	362
6 034		6 034			178	1 073	117		
6 034				6 034				1 016	117
6 035				6 035				1 016	117
10 333		10 333			178	1 837	200		
10 333				10 333				1 739	200
10 334				10 334				1 739	200
	7 308			7 308				1 230	73
	7 308			7 308				1 230	73
	7 311			7 311				1 231	73
	11 602			11 602				1 953	115
	11 602			11 602				1 953	115
	11 604			11 604				1 953	115
54 297		54 297			185	10 057	1 353		
38 500				38 500				6 480	1 068
45 300				45 300				7 625	876
	65 800			65 800				11 075	654
12 500				12 500					
12 500				12 500					
13 750				13 750					
10 312				10 312					
3 438				3 438					
						19 799	2 879	43 335	4 306

M Nienaber

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2015	2016/03/03	122.24	1 267	2019/09/30	
2016	2017/03/02	155.95	1 000	2019/09/30	
2016	2017/03/02	155.95	1 000	2020/09/30	
2016*	2017/03/02	155.95	1 283	2019/09/30	
2016*	2017/03/02	155.95	1 283	2020/09/30	
2017	2018/03/08	220.97	1 000	2019/09/30	
2017	2018/03/08	220.97	1 000	2020/09/30	
2017	2018/03/08	220.97	1 000	2021/09/30	
2017[7]	2018/03/08	220.97	1 450	2019/09/30	
2017*	2018/03/08	220.97	1 450	2020/09/30	
2017*	2018/03/08	220.97	1 450	2021/09/30	
2018	**2019/03/07**	**182.43**	**1 000**	**2020/09/30**	
2018	**2019/03/07**	**182.43**	**1 000**	**2021/09/30**	
2018	**2019/03/07**	**182.43**	**1 000**	**2022/09/30**	
2018*	**2019/03/07**	**182.43**	**1 637**	**2020/09/30**	
2018*	**2019/03/07**	**182.43**	**1 637**	**2021/09/30**	
2018*	**2019/03/07**	**182.43**	**1 638**	**2022/09/30**	
Performance Reward Plan					
2015	2016/03/03	122.24	3 496	2019/03/31	
2016	2017/03/02	155.95	9 996	2020/03/31	
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	**2019/03/07**	**182.43**	**10 015**	**2022/03/31**	
Totals for 2019			**54 612**		

Refer to footnotes on page 184.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2019	Exercise date share price	Award (R'000)[2]	Notional dividend (R'000)[3]	Award (R'000)[4]	Notional dividend (R'000)[5]
	10 363		10 363			178	1 843	361		
	6 412		6 412			178	1 140	178		
	6 413				6 413				1 079	178
	8 229		8 229			178	1 463	228		
	8 230				8 230				1 385	228
	4 525		4 525			178	805	88		
	4 525				4 525				762	88
	4 527				4 527				762	88
	6 562		6 562			178	1 167	127		
	6 562				6 562				1 105	127
	6 562				6 562				1 105	127
		5 481			5 481				923	54
		5 481			5 481				923	54
		5 483			5 483				923	55
		8 976			8 976				1 511	89
		8 976			8 976				1 511	89
		8 977			8 977				1 511	89
	31 628		31 628			185	5 858	788		
	64 100				64 100				10 789	1 778
	45 300				45 300				7 625	876
		54 900			54 900				9 241	546
							12 276	1 770	41 155	4 466

Z Manyathi

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2015	2016/03/03	122.24	2 650	2019/09/30	
2016	2017/03/02	155.95	1 250	2019/09/30	
2016	2017/03/02	155.95	1 250	2020/09/30	
2016*	2017/03/02	155.95	1 617	2019/09/30	
2016*	2017/03/02	155.95	1 617	2020/09/30	
2017	2018/03/08	220.97	1 333	2019/09/30	
2017	2018/03/08	220.97	1 333	2020/09/30	
2017	2018/03/08	220.97	1 334	2021/09/30	
2017*	2018/03/08	220.97	1 617	2019/09/30	
2017*	2018/03/08	220.97	1 617	2020/09/30	
2017*	2018/03/08	220.97	1 617	2021/09/30	
2018	**2019/03/07**	**182.43**	**1 333**	**2020/09/30**	
2018	**2019/03/07**	**182.43**	**1 333**	**2021/09/30**	
2018	**2019/03/07**	**182.43**	**1 334**	**2022/09/30**	
2018*	**2019/03/07**	**182.43**	**1 267**	**2020/09/30**	
2018*	**2019/03/07**	**182.43**	**1 267**	**2021/09/30**	
2018*	**2019/03/07**	**182.43**	**1 267**	**2022/09/30**	
Performance Reward Plan					
2015	2016/03/03	122.24	6 002	2019/03/31	
2016	2017/03/02	155.95	6 503	2020/03/31	
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	**2019/03/07**	**182.43**	**10 015**	**2022/03/31**	
Share Appreciation Rights Plan					
2018	**2019/03/07**	**182.43**		**2021/03/07**	
2018	**2019/03/07**	**182.43**		**2022/03/07**	
2018	**2019/03/07**	**182.43**		**2023/03/07**	
Equity Growth Scheme vested					
2013	2014/03/06	126.87		D	
2013	2014/03/06	126.87		D	
2013	2014/03/06	126.87		D	
2014	2015/03/05	156.96		D	
2014	2015/03/05	156.96		D	
2014[8]	2015/03/05	156.96		D	
Totals for 2019			**57 566**		

Refer to footnotes on page 184.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2019	Exercise date share price	Award (R'000)[2]	Notional dividend (R'000)[3]	Award (R'000)[4]	Notional dividend (R'000)[5]
	21 680		21 680			178	3 855	756		
	8 015		8 015			178	1 425	222		
	8 017				8 017				1 349	222
	10 366		10 366			178	1 843	288		
	10 368				10 368				1 745	288
	6 034		6 034			178	1 073	117		
	6 034				6 034				1 016	117
	6 035				6 035				1 016	117
	7 316		7 316			178	1 301	141		
	7 316				7 316				1 231	141
	7 317				7 317				1 232	142
		7 308			7 308				1 230	73
		7 308			7 308				1 230	73
		7 311			7 311				1 231	73
		6 943			6 943				1 169	69
		6 943			6 943				1 169	69
		6 944			6 944				1 169	69
	54 297		54 297			185	10 057	1 353		
	41 700				41 700				7 019	1 157
	45 300				45 300				7 625	876
		54 900			54 900				9 241	546
		29 823			29 823					
		29 823			29 823					
		29 824			29 824					
	43 696				43 696					
	43 696				43 696					
	43 697				43 697					
	56 725				56 725					
	56 725				56 725					
	56 725				56 725					
							19 554	2 876	38 672	4 032

JH Maree

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Equity Growth Scheme vested					
2009	2010/03/05	111.94		A	2020/03/05
2011	2012/03/08	108.90		A	2022/03/08
2012	2013/03/07	115.51		A	2023/03/07
2014	2015/03/05	156.96		D	2025/03/05
2012	2013/03/07	115.51		A	2023/03/07
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05
Totals for 2019					

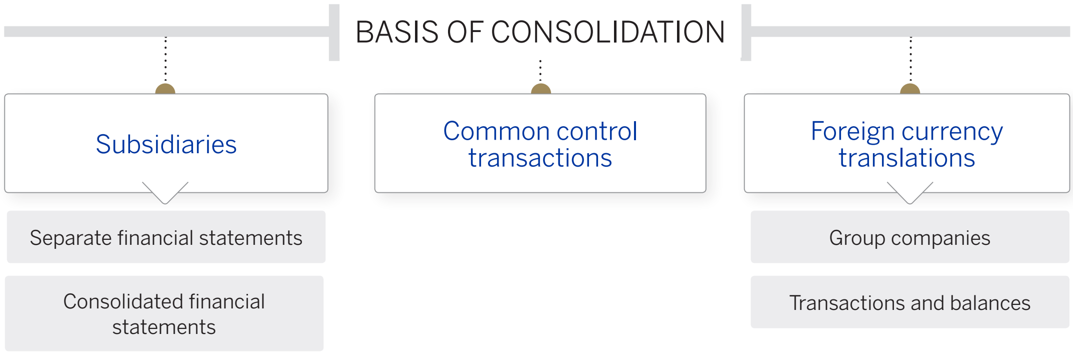
1 As at 31 December 2019, SK Tshabalala has a right to Nil (2018: 418 814) shares as a beneficiary of Tutuwa Managers' Trust. At 31 December 2019, the debt per share was R0 (2018: R53.49).
2 Value on settlement is calculated by multiplying the vesting share/settlement price by the total units vesting and applying performance conditions (where applicable). Performance conditions applied to the 2016 PRP award that vested in 2019 was 110.58%, against the performance conditions as explained in the remuneration structure section of the group's remuneration report within the governance and remuneration report.
3 Value is calculated by multiplying the notional dividend per unit with the total vesting units and applying performance conditions (where applicable).
4 Value is calculated by multiplying the year end SBK share price of R168.32 by the total outstanding units and applying performance conditions (where applicable).
5 Value is calculated by multiplying the notional dividend (accumulated from grant date to year end) with the total outstanding units and applying performance conditions (where applicable).
6 As at 31 December 2019, AKL Fihla has a right to Nil (2018: 134 232) shares as a beneficiary of Tutuwa Managers' Trust. At 31 December 2019, the debt per share was R0 (2018: R53.49).
7 This award was settled with equity as opposed to cash in September 2019. This was done in order for the director to meet minimum shareholding requirements.
8 In March 2015, Deferred Bonus Scheme awards were converted into Equity Growth Scheme (EGS) awards (without conditions) and have vested in March 2019.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2019	Exercise date share price	Award (R'000)[2]	Notional dividend (R'000)[3]	Award (R'000)[4]	Notional dividend (R'000)[5]
500 000		500 000			165	26 605			
61 471				61 471					
37 729				37 729					
26 148				26 148					
18 865				18 865					
26 148				26 148					
26 149				26 149					
						26 605			

Annexure F – detailed accounting policies

The following accounting policies were applied in the preparation of the group and company financial statements, a copy of the full set of accounting policies is available at the company's registered office.

1. Basis of consolidation



Subsidiaries

Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains (losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interest are determined on the basis of the group's present ownership interest in the subsidiary.

Subsidiaries are consolidated from the date on which the group acquires control up to the date that control is lost. Control is assessed on a continuous basis. For mutual funds the group further assesses its control by considering the existence of either voting rights or significant economic power.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translations

Group companies

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

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rates for each month; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

1. Basis of consolidation continued

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transaction is utilised, for example, an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (trading revenue) in profit or loss.

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's FCTR.

The results, cash flows and financial position of group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its parent at the exchange rate at the reporting date. As the presentation currency of the group and that of the company is that of a non-hyperinflationary economy, comparative amounts are not adjusted for the changes in the index or exchange rates in the current year.

Subsidiaries in hyperinflationary economies

The financial results of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period following the historic cost approach.

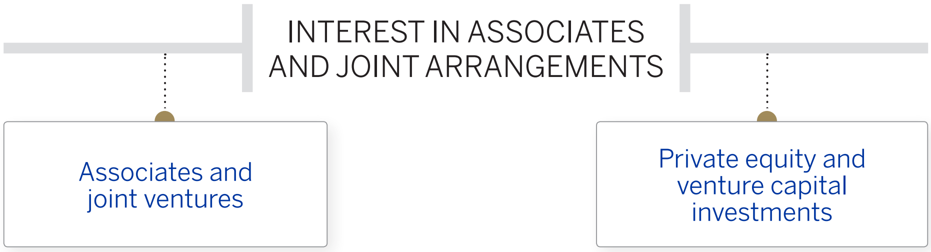
However, as the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted are recognised directly in equity.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. On initial application of hyperinflation, prior period gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The South Sudan and Zimbabwe economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of these group subsidiaries have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to Annexure A.

2. Interest in associates and joint arrangements



Associates and joint ventures

Associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the group's share of the net assets of the associate or joint venture (including goodwill).

Equity accounting is applied from the date on which the entity becomes an associate or joint venture up to the date on which the group ceases to have significant influence or joint control.

Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associate or joint ventures.

Where there is an indicator of impairment the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying amount.

Impairment losses are recognised through non-trading and capital related items. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined, net of equity accounted losses, if no impairment loss had been recognised.

For a disposal of an associate or joint venture, being where the group loses significant influence over an associate or loses joint control over a joint venture, the difference between the sales proceeds and any retained interest and the carrying value of the equity accounted investment is recognised as a gain or loss in non-trading and capital related items. Any gains or losses in OCI reserves that relate to the associate or joint venture are reclassified to non-trading and capital related items in profit or loss at the time of the disposal.

The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Private equity and venture capital investments

Private equity and venture capital investments, including mutual funds held by investment-linked insurance funds that are associates are either designated on initial recognition at fair value through profit or loss, or are equity accounted.

3. Financial instruments

Initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

FINANCIAL INSTRUMENTS

Financial assets
- Amortised cost
- Fair value through OCI
- Held-for-trading
- Designated at fair value through profit or loss
- Fair value through profit or loss (default)
  - Nature,
  - Subsequent measurement,
  - Impairment,
  - Reclassification, and
  - Derecognition and modification

Financial liabilities
- Held-for-trading
- Designated at fair value through profit or loss
- Amortised cost
  - Nature,
  - Subsequent measurement,
  - Impairment, and
  - Derecognition and modification

Financial guarantee contracts

Derivatives and embedded derivatives

Hedge accounting
- Fair value hedges
- Cash flow hedges
- Net investment hedges

Other
- Sale and repurchase agreements and lending of securities (including commodities)
- Offsetting

3. Financial instruments continued

Financial assets

Nature

<table>
<tr><td>Amortised cost</td><td>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):
Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and
The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.</td></tr>
<tr><td>Fair value through OCI</td><td>Includes:
A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):
Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and
The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.
Equity financial assets which are not held-for-trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.</td></tr>
<tr><td>Held-for-trading</td><td>Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that 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.

Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.</td></tr>
<tr><td>Designated at fair value through profit or loss</td><td>Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.</td></tr>
<tr><td>Fair value through profit or loss – default</td><td>Financial assets that are not classified into one of the above mentioned financial asset categories.</td></tr>
</table>

3. Financial instruments continued

Financial assets continued

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairment losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.
Held for trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	Debt instruments: Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue. Equity instruments: Fair value gains and losses on the financial asset recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss, as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

3. Financial instruments continued

Financial assets continued

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider. • Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

3. Financial instruments continued

Financial liabilities

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that 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.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: • To eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis • Where the financial liability contains one or more embedded derivatives that significantly modify the financial liabilty's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

3. Financial instruments continued

Financial liabilities continued

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
Financial assets	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 the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third-party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised 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.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- Unamortised premium.

3. Financial instruments continued

Derivatives and embedded derivatives

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

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms on IFRS 9, embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Hedge accounting – IAS 39

Derivatives are designated by the group into the following relationships:

Type of hedge	Nature	Treatment
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised in profit or loss. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.
Cash flow hedges	Hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecasted transaction, or a highly probable forecast intragroup transaction.	The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised in profit or loss. Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss.
Net investment hedges	Hedges of net investments in a foreign operation.	The designated component of the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. The ineffective part of any changes in fair value is recognised in profit or loss. The cumulative gains and losses in OCI are accounted for similarly to cash flow hedges.

3. Financial instruments continued

Hedge accounting risk management strategy

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value, cash flow, or net investment hedges for recognised financial assets or liabilities, and highly probable forecast transactions. The group and company apply hedge accounting in respect of the following risk categories.

Foreign currency risk

The group and company operate internationally and are exposed to foreign exchange risk and translation risk.

Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the relevant group entity for each respective currency.

The group and company use a combination of currency forwards, swaps and foreign denominated cash balances to mitigate against the risk of changes in the future cash flows and functional currency value on its foreign-denominated exposures. Under the group's policy, the critical terms of these instruments must align with the foreign currency risk of the hedged item and is hedged on a 1:1 hedge ratio or where currency is managed on a portfolio basis the weighted expected foreign cash flows are aligned.

The group and company elect for each foreign currency hedging relationship, using either foreign currency forwards and swaps, to either include or exclude the currency forward points (basis) contained in the derivative instrument from the hedging relationship. This election is based on the currency pair involved, the shape of the yield-curve and the direction of the foreign currency hedged risk. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded from the hedging relationship this is deferred in other comprehensive income and recognised in profit or loss as appropriate during the hedging relationship.

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of foreign currency risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness. In hedges of foreign currency risk of highly probable forecast commercial transactions, ineffectiveness may arise if the amount of the forecast transaction changes from what was originally estimated. Ineffectiveness relating to highly probable forecast transactions no longer expected to occur during both 2018 and 2019 amounted to Rnil. Refer to note 2.

Equity price risk

The group and company operate share incentive schemes that enable key management personnel and senior employees to benefit from the performance of SBG's share price. For further detail regarding the share schemes, refer to annexure D – equity-linked transactions and the group's governance and remuneration report. These share incentive schemes expose the group and company to equity price risk due to volatility in the share price of SBG (SBK:SJ). The group and company have in place appropriate risk management strategies and reporting processes in respect of this risk.

The group and company use a combination of equity forwards and options to mitigate against the risk of changes in the future cash flows associated with certain cash-settled schemes on a post attrition and vesting assumption basis. The following scheme exposures are subject to cash flow hedge accounting at a group level: Deferred Bonus Scheme (DBS) and Cash-Settled Deferred Bonus Scheme (CSDBS). Cash flow hedge accounting is applied to align the timing mismatch of the derivative hedging instruments to the vesting period of the underlying awards (hedged items) over the applicable vesting period.

Under the group's policy the critical terms of these instruments must align with equity price risk of the hedged item and is hedged on a 1:1 hedge ratio. The group and company elect for each hedging relationship, using either equity forwards and/or options, to either include or exclude the forward points (basis) contained in the derivative instrument from the hedging relationship. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded from the hedging relationship this is deferred in other comprehensive income and recognised in profit or loss as appropriate during the hedging relationship.

3. Financial instruments continued

Hedge accounting risk management strategy continued

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of equity price risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness. Refer to note 2.

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The group and company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group and company operate.

The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO. The group and company's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management the group applies fair value hedge accounting in respect of the interest rate risk element only, present within the following exposures:

- Specifically identified long-term fixed interest rate loans and advances and deposits and debt funding. To manage the risk associated with such risk exposures the group uses one or more cash collateralised fix for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the underlying risk exposure.
- Specifically identified long-term interest rate basis risk (CPI vs JIBAR) inherent in loans and advances. To manage the basis risk associated with such risk exposures the group uses one or more cash collateralised floating for floating basis interest rate swaps that matches the critical terms or that exhibits the same duration as the underlying risk exposure.
- Portfolio interest rate risk present within a designated portfolio of loans and advances and deposits and debt funding. Portfolio interest rate risk hedging is conducted on an aggregate asset and liability portfolio basis. The hedge ratio and rebalancing frequency of portfolio hedges is determined using a dynamic approach reflecting the duration of portfolio exposure in accordance with an exposure bucketing approach. The hedge ratio is monitored on a daily basis and where necessary the portfolio is rebalanced using a dynamic approach.

The group and company observe interest rate risk in respect of these exposures using an unfunded cash collateralised interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only.

The group and company use a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness. The extent of hedge ineffectiveness as a result of fair value interest rate risk hedges is disclosed in note 2.3.5.

Other

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third-parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

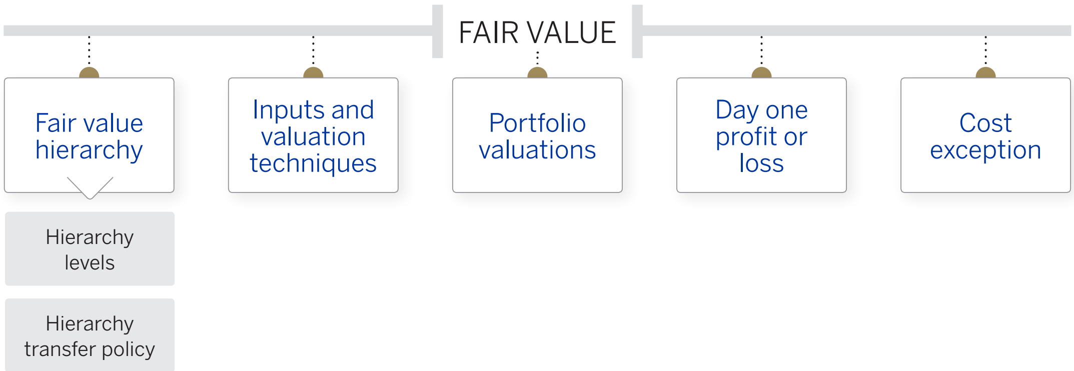
3. Financial instruments continued

Hedge accounting risk management strategy continued

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

4. Fair value



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

4. Fair value continued

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item and description	Valuation technique	Main inputs and assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • discounted cash flow model • Black-Scholes model • combination technique models.	For level 2 and 3 fair value hierarchy items: • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • Earnings yield • valuation multiples.
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Pledged assets Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third-parties.		
Financial investments Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.		

4. Fair value continued

Inputs and valuation techniques continued

Item and description	Main inputs and assumptions	Valuation technique
Loans and advances to banks and customers Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items: • discount rate.*
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant to that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items: • discount rate.*

4. Fair value continued

Inputs and valuation techniques continued

Item and description	Main inputs and assumptions	Valuation technique
Policyholders' assets and liabilities Policyholders' assets and liabilities comprise unit-linked policies and annuity certains.	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certains: discounted cash flow models are used to determine the fair value of the stream of future payments.	For level 2 and 3 fair value hierarchy items: • discount rate*. • spot price of underlying.
Third-party financial liabilities arising on the consolidation of mutual funds (included in other liabilities) These are liabilities that arise on the consolidation of mutual funds.	The fair values of third-party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	For level 2 and 3 fair value hierarchy items: • discount rate*.

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Portfolio valuations

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

5. Employee benefits

EMPLOYEE BENEFITS

- Post-employment benefits
  - Defined contribution plans
  - Defined benefit plans
- Short-term benefits

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined benefit plans The group operates a number of defined benefit retirement and post employment medical aid plans. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. See note 43 for more information.	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/ (expense) is determined on the defined benefit asset/ (liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/ (liability). Other expenses (including current service costs) related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets

NON-FINANCIAL ASSETS

- **Tangible assets**
  - Property
  - Equipment
  - Land
- **Intangible assets**
  - Goodwill
  - Present value of acquired in-force policyholder contracts and investment contracts with discretionary participation features
  - Other intangible assets
  - Other intangible assets
- **Investment property**

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Tangible assets (property, equipment and land) Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment losses. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated. Buildings: 40 years Computer equipment: 4 – 5 years Motor vehicles: 4 – 5 years Office equipment: 5 – 10 years Furniture: 5 – 13 years Leased assets: Shorter of useful life or lease term The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.	These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest CGUs. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Goodwill Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest. Goodwill arising on the acquisition of subsidiaries (associates or joint ventures) is reported in the statement of financial position as part of 'Goodwill and other intangible assets' ('Interest in associates and joint ventures').	Not applicable.	The accounting treatment is generally the same as that for tangible assets except as noted below. Goodwill is tested annually for impairment and additionally when an indicator of impairment exists. An impairment loss in respect of goodwill is not reversed.
Present value of acquired in-force policyholder contracts and investment contracts with discretionary participation features Where a portfolio of policyholder contracts is acquired either directly from another insurer or through the acquisition of a subsidiary, the PVIF business on the portfolio, being the net present value of estimated future cash flows of the existing contracts, is recognised as an intangible asset. The PVIF intangible asset is carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses.	The PVIF intangible asset is amortised on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts (four to 12 years). The estimated life is re-evaluated annually.	Same accounting treatment as for tangible assets.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Computer software Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.	Amortisation is recognised in operating expenses on a straight-line basis at rates appropriate to the expected lives of the assets (two to 15 years) from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.
Other intangible assets The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in operating expenses as incurred. The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations. Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.	Amortisation is recognised in operating expenses on a straight-line basis over the estimated useful lives of the intangible assets, not exceeding 20 years, from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.	
Derecognition Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.		

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Investment property Initially measured at cost, including transaction costs. Subsequently measured at fair value and included as part of investment management and service fee income and gains within the profit or loss.	The fair value is based on valuation information at the reporting date. If the valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets. Fair value adjustments recognised in investment management and service fee income and gains are adjusted for any double-counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.	

Derecognition

Investment property is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on derecognition is recognised in investment management and service fee income and gains and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

When the use of a property changes such that it is reclassified from property and equipment to investment property, the difference between the carrying value at date of reclassification and its fair value is recognised in OCI.

7. Property developments and properties in possession

PROPERTY DEVELOPMENTS AND PROPERTIES IN POSSESSION

Property developments

Properties in possession

Property developments

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development.

Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

8. Equity-linked transactions

EQUITY COMPENSATION PLANS

Equity-settled share-based payments

Cash-settled share-based payments

Equity-settled share-based payments

The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.

On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to share capital and premium.

Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses. The awards vest over the specified period of service and/or once performance conditions are met. The specified period of service is an average 2.5 years and performance conditions include growth in SBG's headline earnings per share and return on equity.

9. Leases

LEASES

Finance leases	Operating leases
Lessee	Lessee
Lessor	Lessor

Type and description	Statement of financial position	Income statement
IFRS 16 – Lessee accounting policies		
Single lessee accounting model All leases are accounted for by recognising a right of use asset and a lease liability except for: • leases of low value assets; and • leases with a duration of 12 months or less.	**Lease liabilities:** Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right of use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset. The group applies the cost model subsequent to the initial measurement of the right of use assets.	**Depreciation on right of use assets:** Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.
	Termination of leases: When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.	**Termination of leases:** On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

9. Leases continued

Type and description	Statement of financial position	Income statement
IFRS 16 – Lessee accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short-term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the group reassesses the terms of any lease (i.e. it reassesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.	
	Lease modifications that are accounted for as a separate lease: When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.	
IFRS 16 and IAS 17 – Lessor accounting policies		
Finance leases Leases, where the group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases.	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.

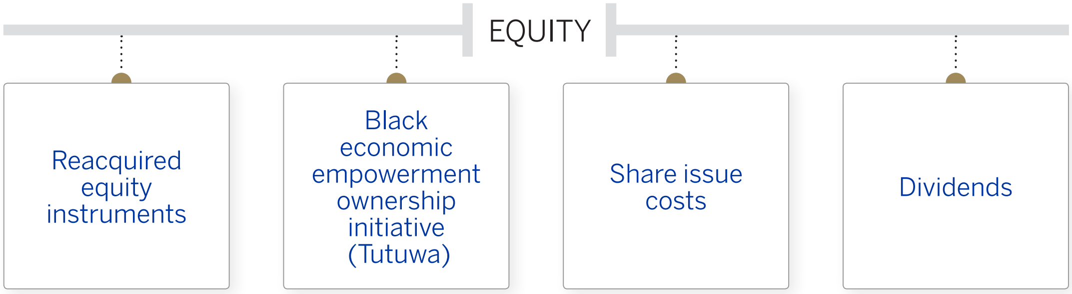
9. Leases continued

Type and description	Statement of financial position	Income statement
IFRS 16 and IAS 17 – Lessor accounting policies continued		
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income. When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.
IFRS 16 – Lessor lease modifications		
Finance leases	When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

9. **Leases** continued

Type and description	Statement of financial position	Income statement
IAS 17 – Lessee accounting policies		
Finance leases Leases, where the group assumes substantially all the risk and rewards incidental to ownership, are classified as finance leases.	The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Refer to non-financial assets accounting policy for the treatment of the leased asset. Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the group's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.	A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under operating leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

10. Equity



Re-acquired equity instruments

Where subsidiaries purchase/(short sell) Standard Bank Group Limited's equity instruments, the consideration paid/(received) is deducted/(added) from/(to) equity attributable to ordinary shareholders as treasury shares on consolidation.

Fair value changes recognised by subsidiaries on these instruments are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued/(re-acquired) outside the group, any consideration received/(paid) is included in equity attributable to ordinary shareholders.

Black economic empowerment ownership initiative (Tutuwa)

The group subscribed for 8.5% redeemable, cumulative, preference shares issued by the Tutuwa entities controlled by the group. The initial repurchase of group shares by the Tutuwa entities was treated as a reduction in the group's equity. Subsequent to the repurchase of the group shares, the Tutuwa entities containing these shares were sold to the black participants. The capital and dividends on the preference shares are repayable from future ordinary dividends received on group shares or from the disposal of the group's shares. As a result of the group's right to receive its own dividends back in the form of preference dividends and capital on the preference shares, the subsequent sale of the Tutuwa entities and consequent delivery of the group shares to the black participants (although legally effected) is not accounted for as a sale. The preference share investment in the Tutuwa entities is also not accounted for as an asset. The preference share asset is effectively eliminated against equity as a negative empowerment reserve.

As a consequence of the above, the IFRS accounting treatment followed until full redemption, or third-party financing, is as follows:

- The 8.5% redeemable, cumulative, preference shares issued by the Tutuwa entities and subscribed for by the group are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve.
- The preference dividends received from the Tutuwa entities are eliminated against the ordinary dividends paid on the group shares held by the Tutuwa entities.
- Preference dividends accrued but not received, due to cash distributions paid to participants, increase the empowerment reserve.
- For purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those Tutuwa entities that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third-party.
- Perpetual preference shares issued by the group for the purposes of financing the repurchased group shares are classified as equity. Dividends paid are accounted for on declaration.

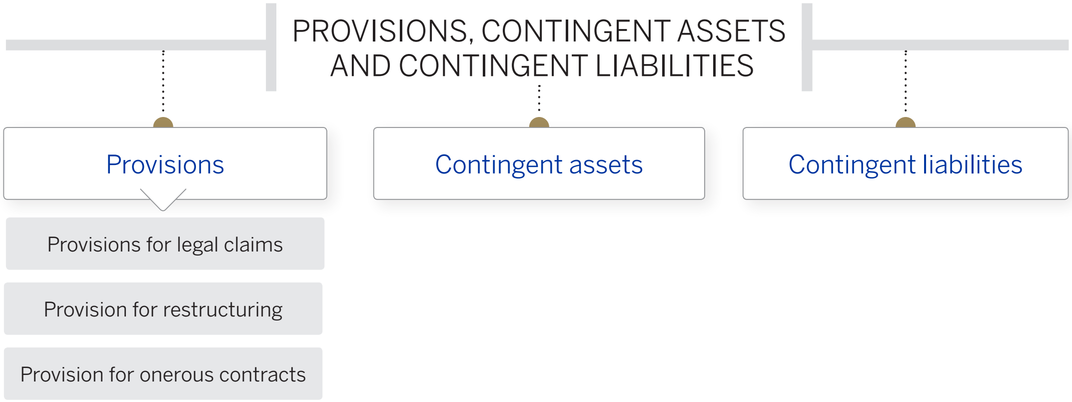
Share issue costs

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

Dividends

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the annual financial statements.

11. Provisions, contingent assets and contingent liabilities



Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically (when applicable) include the following:

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision, management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

Provision for restructuring

A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

Provision for onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

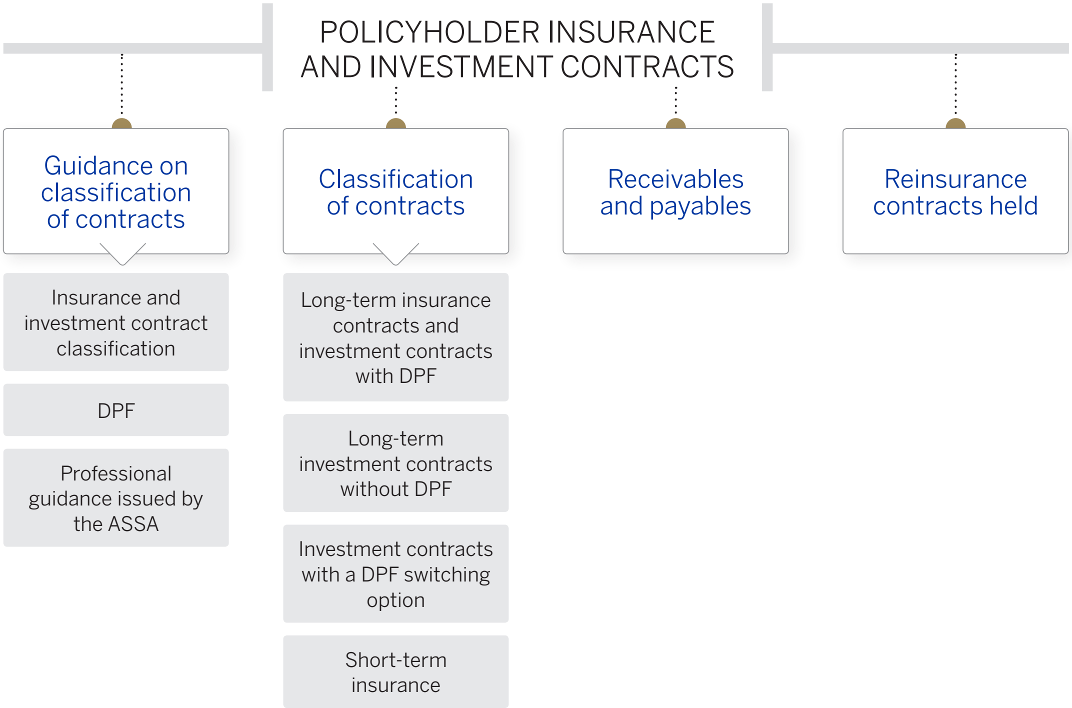
Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

12. Policyholder insurance and investment contracts



Classification of contracts

Insurance and investment contract classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or, in the case of life annuities, the lifespan of the policyholder is greater than that assumed. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Short-term insurance provides benefits under short-term policies, typically one year or less, which include engineering, fire, personal liability, marine and aviation, motor, personal accident, medical expenses, theft and the Workmen's Compensation Act, or a contract comprising a combination of any of those policies.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Discretionary participation features

A number of insurance and investment contracts contain a DPF feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses at the discretion of the group. The terms and conditions or practice relating to these contracts are in accordance with the group's published Principles and Practices of Financial Management, as approved by the Financial Services Board (FSB). The terms 'reversionary bonus' and 'smoothed bonus' refer to the specific forms of DPF contracts underwritten by the group. All components in respect of DPFs are included in policyholders' assets and liabilities.

Professional guidance issued by the Actuarial Society of South Africa (ASSA)

In terms of IFRS 4 Insurance Contracts (IFRS 4), insurance liabilities are measured under existing local practice. The group had, prior to the adoption of IFRS 4, adopted the Professional Guidance Notes (PGNs) issued by the ASSA to determine the liability in respect of insurance contracts issued in South Africa. The group has continued to value long-term insurance liabilities in accordance with these.

In 2012, the naming convention was changed and the term PGN was replaced with either APN or Standard Actuarial Practice (SAP) depending on whether the former PGN was best-practice or mandatory respectively.

These are available on the ASSA website – www.actuarialsociety.org.za.

Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the annual financial statements.

12. Policyholder insurance and investment contracts continued

Measurements of contracts

Policyholder contracts are classified into four categories, depending on the duration of or type of investment benefit or insurance risks. The accounting for each of these contracts are detailed below.

Long-term insurance contracts and investment contracts with DPF

These contracts are valued in terms of the financial soundness valuation (FSV) basis as described in SAP 104 Life offices – valuation of long-term insurers (SAP 104), using a discounted cash flow methodology. The assets and liabilities are reflected as policyholders' assets and liabilities in the statement of financial position. The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return, tax and any expected losses in respect of options.

The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of SAP 104, plus additional discretionary margins. Derivatives embedded in the group's insurance contracts are not separated and measured at fair value if the embedded derivative itself meets the definition of an insurance contract.

The liabilities in respect of the investment guarantees' underlying maturity and death benefits, and guaranteed annuity options are measured in accordance with APN 110 Reserving for minimum investment return guarantees on a market-consistent basis. Discretionary margins are held to ensure that the profit and risk margins in the premiums are not capitalised before it is probable that future economic benefits will flow to the entity.

These profits emerge over the lifetime of the contract in line with the risk borne by the group. Liabilities for individual market-related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the unit reserve element), is then reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy-by-policy cash flow basis (the rand reserve element).

Reversionary bonus classes of policies, and policies with fixed and guaranteed benefits are valued by discounting the expected future cash flows at market-related rates of interest reduced by an allowance for investment expenses and the relevant compulsory margins (the guaranteed element). Future bonuses have been allowed for at the latest declared rates where appropriate. The rand reserve element of market-related policies and the guaranteed element in respect of other policies are collectively known as the rand reserve.

In respect of corporate life and lump sum disability business, no discounting of future cash flows is performed. However, a provision will be held if the expected guaranteed premiums under the current basis and investment returns in the short term are not sufficient to meet expected future claims and expenses. For corporate investment contracts with DPF, in addition to the value of the policies' investment in the investment portfolios held, an additional provision will be held if the expected fee recoveries in the short term are not sufficient to meet expected expenses.

Within the group all investment contracts invested in smoothed bonus portfolios are classified as investment contracts with DPF. In respect of insurance and investment contracts with DPF where bonuses are smoothed, bonus stabilisation provisions are held arising from the difference between the after taxation investment performance of the assets, net of the relevant management fees and the value of the bonuses declared. In accordance with SAP 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are included in policyholders' liabilities. The liability estimates are reviewed bi-annually. The effect of any change in estimates is recognised in profit or loss.

Where policyholders, in respect of certain policies, are entitled to a part surrender, any part surrender is treated as a derecognition of the policyholders' asset or liability.

Shadow accounting is applied to policyholder insurance contracts where the underlying measurement of the policyholder insurance liability depends directly on the fair value of any owner-occupied properties.

Any unrealised gains and losses on such owner-occupied properties are recognised in OCI. The shadow accounting adjustment to policyholder insurance contracts is recognised in OCI to the extent that the unrealised gains or losses, together with any related taxation on owner-occupied properties backing policyholder insurance liabilities, are also recognised directly in OCI.

Incurred but not reported claims (IBNR)

Provision is made in policyholders' assets and liabilities for the estimated cost at the end of the year of claims incurred but not reported at that date. IBNR provisions for the main categories of business are calculated using run-off triangle techniques. These liabilities are not discounted due to the short-term nature of IBNR claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of insurance liabilities net of any related intangible PVIF business assets is inadequate in the light of the estimated future cash flows, then the deficiency is recognised in profit or loss.

12. Policyholder insurance and investment contracts continued

Measurements of contracts continued

Premium income

Premiums and annuity considerations on insurance contracts, other than in respect of universally costed policies (policies where insurance risk charges are dependent on the excess of the sum assured over the value of units underlying the contract), recurring premium pure risk policies (collectively the Lifestyle series) and corporate schemes, are recognised when due in terms of the contract. Premiums receivable in respect of corporate schemes are recognised when there is a reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised when premiums are received, as failure to pay a premium will result in a reduction of attributable fund value, if available, or else in the lapse of the policy. Premium income on insurance contracts is recognised gross of reinsurance. Premiums are shown before deduction of commission.

Claims

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are recognised in insurance benefits and claims paid when the group is notified of a claim, based on the estimated liability for compensation owed to policyholders. Changes in the provision for IBNR claims are also recognised in insurance benefits and claims paid. Reinsurance recoveries are accounted for in the same period as the related claims.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred in insurance benefits and claims paid.

The FSV method for valuing insurance contracts and investment contracts with DPF makes implicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts.

Long-term investment contracts without DPF

Measurement

The group issues investment contracts without fixed benefits (unit-linked and structured products) and investment contracts with fixed and guaranteed benefits (term certain annuity). Investment contracts without fixed benefits are financial liabilities whose fair value is dependent on the fair value of the underlying financial assets, derivatives and/or investment property and are designated at inception at fair value through profit or loss.

For investment contracts with fixed and guaranteed terms, future benefit payments and premium receipts are discounted using market-related rates at the reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised over the life of the contract.

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities, whereas claims incurred are recorded as deductions from investment contract liabilities.

DRL on investment management contracts

A DRL is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for investment management services. The DRL is then released to investment management and service fee income and gains when the services are provided, over the expected duration of the contract on a straight-line basis.

Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is the period over which the service is rendered. Outstanding fees are accrued as a receivable in terms of the investment management contract.

DAC in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs are expensed as incurred, unless specifically attributable to an investment contract with an investment management service element. Such costs are deferred and amortised on a straight-line basis over the expected life of the contract (ten to 16 years for linked annuities, one year for corporate business and five years for other investment contracts), taking into account all decrements, as they represent the right to receive future management fees.

A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis. An impairment test is conducted annually at the reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Investment contracts with a DPF switching option

Measurement

On certain investment contracts, policyholders have an option to switch some or all of their investment from a DPF fund to a non-DPF fund (and vice versa). The value of the liability held with respect to these contracts is taken at the aggregate value of the policyholder investment in the investment portfolio at the valuation date.

12. Policyholder insurance and investment contracts continued

Measurements of contracts continued

Short-term insurance

Gross written premiums

Gross premiums exclude VAT. Premiums are accounted for as income when the risk related to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. The unearned premiums are calculated using a straight-line basis, except for those insurance contracts where allowance is made for uneven exposure.

Liability adequacy

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs.

Provision for reported claims and IBNR claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third-parties damage by the contract holders. The group's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges.

Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group at that date (IBNR claims). This provision is calculated using run-off triangle techniques. The provision for claims is not discounted for the time value of money due to the expected short duration to settlement.

DAC in respect of insurance contracts

Commissions that vary and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses within insurance benefits and claims paid when incurred.

DRL on insurance contracts

A DRL is raised for any income receivable on the placement of reinsurance for risks arising from short-term insurance contracts. The DRL is released to income systematically over the coverage period of the respective reinsurance contract.

Receivables and payables

Receivables and payables related to insurance contracts and investment contracts are recognised when due. These include amounts due to and from agents, brokers and policyholders. Receivables and payables related to insurance contracts are subsequently measured in terms of IFRS 4, while those related to investment contracts are designated at fair value through profit or loss in terms of IFRS 9.

Reinsurance contracts held

The group cedes some insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire, or a portion of, losses arising on one or more of the insurance contracts issued by the group.

The expected benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets and included in 'Other assets' in the statement of financial position. Reinsurance assets are assessed for impairment at each reporting date. Any impairment loss is recognised in profit or loss.

Outward reinsurance premiums are recognised as an expense and are accounted for in the same reporting period that premiums received are recognised as revenue in insurance premiums.

13. Taxation

TAXATION

Direct taxation:

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax

- Current tax
- Deferred tax

Indirect taxation

Dividends tax

Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	Current tax is recognised in the direct taxation line in the income statement except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.	Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
Direct taxation: deferred tax	Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences: • The initial recognition of goodwill; • The initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and • Investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.	

13. Taxation continued

Type	Description, recognition and measurement	Offsetting
Direct taxation: deferred tax continued	The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	
Indirect taxation	Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable.
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity, as dividend tax represents a tax on the shareholder and not the group. Dividends tax withheld by the group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (where applicable) is included in 'Other liabilities' in the statement of financial position.	Not applicable.

14. Revenue and expenditure

REVENUE AND EXPENDITURE

Banking activities

- Net interest income
- Non-interest revenue
  - Net fee and commission revenue
  - Trading revenue
  - Other revenue
  - Dividend income
  - Short-term insurance income
  - Customer loyalty programmes

Investment management and life insurance

- Insurance premium revenue
- Investment income
- Management fees on assets under management

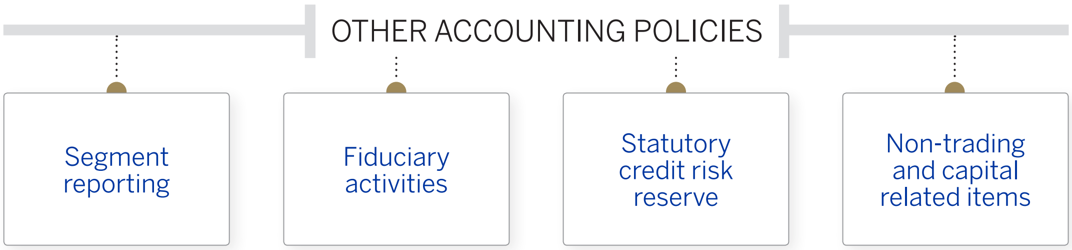
Description	Recognition and measurement
Net interest income	Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate. Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income. When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.
Net fee and commission revenue	Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance-based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

14. Revenue and expenditure continued

Description	Recognition and measurement
Customer loyalty programmes	The group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.
Insurance premium revenue	Insurance premium revenue includes life insurance premiums, health insurance premiums and short-term insurance premiums.
Investment income	Investment income for investment management and life insurance activities comprises mainly rental income from properties, interest, hotel operations' sales and dividends. Dividends are recognised when the right to receive payment is established and interest income is recognised using the effective interest method. Hotel operation sales comprise the fair value of the sale of accommodation, food and beverage, other guest facilities and rentals received. Revenue is shown net of VAT, returns, rebates and discounts.
Management fees on assets under management	Fee income includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Administration fees received for the administration of medical schemes are recognised when the services are rendered.
Other gains/losses on financial instruments	Includes: • Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default). • The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI. • Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost. • Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value. • Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost. • Fair value gains and losses on designated financial liabilities.
Short-term insurance income	Includes premium income, commission and policy fees earned, as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group and comprises the cash value of commission earned when premiums are payable directly to the underwriters.
Other revenue	Other revenue comprises of revenue that is not included in any of the categories mentioned above this could include dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

Offsetting
Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

15. Other significant accounting policies



Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision maker.

Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

Statutory credit risk reserve

The statutory credit risk reserve represents the amount by which local regulatory authorities within the group's Africa Regions operations require in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

Non-trading and capital related items

Non-trading and capital related items primarily include the following:

- gains and losses on disposal of subsidiaries, joint ventures and associates (including foreign exchange translation gains and losses)
- gains and losses on the disposal of property and equipment and intangible assets
- Impairment and reversals of impairments of joint ventures and associates
- impairment of investments in subsidiaries, property and equipment, and intangible assets
- other items of a capital related nature.

16. New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2019 and have not been applied in preparing these annual financial statements.

Title: IFRS 3 Business Combinations (amendment)

Effective date: 1 January 2020 with earlier application permitted

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is not expected to have a material impact on the group.

Title: IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments (amendments) and IAS 39 Financial Instruments: Recognition and Measurement

Effective date: 1 January 2020 with earlier application permitted

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

16. New standards and interpretations not yet adopted continued

Title: IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date: deferred the effective date for these amendments indefinitely until further notice

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

Title: IFRS 17 Insurance Contracts

Effective date: 1 January 2021 (proposed deferral to 1 January 2022) with earlier application permitted

This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches.

The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts, and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a "shock absorber" in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features.

An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time.

The requirement to eliminate all treasury shares has been amended such that treasury shares held for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets.

These requirements will provide transparent reporting about an entity's financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17.

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: IAS 1 Presentation of Financial Statements (amendment)

Effective date: 1 January 2022 with earlier application permitted

The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Annexure G – six year review

Consolidated statement of financial position

	2019 USDm*	2019 GBPm*	2019 EURm*	CAGR** %
Assets				
Cash and balances with central banks	5 377	4 088	4 796	3
Financial investments, trading and pledged assets	58 529	44 499	52 202	9
Loans and advances	84 352	64 132	75 234	5
Current and deferred taxation assets	348	264	310	17
Derivative and other assets	7 235	5 501	6 453	4
Disposal group assets classified as held for sale	186	141	166	(59)
Interest in associates and joint ventures	387	294	345	8
Goodwill and other intangible assets	1 594	1 212	1 422	1
Property and equipment	1 573	1 196	1 403	6
Investment property	2 441	1 856	2 177	5
Policyholders' assets	501	381	447	2
Total assets	162 523	123 564	144 955	
Equity and liabilities				
Equity	14 961	11 375	13 344	5
Equity attributable to ordinary shareholders	12 229	9 298	10 907	5
Equity attributable to other equity instrument holders	785	597	700	15
Non-controlling interests	1 947	1 481	1 737	7
Liabilities	147 562	112 190	131 611	3
Deposit and debt funding	101 859	77 441	90 848	6
Derivative and other liabilities	13 827	10 512	12 332	6
Trading liabilities	5 988	4 553	5 341	14
Current and deferred taxation liabilities	648	493	578	
Non-current liabilities held for sale	18	13	16	(73)
Subordinated debt	2 064	1 569	1 841	3
Policyholders' liabilities	23 158	17 607	20 654	2
Total equity and liabilities	162 523	123 564	144 955	

* The foreign-denominated results above have been derived from the group's audited ZAR results by using the closing exchange rates. The foreign-denominated results above have not been audited and have been presented for illustrative purposes only. This illustration would not be equivalent to that which would have resulted had the group presented its results in a currency other than ZAR in terms of IAS 21 The Effects of Changes in Foreign Exchange Rates.
** Compound annual growth rate.
1 Restated. Refer to page 31 for more details on the restatements.

Exchange rates (rounded) utilised to convert the 31 December 2019 statement of financial position rand exchange rates (closing):

USD – 14.00 (2018: 14.38)
GBP – 18.42 (2018: 18.31)
EUR – 15.70 (2018: 16.44)

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
	75 288	85 145	75 310	77 474	75 112	64 302
	819 498	749 517	714 993	632 396	607 352	537 146
	1 181 067	1 119 547	1 048 027	1 065 405	1 076 917	928 241
	4 868	4 519	2 109	2 467	2 415	2 213
	101 308	74 192	98 606	87 851	131 741	82 324
	2 599	762				219 958
	5 423	10 376	9 665	8 196	9 703	3 727
	22 323	23 676	23 329	23 675	24 031	21 175
	22 018	19 194	16 179	16 041	17 670	16 737
	34 180	33 326	32 226	31 155	30 508	27 022
	7 017	6 708	7 484	7 314	7 579	6 507
	2 275 589	2 126 962	2 027 928	1 951 974	1 983 028	1 909 352
	209 484	199 063	190 017	179 359	178 908	161 634
	171 229	165 061	157 020	150 757	151 069	136 985
	10 989	9 047	9 047	5 503	5 503	5 503
	27 266	24 955	23 950	23 099	22 336	19 146
	2 066 105	1 927 899	1 839 911	1 772 615	1 804 120	1 747 718
	1 426 193	1 357 537	1 243 911	1 213 621	1 186 514	1 047 212
	193 599	164 527	175 324	169 583	232 569	146 558
	83 847	59 947	62 855	47 867	43 304	43 761
	9 073	8 015	8 614	8 317	9 398	8 980
	246	237				182 069
	28 901	26 359	24 289	25 997	27 141	25 521
	324 246	311 277	322 918	307 230	305 194	293 617
	2 275 589	2 126 962	2 027 928	1 951 974	1 983 028	1 909 352

Consolidated income statement

	2019 USDm*	2019 GBPm*	2019 EURm*	CAGR** %
Net interest income[1]	4 357	3 414	3 893	7
Non-interest revenue	3 292	2 580	2 942	4
Net fee and commission revenue	2 121	1 662	1 895	3
Trading revenue[1]	836	655	747	5
Other revenue[1]	283	222	253	3
Other gains and losses on financial instruments	52	41	47	2
Income from banking activities	7 649	5 994	6 835	6
Income from investment management and life insurance activities	1 632	1 279	1 459	(3)
Insurance premiums received	2 756	2 160	2 463	44
Revenue from contracts with customers	282	221	252	
Interest income	133	104	119	5
Insurance benefits and claims paid	(3 064)	(2 401)	(2 737)	
Investment management and service fee income and gains	225	176	201	(39)
Fair value adjustments to investment management liabilities and third-party fund interests	1 300	1 019	1 161	11
Total income	9 281	7 273	8 294	4
Credit impairment charges	(552)	(432)	(493)	(2)
Income after credit impairment charges	8 729	6 841	7 801	4
Operating expenses in banking activities	(4 317)	(3 382)	(3 857)	6
Operating expenses in insurance activities	(1 142)	(895)	(1 020)	3
Net income before non-trading and capital related items	3 270	2 564	2 924	3
Non-trading and capital related items	(200)	(157)	(179)	24
Share of post tax results from associates and joint ventures	(35)	(28)	(32)	(4)
Net income before indirect taxation	3 035	2 379	2 713	
Indirect taxation	(139)	(109)	(124)	(4)
Profit before direct taxation	2 896	2 270	2 589	(1)
Direct taxation	(546)	(428)	(488)	
Profit for the year from continuing operations	2 350	1 842	2 101	3
Profit/(loss) for the year from discontinued operation				
Profit for the year	2 350	1 842	2 101	7
Attributable to non-controlling interests and other equity instrument holders	364	285	325	4
Attributable to group ordinary shareholders	1 762	1 381	1 574	7
Headline earnings	1 953	1 531	1 745	6

* The foreign-denominated results above have been derived from the group's audited ZAR results by using the average exchange rates. The foreign-denominated results above have not been audited and have been presented for illustrative purposes only. This illustration would not be equivalent to that which would have resulted had the group presented its results in a currency other than ZAR in terms of IAS 21 The Effects of Changes in Foreign Exchange Rates.

** Compound annual growth rate.

1 Restated. Refer to page 31 for more details on the restatements.

Exchange rates (rounded) utilised to convert the 31 December 2019 income statement rand exchange rates – (average):

ZAR exchange rates – (average)

USD 14.44 (2018: 13.23)
GBP 18.43 (2018: 17.63)
EUR 16.16 (2018: 15.60)

2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
62 919	59 505	60 125	56 892	49 310	45 152
47 542	45 826	42 574	42 965	41 803	38 891
30 622	30 375	28 670	29 012	26 920	26 079
12 075	10 799	10 731	10 988	11 016	9 294
4 089	3 863	3 173	2 965	3 867	3 518
756	789				
110 461	105 331	102 699	99 857	91 113	84 043
23 573	21 722	24 394	21 365	23 997	21 209
39 801	38 521	38 020	1 750	688	(6 476)
4 076	4 073				
1 920	1 516				
(44 241)	(26 484)	(43 848)			
3 245	3 533	43 957	22 887	36 791	38 743
18 772	563	(13 735)	(3 272)	(13 482)	(11 058)
134 034	127 053	127 093	121 222	115 110	105 252
(7 964)	(6 489)	(9 410)	(9 533)	(9 371)	(9 009)
126 070	120 564	117 683	111 689	105 739	96 243
(62 335)	(60 084)	(57 049)	(56 235)	(51 434)	(46 596)
(16 486)	(16 404)	(17 800)	(17 374)	(16 184)	(14 546)
47 249	44 076	42 834	38 080	38 121	35 101
(2 890)	(641)	(261)	(1 123)	(1 512)	986
(512)	912	1 102	187	(323)	626
43 847	44 347	43 675	37 144	36 286	36 713
(2 592)	(2 609)	(2 481)	(2 418)	(2 739)	(2 439)
41 255	41 738	41 194	34 726	33 547	34 274
(10 559)	(9 095)	(10 479)	(8 932)	(8 187)	(8 061)
30 696	32 643	30 715	25 794	25 360	26 213
				2 741	(4 048)
30 696	32 643	30 715	25 794	28 101	22 165
5 253	5 190	4 480	(3 588)	(4 347)	(4 260)
25 443	27 453	26 235	22 206	23 754	17 905
28 207	27 865	26 270	23 009	22 187	20 882

Share statistics and market indicators

		CAGR** %	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Share statistics								
Dividend cover	times		**1.8**	1.8	1.8	1.9	2.0	1.8
Dividend yield	%	**7**	**5.9**	5.4	4.7	5.1	5.9	4.2
Earnings yield	%	**7**	**10.5**	9.8	8.4	9.5	12.0	7.5
Price earnings ratio	times	**(41)**	**9.5**	10.2	11.9	10.5	8.3	13.4
Price-to-book	times	**(2)**	**1.6**	1.8	2.0	1.6	1.2	1.7
Number of shares traded	millions	**(27)**	**1 650.9**	1 618.5	1 584.4	1 271.8	1 052.8	798
Turnover in shares traded	%	**16**	**102**	102	98	79	65	49
Market capitalisation	Rm	**3**	**268 302**	289 723	316 826	245 595	183 672	232 203
Market indicators at 31 December								
Standard Bank Group share price								
High for the year	cents	**7**	**21 022**	23 100	20 000	15 748	17 700	14 930
Low for the year	cents	**7**	**15 860**	15 392	13 401	9 700	9 480	11 416
Closing	cents	**3**	**16 832**	17 881	19 566	15 175	11 350	14 348
Prime overdraft rate (closing)	%	**2**	**10.00**	10.25	10.25	10.50	9.75	9.25
JSE All Share Index – (closing)		**3**	**57 084**	52 081	59 505	50 654	50 694	49 771
JSE Banks Index – (closing)		**4**	**87 310**	91 617	96 187	77 545	61 072	72 998
ZAR exchange rates – (closing)								
USD		**4**	**14.00**	14.38	12.31	13.69	15.50	11.57
GBP			**18.42**	18.31	16.55	16.94	22.93	18.02
EUR		**2**	**15.70**	16.44	14.70	14.43	16.86	14.01
ZAR exchange rates – (average)								
USD		**6**	**14.44**	13.23	13.30	14.69	12.75	10.84
GBP		**1**	**18.43**	17.63	17.13	19.96	19.49	17.85
EUR		**2**	**16.16**	15.60	15.02	16.26	14.14	14.39

Results and ratios

		CAGR %	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Standard Bank Group								
Share statistics								
Number of ordinary shares listed on the JSE (millions)								
Weighted average		**0.0**	**1 594**	1 594	1 602	1 598	1 597	1 585
End of period		**0.0**	**1 594**	1 590	1 597	1 597	1 601	1 578
Share statistics per ordinary share (cents)								
Basic earnings	cents	**7.1**	**1 593.5**	1 722.6	1 637.8	1 389.8	1 487.0	1 129.9
Headline earnings	cents	**10.3**	**1 766.7**	1 748.4	1 640.0	1 440.1	1 388.9	1 081.4
Dividends	cents	**10.7**	**994**	970	910	780	674	598
Net asset value	cents	**4.3**	**10 741.6**	10 380	9 830	9 442	9 434	8 682
ROE	%	**5.2**	**16.8**	18.0	17.1	15.3	15.6	13.0

Capital adequacy, employee and other relevant statistics

		CAGR** %	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Capital adequacy[1]								
Risk-weighted assets	Rm	**2**	**1 099 528**	923 016	957 046	883 179	944 039	915 213
Tier I capital[2]	Rm	**7**	**147 981**	151 925	136 293	126 188	125 710	117 970
Total capital[2]	Rm	**5**	**169 983**	172 289	153 243	146 318	147 998	141 963
Tier I capital to risk-weighted assets[3]	%		**13.46**	14.1	14.2	14.3	13.3	12.9
Total capital to risk-weighted assets[3]	%		**15.46**	16.0	16.0	16.6	15.7	15.5
Employee statistics								
Number of employees								
Banking activities			**44 996**	47 419	48322	48 622	47 958	42 642
Group			**50 691**	53 178	54558	54 767	54 361	49 259
Normalised headline earnings per employee	Rm	**8**	**556 450**	523 995	481 506	420 125	404 739	355 635
Points of representation								
ATMs and ANAs*			**8970**	7 239	7 362	7 189	7 193	7 065
Banking branches and service centres			**1114**	1 200	1 212	1 211	1 221	1 233
Social investment and environment								
Corporate social investment spend[2]	Rm	**0.1**		141.2	106.0	95.7	115.9	115.0
Carbon footprint (metric tons CO_2)[2]				243 132	252 092	281 264	324 637	309 017

1 In accordance with Basel II principles relating to the treatment of insurance entities, insurance operations are excluded from the capital base of the banking group and its related risk-weighted assets. Capital in insurance operations in excess of statutory minimum requirements is not recognised in group capital.
2 South African banking activities only.
3 Capital includes unappropriated profit.
* Automated.

Annexure H – third-party funds under management

Third-party assets under management and funds under administration

Members of the group provide discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in profit or loss. Assets managed and funds administered on behalf of third-parties include:

	2019 Rbn	2018 Rbn
Banking activities		
Asset management	**260**	371
Trusts and estates	**1**	64
Unit trusts/collective investments	**33**	28
Segregated funds	**21**	98
Portfolio management	**201**	176
Other	**4**	5
Fund administration	**295**	363
Unit trusts/collective investments	**29**	62
Segregated funds	**0**	31
Portfolio management	**29**	47
Other	**237**	223
Total	**555**	734
Geographical area		
South Africa	**71**	71
Africa Regions	**400**	544
International	**84**	119
Liberty		
Asset management	**66**	55
Segregated funds	**66**	55
Wealth management – funds under administration	**334**	337
Single manager unit trust	**133**	122
Institutional marketing	**64**	64
Linked and structured life products	**88**	80
Multi-manager	**21**	20
Rest of Africa	**28**	51
Total Liberty	**400**	392
Total assets under management and funds under administration	**955**	1 126

Included in the balances above are funds for which the fund value is determined using directors' valuations.

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