Standard Bank Group

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND DIVIDEND ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Standard Bank Moving Forward™
Also trading as Stanbic Bank

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The Standard Bank Group Limited's (the group) condensed consolidated interim results, including the statement of financial position, income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows, for the six months ended 30 June 2018 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act, 71 of 2008 applicable to condensed financial statements.

The group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. This report is presented in South African rand, which is the presentation currency of the group. All amounts are stated in millions of rand (Rm), unless indicated otherwise. 1H18 refers to the first half year results for 2018. 1H17 refers to the first half year results for 2017. FY17 refers to the full year results for 2017. Change % reflects 1H18 change on 1H17. All amounts relate to the group's results, unless otherwise specified.

The 1H18 results, including comparatives for 1H17, where applicable, have not been audited or independently reviewed by the group's external auditors. The group's FY17 financial information has been correctly extracted from the underlying audited consolidated annual financial statements for the year ended 31 December 2017, unless otherwise specified. Refer to page 53 for restatements to financial information disclosed for 1H17 and FY17 as applicable.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim results are in terms of IFRS, including IFRS 9 *Financial Instruments* (IFRS 9), which is effective for the group from 1 January 2018. These accounting policies are consistent with the accounting policies applied in the preparation of the group's previous consolidated annual financial statements with the exception of changes referred to on page 42.

The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) basis. The group did however align certain disclosures within these results to provide comparable data. The impact of adopting IFRS 9 has been applied retrospectively with an adjustment to the group's opening 1 January 2018 reserves. The application of IAS 39 for the group's 2017 financial year was unaffected by the application of IFRS 9. Refer to page 44 and the group's IFRS 9 transition report (transition report), available at **www.standardbank.com/reporting**, for more details on IFRS 9.

The board of directors (the board) of the group take full responsibility for the preparation of this report. The preparation of the group's results was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP.

The results were made publicly available on 16 August 2018.

This report contains pro forma constant currency financial information. Refer to page 54 for further detail.

In terms of the JSE's Listings Requirements, the group no longer posts a physical copy of this announcement to its shareholders. Investors are referred to **www.standardbank.com/reporting** where a detailed analysis of the group's financial results, including an income statement and a statement of financial position for The Standard Bank of South Africa Limited (SBSA), can be found. Scan the image on the inside back cover of this report to be taken there directly.

Shareholders are reminded that should they wish to make use of the group's electronic communication notification system to receive all shareholder entitled communication electronically as opposed to delivery through physical mail and have not already done so, this option can still be elected by advising the group's transfer secretaries at the following email address **ecomms@computershare.co.za** or fax to +27 11 688 5248 or contact the call centre on +27 861 100 933. Other related queries can be sent to **electroniccommunication@standardbank.co.za**.

Highlights

5% ↑

R12 663 million
HEADLINE EARNINGS
1H17: R12 111 million

5% ↑
794 cents
HEADLINE EARNINGS PER SHARE
1H17: 756 cents

8% ↑
430 cents
DIVIDEND PER SHARE
1H17: 400 cents

↑
16.8%
RETURN ON EQUITY
1H17: 16.1%

↓
0.70%
CREDIT LOSS RATIO
1H17: 0.96%[1]

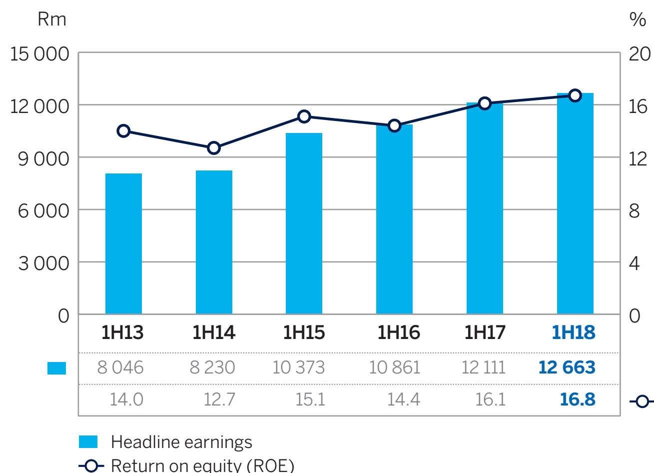
↓
(1.8%)
JAWS
1H17: 1.0%[2]

↑
57.1%
COST-TO-INCOME RATIO
1H17: 56.1%[2]

↑
13.8%
COMMON EQUITY TIER 1 RATIO[3]
1H17: 13.7%

[1] Based on IAS 39.
[2] Refer to page 53 for details on the restatements affecting these ratios.
[3] The 1H18 ratio is reported after applying the IFRS 9 phase-in transition adjustment allowed by the South African Reserve Bank (the SARB). For further details regarding the ratio assuming the no phase-in provision (fully loaded ratio) refer to page 40 for more detail.

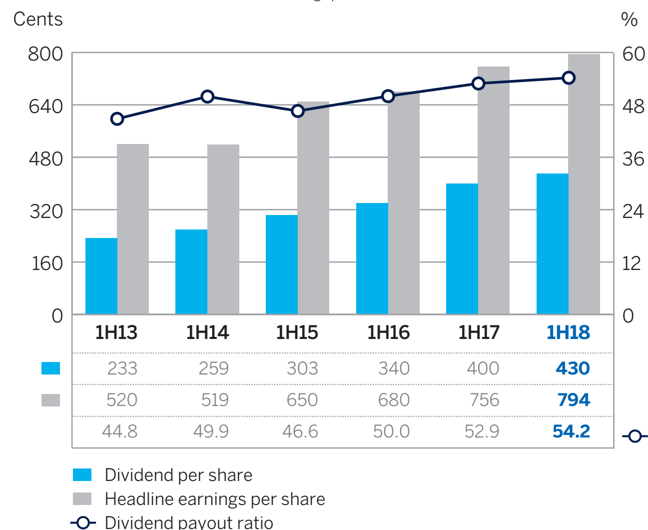
Headline earnings and return on equity
CAGR[1] (1H13 – 1H18): 9%



	1H13	1H14	1H15	1H16	1H17	1H18
Headline earnings (Rm)	8 046	8 230	10 373	10 861	12 111	**12 663**
Return on equity (ROE) (%)	14.0	12.7	15.1	14.4	16.1	**16.8**

[1] Compound annual growth rate

Headline earnings and dividend per share
CAGR (1H13 – 1H18): Dividend per share: 13%
Headline earnings per share: 9%



	1H13	1H14	1H15	1H16	1H17	1H18
Dividend per share (cents)	233	259	303	340	400	**430**
Headline earnings per share (cents)	520	519	650	680	756	**794**
Dividend payout ratio (%)	44.8	49.9	46.6	50.0	52.9	**54.2**

Overview of financial results

Group results

For the period ended 30 June 2018 (1H18) group delivered headline earnings of R12.7 billion, up 5% on the prior period (1H17), and return on equity improved to 16.8% from 16.1% in 1H17. The group's capital position remained strong, with a common equity tier 1 (CET1) ratio of 13.8%. Accordingly, an interim dividend of 430 cents per share has been declared, an increase of 8% on the prior period.

Banking activities headline earnings grew 6% to R11.7 billion driven by strong growth in non-interest revenue (NIR) and lower credit impairment charges, in Africa Regions in particular. Banking activities ROE improved to 17.5% from 16.8% in 1H17.

The stronger South African Rand, on average, adversely impacted the group's reported results. On a constant currency basis, group headline earnings increased by 8% boosted by Africa Regions which grew earnings by 32%. Africa Regions' contribution to banking headline earnings increased to 32% from 29% in 1H17. The top five contributors to Africa Regions' headline earnings were Angola, Ghana, Mozambique, Nigeria and Uganda.

Operating environment

Global growth has been less synchronised than previously expected. Key drivers were escalating trade tensions, rising oil prices and higher US yields. Global risk aversion led to increased volatility and emerging market (EM) currency pressures.

In many of the sub-Saharan African countries in which we operate, inflation continued to ease, interest rates declined and exchange rates were relatively stable. One exception was Angola, where the managed devaluation of the currency resulted in a 23% decline in average AOA/USD period on period.

In South Africa (SA), on average, the Rand was stronger, rates lower and inflation surprised on the downside. Consumer and business confidence improved but have not necessarily translated into higher spending or fixed investment. The VAT increase, tax bracket creep and higher fuel prices have all negatively impacted discretionary spending capacity.

IFRS 9 became effective on 1 January 2018 and the group provided a transition report with its first quarter results for 2018. The day one impact of implementing IFRS 9's expected credit loss impairment requirements included a 31% increase in balance sheet impairments from R22.4 billion to R29.4 billion, a R6.6 billion decline in group reserves and a 70 bps decline in the group's CET1 ratio on a fully loaded basis. The CET1 impact will be phased in over three years.

Revenue

Banking activities achieved revenue growth of 4%, with strong NIR growth dampened by slower net interest income (NII).

NII was broadly flat driven by low loan growth and declining net interest margin (NIM). NIM declined from 460 bps to 450 bps as the impact of declines in interest rates in SA and various African countries and pressure on pricing was partially offset by retail deposits growing faster than wholesale, the Africa Regions' portfolio growing faster than SA and lower funding costs. In addition, the impact of the earlier suspension of interest in accordance with IFRS 9 was negative 4 bps on NIM and approximately R280 million on NII. On a like-for-like basis, adjusting for the impact of interest in suspense (IIS), NII would have grown 2% compared to reported growth of 1%.

NIR was up 8% on 1H17, with the largest component, net fee and commission revenue, up 6%. Trading revenue recovered to grow at 12% and other revenue by 9%.

Growth in net fee and commission revenue was the result of volume-driven increases in card-based commissions, electronic banking fees and foreign currency service fees. Customers are increasingly adopting and transacting on our digital platforms as well as our non-cash, digital products, e.g. Instant Money and SnapScan. Strong growth in revenue was dampened by higher card merchant fees and UCount reward programme costs.

Reported trading revenue grew 12%, while trading revenue on a constant currency basis grew 17%. On a constant currency basis fixed income and currency trading revenue grew 8%, driven by strong client activity. Equities revenue increased by R475 million, of which approximately 50% was trade related and 50% relates to the elimination, in terms of IFRS, of the impact of Standard Bank shares held by the group to facilitate client trading activities.

Credit impairment charges

Credit impairment charges were 22% lower than in the prior period, which combined with low growth in loans led to a group credit loss ratio of 70 bps, down from 96 bps in 1H17. In Personal & Business Banking (PBB), impairment charges declined 14% largely due to the earlier suspension of interest in accordance with IFRS 9 in SA and lower charges in Africa Regions. In SA, excluding the impact of IFRS 9, the credit charge would have been broadly flat period on period. Corporate & Investment Banking's (CIB) impairment charges declined 70%, driven by Africa Regions recoveries. CIB charges are likely to normalise in the second half of 2018 (2H18).

Operating expenses

Operating expenses grew 6% period on period. The cost-to-income ratio for the period was 57.1%, an increase on 56.1% in the prior period.

Staff costs were up 6%, driven by annual salary increases and higher deferred incentive charges (linked to the higher Standard Bank share price). Headcount declined overall, with decreases in PBB and CIB partially offset by additional heads in IT, Compliance, Marketing and Risk Management functions.

Other operating expenses increased by 5%. IT costs increased 13% on the back of higher licensing fees, infrastructure spend and security costs. IT amortisation only grew 3% period on period; this is expected to accelerate in 2H18 as key projects completed in 1H18 start to be amortised. Tight cost control across various operational areas, for example premises, communication and stationary, provided the group with scope to invest in our core customer value proposition. During the period the group incurred additional spend in SA on professional fees related to the PBB customer journey project and on marketing to build on brand awareness both in SA and across Africa Regions. Both projects started in the second half of 2017 and therefore the impact is expected to be less marked over the full year.

Loans and advances

Gross loans and advances to customers grew 4% period on period, of which PBB's advances to customers grew 6% and CIB's by 1%.

Within PBB, mortgage lending grew 3%. In SA, new applications received were down 4% reflective of the low level of activity in the SA housing market. Despite the subdued environment, PBB SA's new business disbursements totalled R19.1 billion in the period. Vehicle and asset finance (VAF) lending grew 5%, driven primarily by strong new business volumes in SA. A 31% increase in new accounts, albeit at lower average values, led to a 22% increase in disbursements to R18.4 billion. The increases are a validation of the investments made in people, processes and structures to deliver a better customer experience. Credit card balances outstanding increased by 4% as customers utilised limits and

transacted more. Other personal unsecured lending grew by 4%. Business lending grew by 16%, with PBB Africa Regions showing particularly strong growth at 21% on a constant currency basis.

In CIB loans and advances supporting client activities showed growth in both Investment Banking of 6% and Transactional Products and Services of 12%. The overall growth rate of customer loans is masked by reduced short-term lending balances in Global Markets where surplus liquidity is placed mostly with non-bank financial institutions. Increased client lending requirements during the period therefore led to a switch in our utilisation of liquidity from Global Markets placements to client lending in Investment Banking and Transactional Products and Services.

Funding and liquidity

The group's liquidity position remained strong with a second quarter average Basel III liquidity coverage ratio (LCR) of 121.3%, exceeding the minimum phased-in Basel III LCR requirement of 90%. The group's net stable funding ratio was 123.1% in excess of the minimum Basel III requirement of 100%.

The group successfully increased its longer term funding during 1H18, raising R13.9 billion through a combination of negotiable certificates of deposit, senior debt and syndicated loans.

Deposits and debt funding from customers grew 4% period on period. The group's retail deposits from PBB customers increased 9%. In South Africa, retail-priced deposits grew 6%, in Africa Regions 16% and in International 12%. CIB's SA deposits declined 2%, whilst in Africa Regions customer deposits grew by 5% (9% in constant currency).

Capital management

The group allocates available capital pursuant to our strategic objectives and subject to appropriate return hurdles. In 1H18 the group completed the acquisition of an additional 11% in Stanbic IBTC Holdings in Nigeria, increasing the group's shareholding to 64% and negatively impacting the group CET1 ratio by approximately 20 bps. In early July 2018, the group completed the acquisition of an additional 8% in Stanbic Holdings in Kenya, increasing the group's shareholding to 68%. The impact of the transaction in Kenya on group CET1 in 2H18 will be negligible. Including the impact of the Nigeria transaction, the group maintained strong capital adequacy ratios. On an IFRS 9 phased-in basis, the CET1 ratio was 13.8% (1H17: 13.7%) and the total capital adequacy ratio was 16.2% (1H17: 16.2%).

Gross loans and advances to customers[1]

	CCY[2] %	Change %	1H18 Rm	1H17 Rm	FY17 Rm
Personal & Business Banking	5	6	**632 088**	598 422	605 187
Mortgage loans	3	3	**353 357**	342 128	346 518
Vehicle and asset finance	5	5	**85 327**	80 889	81 640
Card debtors	4	4	**33 336**	32 119	32 268
Other loans and advances	11	12	**160 068**	143 286	144 761
Corporate & Investment Banking	1	1	**364 148**	359 486	352 025
Global markets	(48)	(48)	**17 653**	33 843	21 648
Investment banking	5	6	**308 526**	291 621	299 357
Transactional products and services	11	12	**37 955**	33 840	30 859
Real estate and PIM	(92)	(92)	**14**	182	161
Central and other	(6)	(9)	**(3 379)**	(3 730)	(4 676)
Gross loans and advances to customers	4	4	**992 857**	954 178	952 536

[1] The above loans and advances disclosures have been presented at a segment level for customers only, whereas the other loans and advances disclosures within these results are disclosed on a group consolidated view, unless stated otherwise.
[2] Constant currency change.

Deposits from customers

	CCY %	Change %	1H18 Rm	1H17 Rm	FY17 Rm
Personal & Business Banking	9	11	**563 592**	509 276	535 461
Retail priced deposits	7	9	**448 553**	412 022	426 484
Wholesale priced deposits	18	18	**115 039**	97 254	108 977
Corporate & Investment Banking	(1)	(1)	**615 986**	624 283	635 775
Central and other			**(4 935)**	(4 945)	(4 671)
Deposits from customers	4	4	**1 174 643**	1 128 614	1 166 565
Retailed priced deposits	7	9	**448 553**	412 022	426 484
Wholesale priced deposits	2	1	**726 090**	716 592	740 081

Headline earnings by business unit

	CCY %	Change %	1H18 Rm	1H17 Rm	FY17 Rm
Personal & Business Banking	8	8	**6 641**	6 133	14 058
Corporate & Investment Banking	13	8	**5 709**	5 310	11 438
Central and other	43	59	**(676)**	(426)	(1 228)
Banking activities	9	6	**11 674**	11 017	24 268
Other banking interests	(19)	(38)	**132**	212	567
Liberty	(3)	(3)	**857**	882	1 435
Standard Bank Group	8	5	**12 663**	12 111	26 270

Overview of business unit performance

Personal & Business Banking

PBB's headline earnings of R6.6 billion were 8% higher than the prior year, driven by customer-led growth in income, responsible cost management and lower credit impairment charges, most notably in Africa Regions. An ROE of 19.4% was achieved, a marked improvement on the 17.8% recorded in the prior period.

PBB SA delivered a resilient performance in a sluggish operating environment, with headline earnings of R6.0 billion up 5%. PBB SA's focus remains on delivering a consistently excellent customer experience, seamlessly across all touch points, with products relevant to their individual needs. This has necessitated continued investment in upskilling and empowering our customer facing staff and radically redesigning and digitising processes. Ensuring the safety of customers' assets in a digital era is also an integral part of the overall customer experience, and investments made in digital fraud prevention yielded a pleasing 81% reduction in the number of digital fraud cases reported. Together, these investments have resulted in an overall increase in customer satisfaction scores and the number of active customers was maintained from FY17 at 8.1 million customers. This was supported by particularly pleasing growth in the larger middle market segment. Customers continued to indicate their preference for digital, rather than physical channels, with the number of active mobile banking users growing by 7%, and the number of transactions performed on this channel growing strongly by 58%.

Total income grew by 4%, supported by increases in target customer segments. Despite increased spending on marketing campaigns and projects to develop solutions, which better service our customers, operating expense growth was contained at 6%. Credit impairment charges declined by 8% leading to a lower credit loss ratio of 122 bps (1H17: 137 bps). This was mainly attributable to IFRS 9 as discussed previously.

PBB Africa Regions was impacted by the stronger Rand on average in 1H18 compared to 1H17. To reflect the underlying trends in this business, the commentary that follows refers to the constant currency growth rates of PBB Africa Regions.

Headline earnings from PBB Africa Regions improved to R201 million from R91 million in the prior period. Gross customer loans expanded 15%, particularly in personal unsecured and business lending, and deposits from customers grew 15%, with pleasing balance growth of 18% in current and savings accounts. PBB Africa Regions' result was underpinned by customer acquisition in key markets, with a focus on delivering digital solutions, and strong trade-related revenue in the Business Banking segment. In 1H18 the total number of active customers grew 4% to 5 million customers, driven by strong growth in Kenya, Ghana, Mozambique, Nigeria, Swaziland and Zimbabwe. Mobile and internet banking are available in all 14 countries in which PBB operates in Africa Regions. The number of transactions performed by customers on digital platforms far outstripped the number performed in physical channels. Approximately 24 million transactions were performed on mobile banking, up from approximately 11 million in 1H17. On the other hand, transactions performed in physical channels declined by 8%.

NII grew 9%, benefiting from balance growth and improved pricing, despite the negative endowment impact of lower average interest rates in Nigeria, Mozambique, Malawi and Uganda. NIR grew 19%, driven by higher transactional volumes and the increase in the account base, coupled with strong trade-related revenue growth. PBB Africa Regions contributes approximately 47% of the Africa Regions legal entities' total income. The credit loss ratio decreased to 145 bps from 264 bps in the prior year, driven predominantly by lower charges in Nigeria and Malawi. Assets under management in the Wealth business in Nigeria grew over the period, and we continued to focus on diversifying and growing the wealth business in Africa Regions, specifically the short-term and long-term brokerage businesses.

Wealth International grew headline earnings by 31%. USD, GBP and EUR denominated customer deposit balances in our operations in the Isle of Man and Jersey grew to GBP5.1 billion (1H17: GBP4.9 billion). Margins expanded following interest rate increases in the US and UK.

Corporate & Investment Banking

CIB's headline earnings of R5.7 billion were up 8% on the prior period, and 13% on a constant currency basis. CIB's strategic focus on developing proactive client partnerships that deliver relevant solutions, across sectors, regions and products, to drive Africa's growth delivers diverse revenue streams and supports the sustainability of the franchise. Client revenues grew 9% (14% on a constant currency basis), demonstrating a strong and diversified franchise. CIB recorded strong performances from multinational corporates and large domestic clients in the Financial Institutions, Industrials and Consumer sectors, with an encouraging turn around in the Power & Infrastructure, Oil & Gas and Mining & Metals sectors. Reported revenue growth was slower at 4%, mainly as a result of the non-recurrence of trading revenues associated with the revaluation of the Nigeria Naira in the prior year. While cost growth was relatively well contained at 5%, when combined with low revenue growth it resulted in negative jaws of 1.5%. The credit loss ratio to customers improved materially to 3 bps due to recoveries of previously impaired loans. CIB delivered an ROE of 20.7%, slightly lower than the 21.3% recorded in 1H17.

Due to the impact of currency on CIB's results, the commentary that follows refers to the constant currency growth rates. Revenues in the CIB SA franchise grew by 8%, and in the Africa Regions

franchise by 10%. The West Africa franchise grew revenues by more than 29%, reflecting growth in client deposits and transactional accounts. South & Central Africa continued to be a steady performer, delivering revenue growth of 9%. Following focused attention on client acquisition in East Africa, this region delivered strong revenue growth of 17%.

Transactional Products and Services delivered a subdued set of results, with headline earnings down 2% on the prior period. Revenue growth of 6% was muted, dampened by margin compression in Nigeria and Angola. Credit impairments increased significantly following the recognition of impairments in the Construction sector in South Africa, to take account of economic strain.

Global Markets delivered a stronger performance compared to 1H17, growing headline earnings by 8% to R2.1 billion. Equity and forex trading volumes in South Africa were low. However, fixed income trading improved as a result of lower interest rates and improved market sentiment. The more flexible forex regime in Nigeria continued to assist forex flows in Nigeria, and the managed devaluation of the Kwanza benefited forex trading in Angola.

Investment Banking revenues were up 9%, reflecting fees earned on a number of landmark transactions and client activity in the Energy and Infrastructure sectors. Competition for high quality clients continued to place pressure on pricing and led to margin compression. As a result, NII was lower than the prior period. Credit impairments improved significantly following the recovery of previously impaired loans in the Africa Regions, despite recognising impairments to take account of stress in the Consumer sector in South Africa.

Central and other

This segment includes costs associated with corporate functions, as well as the group's treasury and capital requirements and central hedging activities. Capital not allocated to the business units is held at the centre and a return is generated on that capital. The day one IFRS 9 reserve adjustment resulted in a R6.6 billion decline in that capital and a concomitant decline in the returns earned on that capital. In 1H18, the segment recorded a loss of R676 million. Excluding the IFRS 9 impact, the loss would have been R516 million.

Other banking interests

Other banking interests recorded headline earnings of R132 million, lower than the R212 million recorded in 1H17. The decline was driven by a disappointing performance in ICBC Standard Bank Plc (ICBCS).

ICBCS's revenue was negatively impacted by lower client flows and margins, which when combined with its fixed cost base, resulted in a loss for the period. The group's 40% share thereof equated to a loss of R70 million. ICBCS will require additional capital to grow its balance sheet and become profitable on a sustainable basis. The group's 40% contribution will equate to approximately $84 million and is expected to be provided in late 2018 or early 2019.

The headline earnings contribution from the group's 20% stake in ICBC Argentina grew 23% to R202 million, off a low base in 1H17. The Peso devaluation diluted a particularly strong local currency performance. On a constant currency basis, earnings were up 74%.

Liberty

The financial results reported are the consolidated results of the group's 55.6% investment in Liberty, adjusted for SBK shares held by Liberty for the benefit of Liberty policyholders which are deemed to be treasury shares in the group's consolidated accounts.

Liberty's normalised headline earnings for the period improved by 5% to R1.3 billion, supported by higher earnings from SA retail insurance and asset management. Liberty's IFRS headline earnings, after the adjustments for the impact of the BEE preference share income and the Liberty Two Degrees listed Real Estate Investment Trust accounting mismatch, declined 1% to R1.5 billion. Investors are referred to the full Liberty announcement dated 2 August 2018 for further detail.

Headline earnings attributable to the group, adjusted up by R12 million for the impact of the deemed treasury shares, were R857 million, 3% lower than in 1H17.

Prospects

Whilst the global growth outlook for 2018 and 2019 is unchanged at 3.9%, the underlying growth is expected to be less even. Relative to expectations earlier in the year, the International Monetary Fund is expecting the US to grow slightly faster and UK, Europe and EM slightly slower. The broadly supportive EM capital inflows seen in recent periods could reverse if US monetary tightening is faster than expected. This would negatively impact EM currencies and capital markets.

Sub-Saharan Africa's recovery is expected to continue on the back of higher commodity prices. Growth is estimated to increase from 2.8% in 2017 to 3.4% in 2018 and rise further to 3.8% in 2019. Within our portfolio, we expect the macros in the West region to continue to improve, supported by higher average oil prices and the East region to continue to deliver GDP growth of 5 to 6%. More specifically, Kenya's credit growth could experience a recovery if the regulatory caps and floors, imposed in 2016, are amended or lifted. The South & Central region performance will be impacted by SA growth in 2H18.

In South Africa, while consumer confidence has improved, delays in resolving key policy issues remain an obstacle to business confidence, fixed investment and growth. Inflation is expected to remain inside the 3% to 6% target range, supporting a flat interest rate outlook for the rest of the year. The group has appetite to grow lending judiciously in South Africa. There is no doubt competitive pressures will continue to increase, however, we will fiercely protect our existing customer franchise and grow by partnering with third parties to build new, innovative offerings and revenue streams.

Our strategy is unchanged and actions being taken are positioning us to deliver contextually-relevant offerings to our customers, to compete effectively against both incumbents and new entrants and to grow our franchise in partnership with our clients, employees and business partners, in a sustainable way.

With revenue pressures expected to continue, operating expenses will be a focus area for 2H18 to ensure better full year jaws. More broadly, we will continue to balance growth, resilience and returns to deliver on our medium-term objectives of sustainable growth in earnings and delivering an ROE in our 18% to 20% target range.

The 1H18 results, including comparatives for 1H17, where applicable, together with any forward looking information have not been audited or independently reviewed by the group's external auditors.

Sim Tshabalala
Group chief executive

Thulani Gcabashe
Chairman

15 August 2018

Declaration of dividends

Shareholders of Standard Bank Group Limited (the company) are advised of the following dividend declarations out of income reserves in respect of ordinary shares and preference shares.

Ordinary shares

Ordinary shareholders are advised that the board has resolved to declare an interim gross cash dividend No. 98 of 430 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 14 September 2018. The last day to trade to participate in the dividend is Tuesday, 11 September 2018. Ordinary shares will commence trading *ex* dividend from Wednesday, 12 September 2018.

The salient dates and times for the cash dividend are set out in the table that follows.

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 12 September 2018, and Friday, 14 September 2018, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Monday, 17 September 2018.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

Preference shares

Preference shareholders are advised that the board has resolved to declare the following interim dividends:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 98 of 3.25 cents (gross) per first preference share, payable on Monday, 10 September 2018, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 7 September 2018. The last day to trade to participate in the dividend is Tuesday, 4 September 2018. First preference shares will commence trading *ex* dividend from Wednesday, 5 September 2018.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 28 of 386.43 cents (gross) per second preference share, payable on Monday, 10 September 2018, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 7 September 2018. The last day to trade to participate in the dividend is Tuesday, 4 September 2018. Second preference shares will commence trading *ex* dividend from Wednesday, 5 September 2018.

The salient dates and times for the preference share dividend are set out in the table that follows.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 5 September 2018, and Friday, 7 September 2018, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 10 September 2018.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

The relevant dates for the payment of dividends are as follows:

	Ordinary shares	6.5% cumulative preference shares (First preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (Second preference shares)
JSE Limited			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
Namibian Stock Exchange (NSX)			
Share code	SNB		
ISIN	ZAE000109815		
Dividend number	98	98	28
Dividend per share (cents)	430	3.25	386.43
Last day to trade in order to be eligible for the cash dividend	Tuesday, 11 September 2018	Tuesday, 4 September 2018	Tuesday, 4 September 2018
Shares trade *ex* the cash dividend	Wednesday, 12 September 2018	Wednesday, 5 September 2018	Wednesday, 5 September 2018
Record date in respect of the cash dividend	Friday, 14 September 2018	Friday, 7 September 2018	Friday, 7 September 2018
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Monday, 17 September 2018	Monday, 10 September 2018	Monday, 10 September 2018

The above dates are subject to change. Any changes will be released on the Stock Exchange News Service (SENS) and published in the South African and Namibian press.

Tax implications

The cash dividend received under the ordinary shares and the preference shares is likely to have tax implications for both resident and non-resident ordinary and preference shareholders. Such shareholders are therefore encouraged to consult their professional tax advisers.

In terms of the South African Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividends tax that was introduced with effect from 1 April 2012. South African resident ordinary and preference shareholders that are not exempt from dividends tax, will be subject to dividends tax at a rate of 20% of the cash dividend, and this amount will be withheld from the cash dividend with the result that they will receive a net amount of 344 cents per ordinary share, 2.60 cents per first preference share and 309.144 cents per second preference share. Non-resident ordinary and preference shareholders may be subject to dividends tax at a rate of less than 20% depending on their country of residence and the applicability of any Double Tax Treaty between South Africa and their country of residence.

The issued share capital of the company, as at the date of declaration, is as follows:

- 1 618 059 594 ordinary shares
- 8 000 000 first preference shares
- 52 982 248 second preference shares.

The company's tax reference number is 9800/211/71/7 and registration number is 1969/017128/06.

Financial statistics

for the six months ended 30 June 2018

	1H18 Unaudited	1H17 Unaudited Restated	FY17 Audited Restated
Number of ordinary shares in issue, net of deemed treasury shares (000's)			
End of period	**1 595 280**	1 602 748	1 597 371
Weighted average	**1 594 993**	1 603 040	1 601 855
Diluted weighted average	**1 615 112**	1 622 574	1 621 921
Cents per ordinary share			
Basic earnings	**796.6**	769.8	1 637.8
Diluted earnings	**786.7**	760.5	1 617.5
Headline earnings	**793.9**	755.5	1 640.0
Diluted headline earnings	**784.0**	746.4	1 619.7
Dividend	**430**	400	910
Net asset value	**9 768**	9 554	9 830
Financial performance (%)			
ROE	**16.8**	16.1	17.1
Net interest margin on banking activities	**4.50**	4.60	4.74
Credit loss ratio on banking activities	**0.70**	0.96	0.86
Cost-to-income ratio on banking activities[1]	**57.1**	56.1	55.5
Jaws on banking activities[1]	**(1.8)**	1.0	1.1
Capital adequacy ratios (%)[2]			
CET1 capital adequacy ratio	**13.8**	13.7	13.5
Tier 1 capital adequacy ratio	**14.4**	14.2	14.2
Total capital adequacy ratio	**16.2**	16.2	16.0

[1] Refer to page 53 for details on the restatements affecting this ratio.
[2] The 1H18 ratios are reported after applying the IFRS 9 phase-in transition adjustment allowed by the SARB, for further details regarding the ratio assuming the no phase-in provision (fully loaded ratio) please refer to page 40.

Condensed consolidated statement of financial position

as at 30 June 2018

	1H18 Unaudited Rm	1H17 Unaudited Restated Rm	FY17 Audited Rm
Assets			
Cash and balances with central banks	**72 104**	70 949	75 310
Derivative assets[1]	**71 205**	51 252	75 610
Trading assets	**165 230**	126 565	160 894
Pledged assets	**22 371**	17 447	20 785
Financial investments	**531 883**	519 084	533 314
Current and deferred tax assets	**4 572**	2 264	2 109
Loans and advances	**1 064 680**	1 043 398	1 048 027
Policyholders' assets	**7 159**	7 689	7 484
Other assets	**25 274**	30 547	22 996
Interest in associates and joint ventures	**9 961**	9 712	9 665
Investment property	**32 185**	31 508	32 226
Property and equipment	**16 354**	15 852	16 179
Goodwill and other intangible assets	**23 954**	23 814	23 329
Total assets	**2 046 932**	1 950 081	2 027 928
Equity and liabilities			
Equity	**189 078**	183 817	190 017
Equity attributable to ordinary shareholders	**155 834**	153 132	157 020
Equity attributable to other equity instruments holders	**9 047**	7 247	9 047
Equity attributable to non-controlling interests	**24 197**	23 438	23 950
Liabilities	**1 857 854**	1 766 264	1 837 911
Derivative liabilities[1]	**73 217**	57 423	76 896
Trading liabilities	**61 744**	45 758	62 855
Current and deferred tax liabilities	**8 556**	7 970	8 614
Deposits and debt funding	**1 266 584**	1 212 115	1 243 911
Policyholders' liabilities	**319 280**	309 200	322 918
Subordinated debt	**23 187**	24 954	24 289
Provisions and other liabilities	**105 286**	108 844	98 428
Total equity and liabilities	**2 046 932**	1 950 081	2 027 928

[1] Refer to page 53 for details on the restatement to derivative assets and derivative liabilities.

Condensed consolidated income statement

for the six months ended 30 June 2018

	1H18 Unaudited Rm	1H17 Unaudited Restated Rm	FY17 Audited Restated Rm
Income from banking activities	**51 180**	49 120	102 699
Net interest income[1]	**29 150**	28 770	60 125
Non-interest revenue[2]	**22 030**	20 350	42 574
Income from investment management and life insurance activities	**11 360**	12 097	24 394
Total income	**62 540**	61 217	127 093
Credit impairment charges	**(3 999)**	(5 155)	(9 410)
Net income before operating expenses	**58 541**	56 062	117 683
Operating expenses from banking activities[2]	**(29 205)**	(27 553)	(57 049)
Operating expenses from investment management and life insurance activities	**(8 691)**	(8 822)	(17 800)
Net income before capital items and equity accounted earnings	**20 645**	19 687	42 834
Non-trading and capital related items	**46**	214	(261)
Share of post tax profit from associates and joint ventures	**360**	412	1 102
Net income before indirect taxation	**21 051**	20 313	43 675
Indirect taxation	**(1 208)**	(1 154)	(2 481)
Profit before direct taxation	**19 843**	19 159	41 194
Direct taxation	**(4 510)**	(4 526)	(10 479)
Profit for the period	**15 333**	14 633	30 715
Attributable to ordinary shareholders	**12 706**	12 340	26 235
Attributable to other equity instrument holders	**371**	257	594
Attributable to non-controlling interests	**2 256**	2 036	3 886
Earnings per share (cents)			
Basic earnings per ordinary share	**796.6**	769.8	1 637.8
Diluted earnings per ordinary share	**786.7**	760.5	1 617.5

[1] Refer to page 52 for details for the group's IFRS 9 accounting treatment of previously suspended contractual interest that was earned.
[2] Refer to page 53 for details about the restatement to non-interest revenue and operating expenses from banking activities.

Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2018

	1H18 Unaudited Rm	1H17 Unaudited Rm	FY17 Audited Rm
Profit for the period	**15 333**	14 633	30 715
Other comprehensive income/(loss) after tax for the period	**4 352**	(2 473)	(5 940)
Items that may be subsequently reclassified to profit and loss	**4 247**	(2 368)	(5 607)
Exchange differences on translating foreign operations	**4 225**	(2 697)	(6 180)
Movement in the cash flow hedging reserve and foreign currency hedge reserves	**(25)**	25	111
Movement in the available-for-sale revaluation reserve[1]		304	462
Movement in debt investments measured at fair value through other comprehensive income (OCI)[1]	**47**		
Items that may not be subsequently reclassified to profit and loss	**105**	(105)	(333)
Defined benefit fund	**16**	(113)	(219)
Change in own credit risk recognised on financial liabilities designated at fair value through profit and loss[1]	**78**		
Other gains/(losses)	**11**	8	(114)
Total comprehensive income for the period	**19 685**	12 160	24 775
Attributable to ordinary shareholders	**16 354**	10 547	21 514
Attributable to other equity instrument holders	**371**	257	594
Attributable to non-controlling interests	**2 960**	1 356	2 667

[1] The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. Refer to page 43 for more detail on the adoption of IFRS 9.

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2018

	Ordinary shareholders' equity Rm	Equity attributable to other equity holders Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2017 (audited)	150 757	5 503	23 099	179 359
Total comprehensive income for the period	10 547	257	1 356	12 160
Transactions with owners and non-controlling interests recorded directly in equity	(8 172)	1 487	(905)	(7 590)
Equity-settled share-based payment transactions[1]	(348)		7	(341)
Deferred tax on share-based payment transactions	(45)			(45)
Transactions with non-controlling interests	81		(67)	14
Net dividends paid	(7 100)	(257)	(814)	(8 171)
Other equity movements	(760)	1 744	(31)	953
Unincorporated property partnerships' capital reductions and distributions			(112)	(112)
Balance at 30 June 2017 (unaudited)	153 132	7 247	23 438	183 817
Balance at 1 July 2017 (unaudited)	153 132	7 247	23 438	183 817
Total comprehensive income for the period	10 967	337	1 311	12 615
Transactions with owners and non-controlling interests recorded directly in equity	(7 079)	1 463	(760)	(6 376)
Equity-settled share-based payment transactions[1]	(537)		22	(515)
Deferred tax on share-based payment transactions	321			321
Transactions with non-controlling interests	(135)		227	92
Net dividends paid	(6 452)	(337)	(550)	(7 339)
Other equity movements	(276)	1 800	(459)	1 065
Unincorporated property partnerships' capital reductions and distributions			(39)	(39)
Balance at 31 December 2017 (audited)	157 020	9 047	23 950	190 017
Balance at 1 January 2018 (unaudited) (IFRS 9)	**150 759**	**9 047**	**23 574**	**183 380**
IFRS 9 transition[2]	**(6 261)**		**(376)**	**(6 637)**
Balance at 1 January 2018 (audited) (IAS 39)	**157 020**	**9 047**	**23 950**	**190 017**
Total comprehensive income for the period	**16 354**	**371**	**2 960**	**19 685**
Transactions with owners and non-controlling interests recorded directly in equity	**(11 279)**	**(371)**	**(2 337)**	**(13 987)**
Equity-settled share-based payment transactions[1]	**(1 253)**		**4**	**(1 249)**
Deferred tax on share-based payment transactions	**58**			**58**
Transactions with non-controlling interests[3]	**(1 477)**		**(879)**	**(2 356)**
Net dividends paid	**(8 214)**	**(371)**	**(1 029)**	**(9 614)**
Other equity movements	**(393)**		**(433)**	**(826)**
Balance at 30 June 2018 (unaudited)	**155 834**	**9 047**	**24 197**	**189 078**

[1] Includes hedges of the group's equity settled share incentive schemes.
[2] Refer to page 43 for detail on the IFRS 9 transition adjustments.
[3] Refer to page 41 for detail on significant transactions with non-controlling interests.

Condensed consolidated statement of cash flows

for the six months ended 30 June 2018

	1H18 Unaudited Rm	1H17 Unaudited Rm	FY17 Audited Rm
Net cash flows from operating activities	**10 510**	17 401	24 137
Direct taxation paid	**(6 856)**	(5 187)	(10 078)
Other operating activities	**17 366**	22 588	34 215
Net cash flows generated from/(used in) investing activities	**2 661**	(10 382)	(8 415)
Capital expenditure	**(1 652)**	(2 185)	(5 451)
Other investing activities	**4 313**	(8 197)	(2 964)
Net cash flows used in financing activities	**(12 959)**	(5 944)	(12 674)
Dividends paid[1]	**(9 676)**	(8 171)	(15 574)
Equity transactions with non-controlling interests[2]	**(2 356)**	1 674	1 173
Issuance of other equity instruments		1 744	3 544
Issuance of subordinated debt	**3 100**	257	2 246
Redemption of subordinated debt	**(4 550)**	(1 400)	(4 180)
Other financing activities	**523**	(48)	117
Effect of exchange rate changes on cash and cash equivalents	**(3 418)**	(7 600)	(5 212)
Net decrease in cash and cash equivalents	**(3 206)**	(6 525)	(2 164)
Cash and cash equivalents at the beginning of the period	**75 310**	77 474	77 474
Cash and cash equivalents at the end of the period	**72 104**	70 949	75 310
Cash and balances with central banks	**72 104**	70 949	75 310

[1] Refer to page 40 for detail on the dividends paid to Additional Tier 1 (AT1) equity holders.
[2] Refer to page 41 for detail on significant transactions with non-controlling interests.

Notes

Financial investments

as at 30 June 2018

	1H18 Unaudited Rm	FY17 Unaudited Restated[1] Rm
Corporate and sovereign	258 893	240 703
Bank	41 522	46 278
Mutual funds and unit-linked investments	106 329	98 169
Listed equities	101 893	122 545
Unlisted equities	4 065	5 554
Interests in associates and joint ventures held at fair value	13 862	15 197
Other instruments	5 319	4 868
Total financial investments	**531 883**	533 314
Net financial investments measured at amortised cost	135 213	
Gross financial investments measured at amortised cost	135 415	
Expected credit loss for financial investments measured at amortised cost[2]	(202)	
Financial investments measured at fair value through profit or loss	363 222	
Debt financial investments measured at fair value through OCI[3]	32 224	
Equity financial investments measured at fair value through OCI	1 224	

[1] The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. The group has aligned its categories for financial investments disclosed in FY17 to those disclosed for 1H18. This did not result in a restatement to the group's statement of financial position as at 31 December 2017.
[2] The group recognised an expected credit loss (ECL) of R97 million on debt financial investments measured at amortised cost upon the transition to IFRS 9 on 1 January 2018. Refer to the credit impairment charges note on page 36 for the 1H18 credit impairment charge on financial investments.
[3] The group recognised an ECL of R175 million on debt financial investments measured at fair value through OCI upon the transition to IFRS 9 on 1 January 2018. At 30 June 2018, the ECL for debt financial investments measured at fair value through OCI was R162 million. Refer to the credit impairment charges note on page 36 for the 1H18 credit impairment charge on financial investments.

Loans and advances

as at 30 June 2018

	1H18 Unaudited Rm	FY17 Unaudited Restated[1] Rm
Loans and advances measured at fair value through profit or loss	1 834	110
Net loans and advances measured at amortised cost	1 062 846	1 047 917
Gross loans and advances measured at amortised cost	1 099 896	1 070 361
Mortgage loans	353 357	346 508
Vehicle and asset finance	86 522	83 136
Card debtors	33 336	32 253
Corporate and sovereign	362 314	352 025
Bank	108 873	117 935
Other loans and advances	155 494	138 504
Interest in suspense[2]	(6 128)	
Credit impairments for loans and advances (IAS 39)		(22 444)
Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	(30 922)	
Total loans and advances	**1 064 680**	1 048 027

[1] The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. The group has, however, aligned its categories for loans and advances disclosed in FY17 to those disclosed for 1H18. This did not result in a restatement to the group's statement of financial position as at 31 December 2017.
[2] For details on the group's accounting policy on interest in suspense, refer to page 52.

Loans and advances continued

Reconciliation of expected credit loss for loans and advances at amortised cost (unaudited)

	Opening ECL 1 January 2018[1] Rm	Total transfers between stages Rm	Net impairments raised/ (released)[2] Rm	Impaired accounts written-off Rm	Exchange and other movements Rm	Closing ECL 30 June 2018 Rm
Mortgage loans	7 619		961	(438)	33	8 175
Stage 1	1 126	179	(225)		(6)	1 074
Stage 2	2 014	(10)	208		13	2 225
Stage 3	4 479	(169)	978	(438)	26	4 876
Vehicle and asset finance	3 021		591	(369)	59	3 302
Stage 1	766	157	(248)		6	681
Stage 2	994	(291)	310		15	1 028
Stage 3	1 261	134	529	(369)	38	1 593
Card debtors	2 955		654	(585)	(2)	3 022
Stage 1	698	137	(130)			705
Stage 2	821	(173)	259			907
Stage 3	1 436	36	525	(585)	(2)	1 410
Other loans and advances	9 661		1 823	(1 356)	268	10 396
Stage 1	2 289	44	(148)		157	2 342
Stage 2	2 454	(502)	398		(24)	2 326
Stage 3	4 918	458	1 573	(1 356)	135	5 728
Corporate & Investment Banking	6 115		102	(494)	304	6 027
Stage 1	910	132	(144)		65	963
Stage 2	1 992	(600)	(309)		85	1 168
Stage 3	3 213	468	555	(494)	154	3 896
Total	29 371		4 131	(3 242)	662	30 922
Stage 1	5 789	649	(895)		222	5 765
Stage 2	8 275	(1 576)	866		89	7 654
Stage 3	15 307	927	4 160	(3 242)	351	17 503

[1] IFRS 9 resulted in a transitional increase in ECL of R2 563 million for mortgage loans; R1 001 million for vehicles and asset finance; R694 million for card debtors; R561 million for Corporate & Investment Banking; and R2 108 million for other loans and advances. The opening ECL as at 1 January 2018 incorporates these IFRS 9 transition adjustments. Refer to page 43 for more details on IFRS 9.

[2] Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer to credit impairment charges note on page 36).

Notes continued

Loans and advances continued
Reconciliation of credit impairments for loans and advances (IAS 39)

	Mortgage loans Rm	Vehicle and asset finance Rm
FY17 (restated)[1]		
Specific impairments		
Balance at beginning of the year	3 640	1 410
Net impairments raised/(released)[2]	1 826	1 261
Impaired accounts written off	(1 159)	(1 146)
Discount element recognised in interest income	(317)	(120)
Exchange and other movements	(11)	(38)
Balance at end of the year	3 979	1 367
Portfolio impairments		
Balance at beginning of the year	1 137	801
Net impairments raised/(released)[2]	(55)	(141)
Exchange and other movements	(5)	(7)
Balance at end of the year	1 077	653
Total specific and portfolio impairments	5 056	2 020

[1] The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. The group has aligned its categories for loans and advances disclosed in FY17 to those disclosed for 1H18. This did not result in a restatement to the group's statement of financial position as at 31 December 2017.
[2] Net impairments raised/(released) less recoveries of amounts written off in previous years, as well as credit recovery on off-balance sheet exposure, equals income statement impairment charges.

Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Total Rm
1 598	5 121	2 890	14 659
1 415	4 371	1 024	9 897
(1 383)	(3 861)	(245)	(7 794)
(26)	(345)	(102)	(910)
(8)	(283)	(242)	(582)
1 596	5 003	3 325	15 270
651	2 749	1 796	7 134
61	(159)	649	355
(47)	(40)	(216)	(315)
665	2 550	2 229	7 174
2 261	7 553	5 554	22 444

Notes continued

Loans and advances continued

Loans and advances at amortised cost performance

	Gross loans and advances Rm	Performing loans Stage 1 Rm	Stage 2 Rm	Total performing loans Rm
1H18 (unaudited)[1]				
Personal & Business Banking	683 361	588 072	60 087	648 159
Mortgage loans	353 357	301 615	33 452	335 067
Vehicle and asset finance	85 327	73 760	7 938	81 698
Card debtors	33 336	27 111	4 156	31 267
Other loans and advances	211 341	185 586	14 541	200 127
Corporate & Investment Banking	469 039	435 953	24 459	460 412
Corporate and sovereign	363 126	330 040	24 459	354 499
Bank	105 913	105 913		105 913
Central and other	(52 504)	(52 504)		(52 504)
Gross loans and advances at amortised cost[2]	1 099 896	971 521	84 546	1 056 067
Percentage of total book (%)	100.0	88.3	7.7	96.0

[1] The loans and advances performance disclosures have been presented at a segment level, where as the other loans and advances disclosures within these results are disclosed on group consolidated view, unless stated otherwise.
[2] The above table includes loans and advances within the scope of the impairment requirements in IFRS 9.

Non-performing loans					
Stage 3					
Total non-performing loans	Securities and expected recoveries on non-performing loans	Interest in suspense	Balance sheet impairments for non-performing loans	Non-performing loans impairment coverage	Non-performing loans
Rm	Rm	Rm	Rm	%	%
35 202	17 274	4 321	13 607	51	5.2
18 290	11 544	1 870	4 876	37	5.2
3 629	1 818	218	1 593	50	4.3
2 069	461	198	1 410	78	6.2
11 214	3 451	2 035	5 728	69	5.3
8 627	2 924	1 807	3 896	66	1.8
8 627	2 924	1 807	3 896	66	2.4
43 829	20 198	6 128	17 503	54	4.0
4.0	1.8	0.6	1.6		

Notes continued

Loans and advances continued
Loans and advances performance

	Gross loans and advances Rm	Performing loans Rm	Total specifically impaired non-performing loans Rm
FY17 (restated)[1,2]			
Personal & Business Banking	645 868	616 949	28 919
Mortgage loans	346 518	331 014	15 504
Vehicle and asset finance	81 640	78 514	3 126
Card debtors	32 268	30 148	2 120
Other loans and advances	185 442	177 273	8 169
Personal unsecured lending	52 016	47 827	4 189
Business lending and other	133 426	129 446	3 980
Corporate & Investment Banking	472 437	466 862	5 575
Central and other	(47 834)	(47 836)	2
Gross loans and advances	1 070 471	1 035 975	34 496
Percentage of total book (%)	100.0	96.8	3.2

[1] The loans and advances performance disclosures have been presented at a segment level, where as the other loans and advances disclosures within these results are disclosed on group consolidated view, unless stated otherwise.

[2] The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. The group has aligned its performance for loans and advances disclosed in FY17 to those disclosed for 1H18. This did not result in a restatement to the group's statement of financial position as at 31 December 2017.

Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Specific gross impairment coverage %	Total non-performing loans Rm	Non-performing loans %
16 976	11 943	11 943	41	28 919	4.5
11 525	3 979	3 979	26	15 504	4.5
1 759	1 367	1 367	44	3 126	3.8
524	1 596	1 596	75	2 120	6.6
3 168	5 001	5 001	61	8 169	4.4
1 002	3 187	3 187	76	4 189	8.1
2 166	1 814	1 814	46	3 980	3.0
2 250	3 325	3 325	60	5 600	1.2
	2	2		2	
19 226	15 270	15 270	44	34 521	3.2
1.8	1.4	1.4			

Notes continued

Contingent liabilities and commitments

as at 30 June 2018

	1H18 Unaudited Rm	FY17 Audited Rm
Letters of credit and bankers' acceptances	**13 798**	13 413
Guarantees	**78 505**	63 761
Contingent liabilities	**92 303**	77 174
Investment property	**540**	385
Property and equipment	**566**	94
Other intangible assets	**265**	299
Commitments	**1 371**	778

Loan commitments of R68 384 million (FY17: R62 347 million) are either irrevocable over the life of the facility or revocable only in response to material adverse changes.

Fair value disclosures

Financial assets and liabilities measured at fair value

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.

Valuation process

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, through 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 and loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing 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.

Notes continued

Fair value disclosures continued

Accounting classifications and fair values of financial assets and liabilities (IFRS 9) (unaudited)

The table below categorises the group's assets and liabilities as at 30 June 2018 between that which is financial and non-financial.

All financial assets and liabilities have been classified according to their measurement category as per IFRS 9 with disclosure of the fair value being provided for those items.

	Fair value through profit or loss		
	Held-for-trading Rm	Designated at fair value Rm	Fair value through profit or loss - default Rm
Assets			
Cash and balances with central banks			47 647
Derivative assets	71 205		
Trading assets	165 230		
Pledged assets	6 450	337	13 077
Financial investments		9 547	353 675
Loans and advances			1 834
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Other financial assets[3]			
Other non-financial assets			
Total assets	242 885	9 884	416 233
Liabilities			
Derivative liabilities	73 217		
Trading liabilities	61 744		
Deposits and debt funding		5 813	
Policyholders' liabilities[4]		101 715	
Subordinated debt		4 571	
Other financial liabilities[3]		58 548	
Other non-financial liabilities			
Total liabilities	134 961	170 647	

Refer to footnotes on page 26.

	Amortised cost[1]	Fair value through other comprehensive income		Other non-financial assets/ liabilities	Total carrying amount	Fair value[2]
		Debt instruments	Equity instruments			
	Rm	Rm	Rm	Rm	Rm	Rm
	24 457				72 104	72 104
					71 205	71 205
					165 230	165 230
	447	2 060			22 371	22 335
	135 213	32 224	1 224		531 883	530 754
	1 062 846				1 064 680	1 058 568
				7 159	7 159	7 159
				9 961	9 961	
				32 185	32 185	32 185
	8 158				8 158	
				61 996	61 996	
	1 231 121	34 284	1 224	111 301	2 046 932	
					73 217	73 217
					61 744	61 744
	1 260 771				1 266 584	1 251 158
				217 565	319 280	101 715
	18 616				23 187	23 146
	33 244				91 792	
				22 050	22 050	
	1 312 631			239 615	1 857 854	

Notes continued

Fair value disclosures continued

Accounting classifications and fair values of financial assets and liabilities (IAS 39) (audited)

The table below categorises the group's assets and liabilities as at 31 December 2017 between that which is financial and non-financial.

All financial assets and liabilities have been classified according to their measurement category as per IAS 39 with disclosure of the fair value being provided for those items.

	Held-for-trading Rm	Designated at fair value Rm
Assets		
Cash and balances with central banks		
Derivative assets	75 610	
Trading assets	160 894	
Pledged assets	4 978	13 751
Financial investments		395 595
Loans and advances		110
Policyholders' assets		
Interest in associates and joint ventures		
Investment property		
Other financial assets[3]		
Other non-financial assets		
Total assets	241 482	409 456
Liabilities		
Derivative liabilities	76 896	
Trading liabilities	62 855	
Deposits and debt funding		13 847
Policyholders' liabilities[4]		100 519
Subordinated debt		
Other financial liabilities[3]		58 810
Other non-financial liabilities		
Total liabilities	139 751	173 176

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.
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.

Held-to-maturity Rm	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	75 310				75 310	75 310
					75 610	75 610
					160 894	160 894
181	358	1 517			20 785	20 780
81 426	12 661	43 632			533 314	533 235
	1 047 917				1 048 027	1 046 540
				7 484	7 484	
				9 665	9 665	
				32 226	32 226	32 226
	6 185				6 185	
				58 428	58 428	
81 607	1 142 431	45 149		107 803	2 027 928	
					76 896	76 896
					62 855	62 855
			1 230 064		1 243 911	1 260 168
				222 399	322 918	100 519
			24 289		24 289	24 863
			30 484		89 294	
				17 748	17 748	
			1 284 837	240 147	1 837 911	

Notes continued

Fair value disclosures continued

Financial assets and liabilities measured at fair value

as at 30 June 2018

Fair value hierarchy

The table that follows analyses the group's financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. 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.

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.

Level 3 - fair value is determined through valuation techniques using significant unobservable inputs.

	1H18 (unaudited)				FY17 (audited)			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash and balances with central banks	47 647			47 647				
Derivative assets	201	67 805	3 199	71 205	120	71 140	4 350	75 610
Trading assets	98 774	64 673	1 783	165 230	95 654	60 156	5 084	160 894
Pledged assets	19 977	1 947		21 924	18 516	1 730		20 246
Financial investments	194 238	192 055	10 377	396 670	243 968	184 673	10 586	439 227
Loans and advances	939	895		1 834		110		110
Total financial assets at fair value	361 776	327 375	15 359	704 510	358 258	317 809	20 020	696 087
Financial liabilities								
Derivative liabilities	286	67 073	5 858	73 217	93	71 397	5 406	76 896
Trading liabilities	35 510	24 308	1 926	61 744	33 433	26 383	3 039	62 855
Deposits and debt funding		5 813		5 813	146	13 701		13 847
Subordinated debt		4 571		4 571				
Policyholders' liabilities		101 715		101 715		100 519		100 519
Other financial liabilities		57 211	1 337	58 548		57 581	1 229	58 810
Total financial liabilities at fair value	35 796	260 691	9 121	305 608	33 672	269 581	9 674	312 927

[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.

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Level 2 and 3 - valuation techniques and inputs

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 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 yields • 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. **Pledged assets** Pledged assets comprise instruments that the group has provided to its lending counterparty as collateral and that may be sold or repledged by the group's counterparty in the absence of default by the group. **Financial investments** Financial investments are non-trading financial assets and primarily comprise 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.	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 instrument 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. Combination techniques are used to value unlisted equity instruments and include inputs such as earnings and dividend yields of the underlying entity.	
Loans and advances 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 (installment 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*.

Notes continued

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Level 2 and 3 - valuation techniques and inputs continued

ITEM AND DESCRIPTION	VALUATION TECHNIQUE	MAIN INPUTS AND ASSUMPTIONS
Deposits and debt funding Deposits and debt funding 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 is determined from the market price of 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 market risk parameters are valued consistently to similar instruments held as assets stated in the section on loans and advances. 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. 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*.
Policyholder liabilities Policyholder 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. The fair value of investment contract liabilities is therefore 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 or service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Reconciliation of level 3 financial assets

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

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
Balance at 1 January 2017 (audited)	2 115	4 751	7 955	14 821
Total gains/(losses) included in profit or loss	2 464	1 000	(203)	3 261
Net interest income			171	171
Non-interest revenue	2 464	1 000	85	3 549
Income from investment management and life insurance activities			(459)	(459)
Total gains included in OCI			213	213
Issuances and purchases	241	36	4 272	4 549
Sales and settlements	(185)	(74)	(1 436)	(1 695)
Transfers into level 3[1]	36		34	70
Transfers out of level 3[2]	(291)	(629)		(920)
Exchange losses	(30)		(249)	(279)
Balance at 31 December 2017 (audited)	4 350	5 084	10 586	20 020
Balance at 1 January 2018 (audited)	**4 350**	**5 084**	**10 586**	**20 020**
IFRS 9 transition	**(301)**		**(1 816)**	**(2 117)**
Total gains/(losses) included in profit or loss	**529**	**324**	**297**	**1 150**
Non-interest revenue	**529**	**324**	**78**	**931**
Income from investment management and life insurance activities			**219**	**219**
Total losses included in OCI			**(48)**	**(48)**
Issuances and purchases	**420**	**54**	**1 332**	**1 806**
Sales and settlements	**(2 074)**	**(3 679)**	**(159)**	**(5 912)**
Transfers into level 3[1]	**228**			**228**
Transfers out of level 3[2]	**(25)**		**(36)**	**(61)**
Exchange gains	**72**		**221**	**293**
Balance at 30 June 2018 (unaudited)	**3 199**	**1 783**	**10 377**	**15 359**

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

Level 3 financial assets

The following table provides disclosure of the unrealised gains/(losses) included in profit or loss for level 3 financial assets that are held at the end of the respective reporting periods:

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
30 June 2018 (unaudited)				
Non-interest revenue	**543**	**218**	**36**	**797**
Income from investment management and life insurance activities			**148**	**148**
Total	**543**	**218**	**184**	**945**
31 December 2017 (audited)				
Non-interest revenue	2 387	988	66	3 441

Notes continued

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Reconciliation of level 3 financial liabilities

The following table provides a reconciliation of the opening to closing balance for all financial liabilities that are measured at fair value based on 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 2017 (audited)	8 554	4 181	1 271	14 006
Total losses/(gains) included in profit or loss - non-interest revenue[1]	220	(568)		(348)
Issuances and purchases		1 110		1 110
Sales and settlements	(3 211)	(1 684)	(42)	(4 937)
Transfers into level 3[2]	(157)			(157)
Balance at 31 December 2017 (audited)	5 406	3 039	1 229	9 674
Balance at 1 January 2018 (audited)	**5 406**	**3 039**	**1 229**	**9 674**
Total losses included in profit or loss - non-interest revenue[1]	**1 016**	**61**		**1 077**
Issuances and purchases			**108**	**108**
Sales and settlements	**(600)**	**(62)**		**(662)**
Transfers into level 3[2]	**36**			**36**
Transfers out of level 3[3]		**(1 112)**		**(1 112)**
Balance at 30 June 2018 (unaudited)	**5 858**	**1 926**	**1 337**	**9 121**

[1] The change in fair value has been materially offset by changes in the fair value of financial assets and liabilities classified as level 2 in the fair value hierarchy which economically hedge this position.
[2] 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 the period, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.
[3] During the year, the valuation inputs of certain level 3 financial liabilities became observable. The fair value of these financial liabilities was transferred into level 2.

Level 3 financial liabilities

The following table provides disclosure of the unrealised losses/(gains) included in profit or loss for level 3 financial liabilities that are held at the end of the respective reporting periods.

	Derivative liabilities Rm	Trading liabilities Rm	Total Rm
30 June 2018 (unaudited)			
Non-interest revenue	**860**	**60**	**920**
31 December 2017 (audited)			
Non-interest revenue	63	(502)	(439)

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to 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 is taken into account when determining appropriate model adjustments. The table that follows indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on total comprehensive income at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). 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. Stress tests have been conducted by only flexing/stressing a major significant unobservable input or risk factor (i.e. assumes that all risks are mutually exclusive).

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 3

	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	(Unfavourable) Rm
30 June 2018 (unaudited)			
Derivative instruments	**From (1%) to 1%**	**132**	**(132)**
Trading assets	**From (1%) to 1%**	**100**	**(100)**
Financial investments	**From (1%) to 1%**	**68**	**(72)**
Trading liabilities	**From (1%) to 1%**	**79**	**(79)**
Total		**379**	**(383)**
31 December 2017 (audited)			
Derivative instruments	From (1%) to 1%	444	(440)
Trading assets	From (1%) to 1%	216	(216)
Financial investments	From (1%) to 1%	41	(37)
Trading liabilities	From (1%) to 1%	290	(290)
Total		991	(983)

As at 30 June 2018, a 1% change of the significant unobservable inputs relating to the measurement of an equity investment resulted in a R103 million (FY17: R113 million) unfavourable effect in OCI.

Notes continued

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.

	Derivative instruments Rm	Trading assets Rm	Total Rm
Balance at 1 January 2017 (audited)	161	588	749
Additional net profit on new transactions during the year	544	162	706
Recognised in trading revenue during the year	(508)	(108)	(616)
Exchange differences	(37)		(37)
Balance at 31 December 2017 (audited)	160	642	802
Balance at 1 January 2018 (audited)	**160**	**642**	**802**
Additional net profit on new transactions during the period	**132**		**132**
Recognised in trading revenue during the period	**(195)**	**(261)**	**(456)**
Balance at 30 June 2018 (unaudited)	**97**	**381**	**478**

Headline earnings

for the six months ended 30 June 2018

	1H18 Unaudited Rm	1H17 Unaudited Rm	FY17 Audited Rm
Profit for the period	**12 706**	12 340	26 235
Headline adjustable items (reversed)/added	**(46)**	(230)	187
IAS 16 - (Gain)/loss on sale of property and equipment	**(11)**	(18)	10
IAS 21 - Realised foreign currency profit on foreign operations		(214)	(214)
IAS 27/IAS 28 - (Gains)/losses on disposal of businesses	**(35)**	18	18
IAS 36 - Impairment of intangible assets			447
IAS 39 - Realised gains on available-for-sale assets[1]		(16)	(74)
Taxation on headline earnings adjustable items	**1**	(1)	(94)
Non-controlling interests' share of headline earnings adjustable items	**2**	2	(58)
Standard Bank Group headline earnings	**12 663**	12 111	26 270
Headline earnings per ordinary share (cents)			
Headline earnings per ordinary share	**793.9**	755.5	1 640.0
Diluted headline earnings per ordinary share	**784.0**	746.4	1 619.7

[1] Headline Earnings Circular 4/2018 specifies that realised gains or losses on debt instruments measured at fair value through OCI, in terms of IFRS 9, are not excluded from headline earnings, therefore, from 1 January 2018 IAS 39 realised gains or losses on available-for-sale assets is not applicable.

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

Private equity associates and joint ventures

as at 30 June 2018

The following table provides disclosure of those private equity associates and joint ventures that are equity accounted in terms of IAS 28 *Investments in Associates and Joint Ventures* and have been ring-fenced in terms of the requirements of the circular titled *Headline Earnings* issued by SAICA, and amended from time to time. 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.

	1H18 Unaudited Rm	FY17 Audited Rm
Cost	**48**	48
Carrying value	**593**	546
Fair value	**593**	546
Attributable income before impairment	**47**	159

Notes continued

Non-interest revenue

for the six months ended 30 June 2018

	1H18 Unaudited Rm	1H17 Unaudited Restated Rm	FY17 Audited Restated Rm
Net fee and commission revenue[1]	**14 813**	13 969	28 670
Fee and commission revenue	**17 763**	16 661	34 290
Accounting transaction fees	**5 599**	5 604	11 488
Card-based commission	**3 263**	3 086	6 535
Documentation and administration fees	**1 097**	1 090	2 197
Electronic banking	**1 848**	1 676	3 446
Foreign currency service fees	**1 036**	903	1 879
Insurance - fees and commission	**964**	919	1 945
Knowledge-based fees and commission	**1 236**	1 140	2 278
Other	**2 720**	2 243	4 522
Fee and commission expense[1]	**(2 950)**	(2 692)	(5 620)
Trading revenue	**5 570**	4 953	10 731
Other revenue and gains and losses on financial instruments[2]	**1 647**	1 428	3 173
Total non-interest revenue	**22 030**	20 350	42 574

1 Refer to page 53 for details about the restatement to net fee and commission revenue.
2 Refer to page 50 for detail on the group's accounting policy on presentation of gains and losses on financial instruments changes due to the adoption of IFRS 9.
3 For more detail on the split of each non-interest revenue category per key business unit, please refer to the group's analysis of financial results available at **www.standardbank.com/reporting**.

Credit impairment charges

for the six months ended 30 June 2018

	1H18 Unaudited Rm	1H17 Unaudited Rm	FY17 Audited Rm
Credit impairments (IAS 39)[1]		5 556	10 252
Portfolio impairments		378	355
Specific impairments		5 178	9 897
Expected credit loss (IFRS 9)[1]	**4 316**		
Financial investments[2]	**72**		
Loans and advances	**4 131**		
Letters of credit and guarantees	**113**		
Recoveries on loans and advances previously written off	**(317)**	(401)	(842)
Total credit impairment charge	**3 999**	5 155	9 410

1 The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis.
2 Included in the ECL for financial investments is a R85 million charge relating to financial investments measured at amortised cost and a R13 million release from financial investments measured at fair value through OCI.

Related party balances and transactions

Tutuwa related parties

Tutuwa participants were allowed to access their underlying equity value post the expiry of the lock-in period on 31 December 2014. The number of shares in issue that is financed by the group as at 30 June 2018 is 4 133 979 (FY17: 5 750 291). The weighted number of these shares for the period ended 30 June 2018 equated to 4 877 391 (FY17: 5 750 291).

Post-employment benefit plans

The group manages R11 149 million (FY17: R11 864 million) of the group's post-employment benefit plans' assets. Other significant balances between the group and the group's post-employment benefit plans are listed below:

	1H18 Unaudited Rm	FY17 Audited Restated Rm
Investments held in bonds and money market instruments	**1 012**	1 089
Value of ordinary group shares held[1]	**709**	749

[1] The comparative disclosure for the value of ordinary group shares held by the group's post-employment benefit plans has been restated as it was erroneously disclosed as R2 157 million in FY17. The restatement has no impact on the income statement and statement of financial position.

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	1H18 Unaudited Rm	FY17 Audited Rm
Derivative assets	**2 432**	2 227
Trading assets	**7**	7
Loans and advances	**28 658**	31 413
Other assets	**830**	590
Derivative liabilities	**(2 532)**	(2 340)
Deposits and debt funding	**(831)**	(1 050)
Provisions and other liabilities	**(755)**	(759)

Services

The group entered into certain transitional service level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of Standard Bank Plc (SB Plc). In terms of these arrangements, services are delivered to and received from ICBCS for the account of each respective party. As at 30 June 2018 the expense recognised in respect of these arrangements amounted to R229 million (FY17: R277 million).

Notes continued

Related party balances and transactions continued

Balances and transactions with the Industrial and Commercial Bank of China Limited (ICBC)

The group, in the ordinary course of business, receives term funding from, and provides loans and advances to, ICBC for strategic purposes. These monies are renegotiated and settled on an ongoing basis on market-related terms. The following balances and transactions were entered into between the group and ICBC, a 20.1% shareholder of the group, excluding those with ICBCS.

Amounts included in the group's statement of financial position	1H18 Unaudited Rm	FY17 Audited Rm
Loans and advances	**8 218**	2 939
Other assets	**690**	611
Deposits and debt funding	**(4 374)**	(91)

The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the disposal of a controlling interest in SB Plc to ICBC. As a consequence of the disposal of SB Plc, the group has a right, by means of a post-disposal adjustment, to 60% of insurance and other recoveries, net of costs, relating to claims by SB Plc 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 30 June 2018, a balance of USD50 million (R690 million) (FY17: USD50 million; R611 million) is receivable from ICBC in respect of this arrangement.

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:

Amounts included in the group's statement of financial position and income statement	1H18 Unaudited Rm	FY17 Audited Rm
Trading liabilities	**(262)**	(275)
Deposits and debt funding	**(18 658)**	(15 706)
Trading losses	**(9)**	(101)
Interest expense	**(502)**	(695)

Change in group directorate

The following changes in directorate took place during the six months ended 30 June 2018:

RETIREMENTS		
RMW Dunne	As non-executive director	30 May 2018

Condensed segment report

for the six months ended 30 June 2018

The group's primary segments comprise the group's banking activities (comprising PBB, CIB and central and other), the group's other banking interests (comprising the group's interest in ICBC Argentina and ICBCS) and Liberty (comprising the group's investment management and life insurance activities).

	1H18 Unaudited Rm	1H17 Unaudited[1] Rm	FY17 Audited[1] Rm
Net interest income contribution by business unit			
Personal & Business Banking	**20 379**	19 706	40 963
Corporate & Investment Banking	**9 402**	9 451	20 434
Central and other	**(631)**	(387)	(1 272)
Standard Bank Group	**29 150**	28 770	60 125
Non-interest revenue and income from investment management and life insurance activities contribution by business unit			
Personal & Business Banking[2]	**13 636**	12 823	26 745
Corporate & Investment Banking	**8 559**	7 833	16 335
Central and other	**(165)**	(306)	(506)
Banking activities[2]	**22 030**	20 350	42 574
Liberty	**11 360**	12 097	24 394
Standard Bank Group[2]	**33 390**	32 447	66 968
Revenue contribution by business unit			
Personal & Business Banking[2]	**34 015**	32 529	67 708
Corporate & Investment Banking	**17 961**	17 284	36 769
Central and other	**(796)**	(693)	(1 778)
Banking activities[2]	**51 180**	49 120	102 699
Liberty	**11 360**	12 097	24 394
Standard Bank Group[2]	**62 540**	61 217	127 093
Profit or loss attributable to ordinary shareholders			
Personal & Business Banking	**6 680**	6 148	13 978
Corporate & Investment Banking	**5 709**	5 289	11 409
Central and other	**(672)**	(219)	(1 113)
Banking activities	**11 717**	11 218	24 274
Other banking interests	**132**	240	600
Liberty	**857**	882	1 361
Standard Bank Group	**12 706**	12 340	26 235
Total assets by business unit			
Personal & Business Banking	**739 433**	696 189	705 232
Corporate & Investment Banking	**912 934**	858 127	905 138
Central and other	**(34 798)**	(22 312)	(12 402)
Banking activities	**1 617 569**	1 532 004	1 597 968
Other banking interests	**7 598**	7 811	7 493
Liberty[2]	**421 765**	410 266	422 467
Standard Bank Group[2]	**2 046 932**	1 950 081	2 027 928
Total liabilities by business unit			
Personal & Business Banking	**663 011**	622 077	630 796
Corporate & Investment Banking	**854 934**	800 774	841 785
Central and other	**(54 492)**	(38 852)	(29 846)
Banking activities	**1 463 453**	1 383 999	1 442 735
Liberty[2]	**394 401**	382 265	395 176
Standard Bank Group[2]	**1 857 854**	1 766 264	1 837 911

[1] Where responsibility for individual cost centres and divisions within business units change, the comparative figures have been reclassified accordingly.
[2] Refer to page 53 for restatements that affected these disclosures.

Notes continued

Other reportable items

Additional Tier 1 capital

The group did not issue Basel III compliant AT1 capital bonds that qualify as Tier 1 capital during the period (FY17: R3.5 billion nominal value). During the period, coupons to the value of R222 million (FY17: R229 million) were paid to AT1 capital bond holders. Current tax of R62 million (FY17: R64 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R160 million (FY17: R165 million). The AT1 capital bonds have been recognised within other equity instruments in the statement of financial position.

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 No.94 of 1990 and related regulations, which are aligned with Basel III. Regulatory capital adequacy is measured through the CET1, Tier 1 and total capital adequacy.

The group has elected the three year phase-in as outlined in the SARB's Directive 5/2017. This phase-in results in the IFRS 9 impact being amortised on a straight-line basis, from 25% in 2018 to reach 100% by 2021. The group's capital adequacy ratios based on a phased-in and fully loaded basis are shown in the table below:

	Phased-in (IFRS 9)		Fully loaded (IFRS 9)	
	1H18	1 January 2018	1H18	1 January 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Capital ratio	%	%	%	%
CET1	13.8	13.3	13.3	12.8
Tier 1	14.4	13.9	13.9	13.4
Total capital adequacy	16.2	15.9	16.0	15.7

Equity securities

During the period, the group allotted 1 124 399 shares (FY17: 2 877 827 shares) in terms of the group's share incentive schemes and repurchased 2 332 974 shares (FY17: 2 030 824 shares).

The total equity securities held as treasury shares at the end of the period was 18 646 358 shares (FY17: 16 213 766 shares). These treasury shares exclude group shares that are held by certain structured entities (SEs) relating to the group's Tutuwa initiative (refer to the related party balances and transactions note for more detail) since those SEs hold the voting rights on such shares and are accordingly not treasury shares as defined by the JSE Listings Requirements.

Legal proceedings

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 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 have, together with 12 of the other respondents, applied to the Competition Tribunal for dismissal of the complaint referral on various legal grounds. Judgement in these applications has been reserved. In separate proceedings SBSA has applied to the Competition Appeal Court for an order that the Competition Commission's decision to lodge its complaint against SBSA be reviewed and set aside on the conditional ground that it was irrational. 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.

Indemnities granted following disposal of Standard Bank Plc

Under the terms of the disposal of SB 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 SB 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, 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. The indemnification provisions covered the Deferred Prosecution Agreement (DPA) that ICBCS entered into with the United Kingdom Serious Fraud Office (SFO) (as more fully set out in the announcement

made to shareholders via the JSE's SENS on 30 November 2015). In terms of the DPA, prosecution has been suspended and will be withdrawn in November 2018 provided that ICBCS has complied with its obligations under the DPA. Any claims that may arise for SNYS with respect to the Competition Commission matter are also likely to fall within the scope of this indemnity as the alleged conduct, which is the subject of the referral, is alleged to have taken place prior to the disposal of SB Plc.

Subordinated debt

During the period, the group issued R3.0 billion (FY17: Rnil) Basel lll compliant bonds that qualified as Tier 2 capital.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. The payment dates are quarterly with the first call date being 13 February 2023.

R3.5 billion (FY17: R3.0 billion) Basel III compliant Tier 2 subordinated debt instruments were redeemed during the year.

R0.1 billion (FY17: R0.3 billion) of Basel II compliant Tier 2 subordinated debt instruments were issued during the year and R0.1 billion (FY17: R0.2 billion) was redeemed in jurisdictions that have not yet adopted the Basel III framework.

The terms of the Basel III compliant Tier 2 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 relevant regulator (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.

During the period, the group did not issue subordinated debt that qualifies as regulatory insurance capital (FY17: R2.0 billion) and R1.0 billion (FY17: R1.0 billion) was redeemed.

Transactions with non-controlling interests

Change in shareholding of subsidiaries

	1H18 Unaudited Rm
Net carrying amount of non-controlling interests acquired	879
Net consideration paid to non-controlling interests	(2 356)
Net decrease in equity attributable to ordinary shareholders	**(1 477)**

Stanbic Africa Holdings Limited

In June 2018, Stanbic Africa Holdings Limited (SAHL), a wholly-owned subsidiary of 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 11.3% from 53.1% to 64.4% through an announced off market trade on the Nigerian Stock Exchange for a total consideration of R2 354 million. The group recognised a decrease in NCI of R902 million and a decrease in retained earnings and equity attributable to ordinary shareholders of R1 452 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 5.9% from 60.0% to 65.9% for a total consideration of R307 million following the first close of a two-stage tender offer. The group recognised a decrease in NCI of R348 million and an increase in retained earnings and equity attributable to ordinary shareholders of R40 million because of changes in the group's ownership interest in SH Plc.

In July 2018, the second and final close of the tender offer saw a further increase in SAHL's shareholding in SH Plc by 2.1% to 68.0%. The second close does not impact the group results for the period ended 30 June 2018 as it occurred after that date.

Liberty Group Limited

During the period, Liberty Group Limited's (Liberty) shareholding in Liberty Two Degrees (L2D) decreased by 5.2% from 63.1% to 57.9% for a total consideration of R370 million. Liberty recognised an increase in NCI of R465 million and a decrease in retained earnings and equity attributable to ordinary shareholders of R95 million because of changes in Liberty's ownership interest in L2D.

Accounting policy elections

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

The accounting policies are consistent with those reported in the previous year except for the adoption of the following standards and amendments effective for the current period:

- IFRS 4 *Insurance Contracts (amendment)* (IFRS 4), the amendment to applying IFRS 9 Financial Instruments with IFRS 4 introduced two approaches: an overlay approach and a deferral approach. The amended standard will provide all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and provide companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39. The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility.
- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), with effect from 1 January 2018, replaces the existing revenue standards and the related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The group adopted IFRS 15 on 1 January 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the majority of the group's revenue.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The above mentioned standards and interpretation to the IFRS standards, adopted on 1 January 2018, did not effect the group's previously reported financial results or disclosures and did not impact the group's results upon transition or the group's accounting policies.

- IFRS 9 *Financial Instruments* with effect from 1 January 2018, replaced IAS 39. IFRS 9 introduced new requirements which included an ECL impairment model and new requirements for the classification and measurement of financial assets, refer to page 43 for more detail.

IFRS 9, adopted on 1 January 2018, impacted the group's results upon transition and materially impacted the group's accounting policies, refer to page 43 for more detail.

IFRS 9 *Financial Instruments*

Background

With effect from 1 January 2018, IFRS 9 replaced IAS 39. IFRS 9 introduced new requirements which included an ECL impairment model and new requirements for the classification and measurement of financial assets as follows:

ECL impairment requirements	IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the group. The ECL model applies to financial assets measured at either amortised cost or at fair value through other comprehensive income (FVOCI), loan commitments when there is a present commitment to extend credit (unless these are measured at fair value through profit or loss (FVTPL)) and financial guarantees. ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the lower of 12-month or full lifetime ECL (where the lifetime is less than 12 months) of the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
Classification and measurement	IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at FVTPL due to changes in own credit risk are required to be recognised within OCI.

Adoption of IFRS 9

The group retrospectively adopted IFRS 9 on 1 January 2018 with an adjustment to the group's opening 1 January 2018 reserves and, as permitted by IFRS 9, did not restate its comparative financial results. Accordingly, the group's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS 9. However, the group has elected to continue to apply the hedge accounting requirements of IAS 39. The group prepared a IFRS 9 transition report on which a reasonable assurance audit opinion, included in the report, was provided by the group's external auditors that outlined the impact of the transition to IFRS 9. For further information, regarding the transition impact, refer to the transition report, available at **www.standardbank.com/reporting**.

IFRS 9's ECL requirements

The most material IFRS 9 transition impact for the group is that of IFRS 9's new ECL requirements which results in the earlier recognition of credit impairment provisions primarily as a result of the drivers outlined in the table below. This impact was solely as a result of the adoption of IFRS 9 and is not as a result of changes in the credit quality of the group's loan exposures.

12-month ECL for performing loans (stage 1)	IFRS 9 contains a minimum 12-month ECL for exposures for which there has not been a significant increase in credit risk (SICR), whereas IAS 39 required credit impairments to be recognised only following the identification of objective evidence of impairment.
Significant increase in credit risk (SICR) (stage 2)	A lifetime ECL is recognised for all exposures for which there has been a SICR, being a material change in the probability of default, since origination.
Off-balance sheet exposures	IFRS 9's scope includes off-balance sheet exposures, such as unutilised loan commitments, guarantees and letters of credit.
Lifetime model work out requirement	In terms of determining ECL for stage 1 and 2 exposures where there is a probability of default, the potential loss from a lifetime perspective is considered, which would include the probability of recovery post default and subsequent re-default. For stage 3 exposures, being exposures that are either in default or where default is imminent, this would include consideration of cures and subsequent re-default.
Forward looking economic expectations	IFRS 9 requires an adjustment for forward looking economic expectations in the determination of SICR and in the measurement of the ECL

IFRS 9 *Financial Instruments* continued

IFRS 9 key financial impacts

Table 1: Impact on the group's summarised statement of financial position on 1 January 2018

	Group IAS 39 at 31 December 2017 Rm	IFRS 9 transition adjustment at 1 January 2018			Group IFRS 9 at 1 January 2018 Rm
		IFRS 9 ECL Rm	IFRS 9 classification and measurements Rm	Total Rm	
Assets					
Financial investments	533 314	**(272)**	**32**	**(240)**	**533 074**
Loans and advances	1 048 027	**(7 839)**	**(83)**	**(7 922)**	**1 040 105**
Interest in associates and joint ventures	9 665	**(53)**	**(3)**	**(56)**	**9 609**
Other financial and non-financial assets[1]	436 922	**2 234**	**94**	**2 328**	**439 250**
Total assets	2 027 928	**(5 930)**	**40**	**(5 890)**	**2 022 038**
Equity and liabilities					
Equity	190 017	**(6 276)**	**(361)**	**(6 637)**	**183 380**
Equity attributable to ordinary shareholders	157 020	**(5 930)**	**(331)**	**(6 261)**	**150 759**
Equity attributable to other equity holders	9 047				**9 047**
Equity attributable to non-controlling interests	23 950	**(346)**	**(30)**	**(376)**	**23 574**
Liabilities[2]	1 837 911	**346**	**401**	**747**	**1 838 658**
Total equity and liabilities	2 027 928	**(5 930)**	**40**	**(5 890)**	**2 022 038**

[1] Materially relates to the recognition of additional deferred tax assets following the recognition of the IFRS 9 ECL transition adjustment.
[2] Materially relates to the recognition of ECL on off-balance sheet letters of credit, bankers acceptances and guarantees.

Table 2: Impact on the group's summarised statement of changes in equity on 1 January 2018

	Group IAS 39 at 31 December 2017 Rm	IFRS 9 transition adjustment at 1 January 2018 Rm	Group IFRS 9 at 1 January 2018 Rm
Ordinary share capital and share premium	18 063		**18 063**
Retained earnings[1]	144 539	**(5 302)**	**139 237**
Statutory credit risk reserve[2]	3 089	**(948)**	**2 141**
Other[3]	(8 671)	**(11)**	**(8 682)**
Total ordinary shareholder's equity	157 020	**(6 261)**	**150 759**
Other equity instruments	9 047		**9 047**
Non-controlling interests[4]	23 950	**(376)**	**23 574**
Total equity and liabilities	190 017	**(6 637)**	**183 380**

[1] The change in the retained earnings relates to IFRS 9's classification and measurement and ECL changes and the reversal of the statutory credit risk reserve (SCRR) as explained further below.
[2] In addition to the R6 637 million impact on the group's reserves, as a result of the adoption of IFRS 9, a debit of R948 million to the group's SCRR and a corresponding credit to the group's retained earnings has been recognised. The SCRR has historically been maintained by means of an appropriation of retained earnings to a non-distributable reserve, being the SCRR, by the group's operations in the Africa Regions as a result of country regulators requiring a higher credit impairment provision than that as determined in accordance with IAS 39. Given that IFRS 9 typically results in an impairment provision that is equivalent to or greater than that as required by the Africa Regions' regulators, a transfer from the SCRR back to retained earnings is required on transition to IFRS 9. The transfer has only been reflected with respect to those countries whose regulators that, at the date of this transition report, had approved such releases. This transfer has no impact on the group's net asset value, total reserves or capital ratios.
[3] Of the R593 million in the group's available-for-sale reserve as at 31 December 2017, R582 million has been reclassified on the adoption of IFRS 9 to the FVOCI category and R11 million relates to gains and losses on instruments that were classified as available-for-sale and are now classified as either FVTPL or at amortised cost.
[4] The change relates to the non-controlling interests' share of the IFRS 9 impact post tax relating to IFRS 9's classification and measurement and ECL changes.

Table 3: Impact on financial instrument classification (excluding impact of IFRS 9 ECL)

	Group IAS 39 at 31 December 2017 Rm	IFRS 9 transition adjustment at 1 January 2018					Group IFRS 9 at 1 January 2018 Rm	Transitional adjustment Rm
		Held-for-trading Rm	**Designated at fair value Rm**	**Fair value default Rm**	**Amortised cost Rm**	**Fair value through OCI Rm**		
Financial assets								
Held-for-trading	241 482	**241 482**					**241 482**	
Designated at fair value	409 456		**368 326**	**2 191**	**38 126**		**408 643**	**(813)**
Held-to-maturity	81 607			**3 261**	**79 187**		**82 448**	**841**
Loans and receivables	1 142 431		**596**	**66 312**	**1 075 492**	**26**	**1 142 426**	**(5)**
Available-for-sale	45 149		**52**	**371**	**10 041**	**34 537**	**45 001**	**(148)**
	1 920 125	**241 482**	**368 974**	**72 135**	**1 202 846**	**34 563**	**1 920 000**	**(125)**
Financial liabilities								
Held-for-trading	139 751	**139 751**					**139 751**	
Designated at fair value	173 176		**165 559**		**7 813**		**173 372**	**196**
Other amortised cost	1 284 837		**9 311**		**1 275 731**		**1 285 042**	**205**
	1 597 764	**139 751**	**174 870**		**1 283 544**		**1 598 165**	**401**

IFRS 9 accounting policies

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 assets

Nature

Amortised cost	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.
Fair value through OCI	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.
Held for trading	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.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss - default	Financial assets that are not classified into one of the above mentioned financial asset categories.

IFRS 9 *Financial Instruments* continued

IFRS 9 accounting policies continued

Financial instruments 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. 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 income.
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	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.

Impairment

ECL is recognised on debt financial assets classified as at 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.

Financial instruments continued

Impairment continued

The key components of the impairment methodology are described as follows:

Significant increase in credit risk	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 macro-economic 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.

IFRS 9 *Financial Instruments* continued

IFRS 9 accounting policies continued

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 liability'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, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

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.	

IFRS 9 *Financial Instruments* continued

IFRS 9 accounting policies continued

Financial instruments continued

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
- unamortised premium.

Presentation of gains and losses on financial instruments

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 specifically impaired (before 1 January 2018) or as Stage 3 impaired (after 1 January 2018), 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 interest income when the financial asset is no longer specifically impaired (before 1 January 2018) or is reclassified out of Stage 3 (after 1 January 2018). Before the adoption of IFRS 9 on 1 January 2018, the following additional amounts were recognised in net interest income: • Fair value gains and losses on debt financial assets that were designated at fair value through profit or loss • The gain or loss on the derecognition of a financial asset classified as available-for-sale • Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • Fair value gains and losses on financial liabilities (including changes as a result of own credit risk) that were designated at fair value through profit or loss.
Net fee and commission revenue	Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or 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.

Presentation of gains and losses on financial instruments 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	After 1 January 2018, includes: • Fair value gains and losses on debt financial assets that are at fair value through profit or loss • 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.
Other revenue	Other revenue includes 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. Before 1 January 2018, gains and losses on equity instruments designated at fair value through profit or loss are recognised within other revenue. Gains and losses on equity instruments classified as available-for-sale financial assets are reclassified from OCI to other revenue on derecognition or impairment.
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.

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.

IFRS 9 *Financial Instruments* continued

IFRS 9 accounting policies continued

Interest in suspense

In addition to the above identified changes between IAS 39 and IFRS 9, interest in suspense (refers to contractual interest which accrues on financial assets which are classified as non-performing) is presented as follows:

IAS 39 accounting treatment

Up to 31 December 2017, IAS 18 *Revenue* required interest income to be recognised only when it was probable that the economic benefits associated with a transaction would flow to the entity. The group, in line with these requirements, suspended the recognition of contractual interest income on all exposures where it was determined that future economic benefits were not probable. The accounting presentation policy for this suspended contractual interest was to present the balance sheet interest in suspense account as part of the gross carrying amount of the financial asset (i.e. gross carrying amount net of interest in suspense). In addition, upon the curing of the non-performing financial asset, the group elected an accounting presentation policy to recognise this suspended contractual interest (previously unrecognised interest) within net interest income line within the income statement. This policy was elected on the basis that the presentation best represented the nature of the amount in terms of IAS 1 *Presentation of Financial Statements* (IAS 1).

IFRS 9 accounting treatment

IFRS 9 requires that interest income for financial assets classified as Stage 3 be calculated on the net carrying amount (after deducting credit impairments), which will result in a portion of contractual interest being suspended. IFRS 9 requires that this suspended contractual interest be presented as part of the financial assets' gross carrying amount. The group has applied this requirement by presenting balance sheet suspended contractual interest as a separate reconciling item when calculating the financial assets' net carrying amount. Hence suspended contractual interest does not impact the net carrying amount of the financial asset as presented on the statement of financial position. However, this change in presentation has resulted in an increased gross carrying amount of financial assets when compared to IAS 39.

The group has elected to present previously unrecognised interest earned on curing of a financial asset out of Stage 3 within net interest income. This presentation is consistent with the group's treatment under IAS 39 and was elected on the basis that the presentation best represented the nature of the amount in terms of IAS 1. During the six months ended 30 June 2018, R545 million of unrecognised interest earned was recognised within net interest income.

Restatements

All restatements noted below are unaudited.

Correction of prior period error

Consistent with the restatement to the group's statement of financial position at 31 December 2016 as reported in the group's annual financial statements for the year ended 31 December 2017, the group determined that certain derivative intercompany positions held between the group's banking activities and the group's investment management and life insurance activities were erroneously eliminated on a net basis as opposed to a gross basis. The group has restated its previously reported condensed consolidated statement of financial position to incorporate the correct elimination of these intercompany derivative positions.

The restatement did not impact the group's net exposure on derivatives, nor did it affect the group's reserves. The change to the group's condensed consolidated statement of financial position is reflected in the table that follows:

	1H17		
	As previously presented Asset/ (liability) Rm	Restatement Rm	Restated position Asset/ (liability) Rm
Derivative assets	53 690	(2 438)	51 252
Derivative liabilities	(59 861)	2 438	(57 423)

The following condensed primary financial statement and notes have been impacted by this restatement:
- condensed consolidated statement of financial position
- condensed segment report
- accounting classifications and fair values of assets and liabilities
- financial assets and liabilities measured at fair value.

Change in accounting policy

Expenses incurred with respect to the group's customer loyalty programme (Ucount) have historically been recorded as part of operating expenses in the income statement. During the year, the group amended its accounting policy for these expenses to rather be presented as part of net fee and commission revenue (within non-interest revenue). This policy aligns with the group's policy for other expenses that are presented within net fee and commission revenue. The impact of the change in the accounting policy on the group's financial results is as follows:

	1H17			FY17		
	As previously presented Income/ (expense) Rm	Restatement Rm	Restated Income/ (expense) Rm	As previously presented Income/ (expense) Rm	Restatement Rm	Restated Income/ (expense) Rm
Non-interest revenue	20 566	(216)	20 350	43 037	(463)	42 574
Operating expenses in banking activities	(27 769)	216	(27 553)	(57 512)	463	(57 049)

The following condensed primary financial statement and notes have been impacted by this restatement:
- condensed consolidated income statement
- non-interest revenue
- condensed segment report.

The above restatement had the following effect on key financial statistics:

	1H17			FY17		
	As previously reported	Restatement	Restated	As previously reported	Restatement	Restated
JAWs	1.0%	0.0%	1.0%	1.0%	0.1%	1.1%
Cost-to-income	56.3%	(0.2%)	56.1%	55.7%	(0.2%)	55.5%

Other information

Pro forma constant currency financial information

The *pro forma* constant currency information disclosed in these results is the responsibility of the group's directors. The *pro forma* constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results and may not fairly present the group's results of operations. In determining the change in constant currency terms, the comparative financial reporting period's results have been adjusted for the difference between the current and prior period's average exchange rates (determined as the average of the daily exchange rates). The measurement has been performed for each of the group's material currencies. The *pro forma* constant currency financial information contained in this announcement has not been reviewed and reported on by the group's external auditors.

The following average exchange rates were used in the determination of the *pro forma* constant currency information and were calculated using the average of the average monthly exchange rates (determined on the last day of each of the six months in the period).

	1H18 average exchange rate	1H17 average exchange rate
US dollar	**12.30**	13.20
Pound sterling	**16.92**	16.62
Argentinian peso	**0.58**	0.84
Nigerian naira	**0.03**	0.04
Kenyan shilling	**0.12**	0.13
Zambian kwacha	**1.25**	1.39
Mozambique metical	**0.20**	0.20

ADMINISTRATIVE AND CONTACT DETAILS

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JSE independent sponsor
Deutsche Securities (SA) Proprietary Limited

Namibian sponsor
Simonis Storm Securities (Proprietary) Limited

JSE joint sponsor
The Standard Bank of South Africa Limited

Share and bond codes
JSE share code: SBK ISIN: ZAE000109815
NSX share code: SNB ZAE000109815
SBKP ZAE000038881 (First preference shares)
SBPP ZAE000056339 (Second preference shares)
JSE bond codes: SBS, SBK, SBN, SBR, SBT, ETN series

SSN series and CLN series (all JSE-listed bonds issued in terms of The Standard Bank of South Africa Limited's Domestic Medium Term Note Programme and Credit Linked Note Programme)

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Refer to www.standardbank.com/reporting for a list of definitions, acronyms and abbreviations

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Disclaimer

This document contains certain statements that are "forward-looking" with respect to certain of the group's plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the group's control, including but not limited to, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the group and its affiliates operate. The group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The group makes no representations or warranty, express or implied, that these forward-looking statements will be achieved and undue reliance should not be placed on such statements. The group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.

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