



STANDARD BANK GROUP

# Provisional results and dividend announcement

for the year ended 31 December 2018

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The Standard Bank Group Limited's (the group) condensed consolidated financial statements, for the year ended 31 December 2018 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for provisional reports, 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* (IAS 34) 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.

While this report in itself is not audited, the consolidated annual financial statements from which the results on pages 11 to 15 have been derived were audited by KPMG Inc. and PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. That audit report does not

necessarily report on all of the information contained in this report.

Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditors' engagement and, more specifically, the nature of the information that has been audited, they should obtain a copy of the auditors' report together with the accompanying audited consolidated annual financial statements, both of which are available for inspection at the company's registered office. The group's reporting suite, including the Standard Bank Group's annual integrated report and annual financial statements will be made available during April 2019. Copies can be requested from our registered office or downloaded from the company's website following the announcement in April 2019 on the JSE's Stock Exchange News Service (SENS).

The accounting policies applied in the preparation of these condensed consolidated financial statements from which the results have been derived 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 due to IFRS 9.

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 45 and the group's IFRS 9 transition report (transition report), available at [www.standardbank.com/reporting](http://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.

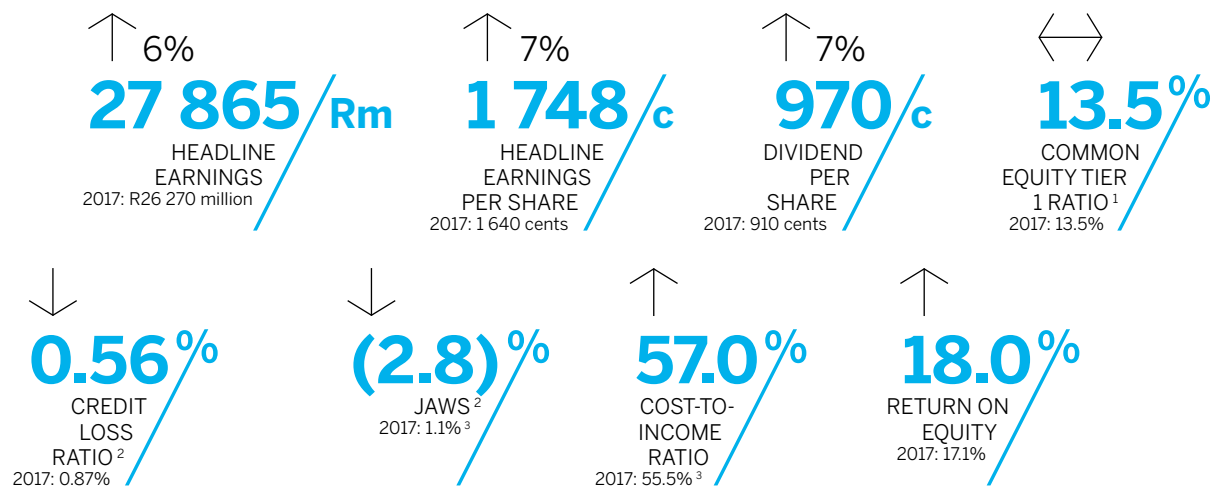
The results were made publicly available on 7 March 2019.

This report contains *pro forma* financial information. Refer to page 50 for further detail.

Investors are referred to [www.standardbank.com/reporting](http://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.

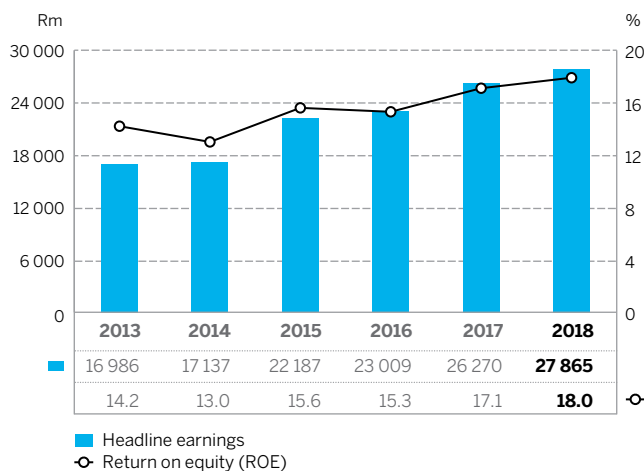
Shareholders are reminded that should they wish to make use of the group's electronic communication notification system to receive all shareholder entitled communication electronically as opposed to delivery through physical mail and have not already done so, this option can still be elected by advising the group's transfer secretaries at the following email address [ecomms@computershare.co.za](mailto: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](mailto:electroniccommunication@standardbank.co.za).

# Highlights



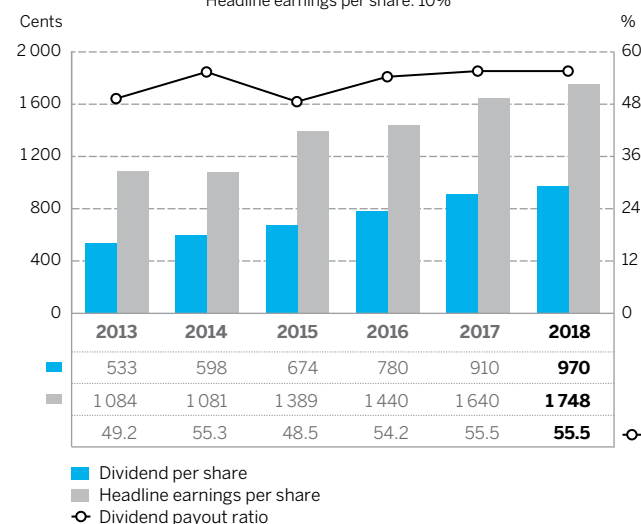
## Headline earnings and return on equity

CAGR<sup>4</sup> (2013 – 2018): 10%



## Headline earnings and dividend per share

CAGR<sup>4</sup> (2013 – 2018): Dividend per share: 13%  
Headline earnings per share: 10%



<sup>1</sup> Following the adoption of IFRS 9 the group elected the South African Reserve Bank's (SARB) three year phase-in provision in terms of its directive 5/2017 (SARB IFRS 9 phase-in provision). The ratio is reported after applying this phase-in provision. The fully loaded ratio is 13.1%, for further details please refer to page 41.

<sup>2</sup> Refer to the IFRS 9-related accounting impact section on page 2 for more information regarding key IFRS 9 changes impacting these ratios. Comparatives are based on IAS 39.

<sup>3</sup> Restated. Refer to page 49.

<sup>4</sup> Compound annual growth rate.

# Overview of financial results

## Group results

For the year ended 31 December 2018 (2018), Standard Bank Group delivered sustainable earnings growth and improved returns. The group's performance was underpinned by the strength and breadth of our client franchise. Group headline earnings grew 6% to R27.9 billion and ROE improved to 18.0% from 17.1% for the year ended 31 December 2017 (2017). The group's capital position remained robust, with a common equity tier 1 (CET1) ratio of 13.5%. Accordingly, a final dividend of 540 cents per share has been declared, resulting in a total dividend of 970 cents per share, an increase of 7% on the prior year.

Banking activities headline earnings grew 7% to R25.8 billion and ROE improved to 18.8% from 18.0% in 2017. Non-interest revenue (NIR) continued to record strong growth, driven by retail banking. Net interest income (NII) growth was dampened, and credit impairment charges were lower, as a result of the adoption of a new accounting standard.

The 2018 group results were less impacted by currency movements than in prior years. On a constant currency basis, group headline earnings grew 8%. Africa Regions' contribution to banking headline earnings grew to 31% from 28% in 2017. The top five contributors to Africa Regions' headline earnings were Angola, Ghana, Mozambique, Nigeria and Uganda.

## Operating environment

Global economic growth plateaued at 3.7% as geopolitical tensions rose and risk sentiment deteriorated. Growth trajectories decoupled as fiscal stimulus in the US supported continued growth, whilst other advanced economies, in particular the Euro area, started to slow. Emerging market capital inflows reversed, which negatively impacted exchange rates and borrowing costs.

Economic growth in sub-Saharan Africa was 2.9%. In 1H18 inflation continued to ease, providing scope for interest rate cuts. By 2H18, heightened global risks resulted in a pause in monetary policy easing. Across our basket of currencies, exchange rates were relatively stable, other than in Angola where the Angolan Kwanza (AOA) devalued approximately 50% relative to the South African Rand (ZAR).

The economic recovery in the West Africa region was supported by buoyant growth in Côte d'Ivoire and Ghana and a recovery in Nigeria. In Angola, as the impacts of the currency devaluation in early 2018 moderated, inflation stabilised.

Kenya, Tanzania and Uganda all recorded real growth in excess of 5% in 2018. Private sector credit growth in Kenya remained below pre-rate cap levels. Uganda enjoyed robust growth in domestic demand, public infrastructure investment, agricultural productivity and a recovery in Foreign Direct Investment.

The countries neighbouring South Africa (SA) continued to feel the drag of SA's poor economic environment, in particular Lesotho, Namibia and eSwatini. In Mozambique, despite the declining rates cycle, the operating environment remained difficult and lending activity remained subdued. Zimbabwe's challenges escalated in 3Q18, including acute currency shortages and inflationary pressures which drove weakened business confidence.

Growth in the SA economy was weaker than expected at 0.7%. The poor macro environment, slow policy progress and higher taxes weighed on consumer and business confidence and, in turn, demand for credit. A 25 basis point (bps) interest rate cut in March, on the back of broadly favourable conditions, was later reversed in November as the US fiscal tightening, oil price and exchange rate outlook were considered a threat to the South African Reserve Bank's inflation targeting. The ZAR was relatively strong against the major currencies in 1H18, but this reversed in 2H18.

## IFRS 9-related accounting impact

Following the transition to IFRS 9, Standard Bank Group is required to suspend interest earlier which resulted in a R553 million reduction in NII and credit impairment charges in Personal & Business Banking South Africa (PBB SA). In addition, following a clarification from the IFRS Interpretations Committee in December 2018, the group is required to recognise previously unrecognised interest earned on loans which cured out of Stage 3 (otherwise referred to as released interest in suspense (IIS) on cured assets) as a reduction in credit impairment charges. Prior to 2018, IIS on cured assets was accounted for as interest income. The reclassification amounted to R1 169 million in 2018, of which R1 064 million related to PBB and R105 million related to Corporate & Investment Banking (CIB). The commentary below includes reference to the impact of these changes on net interest income, total income and credit impairment charges, as well as some of the group's key ratios, namely net interest margin, credit loss ratio, cost-to-income ratio and jaws. There was no impact on 2018 headline earnings.

	2018 Rbn	IFRS 9- related accounting impact Rbn	2018 adjusted Rbn	2017 Rbn	2018 vs 2017 %	2018 adjusted vs 2017 %
Net interest income	59.6	1.7	61.3	60.1	(1)	2
Non-interest revenue	45.7		45.7	42.6	7	7
<b>Total income</b>	<b>105.3</b>	1.7	<b>107.0</b>	102.7	3	4
Credit impairment charges	(6.5)	(1.7)	(8.2)	(9.4)	(31)	(13)
Operating expenses	(60.1)		(60.1)	(57.0)	5	5
<b>Headline earnings</b>	<b>27.9</b>		<b>27.9</b>	26.3	6	6
Credit loss ratio (%)	0.56		0.71	0.87		
Cost-to-income ratio (%)	57.0		56.1	55.5		
Jaws (%)	(2.8)		(1.1)	1.1		

The adjusted figures and ratios are collectively referred to as "Non-IFRS Financial Information" and is *pro forma* financial information for purposes of the JSE Listings Requirements. Please refer to the *pro forma* financial information section on page 50.

## Revenue

Group revenue grew 3% and The Standard Bank of South Africa Limited's (SBSA) revenue was flat. Adjusting for the IFRS 9-related accounting impact, group revenue grew 4% and SBSA, 2%. Africa Regions grew revenue 6%, 12% on a constant currency basis, reflective of the better economic environment and the underlying momentum in the franchise.

NII decreased 1% as margins declined 16 bps to 458 bps and average interest-earning assets grew 2.5% year on year. IFRS 9-related accounting impact accounted for 13 bps of the 16 bps decline. The impact of competitive pricing and demand for higher yielding deposit products in SA and negative endowment in Africa Regions was largely offset by strong growth in current and savings accounts (CASA) and a mix benefit as unsecured lending grew faster than asset-backed lending.

Non-interest revenue grew 7% supported by broad-based growth across all three underlying categories, namely net fee and commission revenue up 6%, trading revenue up 4% and other revenue up 11%.

In line with our customers' increasing preference for convenient digital channels over traditional channels, electronic banking fee revenue increased 11% whilst revenue from account transaction fees increased at a slower rate of 2%. In SA, the business saw strong digital volume growth across Instant Money, the SBG mobile app and value-added services as well as card-based transactions. Digital adoption also continued to gain traction in Africa Regions, in particular, in Namibia, Nigeria and Zimbabwe. Knowledge-based fees grew 3%, following CIB's participation in several landmark transactions, coupled with increased client activity in the Energy and Infrastructure sectors.

Equities provided an uplift in trading revenue, whilst the fixed income and currencies desks struggled against a high base in 2017. Other revenue was boosted by better bancassurance-related earnings and CIB's portion of ICBC Standard Bank Plc's (ICBCS) aluminium recovery which equated to R151 million. In line with IFRS 9, interest income on certain debt instruments is now recorded in other gains and losses on financial instruments.

## Credit impairment charges

Credit impairment charges were R6.5 billion, 31% lower than the prior year, and the group credit loss ratio declined to 56 bps (2017: 87 bps). Adjusting for the IFRS 9-related accounting impact, the group credit loss ratio would have been 71 bps.

After adjusting for the IFRS 9-related accounting impact, PBB SA's credit loss ratio decreased year on year, largely driven by higher post write-off recoveries, operational enhancements in customer credit ratings and continued improvements in collection processes. PBB Africa Regions also reflected improvements driven by improved risk performance, enhanced collection strategies and a lower provisioning requirement on highly collateralised non-performing loans.

CIB's impairment charges declined 35% on the prior year and the credit loss ratio to customers declined to 20 bps (2017: 44 bps). Stage 3 credit impairment charges increased in SA, reflective of the difficult macro environment, but decreased in Africa Regions, driven by a recovery of a prior year impairment in Nigeria and improved

credit risk management. CIB remains cautious on the outlook for the construction sector in SA and the consumer sectors in East Africa and SA.

## Operating expenses

Operating expenses growth of 5% should be considered relative to inflation in the underlying markets in which we operate, as well as the level of investment required to support our businesses' growth. In 2018 we closed our core banking replacement programme, delivered a variety of digital enhancements and completed various regulatory, risk and compliance improvements. The group cost-to-income ratio for the year was 57% and after adjusting for IFRS 9-related accounting impact to revenue, it was 56%. SBSA costs grew 3%, down from 7% in 1H18.

Staff costs were up 7% driven by a combination of annual salary increases, separation costs relating to the IT restructure and key hires. Net headcount declined ~900 people on the back of a combination of natural attrition, digital efficiencies and management actions.

Ongoing prudent discretionary spend is reflected in other operating expenses growth of 4%. Tight control of IT expenses, in particular in 2H18, resulted in year-on-year growth of 5%. The increase in professional fees is attributable to specific projects related to customer experience in PBB and CIB as well as regulatory changes.

## Loans and advances

Gross loans and advances to customers grew 10% year on year, of which PBB's advances to customers grew 7% and CIB's, 13%. In line with underlying macros and strategy, Africa Regions recorded strong year-on-year loan portfolio growth of 31%. In SA, PBB disbursements grew across most products with particularly strong growth recorded by vehicle and asset finance (VAF) and personal unsecured lending.

Within PBB, the mortgage lending portfolio grew 4% driven by consistent quarter-on-quarter increases in disbursements, an increase in home loan registration values and a marginal slow-down in prepayments. The VAF lending portfolio grew 10%, driven by growth in SA, as the franchise turnaround started to gain traction. Personal unsecured lending and business lending both grew 14%. PBB Africa Regions loans to customers grew 22%.

Within CIB, Investment Banking (IB) grew 8%. IB originated over R167 billion of loans in the year across the Oil & Gas, Industrials, Consumer, Mining and Power & Infrastructure sectors, up from approximately R130 billion in the prior year. This is reflective of CIB's broad client franchise and ongoing commitment to partnering their clients in their investment and expansion on the continent. The Africa Regions IB portfolio grew 28%, whilst South Africa IB grew a respectable 7% in a very slow environment. ZAR weakness in December 2018 inflated year-end balances. Corporate overdrafts and trade finance facilities, reflected under Transactional products and services, grew 52% year on year but 15% on average. CIB funding provided to corporates through commercial paper issuances, qualifying as high-quality liquid assets (HQLA), is reflected as financial investments on the balance sheet. Underlying growth in CIB gross loans and advances to customers, including HQLA, was 15%. Loans to banks declined as liquidity raised in 2H17 was repaid.

## Funding and liquidity

The group's liquidity position remained strong and within approved risk appetite and tolerance limits. The group's fourth quarter average Basel III liquidity coverage ratio amounted to 117%, exceeding the minimum phased-in regulatory requirement of 90%. The group maintained its net stable funding ratio in excess of the 100% regulatory requirement.

During 2018 the group raised R28.3 billion of longer term funding through a combination of negotiable certificates of deposit, senior debt and syndicated loans and R5.0 billion of Basel III compliant Tier II capital. The group will continue to monitor opportunities to issue senior unsecured and/or Tier II subordinated debt in the domestic and/or international markets, in order to optimise the group's capital and funding position.

Deposits from customers grew R88.6 billion, equivalent to 8%, year on year, supported by 10% growth in PBB retail-priced deposits. Africa Regions recorded CASA inflows in Nigeria, Uganda, Zambia and Zimbabwe. Growth in customers drove increased

deposits held in our offshore operations in the Isle of Man and Jersey.

CIB's deposits and current accounts from customers grew 5% on the back of strong growth in call and current accounts, growing 19% and 20% respectively. The increase in deposits was driven by new clients in South Africa and across our Africa Regions franchise as well as increases in deposits from existing clients.

## Capital management

The group maintained strong capital adequacy ratios, with a CET1 ratio of 13.5% (2017: 13.5%) and a total capital adequacy ratio of 16.0% (2017: 16.0%). The group manages its capital levels to support business growth, maintain depositor and creditor confidence and create value for shareholders whilst ensuring regulatory compliance.

IFRS 9 became effective on 1 January 2018. The fully-loaded day one impact of implementing IFRS 9 was a 70 bps reduction in the group's CET 1 ratio. After adjusting for the three year phase-in provision, the impact was reduced from 70 bps to 18 bps.

## Gross loans and advances to customers

	Change %	2018 Rm	2017 Rm
<b>Personal &amp; Business Banking</b>	7	649 968	605 187
Mortgage loans	4	362 006	346 518
Vehicle and asset finance	10	89 410	81 640
Card debtors	3	33 216	32 268
Other loans and advances	14	165 336	144 761
<b>Corporate &amp; Investment Banking</b>	13	398 425	352 190
Global markets	25	26 967	21 648
Investment banking	8	324 611	299 522
Transactional products and services	52	46 843	30 859
Real estate and PIM	(98)	4	161
<b>Central and other</b>	(61)	(1 892)	(4 841)
<b>Gross loans and advances to customers</b>	10	1 046 501	952 536

## Deposits from customers

	Change %	2018 Rm	2017 Rm
<b>Personal &amp; Business Banking</b>	10	591 318	535 461
Retail priced deposits	10	467 989	426 484
Wholesale priced deposits	13	123 329	108 977
<b>Corporate &amp; Investment Banking</b>	5	667 845	635 775
<b>Central and other</b>	(15)	(3 971)	(4 671)
<b>Deposits from customers</b>	8	1 255 192	1 166 565
<b>Comprising:</b>			
Retail priced deposits and current accounts	10	467 989	426 484
Wholesale priced deposits	6	787 203	740 081
<b>Deposits from customers</b>	8	1 255 192	1 166 565

## Headline earnings by business unit

	CCY <sup>1</sup> %	Change %	2018 Rm	2017 Rm
Personal & Business Banking	10	10	15 548	14 103
Corporate & Investment Banking	1	(2)	11 177	11 392
Central and other	(32)	(28)	(878)	(1 227)
<b>Banking activities</b>	8	7	25 847	24 268
Other banking interests	(0)	(26)	418	567
Liberty	11	11	1 600	1 435
<b>Standard Bank Group</b>	8	6	27 865	26 270

<sup>1</sup> For basis of calculation, please refer to page 50.

## Overview of business unit performance

### Personal & Business Banking

PBB's headline earnings grew 10% to R15.5 billion, underpinned by customer and balance sheet growth, higher transaction volumes and lower credit impairment charges. The impact of negative endowment, due to lower average rates in Malawi, Mozambique, Nigeria and SA, was offset by the benefit of stronger growth in higher margin lending products, combined with deposit growth outstripping loan growth. PBB jaws were negative 265 bps, however after adjusting for the IFRS 9-related accounting impact, jaws reduced to negative 26 bps. ROE improved to 21.9% from 20.0% in 2017.

Against a difficult macro and increasingly competitive environment, PBB SA delivered headline earnings of R13.7 billion, up 3%. Underlying revenue benefited from higher disbursements and better cross-sell following the embedding of all banking products into the frontline. PBB SA NII declined 1% and credit impairment charges were 28% lower, leading to a lower credit loss ratio of 83 bps (2017: 119 bps). After adjusting for IFRS 9-related accounting impact, the NII growth was 4%, credit impairment charges were 3% lower and the credit loss ratio was 112 bps. The favourable performance is attributed to improved collection strategies, higher post write-off recoveries and operational credit rating enhancements. This is partially offset by growth in stage 3 in mortgage loans, VAF and business lending given a protracted legal environment and business strain resulting from economic conditions.

Operating expenses were 6% higher as the franchise continued to invest in embedding the new operating model, improving the customer experience, staff re-skilling and upskilling and digitisation initiatives. The benefits of these investments are reflected in improving customer and employee NPS scores, a decline in the number of complaints and an acceleration in disbursements over the year.

Our customers continued to migrate to our digital platforms apace, in particular, the SBG mobile app. Digital transaction volumes increased 26%, whilst face-to-face volumes declined 13%. SBG mobile app users increased 30% to 1.3 million, mobile transaction values increased, 44% to 262 billion and transaction volumes increased, 50% to 958 million (over 2.5 million a day). Instant Money, our money transfer platform, also continued to gain traction; unique users increased 10% to 1.7 million. Our customers' preference for digital channels is unequivocal. In order to deliver the always-on, always-secure offering they expect, we have to leverage the strategic IT assets we have, accelerate our

product development and rollout and digitise our execution processes. This will require a reallocation of resources from our physical to our digital channels and a concomitant reconfiguration of our branch infrastructure.

PBB Africa Regions headline earnings grew more than threefold from R183 million in 2017 to R817 million in 2018.

The businesses in Angola, Ghana, Kenya, Uganda and Zambia grew market shares in both assets and deposits. Loans to customers increased 22% and deposits from customers grew 21%. The group's market leading digital solutions assisted in driving customer growth. The number of active customers grew 11%. Transaction volumes increased 27% driven by digital transaction volumes which increased 34%, whilst branch transactions declined 12%. A growing customer base, combined with strong take up of mobile banking, resulted in a 90% increase in mobile banking transaction volumes year on year (2018: 52 million transactions).

Despite negative endowment, as rates fell in Malawi, Mozambique and Nigeria, net interest income grew 5% on the back of strong balance sheet growth, in particular CASA, and margin expansion. Non-interest revenue grew 13%, underpinned by an increase in the account base, higher transaction volumes, strong trade finance flows and growth in fees from our pension fund business in Nigeria. PBB Africa Regions contributed almost half of the Africa Regions legal entities' total income. The credit loss ratio decreased to 138 bps from 247 bps in the prior year, reflective of improved book quality and improved collections as well as non-repeat of higher prior year charges in Nigeria and Malawi. Operating expenses grew 5%, delivering positive jaws of 336 bps and a decline in the cost-to-income ratio to 79% (2017: 82%).

Wealth International grew headline earnings 60% supported by growth in client deposit balances to GBP5.1 billion, increased client activity and endowment benefit.

### Corporate & Investment Banking

CIB's headline earnings of R11.2 billion were down 2% on the prior year, and up 1% on a constant currency basis. Revenue from strong operational client activity in Africa Regions was offset by lower trading and capital markets related revenue linked to subdued market conditions. Declining interest rates in Africa Regions and competitive pricing in SA negatively impacted margins. Disciplined cost management constrained cost growth to 5% but was not sufficient to avoid negative jaws of 414 bps. Recognising the need to improve efficiency levels, CIB has initiated structural changes to change the cost base going forward. The credit loss ratio to customers declined to 20 bps due to a combination of improved

performance and recoveries. Sovereign and financial institution ratings downgrades in early 2018 resulted in a higher capital demand, which negatively impacted return on risk weighted assets and ROE (2018: 19.3%).

CIB continued to grow and diversify its client base driving year-on-year client revenue growth of 8%. Client segments underpinning growth were multinationals and large domestic corporates and key sectors included Financial Institutions, Industrials and Power & Infrastructure. Africa Regions' performance was underpinned by strong revenue growth in Angola, Kenya, Zambia and Zimbabwe.

Investment banking's performance was underpinned by strong balance sheet growth, including corporate debt issuances and foreign currency loans to SA and African multinationals. Average loans increased 9% and margins were flat. Energy and Infrastructure transactions supported NIR. Credit impairment charges were lower year on year due to better portfolio performance and a recovery from a previously impaired exposure in Nigeria.

Transactional products and services continued to grow its Africa Regions client base and deposit base. Declining rates impacted NII whilst increases in trade and transaction activity supported NIR.

Global markets' revenue was adversely impacted by negative emerging market sentiment and lower flows. CIB's on-the-ground presence and deep local knowledge enables it to identify opportunities and trade even in dislocated markets.

### 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. In 2018, the segment recorded a loss of R878 million, 28% less than the prior year. The primary driver of the higher loss in 2017 was the elimination, in terms of IFRS, of gains on SBK shares held by the group to facilitate client trading activities, which did not recur in 2018.

### Other banking interests

Other banking interests recorded headline earnings of R418 million. ICBCS recorded growth in its underlying franchise revenue and a recovery of US\$38 million relating to the aluminium previously written off. This was unfortunately offset by the trading business performance which was negatively impacted by declining global emerging market risk appetite and reduced flows, resulting in ICBCS recording a loss of US\$14.9 million for the year. The group's 40% share thereof equated to R74 million. ICBCS's ability to deliver sustainable profits is dependent on its ability to continue to integrate into, and leverage, ICBC's extensive client base. ICBCS did not require additional capital in 2018 on the back of lower than expected RWA growth. ICBCS's business plan indicates the need for a capital injection of approximately US\$200 million in the next 12 to 18 months, subject to RWA growth. The group's share thereof would be US\$80 million.

ICBC Argentina delivered a strong performance despite the dislocation experienced in the domestic market. The headline earnings contribution from the group's 20% stake in ICBC Argentina increased 19% to R492 million. Adjusting for the significant devaluation of the Argentinian peso, earnings were up 95% on a constant currency basis year on year.

During 2019, we will continue to work with our strategic partners at ICBC to develop a lasting solution for these businesses.

### Liberty

The financial results reported are the consolidated results of the group's 56% 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 operating earnings were up 42% on the prior year, driven by strong performances in Individual Arrangements and STANLIB. As is to be expected, given the negative trend in asset prices during the year, Liberty's shareholder investment portfolio was impacted by volatile market conditions resulting in lower market returns. We will continue to support Liberty as it executes its remedial and recovery plan and by continuing to deepen the collaboration between our businesses. 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 to R2.6 billion from R3.3 billion in the prior year. Investors are referred to the full Liberty announcement dated 28 February 2019 for further detail.

Headline earnings attributable to the Standard Bank Group, adjusted by R129 million for the impact of deemed treasury shares, were R1.6 billion, 11% higher than in the prior year.

### Prospects

Global growth is expected to weaken slightly in 2019 to 3.5% as the slowdown in momentum seen in 2H18 continues into 2019. With risks to the downside, economic conditions will remain challenging and volatile in 2019. Subdued demand will impact global trade, industrial production and could drive commodity and oil prices lower.

Whilst not immune from global risks, prospects for sub-Saharan Africa overall are good with growth expected to accelerate from 2.9% in 2018 to 3.5% in 2019. Over a third of the countries in the region are expected to grow above 5%.

With elections set for May 2019, South Africa is expected to be a tale of two halves. Subdued growth is anticipated in 1H19 as political and policy uncertainty continues to undermine confidence and delay investment and growth. An acceleration in 2H19 and into 2020, driven by corporate investment, whilst expected, will be dependent on the rate of policy progress, structural reform, broader economic stimulus and job creation. A return of stable electricity supply is critical. Assuming some progress and no further downgrades by rating agencies, we expect inflation to remain within the target range and interest rates to remain at current levels in 2019. This should support an uptick in growth to 1.3% for the year.



There is no doubt that in the years ahead the financial services industry, the competitive and regulatory environment and our customers' and employees' expectations will continue to change. Across the group, we are making the changes necessary to best position the franchise to deliver to all our stakeholders. We are focused on transforming our customer and employee experience and improving our productivity to deliver a "future-ready" group. In 2019, we will build on the franchise momentum from 2018, continue to simplify, rationalise and digitise and seek ways to accelerate our delivery.

We remain committed to our medium-term targets of delivering sustainable earnings growth and an ROE in our 18%-20% target range. Finally, in delivering on our purpose of driving Africa's growth, we will continue to support faster, more inclusive and more sustainable growth and human development in South Africa and across the continent we are proud to call home.

Stakeholders should note that any forward-looking information in this announcement has not been reviewed and reported on by the group's external auditors.

**Sim Tshabalala**

Group chief executive

**Thulani Gcabashe**

Chairman

6 March 2019

# 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 a final gross cash dividend No. 99 of 540 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 12 April 2019. The last day to trade to participate in the dividend is Tuesday, 9 April 2019. Ordinary shares will commence trading ex dividend from Wednesday, 10 April 2019.

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, 10 April 2019, and Friday, 12 April 2019, 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, 15 April 2019.

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 final dividends:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 99 of 3.25 cents (gross) per first preference share, payable on Monday, 8 April 2019, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 5 April 2019. The last day to trade to participate in the dividend is Tuesday, 2 April 2019. First preference shares will commence trading ex dividend from Wednesday, 3 April 2019.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 29 of 390.22 cents (gross) per second preference share, payable on Monday, 8 April 2019, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 5 April 2019. The last day to trade to participate in the dividend is Tuesday, 2 April 2019. Second preference shares will commence trading ex dividend from Wednesday, 3 April 2019.

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, 3 April 2019, and Friday, 5 April 2019, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 8 April 2019.

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)
<b>JSE Limited</b>			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
<b>Namibian Stock Exchange (NSX)</b>			
Share code	SNB		
ISIN	ZAE000109815		
Dividend number	99	99	29
Dividend per share (cents)	540	3.25	390.22
Last day to trade in order to be eligible for the cash dividend	Tuesday, 9 April 2019	Tuesday, 2 April 2019	Tuesday, 2 April 2019
Shares trade ex the cash dividend	Wednesday, 10 April 2019	Wednesday, 3 April 2019	Wednesday, 3 April 2019
Record date in respect of the cash dividend	Friday, 12 April 2019	Friday, 5 April 2019	Friday, 5 April 2019
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Monday, 15 April 2019	Monday, 8 April 2019	Monday, 8 April 2019

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 432 cents per ordinary share, 2.6 cents per first preference share and 312.176 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:

- 1 618 514 218 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 year ended 31 December 2018

	2018	2017
<b>Number of ordinary shares in issue, net of deemed treasury shares (000's)</b>		
End of period	<b>1 590 217</b>	1 597 371
Weighted average	<b>1 593 719</b>	1 601 855
Diluted weighted average	<b>1 609 901</b>	1 621 921
<b>Cents per ordinary share</b>		
Basic earnings	<b>1 722.6</b>	1 637.8
Diluted earnings	<b>1 705.3</b>	1 617.5
Headline earnings	<b>1 748.4</b>	1 640.0
Diluted headline earnings	<b>1 730.9</b>	1 619.7
Dividend per share	<b>970</b>	910
Net asset value	<b>10 380</b>	9 830
<b>Financial performance (%)</b>		
ROE	<b>18.0</b>	17.1
Net interest margin on banking activities	<b>4.58</b>	4.74
Credit loss ratio on banking activities	<b>0.56</b>	0.87 <sup>3</sup>
Cost-to-income ratio on banking activities <sup>1</sup>	<b>57.0</b>	55.5
Jaws on banking activities <sup>1</sup>	<b>(2.8)</b>	1.1
<b>Capital adequacy ratios (%)<sup>2</sup></b>		
CET1 capital adequacy ratio	<b>13.5</b>	13.5
Tier 1 capital adequacy ratio	<b>14.1</b>	14.2
Total capital adequacy ratio	<b>16.0</b>	16.0

<sup>1</sup> Refer to page 49 for details on the restatements affecting this ratio.

<sup>2</sup> The 2018 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 41.

<sup>3</sup> Restated

# Condensed consolidated statement of financial position

as at 31 December 2018

	2018 Rm	2017 Rm
<b>Assets</b>		
Cash and balances with central banks	85 145	75 310
Derivative assets	51 678	75 610
Trading assets	181 112	160 894
Pledged assets	19 879	20 785
Financial investments	547 405	533 314
Current and deferred tax assets	4 519	2 109
Disposal group assets held-for-sale	762	
Loans and advances	1 120 668	1 048 027
Policyholders' assets	6 708	7 484
Other assets	22 514	22 996
Interest in associates and joint ventures	10 376	9 665
Investment property	33 326	32 226
Property and equipment	19 194	16 179
Goodwill and other intangible assets	23 676	23 329
<b>Total assets</b>	<b>2 126 962</b>	<b>2 027 928</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>199 063</b>	<b>190 017</b>
Equity attributable to ordinary shareholders	165 061	157 020
Equity attributable to other equity instrument holders	9 047	9 047
Equity attributable to non-controlling interests	24 955	23 950
<b>Liabilities</b>	<b>1 927 899</b>	<b>1 837 911</b>
Derivative liabilities	55 057	76 896
Trading liabilities	59 947	62 855
Current and deferred tax liabilities	8 015	8 614
Disposal group liabilities held-for-sale	237	
Deposits and debt funding	1 357 537	1 243 911
Policyholders' liabilities	310 994	322 918
Subordinated debt	26 359	24 289
Provisions and other liabilities	109 753	98 428
<b>Total equity and liabilities</b>	<b>2 126 962</b>	<b>2 027 928</b>

# Condensed consolidated income statement

for the year ended 31 December 2018

	2018	2017 <sup>2</sup>
	Rm	Rm
<b>Income from banking activities</b>	<b>105 331</b>	102 699
Net interest income <sup>1</sup>	59 622	60 125
Non-interest revenue <sup>1, 2</sup>	45 709	42 574
<b>Income from investment management and life insurance activities<sup>1</sup></b>	<b>21 722</b>	24 394
<b>Total income</b>	<b>127 053</b>	127 093
Credit impairment charges <sup>1</sup>	(6 489)	(9 410)
<b>Net income before operating expenses</b>	<b>120 564</b>	117 683
Operating expenses from banking activities <sup>2</sup>	(60 084)	(57 049)
Operating expenses from investment management and life insurance activities	(16 404)	(17 800)
<b>Net income before capital items and equity accounted earnings</b>	<b>44 076</b>	42 834
Non-trading and capital related items	(641)	(261)
Share of post tax profit from associates and joint ventures	912	1 102
<b>Net income before indirect taxation</b>	<b>44 347</b>	43 675
Indirect taxation	(2 609)	(2 481)
<b>Profit before direct taxation</b>	<b>41 738</b>	41 194
Direct taxation	(9 095)	(10 479)
<b>Profit for the period</b>	<b>32 643</b>	30 715
Attributable to ordinary shareholders	27 453	26 235
Attributable to other equity instrument holders	738	594
Attributable to non-controlling interests	4 452	3 886
<b>Earnings per share (cents)</b>		
Basic earnings per ordinary share	1 722.6	1 637.8
Diluted earnings per ordinary share	1 705.3	1 617.5

<sup>1</sup> 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.

<sup>2</sup> Refer to the restatement section for details about the restatement to non-interest revenue and operating expenses from banking activities.

# Condensed consolidated statement of other comprehensive income

for the year ended 31 December 2018

	2018	2017
	Rm	Rm
<b>Profit for the period</b>	<b>32 643</b>	30 715
<b>Other comprehensive income/(loss) after tax for the period</b>	<b>5 056</b>	(5 940)
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>5 104</b>	(5 607)
Exchange differences on translating foreign operations	5 217	(6 180)
Movement in the cash flow hedging reserve and foreign currency hedge reserves	(108)	111
Movement in the available-for-sale revaluation reserve – IAS 39 <sup>1</sup>		462
Net change in debt financial assets measured at fair value through other comprehensive income (OCI) – IFRS 9 <sup>1</sup>	(5)	
<b>Items that may not be subsequently reclassified to profit or loss</b>	<b>(48)</b>	(333)
Defined benefit fund remeasurement	12	(219)
Change in own credit risk recognised on financial liabilities designated at fair value through profit or loss – IFRS 9 <sup>1</sup>	55	
Net change in fair value of equity financial assets measured at fair value through OCI – IFRS 9 <sup>1</sup>	(130)	
Other gains/(losses)	15	(114)
<b>Total comprehensive income for the period</b>	<b>37 699</b>	24 775
Attributable to ordinary shareholders	31 877	21 514
Attributable to other equity instrument holders	738	594
Attributable to non-controlling interests	5 084	2 667

<sup>1</sup> 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 the accounting policy elections, including the IFRS 9 transition adjustments and restatement on pages 44 to 49 for more detail.

# Condensed consolidated statement of changes in equity

for the year ended 31 December 2018

	Ordinary shareholders' equity Rm	Equity attributable to other equity holders Rm	Non- controlling interests Rm	Total equity Rm
<b>Balance at 1 January 2017</b>	150 757	5 503	23 099	179 359
<b>Total comprehensive income for the period</b>	21 514	594	2 667	24 775
<b>Transactions with owners and non-controlling interests recorded directly in equity</b>	(15 251)	2 950	(1 665)	(13 966)
Equity-settled share-based payment transactions <sup>1</sup>	(885)		29	(856)
Deferred tax on share-based payment transactions	276			276
Transactions with non-controlling interests	(54)		160	106
Net dividends paid	(13 552)	(594)	(1 364)	(15 510)
Net increase in treasury shares	(1 153)		(490)	(1 643)
Other equity movements	117	3 544		3 661
<b>Unincorporated property partnerships' capital reductions and distributions</b>			(151)	(151)
<b>Balance at 31 December 2017</b>	157 020	9 047	23 950	190 017
IFRS 9 transition <sup>2</sup>	(6 261)		(376)	(6 637)
<b>Balance at 1 January 2018 (IFRS 9)</b>	150 759	9 047	23 574	183 380
<b>Total comprehensive income for the year</b>	31 877	738	5 084	37 699
<b>Transactions with owners and non-controlling interests recorded directly in equity</b>	(17 575)	(738)	(3 481)	(21 794)
Equity-settled share-based payment transactions <sup>1</sup>	600		26	626
Deferred tax on share-based payment transactions	(128)			(128)
Transactions with non-controlling interests <sup>3</sup>	(1 609)		(1 386)	(2 995)
Net dividends paid	(15 113)	(738)	(1 725)	(17 576)
Net increase in treasury shares	(1 295)		(412)	(1 707)
Other equity movements	(30)		16	(14)
<b>Unincorporated property partnerships' capital reductions and distributions</b>			(222)	(222)
<b>Balance at 31 December 2018</b>	165 061	9 047	24 955	199 063

<sup>1</sup> Includes hedges of the group's equity settled share incentive schemes.

<sup>2</sup> Refer to page 45 for detail on the IFRS 9 transition adjustments.

<sup>3</sup> Refer to page 42 for detail on significant transactions with non-controlling interests.



# Condensed consolidated statement of cash flows

for the year ended 31 December 2018

	2018	2017 <sup>3</sup>
	Rm	Rm
<b>Net cash flows from operating activities<sup>3</sup></b>	<b>34 697</b>	21 020
Direct taxation paid	(10 256)	(10 078)
Other operating activities	44 903	31 098
<b>Net cash flows used in investing activities<sup>3</sup></b>	<b>(8 728)</b>	(5 298)
Capital expenditure	(9 426)	(5 391)
Other investing activities	698	93
<b>Net cash flows used in financing activities</b>	<b>(18 335)</b>	(12 674)
Dividends paid <sup>1</sup>	(17 701)	(15 574)
Equity transactions with non-controlling interests <sup>2</sup>	(1 843)	1 173
Issuance of other equity instruments		3 544
Issuance of subordinated debt	6 100	2 246
Redemption of subordinated debt	(4 550)	(4 180)
Other financing activities	(341)	117
Effect of exchange rate changes on cash and cash equivalents	2 251	(5 212)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9 835</b>	(2 164)
Cash and cash equivalents at the beginning of the period	75 310	77 474
<b>Cash and cash equivalents at the end of the period</b>	<b>85 145</b>	75 310
Cash and balances with central banks	85 145	75 310

<sup>1</sup> Refer to page 41 for detail on the dividends paid to Additional Tier 1 (AT1) equity holders.

<sup>2</sup> Refer to page 42 for detail on significant transactions with non-controlling interests. Includes non-controlling interests' share of subsidiary distributions.

<sup>3</sup> Refer to page 49 for details about the restatement to the statement of cash flows.

# Notes

## Financial investments

as at 31 December 2018

	2018 Rm	2017 <sup>1</sup> Rm
Corporate and sovereign	261 484	240 703
Bank	71 210	46 278
Mutual funds and unit-linked investments	85 034	98 169
Listed equities	96 395	122 545
Unlisted equities	6 506	5 554
Interest in associates and joint ventures held at fair value	13 848	15 197
Other instruments	12 928	4 868
<b>Total financial investments</b>	<b>547 405</b>	<b>533 314</b>
Net financial investments measured at amortised cost	144 145	
Gross financial investments measured at amortised cost	144 339	
Less: Expected credit loss (ECL) for financial investments measured at amortised cost <sup>2</sup>	(194)	
Financial investments measured at fair value	403 260	
Financial investments measured at fair value through profit or loss	348 923	
Debt financial investments measured at fair value through OCI <sup>3</sup>	53 083	
Equity financial investments measured at fair value through OCI	1 254	

<sup>1</sup> 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 2017 to those disclosed for 2018. This did not result in a restatement to the group's statement of financial position as at 31 December 2017.

<sup>2</sup> The group recognised an 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 for the 2018 credit impairment charge of R82 million on financial investments measured at amortised cost.

<sup>3</sup> 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 31 December 2018, the ECL for debt financial investments measured at fair value through OCI was R206 million. Refer to the credit impairment charges note for the 2018 credit impairment charge of R19 million relating to financial investments measured at fair value through OCI.

## Loans and advances

as at 31 December 2018

	2018 Rm	2017 <sup>1</sup> Rm
<b>Loans and advances measured at fair value through profit or loss</b>	<b>1 204</b>	<b>110</b>
<b>Net loans and advances measured at amortised cost</b>	<b>1 119 464</b>	<b>1 047 917</b>
<b>Gross loans and advances measured at amortised cost</b>	<b>1 156 149</b>	<b>1 070 361</b>
Mortgage loans	361 830	346 508
Vehicle and asset finance	89 651	83 136
Card debtors	32 395	32 253
Corporate and sovereign	397 261	352 025
Bank	110 852	117 935
Other loans and advances	164 160	138 504
<b>Credit impairments for loans and advances (IAS 39)</b>		<b>(22 444)</b>
<b>Total credit impairment on loans and advances (IFRS 9)<sup>2</sup></b>	<b>(36 685)</b>	
<b>Total loans and advances</b>	<b>1 120 668</b>	<b>1 048 027</b>

<sup>1</sup> 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 2017 to those disclosed for 2018. This did not result in a restatement to the group's statement of financial position as at 31 December 2017.

<sup>2</sup> For details on the group's accounting policy on interest in suspense, refer to page 48.

Loans and advances continued

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

	Opening ECL 1 January 2018 <sup>1</sup>	Total transfers between stages	Net impairments raised/ (released) <sup>2</sup>	Impaired accounts written-off	Exchange and other movements	Closing ECL 31 December 2018
	Rm	Rm	Rm	Rm	Rm	Rm
<b>Mortgage loans</b>	9 396		1 067	(995)	662	10 130
Stage 1	1 126	382	(470)		(1)	1 037
Stage 2	2 014	(144)	131		17	2 018
Stage 3	6 256	(238)	1 406	(995)	646	7 075
<b>Vehicle and asset finance</b>	3 236		1 074	(1 027)	119	3 402
Stage 1	766	226	(227)		5	770
Stage 2	994	(324)	240		38	948
Stage 3	1 476	98	1 061	(1 027)	76	1 684
<b>Card debtors</b>	3 179		1 187	(1 341)	42	3 067
Stage 1	698	176	(231)			643
Stage 2	821	(109)	266		2	980
Stage 3	1 660	(67)	1 152	(1 341)	40	1 444
<b>Corporate</b>	7 667		889	(1 275)	1 214	8 495
Stage 1	781	150	(88)		107	950
Stage 2	1 956	(1 240)	(124)		449	1 041
Stage 3	4 930	1 090	1 101	(1 275)	658	6 504
<b>Sovereign</b>	125		(47)		2	80
Stage 1	84		(13)		2	73
Stage 2	36		(34)			2
Stage 3	5					5
<b>Bank</b>	45		(18)		36	63
Stage 1	45		(14)		29	63
Stage 2			(4)		7	3
<b>Other loans and advances</b>	11 391		3 085	(3 541)	513	11 448
Stage 1	2 289	50	(189)		57	2 207
Stage 2	2 454	(271)	(85)		54	2 152
Stage 3	6 648	221	3 359	(3 541)	402	7 089
<b>Total</b>	<b>35 039</b>		<b>7 237</b>	<b>(8 179)</b>	<b>2 588</b>	<b>36 685</b>
Stage 1	5 789	984	(1 232)		199	5 740
Stage 2	8 275	(2 088)	390		567	7 144
Stage 3	20 975	1 104	8 079	(8 179)	1 822	23 801

<sup>1</sup> IFRS 9 resulted in a transition 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 CIB; and R2 108 million for other loans and advances. The opening ECL as at 1 January 2018 incorporates these IFRS 9 transition adjustments.

<sup>2</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note on page 37).

# Notes continued

## Loans and advances continued

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

	Mortgage loans Rm	Vehicle and asset finance Rm
<b>2017<sup>1</sup></b>		
<b>Specific impairments</b>		
Balance at beginning of the year	3 640	1 410
Net impairments raised/(released) <sup>2</sup>	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)
<b>Balance at end of the year</b>	<b>3 979</b>	<b>1 367</b>
<b>Portfolio impairments</b>		
Balance at beginning of the year	1 137	801
Net impairments raised/(released) <sup>2</sup>	(55)	(141)
Exchange and other movements	(5)	(7)
<b>Balance at end of the year</b>	<b>1 077</b>	<b>653</b>
<b>Total specific and portfolio impairments</b>	<b>5 056</b>	<b>2 020</b>

<sup>1</sup> 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 2017 to those disclosed for 2018. This did not result in a restatement to the group's statement of financial position as at 31 December 2017.

<sup>2</sup> 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	SB 1 - 12		SB 13 - 20	
		Stage 1 Rm	Stage 2 Rm	Stage 1 Rm	Stage 2 Rm
Loans and advances at amortised cost					
<b>Personal &amp; Business Banking</b>	<b>701 723</b>	<b>191 602</b>	<b>1 815</b>	<b>407 955</b>	<b>7 083</b>
Mortgage loans	362 006	108 575	1 786	196 795	4 332
Vehicle and asset finance	89 410	1 250	11	75 939	1 214
Card debtors	33 216	1 604	8	25 382	174
Other loans and advances	217 091	80 173	10	109 839	1 363
Personal unsecured lending	59 459	961		46 457	8
Business lending and other	157 632	79 212	10	63 382	1 355
<b>Corporate &amp; Investment Banking</b>	<b>510 113</b>	<b>291 386</b>	<b>4 912</b>	<b>179 889</b>	<b>17 965</b>
Corporate	388 973	182 578	4 801	170 726	17 598
Sovereign	8 288	4 533	109	3 319	129
Banking	112 852	104 275	2	5 844	238
<b>Other service</b>	<b>(55 687)</b>	<b>(55 687)</b>			
<b>Gross carrying amount of loans and advances at amortised cost</b>	<b>1 156 149</b>	<b>427 301</b>	<b>6 727</b>	<b>587 844</b>	<b>25 048</b>
Gross loans and advances at fair value	1 204				
<b>Total gross loans and advance</b>	<b>1 157 353</b>				

The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PPB portfolios.

SB 21- 25		Default		Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss on default exposures and interest in suspense on stage 3 Rm	Gross default coverage %	Stage 3 exposures %
Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Stage 3 Rm				
8 220	50 589	34 459	17 167	17 292	50	4.9	
4 261	27 840	18 417	11 342	7 075	38	5.1	
347	7 138	3 511	1 827	1 684	48	3.9	
317	3 882	1 849	405	1 444	78	5.6	
3 295	11 729	10 682	3 593	7 089	66	4.9	
1 556	5 625	4 852	900	3 952	81	8.2	
1 739	6 104	5 830	2 693	3 137	54	3.7	
3 833	2 394	9 734	3 225	6 509	67	1.9	
1 142	2 394	9 734	3 225	6 509	67	2.5	
198							
2 493							
12 053	52 983	44 193	20 392	23 801	54	3.8	

# 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
<b>2017<sup>1,2</sup></b>			
<b>Personal &amp; Business Banking</b>	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
<b>Corporate &amp; Investment Banking</b>	472 437	466 862	5 575
<b>Central and other</b>	(47 834)	(47 836)	2
<b>Gross loans and advances</b>	<b>1 070 471</b>	<b>1 035 975</b>	<b>34 496</b>
<b>Percentage of total book (%)</b>	<b>100.0</b>	<b>96.8</b>	<b>3.2</b>

<sup>1</sup> The loans and advances performance disclosures have been presented at a segment level, whereas the other loans and advances disclosures within these results are disclosed on group consolidated view, unless stated otherwise.

<sup>2</sup> 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 2017 to those disclosed for 2018. 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 31 December 2018

	2018	2017
	Rm	Rm
Letters of credit and bankers' acceptances	17 802	13 413
Guarantees	85 576	63 761
<b>Contingent liabilities</b>	<b>103 378</b>	<b>77 174</b>
Investment property	748	385
Property and equipment	620	94
Other intangible assets	270	299
<b>Commitments</b>	<b>1 638</b>	<b>778</b>

Loan commitments of R77 253 million (2017: R62 347 million) are either irrevocable over the life of the facility or revocable only in response to material adverse changes.

## Fair value

### Financial Instruments

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 including correlations, prepayment spreads, default rates and loss severity. Changes in these assumptions would affect the reported fair values of these financial instruments.

When possible such inputs are corroborated by reference to independent data such as quotes, recent transaction prices or suitable proxies.

**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 continued

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

The table below categorises the group's assets and liabilities as at 31 December 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
<b>Assets</b>			
Cash and balances with central banks			76 095
Derivative assets	51 678		
Trading assets	181 112		
Pledged assets	6 266		12 661
Financial investments		19 740	329 183
Disposal group assets held for sale			265
Loans and advances			1 204
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Other financial assets <sup>3</sup>			
Other non-financial assets			
<b>Total assets</b>	<b>239 056</b>	<b>19 740</b>	<b>419 408</b>
<b>Liabilities</b>			
Derivative liabilities	55 057		
Trading liabilities	59 947		
Deposits and debt funding		6 439	
Policyholders' liabilities <sup>4</sup>		99 813	
Subordinated debt		5 540	
Other financial liabilities <sup>3</sup>		67 822	
Disposal group assets held for sale			
Other non-financial liabilities			
<b>Total liabilities</b>	<b>115 004</b>	<b>179 614</b>	

Refer to footnotes on page 28.

Amortised cost <sup>1</sup> Rm	Fair value through other comprehensive income		Other non-financial assets/liabilities Rm	Total carrying amount Rm	Fair value <sup>2</sup> Rm
	Debt instruments Rm	Equity instruments Rm			
9 050				85 145	85 145
				51 678	51 678
				181 112	181 112
689	263			19 879	19 863
144 145	53 083	1 254		547 405	548 584
			497	762	265
1 119 464				1 120 668	1 123 115
			6 708	6 708	
			10 376	10 376	
			33 326	33 326	33 326
13 624				13 624	
			56 279	56 279	
1 286 972	53 346	1 254	107 186	2 126 962	
				55 057	55 057
				59 947	59 947
1 351 098				1 357 537	1 358 058
			211 181	310 994	99 813
20 819				26 359	25 431
20 530				88 352	
			237	237	
			29 416	29 416	
1 392 447			240 834	1 927 899	

# Notes continued

## Fair value continued

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

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
<b>Assets</b>		
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 <sup>3</sup>		
Other non-financial assets		
<b>Total assets</b>	<b>241 482</b>	<b>409 456</b>
<b>Liabilities</b>		
Derivative liabilities	76 896	
Trading liabilities	62 855	
Deposits and debt funding		13 847
Policyholders' liabilities <sup>4</sup>		100 519
Subordinated debt		
Other financial liabilities <sup>3</sup>		58 810
Other non-financial liabilities		
<b>Total liabilities</b>	<b>139 751</b>	<b>173 176</b>

<sup>1</sup> Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.

<sup>2</sup> Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.

<sup>3</sup> The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.

<sup>4</sup> 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 <sup>1</sup> Rm	Available-for-sale Rm	Other amortised cost <sup>1</sup> Rm	Other non-financial assets/liabilities Rm	Total carrying amount Rm	Fair value <sup>2</sup> Rm
	75 310				75 310	75 310
					75 610	75 610
181	358	1 517			160 894	160 894
81 426	12 661	43 632			20 785	20 780
	1 047 917				533 314	533 235
					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 continued

### Financial assets and liabilities measured at fair value

as at 31 December 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.

	2018				2017			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
<b>Measured on a recurring basis<sup>1</sup></b>								
<b>Financial assets</b>								
Cash and balances with central banks <sup>2</sup>	64 680	11 415		76 095				
Derivative assets	42	48 227	3 409	51 678	120	71 140	4 350	75 610
Trading assets	97 350	81 395	2 367	181 112	95 654	60 156	5 084	160 894
Pledged assets	18 272	918		19 190	18 516	1 730		20 246
Financial investments	202 574	189 780	10 906	403 260	243 968	184 673	10 586	439 227
Loans and advances		1 204		1 204		110		110
Disposal group assets held for sale	265			265				
<b>Total financial assets at fair value</b>	<b>383 183</b>	<b>332 939</b>	<b>16 682</b>	<b>732 804</b>	<b>358 258</b>	<b>317 809</b>	<b>20 020</b>	<b>696 087</b>
<b>Financial liabilities</b>								
Derivative liabilities	52	48 854	6 151	55 057	93	71 397	5 406	76 896
Trading liabilities	41 753	15 437	2 757	59 947	33 433	26 383	3 039	62 855
Deposits and debt funding		6 439		6 439	146	13 701		13 847
Policyholders' liabilities		99 813		99 813		100 519		100 519
Other financial liabilities		61 636	6 186	67 822		57 581	1 229	58 810
Subordinated debt		5 540		5 540				
<b>Total financial liabilities at fair value</b>	<b>41 805</b>	<b>237 719</b>	<b>15 094</b>	<b>294 618</b>	<b>33 672</b>	<b>269 581</b>	<b>9 674</b>	<b>312 927</b>

<sup>1</sup> 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.

<sup>2</sup> 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.



## Fair value 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
<p><b>Derivative financial instruments</b></p> <p>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.</p>	<p>Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument.</p> <p>Techniques include:</p> <ul style="list-style-type: none"> <li>• Discounted cash flow model</li> <li>• Black-Scholes model</li> <li>• Combination technique models.</li> </ul>	<p><b>For level 2 and 3 fair value hierarchy items</b></p> <ul style="list-style-type: none"> <li>• discount rate*</li> <li>• spot prices of the underlying</li> <li>• correlation factors</li> <li>• volatilities</li> <li>• dividend yields</li> <li>• earnings yield</li> <li>• valuation multiples.</li> </ul>
<p><b>Trading assets and trading liabilities</b></p> <p>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.</p>	<p>Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.</p>	
<p><b>Pledged assets</b></p> <p>Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.</p>		
<p><b>Financial investments</b></p> <p>Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.</p>		
<p><b>Loans and advances to banks and customers</b></p> <p>Loans and advances comprise:</p> <p>Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks.</p> <p>Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).</p>	<p>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.</p>	<p><b>For level 2 and 3 fair value hierarchy items</b></p> <ul style="list-style-type: none"> <li>• discount rate*</li> </ul>

# 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
<p><b>Deposits and debt funding</b></p> <p>Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.</p>	<p>For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.</p>	<p><b>For level 2 and 3 fair value hierarchy items</b></p> <ul style="list-style-type: none"> <li>discount rate*</li> </ul>
<p><b>Policyholders' assets and liabilities</b></p> <p>Policyholders' assets and liabilities comprise unit-linked policies and annuity certain.</p>	<p>Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certain: discounted cash flow models are used to determine the fair value of the stream of future payments.</p>	<p><b>For level 2 and 3 fair value hierarchy items</b></p> <ul style="list-style-type: none"> <li>discount rate*</li> <li>spot price of underlying</li> </ul>
<p><b>Third-party financial liabilities arising on the consolidation of mutual funds (included in other liabilities)</b></p> <p>These are liabilities that arise on the consolidation of mutual funds.</p>	<p>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.</p>	<p><b>For level 2 and 3 fair value hierarchy items</b></p> <ul style="list-style-type: none"> <li>discount rate*</li> </ul>

\* 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
<b>Balance at 1 January 2017</b>	2 115	4 751	7 955	14 821
<b>Total gains/(losses) included in profit or loss</b>	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 <sup>1</sup>	36		34	70
Transfers out of level 3 <sup>2</sup>	(291)	(629)		(920)
Exchange losses	(30)		(249)	(279)
<b>Balance at 31 December 2017</b>	4 350	5 084	10 586	20 020
<b>Balance at 1 January 2018</b>	4 350	5 084	10 586	20 020
IFRS 9 adjustment	(301)		(1 816)	(2 117)
<b>Total gains/(losses) included in profit or loss</b>	(453)	154	1 329	1 030
Other revenue			506	506
Trading revenue	(453)	154		(299)
Investment gains/(losses)			823	823
Total losses included in OCI			(19)	(19)
Issuances and purchases	800	504	448	1 752
Sales and settlements	(1 465)	(3 375)	(276)	(5 116)
Transfers into level 3 <sup>1</sup>	418		5	423
Transfers out of level 3 <sup>2</sup>	(83)		(312)	(395)
Reclassification			831	831
Exchange movement gains	143		130	273
<b>Balance at 31 December 2018</b>	3 409	2 367	10 906	16 682

<sup>1</sup> Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the period, the valuation inputs of certain financial assets became unobservable. The fair value of these assets were transferred to level 3.

<sup>2</sup> During the period, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets were 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 years:

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
<b>31 December 2018</b>				
Non-interest revenue	(456)	159	404	107
<b>31 December 2017</b>				
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
<b>Balance at 1 January 2017</b>	8 554	4 181	1 271	14 006
Total losses/(gains) included in profit or loss - non-interest revenue	220	(568)		(348)
Issuances and purchases		1 110		1 110
Sales and settlements	(3 211)	(1 684)	(42)	(4 937)
Transfers out of level 3 <sup>1</sup>	(157)			(157)
<b>Balance at 31 December 2017</b>	5 406	3 039	1 229	9 674
<b>Balance at 1 January 2018</b>	5 406	3 039	1 229	9 674
Total losses included in profit or loss - non-interest revenue	1 465	102	329	1 896
Issuances and purchases		738	4 628	5 366
Sales and settlements	(789)	(195)		(984)
Transfers out of level 3 <sup>1</sup>	(34)	(1 112)		(1 146)
Transfers into level 3 <sup>2</sup>	103	185		288
<b>Balance at 31 December 2018</b>	6 151	2 757	6 186	15 094

<sup>1</sup> During the year, the valuation inputs of certain level 3 financial liabilities became observable. The fair value of these financial liabilities were transferred into level 2.

<sup>2</sup> 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 were transferred into level 3.

#### 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	Other financial liabilities Rm	Total Rm
<b>31 December 2018</b>				
Trading revenue	1 568	101	329	1 998
<b>31 December 2017</b>				
Trading 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 sensitivity of valuation techniques used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The 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 of risk factor (i.e. assumes that all risks are mutually exclusive).

	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	(Unfavourable) Rm
<b>31 December 2018</b>			
Derivative instruments	From (1%) to 1%	309	(315)
Trading assets	From (1%) to 1%	59	(58)
Financial investments	From (1%) to 1%	94	(94)
Trading liabilities	From (1%) to 1%	68	(68)
<b>Total</b>		<b>530</b>	<b>(535)</b>
<b>31 December 2017</b>			
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)
<b>Total</b>		<b>991</b>	<b>(983)</b>

As at 31 December 2018, a 1% change of the significant unobservable inputs relating to the measurement of an equity investment resulted in a R145 million favourable and unfavourable effect recognised in OCI (2017: R113 million).

## 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 year with a reconciliation of changes in the balances during the period.

	Derivative instruments Rm	Trading assets Rm	Total Rm
<b>Balance at 1 January 2017</b>	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)
<b>Balance at 31 December 2017</b>	160	642	802
<b>Balance at 1 January 2018</b>	160	642	802
Additional net profit on new transactions during the period	299	339	638
Recognised in trading revenue during the period	(307)	(136)	(443)
Exchange differences	24		24
<b>Balance at 31 December 2018</b>	176	845	1 021

### Headline earnings

for the year ended 31 December 2018

	2018 Rm	2017 Rm
<b>Profit for the period</b>	27 453	26 235
<b>Headline adjustable items (reversed)/added</b>	641	187
IAS 16 - (Gain)/loss on sale of property and equipment	(15)	10
IAS 21 - Realised foreign currency profit on foreign operations		(214)
IAS 27/IAS 28 - (Gains)/losses on disposal of businesses	(47)	18
IAS 28/IAS 36 - Impairment of associate	5	
IAS 36 - Impairment of intangible assets	449	447
IFRS 5 - Headline adjustable items: Impairment of disposal group assets held for sale	249	
IAS 39 - Realised gains on available-for-sale assets <sup>1</sup>		(74)
<b>Taxation on headline earnings adjustable items</b>	(122)	(94)
<b>Non-controlling interests' share of headline earnings adjustable items</b>	(107)	(58)
<b>Standard Bank Group headline earnings</b>	27 865	26 270
<b>Headline earnings per ordinary share (cents)</b>		
Headline earnings per ordinary share	1 748.4	1 640.0
Diluted headline earnings per ordinary share	1 730.9	1 619.7

<sup>1</sup> 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.

### Private equity associates and joint ventures

as at 31 December 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.

	2018 Rm	2017 Rm
Cost	48	48
Carrying value	619	546
Fair value	619	546
Attributable income before impairment	93	159

## Non-interest revenue

for the year ended 31 December 2018

	2018	2017
	Rm	Restated Rm
<b>Net fee and commission revenue<sup>1</sup></b>	<b>30 375</b>	28 670
Fee and commission revenue	<b>36 592</b>	34 290
Accounting transaction fees	<b>11 669</b>	11 488
Card-based commission	<b>6 760</b>	6 535
Documentation and administration fees	<b>2 273</b>	2 197
Electronic banking	<b>3 829</b>	3 446
Foreign currency service fees	<b>2 244</b>	1 879
Insurance - fees and commission	<b>1 904</b>	1 945
Knowledge-based fees and commission	<b>2 350</b>	2 278
Other	<b>5 563</b>	4 522
Fee and commission expense <sup>1</sup>	<b>(6 217)</b>	(5 620)
<b>Trading revenue</b>	<b>11 129</b>	10 731
<b>Other revenue</b>	<b>3 533</b>	3 173
<b>Other gains and losses on financial instruments</b>	<b>672</b>	
<b>Total non-interest revenue<sup>2</sup></b>	<b>45 709</b>	42 574

<sup>1</sup> Refer to page 49 for details about the restatement to net fee and commission revenue.

<sup>2</sup> 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](http://www.standardbank.com/reporting).

## Credit impairment charges

for the year ended 31 December 2018

	2018	2017
	Rm	Rm
<b>Credit impairments (IAS 39)<sup>1</sup></b>		10 252
Portfolio impairments		355
Specific impairments		9 897
<b>Credit impairments (IFRS 9)<sup>1</sup></b>	<b>7 515</b>	
Financial investments	<b>101</b>	
Loans and advances	<b>7 237</b>	
Letters of credit and guarantees	<b>177</b>	
<b>Modification losses</b>	<b>145</b>	
<b>Recoveries on loans and advances previously written off</b>	<b>(1 171)</b>	(842)
<b>Total credit impairment charge</b>	<b>6 489</b>	9 410

<sup>1</sup> 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.

## Notes continued

### 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 31 December 2018 is 2 985 513 (2017: 5 750 291). The weighted number of these shares for the year ended 31 December 2018 equated to 4 178 422 (2017: 5 750 291).

#### Post-employment benefit plans

The group manages R8 754 million (2017: 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:

	2018	2017
	Rm	Rm
Investments held in bonds and money market instruments	778	1 089
Value of ordinary group shares held <sup>1</sup>	3 040	749

<sup>1</sup> 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 2017. 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.

	2018	2017
	Rm	Rm
<b>Amounts included in the group's statement of financial position</b>		
Derivative assets	905	2 227
Trading assets	9	7
Loans and advances	28 726	31 413
Other assets	245	590
Derivative liabilities	(3 260)	(2 340)
Trading liabilities	(2 933)	
Deposits and debt funding	(282)	(1 050)
Provisions and other liabilities	(437)	(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 31 December 2018 the expense recognised in respect of these arrangements amounted to R229 million (2017: R277 million).



## 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.

	2018	2017
	Rm	Rm
<b>Amounts included in the group's statement of financial position</b>		
Loans and advances	15 539	2 939
Other assets <sup>1</sup>	345	611
Deposits and debt funding	(3 724)	(91)

<sup>1</sup> The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the sale and purchase agreement, relating to SB Plc (now ICBCS) with ICBC. As a consequence of the sale and purchase agreement, the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 31 December 2018, a balance of USD 24 million (R345 million) is receivable from ICBC in respect of this arrangement (2017: USD50 million; R611 million).

The group has off-balance sheet letters of credit exposure issued to ICBC as at 31 December 2018 of R1 952 million (2017: R766 million). The group received R63 million in fee and commission revenue relating to these transactions (2017: R8 million).

### 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:

	2018	2017
	Rm	Rm
<b>Amounts included in the group's statement of financial position and income statement</b>		
Trading liabilities	(592)	(275)
Deposits and debt funding	(24 896)	(15 706)
Trading losses	(26)	(101)
Interest expense	(2 689)	(695)

## Change in group directorate

The following changes in directorate took place during the year ended 31 December 2018:

<b>RETIREMENTS</b>		
RMW Dunne	As non-executive director	30 May 2018
BJ Kruger	As non-executive director	31 December 2018

# Notes continued

## Condensed segment report

for the year ended 31 December 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).

	2018 Rm	2017 <sup>1</sup> Rm
<b>Net interest income contribution by business unit</b>		
Personal & Business Banking	41 754	40 963
Corporate & Investment Banking	19 190	20 434
Central and other	(1 322)	(1 272)
<b>Standard Bank Group</b>	<b>59 622</b>	<b>60 125</b>
<b>Non-interest revenue and income from investment management and life insurance activities contribution by business unit</b>		
Personal & Business Banking <sup>2</sup>	28 053	26 745
Corporate & Investment Banking	17 791	16 336
Central and other	(135)	(507)
<b>Banking activities<sup>2</sup></b>	<b>45 709</b>	<b>42 574</b>
Liberty	21 722	24 394
<b>Standard Bank Group<sup>2</sup></b>	<b>67 431</b>	<b>66 968</b>
<b>Revenue contribution by business unit</b>		
Personal & Business Banking <sup>2</sup>	69 807	67 708
Corporate & Investment Banking	36 981	36 770
Central and other	(1 457)	(1 779)
<b>Banking activities<sup>2</sup></b>	<b>105 331</b>	<b>102 699</b>
Liberty	21 722	24 394
<b>Standard Bank Group<sup>2</sup></b>	<b>127 053</b>	<b>127 093</b>
<b>Profit or loss attributable to ordinary shareholders</b>		
Personal & Business Banking	15 539	14 023
Corporate & Investment Banking	10 900	11 363
Central and other	(865)	(1 112)
<b>Banking activities</b>	<b>25 574</b>	<b>24 274</b>
Other banking interests	418	600
Liberty	1 461	1 361
<b>Standard Bank Group</b>	<b>27 453</b>	<b>26 235</b>
<b>Total assets by business unit</b>		
Personal & Business Banking	767 328	705 232
Corporate & Investment Banking	970 739	907 335
Central and other	(33 732)	(14 599)
<b>Banking activities</b>	<b>1 704 335</b>	<b>1 597 968</b>
Other banking interests	7 852	7 493
Liberty <sup>2</sup>	414 775	422 467
<b>Standard Bank Group<sup>2</sup></b>	<b>2 126 962</b>	<b>2 027 928</b>
<b>Total liabilities by business unit</b>		
Personal & Business Banking	690 187	630 796
Corporate & Investment Banking	902 652	843 982
Central and other	(51 933)	(32 043)
<b>Banking activities</b>	<b>1 540 906</b>	<b>1 442 735</b>
Liberty <sup>2</sup>	<b>386 993</b>	<b>395 176</b>
<b>Standard Bank Group<sup>2</sup></b>	<b>1 927 899</b>	<b>1 837 911</b>

<sup>1</sup> Where responsibility for individual cost centres and divisions within business units change, the comparative figures have been reclassified accordingly.

<sup>2</sup> Refer to the restatement section for restatements that affected these disclosures.

## 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 (2017: R3.5 billion nominal value). During the period, coupons to the value of R447 million (2017: R229 million) were paid to AT1 capital bond holders. Current tax of R125 million (2017: R64 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R322 million (2017: 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)	
	2018	1 January 2018	2018	1 January 2018
Capital ratio	%	%	%	%
CET1	13.5	13.3	13.1	12.8
Tier 1	14.1	13.9	13.6	13.4
Total capital adequacy	16.0	15.9	15.8	15.7

### Equity securities

During the period, the group allotted 1 729 572 shares (2017: 2 877 827 shares) in terms of the group's share incentive schemes and repurchased 2 483 523 shares (2017: 2 030 824 shares).

The total equity securities held as treasury shares at the end of the period was 25 310 447 shares (2017: 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 The Standard Bank of South Africa Limited ("SBSA") and two against a former subsidiary of the Standard Bank Group, Standard New York Securities Inc ("SNYS"), in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. Standard Bank 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 for dismissal of the complaint referral on various legal grounds. These applications were heard in July 2018 and judgement has been reserved. 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 SB 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. Any claims that may arise for SNYS with respect to the Competition Commission matter are 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.

## Notes continued

### Subordinated debt

During the period, the group issued R5.0 billion (2017: Rnil) Basel III 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 (2017: R3.0 billion) Basel III compliant Tier 2 subordinated debt instruments were redeemed during the year.

R0.1 billion (2017: R0.3 billion) of Basel II compliant Tier 2 subordinated debt instruments were issued during the year and R0.1 billion (2017: 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 issued subordinated debt that qualifies as regulatory insurance capital R1.0 billion (2017: R2.0 billion) and R1.0 billion (2017: R1.0 billion) was redeemed.

### Transactions with non-controlling interests

#### Change in shareholding of subsidiaries

	2018 Rm
Net carrying amount of non-controlling interests acquired	1 139
Net consideration paid to non-controlling interests	(2 675)
<b>Net decrease in equity attributable to ordinary shareholders</b>	<b>(1 536)</b>

Transactions with non-controlling interests primarily comprise of:

#### Stanbic Africa Holdings Limited

During the period, 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 12% from 53% to 65% through an announced off market trade on the Nigerian Stock Exchange and further on market share purchases for a total cash consideration of R2 567 million.

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

#### Kenya

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

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

#### Liberty Group Limited

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

### Stanbic Bank Zimbabwe functional currency

In 2009, Stanbic Bank Zimbabwe (SBZ) concluded that the United States Dollar (USD) was its functional currency in terms of IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21). However, an acute shortage of USD in Zimbabwe resulted in an increase in electronic balances through the Real Time Gross Settlement System (RTGS) as well as the issuance of bond notes which were exchangeable for USD at an official rate of 1:1. In October 2018, the Reserve Bank of Zimbabwe (RBZ) instructed banks to separate bank accounts into FCA Nostro (USD balances) and FCA RTGS (RTGS balances). This created clarity that within Zimbabwe both USD and RTGS were legal tender and that these different currencies were not interchangeable, even though the official exchange rate was 1:1. As a result, SBZ concluded that its functional currency changed from USD to RTGS on 1 October 2018 because the majority of SBZ's transactions were conducted in RTGS. SBZ was prohibited from trading at any exchange rate other than the official rate and all exchange transactions undertaken by SBZ in 2018 occurred at the official rate of 1:1. The International Financial Reporting Interpretations Committee discussed the determination of an exchange rate when there is a long-term lack of exchangeability and concluded that the closing rate at which items should be translated is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism. The only legal exchange mechanism that SBZ had access to in the financial period since the change in functional currency was the official exchange mechanism. This led to SBZ concluding that the appropriate exchange rate to use at the date of the change in functional currency and subsequent to the change in functional currency up until the end of the current reporting period is the official rate of 1:1.

### Post-balance sheet event

During February 2019, RBZ announced that RTGS dollars will replace USD as the new base currency of the country. A new foreign interbank market was also established and this interbank market will complement the existing official foreign exchange mechanism with the RBZ. The establishment of this interbank market has created an additional legal exchange mechanism whereby the bank is able to trade RTGS dollars. Whilst the RBZ has not yet indicated which exchange mechanism can be utilised for dividend repatriation, the 2.5 RTGS:USD exchange rate which has emerged from this interbank exchange market at the end of February 2019 can be utilised to estimate the financial impact. The group has estimated a decrease of R746 million on the foreign currency translation reserve, relating to this development by applying the 2.5 RTGS:USD exchange rate to the 31 December 2018 SBZ balance sheet position.

### IFRS 16 Leases

This standard will replace the IAS 17 *Leases* as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier). The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating or finance leases as required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. The group has elected to apply IFRS 16 retrospectively without restating comparative periods, which will continue to be presented in terms of IAS 17, with a transition adjustment as at 1 January 2019. The single lessee accounting model, which comprises IFRS 16's most material impact for the group, is expected to result in an increase of approximately R5 billion in total assets, R4.73 billion in total liabilities and an increase in reserves of approximately R250 million.

# 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. The group did not apply the optional temporary exemption of applying IFRS 9 until 2021.
- 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 45 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:

<b>ECL impairment requirements</b>	<p>IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the group.</p> <p>The ECL model applies to financial assets measured at either amortised cost or at fair value through 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.</p> <p>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.</p>
<b>Classification and measurement</b>	<p>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.</p> <p>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.</p> <p>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.</p>

## 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](http://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.

<b>12-month ECL for performing loans (stage 1)</b>	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.
<b>Significant increase in credit risk (SICR) (stage 2)</b>	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.
<b>Off-balance sheet exposures</b>	IFRS 9's scope includes off-balance sheet exposures, such as unutilised loan commitments, guarantees and letters of credit.
<b>Lifetime model work out requirement</b>	<p>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.</p> <p>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.</p>
<b>Forward looking economic expectations</b>	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	
<b>Assets</b>					
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 <sup>1</sup>	436 922	2 234	94	2 328	439 250
<b>Total assets</b>	<b>2 027 928</b>	<b>(5 930)</b>	<b>40</b>	<b>(5 890)</b>	<b>2 022 038</b>
<b>Equity and liabilities</b>					
<b>Equity</b>	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
<b>Liabilities<sup>2</sup></b>	1 837 911	346	401	747	1 838 658
<b>Total equity and liabilities</b>	<b>2 027 928</b>	<b>(5 930)</b>	<b>40</b>	<b>(5 890)</b>	<b>2 022 038</b>

<sup>1</sup> Materially relates to the recognition of additional deferred tax assets following the recognition of the IFRS 9 ECL and classification and measurement transition adjustment.

<sup>2</sup> 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 <sup>1</sup>	144 539	(5 302)	139 237
Statutory credit risk reserve <sup>2</sup>	3 089	(948)	2 141
Other <sup>3</sup>	(8 671)	(11)	(8 682)
<b>Total ordinary shareholder's equity</b>	157 020	(6 261)	150 759
Other equity instruments	9 047		9 047
Non-controlling interests <sup>4</sup>	23 950	(376)	23 574
<b>Total equity</b>	190 017	(6 637)	183 380

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

# IFRS 9 *Financial Instruments* continued

## IFRS 9 key financial impacts continued

**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	Fair value <sup>1</sup> Rm	Amortised cost Rm	Fair value through OCI Rm		
<b>Financial assets</b>							
Held-for-trading	241 482	<b>241 482</b>				241 482	
Designated at fair value	409 456		370 517	38 126		408 643	(813)
Held to maturity	81 607		3 261	79 187		82 448	841
Loans and receivables	1 142 431		66 908	1 075 492	26	1 142 426	(5)
Available-for-sale	45 149		423	10 041	34 537	45 001	(148)
	1 920 125	<b>241 482</b>	<b>441 109</b>	<b>1 202 846</b>	<b>34 563</b>	<b>1 920 000</b>	<b>(125)</b>
<b>Financial liabilities</b>							
Held-for-trading	139 751	<b>139 751</b>				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	<b>139 751</b>	<b>174 870</b>	<b>1 283 544</b>		<b>1 598 165</b>	<b>401</b>

<sup>1</sup> Includes designated at fair value and fair value default financial instruments

## IFRS 9 accounting policies

### 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 the 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 together within credit impairment. 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 asset and increased credit impairments when compared to IAS 39.

The group has presented previously unrecognised interest earned on curing of a financial asset out of Stage 3 within credit impairment. This presentation is consistent with the IFRIC clarification issued in December 2018.

# Restatements

## 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:

	2017		
	As previously presented Income/ (expense) Rm	Restatement Rm	Restated Income/ (expense) Rm
Non-interest revenue	43 037	(463)	42 574
Operating expenses in banking activities	(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
- operating expenses
- condensed segment report.

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

	2017		
	As previously reported	Restatement	Restated
Jaws	1.0%	0.1%	1.1%
Cost-to-income	55.7%	(0.2%)	55.5%

## Restatement of statement of cash flows

During 2018 a comprehensive review of the group's long-term insurance business model was undertaken due to various regulatory changes including the new regulatory capital regime effective 1 July 2018 and the enterprise risk management framework. The above review supported a change in key judgement relating to the appropriateness of all cash flows relating to investment portfolios backing policyholder liabilities and supporting regulatory and group risk adjusted minimum capital levels. Management are of the opinion that these should be reflected as cash flows from operating activities rather than as previously reflected as cash flows from investing activities. This provides more relevant information as it more accurately reflects the nature of the cash flows as a result the statement of cash flows for 2017 has been restated. The impact of the restatement on the group's statement of cash flows is as follows:

	2017		
	As previously presented cash inflow/ (cash outflow) Rm	Restatement Rm	Restated cash inflow/ (cash outflow) Rm
<b>Cash flows presented within operating activities</b>			
Other operating activities	34 215	(3 117)	31 098
<b>Cash flows presented within investing activities</b>			
Capital expenditure	(5 451)	60	(5 391)
Other investing activities	(2 964)	3 057	93

## Other information

### Pro forma financial and constant currency information

The *pro forma* financial information and *pro forma* constant currency information disclosed in these results is the responsibility of the group's directors. Because of its nature, the *pro forma* financial information may not be a fair reflection of the group's results of operation. The *pro forma* financial information and *pro forma* constant currency information contained in this announcement have been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of ISAE 3420 is available for inspection at the company's registered office on weekdays from 09:00 to 16:00.

### IFRS 9-related accounting impact

In compliance with IFRS 9, the group is required to suspend interest earlier which resulted in a R553 million reduction in net interest income and credit impairment charges. In addition, following a clarification from the IFRS Interpretations Committee in December 2018, the group is required to recognise previously unrecognised interest earned on loans which cured out of Stage 3 (otherwise referred to as released IIS on cured assets) as a reduction in credit impairment charges. Prior to 2018, IIS on cured assets was accounted for as interest income. The reclassification from interest income to credit impairment charges amounted to R1 169 million in 2018. The table below shows the impact of these changes on net interest income, total income and credit impairment charges as well as some of the group's key ratios, namely credit loss ratio, cost-to-income ratio and jaws. The adjusted figures and ratios are collectively referred to as "Non-IFRS Financial Information" and is *pro forma* financial information for purposes of the JSE Listings Requirements. There was no impact on 2018 headline earnings. The directors are responsible for compiling the Non-IFRS Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements, including JSE Guidance Letter: Presentation of *pro forma* financial information dated 4 March 2010.

	2018 Rbn	Adjustment Rbn	2018 adjusted Rbn
Net interest income	59.6	1.7	61.3
Non-interest revenue	45.7		45.7
Total income	105.3	1.7	107.0
Credit impairment charges	(6.5)	(1.7)	(8.2)
Headline earnings	27.9		27.9
Credit loss ratio (%)	0.56		0.74
Cost-to-income ratio (%)	57.0		56.2
Jaws (%)	(2.8)		(1.1)

### 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 financial position, changes in equity, results of operations or cash flows. In determining the change in constant currency terms, the comparative financial year's results for the year ended 31 December 2017 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 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 12 months in the period).

	2018 average exchange rate	2017 average exchange rate
US dollar	13.23	13.30
Pound sterling	17.63	17.13
Argentinian peso	0.50	0.81
Nigerian naira	0.04	0.04
Kenyan shilling	0.13	0.13
Zambian kwacha	1.27	0.72
Mozambique metical	0.22	0.21

# Administrative and contact details

## Standard Bank Group Limited

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NNA Matyumza, KD Moroka, ML Oduor-Otieno<sup>2</sup>,  
AC Parker, ANA Peterside<sup>3</sup>, MJD Ruck,  
PD Sullivan<sup>4</sup>, SK Tshabalala\* (chief executive),  
JM Vice, L Wang<sup>1</sup>

\*Executive Director <sup>1</sup>Chinese <sup>2</sup>Kenyan <sup>3</sup>Nigerian <sup>4</sup>Australian

All nationalities are South African, unless otherwise specified above.

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## Share transfer secretaries in Namibia

Transfer Secretaries (Proprietary) Limited  
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PO Box 2401, Windhoek

## JSE independent sponsor

JP Morgan Equities South Africa 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  
A2X share code: SBK  
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)

## Please direct all customer queries and comments to:

[Information@standardbank.co.za](mailto:Information@standardbank.co.za)

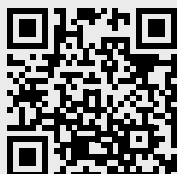
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Refer to [www.standardbank.com/reporting](http://www.standardbank.com/reporting) for a list of definitions, acronyms and abbreviations

## 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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