STANDARD BANK GROUP

Annual financial statements 2018

Standard Bank Moving Forward™

Also trading as Stanbic Bank

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

The preparation of the group's and separate annual financial statements was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP.

A summary of these results was made publicly available on 7 March 2019.

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ibc

ibc Contact and other details

Our reporting suite

We produce a full suite of reports to cater for diverse needs of our stakeholders.

All our reports and latest financial results presentations, booklets and SENS announcements are available online at **www.standardbank.com/reporting**, together with financial and other definitions, acronyms and abbreviations used.

Annual integrated report

Provides a holistic assessment of the group's ability to create value, in the short, medium and long term.

Key frameworks* applied

- JSE Listings Requirements
- King Code
- The International <IR> Framework of the International Integrated Reporting Council (IIRC)

Assurance

Certain information has been extracted from the group's audited annual financial statements.

Intended readers: Primarily **our providers of financial capital**, being our shareholders, depositors and bondholders, but information relevant to our other stakeholders is also included.

Reporting to society

An account of the group's social, economic and environmental impacts and how these contribute to the group's sustainability and its ability to achieve its purpose. It includes our environmental, social and governance report.

Key frameworks* applied

- King Code
- FTSE/JSE Responsible Investment Index Series and Dow Jones RobecoSAM
- Sustainalytics
- CDP (previously Carbon Disclosure Project)
- United Nations Sustainable Development Goals
- Equator Principles
- Global Reporting Initiative (as a guide)

Assurance

PricewaterhouseCoopers Inc. has provided assurance on selected information.

Intended readers: Clients, employees and society more broadly.

Governance and remuneration report

A detailed review of the group's governance and remuneration practices, including the group's remuneration policy and implementation report.

Key frameworks* applied

- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code
- Basel III

Assurance

Certain information has been extracted from the group's audited annual financial statements.

Intended readers: Shareholders, debt providers and regulators.

References

Refers readers to information elsewhere in this report or in our other reports, which are available online.

THIS REPORT

Annual financial statements

Sets out the group's full audited annual financial statements, including the report of the group audit committee.

Key frameworks* applied

- IFRS
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code

Assurance

Unmodified audit opinion expressed by KPMG Inc. and PricewaterhouseCoopers Inc.

Intended readers: Shareholders, debt providers and regulators.

Risk and capital management report

A detailed view of the management of risks relating to the group's operations.

Key frameworks* applied

- Various regulations, including Basel III
- Banks Act
- IFRS
- JSE Listings Requirements
- King Code

Intended readers: Shareholders, debt providers and regulators.

*** Definitions:**

- Banks Act – South African Banks Act 94 of 1990
- Basel III – Basel Committee on Banking Supervision's third Basel Accords
- Companies Act – South African Companies Act 71 of 2008
- FTSE – Financial Times Stock Exchange
- IFRS – International Financial Reporting Standards
- JSE – Johannesburg Stock Exchange
- King Code – King IV Report on Corporate Governance for South Africa, also known as King IV™. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

The invitation to the annual general meeting (AGM) and the notice of resolutions to be tabled at the meeting will be sent separately to shareholders and are also available online.

To assist in the reduction of the group's carbon footprint, we urge our stakeholders to make use of our reporting site to view our reporting suite at **www.standardbank.com/reporting** or scan the code to be directed to the page.

Directors' responsibility for financial reporting

In accordance with the Companies Act, the directors are responsible for the preparation of the annual financial statements. These annual financial statements conform to IFRS as issued by the International Accounting Standards Board (IASB), and fairly present the affairs of Standard Bank Group Limited and Standard Bank Group as at 31 December 2018, and the net income and cash flows for the year then ended.

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

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

The directors have a reasonable expectation that the company and the group will have adequate resources to continue in operational existence and as a going concern in the financial year ahead. The 2018 annual financial statements which appear on pages 20 to 229 were approved by the board on 6 March 2019 and signed on its behalf by:

Thulani Gcabashe
Chairman
6 March 2019

Sim Tshabalala
Group chief executive
6 March 2019

Group secretary's certification

Compliance with the Companies Act

In terms of the Companies Act and for the year ended 31 December 2018, I certify that the company has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.

Zola Stephen
Group secretary
6 March 2019

Report of the group audit committee

This report is provided by the group audit committee, in respect of the 2018 financial year of Standard Bank Group Limited, in compliance with section 94 of the Companies Act, as amended from time to time, and in terms of the JSE Listings Requirements. The committee's operation is guided by a detailed mandate that is informed by the Companies Act, the Banks Act, the JSE Listings Requirements and the King IV Code on Corporate Governance and is approved by the board. Section 94(2) of the Companies Act determines that, at each annual general meeting, a public company must elect an audit committee comprising at least three members. In view of the exemption granted in section 94(1), this section does not apply to the group audit committee and, accordingly, the appointment of its members is approved annually by the board. Information on the committee's role and responsibilities; its composition, including members' qualifications and experience; the date of members' appointment to the committee; the number of meetings held during the year and attendance at those meetings; as well as key areas of focus during the reporting period is provided in greater detail in the corporate governance statement which is included in the group's governance and remuneration report available at **www.standardbank.com/reporting**.

Execution of functions

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

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

In respect of the external auditors and the external audit:

- considered and recommended the reappointment of KPMG Inc. and PricewaterhouseCoopers Inc. as joint external auditors for the financial year ended 31 December 2018, in accordance with all applicable legal requirements
- approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable
- reviewed the audit process and evaluated the effectiveness of the audit, taking into consideration the results of an external audit assessment performed by the group's finance function
- assessed and obtained assurance from the external auditors that their independence was not impaired
- reviewed and approved the annual renewal of the group's Use of Joint Group Auditors for Non-Audit Services policy
- through the chairman, approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount
- considered the nature and extent of all non-audit services provided by the external auditors
- monitored that the non-audit service fees for the year ended 31 December 2018 were within the threshold set by the group audit committee for such engagements
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005
- considered reports from subsidiary audit committees and from management through the group's governance structures on the activities of subsidiary entities.

In respect of the financial statements:

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

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

In respect of financial accounting and reporting developments:

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

In respect of external reporting:

- recommended the annual reporting suite, including the annual integrated report, to the board for approval
- evaluated management's judgements and reporting decisions in relation to the annual integrated report and ensured that all material disclosures had been included
- reviewed both financial and non-financial information, forward-looking statements and sustainability information
- reviewed and approved the group's IFRS 9 transition report prior to publication, as well as the South African Reserve Bank (SARB) IFRS 9 transition report, which was submitted in compliance with SARB's directive 5 of 2017.

In respect of internal control and internal audit:

- reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter
- considered reports of the internal and external auditors on the group's systems of internal control, including internal financial controls, and maintenance of effective internal control systems
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action taken in response to such findings
- noted that there were no significant differences of opinion between the internal audit function and management
- assessed the independence and effectiveness of the group chief audit officer, the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory
- considered the outcome of the group's external auditors' annual assessment of internal audit against the requirements of International Standards on Auditing (ISA) 601, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of external audit engagements
- noting that King IV and the Institute of Internal Audit Standards require an external and independent quality review of internal audit every five years, the committee confirmed that all actions in relation to areas of improvement as reported in Ernst and Young's 2014 review of internal audit had been completed
- based on the above, the committee formed the opinion that, at the date of this report, there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the group
- over the course of the year, met with the chief audit officer, the group chief compliance and data officer, the group financial director, management and the external auditors
- considered quarterly reports from the group's internal financial controls committee.

In respect of legal, regulatory and compliance requirements:

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

In respect of risk management and information technology:

- considered and reviewed reports from management on risk management, including fraud and information technology risks as they pertain to financial reporting and the going concern assessment
- considered updates on key internal and external audit findings in relation to the IT control environment, significant IT programmes and IT intangible assets
- to ensure that risk-related matters of relevance to the audit committee are considered, the chairman is a member of and attended the risk and capital management committee and the group technology and information committee meetings held during the financial year
- John Vice and Peter Sullivan, both independent non-executive directors and chairmen of the group technology and information committee and group remuneration committee respectively, are both members of the group audit committee, which further enhances collective and integrated oversight and ensures that key matters are taken into account in the respective committees' deliberations.

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

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

Independence, skills and expertise of the external auditors

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

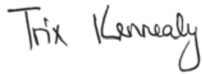
- the representations made by KPMG Inc. and PricewaterhouseCoopers Inc. to the audit committee, including confirmation of the firms' and individual auditors' accreditation on the JSE List of Auditors
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the group
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor

- in accordance with regulatory requirements, the group's engagement partners rotated during 2016
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

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

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

On behalf of the group audit committee:



Trix Kennealy
Chairman

4 March 2019

Directors' report

for the year ended 31 December 2018

Nature of business

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

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

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

Group results

Group headline earnings and headline earnings per share increased by 6% to R27 865 million (2017: 26 270) and 7% to 1 748,0 cents (2017: 1 640,0 cents) respectively. Net asset value per share increased to 10 380 cents (2017: 9 830 cents) and group return on equity increased to 18.0% (2017: 17.1%). A final dividend of 540 cents per share has been declared bringing the total dividend declared for the year to 970 cents per share (2017: 910 cents per share).

Share capital

Ordinary shares

During the year, 1 729 572 (2017: 2 877 827) ordinary shares were issued in terms of the group's equity compensation plans, notably the equity growth scheme (EGS) and group share incentive scheme (GSIS). Surplus capital was used to purchase 2 483 523 (2017: 2 030 824) ordinary shares to counteract the dilutive impact of the shares issued under the equity compensation plans. Effective from 2017, the group no longer issues EGS and GSIS awards. The last awards in GSIS were issued in 2011 and for the EGS, the last award was made in 2016. Awards are now provided in terms of the group's other share schemes, notably the deferred bonus scheme and the share appreciation rights plan, both of which are settled by the group to employees with shares that the group purchases from the open market participants, and the cash-settled deferred bonus scheme, which is settled in cash (refer to annexure D: group share incentive schemes for further information). At the end of the year, the group would need to issue 2 847 244 (2017: 6 159 744) SBG ordinary shares to settle the outstanding GSIS options and EGS rights that were awarded to participants in previous years. The shares issued since inception for the EGS and GSIS together with the expected number of shares to settle the outstanding options and rights as a percentage of the total number of shares in issue is 2.1% (2017: 2.2%).

Registered office

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

Insurance

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

Shareholder analysis

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

	% held	
	2018	2017
Ordinary shares		
Industrial and Commercial Bank of China Limited (ICBC)	**20.1**	20.1
Government Employees Pension Fund (PIC)	**12.4**	12.3
6.5% preference shares		
L Lombard	**12.0**	12.0
Old Sillery Proprietary Limited	**9.1**	9.1
DJ Saks	**7.5**	7.5
MT Goulding	**8.6**	7.9
JIR Campbell	**5.3**	5.3
The Spiz Family Trust	**7.98**	8.0
Non-cumulative preference shares		
Prescient Inc. Provider Fund	**7.4**	7.1

Events during 2018

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)/received from non-controlling interests	**(2 675)**
Decrease in equity attributable to owners of the group	**(1 536)**

Transactions with non-controlling interests primarily comprise:

Stanbic Africa Holdings Limited

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

Nigeria

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

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

Kenya

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

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

Liberty Group Limited

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

Dividends

	Ordinary shares	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)
Interim			
2017			
Dividend per share (cents)	400,00	3,25	400,93
2018			
Dividend number	**98**	**98**	**28**
Dividend per share (cents)	**430,0**	**3,25**	**386,43**
Record date in respect of the cash dividend	**Friday, 14 September 2018**	**Friday, 7 September 2018**	**Friday, 7 September 2018**
Dividend cheques posted and CSDP[1]/broker accounts credited/updated (payment date)	**Monday, 17 September 2018**	**Monday, 10 September 2018**	**Monday, 10 September 2018**
Final			
2017			
Dividend per share (cents)	510,00	3,25	398,92
2018			
Dividend number	**99**	**99**	**29**
Dividend per share (cents)	**540,00**	**3,25**	**390,22**
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[1]/broker accounts credited/updated (payment date)	**Monday, 15 April 2019**	**Monday, 8 April 2019**	**Monday, 8 April 2019**

[1] Central Securities Depository Participant.

Change in group directorate

The following changes in directorate took place during the 2018 financial year end up to 6 March 2019:

Retirements		
RMW Dunne	as non-executive director	24 May 2018
BJ Kruger	as executive director	31 December 2018

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 (IFRIC) 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. While 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. The estimated impact analysis has been summarised below:

Statement of financial position line item	Impact of change Rm
Cash and balances with central banks	(6 035)
Financial investments	(2 840)
Loans and advances	(4 623)
Other financial and non-financial assets	(121)
Total assets	**(13 619)**
Deposits and debt funding	(12 207)
Other financial and non-financial liabilities	(666)
Total liabilities	**(12 873)**
Reserves – foreign currency translation reserve	(746)

Independent auditors' report

To the shareholders of Standard Bank Group Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

We have audited the group (consolidated) and company (separate) financial statements of Standard Bank Group Limited, set out on pages 20 to 229, which comprise:

- the consolidated and separate statements of financial position as at 31 December 2018
- the consolidated and separate income statements for the year then ended
- the consolidated and separate statements of other comprehensive income for the year then ended
- the consolidated and separate statements of cash flows for the year then ended
- the consolidated and separate statements of changes in equity for the year then ended
- accounting policy elections, transition and restatement
- key management assumptions
- notes to the financial statements, and
- annexures A to F but excludes the sections marked as 'unaudited' in Annexure C.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Bank Group Limited (the company) and its subsidiaries (together the group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We are independent of the group in accordance with the *Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Level	Key audit matter	How our audit addressed the matter
Group – *consolidated financial statements*	**Expected credit losses on Corporate & Investment Banking (CIB) loans and advances** *Refer to the key management assumptions note, note 7 – loans and advances, note 35 – credit impairment charges and the credit risk section of annexure C, risk and capital management in the consolidated and separate financial statements.*	
	The expected credit losses (ECL) assessment for CIB loans and advances (exposures) is material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the impairment of loans and advances and on the group's credit risk management processes and operations. This has resulted in this matter being identified as a matter of most significance in the audit of the consolidated financial statements. The ECL of CIB exposures is estimated on an individual basis. For CIB exposures, the key areas of significant management judgement within the ECL calculations include: • Evaluation of significant increase in credit risk (SICR); • Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement; • Assessment of ECL raised for stage 3 exposures; and • Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL measurement. **Evaluation of SICR** For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to clients on origination and reporting date, based on the group's 25-point master rating scale to quantify credit risk for each exposure. **Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement.** Macroeconomic expectations are incorporated in CIB's client ratings to reflect the group's expectation of future economic and business conditions. **Assessment of ECL raised for stage 3 exposures** Management applies its internal credit risk management approach and definitions to determine the recoverable amounts (including collateral) and timing of the future cash flows for stage 3 exposures at an individual exposure level. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL assessment** Input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and are determined at an exposure level.	Our audit effort focussed on the ECL of CIB exposures as follows: **Evaluation of SICR** We selected a sample of exposures and assessed their assigned credit rating by: • Testing the inputs into the credit rating systems against the financial information obtained from the exposure and the group's 25-point master rating scale; and • Assessing management assumptions made during the credit risk rating process for reasonability, by obtaining an understanding of the exposure and industry factors, performing an independent review of the exposure and comparing the results to those used by management. We selected a sample of stage 1 and stage 2 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the group's accounting policy for SICR at reporting date since the origination date of these exposures. These procedures included the inspection of credit risk ratings at reporting date relative to origination date. We evaluated management's processes for identifying stage 3 exposures by selecting a sample of exposures not classified at stage 3 to assess whether the stage classification was in line with the group's accounting policy for the definition of default for stage 3 exposures. **Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement** We selected a sample of exposures and assessed the incorporation of forward looking information into their assigned credit risk rating. We have done this by obtaining an understanding of the forward looking information which was taken into account for the exposure and evaluated this for reasonability against management's expectation and other industry factors for the SICR assessment and ECL measurement. **Assessment of ECL raised for stage 3 exposures** Where ECL has been raised for stage 3 exposures, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverability of the exposure. For a sample of stage 3 exposures, we independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were assessed against the group's valuation guidelines. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** With the assistance of our internal valuation experts, we assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) in compliance with the requirements of IFRS 9 *Financial Instruments* (IFRS 9). In addition, our procedures included assessing the appropriateness of the models by reperformance and validation procedures. We obtained an understanding and tested the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management. We found the accounting policies and the credit impairment methodologies applied to the CIB segment to be in accordance with the requirements of IFRS 9.

Level	Key audit matter	How our audit addressed the matter
Group – *consolidated financial statements*	**Expected credit losses on Personal & Business Banking (PBB) loans and advances** *Refer to the key management assumptions note, note 7 – loans and advances, note 35 – credit impairment charges and the credit risk section of annexure C, risk and capital management in the consolidated and separate financial statements.*	
	The ECL assessment for PBB loans and advances (exposures) is material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the impairment of loans and advances and on the group's credit risk management processes and operations. This has resulted in this matter being identified as a matter of most significance in the audit of the consolidated financial statements. A significant portion of the PBB ECL is calculated on a portfolio basis. For exposures quantitatively above a pre-defined threshold in secured portfolios, management assesses the recoverability of those exposures individually. The ECL on exposures also includes out-of-model adjustments where certain aspects of the ECL are not fully reflected in the model. Out-of-model adjustments are calculated and assessed based on management's judgement. For PBB, the key areas of significant management judgement within the ECL calculation include: • Evaluation of SICR; • Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement; • Application of out-of-model adjustments into the ECL measurement; • Assessment of ECL raised for individual exposures; and • Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. **Evaluation of SICR** The group assesses the risk of default of an account relative to the risk of its defined vintage considering the account's behavioural score, historical experience and the rebuttable presumption that accounts which are 30 days past due are classified as stage 2. **Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement** Forward looking economic expectations are included in the ECL based on the group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcomes based on the group's macro-economic outlook expectations. **Application of out-of-model adjustments into the ECL measurement** Management may identify that due to market volatility or modelling complexity, certain aspects of the ECL may not be fully reflected by the underlying model and an out-of-model adjustment is required. **Assessment of ECL raised for individual exposures** Impairment is assessed on individual exposures above a quantitative threshold in stage 3, and for accounts placed on the watchlist due to evidence of increased credit risk e.g. potential security shortfalls, deteriorating financial performance, etc. This assessment relates primarily to business lending accounts. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience, timing and amount of forecasted cash flows and the value of collateral.	Our audit effort focussed on the ECL for PBB loans and advances as follows: **Evaluation of SICR** Management provided us with a quantitative assessment of the group's calculation of the impact of SICR against the requirements of IFRS 9 *Financial Instruments*. We reviewed management's calculation to confirm that the resultant ECL was not materially different for a sample of portfolios. We evaluated behavioural scores which are used to inform the significant increase in credit risk against the group's accounting policies. We evaluated the reasonability of changes in credit risk of the portfolio against key performance indicators. We performed sensitivity analyses to determine the impact of change in credit risk on the ECL recognised. We tested the design and effectiveness of relevant controls that identify renegotiated and cured loans to ensure that the curing policies were appropriately applied. **Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement** We evaluated the appropriateness of forward looking economic expectations included in the ECL by comparing to independent industry data. We evaluated management's economic response models to ensure that the macro-economic inputs are appropriately incorporated into the ECL models. Where management applied out-of-model adjustments to the forward looking information, we evaluated these for reasonableness against historical experience and evaluated the methodology applied to incorporate these into the forecasts. **Application of out-of-model adjustments into the ECL measurement** We evaluated the reasonableness of a selection of out-of-model adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of out-of-model adjustments back to source data. **Assessment of ECL raised for individual exposures** Where ECL has been raised for individual exposures, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were assessed against the group's valuation guidelines. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** With the assistance of our internal valuation experts, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by reperformance and validation procedures. We found that the accounting policies and the credit impairment methodologies applied to the PBB segment to be in accordance with IFRS 9.

Level	Key audit matter	How our audit addressed the matter
Group – *consolidated financial statements*	**Valuation of level 3 financial instruments** *Refer to the key management assumptions note, note 2 – derivative instruments, note 3 – trading assets, note 5 – financial investments, note 17 – trading liabilities, and the market risk section of annexure C – risk and capital management in the consolidated and separate financial statements.*	
	The fair value of financial instruments significantly affects the measurement of profit or loss and disclosures of financial risks in the financial statements. Fair value calculations are dependent on various sources of external and internal data and on sophisticated modelling techniques used to value financial instruments, particularly those disclosed as level 3 in the financial statements, which are evolving as markets become more sophisticated. Level 3 financial instruments measured at fair value for which there are no quoted market prices require significant judgement in the valuation processes. Due to the significance of the judgements made in determining the fair value of level 3 financial instruments and the extent of work required to address this matter, this has been identified as a matter of most significance in the current year audit of the consolidated financial statements.	Our audit effort focussed on the valuation of level 3 financial instruments as follows: We tested the design and effectiveness of the relevant controls relating to the valuation of level 3 financial instruments to ensure that there is appropriate governance over the valuation model development and change control. For a sample of financial instruments, using an independent model, we compared the fair value results to management's valuation to assess the reasonableness of management's model methodology and the output of model calculations. We assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent information and found them to be reasonable. For our testing approach adopted, we found the data inputs for unobservable market rates, the model methodology applied and the output of the model calculation to be reasonable and we assessed the appropriateness of the disclosures related to level 3 financial instruments to be in accordance with the requirements of IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair value measurements.*

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td rowspan="2">Group –
consolidated financial statements</td><td colspan="2">Translation of Stanbic Bank Zimbabwe Limited's (SBZ) financial statements for consolidation purposes
Refer to note 1 of annexure F – Detailed accounting policies, the functional and presentation currency policies in the accounting policy elections, transition and restatement section of the consolidated financial statements, key management assumptions and note 45 – post reporting date events</td></tr>
<tr><td>The translation of Stanbic Bank Zimbabwe Limited's (SBZ) financial statements for consolidation purposes was considered to be a matter of most significance to the current year audit due to the complexities involved in determining the rates at which to translate SBZ's results for purposes of preparing the consolidated financial statements of SBG.

For purposes of preparing the consolidated financial statements, the results of SBZ have been translated into South African Rand in accordance with the detailed accounting policies as set out in Annexure F.

On 1 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. These methods of payment 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 given that the majority of SBZ's transactions were conducted in RTGS. Both the USD and RTGS are acceptable methods of payment with an official exchange rate of 1:1 (which was the official exchange rate from 1 October 2018 to 31 December 2018). SBZ as a regulated banking entity transacts at the official exchange rate of 1:1.

Consequently, management determined the most appropriate rate for the translation of the SBZ financial statements into South African Rand at 31 December 2018, to be the official 1:1 exchange rate and therefore used the USD rate as at 31 December 2018.

As disclosed in note 45, subsequent to year end, the RBZ announced that they were establishing an inter-bank foreign exchange market in Zimbabwe to formalise the trading of RTGS balances and bond notes with USD and other currencies on a willing buyer willing seller basis and to complement the official foreign exchange mechanism with the RBZ. This formalises the market for exchanging and trading RTGS and provides a rate for the conversion of the SBZ RTGS denominated assets and liabilities and related income and expenses going forward. This is considered to be a material non-adjusting event after the reporting period. The note further discloses the impact the new exchange rate would have had on the material RTGS assets and liabilities of SBZ's balance sheet at 31 December 2018, had the official rate and trading mechanism been in existence at that date. The rate used for the RTGS exchange rate has been derived with reference to the emerging exchange rate at which the RTGS has been traded to the end of February 2019.</td><td>Our audit addressed the translation of SBZ's financial statements as follows for the purposes of the SBG consolidation as follows:

We evaluated management's assessment in considering the circumstances giving rise to the change in functional currency. We corroborated that SBZ's operations from 1 October 2018 were conducted in RTGS and therefore RTGS is the currency which represents the functional currency of the primary economic environment in which SBZ operates.

In the performance of our audit procedures we challenged management's assumption in applying an exchange rate of 1:1 by:
• selecting a sample of client trades between 1 October 2018 and 20 February 2019 to confirm that the trades were conducted at a 1:1 basis of exchange; and
• selecting a sample of remittances between Stanbic Bank Zimbabwe Limited and Standard Bank of South Africa Limited to confirm that the remittances occurred at a 1:1 basis of exchange.

We assessed the appropriateness of the disclosures made, in terms of IAS 10, Events after the Reporting Period, with regard to the non-adjusting event after the reporting period contained in note 45. We independently recalculated, using the RTGS balances at 31 December 2018, the impact that the newly traded RTGS exchange rate would have on SBG's balance sheet at year-end using the emerging exchange rate at which RTGS had been trading since the RBZ's announcement on 20 February 2019.

We found the disclosures in respect of the key management assumptions and judgements and the events after the reporting period in respect of the functional currency of SBZ to be in accordance with the requirements of the relevant financial reporting standards.</td></tr>
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<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Valuation of long term policyholder assets and liabilities – Insurance contracts
Refer to the key management assumptions note, note 8 – policyholders' contracts, annexure C, risk and capital management, annexure F, detailed accounting policies in the consolidated financial statements.</td></tr>
<tr><td>Liberty Group Limited (LGL), a subsidiary of Standard Bank Group Limited (the group), holds the group's long-term insurance business. In the group's financial statements, the long term policyholder assets and policyholder liabilities relating to LGL's insurance business are significant to the group.

As at 31 December 2018, the carrying amounts of the policyholder assets and liabilities were R6,7 billion and R311 billion respectively, which is measured in accordance with the Actuarial Valuation Standard, SAP 104, Calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers.

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

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

During the current year, an increase in the expense reserve was established by the LGL as a result of the new Liberty operating model. This resulted in costs previously incurred by Liberty Holdings Limited (LHL) now being projected to be incurred in LGL.

We consider the valuation of the policyholder assets and liabilities a matter of most significance to the current year audit due to the:
• magnitude of the policyholder assets and liabilities in relation to the total assets and liabilities of the group,
• increase in the expense reserve in the policyholder liabilities as a result of the new LGL operating model in the current year, and
• significant management judgement required in determining the value of the policyholder assets and liabilities.</td><td>To test the valuation of the policyholder assets and liabilities, in conjunction with our actuarial experts, we performed the following procedures:
• Updated our understanding of LGL's actuarial control environment and governance including the functioning of the Actuarial Committee, which approves the methodology and assumption changes against industry practice and regulatory requirements;
• Together with our actuarial experts, attended management meetings where valuation principles were discussed and approved. We performed tests and reasonability checks to corroborate that these principles as approved were applied in the valuation model;
• Compared the changes in valuation methodology against the requirements of SAP 104 and industry practice;
• Compared the assumptions applied by management against recent actual long term experience, industry trends and economic market trends. The assumptions applied were comparable with these benchmarks;
• Assessed the sources of profit against expectations and the accounting policies; and
• Examined and corroborated management's analysis forecasts, by analysing the sources of profit and how it relates to the change in the policyholder assets and liabilities and the impact on the income statement.

To test the inputs used in the valuation models we performed on a sample basis, the following:
• Assessed the reasonability of the classification of expenses between maintenance and acquisition and how they are capitalised in the valuation by considering the nature of the expenses and inspecting the source document supporting the expense; and
• Traced the policyholder valuation input data, such as premiums, claims and expense data used in the valuation model back to information contained in the administration and accounting systems, noting no exceptions.

To test the changes in assumptions as it relates to the additional expense reserve, we involved our actuarial experts who performed the following procedures:
• Obtained an understanding of management's judgement applied in the creation of the additional expense reserve;
• Considered the strategic change in LGL's operating model as approved by the LGL Board and how this impacted the expenses to be incurred in LGL
• Assessed the different types of expenses and challenged management's view on the proportionate split between the LHL and LGL;
• Considered the split of the LGL expenses between the different expense buckets and assessed the consistency of the allocation; and
• Reviewed the assumptions and methodology underlying the manual calculation and found this to be reasonable.</td></tr>
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<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Valuation of investment properties at year-end
Refer to the key management assumptions note and note 11 – Investment property</td></tr>
<tr><td>The majority of the group's investment property is comprised of retail investment property held by LGL. At 31 December 2018, the carrying value of the group's total investment property portfolio was R34,3 billion, representing a R1 billion increase compared to the prior year.

The group's accounting policy is to measure investment properties at fair value using either the discounted cash flow model or capitalisation of net income method or a combination of both. The measurement of the fair value of investment properties is dependent on the valuation techniques applied and the inputs into the valuation model. The group has applied the discounted cash flow model to value its investment properties at year end.

Inputs into the valuation model include, amongst others factors, existing tenant terms, location of the properties, vacancy levels and restrictions, if any, on the sale or use of the property.

Amongst others, the following key assumptions and inputs are made by management in determining the fair value of investment properties:
• exit capitalisation rates; and
• discount rates.

All properties are externally valued by qualified and registered professional valuers (the appraisers) on an annual basis.

We considered the year-end valuation of investment properties as a matter of most significance to the current year audit due to:
• the significant judgements required in determining the exit capitalisation rates and discount rates;
• the magnitude of the investment property balances at year-end; and
• the increase in the investment property balance as a result of the fair value adjustment for the year.</td><td>We obtained the latest independent property market reports to understand the prevailing market conditions in which the group invests.

We updated our understanding of and tested the relevant controls related to:
• Entering and amending of leases in support of contractual rental income;
• Setting and approval of budgets by the LGL;
• Detailed analysis of forecasts and trends against actual results that inform management of the business;
• Review of external valuation reports by an internally appointed appraiser; and
• Board approval of the valuations obtained.

In respect of the external appraisers we:
• considered their objectivity, independence and expertise by inspecting the external appraisers' valuation reports for a statement of independence and compliance with generally accepted valuation standards; and
• confirmed the external appraisers' affiliation with the relevant professional body.

On a risk based sample basis, we independently tested the calculation of the fair values in the external appraisers' valuation reports by performing the following procedures:
• Utilised our internal property appraiser to assess the appropriateness of the valuation methodology;
• Considered the applicability of minority discounts to fractional ownership;
• Assessed the reasonableness of the cash flows, growth rates, exit capitalisation and discount rates against market related data for similar investment properties noting no exceptions;
• Independent recalculation of the accuracy of the valuations; and
• Inspected the final valuation reports and agreed the fair value to the group's accounting records, noting no exceptions.</td></tr>
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Level	Key audit matter	How our audit addressed the matter
Company – *separate financial statements*	**Impairment of interest in subsidiaries** *Refer to note 48 interest in subsidiaries, annexure A subsidiaries, consolidated and unconsolidated structured entities in the separate financial statements.*	
	The company has material interests in subsidiaries. Subsidiaries are carried in the company's separate financial statements at cost and are reviewed annually for impairment. In the current year an impairment of R24 million was recognised. Note 48 in the financial statements sets out the basis, including related judgements, for the impairment of subsidiaries where impairment indicators have been identified. The magnitude of the investment in subsidiaries and the related judgement applied in the determination of the recoverable amount of the interest in subsidiaries resulted in this matter being identified as an area of most significance in the current year audit of the separate financial statements.	As part of our audit, we have evaluated management's processes for identifying impairment indicators and assessing the company's interest in subsidiaries for impairment. Where indicators of impairment were identified, we independently evaluated the reasonability of the impairment calculated with reference to the recoverable amount of the interest in subsidiaries. We found these to be in accordance with the company's accounting policy and in accordance with the requirements of IAS 36 – *Impairment of Assets.*

Other information

The directors are responsible for the other information. The other information comprises the Group secretary's certification, Report of the group audit committee and the Directors' Report as required by the Companies Act of South Africa, the Directors responsibility for financial reporting, the sections marked as "unaudited" in Annexure C risk and capital management report – IFRS disclosures, Annexure G, Annexure H, the Annual Integrated Report, the Corporate Governance Report, Remuneration Report, the Reporting to Society 2018, Shareholder information report and risk and capital management report. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

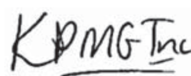
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that based on available statutory records, KPMG Inc. and PricewaterhouseCoopers Inc. have been the joint auditors of Standard Bank Group Limited for 56 years.



Registered Auditor

Director: Heather Berrange
Registered Auditor
Johannesburg
6 March 2019

Registered Auditor

Director: John Bennett
Registered Auditor
Johannesburg
6 March 2019

Statement of financial position

as at 31 December 2018

	Note	GROUP 2018 Rm	GROUP 2017 Rm
Assets			
Cash and balances with central banks	1	**85 145**	75 310
Derivative assets	2	**51 678**	75 610
Trading assets	3	**181 112**	160 894
Pledged assets	4	**19 879**	20 785
Financial investments	5	**547 405**	533 314
Current tax assets		**601**	612
Disposal group assets held for sale	6	**762**	
Loans and advances	7	**1 120 668**	1 048 027
Policyholders' assets	8	**6 708**	7 484
Other assets	9	**22 514**	22 996
Interest in associates and joint ventures	10	**10 376**	9 665
Investment property	11	**33 326**	32 226
Property and equipment	12	**19 194**	16 179
Goodwill and other intangible assets	13	**23 676**	23 329
Deferred tax assets	14	**3 918**	1 497
Total assets		**2 126 962**	2 027 928
Equity and liabilities			
Equity		**199 063**	190 017
Equity attributable to ordinary shareholders		**165 061**	157 020
Ordinary share capital	15	**162**	162
Ordinary share premium	15	**17 698**	17 901
Reserves		**147 201**	138 957
Equity attributable to other equity instrument holders	15	**9 047**	9 047
Equity attributable to non-controlling interests		**24 955**	23 950
Liabilities		**1 927 899**	1 837 911
Derivative liabilities	2	**55 057**	76 896
Trading liabilities	17	**59 947**	62 855
Current tax liabilities		**5 188**	5 107
Disposal group liabilities held for sale	6	**237**	
Deposits and debt funding	18	**1 357 537**	1 243 911
Policyholders' liabilities	8	**310 994**	322 918
Subordinated debt	19	**26 359**	24 289
Provisions and other liabilities	20	**109 753**	98 428
Deferred tax liabilities	14	**2 827**	3 507
Total equity and liabilities		**2 126 962**	2 027 928

Income statement

for the year ended 31 December 2018

	Note	GROUP 2018 Rm	GROUP 2017 Rm
Income from banking activities		**105 331**	102 699
Net interest income	27	**59 622**	60 125
Interest income[1]		**128 183**	124 147
Interest expense[1]		**(68 561)**	(64 022)
Non-interest revenue		**45 709**	42 574
Net fee and commission revenue	28	**30 375**	28 670
Fee and commission revenue		**36 592**	34 290
Fee and commission expense[2]		**(6 217)**	(5 620)
Trading revenue	29	**11 129**	10 731
Other revenue	30	**3 533**	3 173
Other gains and losses on financial instruments'	31	**672**	
Income from investment management and life insurance activities		**21 722**	24 394
Insurance premiums received	32	**38 521**	38 020
Revenue from contracts with customers[3]		**4 073**	
Interest income[1, 3]		**1 516**	
Insurance benefits and claims paid	32	**(26 484)**	(43 848)
Investment management and service fee income and gains	33	**3 533**	43 957
Fair value adjustments to investment management liabilities and third party fund interests	34	**563**	(13 735)
Total income		**127 053**	127 093
Credit impairment charges[1]	35	**(6 489)**	(9 410)
Net income before operating expenses		**120 564**	117 683
Operating expenses in banking activities[2]	36	**(60 084)**	(57 049)
Operating expenses in investment management and life insurance activities	36	**(16 404)**	(17 800)
Net income before capital items and equity accounted earnings		**44 076**	42 834
Non-trading and capital related items	37	**(641)**	(261)
Share of post tax profit from associates		**912**	1 102
Net income before indirect taxation		**44 347**	43 675
Indirect taxation	38	**(2 609)**	(2 481)
Profit before direct taxation		**41 738**	41 194
Direct taxation	38	**(9 095)**	(10 479)
Profit for the year		**32 643**	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
Earnings per share			
Basic earnings per ordinary share (cents)	39	**1 722,6**	1 637,8
Diluted earnings per ordinary share (cents)	39	**1 705,3**	1 617,5

1 The group and company have, as permitted by IFRS 9, elected not to restate comparative annual 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. Refer to the accounting policies for more detail on the change in presentation as a result of IFRS 9 and the amendment to IAS 1 *Presentation of Financial Statements* (IAS 1) that requires interest income calculated under the effective interest method to be presented for the year ended 31 December 2018.

2 Refer to page 34 for details on the restatement to fee and commission expense and operating expenses.

3 Interest income and revenue from contracts with customers from Liberty is presented separately from investment management and service fee income and gains, as a result of IFRS 9 and IFRS 15. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 and IAS 18 basis.

Statement of other comprehensive income

for the year ended 31 December 2018

	GROUP	
	2018 Rm	2017 Rm
Profit for the period	**32 643**	30 715
Other comprehensive income/(loss) after tax for the period[1]	**5 056**	(5 940)
Items that may be subsequently reclassified to profit or loss	**5 104**	(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
Net change in fair value of cash flow hedges[2]	**(373)**	210
Realised fair value adjustments transferred to profit or loss[2]	**265**	(53)
Net change in hedges of net investments in foreign operations		(46)
Movement in the available-for-sale revaluation reserve – IAS 39[3]		462
Net change in fair value		396
Realised fair value adjustments transferred to profit or loss		66
Net change in debt financial assets measured at fair value through other comprehensive income (OCI) – IFRS 9[3] **(note 5.2)**	**(5)**	
Net change in expected credit loss	**19**	
Net change in fair value	**22**	
Realised fair value adjustments transferred to profit or loss	**(46)**	
Items that may not be subsequently reclassified to profit or loss	**(48)**	(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[3]	**55**	
Net change in fair value of equity financial assets measured at fair value through OCI – IFRS 9[3] (note 22.5)	**(130)**	
Other gains/(losses)	**15**	(114)
Total comprehensive income for the period	**37 699**	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

1 Income tax relating to each component of other comprehensive income is disclosed in note 38.
2 During 2017, net change in fair value of cash flow hedges of R157 million was presented net of an amount of R53 million related to realised fair value adjustments of cash flow hedges transferred to profit or loss. The comparative figures have been restated to correctly show these amounts on a gross basis. This had no effect on the group's statement of financial position, income statement or statement of cash flow.
3 The group has, as permitted by IFRS 9, elected not to restate 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, transition and restatements on page 28 for more detail.

Statement of cash flows

for the year ended 31 December 2018

	Note	GROUP 2018 Rm	GROUP 2017[1] Rm
Net cash flows from operating activities		**34 647**	21 020
Net income before capital items and equity accounted earnings		**44 076**	42 834
Adjusted for non-cash items and other adjustments included in the income statement	42.1	**(70 609)**	(63 494)
Increase in income-earning assets	42.2	**(85 337)**	(98 489)
Increase in deposits, trading and other liabilities	42.3	**78 802**	76 666
Dividends received		**3 866**	2 706
Interest paid		**(69 021)**	(65 402)
Interest received		**128 520**	139 394
Direct taxation paid		**(10 256)**	(10 078)
Purchase of properties[1]		**(742)**	(681)
Proceeds on sales of properties[1]		**45**	60
Net proceeds/(purchase) of financial instruments[1]		**13 293**	(2 238)
Proceeds on realisation of fair value gain on cash and cash equivalents[1]		**912**	
Proceeds on/(repayment of) collateral deposits payable[1]		**1 098**	(258)
Net cash flows used in investing activities		**(8 728)**	(5 298)
Capital expenditure on property and equipment		**(6 159)**	(3 473)
Proceeds from sale of property and equipment[1]		**777**	105
Capital expenditure on intangible assets		**(3 267)**	(1 918)
Acquisitions of associates and joint ventures		**(79)**	(12)
Net cash flows used in financing activities		**(18 335)**	(12 674)
(Buy-back)/issuance of ordinary share capital		**(203)**	103
Issuance of other equity instruments			3 544
Equity transactions with non-controlling interests[2]		**(1 843)**	1 173
Cash flows from BEE transaction		**(138)**	14
Issuance of subordinated debt	42.4	**6 100**	2 246
Redemption of subordinated debt	42.4	**(4 550)**	(4 180)
Dividends paid[3]		**(17 701)**	(15 574)
Effect of exchange rate changes on cash and cash equivalents		**2 251**	(5 212)
Net increase/(decrease) in cash and cash equivalents		**9 835**	(2 164)
Cash and cash equivalents at the beginning of the year		**75 310**	77 474
Cash and cash equivalents at the end of the year		**85 145**	75 310

1 Refer to page 34 for details on the restatement to the statement of cash flows.
2 Refer to the directors' report for significant transactions with non-controlling interests. Includes non-controlling interests' share of subsidiary distributions.
3 During 2018, coupons to the value of R447 million (2017: R229 million) was 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).

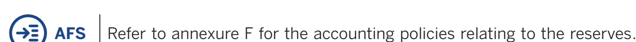
Statement of changes in equity

for the year ended 31 December 2018

	Ordinary share capital and premium Rm	Empowerment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Cash flow hedging reserve Rm	Regulatory statutory credit risk reserve Rm
Balance at 1 January 2018 – (IAS 39)	18 063	(339)	(1 034)	(6 116)	(983)	(94)	3 089
IFRS 9 transitional adjustment[3]							(948)
Balance at 1 January 2018 – (IFRS 9) (restated)	18 063	(339)	(1 034)	(6 116)	(983)	(94)	2 141
Total comprehensive income/(loss) for the year				4 557		(100)	
Profit for the year							
Other comprehensive income/(loss) for the year				4 557		(100)	
Increase in statutory credit risk reserve							1 296
Unincorporated property partnerships capital reductions and distributions							
Transactions with shareholders and non-controlling interest recorded directly in equity	(203)	138	(1 123)	(241)			227
Equity-settled share-based payment transactions[4]							
Transfer of vested equity options							
Issue of share capital and share premium and capitalisation of reserves	320						
Share buy-back	(523)						
Deferred tax on share based payment transactions							
Transactions with non-controlling shareholders			(13)	(241)			227
Net increase in treasury shares			(1 110)				
Redemption of preference shares		138					
Other equity movements							
Net dividends paid							
Dividends paid to equity holders							
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares							
Balance at 31 December 2018	17 860	(201)	(2 157)	(1 800)	(983)	(194)	3 664

[1] The fair value through OCI (FVOCI) reserve comprises the FVOCI reserve for debt financial investments (note 5) and equity financial investments (note 22.5) measured at FVOCI.
[2] Other equity holders are holders of preference share capital and AT1 capital. The dividend paid comprises net equity impact of R322 million (2017: R165 million) on AT1 and preference dividend of R416 million (2017: R 429 million). Refer to note 15 for more detail.
[3] Refer to the accounting policy elections, transition and restatements section on page 29 for more detail on the IFRS 9 transition.
[4] Includes hedges of the group's equity-settled share incentive schemes.

All balances are stated net of tax, where applicable.



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

Available-for-sale re-valuation reserve (IAS 39) Rm	Fair value through OCI reserve (IFRS 9)[1] Rm	Own credit risk reserve (IFRS 9) Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instru-ment holders[2] Rm	Non-con-trolling interests Rm	Total equity Rm
593			(906)	208	144 539	157 020	9 047	23 950	190 017
(593)	582				(5 302)	(6 261)		(376)	(6 637)
	582		(906)	208	139 237	150 759	9 047	23 574	183 380
	(71)	34		14	27 443	31 877	738	5 084	37 699
					27 453	27 453	738	4 452	32 643
	(71)	34		14	(10)	4 424		632	5 056
					(1 296)				
								(222)	(222)
	12		(119)		(16 266)	(17 575)	(738)	(3 481)	(21 794)
			(1 078)		1 678	600		26	626
			959		(959)				
						320			320
						(523)			(523)
					(128)	(128)			(128)
	12				(1 594)	(1 609)		(1 386)	(2 995)
					(185)	(1 295)		(412)	(1 707)
						138			138
					35	35		16	51
					(15 113)	(15 113)	(738)	(1 725)	(17 576)
					(15 221)	(15 221)	(738)	(1 822)	(17 781)
					108	108		97	205
0	523	34	(1 025)	222	149 118	165 061	9 047	24 955	199 063

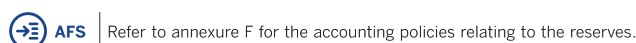
Statement of changes in equity continued

for the year ended 31 December 2017

	Ordinary share capital and premium Rm	Empower-ment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Cash flow hedging reserve Rm
Balance at 1 January 2017	17 960	(353)	(268)	(1 189)	(937)	(230)
Total comprehensive (loss)/income for the year				(4 927)	(46)	136
Profit for the year						
Other comprehensive (loss)/income for the year				(4 927)	(46)	136
Increase in statutory credit risk reserve						
Unincorporated property partnerships capital reductions and distributions						
Transactions with shareholders and non-controlling interest recorded directly in equity	103	14	(766)			
Equity-settled share-based payment transactions[2]						
Transfer of vested equity options						
Issue of share capital and share premium and capitalisation of reserves	409					
Share buy-back	(306)					
Deferred tax on share based payment transactions						
Transactions with non-controlling shareholders			(8)			
Net increase in treasury shares			(758)			
Redemption of preference shares		14				
Net dividends paid						
Dividends paid to equity holders						
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares						
Balance at 31 December 2017	18 063	(339)	(1 034)	(6 116)	(983)	(94)

1 Other equity holders are holders of preference share capital and AT1 capital. Refer to note 15 for more detail.
2 Includes hedges of the group's equity-settled share incentive schemes.

All balances are stated net of tax, where applicable.



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

Statutory credit risk reserve Rm	IAS 39 – Available-for-sale revaluation reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instrument holders[1] Rm	Non-controlling interests Rm	Total equity Rm
3 073	206	(372)	253	132 614	150 757	5 503	23 099	179 359
	387		(45)	26 009	21 514	594	2 667	24 775
				26 235	26 235	594	3 886	30 715
	387		(45)	(226)	(4 721)		(1 219)	(5 940)
16				(16)				
							(151)	(151)
		(534)		(14 068)	(15 251)	2 950	(1 665)	(13 966)
		485		(1 370)	(885)		29	(856)
		(1 019)		1 019				
					409	3 544		3 953
					(306)			(306)
				276	276			276
				(46)	(54)		160	106
				(395)	(1 153)		(490)	(1 643)
					14			14
				(13 552)	(13 552)	(594)	(1 364)	(15 510)
				(13 599)	(13 599)	(594)	(1 412)	(15 605)
				47	47		48	95
3 089	593	(906)	208	144 539	157 020	9 047	23 950	190 017

Accounting policy elections, transition and restatements

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

Basis of preparation

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

- Financial assets classified at fair value through other comprehensive income (available-for-sale financial assets), financial assets and liabilities classified at fair value through profit or loss, investment property, liabilities for cash-settled share-based payment arrangements and interests in mutual funds, policyholder investment contract liabilities and third-party financial liabilities arising on the consolidation of mutual funds that are measured at fair value.
- Policyholder insurance contract liabilities and related reinsurance assets that are measured in terms of the Financial Soundness Valuation (FSV) basis as set out in accounting policy 12 – Policyholder insurance and investment contracts.
- Post-employment benefit obligations that are measured in terms of the projected unit credit method.

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

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

Functional and presentation currency

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

Changes in accounting policies

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

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

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 from 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* (IFRIC 22) 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 affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results upon transition.

- IFRS 9 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. IFRS 9, adopted on 1 January 2018, impacted the group's results upon transition. The impact to the group's reserves upon transition to IFRS 9 materially relates to IFRS 9's ECL impairment requirements. IFRS 9's classification and measurement requirements resulted in an immaterial impact to the group upon transition. Refer to the IFRS 9 transition for more detail.

IFRS 9 – transition

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 instruments as follows:

ECL impairment requirements	IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the group. The ECL model applies to financial assets measured at either amortised cost or at fair value through other comprehensive income (FVOCI), loan commitments when there is a present commitment to extend credit (unless these are measured at fair value through profit or loss (FVTPL)) and guarantees. ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
Classification and measurement	IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to the IAS 39 requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at FVTPL due to changes in own credit risk are required to be recognised within OCI.

Adoption of IFRS 9

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

IFRS 9's ECL requirements

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

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

IFRS 9 key financial impacts

TABLE 1: IMPACT ON THE GROUP'S EXTRACTED STATEMENT OF FINANCIAL POSITION ON 1 JANUARY 2018

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

1 Materially relates to the recognition of additional deferred tax assets following the recognition of the IFRS 9 ECL transition adjustment.
2 Materially relates to the recognition of ECL on off-balance sheet letters of credit, bankers' acceptances and guarantees, as well as classification and measurement changes on financial liabilities.

TABLE 2: IMPACT ON THE GROUP'S EXTRACTED STATEMENT OF CHANGES IN EQUITY ON 1 JANUARY 2018

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

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

TABLE 3: IMPACT ON FINANCIAL INSTRUMENT CLASSIFICATION (EXCLUDING IMPACT OF IFRS 9 ECL)[1]

	Group IAS 39 at 31 December 2017 Rm	IFRS 9 classification as at 1 January 2018					
		Held-for-trading Rm	Fair value through profit or loss[2] Rm	Amortised cost Rm	Fair value through OCI Rm	Group IFRS 9 at 1 January 2018 Rm	Transitional adjustment Rm
Financial assets							
Held-for-trading	241 482	241 482				241 482	
Designated at fair value[3]	409 456		370 517	38 126		408 643	(813)
Held to maturity	81 607		3 261	79 187		82 448	841
Loans and receivables[4]	1 142 431		66 908	1 075 492	26	1 142 426	(5)
Available-for-sale[5]	45 149		423	10 041	34 537	45 001	(148)
Total financial assets	1 920 125	241 482	441 109	1 202 846	34 563	1 920 000	(125)
Financial liabilities							
Held-for-trading	139 751	139 751				139 751	
Designated at fair value[3]	173 176		165 559	7 813		173 372	196
Other amortised cost	1 284 837		9 311	1 275 731		1 285 042	205
Total financial liabilities	1 597 764	139 751	174 870	1 283 544		1 598 165	401

1 The classification changes contained in the table primarily relate to corporate exposures, reserving requirements with the central bank and business model change to Fair value default for the group's non-banking subsidiary.
2 Includes designated fair value and fair value default financial instruments.
3 The financial instruments no longer designated at fair value through profit or loss is as a result of the IFRS 9 designation criteria not being met.
4 Cash and balances with central banks was in terms of IAS 39 classified as loans and receivables. Coins and bank notes and the reserving requirements held with central banks has been classified as at fair value default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.
5 R121 million increase in OCI would have to be recognised on the financial assets previously measured at fair value and transferred to amortised cost.

The group applied IFRS 9's classification and measurement requirements based on the facts and circumstances at 1 January 2018 in determining the transition adjustment. As at 1 January 2018, the group determined the classification of financial assets on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An assessment of the instrument's contractual terms was performed to determine whether the terms give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding (referred to as SPPI) and whether there is an accounting mismatch.

For debt financial assets that meet IFRS 9's business model (held to collect and/or held to collect and sell) and the SPPI tests and are to be classified as amortised cost or at fair value through OCI, the group assessed whether there is an accounting mismatch based on the facts and circumstances as at 1 January 2018. Where an accounting mismatch exists, these financial assets were designated as at fair value through profit or loss (FVTPL) as illustrated in the table above.

The group re-assessed the classification of financial assets that were designated as at fair value through profit and loss in terms of IAS 39 to eliminate or significantly reduce an accounting mismatch based on the facts and circumstances at 1 January 2018. The financial assets that met the IFRS 9 designation criteria continued to be designated as at FVTPL as illustrated above. However, for the financial assets that did not meet the IFRS 9 designation criteria these financial assets were reclassified under IFRS 9 to either amortised cost (for debt financial assets purely held to collect and met the SPPI test), fair value through OCI (for debt financial assets held to collect and for sale and met the SPPI test) or fair value default when the SPPI test was not met.

Equity financial assets are elected to be measured as at fair value through OCI where the held for trading criteria is not met based on the facts and circumstances as at 1 January 2018.

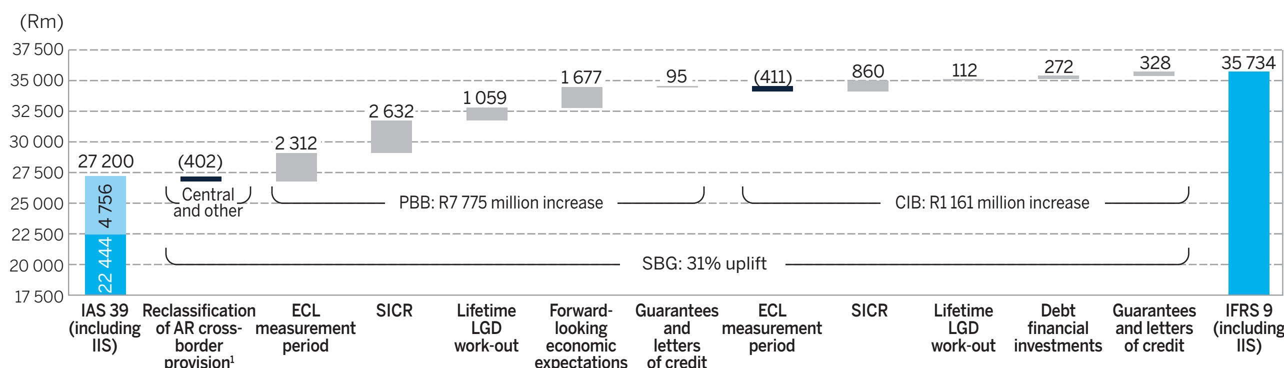
With the exception of what is noted below, both IAS 39 and IFRS 9 have the same requirements for the classification of financial liabilities. Changes in fair value that are attributable to changes in the credit risk of financial liabilities that have been designated at fair value through profit and loss shall, in terms of IFRS 9, be recognised in OCI with the remaining amount of the change in the fair value of the financial liability being presented in profit or loss. The gains and losses presented in OCI are not subsequently recognised in profit or loss. Where, however, presenting the changes in the fair value of the liability due to changes in credit risk in OCI would create or enlarge an accounting mismatch in profit or loss, IFRS 9 permits the gains and losses due to changes in the credit risk of that liability to be recognised in profit or loss. The group re-assessed its financial liabilities to be designated as at FVTPL based on the facts and circumstances at 1 January 2018. These financial liabilities are either continued to be designated as at FVTPL or were reclassified to amortised cost under IFRS 9 as illustrated in the table above.

TABLE 4: THE TRANSITION FROM IAS 39 TO IFRS 9'S IMPAIRMENT REQUIREMENTS BY SEGMENT AND ASSET CLASS

	IAS 39 – 31 December 2017				
	Performing portfolio provision Rm	Specific debt provision Rm	Total IAS 39 provision (excluding IIS) Rm	Interest in suspense (IIS) Rm	Total IAS 39 provision (including IIS) Rm
Personal & Business Banking (PBB)	4 545	11 943	16 488	3 034	19 522
Loans and advances at amortised cost	4 545	11 943	16 488	3 034	19 522
Mortgage loans	1 077	3 979	5 056	1 454	6 510
Vehicle and asset finance	653	1 367	2 020	21	2 041
Card debtors	665	1 596	2 261	15	2 276
Other loans and advances	2 150	5 001	7 151	1 544	8 695
Off-balance sheet exposures					
Letters of credit and bankers' acceptances					
Guarantees					
Corporate & Investment Banking (CIB)	2 229	3 325	5 554	1 722	7 276
Loans and advances at amortised cost	2 229	3 325	5 554	1 722	7 276
Corporate	2 229	3 325	5 554	1 722	7 276
Sovereign					
Banking					
Debt financial investments at FVOCI					
Sovereign					
Debt financial investments at amortised cost					
Corporate					
Sovereign					
Banking					
Off-balance sheet exposures					
Letters of credit and bankers' acceptances					
Guarantees					
Central and other[1]	400	2	402		402
Associates and joint ventures[2]					
Total provision on-balance sheet	7 174	15 270	22 444	4 756	27 200
Total provision off-balance sheet					
Total	7 174	15 270	22 444	4 756	27 200

1 In terms of IAS 39, the group previously maintained an impairment provision of R402 million within central and other which materially related to credit risk pertaining to the group's Africa Regions' cross-border exposures. On adoption of IFRS 9 this impairment provision has been recognised in opening retained earnings.
2 The group's share of the ECL adjustments recognised by its associates have, for purposes of this table, been included in the determination of the group's total ECL transition adjustment of R6 276 million.
3 The total tax impact comprises an increase in deferred tax asset of R2 234 million and a decrease of current tax liability of R77 million.

The following graph outlines the principal IFRS 9 drivers for the change in the impairment provisions in table 4: IFRS 9 impairment – group uplift in the impairment provision



1 Refer to table 4.

IFRS 9 – 1 January 2018				IFRS 9 – transition adjustment – 1 January 2018		
Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total IFRS 9 provision (including IIS) Rm	Gross Rm	Tax[3] Rm	Net Rm
4 974	6 283	16 040	27 297	7 775	(2 099)	5 676
4 879	6 283	16 040	27 202	7 680	(2 076)	5 604
1 126	2 014	6 256	9 396	2 886	(810)	2 076
766	994	1 476	3 236	1 195	(338)	857
698	821	1 660	3 179	903	(248)	655
2 289	2 454	6 648	11 391	2 696	(680)	2 016
95			95	95	(23)	72
63			63	63	(16)	47
32			32	32	(7)	25
1 168	2 136	5 133	8 437	1 161	(325)	836
910	1 992	4 935	7 837	561	(177)	384
781	1 956	4 935	7 672	396	(116)	280
84	36		120	120	(47)	73
45			45	45	(14)	31
175			175	175	(44)	131
175			175	175	(44)	131
24	73		97	97	(14)	83
10			10	10	(3)	7
13	73		86	86	(11)	75
1			1	1		1
59	71	198	328	328	(90)	238
3	12		15	15	(2)	13
56	59	198	313	313	(88)	225
				(402)	113	(289)
				53		53
5 988	8 348	20 975	35 311	8 164	(2 198)	5 966
154	71	198	423	423	(113)	310
6 142	8 419	21 173	35 734	8 587	(2 311)	6 276

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 presentation policy for these expenses to rather be presented as part of net fee and commission revenue (within non-interest revenue). This presentation better aligns to the group's presentation policy for recognising expenses 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 Rm	Restatement Rm	Restated Rm
Fee and commission expense (note 28)	(5 157)	(463)	(5 620)
Operating expenses in banking activities (note 36)	(57 512)	463	(57 049)

The following primary financial statement and notes have been impacted by this restatement:

- consolidated income statement
- fee and commission expense
- operating expenses
- segment report.

This has no impact on the total income, profit for the year and earnings per share.

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 is 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, therefore, 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 outflow)/ cash inflow Rm	Restatement Rm	Restated (cash outflow)/ cash inflow Rm
Cash flows presented within operating activities			
Purchase of properties		(681)	(681)
Proceeds on sales of properties		60	60
Net purchase of financial instruments		(2 238)	(2 238)
(Repayment of)/proceeds on collateral deposits payable		(258)	(258)
Cash flows presented within investing activities			
Purchase of properties	(681)	681	
Net purchase of financial instruments	(2 238)	2 238	
(Repayment of)/proceeds on collateral deposits payable	(258)	258	
Proceeds from sale of property and equipment	225	(120)	105
Capital expenditure	(3 533)	60	(3 473)

Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. Post the implementation of IFRS 9 on 1 January 2018, unless otherwise stated, no material changes to assumptions have occurred during the year. The following represents the most material key management assumptions applied in preparing these financial statements.

ECL on financial assets – IFRS 9 drivers

For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The IFRS 9 impairment provision calculation excludes post write off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss. This LGD parameter has been aligned to emerging market practice.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12 months).

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

SICR and low credit risk

PBB

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The group determines the SICR threshold by utilising an appropriate transfer rate of exposures from stage 1 to stage 2. This is done by taking into account the expected levels of arrears status for each portfolio vintage of exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due, as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

CIB (including certain PBB business banking exposures)

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

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

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

Incorporation of forward looking information in ECL measurement

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

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

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

Default

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

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

The group has not rebutted IFRS 9's 90 days past due rebuttable presumption.

Write-off policy

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

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

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Curing

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

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

Amendments to the estimation technique

Refinements to some of the PBB ECL models have been made during the course of 2018. The amendments include improved SICR classification for the Africa Regions models and enhancements to certain assumptions within the modelling techniques for the South African ECL calculations. The loss given default (LGD) parameter has been aligned to emerging market practice through the exclusion of post write off recoveries.

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

A range of base, bullish and bearish forward looking economic expectations were determined, as at 31 December 2018, for inclusion in the group's forward-looking process and ECL calculation:

South African economic expectation

- The base case for South Africa is that business and consumer confidence ultimately strengthens, and the policy framework incrementally improves, following the political change that began with the African National Congress' (ANC) leadership election in December 2017. However, this virtuous growth cycle has been slowed by the uncertainty and lack of decisive policy changes ahead of the 2019 elections, as well as elevated uncertainty about property expropriation without compensation. Our forecasts assume sufficient support for the ANC in the election (and for the president within the party) to support a reform mandate. A sovereign credit rating downgrade by Moody's is assumed to be staved off, though there are significant risks to the fiscal forecasts and credit ratings.
- There is a material risk of a more bearish scenario given deep-seated ideological divides within the ANC and the broader society, difficult policy trade-offs, which may complicate and delay substantive policy reforms, and economic growth which may remain too low to reduce unemployment and the fiscal risks. Further fiscal slippage in the October 2018 Medium-Term Budget Policy Statement (MTBPS) underscores the elevated fiscal and rating risks, which would affect not only capital flows and financial markets but also confidence and fixed investment if they materialise.
- There is a rather low probability bullish case in which traction with policy reform exceeds expectations, compelling a stronger recovery in employment and fixed investment, supported by significant pent-up demand and strong confidence. This would also alleviate socio-political and fiscal risks.

Africa Regions' economic expectation

Economic growth in African economies is likely to be reasonably differentiated. The fastest-growing economies are likely to be the ones that still have access to international capital and are engaging in infrastructural spending. Deteriorating fiscal metrics, however, call into question the capacity of these countries to continue to rely on this source of growth. The base case comprises the following outlook and conditions per region:

- East Africa: Boosted by infrastructure spending, growth continues to remain elevated. Rainfall has been good over the past two years, bolstering agricultural output and keeping food inflation well-contained. Currencies are reasonably stable, causing central banks to have a predisposition for easing rather than tightening monetary policy.
- West Africa: Economic growth is likely to remain strong, with the Nigerian economy continuing to recover. However, elections in key markets specifically Nigeria in 2019 as well as Côte d'Ivoire and Ghana in 2020, could result in market uncertainty and amendments to macroeconomic policy management.
- South and Central Africa: Domestic demand appears to be sluggish across the region. Fiscal restraint that is necessitated by disappointing Southern African Customs Union revenues has probably been a factor constraining domestic demand among SACU member countries.

Global economic expectation

The global base case comprises the following outlook and conditions:

- The global economy slows moderately under the weight of trade-related uncertainty. Unlike the trade-war scenario, the extent of the tensions between the US and other countries such as China, is not sufficient to send many economies into deep recessions.
- Financial markets experience significant volatility and in the short-term at least, asset prices remain under pressure.
- The Federal Reserve pauses monetary tightening; however, certain major central banks are gradually drawing closer to the Federal Reserve, with rate increases of their own.
- Tight labour markets and additional price pressures from tariffs will probably cause inflation to not fall significantly despite of weaker growth.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward looking impact on the IFRS 9 provision on financial assets. For each scenario, namely the base case, bullish and bearish scenario, the average values of the factors over the next 12 months, and over the remaining forecast period, are presented.

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

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

Sensitivity analysis of CIB forward-looking impact on IFRS 9 provision

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk, as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall CIB IFRS 9 provision.

Sensitivity analysis of PBB forward-looking impact on IFRS 9 provision

The following table shows a comparison of the forward looking impact on the IFRS 9 provision as at 31 December 2018 based on the probability weightings of the above three scenarios resulting from recalculating each scenario using a 100% weighting of the above factors.

	Rm	% change on total PBB IFRS 9 provision
Forward looking impact on IFRS 9 provision	1 741	
Scenarios		
Base	1 488	(1)
Bearish	2 719	3
Bullish	1 154	(2)

AFS Refer to note 7.

Credit impairment losses on loans and advances – IAS 39

Portfolio loan impairments

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recognised in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis.

The impairment for performing and non-performing but not specifically impaired loans is calculated on a portfolio basis, based on historical loss patterns, adjusted for national- and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears, notices of accounts under debt review, renegotiated loans, post write-off recoveries, watch list exposures and changes in macroeconomic conditions and legislation affecting credit recovery. The impairments are monitored on a monthly basis, with back-testing performed between actual write off experience and that estimated by the group's models. The models are updated on a regular basis to incorporate actual write-off experience. The sensitivity to changing conditions is evaluated and specific sensitivity testing is done if and when required.

A key input into the determination of the group's portfolio impairment provisions is the emergence period. The loss ratios applied to loan balances in the portfolio are based on the estimated loss emergence period. At 2017 year end, the group applied an average loss emergence period of a minimum of three months for Personal & Business Banking (PBB) and 12 months for Corporate & Investment Banking (CIB) loans and advances. Where required, these emergence periods are assessed by determining the sensitivity of the impairment by applying both longer and shorter emergence periods and comparing the sensitivity results with the incurred loss experience.

Specific loan impairments

Non-performing loans include those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more.

The methodology used in determining the specific loan impairment includes modelling with various inputs such as segmentation, levels of loss expectation, recoverability of collateral, potential cash flows and probability of default. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Expected time to recover cash and collateral and recoveries of individual specifically impaired loans as a percentage of the outstanding balances are estimated as follows:

2017	Expected time to recovery Months	Expected recoveries as a percentage of impaired loans %
Personal & Business Banking	8 – 15	57
Mortgage loans	15	74
Instalment sale and finance leases	9	56
Card debtors	8	25
Other lending	13	39
Corporate & Investment Banking	21 – 24	40
South Africa	21	31
Africa Regions	24	54

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

AFS Refer to note 7.

Impairment of available-for-sale investments – IAS 39

The group determines that available-for-sale investments are impaired and recognised as such in profit or loss when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates, among other factors, the normal volatility in the instruments' fair value. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry or sector, or operational and financing cash flows or significant changes in technology.

Derivatives held-for-hedging

Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. This reform is at various stages globally. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group. Consequently, significant judgement is applied in determining whether certain interest rate risk hedge relationships will continue to qualify for hedge accounting. As at 31 December 2018, management's view is that existing hedge relationships referencing IBORs continue to qualify for hedge accounting given market reliance on existing IBORs and the current absence of term structures in ARRs for products that span longer time periods. Management is monitoring market and accounting developments in this regard.

Fair value

Financial instruments

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

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

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

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

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

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

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

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

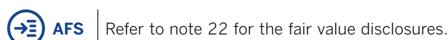
In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

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

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

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

The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for the year ended 31 December 2018 was a net loss of R4 942 million (2017: R4 132 million net gain). Other financial instruments, not at level 3, are utilised to mitigate the risk of these changes in fair value.

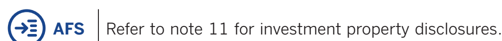

AFS | Refer to note 22 for the fair value disclosures.

Investment property

The full portfolio of the South African located properties were independently valued as at 31 December 2018 by registered professional valuers with the South African Council for the Property Valuers Profession as well as members of the Institute of Valuers of South Africa. The Kenyan and Nigerian located properties were independently valued as at 31 December 2018 by various registered professional valuers in each territory. The valuation of the South African properties is prepared in accordance with the guidelines of the South African Institute of Valuers for valuation reports and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions. The properties have been valued on a discounted cash flow basis. In the majority of cases, discounted cash flows have been used to determine a present value net income to which the exit capitalisation rate is applied as at 31 December 2018. In order to determine the reversionary rental income on lease expiry, renewal or review, a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for each property as at 31 December 2018. Market rental growth has been determined based on the individual property, property market trends and economic forecasts. Vacancies have been considered based on historic and current vacancy factors as well as the nature, location, size and popularity of each building.

Appropriate discount rates have been applied to cash flows for each property to reflect the relative investment risk associated with the particular building, tenant, covenant and the projected income flow. Extensive market research has been conducted to ascertain the most appropriate market-related discount rate to apply, with regard to the current South African long-term bond yield (R204 risk-free rate) and the relative attractiveness that an investor may place on property as an asset class.

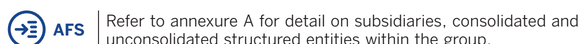
On the basis that turnover or profit rental income has a greater degree of uncertainty and risk than the contractual base rental, a risk premium of between 1% and 6% has been added to the discount rate and to the exit capitalisation rate, to reflect the greater investment risk associated with the variable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


AFS | Refer to note 11 for investment property disclosures.

Consolidation of entities

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

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


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

Significant influence – investment funds

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

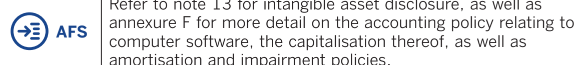
AFS | Refer to annexure B for detail on associates and joint ventures.

Computer software intangible assets

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

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

During the 2018 financial year, certain of the group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by an amount of R449 million (2017:R447 million). These impairments are excluded from the group's headline earnings.


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

Goodwill impairment

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

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

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

	Stanbic IBTC Holdings PLC Value in use		Stanbic Holdings Plc Value in use	
	2018	2017	**2018**	2017
Discounted cash flow				
Discount rate (nominal) (%)	**21.7**	19.4	**17.6**	16.5
Terminal growth rate (nominal) (%)	**10.0**	10.0	**7.3**	8.0
Forecast period (years)[1]	**10**	10	**8**	8

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

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

Current and deferred taxation

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

Uncertain tax positions, which do not meet the probability criteria defined within IFRS, are not provided for but are rather disclosed as contingent liabilities or assets as appropriate. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Post-employment benefits

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

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

	Retirement fund		Post-employment medical aid fund	
	2018	2017	**2018**	2017
Discount rate	**Nominal government bond yield curve**	Nominal government bond yield curve	**Nominal government bond yield curve**	Nominal government bond yield curve
Return on investments (discount rate of term equal to discounted mean term of liabilities)[1]	**9.64% to 10.88%**	9.13% to 10.83%	**Unfunded liability and therefore there is no asset-backing portfolio**	Unfunded liability and therefore there is no asset-backing portfolio
Salary/benefit inflation	**Future salary increases based on inflation curve plus 1% to 2% pa to each point on the curve**	Future salary increases based on inflation curve plus 1% to 2% pa to each point on the curve	**Not applicable to fund**	Not applicable to fund
Medical cost inflation (applicable to members who retired before 1 January 2013)[2]	**Not applicable to fund**	Not applicable to fund	**Inflation curve adjusted by 1%**	Inflation curve adjusted by 1%
Medical cost inflation (applicable to all other members)	**Not applicable to fund**	Not applicable to fund	**Curve implied by the difference between a nominal government bond curve and an index-linked bond**	Difference between nominal and index-linked bond yield curves plus 0% to 1.5%
CPI inflation	**Difference between nominal and index-linked bond yield curves**	Difference between nominal and index-linked bond yield curves	**Difference between nominal and index-linked bond yield curves**	Difference between nominal and index-linked bond yield curves
Pension increase in allowance	**Inflation rate**	Inflation rate	**Not applicable to fund**	Not applicable to fund
Remaining service life of employees (years)	**9.33**	9.67	**Not applicable to fund**	Not applicable to fund

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

AFS | Refer to note 44 for further details on the group's post-employment benefits.

Long-term insurance contracts

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

Process used to decide on assumptions and changes in assumptions

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract and class of business. Industry standard tables are used for smaller classes of business and company-specific tables are used for larger classes. In setting the assumptions, provision is made for the expected impact of Aids-related claims consistent with the requirements of Advisory Practice Note (APN) 105 issued by the Actuarial Society of South Africa (ASSA).

Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past, as well as expected future trends. The withdrawal rates are analysed by product type and policy duration.

Investment return

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

- **Bond rate** – the derived yield from the bond yield curve, at a duration of ten years at the reporting date, 9.42% (2017: 8.99%)
- **Equity rate** – bond rate plus 3.5% as an adjustment for risk, 12.92% (2017: 12.49%)
- **Property rate** – bond rate plus 1% as an adjustment for risk, 10.42% (2017: 9.99%)
- **Cash** – bond rate less 1.5%, 7.92% (2017: 7.49%).

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities. The pre-taxation discount rate is set at the same rate. For life annuity and guaranteed endowments, discount rates are set at risk-free rates consistent with the duration and type of the liabilities allowing for an average illiquidity premium on the backing assets and reduced by an allowance for investment expenses and the relevant prescribed margin.

Expenses

An expense analysis is performed on the actual expenses incurred in the calendar year preceding the statement of financial position date. This analysis is used to calculate the acquisition costs incurred and to set the maintenance expense assumption which is based on the budget approved by the board.

Expense inflation

The expense inflation assumption is set taking into consideration, market implied inflation, the expected future development of the number of inforce policies, as well as the expected future profile of maintenance expenses. The expense inflation assumption for pure risk, life annuity, disability in payment and guaranteed endowments business is consistent with market implied inflation rates. For other classes of business the inflation rate is set at the effective ten-year gilt yield curve rate (gilt rate) less 1.75% when the gilt rate is above 7.25%. The expense inflation rate is set at 72% of the gilt rate when this is below 5.25%. At gilt rates between 5.25% and 7.25% the inflation rate is interpolated to ensure a smooth transition between the two methodologies. This results in a best estimate inflation assumption of 7.67% at 31 December 2018 (2017: 7.24%).

Taxation

Taxation rates consistent with that position and the likely future changes in that position are allowed for. In respect of capital gains taxation (CGT). taxation is allowed for at the full CGT rate. Deferred taxation liabilities include a provision for CGT on unrealised gains/(losses) at the valuation date, at the full undiscounted value. Allowance is also made for dividend withholding tax at the applicable rate.

Correlations

No correlations between assumptions are allowed for.

Contribution increases

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

Embedded investment derivative assumptions

The assumptions used to value embedded derivatives in respect of policyholder contracts are set in accordance with APN 110. Account is taken of the yield curve at the valuation date. Both implied market volatility and historical volatility are taken into account when setting volatility assumptions. Correlations between asset classes are set based on historical data. Over 16 000 simulations are performed in calculating the liability.

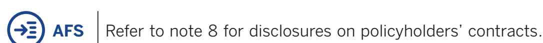
Process used to decide on assumptions and changes in assumptions for non-South African life companies' change in assumptions

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

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

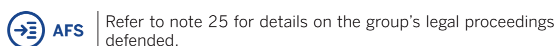
	Price		Volatility	
Instrument	**2018 %**	2017 %	**2018 %**	2017 %
A one-year at-the-money (spot) put on the FTSE[1]/JSE Top 40 index	**5.98**	4.83	**20.76**	17.27
A one-year put on the FTSE/JSE Top 40 index, with a strike price equal to 80% of spot	**1.53**	0.92	**24.88**	21.16
A one-year at-the-money (forward) put on the FTSE/JSE Top 40 index	**7.73**	6.42	**19.98**	16.58
A five-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**7.68**	7.88	**22.3**	21.88
A five-year put on the FTSE/JSE Top 40 index, with a strike price equal to 1,04[5#] of spot	**14.29**	14.74	**21.47**	21.06
A five-year (forward) put on the FTSE/JSE Top 40 index	**16.34**	16.09	**21.29**	20.94
A five-year put with a strike price equal to 1,04[5#] of spot on an underlying index constructed as 60% FTSE/JSE Top 40 and 40% All Bond Index (ALBI), with rebalancing of the underlying index back to these weights taking place annually	**6.14**	6.48	**Not applicable to volatility**	Not applicable to volatility
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	**3.04**	3.72	**27.22**	27.46
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to 1,042[0#] of spot	**14.34**	16.72	**28.44**	28.63
A 20-year at-the-money (forward) put on the FTSE/JSE Top 40 index	**27.71**	27.70	**29.16**	29.15
A 20-year put option based on an interest rate with a strike equal to the present five-year forward rate as at maturity of the put option, which pays out if the five-year interest rate at the time of maturity (in 20 years) is lower than the strike price	**0.52**	0.59	**Not applicable to volatility**	Not applicable to volatility

1 Financial Times Stock Exchange.
\# Exponent.


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

Provisions

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


AFS | Refer to note 25 for details on the group's legal proceedings defended.

Stanbic Bank Zimbabwe functional currency

In 2009, SBZ concluded that the USD was its functional currency in terms of IAS 21. However, an acute shortage of USD in Zimbabwe resulted in an increase in electronic balances through the 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 RBZ instructed banks to separate bank accounts into USD balances and 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 IFRIC 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.

Notes to the annual financial statements

1. Cash and balances with central banks

	2018 Rm	2017 Rm
Coins and bank notes	**20 681**	18 536
Balances with central banks[1]	**64 464**	56 774
Total	**85 145**	75 310

[1] Included in this balance is R55 414 million (2017: R48 981 million) that primarily comprise reserving requirements held with central banks within the countries of operation and are available for use by the group subject to certain restrictions and limitations levied by central banks within the countries of operation. These balances are held at fair value through profit or loss – default.

2. Derivative instruments

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

	Fair value of assets		Fair value of liabilities	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Total derivative assets/(liabilities) held-for-trading	**49 009**	74 546	**(53 194)**	(74 317)
Total derivative assets/(liabilities) held-for-hedging	**2 669**	1 064	**(1 863)**	(2 579)
Total	**51 678**	75 610	**(55 057)**	(76 896)

2.1 Use and measurement of derivative instruments

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations. All derivatives are classified either as held-for-trading or held-for-hedging.

In the normal course of business, the group enters into a variety of foreign exchange, interest rate, commodity, credit and equity derivative transactions in accordance with the group's risk management policies and practices. Derivative instruments used by the group are held for both trading and hedging purposes and include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities.

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

2.2 Derivatives held-for-trading

	Fair value of assets		Fair value of liabilities		Contract/notional amount[1]	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Foreign exchange derivatives	**22 255**	34 500	**(20 503)**	(26 552)	**1 367 876**	946 728
Interest rate derivatives	**22 678**	34 857	**(26 886)**	(40 908)	**5 128 918**	7 140 553
Commodity derivatives	**204**	280	**(194)**	(325)	**15 585**	10 587
Credit derivatives	**1 013**	667	**(2 814)**	(898)	**77 455**	67 997
Equity derivatives	**2 859**	4 242	**(2 797)**	(5 634)	**2 444 740**	1 020 974
Total	**49 009**	74 546	**(53 194)**	(74 317)	**9 034 574**	9 186 839

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

2. Derivative instruments continued

2.3 Derivatives held-for-hedging (2018)

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value, cash flow, or net investment hedges for recognised financial assets or liabilities, and highly probable forecast transactions. The group applies hedge accounting in respect of foreign currency risk, equity risk and interest rate risk. Refer to the annexure F on page 201 for more information on these hedging strategies.

2.3.1 Derivatives designated as hedging instruments in fair value hedging relationships

	Fair value of assets Rm	Fair value of liabilities Rm	Fair value Rm	Less than one year Rm	Between one to five years Rm	Over five years Rm	Contract/ notional amount Rm	Fair value gain/ (loss) Rm
2018								
Total interest rate risk fair value hedging relationships								
Interest rate swaps	523	(1 190)	(667)	(20)	(158)	(489)	105 003	(26)

2.3.2 Hedged items classified as fair value hedges

	Fair value of assets Rm	Fair value of liabilities Rm	Fair value gain/(loss) Rm	Fair value gain/(loss) used to test hedge ineffective-ness Rm	Accumulated fair value hedge adjustments Rm
2018					
Interest rate risk fair value hedging relationships					
Financial investments	328		34	34	
Subordinated debt		(2 033)	15	15	19
Loans and advances to customers	28 276		(206)	(206)	656
Deposits and debt funding		(60 460)	192	192	114
Total	28 604	(62 493)	35	35	789

2. Derivative instruments continued

2.3 Derivatives held-for-hedging (2018) continued

2.3.3 Derivatives designated as hedging instruments in cash flow hedging relationships

	Fair value of assets Rm	Fair value of liabilities Rm	Fair value Rm	Less than one year Rm	Between one to five years Rm	Over five years Rm	Contract/ notional amount Rm	Fair value gain/ (loss) Rm
2018								
Foreign currency risk cash flow hedging relationships	**1 763**	**(240)**	**1 523**	**58**	**1 242**	**223**	**11 414**	**(374)**
Currency forwards	59	(96)	(37)	(31)	(6)		4 932	(42)
Currency swaps	1 704	(144)	1 560	89	1 248	223	6 482	(332)
Equity price risk cash flow hedging relationships	**383**	**(433)**	**(50)**	**(17)**	**(33)**		**550**	**(128)**
Equity forwards	383	(433)	(50)	(17)	(33)		550	(128)
Total	**2 146**	**(673)**	**1 473**	**41**	**1 209**	**223**	**11 964**	**(502)**

2.3.4 Hedged items classified as cash flow hedges

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

2. Derivative instruments continued

2.3 Derivatives held-for-hedging (2018) continued

2.3.5 Hedge ineffectiveness recognised in profit or loss

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

	Other operating expenses loss Rm	Trading revenue gain Rm	Net interest income gain Rm	Total Rm
2018				
Fair value hedges			9	9
Interest rate risk fair value hedging relationships			9	9
Cash flow hedges	(19)	1		(18)
Foreign currency risk cash flow hedging relationships		1		1
Equity price risk cash flow hedging relationships	(19)			(19)
Total	(19)	1	9	(9)

2.3.6 Reconciliation of movements in the cash flow hedging reserve

	Time-period basis spread Rm	Foreign currency risk Rm	Equity price risk Rm	Total Rm
Balance at the beginning of the year	68	(196)	34	(94)
Amounts recognised directly in OCI before tax[1]	9	(383)	(128)	(502)
Add amounts released to profit or loss before tax:	(18)	356	46	384
Interest income		49		49
Trading revenue	(18)	319		301
Other operating expenses		(12)	46	34
Add: deferred tax	4	2	4	10
Non-controlling interest	8			8
Balance at the end of the year	71	(221)	(44)	(194)

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

2.3.7 Hedges classified as cash flow hedges

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

	Three months or less Rm	More than three months but within one year Rm	More than one year but within five years Rm	More than five years Rm	Total Rm
2018					
Net cash outflows	(13)	(37)	(88)	(56)	(194)

2. Derivative instruments continued

2.4 Derivatives and other financial instruments held-for-hedging (2017)

The group enters into derivative transactions, which are designated and qualify as either fair value, cash flow, or net investment hedges for recognised financial assets or liabilities, highly probable forecast transactions and net investments in foreign operations. Derivatives designated as hedging instruments consist of the following:

	Fair value of assets Rm	Fair value of liabilities Rm	Notional amount Rm
2017			
Derivatives designated as fair value hedges	767	(1 327)	13 472
Interest rate swaps	767	(1 327)	13 472
Derivatives designated as cash flow hedges	297	(1 252)	212 097
Currency forwards and swaps	279	(1 252)	210 377
Equity forwards	18		1 720
Total	1 064	(2 579)	225 569

2.4.1 Derivatives designated in fair value relationships

Gains or losses arising from fair value hedges

The group's fair value hedges principally consist of currency swaps and interest rate swaps that are used to mitigate the risk of changes in market interest rates and currencies. The group also uses interest rate swaps for the portfolio hedge of interest rate risk. The gains/(losses) arising from the fair value hedges during the year were as follows:

	2017 Rm
Hedging instruments	243
Hedged items attributable to the hedged risk	(181)

2.4.2 Derivatives designated in cash flow hedge relationships

The group uses currency forwards, swaps and options to mitigate against the risk of changes in future cash flows on its foreign-denominated exposures. Interest rate swaps are primarily used to hedge, by major currency, variable rate financial assets and liabilities with the objective to mitigate against changes in future interest cash flows resulting from the impact of changes in market interest rates and reinvestment or reborrowing of current balances.

The group uses currency forwards to mitigate against the changes in cash flows arising from changes in foreign currency rates on the forecasted placement of funds between group entities. The group applies hedge accounting where the forecasted intragroup placement of funds is both denominated in a currency other than the functional currency of the entity providing the funds and where the placement of funds will affect consolidated profit or loss in the future.

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

	Three months or less Rm	More than three months but less than one year Rm	More than one year but less than five years Rm	More than five years Rm
2017				
Net cash inflow/(outflow)	4	(6)	(52)	(59)

2. Derivative instruments continued

2.4 Derivatives and other financial instruments held-for-hedging (2017) continued

2.4.2 Derivatives designated in cash flow hedge relationships continued

Reconciliation of movements in the cash flow hedging reserve

	2017 Rm
Balance at the beginning of the year	(230)
Amounts recognised directly in OCI before tax	235
Less: amounts released to profit or loss before tax	(69)
Total income	(248)
Other operating expenses	179
Less: deferred tax	(9)
Non-controlling Interests	(21)
Balance at the end of the year	(94)

No gain or loss was recognised in profit or loss due to ineffectiveness arising from cash flow hedges in the prior year. There were no transactions for which cash flow hedge accounting had to be discontinued during 2017 as a result of highly probable cash flows no longer being expected to occur.

2.4.3 Derivatives designated as hedges of net investments in foreign operations

The objective of the hedges of net investments in foreign operations is to limit the risk of a decline in the net asset value of the group's investments in foreign operations brought about by changes in exchange rates. To limit this risk, the group entered into forward exchange contracts, where considered appropriate. No material open hedge of this nature was present during 2017. No ineffectiveness was recognised in profit or loss for the current and prior year that arose from hedges of net investments in foreign operations.

2.5 Day one profit or loss – derivatives held-for-trading and held-for-hedging

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

	2018 Rm	2017 Rm
Unrecognised net profit at the beginning of the year	**160**	161
Additional net profit on new transactions	**299**	544
Recognised in trading revenue during the year	**(307)**	(508)
Exchange differences	**24**	(37)
Unrecognised net profit at the end of the year	**176**	160

3. Trading assets

3.1 Classification

	2018 Rm	2017 Rm
Collateral	**6 201**	5 275
Corporate bonds and floating rate notes	**27 180**	15 347
Government, municipality and utility bonds	**51 151**	58 798
Listed equities	**40 549**	40 347
Reverse repurchase and other collateralised agreements	**41 334**	26 412
Unlisted debt securities	**14 145**	12 334
Other instruments	**552**	2 381
Total	**181 112**	160 894

3. Trading assets continued

3.2 Day one profit or loss – trading assets

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

	2018 Rm	2017 Rm
Unrecognised net profit at the beginning of the year	**642**	588
Additional net profit on new transactions	**339**	162
Recognised in trading revenue during the year	**(136)**	(108)
Unrecognised net profit at the end of the year	**845**	642

4. Pledged assets

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

	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets[1] Rm	Fair value of associated liabilities[1] Rm	Net fair value[1] Rm
2018					
Bonds	**12 964**	**6 412**	**12 948**	**6 412**	**6 536**
Listed equities	**6 915**	**288**	**6 915**	**288**	**6 627**
Pledged assets (as recognised on the statement of financial position)	**19 879**	**6 700**	**19 863**	**6 700**	**13 163**
Financial investments[2]	**9 262**	**9 261**	**9 265**	**9 259**	**6**
Total[3]	**29 141**	**15 961**	**29 128**	**15 959**	**13 169**
2017					
Bonds	13 906	12 540	13 901	12 534	1 367
Listed equities	6 879		6 879		6 879
Pledged assets (as recognised on the statement of financial position)	20 785	12 540	20 780	12 534	8 246
Financial investments[2]	11 233	11 225	11 233	11 223	10
Total[3]	32 018	23 765	32 013	23 757	8 256

1 Where the counterparty has recourse to the transferred asset.
2 For these financial investments the counterparty is not permitted to sell or repledge the assets in the absence of default, hence they are not classified as pledged assets.
3 Total amount of financial assets that the group has pledged as collateral for liabilities and contingent liabilities.

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

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

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

4. Pledged assets continued

4.1 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities which are not recorded on the statement of financial position that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R100 791 million (2017: R60 618 million).

The fair value of financial assets accepted as collateral and commodities received through commodity leases that have been sold, repledged or leased in terms of repurchase agreements or leasing transactions is R11 709 million (2017: R20 271 million).

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

4.2 Assets transferred not derecognised

Securitisations

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

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

For more detail on the derecognition requirements refer to accounting policy 3 on financial instruments included in annexure F.

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

	Carrying amount of transferred assets[1] Rm	Carrying amount of associated liabilities[2] Rm	Fair value of transferred assets[1] Rm	Fair value of associated liabilities[2] Rm	Net fair value Rm
2018					
Mortgage loans	**45 954**		**44 747**		**44 747**
2017					
Mortgage loans	47 740	247	47 848	246	47 602

1 The group invests in vehicles specifically introduced to provide mortgage lending collateral against the Committed Liquidity Facility (CLF). To access the CLF, the SARB requires a portfolio of collateral, which is identified as a portfolio of mortgage loans. The SARB requires that these assets are ring-fenced in a separate legal entity, supported by a clearly defined note structure. At 31 December 2018, the mortgages within these vehicles, Blue Shield Investments 01 (RF) Limited and Blue Shield Investments 02 (RF) Limited, amounted to R46 billion (2017: R48 billion).

2 The associated liabilities relating to the transferred assets only include external funding for the assets. The transferred assets are mainly funded by intercompany funding, which has been eliminated at a group level.

5. Financial investments

	Total		Banking activities		Investment management and life insurance activities	
	2018 Rm	2017[1] Rm	**2018 Rm**	2017[1] Rm	**2018 Rm**	2017[1] Rm
Corporate	**64 011**	42 672	**23 297**	9 477	**40 714**	33 195
Sovereign	**197 473**	192 992	**161 552**	155 261	**35 921**	37 731
Banking	**71 210**	51 719	**13 978**	5 441	**57 232**	46 278
Mutual funds and unit-linked investments	**85 034**	97 767	**195**	3 650	**84 839**	94 117
Listed equities	**96 395**	122 545	**103**	468	**96 292**	122 077
Unlisted equities	**6 506**	5 554	**3 521**	2 872	**2 985**	2 682
Interest in associates and joint ventures held at fair value (annexure B)	**13 848**	15 197			**13 848**	15 197
Other instruments	**12 928**	4 868	**2 734**	2 935	**10 194**	1 933
Total financial investments	**547 405**	533 314	**205 380**	180 104	**342 025**	353 210

	2018 Rm
Net financial investments measured at amortised cost	**144 145**
Gross debt financial investments measured at amortised cost	**144 339**
Less: expected credit loss for debt financial investments measured at amortised cost[2]	**(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[3]	**53 083**
Equity financial investments measured at fair value through OCI	**1 254**

1 The group has, as permitted by IFRS 9, elected not to restate 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.

2 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 35 for the 2018 credit impairment charge of R82 million on financial investments measured at amortised cost.

3 The group recognised an ECL of R175 million on debt financial investments measured at fair value through OCI upon the transition to IFRS 9 on 1 January 2018. At 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 35 for the 2018 credit impairment charge of R19 million on financial investments measured at fair value through OCI.

5. Financial investments continued

5.1 Reconciliation of the fair value through OCI reserve for debt financial investments

	Credit balance at beginning of the year Rm	Net change in fair value Rm	Realised fair value adjustments released to profit or loss Rm	Net expected credit loss raised during the period Rm	Transactions with non-controlling interest Rm	Credit balance at end of the year Rm
Sovereign	175	22	(46)	19	76	246

6. Disposal group held for sale

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

These were included in the consolidated financial statements of Liberty Holdings Limited in 2017.

Based on the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), the assets and liabilities have been disclosed as disposal groups, and are separately disclosed on the statement of financial position. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Certain of these disposal groups were measured at fair value less costs to sell, which led to various impairments, as set out below. The fair value less costs to sell is based on an assessment of what management believe a purchaser would value the business, taking into account the current business viability and operations. In the application of the fair value remeasurement, the adjustments were first applied to the non-current assets as applicable under IFRS 5, thereafter the additional remeasurement was sequenced across other non-current assets (including deferred tax assets), with the residual being applied to other receivables.

The classes of assets and liabilities comprising the disposal groups classified as held for sale are as follows:

	Gross Rm	Impairment Rm	Net Rm
Total assets classified as held for sale	1 011	(249)	762
Financial investments	265		265
Other assets	504	(28)	476
Property and equipment	39	(18)	21
Goodwill and other intangible assets	85	(85)	
Deferred tax assets	118	(118)	
Total liabilities classified as held for sale	(237)		(237)
Current tax liabilities	(5)		(5)
Provisions and other liabilities	(232)		(232)
Total disposal group held for sale	774	(249)	525

The potential sales are not discontinued operations as defined as they are not disposals of separate major lines of business or geographical areas of operation. Profit or loss from cash-generating units within disposal groups have not been separately identified in the income statement. No comparative information has been disclosed, since this is not a requirement of IFRS 5.

7. Loans and advances

	2018 Rm	2017[1] Rm
Loans and advances measured at fair value through profit or loss	1 204	110
Net loans and advances measured at amortised cost	1 119 464	1 047 917
Gross loans and advances measured at amortised cost[2]	1 156 149	1 070 361
Mortgage loans	361 830	346 508
Vehicle and asset finance (note 7.4)	89 651	83 136
Card debtors	32 395	32 253
Corporate and sovereign	397 261	352 025
Banking	110 852	117 935
Other loans and advances	164 160	138 504
Total credit impairment on loans and advances (IFRS 9)[2] (note 7.1)	(36 685)	
Credit impairments on loans and advances (IAS 39) (note 7.1.2)		(22 444)
Net loans and advances	1 120 668	1 048 027

1 The group has, as permitted by IFRS 9, elected not to restate 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.

2 Refer to the group's accounting policy in annexure F on interest in suspense for more detail.

7.1 Reconciliation of ECL of loans and advances at amortised cost

	Stage 1 Rm	Stage 2 Rm	Stage 3 (including IIS) Rm	Total Rm
Opening ECL 1 January 2018	5 789	8 275	20 975	35 039
Transfers between stages[1]	984	(2 088)	1 104	
Transfer (to)/from stage 1		(956)	(28)	(984)
Transfer from/(to) stage 2	956		1 132	2 089
Transfer from/(to) stage 3	28	(1 132)		(1 105)
Net ECL (released)/raised[2]	(1 232)	390	8 079	7 237
ECL on new exposure raised[1]	1 727	1 041	1 031	3 799
Subsequent changes in ECL	(2 718)	(329)	7 441	4 394
Change in ECL due to derecognition	(241)	(322)	(393)	(956)
Impaired accounts written off[3]			(8 179)	(8 179)
Exchange and other movements	199	567	1 822	2 588
Closing ECL 31 December 2018	5 740	7 144	23 801	36 685

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

2 Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 35).

3 The contractual amount outstanding on loans and advances that were written off during the period that are still subject to enforcement activities is R5.9 billion.

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

- The ECL on new exposures raised of R3.8 billion primarily relates to the net growth in the gross carrying amount of:
  - mortgage loans of R44 billion
  - VAF of R38 billion
  - corporate of R12 billion.
- The decrease in ECL due to impaired accounts written off of R8.2 billion resulted in an equal decrease to the gross carrying amount of loans and advances as exposures are 100% provided for before being written off.
- The group policy is to transfer using opening ECL balances based on the exposures' ECL stage at the end of the reporting period. Therefore, the significant gross carrying amounts transferred between the stages are as follows:
  - mortgage loans with a gross carrying amount of R6 billion that was in stage 2 and 3 was transferred to stage 1
  - VAF with a gross carrying amount of R3 billion that was in stage 2 was transferred to stage 1
  - corporate with a gross carrying amount of R4 billion that was in stage 2 was transferred to stage 3.

7. Loans and advances continued

7.1 Reconciliation of ECL of loans and advances at amortised cost continued

A reconciliation of the ECL for loans and advances, by product:

	Opening ECL 1 January 2018 Rm	Total transfers between stages Rm	Net ECL raised/ (released) Rm	Impaired accounts written off Rm	Exchange and other movements Rm	Closing ECL 31 December 2018 Rm
Mortgage loans	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 (including IIS)	6 256	(238)	1 406	(995)	646	7 075
Vehicle and asset finance	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 (including IIS)	1 476	98	1 061	(1 027)	76	1 684
Card debtors	3 179		1 187	(1 341)	42	3 067
Stage 1	698	176	(231)			643
Stage 2	821	(109)	266		2	980
Stage 3 (including IIS)	1 660	(67)	1 152	(1 341)	40	1 444
Corporate	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 (including IIS)	4 930	1 090	1 101	(1 275)	658	6 504
Sovereign	125		(47)		2	80
Stage 1	84		(13)		2	73
Stage 2	36		(34)			2
Stage 3 (including IIS)	5					5
Bank	45		(18)		36	63
Stage 1	45		(14)		29	60
Stage 2			(4)		7	3
Other loans and advances	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 (including IIS)	6 648	221	3 359	(3 541)	402	7 089
Total	35 039		7 237	(8 179)	2 588	36 685
Stage 1	5 789	984	(1 232)		199	5 740
Stage 2	8 275	(2 088)	390		567	7 144
Stage 3 (including IIS)	20 975	1 104	8 079	(8 179)	1 822	23 801

7. Loans and advances continued

7.2 Credit impairments for loans and advances – IAS 39

	Mortgage loans Rm	Vehicle and asset finance Rm	Card debtors Rm	Personal unsecured lending Rm	Business lending and other Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2017								
Specific impairments								
Balance at beginning of the year	3 640	1 410	1 598	3 593	1 528	2 727	163	14 659
Net impairments raised[1]	1 826	1 261	1 415	2 512	1 859	1 055	(31)	9 897
Impaired accounts written off	(1 159)	(1 146)	(1 383)	(2 533)	(1 328)	(221)	(24)	(7 794)
Discount element recognised in interest income	(317)	(120)	(26)	(274)	(71)	(97)	(5)	(910)
Exchange and other movements	(11)	(38)	(8)	(111)	(172)	(263)	21	(582)
Balance at end of the year	3 979	1 367	1 596	3 187	1 816	3 201	124	15 270
Portfolio impairments								
Balance at beginning of the year	1 137	801	651	1 317	1 432	1 699	97	7 134
Net impairments raised/ (released)[1]	(55)	(141)	61	(70)	(89)	649		355
Exchange and other movements	(5)	(7)	(47)	(6)	(34)	(177)	(39)	(315)
Balance at end of the year	1 077	653	665	1 241	1 309	2 171	58	7 174
Total specific and portfolio impairments	5 056	2 020	2 261	4 428	3 125	5 372	182	22 444

[1] 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 (note 35).

7. Loans and advances continued

7.3 Modifications of loans and advances measured at amortised cost

	Stage 2		Stage 3	
	Amortised cost (net of ECL) before modification Rm	Net modification loss Rm	Amortised cost (net of ECL) before modification Rm	Net modification loss Rm
2018				
Mortgage loans	928	58	92	2
Vehicle and asset finance			27	4
Card debtors	141	40	11	2
Corporate	107	6	504	3
Other loans and advances	482	25	22	5
Total	1 658	129	656	16

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

7.4 Vehicle and asset finance

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

	2018			2017		
	Gross advances Rm	Unearned finance charges Rm	Net advances Rm	Gross advances Rm	Unearned finance charges Rm	Net advances Rm
Receivable within one year	32 500	(7 751)	24 749	30 033	(5 886)	24 147
Receivable between one and five years	77 584	(13 181)	64 403	69 186	(10 995)	58 191
Receivable after five years	545	(46)	499	843	(45)	798
Total	110 629	(20 978)	89 651	100 062	(16 926)	83 136

Leases entered into are at market-related terms. Under the terms of the lease agreements, no contingent rentals are payable.

Moveable assets are leased or sold to customers under finance leases and instalment sale agreements for periods varying between 12 and 84 months. Depending on the terms of the agreement, the lessee may have the option to purchase the asset at the end of the lease term.

8. Policyholders' contracts

	2018		2017	
	Policyholders' assets Rm	Policyholders' liabilities Rm	Policyholders' assets Rm	Policyholders' liabilities Rm
Policyholders' liabilities under insurance contracts	6 708	(211 181)	7 484	(222 399)
Insurance contracts (note 8.1)	6 708	(200 744)	7 484	(210 554)
Investment contracts with DPF[1] (note 8.1)		(10 437)		(11 845)
Policyholders' liabilities under investment contracts (note 8.2)		(99 813)		(100 519)
Total	6 708	(310 994)	7 484	(322 918)

[1] Discretionary participation feature.

8.1 Policyholders' and reinsurance assets and liabilities

	2018			
	Insurance contracts		Reinsurance assets and liabilities[1] Rm	Investment contracts with DPF[2] Rm
	Policyholders' assets Rm	Policyholders' liabilities Rm		
Balance at the beginning of the year	7 484	(210 554)	818	(11 845)
Reinsurance assets			1 481	
Reinsurance liabilities			(663)	
Inflows	(8 307)	(30 758)	1 576	(2 066)
Insurance premiums	(8 307)	(28 477)	1 576	(1 966)
Investment returns	0	(2 258)		(100)
Fee revenue		(23)		
Outflows	7 170	40 366	(1 244)	3 731
Claims and policyholders' benefits	3 792	30 995	(1 308)	3 511
Acquisition costs associated with insurance contracts	1 311	1 891	(1)	87
General marketing and administration expenses	1 763	4 434	(43)	144
Profit share allocations	20	1 185		
Finance costs and fair value adjustments on financial liabilities	407	973		
Taxation	(123)	888	108	(11)
Net income from insurance operations	361	418	262	(58)
Changes in assumptions	(605)	(165)	383	
Discretionary and compulsory margins and other variances	1 085	1 804	(44)	(82)
New business	29	(491)	25	
Shareholder taxation on transfer of net income	(148)	(730)	(102)	24
Exchange differences		(216)	4	(199)
Balance at the end of the year	6 708	(200 744)	1 416	(10 437)
Reinsurance assets			1 699	
Reinsurance liabilities			(283)	
Liquidity profile				
Current	2 332	(20 762)	353	(226)
Non-current	4 376	(179 982)	1 063	(10 211)
Balance at the end of the year	6 708	(200 744)	1 416	(10 437)

Refer to footnotes on page 60.

8. Policyholders' contracts continued

8.1 Policyholders' and reinsurance assets and liabilities continued

	2017			
	Insurance contracts			
	Policyholders' assets Rm	Policyholders' liabilities Rm	Reinsurance assets and liabilities[1] Rm	Investment contracts with DPF[2] Rm
Balance at the beginning of the year	7 314	(204 155)	797	(11 462)
Reinsurance assets			1 352	
Reinsurance liabilities			(555)	
Inflows	(7 838)	(48 899)	1 417	(3 066)
Insurance premiums	(7 838)	(28 152)	1 412	(2 145)
Investment returns		(20 726)	5	(921)
Fee revenue		(21)		
Outflows	7 403	41 899	(1 558)	2 551
Claims and policyholders' benefits	3 903	31 501	(1 571)	2 300
Acquisition costs associated with insurance contracts	1 441	2 315	4	83
General marketing and administration expenses	1 734	4 368	(38)	174
Profit share allocations	24	903		
Finance costs and fair value adjustments on financial liabilities	347	924		
Taxation	(46)	1 888	47	(6)
Net income from insurance operations	605	464	167	(6)
Changes in assumptions	(245)	(21)	(90)	
Discretionary and compulsory margins and other variances	1 172	1 534	293	(7)
New business	(78)	(425)	24	
Shareholder taxation on transfer of net income	(244)	(624)	(60)	1
Exchange differences		137	(5)	138
Balance at the end of the year	7 484	(210 554)	818	(11 845)
Reinsurance assets			1 481	
Reinsurance liabilities			(663)	
Liquidity profile				
Current	2 506	(24 607)	169	(493)
Non-current	4 978	(185 947)	649	(11 352)
Balance at the end of the year	7 484	(210 554)	818	(11 845)

1 Reinsurance assets are included in note 9 and reinsurance liabilities are included in note 20.
2 The group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group.

8. Policyholders' contracts continued

8.2 Policyholders' liabilities under investment contracts

	2018 Rm	2017 Rm
Balance at the beginning of the year	**(100 519)**	(91 613)
Fund inflows from investment contracts (excluding switches)	**(17 901)**	(17 417)
Net fair value adjustment	**1 273**	(9 116)
Fund outflows from investment contracts (excluding switches)	**16 083**	16 373
Service fee income	**1 251**	1 254
Balance at the end of the year	**(99 813)**	(100 519)
Liquidity profile		
Current	**(5 262)**	(6 797)
Non-current	**(94 551)**	(93 722)
Balance at the end of the year	**(99 813)**	(100 519)
Net income from investment contracts[1]	**(38)**	(63)
Service fee income	**(1 251)**	(1 254)
Expenses	**1 213**	1 191
Property expenses applied to investment returns	**(377)**	(322)
Shareholder taxation on transfer of net income	**14**	24
Acquisition costs	**543**	483
General marketing and administration expenses	**1 014**	988
Finance costs	**19**	18

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

9. Other assets

	2018 Rm	2017 Rm
Accounts receivable	**1 085**	877
Deferred acquisition costs	**777**	737
Insurance prepayments	**4 953**	2 407
Investment debtors	**804**	1 070
Items in the course of collection	**1 257**	1 520
Operating leases – accrued income (note 11)	**990**	1 030
Prepayments	**3 434**	2 797
Properties in possession	**50**	142
Property debtors		1 110
Property developments		48
Reinsurance assets[1]	**2 119**	1 774
Retirement funds (note 44)	**998**	1 072
Trading settlement assets	**5 441**	5 255
Other debtors	**606**	3 157
Total	**22 514**	22 996

[1] Reinsurance assets include short-term reinsurance assets of R420 million (2017: R293 million).

10. Interest in associates and joint ventures

	2018 Rm	2017 Rm
Equity accounted associates and joint ventures		
Carrying value at the beginning of the year	**9 665**	8 196
IFRS 9 transition adjustment	**(56)**	
Share of profits	**912**	1 102
Impairments of associates and joint ventures	**(5)**	
Acquisitions	**79**	21
Share of other comprehensive income movements	**(54)**	445
FCTR	**94**	360
Other	**(148)**	85
Distribution of profit	**(165)**	(99)
Carrying value at the end of the year	**10 376**	9 665
Comprising:		
Cost of investments	**8 149**	8 070
Share of reserves	**3 015**	2 378
Cumulative impairment	**(788)**	(783)

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

AFS | Refer to annexure B for further information.

11. Investment property

	2018 Rm	2017 Rm
Fair value at the beginning of the year	**32 226**	31 155
Revaluations net of lease straight-lining	**493**	523
Additions – capitalised subsequent expenditure and acquisitions	**719**	666
Disposals	**(45)**	(13)
Transfers to owner-occupied properties (note 12)	**(70)**	(91)
Exchange movements	**20**	(14)
Disposal group assets classified as held for sale	**(17)**	
Fair value at the end of the year	**33 326**	32 226
Investment property and related operating lease balances comprise the following:		
Investment properties at fair value	**33 326**	32 226
Operating leases – accrued income (note 9)	**990**	1 030
Total investment property	**34 316**	33 256
Amount recognised in profit and loss		
Rental income earned, excluding straight-lining operating leases	**3 160**	2 829
Direct operating expenses	**1 060**	896

Investment property predominantly comprises shopping malls located in South Africa.

The South African located investment properties were independently valued as at 31 December 2018 by registered professional valuers with the South African Council for the Property Valuers Profession, as well as members of the Institute of Valuers of South Africa. The method of valuation is consistent with that described in the key management assumptions section. The Kenyan and Nigerian located properties were independently valued as at 31 December 2018 by various registered professional valuers in each territory.

AFS | Refer to the key management assumptions on page 40 for details on the valuation of investment property.

12. Property and equipment

	Property		Equipment				
	Freehold Rm	Leasehold Rm	Computer equipment Rm	Furniture and fittings Rm	Office equipment Rm	Motor vehicles Rm	Total Rm
Net book value 1 January 2017	6 575	1 426	3 756	3 356	684	244	16 041
Movement	381	(194)	140	(83)	(109)	3	138
Additions	568	352	1 686	633	111	132	3 482
Disposals		(78)	(54)	(35)	(23)	(32)	(222)
Depreciation	(152)	(375)	(1 384)	(617)	(161)	(80)	(2 769)
Exchange movements	(126)	(93)	(108)	(64)	(36)	(17)	(444)
Transfer from investment property[1]	91						91
Net book value 31 December 2017	**6 956**	**1 232**	**3 896**	**3 273**	**575**	**247**	**16 179**
Cost	**8 096**	**3 600**	**10 919**	**7 013**	**1 431**	**568**	**31 627**
Accumulated depreciation and impairment	**(1 140)**	**(2 368)**	**(7 023)**	**(3 740)**	**(856)**	**(321)**	**(15 448)**
Movement	**904**	**494**	**122**	**(45)**	**33**	**1 507**	**3 015**
Additions	**1 193**	**545**	**1 876**	**790**	**157**	**1 639**	**6 200**
Disposals	**(88)**	**(212)**	**(376)**	**(49)**	**(11)**	**(26)**	**(762)**
Depreciation	**(159)**	**(339)**	**(1 469)**	**(639)**	**(145)**	**(107)**	**(2 858)**
Disposal group held for sale			**(12)**	**(7)**	**(2)**	**(3)**	**(24)**
Exchange movements	**(112)**	**500**	**103**	**(140)**	**34**	**4**	**389**
Transfer from investment property[1]	**70**						**70**
Net book value 31 December 2018	**7 860**	**1 726**	**4 018**	**3 228**	**608**	**1 754**	**19 194**
Cost	**9 192**	**4 446**	**11 673**	**7 473**	**1 577**	**2 129**	**36 490**
Accumulated depreciation and impairment	**(1 332)**	**(2 720)**	**(7 655)**	**(4 245)**	**(969)**	**(375)**	**(17 296)**

[1] Refer to note 11.

Property and equipment include work in progress of R1 897 million (2017: R465 million) for which depreciation has not yet commenced (refer to note 25.2 for details on capital commitments).

12.1 Valuation

The fair value of completed freehold property, based on valuations undertaken for the period 2017 to 2019 was estimated at R10 786 million (2017: R10 931 million). Registers of freehold property are available for inspection by members, or their authorised agents, at the registered office of the company and its subsidiaries. Valuations were generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

13. Goodwill and other intangible assets

	Goodwill Rm	Computer software Rm	Present value of in force life insurance (PVIF) Rm	Other intangible assets Rm	Total Rm
Net book value 1 January 2017	2 339	21 229	43	64	23 675
Movements:	(340)	15	(12)	(9)	(346)
Additions		2 955			2 955
Amortisation		(2 143)	(10)	(9)	(2 162)
Exchange movements	(340)	(350)	(2)		(692)
Impairments		(447)			(447)
Net book value 31 December 2017	**1 999**	**21 244**	**31**	**55**	**23 329**
Cost	**3 819**	**33 303**	**1 453**	**877**	**39 452**
Accumulated amortisation and impairment	**(1 820)**	**(12 059)**	**(1 422)**	**(822)**	**(16 123)**
Movements:	**311**	**77**	**(7)**	**(34)**	**347**
Additions		**2 848**			**2 848**
Disposals	**(16)**	**(80)**			**(96)**
Amortisation		**(2 486)**	**(10)**	**(8)**	**(2 504)**
Disposal group held for sale		**(85)**			**(85)**
Exchange movements	**327**	**329**	**3**	**(26)**	**633**
Impairments[1]		**(449)**			**(449)**
Net book value 31 December 2018	**2 310**	**21 321**	**24**	**21**	**23 676**
Cost	**4 285**	**36 543**	**1 465**	**720**	**43 013**
Accumulated amortisation and impairment	**(1 975)**	**(15 222)**	**(1 441)**	**(699)**	**(19 337)**

[1] During the year, the group impaired certain intangible assets where the recoverable amounts were determined to be lower than the carrying values. In addition, certain assets were noted to be obsolete and required upgrades. The value in use of these assets was determined by the percentage of re-usability of components.

R206 million (2017: R251 million) of interest was capitalised to computer software.

Intangible assets include work in progress of R3 123 million (2017: R4 735 million) for which amortisation has not yet commenced.

13.1 Goodwill

	2018			2017		
	Gross goodwill Rm	**Accumulated impairment Rm**	**Net goodwill Rm**	Gross goodwill Rm	Accumulated impairment Rm	Net goodwill Rm
Stanbic IBTC Holdings PLC	**2 126**	**(1 121)**	**1 005**	1 821	(961)	860
Stanbic Holdings Plc	**1 047**		**1 047**	880		880
Other	**1 112**	**(854)**	**258**	1 118	(859)	259
Total	**4 285**	**(1 975)**	**2 310**	3 819	(1 820)	1 999

13. Goodwill and other intangible assets continued

13.1 Goodwill continued

Stanbic IBTC Holdings PLC and Stanbic Holdings Plc

Based on the impairment test performed, no impairment was recognised for 2018 or 2017.

Goodwill relating to other entities

The remaining aggregated carrying amount of the goodwill of R258 million (2017: R259 million) has been allocated to CGUs that are not considered to be individually significant. Based on the impairment testing performed, no impairment was recognised for 2018 or 2017.

14. Deferred taxation

14.1 Deferred tax analysis

	2018 Rm	2017 Rm
Accrued interest receivable	37	36
Assessed losses	(243)	(78)
Assets on lease	121	180
Capital gains tax	352	1 134
Credit impairment charges	(3 990)	(1 623)
Deferred acquisition costs	1	205
Deferred revenue liability	(3)	(80)
Property and equipment	3 096	2 746
Derivatives and financial instruments	57	278
Fair value adjustments on financial instruments	196	(45)
Intangible asset – PVIF	(4)	10
Policyholder change in valuation basis	2 355	2 533
Post-employment benefits	55	68
Share-based payments	(1 169)	(1 311)
Special transfer to life fund	(1 020)	(982)
Provisions and other items	(932)	(1 061)
Deferred tax (asset)/liability closing balance	**(1 091)**	2 010
Deferred tax liabilities	2 827	3 507
Deferred tax assets	(3 918)	(1 497)

The group has estimated tax losses of R799 million (2017: R265 million) which are available for set-off against future taxable income. These tax losses have arisen from the group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities. Refer to annexure F.

14. Deferred taxation continued

14.2 Deferred tax reconciliation

	2018 Rm	2017 Rm
Deferred tax at the beginning of the year	**2 010**	807
IFRS 9 transition adjustment	**(2 401)**	
Total temporary differences for the year	**(700)**	1 203
Accrued interest receivable	**1**	16
Assessed losses	**(165)**	(10)
Assets on lease	**(59)**	(9)
Capital gains tax	**(782)**	815
Credit impairment charges	**(183)**	(140)
Deferred acquisition costs	**(204)**	9
Deferred revenue liability	**77**	(8)
Property and equipment	**350**	816
Derivatives and financial instruments	**(221)**	148
Fair value adjustments on financial instruments	**328**	161
Intangible asset – PVIF	**(14)**	(26)
Policyholder change in valuation basis	**(178)**	115
Post-employment benefits	**(13)**	(81)
Share-based payments	**142**	(603)
Special transfer to life fund	**(38)**	(314)
Provisions and other items	**259**	314
Deferred tax (asset)/liability at the end of the year	**(1 091)**	2 010
Recognised in OCI	**(97)**	(238)
Fair value adjustments on financial instruments	**(69)**	(206)
Fair value adjustments on owner-occupied properties	**2**	14
Defined benefit fund remeasurements	**(30)**	(46)
Recognised in equity-deferred tax on share-based payments	**128**	(276)
Recognised in retained earnings – IFRS 9 transition adjustment	**(2 401)**	
Recognised in the income statement	**(618)**	1 453
Exchange differences	**(113)**	264
Recognised in OCI	**10**	158
Recognised in the income statement	**(123)**	106
Total temporary differences	**(3 101)**	1 203

15. Share capital

15.1 Authorised

	2018 Rm	2017 Rm
2 billion (2017: 2 billion) ordinary shares[1]	**200**	200
8 million(2017: 8 million) first preference shares[2]	**8**	8
1 billion (2017: 1 billion) second preference shares[3]	**10**	10
Total	**218**	218

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

15. Share capital continued

15.2 Issued

	2018 Rm	2017 Rm
Ordinary shares	**17 860**	18 063
Ordinary share capital	**162**	162
Ordinary share premium	**17 698**	17 901
Other equity instruments attributable to owners of parent	**9 047**	9 047
First preference share capital	**8**	8
Second preference share capital	**1**	1
Second preference share premium	**5 494**	5 494
Additional tier 1 capital (note 15.8)	**3 544**	3 544
Total	**26 907**	27 110

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

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

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

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

Additional tier 1 capital holders have no voting rights.

	Number of ordinary shares
Reconciliation of shares issued	
Shares in issue at 1 January 2017	1 618 421 166
Shares issued during 2017 in terms of the group's equity compensation plans	2 877 827
Share buy-back	(2 030 824)
Shares in issue at 31 December 2017	**1 619 268 169**
Net shares held in terms of the group's Tutuwa initiative	**5 750 291**
Treasury shares held by entities within the group	**16 213 766**
Shares held by other shareholders	**1 597 304 112**
Shares issued during 2018 in terms of the group's equity compensation plans	**1 729 572**
Share buy-back	**(2 483 523)**
Shares in issue at 31 December 2018	**1 618 514 218**
Net shares held in terms of the group's Tutuwa initiative	**2 985 513**
Treasury shares held by entities within the group	**25 310 447**
Shares held by other shareholders	**1 590 218 258**

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

15. Share capital continued

15.3 Unissued shares

	2018 Number of shares	2017 Number of shares
Ordinary unissued shares	257 354 962	254 871 439
Ordinary shares reserved to meet the requirements of EGS and GSIS[1]	124 130 820	125 860 392
Ordinary shares reserved in terms of the rules of EGS and GSIS as approved by members' resolution dated 27 May 2010	155 825 715	155 825 715
Less: issued to date of the above resolution for the EGS and GSIS schemes	(31 694 895)	(29 965 323)
Unissued ordinary shares	381 485 782	380 731 831
Unissued Second Preference shares	947 017 752	947 017 752

1 During the year, 1 729 572 (2017: 2 877 827) ordinary shares were issued in terms of the group's equity compensation plans, notably the equity growth scheme (EGS) and group share incentive scheme (GSIS). Surplus capital was used to purchase 2 483 523 (2017: 2 030 824) ordinary shares to counteract the dilutive impact of the shares issues under the equity compensation plans. Effective from 2017, the group no longer issues EGS and GSIS awards. The last awards in GSIS were issued in 2011 and for the EGS, the last award was made in 2016. Awards are now provided in terms of the group's other share schemes, notably the deferred bonus scheme and the share appreciation rights plan, both of which are settled by the group to employees with shares that the group purchases from external market participants, and the cash-settled deferred bonus scheme, which is settled in cash (refer to annexure D: group share incentive schemes for further information). At the end of the year, the group would need to issue 2 847 244 (2017: 6 159 744) SBG ordinary shares to settle the outstanding GSIS options and EGS rights that were awarded to participants in previous years. The shares issued to date for the EGS and GSIS together with the expected number of shares to settle the outstanding options and rights as a percentage of the total number of shares in issue is 2.1% (2017: 2.2%).

15.4 Interest of directors in the capital of the company

	Direct beneficial[1]		Indirect beneficial[1]	
	2018 Number of shares	2017 Number of shares	2018 Number of shares	2017 Number of shares
Ordinary shares	791 882	748 299	708 532	663 575
A Daehnke	83 098	61 309	58 407	6 024
GJ Fraser-Moleketi	1 890	1 890	14 675	1 675
TS Gcabashe[2]			50 000	70 000
BJ Kruger[5]	312 040	312 040		
JH Maree	97 847	97 847		
KD Moroka[2]	515	515	66 636	66 636
ANA Peterside CON			100 000	100 000
MJD Ruck	50 000	50 000		
BS Tshabalala[3]				426
SK Tshabalala	246 492	172 248	418 814	418 814
EM Woods[4]		52 450		
Second preference shares	37 122	37 122	3 034	3 034
BJ Kruger[5]	26 791	26 791		
JH Maree[6]	10 331	10 331	3 034	3 034

1 As defined in the JSE Listing Requirements.
2 Includes an allocation of 125 000 shares in terms of the Tutuwa management trust.
3 Resigned as director on 10 November 2017, 2017 balances reflected are as at this date.
4 Retired as director on 26 May 2017, 2017 balances reflected are as at this date.
5 Retired as director on 31 December 2018, 2018 balances reflected are as at this date.
6 Shares held by directors under share incentive schemes are 1 838 963 (2017: 2 285 817).

There have been no changes to directors' interests in the group's share capital between 1 January 2019 and 6 March 2019.

15. Share capital continued

15.5 General authority of directors to issue shares[1]

	2018 Number of shares	2017 Number of shares
Ordinary shares	40 481 704	40 481 704
Second preference shares	947 017 752	947 017 752

1 The general authority expires at the annual general meeting on 30 May 2019.

15.6 Treasury shares

	2018 Number of shares	2017 Number of shares
Purchased during the year[1]	51 954 293	52 972 818
Total treasury shares held at end of year[2]	25 310 447	16 213 766
Ordinary shares delisted and reinstated to authorised[3]	2 483 523	2 030 824

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

15.7 Shareholder analysis

	2018		2017	
	Number of shares (million)	% holding	Number of shares (million)	% holding
Spread of ordinary shareholders (million)				
Public[1]	1 077.0	66.5	1 074.6	66.4
Non-public[1]	541.5	33.5	544.7	33.6
Directors and prescribed officers of Standard Bank Group, and its subsidiaries[2]	1.2	0.1	1.1	
ICBC	325.0	20.1	325.0	20.1
Government Employees Pension Fund (investment managed by PIC)	199.7	12.4	199.6	12.3
Standard Bank Group retirement funds	2.1	0.1	1.8	0.1
Tutuwa participants[3]	12.8	0.8	17.2	1.1
Associates of directors	0.70		0.01	
Total	1 618.5	100.0	1 619.3	100.0

	2018		2017	
	Number of shares	% holding	Number of shares	% holding
Spread of first preference shareholders				
Public[1]	8 000 000	100	8 000 000	100.0
Spread of second preference shareholders	52 982 248		52 982 248	
Public[1]	52 905 909	99.9	52 936 998	99.9
Non-public[1]	76 339	0.1	45 250	0.1
Directors and prescribed officers of Standard Bank Group, and its subsidiaries[2]	76 339	0.1	45 250	0.1
Total	52 982 248	100.0	52 982 248	100.0

1 As per the JSE Listings Requirements.
2 Excludes indirect holdings of strategic partners, which are included in Tutuwa participants.
3 Includes Tutuwa Strategic Holdings 1 and 2, Tutuwa Staff Holdings 1, 2 and 3, Tutuwa Community and General Staff Share Trust.

15. Share capital continued

15.8 Additional tier 1 capital

Bond	Date issued	First callable date	Notional value 2018 Rm	Carrying value 2018 Rm	Carrying value 2017 Rm
SBT101	30 March 2017	31 March 2022	**1 744**	**1 744**	1 744
SBT102	21 September 2017	30 September 2022	**1 800**	**1 800**	1 800
Total			**3 544**	**3 544**	3 544

During 2017, the group issued Basel III compliant additional tier (AT)1 capital bonds amounting to R3.5 billion. No additional AT1 capital bonds were issued during the current year. 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. During 2018, coupons to the value of R447 million (2017: R299 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 terms of the Basel III compliant AT1 capital bonds include a regulatory requirement which provides for the write-off, in whole or in part, on the earlier of a decision by the SARB that a write-off without which the issuer would have become non-viable is necessary, or a decision to make a public sector injection of capital or equivalent support, without which the issuer would have become non-viable.

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

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

16. Empowerment reserve

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

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

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

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

	2018 Rm	2017 Rm
Standard Bank Group[1]	**148**	274
Liberty (after non-controlling interest)	**53**	65
Outstanding shares issued through our Tutuwa initiative	**201**	339
Number of SBG shares	**2 985 513**	5 750 291

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

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

17. Trading liabilities

	2018 Rm	2017 Rm
Collateral	**730**	822
Credit linked notes	**10 090**	6 573
Government, municipality and utility bonds	**19 520**	14 561
Listed equities	**23 334**	21 577
Repurchase and other collateralised agreements	**1 190**	13 495
Other instruments	**5 083**	5 827
Total	**59 947**	62 855

18. Deposits and debt funding

	2018 Rm	2017 Rm
Deposits and debt funding from banks	**116 727**	91 794
Deposits and debt funding from customers	**1 240 810**	1 152 117
Current accounts	**248 841**	220 933
Cash management deposits	**171 408**	166 824
Call deposits	**359 305**	315 807
Savings accounts	**28 750**	23 264
Term deposits	**251 709**	243 724
Negotiable certificates of deposit	**125 428**	137 410
Foreign currency funding	**47 165**	36 482
Other funding	**8 204**	7 673
Total	**1 357 537**	1 243 911

19. Subordinated debt

	Redeemable/ repayable date	First callable date	Notional value[1] Million	Carrying value[1] 2018 Rm	Carrying value 2017 Rm
Banking activities					
Standard Bank Group Limited				**5 057**	
SBT201	13 February 2028	13 February 2023	ZAR3 000	3 041	
SBT202	3 December 2028	3 December 2023	ZAR1 516	1 528	
SBT203	3 December 2028	3 December 2023	ZAR484	488	
The Standard Bank of South Africa				**13 793**	17 287
SBK16	15 March 2023	15 March 2018	ZAR2 000		2 008
SBK9	10 April 2023	10 April 2018	ZAR1 500		1 529
SBK17	30 July 2024	30 July 2019	ZAR2 000	2 032	2 032
SBK19	24 October 2024	24 October 2019	ZAR500	509	509
SBK20[2]	2 December 2024	2 December 2019	ZAR2 250	2 269	2 268
SBK21[2]	28 January 2025	28 January 2020	ZAR750	764	763
SBK22[2]	28 May 2025	28 May 2020	ZAR1 000	1 010	1 010
SBK24[2]	19 October 2025	19 October 2020	ZAR880	899	899
SBK18	24 October 2025	24 October 2020	ZAR3 500	3 563	3 563
SBK26[2]	25 April 2026	25 April 2021	ZAR500	511	506
SBK25[2]	25 April 2026	25 April 2021	ZAR1 200	1 225	1 225
SBK23[2]	28 May 2027	28 May 2022	ZAR1 000	1 011	975
Subordinated debt issued to group companies				**(122)**	(253)
Total subordinated debt qualifying as SARB regulatory banking capital				**18 728**	17 034
Africa Regions' bonds not qualifying as SARB regulatory banking capital				**1 969**	1 679
Stanbic Bank Kenya	8 December 2021	1 June 2020	KES4 000	564	476
Stanbic IBTC Bank (Nigeria)	30 September 2024	1 October 2019	NGN15 440	633	540
Standard Bank Mozambique	September 2025 – October 2025	August 2025 – October 2025	MZN1 001	250	227
Other Africa Regions' bonds	October 2024 – October 2025	October 2019 – December 2019	Various	522	436
Total subordinated debt – banking activities				**20 697**	18 713
Investment management and life assurance activities					
Qualifying as regulatory insurance capital				**5 662**	5 576
LGL03	3 April 2018		ZAR1 000		1 019
LGL04	14 August 2020		ZAR1 000	1 063	1 033
LGL05	12 December 2021		ZAR500	508	501
LGL06	4 October 2022		ZAR400	414	408
LGL07	4 October 2022		ZAR600	605	610
LGL08	28 February 2023		ZAR900	929	902
LGL09	28 February 2024		ZAR1 100	1 143	1 103
LGL10	8 October 2025		ZAR1 000	1000	
Total				**26 359**	24 289

1 The difference between the carrying and notional value represents transaction costs included in the initial carrying amounts, accrued interest and the unamortised fair value adjustments relating to bonds, where applicable, hedged for interest rate risk.
2 The terms of the issued bonds include a regulatory requirement which provides for the write-off in whole or in part on the earlier of a decision by the relevant regulator (SARB) that a write-off, or a public sector injection of capital or equivalent support is necessary, without which the issuer would have become non-viable.

20. Provisions and other liabilities

20.1 Summary

	2018 Rm	2017 Rm
Cash-settled share-based payment liability (annexure D)	**748**	571
Collateral and other insurance risk management liabilities	**11 747**	9 097
Deemed disposal taxation liability		436
Deferred revenue liability	**314**	291
Insurance payables	**9 407**	9 328
Items in the course of transmission	**4 385**	2 326
Post-employment benefits (note 44)	**1 228**	1 253
Reinsurance liabilities	**283**	663
Short-term insurance liability	**984**	780
Staff-related accruals	**11 135**	9 745
Third-party liabilities arising on consolidation of mutual funds (note 20.2)	**48 186**	49 713
Expected credit loss for off-balance sheet exposure[1]	**588**	
Trading settlement liabilities	**7 467**	7 112
Other liabilities	**13 281**	7 113
Total	**109 753**	98 428

[1] The ECL on IFRS 9 transition was R423 million. Refer to note 35 credit impairment charges, for the R177 million credit impairment charge on off-balance sheet items.

20.2 Third-party liabilities arising on consolidation of mutual funds

	2018 Rm	2017 Rm
Balance at the beginning of the year	**49 713**	44 046
Additional mutual funds classified as subsidiaries	**5 853**	1 946
Distributions	**(1 189)**	(1 340)
Fair value adjustments	**2 407**	4 619
Mutual funds no longer classified as subsidiaries	**(4 236)**	(4 006)
Net capital (repayment)/contribution or change in effective ownership	**(4 362)**	4 448
Balance at the end of the year	**48 186**	49 713

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

21. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

All financial assets and liabilities have been classified according to their measurement category 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
2018			
Assets			
Cash and balances with central banks			76 095
Derivative assets	51 678		
Trading assets	181 112		
Pledged assets	6 266		12 661
Financial investments		19 740	329 183
Loans and advances			1 204
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Non-current assets held for sale			265
Other financial assets[3]			
Other non-financial assets			
Total assets	239 056	19 740	419 408
Liabilities			
Derivative liabilities	55 057		
Trading liabilities	59 947		
Deposits and debt funding		6 439	
Policyholders' liabilities[4]		99 813	
Subordinated debt		5 540	
Non-current liability held for sale			
Other financial liabilities[3]		67 822	
Other non-financial liabilities			
Total liabilities	115 004	179 614	

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

Fair value through other comprehensive income					
Debt instruments Rm	Equity instruments Rm	Amortised cost Rm[1]	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		9 050		85 145	85 145
				51 678	51 678
				181 112	181 112
263		689		19 879	19 863
53 083	1 254	144 145		547 405	548 578
		1 119 464		1 120 668	1 123 115
			6 708	6 708	
			10 376	10 376	
			33 326	33 326	33 326
			497	762	265
		13 624		13 624	
			56 279	56 279	
53 346	1 254	1 286 972	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
			237	237	
		20 530		88 352	
			29 416	29 416	
		1 392 447	240 834	1 927 899	

21. Classification of assets and liabilities continued

Accounting classifications and fair values of assets and liabilities continued

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

	Held-for-trading Rm	Designated at fair value Rm	Held-to-maturity Rm
2017			
Assets			
Cash and balances with central banks			
Derivative assets	75 610		
Trading assets	160 894		
Pledged assets	4 978	13 751	181
Financial investments		395 595	81 426
Loans and advances to banks			
Loans and advances to customers		110	
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Other financial assets[3]			
Other non-financial assets			
Total assets	241 482	409 456	81 607
Liabilities			
Derivative liabilities	76 896		
Trading liabilities	62 855		
Deposits and debt funding from banks			
Deposits and debt funding from customers		13 847	
Policyholders' liabilities[4]		100 519	
Subordinated debt			
Other financial liabilities[3]		58 810	
Other non-financial liabilities			
Total liabilities	139 751	173 176	

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

	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	75 310				75 310	75 310
					75 610	75 610
					160 894	160 894
	358	1 517			20 785	20 780
	12 661	43 632			533 314	533 235
	117 935				117 935	117 867
	929 982				930 092	928 673
				7 484	7 484	
				9 665	9 665	
				32 226	32 226	32 226
	6 185				6 185	
				58 428	58 428	
	1 142 431	45 149		107 803	2 027 928	
					76 896	76 896
					62 855	62 855
			91 794		91 794	91 619
			1 138 270		1 152 117	1 168 549
				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	

22. Fair value disclosures

22.1 Assets and liabilities measured at fair value

	2018				2017			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets Measured on a recurring basis[1]								
Cash and balances with central bank[2]	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
Investment property			33 326	33 326			32 226	32 226
Non-current assets held for sale	265			265				
Total assets	383 183	332 939	50 008	766 130	358 258	317 809	52 246	728 313
Financial liabilities Measured on a recurring basis[1]								
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				
Total liabilities	41 805	237 719	15 094	294 618	33 672	269 581	9 674	312 927

[1] Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.
[2] 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.

Assets and liabilities transferred between level 1 and level 2

During the year, no significant assets or liabilities were transferred between level 1 and level 2 (2017: Rnil).

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

Level 3 financial assets and financial liabilities

Reconciliation of level 3 assets

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

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Investment property Rm	Total Rm
Balance at 1 January 2017	2 115	4 751	7 955	31 155	45 976
Total gains/(losses) included in profit or loss	2 464	1 000	(203)	523	3 784
Interest income			171		171
Trading revenue	2 464	1 000			3 464
Other revenue			85		85
Investment (losses)/gains			(459)	523	64
Total gains included in OCI			213		213
Issuances and purchases	241	36	4 272	666	5 215
Sales and settlements	(185)	(74)	(1 436)	(104)	(1 799)
Transfers into level 3[1]	36		34		70
Transfers out of level 3[2]	(291)	(629)			(920)
Exchange movement losses	(30)		(249)	(14)	(293)
Balance at 31 December 2017	4 350	5 084	10 586	32 226	52 246
Balance at 1 January 2018	**4 350**	**5 084**	**10 586**	**32 226**	**52 246**
IFRS 9 transition adjustment	**(301)**		**(1 816)**		**(2 117)**
Total (losses)/gains included in profit or loss	**(453)**	**154**	**1 329**	**493**	**1 523**
Trading revenue	**(453)**	**154**			**(299)**
Other revenue			**506**		**506**
Investment (losses)/gains			**823**	**493**	**1 316**
Total losses included in OCI			**(19)**		**(19)**
Issuances and purchases	**800**	**504**	**448**	**719**	**2 471**
Sales and settlements	**(1 465)**	**(3 375)**	**(276)**	**(62)**	**(5 178)**
Transfers into level 3[1]	**418**		**5**		**423**
Transfers out of level 3[2]	**(83)**		**(312)**	**(70)**	**(465)**
Reclassification			**831**		**831**
Exchange movement gains	**143**		**130**	**20**	**293**
Balance at 31 December 2018	**3 409**	**2 367**	**10 906**	**33 326**	**50 008**

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

2 During the year, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

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

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Investment property Rm	Total Rm
2018					
Trading revenue	**(456)**	**159**			**(297)**
Other revenue			**404**		**404**
Investment management and service fee income and gains				**717**	**717**
Total	**(456)**	**159**	**404**	**717**	**824**
2017					
Interest Income	2 387	988			3 375
Trading revenue			66		66
Investment management and service fee income and gains				1 656	1 656
Total	2 387	988	66	1 656	5 097

Reconciliation of level 3 liabilities

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

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities[1] Rm	Total Rm
Balance at 1 January 2017	8 554	4 181	1 271	14 006
Total (gains)/losses included in profit or loss – trading revenue[2]	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[1]	(157)			(157)
Balance at 31 December 2017	5 406	3 039	1 229	9 674
Balance at 1 January 2018	**5 406**	**3 039**	**1 229**	**9 674**
Total losses included in profit or loss – trading revenue[1]	**1 465**	**102**	**329**	**1 896**
Issuances and purchases		**738**	**4 628**	**5 366**
Sales and settlements	**(789)**	**(195)**		**(984)**
Transfers out of level 3[1]	**(34)**	**(1 112)**		**(1 146)**
Transfers into level 3[2]	**103**	**185**		**288**
Balance at 31 December 2018	**6 151**	**2 757**	**6 186**	**15 094**

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

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

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
2018				
Trading revenue	**1 568**	**101**	**329**	**1 998**
2017				
Trading revenue	63	(502)		(439)

22. Fair value disclosures continued

22.1 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 following table 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
2018			
Derivative instruments	**From (1%) to 1%**	**309**	**(315)**
Financial investments	**From (1%) to 1%**	**59**	**(58)**
Trading assets	**From (1%) to 1%**	**94**	**(94)**
Trading liabilities	**From (1%) to 1%**	**68**	**(68)**
Investment property	**From (1%) to 1%**	**5 628**	**(4 611)**
Total		**6 158**	**(5 146)**
2017			
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)
Investment property	From (1%) to 1%	7 562	(3 575)
Total		8 553	(4 558)

In 2018, a 1% change in the significant unobservable inputs relating to the measurement of a financial investment classified as fair value through OCI resulted in a R145 million favourable and unfavourable effect recognised in OCI (2017: R113 million).

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

Refer to key management assumptions on page 35 and annexure F for more information on valuation techniques used.

22. Fair value disclosures continued

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

The table below discloses the fair value of financial assets and liabilities not measured at fair value:

	2018				2017			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash and balances with central banks[1]	**7 374**	**1 676**		**9 050**	75 310			75 310
Pledged assets		**673**		**673**		190	344	534
Financial investments	**114 072**	**25 332**	**5 914**	**145 318**	25 649	61 367	6 992	94 008
Loans and advances	**12 560**	**161 474**	**947 877**	**1 121 911**	12 623	162 423	871 384	1 046 430
Total assets	**134 006**	**189 155**	**953 791**	**1 276 952**	113 582	223 980	878 720	1 216 282
Financial liabilities								
Deposits and debt funding	**616 809**	**701 181**	**33 628**	**1 351 618**	786 985	440 196	19 140	1 246 321
Subordinated debt		**19 891**		**19 891**		24 863		24 863
Total liabilities	**616 809**	**721 072**	**33 628**	**1 371 509**	786 985	465 059	19 140	1 271 184

[1] The group has, as permitted by IFRS 9, elected not to restate 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.

22.3 Third-party credit enhancements

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

22.4 Financial liabilities designated at fair value through profit or loss

	Current year gain/(loss) on changes in fair value attributable to changes in credit risk Rm	**Cumulative gain/(loss) on changes in fair value attributable to changes in credit risk Rm**	**Contractual payment required at maturity Rm**	**Carrying amount Rm**	**Difference between carrying amount and contractual payment Rm**
2018					
Financial liabilities designated at fair value through profit/loss with credit risk recognised in OCI					
Deposit and debt funding	**9**	**9**	**6 234**	**6 439**	**205**
Policyholders' liabilities			**99 813**	**99 813**	
Subordinated debt	**67**	**40**	**5 380**	**5 540**	**160**
Other financial liabilities			**67 822**	**67 822**	
Total	**76**	**49**	**179 249**	**179 614**	**365**
2017					
Financial liabilities designated at fair value through profit/loss with credit risk recognised in profit/loss					
Deposit and debt funding	(16)	21	15 778	13 874	1 904
Policyholders' liabilities			100 519	100 519	
Subordinated debt					
Other financial liabilities			58 810	58 810	
Total	(16)	21	175 107	173 203	1 904

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

22. **Fair value disclosures** continued

22.5 Reconciliation of FVOCI reserve for equity financial instruments

	Revaluation		
	Credit opening balance – 1 January 2018 Rm	**Losses Rm**	**Credit closing balance – 31 December 2018 Rm**
2018			
Visa shares	**73**	**(9)**	**64**
STRATE Limited	**205**	**(87)**	**118**
Other	**129**	**(34)**	**95**
Total	**407**	**(130)**	**277**

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

23. Reclassification of financial assets

IFRS 9

There were no IFRS 9 reclassifications in the group and company during the year.

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During 2017, the group reclassified no assets from held-for-trading to loans and receivables for which there was a clear change in intent to hold the assets for the foreseeable future rather than to exit or trade in the short term. This represents the estimated amounts of future cash flows expected to be recovered at the date of reclassification. During 2017, no financial assets matured in the company.

	2017 Rm
Carrying value of reclassified financial assets at the end of the year	1 315
Fair value of reclassified financial assets at the end of the year	1 204
A fair value gain after tax of R37 million after tax would have been recognised in 2017 had all reclassifications not been effected.	
The table below sets out the amounts actually recognised in profit or loss:	
Period after reclassification	
Net interest income[1]	111

[1] Included in this are items subject to fair value hedge accounting for interest rate risk only. The total fair value adjustment recognised net interest income in respect of the hedged items amounted to a gain of R23 million.

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

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

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

	Gross amount of recognised financial assets[1] Rm	Financial liabilities set off in the statement of financial position[2] Rm	Net amount of financial assets subject to netting agreements Rm	Collateral received[3] Rm	Net amount Rm
Assets					
2018					
Derivative assets	**45 401**		**45 401**	**(41 628)**	**3 773**
Trading assets	**35 998**		**35 998**	**(33 806)**	**2 192**
Loans and advances[4]	**66 943**	**(32 722)**	**34 221**	**(31 417)**	**2 804**
Total	**148 342**	**(32 722)**	**115 620**	**(106 851)**	**8 769**
2017					
Derivative assets	46 323	(5)	46 318	(35 281)	11 037
Trading assets	21 219		21 219	(19 344)	1 875
Loans and advances[4]	50 545	(32 864)	17 681	(15 345)	2 336
Total	118 087	(32 869)	85 218	(69 970)	15 248

1 Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.
2 Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.
3 This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group and company to be offset in the event of default. In most cases, the group and company are allowed to sell or repledge collateral received.
4 The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.

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

	Gross amount of recognised financial liabilities[1] Rm	Financial assets set off in the statement of financial position[2] Rm	Net amount of financial liabilities subject to netting agreements Rm	Collateral pledged Rm	Net amount Rm
Liabilities					
2018					
Derivative liabilities	**47 365**		**47 365**	**(40 821)**	**6 544**
Trading liabilities	**876**		**876**	**(876)**	
Deposits and debt funding[4]	**38 848**	**(32 722)**	**6 126**	**(12)**	**6 114**
Total	**87 089**	**(32 722)**	**54 367**	**(41 709)**	**12 658**
2017					
Derivative liabilities	52 418	(5)	52 413	(34 628)	17 785
Trading liabilities	32 425		32 425	(32 425)	
Deposits and debt funding[4]	40 420	(32 864)	7 556		7 556
Total	125 263	(32 869)	92 394	(67 053)	25 341

[1] Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.
[2] Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.
[3] This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group and company to be offset in the event of default. In most cases, the group and company are allowed to sell or repledge collateral received.
[4] The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.

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

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

25. Contingent liabilities and commitments

25.1 Contingent liabilities

	2018 Rm	2017 Rm
Letters of credit and bankers' acceptances	**17 802**	13 413
Guarantees	**85 576**	63 761
Total	**103 378**	77 174

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

25.2 Commitments

	2018 Rm	2017 Rm
Investment property	**748**	385
Property and equipment	**620**	94
Other intangible assets	**270**	299
Total	**1 638**	778

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

25.3 Operating lease commitments

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

	2018 Rm	2017 Rm
Within one year	**1 756**	1 445
After one year but within five years	**4 691**	2 826
After five years	**823**	77
Total	**7 270**	4 348

The operating lease commitments comprise a number of separate operating leases in relation to properties and equipment.

25.4 Legal proceedings defended

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

Competition Commission – trading of foreign currency

On 15 February 2017, South Africa's Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against The Standard Bank of South Africa Limited (SBSA) and two against a former subsidiary of the group, Standard New York Securities Inc (SNYS), in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group has, with the help of external counsel, conducted its own internal investigations and found no evidence that supports the complaints. Both SBSA and SNYS 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.

25. Contingent liabilities and commitments continued

25.4 Legal proceedings defended continued

Indemnities granted following disposal of Standard Bank Plc

Under the terms of the disposal of Standard Bank Plc on 1 February 2015, the group provided ICBC with certain indemnities to be paid in cash to ICBC or, at ICBC's direction, to any Standard Bank Plc (now ICBCS) group company, a sum equal to the amount of losses suffered or incurred by ICBC arising from certain circumstances. Where an indemnity payment is required to be made by the group to the ICBCS group, such payment would be grossed up from ICBC's shareholding at the time in ICBCS to 100%. These payments may, inter alia, arise as a result of an enforcement action, the cause of which occurred prior to the date of disposal. Enforcement actions include actions taken by regulatory or governmental authorities to enforce the relevant laws in any jurisdiction. While there have been no material claims relating to these indemnification provisions during 2017, the indemnities provided are uncapped and of unlimited duration as they reflect that the pre-completion regulatory risks attaching to the disposed-of business remain with the group post completion. The indemnification provisions covered the Deferred Prosecution Agreement (DPA) that ICBCS entered into with the United Kingdom Serious Fraud Office (SFO) (as more fully set out in the announcement made to shareholders via the JSE's SENS on 30 November 2015). In terms of the DPA, prosecution has been suspended and will be withdrawn after three years provided that ICBCS has complied with its obligations under the DPA. Any claims that may arise for SNYS with respect to the Competition Commission matter are also likely to fall within the scope of this indemnity as the alleged conduct, which is the subject of the referral, is alleged to have taken place prior to the disposal of Standard Bank Plc.

26. Maturity analysis

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

26.1 Financial assets and liabilities

	Note	Redeemable on demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated[1] Rm	Total Rm
2018							
Cash and balances with central banks[2]	1	**20 681**				**64 464**	**85 145**
Trading assets	3	**6 631**	**44 563**	**28 032**	**58 810**	**43 076**	**181 112**
Pledged assets	4		**18 058**	**800**	**671**	**350**	**19 879**
Financial investments	5	**15 066**	**191 031**	**71 185**	**59 889**	**210 428**	**547 599**
Gross loans and advances[3]	7	**123 469**	**256 087**	**408 594**	**338 461**	**30 742**	**1 157 353**
Other financial assets	21	**2 565**	**10 368**	**299**		**392**	**13 624**
Net derivative liability	2		**2 109**	**(2 949)**	**(2 539)**		**(3 379)**
Trading liabilities	17	**(1 430)**	**(12 695)**	**(13 463)**	**(11 031)**	**(21 328)**	**(59 947)**
Deposits and debt funding	18	**(906 421)**	**(286 877)**	**(125 040)**	**(39 199)**		**(1 357 537)**
Subordinated debt[4]	19		**(5 965)**	**(17 072)**	**(3 322)**		**(26 359)**
Provisions and liabilities	20	**(5 100)**	**(78 727)**	**(2 989)**	**(314)**	**(1 222)**	**(88 352)**
2017							
Cash and balances with central banks[1]	1	26 407				48 903	75 310
Trading assets	3	3 959	39 323	26 780	49 520	41 312	160 894
Pledged assets	4		12 578	2 618	5 319	270	20 785
Financial investments	5	12 628	152 496	62 228	56 742	249 220	533 314
Gross loans and advances[3]	7	127 971	231 829	369 558	319 423	21 690	1 070 471
Other financial assets	21	2 169	2 906	132	76	902	6 185
Net derivative liability	2		4 239	(5 454)	(71)		(1 286)
Trading liabilities	17	(835)	(10 191)	(12 218)	(18 034)	(21 577)	(62 855)
Deposits and debt funding	18	(783 534)	(291 910)	(127 103)	(41 364)		(1 243 911)
Subordinated debt[4]	19		(4 446)	(16 159)	(3 684)		(24 289)
Provisions and liabilities	20	(5 501)	(77 522)	(1 308)	(307)	(4 656)	(89 294)

1 Undated maturity category comprises of non-contractual or indeterminate maturity, including any item or position in respect of which no right or obligation in respect of maturity exists. The will include deferred tax and provisions for non-performing assets.
2 On demand cash and balances with central banks include notes and coins.
3 Includes loans and advances measured at fair value through profit or loss.
4 The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.

26. Maturity analysis continued

26.2 Non-financial assets and liabilities

	Note	Less than 12 months after reporting period Rm	More than 12 months after reporting period Rm	Total Rm
2018				
Other assets	9	**8 065**	**825**	**8 890**
Interest in associates and joint ventures	10		**10 376**	**10 376**
Investment property	11		**33 326**	**33 326**
Property and equipment	12	**894**	**18 300**	**19 194**
Goodwill and other intangible assets	13	**293**	**23 383**	**23 676**
Provisions and other liabilities	20	**13 965**	**10 932**	**24 897**
Current and deferred tax asset	14	*	*	**4 519**
Current and deferred tax liability	14	*	*	**(8 015)**
2017				
Other assets	9	15 019	1 792	16 811
Interest in associates and joint ventures	10		9 665	9 665
Investment property	11		32 226	32 226
Property and equipment	12	772	15 407	16 179
Goodwill and other intangible assets	13	242	23 087	23 329
Provisions and other liabilities	20	6 626	2 508	9 134
Current and deferred tax asset	14	*	*	2 109
Current and deferred tax liability	14	*	*	(8 614)

* Undated.

27. Interest

27.1 Interest income

	2018 Rm	2017 Rm
Effective interest rate interest income on:		
Loans and advances	**106 583**	102 485
Financial investments	**20 678**	18 130
Interest income on credit impaired financial assets	**922**	910
Fair value adjustment on debt financial instruments – IAS 39[1]		(50)
Dividends on dated securities – IAS 39[1]		2 672
Total interest income:	**128 183**	124 147
On items measured at amortised cost	**122 561**	122 535
Interest income on items measured at fair value through OCI	**5 622**	
Interest income on items measured at fair value through profit or loss – IAS 39		1 612

[1] The group has, as permitted by IFRS 9, elected not to restate 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 for more detail on the change in presentation as a result of IFRS 9 and the amendment to IAS 1 requiring interest income calculated using the effective interest rate to be separately presented in the income statement.

27. Interest continued

27.2 Interest expense

	2018 Rm	2017 Rm
Interest on deposits and debt funding	65 862	60 990
Interest on subordinated debt	2 699	3 032
Total	68 561	64 022
Interest expense on items measured at fair value through profit and loss[1]		739
Interest expense on items measured at amortised cost	68 561	63 283

[1] The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. Refer to the accounting policy elections for more detail on the change in presentation as a result of IFRS 9 and the amendment to IAS 1 requiring interest income calculated using the effective interest rate to be separately presented in the income statement.

28. Fee and commission

28.1 Fee and commission revenue

	2018 Rm	2017 Rm
Account transaction fees	11 669	11 488
Card-based commission	6 760	6 535
Documentation and administration fees	2 273	2 197
Electronic banking fees	3 829	3 446
Foreign currency service fees	2 244	1 879
Insurance – fees and commission	1 904	1 945
Knowledge-based fees and commission	2 350	2 278
Other	5 563	4 522
Total	36 592	34 290

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

28.2 Fee and commission expense

	2018 Rm	2017 Rm
Account transaction fees	1 368	1 255
Card-based commission	2 378	2 163
Documentation and administration fees	222	218
Electronic banking fees	687	635
Insurance fees and commission	546	511
Customer loyalty expense[1]	624	463
Other	392	375
Total	6 217	5 620

[1] Refer to the accounting policy elections, transition and restatement on page 34 regarding the detail on the change in accounting presentation policy.

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

29. Trading revenue

	2018 Rm	2017 Rm
Commodities	47	62
Equities	2 171	1 626
Fixed income and currencies	8 911	9 043
Total	11 129	10 731

30. Other revenue

	2018 Rm	2017 Rm
Banking and other revenue	1 030	1 001
Insurance – bancassurance profit	2 096	1 805
Property-related revenue	407	367
Total	3 533	3 173

31. Other gains and losses on financial instruments[1]

	2018 Rm
Derecognition losses on financial assets measured at amortised cost	(8)
Fair value gains on debt financial assets measured at fair value through profit or loss – default	256
Realised fair value adjustments on debt financial assets measured at fair value through OCI	57
Fair value gains on financial instruments designated at fair value through profit or loss	367
Total	672

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

32. Insurance

32.1 Insurance premiums received

	2018 Rm	2017 Rm
Insurance premiums	40 611	39 970
Reinsurance premiums	(2 090)	(1 950)
Total	38 521	38 020

32.2 Insurance benefits and claims paid

	2018 Rm	2017 Rm
Claims and policyholders' benefits under insurance contracts	39 504	38 819
Insurance claims recovered from reinsurers	(1 571)	(1 800)
Net insurance claims and policyholders' benefits	37 933	37 019
Change in policyholder liabilities under insurance contracts	(11 449)	6 829
Insurance contracts	(10 024)	6 504
Policyholder assets related to insurance contracts	776	(170)
Investment contracts with DPF	(1 607)	521
Reinsurance assets	(594)	(26)
Total	26 484	43 848

33. Investment management and service fee income and gains

	2018 Rm	2017[1] Rm
Investment income	**3 533**	22 054
Interest income[2]		13 408
Dividends received		5 303
Listed shares		3 406
Unlisted instruments		1 831
Manufactured dividends on scrip lending		66
Scrip lending fees	**103**	
Rental income from investment property	**2 905**	2 671
Hotel operations' sales		532
Sundry income	**74**	
Adjustment to surplus recognised on defined benefit pension fund	**18**	
Other	**433**	140
Total investment management and service fee income and gains	**3 533**	22 054
Fair value adjustments		18 220
Financial instruments held at fair value through profit or loss		15 589
Financial instruments held for trading through profit or loss		(427)
Investment property		523
Mutual funds		2 563
Other		(28)
Management and service fee income		3 683
Total	**3 533**	43 957

1 The group has, as permitted by IFRS 9, elected not to restate comparative financial statements. Therefore, comparability will not be achieved by the fact that the current year financial information has been presented to reflect changes due to IFRS 9.

2 Interest of R13 362 million in 2017 relates to financial assets held at fair value through profit or loss and in the current year the interest relates to interest on financial assets held at amortised cost.

34. Fair value adjustments on assets and liabilities

	2018 Rm	2017[1] Rm
Fair value adjustments to long term policyholder liabilities under investment contracts	**1 273**	(9 116)
Fair value adjustments to third party mutual fund interests	**(2 407)**	(4 619)
Investment properties	**493**	
Financial assets at fair value through profit or loss (default)	**(209)**	
Financial instruments at fair value through profit or loss	**2 725**	
Financial instruments held for hedging and for trading	**(2 934)**	
Financial assets designated at fair value through profit or loss	**2 738**	
Fair value of financial liabilities	**(1 381)**	
Other	**56**	
Total	**563**	(13 735)

1 The group has, as permitted by IFRS 9, elected not to restate comparative financial statements. Therefore, comparability will not be achieved by the fact that the current year financial information has been presented to reflect changes due to IFRS 9.

35. Credit impairment charges

	2018 Rm	2017[1] Rm
Net credit impairments raised for loans and advances (note 7) – IAS 39		10 252
Net ECL raised – IFRS 9[1]:	7 515	
Financial investments (note 5)	101	
Loans and advances (note 7)	7 237	
Letters of credit and guarantees (note 20)	177	
Recoveries on loans and advances previously written off	(1 171)	(842)
Modification losses on distressed financial asset	145	
Total	6 489	9 410

1 The group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. Refer to the accounting policies for more detail on the change in presentation of IIS on cures.

36. Operating expenses – banking and insurance

	2018 Rm	2017 Rm
Banking activities	60 084	57 049
Communication	1 117	1 105
Information technology	6 379	6 073
Marketing and advertising	1 954	1 967
Premises	4 052	3 994
Staff costs	33 776	31 672
Other[1]	12 806	12 238
Investment management and life insurance activities	16 404	17 800
Acquisition costs	4 413	4 935
Office costs	3 729	3 968
Staff costs	4 133	4 120
Other	4 129	4 777
Total	76 488	74 849
The following disclosable items are included in other operating expenses:		
Auditors' remuneration[2,3]	383	370
Audit fees[3]	360	316
Current year[3]	360	285
Other financial years[4]		31
Fees for other services[2,3]	23	54
Amortisation – intangible assets (note 13)	2 504	2 162
Depreciation (note 12)	2 858	2 769
Operating lease charges	2 286	2 207
Premises – other expenses	1 772	1 794
Professional fees	1 712	1 364

1 Refer to the accounting policy elections regarding the detail on the change in accounting policy for the customer loyalty programme expense.
2 All fees for services paid to the group's auditors were considered and approved by the group's audit committee in terms of non-audit services policy.
3 During 2017, auditors' remuneration for Liberty was erroneously excluded and as a result, auditors' remuneration and audit fees was disclosed as R313 million and R265 million respectively. This has been updated with R51 million and R6 million in the current year and fees and other services respectively. This had no impact on the group's primary statements as it was included in other operating expenses.
4 The amount for 2017 relates to IFRS 9 services rendered for the 2018 financial year.

AFS | Refer to the report of the group audit committee chairman for further information.

37. Non-trading and capital related items

	2018 Rm	2017 Rm
Profit/(loss) on disposal of business	**47**	(18)
Impairment of associates	**(5)**	
Impairment of intangible assets	**(449)**	(447)
Impairment of non-current assets held for sale	**(249)**	
Profit/(loss) on sale of property and equipment	**15**	(10)
Realised foreign currency profit on disposal of foreign operations		214
Total	**(641)**	(261)

38. Direct and indirect taxation

38.1 Indirect taxation

	2018 Rm	2017 Rm
Value added tax (VAT)[1]	**1 722**	1 677
Other indirect taxes and levies	**887**	804
Total	**2 609**	2 481

[1] The group earns certain amounts of vat exempt income which result in these amounts of VAT input not being able to be claimed from the revenue authorities.

38.2 Direct taxation

	2018 Rm	2017 Rm
South African normal taxation	**9 672**	7 494
Current	**9 911**	7 691
Prior year	**(239)**	(197)
Deferred taxation	**(3 101)**	1 203
Current	**(3 113)**	1 299
Prior year	**12**	(96)
CGT, foreign normal and withholding tax	**164**	1 426
	6 735	10 123
Income tax recognised in OCI	**87**	80
Deferred tax recognised directly in equity	**(128)**	276
Deferred tax recognised directly in retained earnings – IFRS 9 transition adjustment	**2 401**	
Direct taxation per the income statement	**9 095**	10 479

38. Direct and indirect taxation continued

38.2 Direct taxation continued

Income tax recognised in OCI

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

	2018 Rm	2017 Rm
Items that may be subsequently reclassified to profit or loss		
Movements in the cash flow hedging reserve	**10**	(9)
Net change in fair value of cash flow hedges	**129**	(25)
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**(119)**	16
Movements in the available-for-sale revaluation reserve – IAS 39		57
Net change in fair value		41
Realised fair value adjustments transferred to profit or loss		16
Movement in debt financial assets measured at fair value through OCI – IFRS 9	**(5)**	
Net change in fair value	**6**	
Realised fair value adjustments transferred to profit or loss	**(11)**	
Items that may not be subsequently reclassified to profit or loss		
Defined benefit fund adjustments	**30**	46
Change in own credit risk recognised on financial liabilities designated at fair value through profit or loss – IFRS 9	**21**	
Net change in fair value of equity financial investments measured at fair value through OCI – IFRS 9	**32**	
Other	**(1)**	(14)
Total	**87**	80

Tax rate reconciliation

	2018 %	2017 %
Direct taxation – statutory rate	**28.0**	28.0
Prior period tax	**(0.5)**	(0.7)
Direct taxation – current year	**27.5**	27.3
Capital gains tax	**(1.0)**	2.0
Foreign tax and withholding tax	**2.7**	2.9
Direct taxation – current year – normal	**29.2**	32.2
Permanent differences	**(7.4)**	(6.7)
Dividends received	**(3.6)**	(3.2)
Other non-taxable income – interest[1]	**(6.6)**	(6.1)
Assessed loss not subject to deferred tax[2]	**0.6**	1.0
Non-deductible expenses	**2.9**	2.0
Effects of profits taxed in different jurisdictions	**(0.7)**	(0.4)
Direct effective tax rate[3]	**21.8**	25.5

1 Relates to interest income earned from certain governments in Africa Regions which is exempt from tax.
2 The group's assessed losses result in an unrecognised deferred tax asset of R224 million (2017: R461 million).
3 Expressed as a percentage of profit before direct taxation.

39. Earnings per ordinary share

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

	2018 Number of units ('000)	2017 Number of units ('000)
Earnings attributable to ordinary shareholders (Rm)	**27 453**	26 235
Weighted average number of ordinary shares in issue (number of shares)		
Weighted average number of ordinary shares in issue before adjustments	**1 618 700**	1 618 544
Adjusted for shares held pursuant to Tutuwa initiative[1]	**(4 178)**	(5 750)
Adjusted for deemed treasury shares held by entities within the group[2]	**(20 803)**	(10 939)
Weighted average number of ordinary shares in issue	**1 593 719**	1 601 855
Basic earnings per ordinary share (cents)	**1 722,6**	1 637,8
Diluted earnings per ordinary share		
Weighted average number of ordinary shares in issue	**1 593 719**	1 601 855
Adjusted for the following potential dilution:		
Share incentive schemes	**16 126**	20 066
Standard Bank GSIS[3]	**318**	377
Standard Bank EGS[4]	**2 302**	4 436
DBS	**6 716**	7 309
PRP	**3 680**	3 944
SARP	**34**	7
Tutuwa initiative[5]	**3 076**	3 993
Diluted weighted average number of ordinary shares in issue	**1 609 845**	1 621 921
Diluted earnings per ordinary share (cents)	**1 705,3**	1 617,5

1 The number of shares held by the Tutuwa participants are deducted as they are deemed not to be issued in terms of IFRS.
2 The number of shares held by entities within the group are deemed to be treasury shares for IFRS purposes.
3 696 115 (2017: 1 022 621) share options were outstanding at the end of the year in terms of the GSIS.
4 7 364 238 (2017: 10 722 081) rights outstanding at the end of the year in terms of the Standard Bank EGS. These units are convertible into 2 557 500 (2017: 9217 449) ordinary shares at year end.
5 Dilutive effect of shares held pursuant to Tutuwa initiative.

Dilutive impact of shares issued during the year

Deferred bonus scheme

5 834 741 (2017: 6 907 216) units were issued during the year to employees domiciled in South Africa. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

At the end of the reporting period, the group had 10 640 573 (2017: 10 429 261) units hedged, which results in 224 887 (2017: 530 097) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Performance reward plan

1 947 028 (2017: 2 207 100) units were issued during the year to employees domiciled in South Africa. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

At the end of the reporting period, the group had 5 151 149 (2017: 1 398 622) units hedged, which results in 253 762 (2017: 142 863) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Share appreciation rights scheme

675 339 (2017: 677 317) rights were issued during the year in terms of the Standard Bank SARP to employees domiciled in South Africa. The outstanding SARP units are convertible into 80 197 (2017: 137 464) ordinary shares. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

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

40. Headline earnings

	2018			
	Gross Rm	Direct tax Rm	Non-controlling interest and other equity instrument holders Rm	Profit attributable to ordinary shareholders Rm
2018				
Profit for the year	**41 738**	**(9 095)**	**(5 190)**	**27 453**
Headline adjustable items added/(reversed)	**641**	**(122)**	**(107)**	**412**
IAS 16 – Profit on sale of property and equipment	**(15)**	**2**	**3**	**(10)**
IAS 27/IAS 28 – Gain on disposal of business	**(47)**			**(47)**
IAS 28/IAS 36 – Impairment of associate	**5**	**(1)**		**4**
IAS 36 – Impairment of intangible assets	**449**	**(123)**		**326**
IFRS 5 – Impairment of non-current assets held for sale	**249**		**(110)**	**139**
Standard Bank Group headline earnings	**42 379**	**(9 217)**	**(5 297)**	**27 865**
2017				
Profit for the year	41 194	(10 479)	(4 480)	26 235
Headline adjustable items added	187	(94)	(58)	35
IAS 16 – Loss on sale of property and equipment	10	(4)	4	10
IAS 21 – Realised foreign currency profit on foreign operations	(214)			(214)
IAS 27/IAS 28 – Losses/(gains) on disposal of business	18			18
IAS 36 – Impairment of intangible assets	447	(106)	(62)	279
IAS 39 – Realised gains on available-for-sale assets[1]	(74)	16		(58)
Standard Bank Group headline earnings	41 381	(10 573)	(4 538)	26 270

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

	2018 Rm	2017 Rm
Headline earnings per ordinary share (cents)	**1 748,4**	1 640,0
Diluted headline earnings per ordinary share (cents)	**1 730,9**	1 619,7

41. Dividends

	2018 Rm	2017 Rm
Ordinary shares	**15 221**	13 599
Final 510 cents per share declared on 8 March 2018 (2017: 440 cents per share declared on 2 March 2017)	**8 263**	7 125
Interim 430 cents per share declared on 17 August 2018 (2017: 400 cents per share declared on 17 August 2017)	**6 958**	6 474
Second preference shares	**416**	429
Final 398.92 cents per share declared on 8 March 2018 (2017: 407,57 cents per share declared on 2 March 2017)	**211**	216
Interim 386,43 cents per share declared on 17 August 2018 (2017: 400,93 cents per share declared on 17 August 2017)	**205**	213
AT1 capital	**322**	165
31 December		
SBT 101	**41**	39
SBT 102	**42**	44
30 September		
SBT 101	**40**	41
SBT 102	**40**	
30 June		
SBT 101	**39**	41
SBT 102	**40**	
30 March		
SBT 101	**40**	
SBT 102	**40**	
Total	**15 959**	14 193

A final dividend no. 99 of 540 cents per ordinary share was declared on 7 March 2019, payable on 15 April 2019 to all shareholders registered on 12 April 2019, bringing the total dividends declared in respect of 2018 to 970 cents per share (2017: 910 cents per share).

6.5% first cumulative preference shares dividend no. 99 of 3,25 cents per share (2017: 3,25 cents) was declared on 7 March 2019, payable on 8 April 2019 to all shareholders registered on 5 April 2019.

Non-redeemable, non-cumulative, non-participating preference shares dividend no. 29 of 390.22 cents per share (2017: 398.92 cents), was declared on 7 March 2019, payable on 8 April 2019 to all shareholders registered on 5 April 2019.

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

42. Statement of cash flows notes

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

	2018 Rm	2017 Rm
Depreciation and amortisation	**5 362**	4 931
Credit impairment losses	**6 489**	9 410
Investment gains and policyholders' transfers	**(12 306)**	(3 423)
Net inflows/(outflows) from third party financial liabilities arising on consolidation of mutual funds	**(3 934)**	1 048
Interest expense	**68 365**	65 080
Interest income	**(131 431)**	(137 609)
Other[1]	**(3 154)**	(2 931)
Total	**(70 609)**	(63 494)

[1] Included are non-cash flow items disclosed in income/expenses from investment management and life insurance activities.

42.2 Increase in income-earning assets

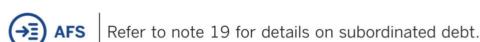
	2018 Rm	2017 Rm
Net derivative assets	**85**	(5 237)
Trading assets	**(17 062)**	(33 605)
Pledged assets	**2 023**	(5 892)
Financial investments	**(26 799)**	(36 761)
Loans and advances	**(47 224)**	(14 516)
Other assets	**3 640**	(2 478)
Total	**(85 337)**	(98 489)

42.3 Increase in deposits, trading and other liabilities

	2018 Rm	2017 Rm
Deposit and debt funding	**72 445**	62 033
Trading liabilities	**(2 704)**	15 712
Provisions and other liabilities	**9 061**	(1 079)
Total	**78 802**	76 666

42.4 Reconciliation of subordinated debt

	2018 Rm	2017 Rm
Balance at the beginning of the year	**24 289**	25 997
IFRS 9 transition adjustment	**108**	
Subordinated debt issued	**6 100**	2 246
Subordinated debt redeemed	**(4 550)**	(4 180)
Exchange movements	**232**	(205)
Decrease in subordinated bonds issued to group companies	**131**	484
Other movements	**49**	(53)
Balance at the end of the year	**26 359**	24 289


AFS | Refer to note 19 for details on subordinated debt.

43. Related party transactions

43.1 Key management personnel

Key management personnel include: the members of the SBG board of directors and prescribed officers active for 2018 and 2017. Non-executive directors are included in the definition of key management personnel as required by IFRS. Prescribed officers are defined by the Companies Act. The board of directors is the same for the company and the group. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with SBG. They may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

	2018 Rm	2017 Rm
Key management compensation		
Salaries and other short-term benefits paid	**101**	142
Post-employment benefits	**5**	5
IFRS 2 value of share options, rights and units expensed	**134**	132
Total	**240**	279
Loans and advances		
Loans outstanding at the beginning of the year	**12**	11
Change in key management structures	**2**	(1)
Net change in loans during the year	**8**	2
Loans outstanding at the end of the year	**22**	12
Interest income	**1**	1
Loans include mortgage loans, vehicle and asset finance and credit cards. No specific credit impairments have been recognised in respect of loans granted to key management in the current or prior year. The mortgage loans and vehicle and asset finance are secured by the underlying assets. All other loans are unsecured.		
Deposit and debt funding[1]		
Deposits outstanding at the beginning of the year	**80**	26
Change in key management structures	**57**	(4)
Net change in deposits during the year	**4**	58
Deposits outstanding at the end of the year	**141**	80
Net interest (expense)/income	**(5)**	(2)
Investment products[2]		
Balance at the beginning of the year	**431**	422
Change in key management structures	**2**	(15)
Net change in investments during the year	**2**	24
Balance at the end of the year	**435**	431
Third party funds under management		
Fund value at the beginning of the year	**224**	239
Change in key management structures		(64)
Net change in deposits during the year	**(2)**	49
Fund value at the end of the year	**222**	224
Net investment return	**(16)**	38
Financial consulting fees and commission		6
Shares and share options held[3]		
Shares beneficially owned (number)	**1 738 101**	1 578 046
Share options held (number)	**3 569 592**	3 288 492

1 Deposits and debt funding include cheque, current and savings accounts.
2 In 2017, investment products of R72 million by key management personnel were erroneously excluded from this disclosure; this consisted of a difference of R40 million in the opening balance and R32 million in relation to net changes in investments during the year. The comparatives have been restated accordingly.
3 Aggregate details of SBG shares and share options held by key management personnel.

43. Related party transactions continued

43.2 Balances and transactions with ICBCS

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

Amounts included in the group's statement of financial position	2018 Rm	2017 Rm
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)
Other liabilities	**(437)**	(759)

Services

The group entered into certain transitional services level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of SB Plc. In terms of these arrangements, services are delivered and received from ICBCS for the account of each respective party. As at 31 December 2018, the expense recognised in respect of these arrangements amounted to R229 million (2017: R277 million).

43.3 Balances and transactions with ICBC

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

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

[1] The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the sale and purchase agreement, relating to SB Plc (now ICBCS) with ICBC. As a consequence of the sale and purchase agreement, the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 31 December 2018, a balance of USD24 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 income relating to these transactions (2017: R8 million).

43. Related party transactions continued

43.4 Mutual funds

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

	2018 Rm	2017 Rm
Trading liabilities	**(592)**	(275)
Deposits and debt funding	**(24 896)**	(15 706)
Trading (losses)/gains	**(26)**	(101)
Interest expense	**(2 689)**	(695)

43.5 Post-employment benefit plans

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

Amounts included in the group's statement of financial position and income statement	**2018 Rm**	2017 Rm
Fee and commission revenue	**22**	11
Deposits and debt funding	**(981)**	(296)
Interest expense	**(50)**	(164)
Financial investments held in bonds and money market	**778**	1 089

In addition to the above:

- the group manages R8 754 million (2017: R11 864 million) of the post-employment benefit plans' assets
- the post-employment benefit plans hold SBG ordinary shares to the value of R2 969 million (2017: R2 157 million).

44. Pensions and other post-employment benefits

	2018 Rm	2017 Rm
Amount recognised as assets in the statement of financial position (note 9)		
Banking activities		
Retirement funds (note 44.1)	**765**	901
Other retirement funds (note 44.1)	**30**	
Investment management and life insurance activities		
Retirement funds (note 44.1)	**203**	171
Total	**998**	1 072
Amounts recognised as liabilities in the statement of financial position (note 20)		
Banking activities		
Retirement funds (note 44.1)		21
Post-employment healthcare benefits – other funds (note 44.2)	**766**	737
Investment management and life insurance activities		
Post-employment healthcare benefits (note 44.2)	**471**	495
Total	**1 237**	1 253

The total amount recognised as an expense for the defined contribution plans operated by the group amounted to R593 million (2017: R1 063 million).

44. Pensions and other post-employment benefits continued

44.1 Retirement funds

Standard Bank retirement funds

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF), comprises in excess of 95% of SBSA's permanent staff. The fund, one of the 10 largest in South Africa, is governed by the Pension Funds Act 24 of 1956 (Pension Funds Act). Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently.

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

The fund is subject to a statutory financial review by actuaries at an interval of not more than three years. A full actuarial valuation was performed during the 2018 financial year and, in the opinion of the actuary, the fund was considered to be financially sound. The next actuarial valuation is to be performed on 31 December 2019.

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

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

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

Liberty retirement funds

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

Description of risks

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

44. Pensions and other post-employment benefits continued

44.1 Retirement funds continued

	2018 Rm	2017 Rm
The amounts recognised in the statement of financial position in respect of the retirement funds are determined as follows:		
Present value of funded obligations	**(34 206)**	(35 438)
Fair value of plan assets	**35 235**	36 553
Surplus	**1 029**	1 115
Asset ceiling	**(31)**	(64)
Included in the statement of financial position	**998**	1 051
SBGRF	**765**	901
Liberty retirement funds	**203**	171
Other retirement funds	**30**	(21)
Included in:	**998**	1 051
Other assets (note 9)	**998**	1 072
Other liabilities (note 20)		(21)
Movement in the present value of funded obligations		
Balance at the beginning of the year	**35 438**	33 456
Current service cost	**1 060**	1 016
Interest cost	**3 174**	3 277
Employee contributions	**841**	798
Actuarial (gain)/loss	**(3 765)**	705
Exchange loss/(gain)	**69**	(3)
Benefits paid	**(2 611)**	(3 811)
Balance at the end of the year	**34 206**	35 438
Movement in the fair value of plan assets		
Balance at the beginning of the year	**36 553**	34 879
Interest income	**3 259**	3 378
Contributions received	**1 733**	1 648
Net return on assets	**(3 763)**	458
Exchange gain	**64**	1
Benefits paid	**(2 611)**	(3 811)
Balance at the end of the year	**35 235**	36 553
Cash	**711**	1 244
Equities	**14 796**	15 722
Bonds	**10 407**	10 189
Property and other	**9 321**	9 398

Plan assets do not include property occupied by the group.

The group expects to pay R1 294 million in contributions to the Standard Bank retirement funds in 2019 (2018: R887 million).

44. Pensions and other post-employment benefits continued

44.1 Retirement funds continued

	2018 Rm	2017 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	1 060	1 016
Net interest costs	(85)	(101)
Included in staff costs	975	915
The expected long-term rate of return is based on the expected long-term returns on equities, cash and bonds. The split between the individual asset categories is considered in setting these assumptions. Adjustments were made to reflect the effect of expenses.		
Components of statement of other OCI		
Actuarial (loss)/gain under asset management	(3 763)	458
Actuarial gain/(loss)	3 765	(705)
Gain from changes in financial assumptions	2 805	621
Gain/(loss) from changes in experience adjustments	960	(1 326)
Asset ceiling	33	(66)
Remeasurements recognised in OCI	35	(313)
Reconciliation of net defined benefit asset		
Net defined benefit asset at the beginning of the year	1 051	1 425
Net expense recognised	(975)	(915)
Amounts recognised in OCI	35	(313)
Company contributions	892	850
Exchange (loss)/gain	(5)	4
Net defined benefit asset at the end of the year	998	1 051

44.2 Post-employment healthcare benefits

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

Standard Bank

The largest portion of this liability represents a South African post-employment healthcare benefit scheme that covers all employees who went on retirement before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full actuarial valuation was performed at 31 December 2015. The next actuarial valuation is to be performed on 31 December 2019.

Liberty

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

	2018 Rm	2017 Rm
The amounts recognised in the statement of financial position in respect of post-employment healthcare benefits are determined as follows:		
Present value of unfunded defined benefit obligations	1 237	1 232
Included in the statement of financial position	1 237	1 232
Standard Bank	766	737
Liberty	471	495
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	1 232	1 269
Net expense recognised	126	134
Benefits paid	(91)	(80)
Amounts recognised in OCI	(33)	(91)
Foreign exchange movements	3	
Balance at end of the year	1 237	1 232

44. Pensions and other post-employment benefits continued

44.2 Post-employment healthcare benefits continued

	2018 Rm	2017 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	57	57
Net interest cost	69	77
Included in staff costs	**126**	134
Components of statement of other comprehensive income		
Actuarial gains arising from changes in financial assumptions	(78)	(82)
Actuarial gains arising from experience adjustments	45	(9)
Remeasurements recognised in OCI	**(33)**	(91)

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

	2018		2017	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Effect on the aggregate of the current service cost and interest cost	7	(5)	7	(6)
Effect on the defined benefit obligation	61	(53)	62	(53)

45. Post reporting date events

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. While 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. The estimated impact analysis has been summarised below:

Statement of financial position line item	Impact of change Rm
Cash and balances with central banks	(6 035)
Financial investments	(2 840)
Loans and advances	(4 623)
Other financial and non-financial assets	(121)
Total assets	**(13 619)**
Deposits and debt funding	(12 207)
Other financial and non-financial liabilities	(666)
Total liabilities	**(12 873)**
Reserves – foreign currency translation reserve	(746)

46. Segment reporting

46.1 Operating segment

BUSINESS UNITS AND WHAT WE OFFER

Personal & Business Banking

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

Transactional products

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

Mortgage lending

Residential accommodation loans mainly to personal market customers

Card products

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

Vehicle and asset finance

- Finance of vehicles for retail market customers
- Finance of vehicles and equipment in the business and corporate assets market
- Fleet solutions

Lending products

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

Wealth

- Short- and long-term insurance products comprising:
  - simple products, including loan protection plans sold in conjunction with related banking products, homeowners' insurance, funeral cover, household contents and vehicle insurance
  - complex insurance products including life, disability and investment policies sold by qualified intermediaries
- Financial planning and modelling
- Integrated fiduciary services including fiduciary advice, will drafting and custody services as well as trust and estates administration
- Tailored banking, wealth management, investment and advisory services solutions for high net worth individuals
- Offshore financial services in high net worth, mass-affluent and corporate clients of the group
- Investment services, including global asset management

Corporate & Investment Banking

Corporate and investment banking services to clients including governments, parastatals, larger corporates, financial institutions and multinational corporates

Client coverage

Provide in-depth sector expertise to develop relevant client solutions and foster client relationships

Global markets

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

Transactional products and services

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

Investment banking

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

BUSINESS UNITS AND WHAT WE OFFER

Central and other

- Includes the impact of the Tutuwa initiative, group hedging activities, group capital instruments, group surplus capital and strategic acquisitions
- Includes the costs of centralised corporate functions, with the direct costs of corporate functions recharged to the business segments

Other banking interests

Equity investments held in terms of strategic partnership agreements with ICBC, including:

- ICBC Standard Bank Plc (40% associate)
- ICBC Argentina (20% associate)

Liberty

Investment management and life insurance activities of the group companies in the Liberty Holdings Group

SA Retail
Insurance and investment solutions to individual mass-affluent and affluent consumers, mainly in South Africa

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

Asset management
Asset management capabilities to manage investment assets on the African continent

46. Segment reporting continued

46.1 Income statement operating segments continued

	Personal & Business Banking		Corporate & Investment Banking	
	2018 Rm	2017[1] Rm	**2018 Rm**	2017[1] Rm
Income from banking activities	**69 807**	67 708	**36 981**	36 770
Net interest income	**41 754**	40 963	**19 190**	20 434
Interest income	**77 797**	75 609	**69 283**	64 257
Interest expense	**(36 043)**	(34 646)	**(50 093)**	(43 823)
Other interest				
Net fee and commission revenue	**25 020**	23 698	**5 688**	5 437
Fee and commission revenue	**30 611**	28 729	**6 170**	5 878
Fee and commission expense[2]	**(5 591)**	(5 031)	**(482)**	(441)
Trading revenue	**174**	402	**10 880**	10 548
Other revenue	**2 867**	2 645	**573**	351
Other gains and losses on financial instruments	**(8)**		**650**	
Income from investment management and life insurance activities				
Insurance premiums received				
Insurance benefits and claims paid				
Investment management and service fee income and gains				
Fair value adjustments to investment management liabilities and third party fund interests				
Total income/(loss)	**69 807**	67 708	**36 981**	36 770
Credit Impairment charges	**(5 440)**	(7 785)	**(1 049)**	(1 625)
Net income/(loss) before operating expenses	**64 367**	59 923	**35 932**	35 145
Operating expenses in banking operations[2]	**(42 269)**	(39 972)	**(19 979)**	(19 080)
Operating expenses in life insurance operations				
Net income/(loss) before capital items and equity accounted earnings	**22 098**	19 951	**15 953**	16 065
Non-trading and capital related items	**(22)**	(132)	**(385)**	(78)
Share of post tax profit/(loss) from associates	**325**	241	**102**	182
Net income/(loss) before indirect taxation	**22 401**	20 060	**15 670**	16 169
Indirect taxation	**(643)**	(590)	**(282)**	(237)
Profit/(loss) before direct taxation	**21 758**	19 470	**15 388**	15 932
Direct taxation	**(5 535)**	(5 211)	**(2 240)**	(2 454)
Profit/(loss) for the year	**16 223**	14 259	**13 148**	13 478
Attributable to ordinary shareholders	**15 539**	14 023	**10 900**	11 363
Attributable to other equity instrument holders	**142**	83	**144**	76
Attributable to non-controlling interests	**542**	153	**2 104**	2 039
Headline earnings	**15 548**	14 103	**11 177**	11 392
Return on equity (ROE) (%)	**21.9**	20.0	**19.3**	22.0
Net interest margin (%)	**5.99**	6.16	**2.87**	2.99
Credit loss ratio (%)	**0.81**	1.20	**0.16**	0.34
Cost-to-income ratio (%)	**60.6**	59.0	**54.0**	51.9
Number of employees	**27 470**	28 074	**3 755**	3 811

1 Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis' comparative figures are reclassified accordingly.
2 Refer to the accounting policy elections regarding the detail on the change in accounting policy for the customer loyalty programme expense.

Central and other		Banking activities		Other banking interests		Liberty		Standard Bank Group	
2018 Rm	2017[1] Rm	**2018 Rm**	2017[1] Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
(1 457)	(1 779)	105 331	102 699					105 331	102 699
(1 322)	(1 272)	59 622	60 125					59 622	60 125
(18 897)	(15 719)	128 183	124 147					128 183	124 147
17 575	14 447	(68 561)	(64 022)					(68 561)	(64 022)
(333)	(465)	30 375	28 670					30 375	28 670
(189)	(317)	36 592	34 290					36 592	34 290
(144)	(148)	(6 217)	(5 620)					(6 217)	(5 620)
75	(219)	11 129	10 731					11 129	10 731
93	177	3 533	3 173					3 533	3 173
30		672						672	
						21 722	24 394	21 722	24 394
						38 521	38 020	38 521	38 020
						(26 484)	(43 848)	(26 484)	(43 848)
						9 122	43 957	9 122	43 957
						563	(13 735)	563	(13 735)
(1 457)	(1 779)	105 331	102 699			21 722	24 394	127 053	127 093
		(6 489)	(9 410)					(6 489)	(9 410)
(1 457)	(1 779)	98 842	93 289			21 722	24 394	120 564	117 683
2 164	2 003	(60 084)	(57 049)					(60 084)	(57 049)
						(16 404)	(17 800)	(16 404)	(17 800)
707	224	38 758	36 240			5 318	6 594	44 076	42 834
15	113	(392)	(97)			(249)	(164)	(641)	(261)
4	1	431	424	418	600	63	78	912	1 102
726	338	38 797	36 567	418	600	5 132	6 508	44 347	43 675
(1 098)	(1 022)	(2 023)	(1 849)			(586)	(632)	(2 609)	(2 481)
(372)	(684)	36 774	34 718	418	600	4 546	5 876	41 738	41 194
(48)	21	(7 823)	(7 644)			(1 272)	(2 835)	(9 095)	(10 479)
(420)	(663)	28 951	27 074	418	600	3 274	3 041	32 643	30 715
(865)	(1 112)	25 574	24 274	418	600	1 461	1 361	27 453	26 235
452	435	738	594					738	594
(7)	14	2 639	2 206			1 813	1 680	4 452	3 886
(878)	(1 227)	25 847	24 268	418	567	1 600	1 435	27 865	26 270
(10.7)	(10.1)	18.8	18.0	5.6	7.3	15.2	12.7	18.0	17.1
		4.58	4.74						
		0.56	0.87						
		57.0	55.5						
16 194	16 437	47 419	48 322			5 759	6 236	53 178	54 558

46. Segment reporting continued

46.2 Geographic information

	South Africa Rm	Africa Regions Rm	International Rm	Eliminations[1] Rm	Standard Bank Group Rm
2018					
Total income[2]	**87 015**	**37 722**	**3 578**	**(1 262)**	**127 053**
Banking activities	**68 653**	**34 362**	**3 578**	**(1 262)**	**105 331**
Liberty	**18 362**	**3 360**			**21 722**
Total headline earnings	**19 227**	**7 055**	**1 712**	**(129)**	**27 865**
Banking activities	**17 271**	**7 411**	**1 294**	**(129)**	**25 847**
Other banking interests			**418**		**418**
Liberty	**1 956**	**(356)**			**1 600**
Total assets	**1 799 090**	**414 046**	**112 545**	**(198 719)**	**2 126 962**
Banking activities	**1 391 942**	**406 419**	**104 693**	**(198 719)**	**1 704 335**
Other banking interests			**7 852**		**7 852**
Liberty	**407 148**	**7 627**			**414 775**
Non-current assets[3]	**62 869**	**13 277**	**78**	**(28)**	**76 196**
Banking activities	**26 946**	**12 519**	**78**	**(28)**	**39 515**
Liberty	**35 923**	**758**			**36 681**
2017[4]					
Total income[2]	90 635	35 655	2 824	(1 558)	127 556
Banking activities	69 681	32 215	2 824	(1 558)	103 162
Liberty	20 954	3 440			24 394
Total headline earnings	19 056	5 983	1 355	(124)	26 270
Banking activities	17 300	6 304	788	(124)	24 268
Other banking interests			567		567
Liberty	1 756	(321)			1 435
Total assets	1 692 272	316 402	99 940	(80 686)	2 027 928
Banking activities	1 276 174	310 033	92 447	(80 686)	1 597 968
Other banking interests			7 493		7 493
Liberty	416 098	6 369			422 467
Non-current assets[3]	60 212	11 551	51	(80)	71 734
Banking activities	25 680	10 986	51	(80)	36 637
Liberty	34 532	565			35 097

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

Standard Bank Group Limited – company annual financial statements

Statement of financial position

as at 31 December 2018

	Note	COMPANY 2018 Rm	COMPANY 2017 Rm
Assets			
Financial investments	47	**84**	98
Other assets		**170**	170
Interest in subsidiaries	48	**80 941**	74 267
Interest in associates	49	**1 065**	913
Current tax asset		**12**	14
Total assets		**82 272**	75 462
Equity and liabilities			
Equity		**76 537**	74 771
Share capital and premium	15	**17 860**	18 063
Equity attributable to other equity instrument holders	15	**9 047**	9 047
Reserves		**49 630**	47 661
Liabilities		**5 735**	691
Deferred tax liabilities	50	**2**	5
Subordinated debt	51	**5 057**	
Indebtedness by the company to group subsidiaries	48	**619**	632
Other liabilities		**57**	54
Total equity and liabilities		**82 272**	75 462

Statement of comprehensive income

for the year ended 31 December 2018

	Note	COMPANY	
		2018 Rm	2017 Rm
Interest income		**350**	41
Interest expense		**(286)**	(1)
Other income/(losses)	52	**20**	(9)
Dividends from subsidiaries		**17 751**	16 980
Total income		**17 835**	17 011
Operating expenses		**(33)**	(20)
Net income before impairments of investment		**17 802**	16 991
Impairment of investment in subsidiaries	48	**(24)**	
Net income before equity accounted earnings		**17 778**	16 991
Share of profits from associates and joint ventures		**289**	213
Profit before direct taxation		**18 067**	17 204
Direct taxation	53	**(210)**	(117)
Profit for the year		**17 857**	17 087
Other comprehensive loss after tax for the year		**(32)**	(13)
Net change in fair value of equity financial assets measured at fair value	47	**(41)**	(18)
Deferred tax on net fair value adjustment on equity financial assets measured at fair value through OCI	50	**9**	5
Total comprehensive income		**17 825**	17 074

Statement of cash flows

for the year ended 31 December 2018

	Note	COMPANY 2018 Rm	COMPANY 2017 Rm
Net cash flows from operating activities		**17 780**	16 994
Profit before direct taxation		**18 067**	17 204
Adjusted for non-cash items and other adjustments included in the income statement	54.1	**(18 099)**	(17 219)
Decrease in income-earning assets		**14**	18
Increase in deposits, trading and other liabilities		**3**	2
Interest received		**350**	41
Interest expense		**(286)**	(1)
Dividends received		**17 751**	16 980
Taxation paid		**(20)**	(31)
Net cash flows used in investing activities		**(6 675)**	(6 447)
Increase in investment in subsidiaries	54.2	**(6 675)**	(6 447)
Net cash flows used in financing activities		**(11 105)**	(10 547)
Proceeds from issue of share capital		**320**	409
Share buy-backs		**(523)**	(306)
Issuance of subordinated debt	54.3	**5 057**	3 544
Dividends paid		**(15 959)**	(14 194)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year			
Cash and cash equivalents at end of the year			

Statement of changes in equity

for the year ended 31 December 2018

	Note	Share capital and premium Rm	Share based payment reserve Rm	Revaluation reserve Rm
Balance at 1 January 2017		17 960	11	3 100
Issue of share capital and share premium	15	409		
Repurchase of share capital and share premium	15	(306)		
Equity-settled share-based payment transactions			2	
Vested units transfer to retained earnings			(9)	
Total comprehensive income				
Other comprehensive income				
Profit for the year				
Dividends paid				
Balance at 31 December 2017		18 063	4	3 100
Balance at 1 January 2018		**18 063**	**4**	**3 100**
IFRS 9 transition adjustment				
1 January 2018 (restated)		**18 063**	**4**	**3 100**
Issue of share capital and share premium	15	**320**		
Repurchase of share capital and share premium	15	**(523)**		
Vested units transfer to retained earnings			**(4)**	
Total comprehensive income				
Other comprehensive income				
Profit for the year				
Dividends paid				
Preference share redemption				
Balance at 31 December 2018		**17 860**		**3 100**

Cash flow hedging reserve Rm	Empower-ment reserve Rm	Available-for-sale reserve Rm	Fair value through OCI reserve Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instrument holders Rm	Total Rm
969	(274)	4		40 969	62 739	5 503	68 242
					409	3 544	3 953
					(306)		(306)
					2		2
				9			
		(13)		16 493	16 480	594	17 074
		(13)			(13)		(13)
				16 493	16 493	594	17 087
				(13 599)	(13 599)	(594)	(14 193)
969	(274)	(9)		43 872	65 725	9 047	74 772
969	**(274)**	**(9)**		**43 872**	**65 725**	**9 047**	**74 772**
		9	**(9)**	**(24)**	**(24)**		**(24)**
969	**(274)**		**(9)**	**43 848**	**65 701**	**9 047**	**74 748**
					320		**320**
					(523)		**(523)**
				4			
			(32)	**17 119**	**17 087**	**738**	**17 825**
			(32)		**(32)**		**(32)**
				17 119	**17 119**	**738**	**17 857**
	8			**(15 221)**	**(15 213)**	**(738)**	**(15 951)**
	118				**118**		**118**
969	**(148)**		**(41)**	**45 750**	**67 490**	**9 047**	**76 537**

Notes to the company annual financial statements

47. Financial investments

	2018 Rm	2017[1] Rm
Financial investments held in banking activities – unlisted equities	**84**	98

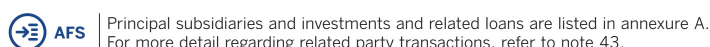
	2018 Rm	2017 Rm
Financial investment measured at fair value through OCI		
Opening balance	**98**	116
Fair value adjustments	**(41)**	(18)
Closing balance	**57**	98
Financial investment measured at fair value through profit or loss		
Fair value adjustments	**27**	
Closing balance	**27**	
Total	**84**	98

1 The Ünlü Yatarim A.S. investment was classified as available for sale in terms of IAS 39.

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

48. Interest in subsidiaries

	2018 Rm	2017 Rm
Shares at cost	**73 150**	71 443
Indebtedness to the company (annexure A)	**6 875**	1 913
Investment through equity-settled share incentives	**916**	911
	80 941	74 267
Indebtedness by the company (annexure A)	**(619)**	(632)
Total	**80 322**	73 635


AFS | Principal subsidiaries and investments and related loans are listed in annexure A.
For more detail regarding related party transactions, refer to note 43.

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

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

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

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

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

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

During 2018, R24 million (2017: Rnil) impairment losses were recognised on the company's investment in SML Limited. The events and circumstances that led to the recognition of the impairment was that the recoverable amount (being the value in use) of the entity was less than the carrying value.

49. Interest in associates

	2018 Rm	2017 Rm
Carrying value at beginning of the year	**913**	787
IFRS 9 transition adjustment	**(24)**	
Share of profit	**289**	213
Dividend received	**(113)**	(87)
Carrying value at end of the year	**1 065**	913

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

AFS Refer to annexure B for details on associates.

50. Deferred tax liabilities

	2018 Rm	2017 Rm
Deferred tax reconciliation		
Deferred tax liability at the beginning of the year	**(5)**	(10)
Add: temporary difference for the year	**3**	5
Deferred tax on equity financial asset reserve recognised in OCI	**9**	5
Fair value adjustment – recognised in profit or loss	**(6)**	
Deferred tax liability at end of the year	**(2)**	(5)

51. Subordinated debt

	Redeemable/payable date	First callable date	Nominal value[1] Million	Carrying value[1] 2018 Rm
SBT201	13 February 2028	13 February 2023	ZAR3 000	**3 041**
SBT202	03 December 2028	03 December 2023	ZAR1 516	**1 528**
SBT203	03 December 2028	03 December 2023	ZAR 484	**488**
Total				**5 057**

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

Subordinated debt are measured on an amortised cost basis and are classified as level 2 in the fair value hierachy, with a fair value of R5.528 billion.

51.1 Maturity analysis

	Within one to five years[1] 2018 Rm
Subordinated debt – discounted	**5 057**

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

52. Other income/(losses)

	2018 Rm	2017 Rm
Foreign exchange gains	1	
Unrealised gains on financial instruments	27	
Other	(8)	(9)
Total	20	(9)

53. Direct taxation

	2018 Rm	2017 Rm
Current year		
South African normal tax	147	82
Deferred tax charge	6	
Foreign and withholding taxes	55	16
Prior years		
South African normal tax prior year under provision	2	19
Total direct taxation recognised in statement of comprehensive income	210	117
South African tax rate reconciliation (%)		
Direct tax – statutory rate	28.0	28.0
Prior year tax	0	0.1
Direct tax – current year	28	28.1
Withholding tax	0.3	0.1
Direct tax – current year – normal	28.3	28.2
Permanent differences	(27.1)	(27.5)
Impairment of investment	0.1	
Dividends received	(26.8)	(27.2)
Equity accounted earnings	(0.4)	(0.3)
Direct effective tax rate[1]	1.2	0.7

[1] Expressed as a percentage of profit before direct tax.

54. Statement of cash flows notes

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

	2018 Rm	2017 Rm
Dividends received	**(17 751)**	(16 980)
Interest income	**(350)**	(41)
Interest expense	**286**	1
Share of profits from associates and joint ventures	**(289)**	(213)
Impairment of investment in subsidiary	**24**	
Unrealised gains on financial instruments	**(27)**	
Non-cash expenses	**9**	14
Foreign exchange gains and losses	**(1)**	
Total	**(18 099)**	(17 219)

54.2 Increase in investment in subsidiaries

	2018 Rm	2017 Rm
Increase in investment in subsidiaries	**(1 712)**	(6 044)
Movement in indebtness	**(4 963)**	(403)
Total	**(6 675)**	(6 447)

54.3 Reconciliation of subordinated debt

	2018 Rm	2017 Rm
Balance at the beginning of the year		
Subordinated debt issue	**5 057**	
Balance at the end of the year	**5 057**	

55. Liquidity, credit and market risk information

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

Annexure A – Subsidiaries, consolidated and unconsolidated structured entities

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

STANDARD BANK GROUP[1]

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

Melville Douglas Investment Management[1]

Standard Insurance[1]

Standard Trust[1]

Stanvest[1]

SBG Securities[1]

Standard Bank Properties[1]

Standard Lesotho Bank (80%)

Standard Bank Namibia[2]

Standard Bank Swaziland (72.22%)

Standard Bank de Angola (51%)

Standard Advisory (China)

Standard Advisory London, UK

Standard New York, USA

Stanbic Africa Holdings, UK
- Stanbic Bank (Botswana)
- Stanbic Bank Ghana (99.54%)
  - SBG Securities Ghana
- Standard Holdings Côte d'Ivoire (99%)
  - Stanbic Bank, Côte d'Ivoire (99%)
- Stanbic Bank Tanzania (99.99%)
- Stanbic Bank Holdings Limited (80%)[6]
- Stanbic Bank Zambia (99.99%)
- Stanbic Holdings, Kenya (69.05%)[3]
  - Stanbic Bank Kenya
  - Stanbic Insurance Agency
- Stanbic IBTC Holdings, Nigeria (65.35%)[4]
  - Stanbic IBTC Bank (99.99%)
- Stanbic Bank Zimbabwe
- Standard Bank RDC, DRC (99.99%)
- Standard Bank, Malawi (60.18%)
- Standard Bank (Mauritius)
- Standard Bank S.A. Mozambique (98.15%)[5]

[1] Refer to footnote on page 121.

STANDARD BANK GROUP[1]

Standard Bank London Holdings, UK

- Standard Advisory Asia, Hong Kong

Standard Bank Offshore Group, Jersey

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

Standard Bank Group International, Isle of Man

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

Liberty Holdings[1] (53.62%)

- Liberty Group[1]
  - Frank Life[1]
  - Liberty two degrees[1] (58.46%)[7]
- Liberty Group Properties[1]
- Liberty Holdings Namibia (75%)
- Liberty Kenya Holdings (57.74%)
- STANLIB[1]
  - STANLIB Asset Management[1]
  - STANLIB Collective Investments[1]
  - STANLIB Fund Managers Jersey
  - STANLIB Multi-Manager[1]
  - STANLIB Wealth Management[1]

1 Incorporated in South Africa.
2 Standard Bank Group legally owns 90% of SBN Holdings in Namibia but consolidates 100% due to the degree of control it retains over its empowerment structure.
3 Change in holding from 60% to 69.05%.
4 Change in holding from 53.07% to 65.35%.
5 Change in holding from 98.14% to 98.15%.
6 Previously known as Stanbic Bank Uganda.
7 Change in holding from 62.73% to 58.46%.

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

	Nature of operation	Nominal share capital issued Rm
Standard Bank Group Limited will ensure that the capital adequacy of its subsidiaries denoted by # will meet the requirements of home and host regulators, as required by section 70(A) of the South African Banks Act.		
Banking subsidiaries		
Stanbic Bank Botswana Limited (Botswana)[1#]	Commercial bank	423
Stanbic Bank Ghana Limited (Ghana)[1,3#]	Commercial bank	630
Stanbic Bank Kenya Limited (Kenya)[1#]	Commercial bank	423
Stanbic Bank S.A. (Côte d'Ivoire)[3#]	Commercial bank	557
Stanbic Bank Tanzania Limited (Tanzania)[1,3#]	Commercial bank	44
Stanbic Bank Zambia Limited (Zambia)[1,3#]	Commercial bank	660
Stanbic Bank Zimbabwe Limited (Zimbabwe)[1#]	Commercial bank	2
Stanbic Holdings Uganda Limited (Uganda)[1,4#]	Commercial bank	227
Stanbic IBTC Bank PLC (Nigeria)[1#]	Commercial bank	110
Standard Bank de Angola S.A. (Angola)[#]	Commercial bank	768
Standard Bank Isle of Man Limited (Isle of Man)[1#]	Merchant bank	25
Standard Bank Jersey Limited (Jersey)[1#]	Merchant bank	454
Standard Bank PLC (Malawi)[1,4#]	Commercial bank	23
Standard Bank (Mauritius) Limited (Mauritius)[1#]	Commercial bank	342
Standard Bank Namibia Limited (Namibia)[1,5#]	Commercial bank	2
Standard Bank RDC S.A. (DRC)[1,3#]	Commercial bank	659
Standard Bank S.A. (Mozambique)[1#]	Commercial bank	309
Standard Bank Swaziland Limited (Swaziland)[#]	Commercial bank	15
Standard Lesotho Bank Limited (Lesotho)[#]	Commercial bank	21
The Standard Bank of South Africa Limited[#]	Commercial bank	60
Total banking subsidiaries		

Refer to footnotes on the following page.

Effective holding[2]		Non-controlling interest		Book value of shares		Net indebtedness	
2018 %	2017 %	**2018 %**	2017 %	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
100	100						
99	99	**1**	1				
69	60	**31**	40				
100	100						
100	100						
100	100						
100	100			**136**	136		
80	80	**20**	20				
65	53	**35**	47				
51	51	**49**	49	**359**	359	**130**	
100	100						
100	100						
60	60	**40**	40				
100	100						
100	100						
100	100						
98	98	**2**	2				
72	72	**28**	28	**94**	94		
80	80	**20**	20	**13**	13		
100	100			**47 799**	47 049	**6 158**	1 312
				48 401	47 651	**6 288**	1 312

	Nature of operation	Nominal share capital issued
Non-banking subsidiaries		
Ecentric Payment Systems Proprietary Limited[1]	Development and marketing transactions – switching software and services	
Liberty Group Limited[1]	Insurance company	29
Liberty Holdings Limited[4]	Insurance holding company	26
Liberty Two Degrees[1,6]	Real Estate Investment Trust	
Melville Douglas Investment Management Proprietary Limited#	Asset and portfolio management	
SBG Securities Proprietary Limited#	Stockbrokers	
SBN Holdings Limited (Namibia)[5]	Bank holding company	1
Stanbic Africa Holdings Limited (UK)	Investment holding company	1 494
Stanbic Holdings Plc (Kenya)[1,4]	Bank holding company	232
Stanbic IBTC Holdings PLC (Nigeria)[1,4]	Bank holding company	279
Standard Advisory (China) Limited (China)	Trading company	8
Standard Advisory London Limited (UK)	Arranging and advisory company	1
Standard Bank Group International Limited (Isle of Man)	Investment holding company	
Standard Bank International Investments Limited (Jersey)[1]#	Investment service provider	
Standard Bank London Holdings Limited (UK)	Investment holding company	6 337
Standard Bank Offshore Group Limited (Jersey)	Investment holding company	17
Standard Bank Offshore Trust Company Jersey Limited (Jersey)[1]#	Trust company	6
Standard Bank Trust Company (Mauritius) Limited (Mauritius)[1]#	Trust company	
Standard Finance Limited (Isle of Man)[1]#	Finance company	
Standard Insurance Limited	Short-term insurance	15
Standard New York, Inc (US)	Securities broker/dealer	55
Standard Trust Limited[2]#	Trust company	
STANLIB Limited[1]	Wealth and asset management	
Miscellaneous	Finance companies	
Total non-banking subsidiaries		
Total		

1 Held indirectly, no book value in Standard Bank Group Limited company.
2 Effective holding company comprises direct and indirect holdings.
3 Minorities hold 0.5% or less.
4 Listed on a stock exchange.
5 Standard Bank Group Limited legally owns 90% of SBN Holdings in Namibia but consolidates 100% due to the degree of control it retains over its empowerment structure.
6 Effective shareholding represents Liberty Group's direct shareholding

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

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

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

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

Effective holding		Non-controlling interest		Book value of shares		Net indebtedness	
2018 **%**	2017 %	**2018** **%**	2017 %	**2018** **Rm**	2017 Rm	**2018** **Rm**	2017 Rm
100	100						
54	54	**46**	46				
54	54	**46**	46	**7 668**	7 668		
58	62	**41**	38				
100	100			**53**	53		
100	100			**320**	320		
100	100			**400**	400		
100	100			**7 416**	5 643	**84**	72
69	60	**31**	40				
65	53	**35**	47				
100	100			**10**	10		
100	100			**557**	557		
100	100			**425**	1 217		
100	100						
100	100			**7 658**	7 658		
100	100			**49**	49		
100	100						
100	100						
100	100						
100	100			**30**	30		
100	100			**55**	55		
100	100						
54	54	**46**	46				
				108	132	**(112)**	(103)
				24 749	23 792	**(28)**	(31)
				73 150	71 443	**6 260**	1 281

Consolidated structured entities

Name of the entity	Nature of the operations	Amount of support provided as at[1,2,3] 2018 Rm	2017 Rm	Type of support[4] 2018 Rm	2017 Rm
Blue Granite Investments No. 1 (RF) Limited (BG1)	Facilitates mortgage-backed securitisations. The group is the primary funder to BG1.		45	**Subordinated loan**	Subordinated loan
			604	**Mortgage-backed notes**	Mortgage-backed notes
Blue Granite Investments No. 2 (RF) Proprietary Limited (BG2)	Facilitates mortgage-backed securitisations. The group is the primary funder to BG2.	**28**	27	**Subordinated loan**	Subordinated loan
Blue Granite Investments No. 3 (RF) Proprietary Limited (BG3)	Facilitates mortgage-backed securitisations. The group is the primary funder to BG3.	**59**	217	**Subordinated loan**	Subordinated loan
Blue Granite Investments No. 4 (RF) Proprietary Limited (BG4)	Facilitates mortgage-backed securitisations. The group is the primary funder to BG4.	**18**	16	**Subordinated loan**	Subordinated loan
Siyakha Fund (RF) Limited (Siyakha)	Facilitates mortgage-backed securitisations. The group is the primary funder to Siyakha.	**501**	82	**Subordinated loan**	Subordinated loan
			941	**Mortgage-backed notes**	Mortgage-backed notes
Blue Shield Investments 01 (RF) Limited (Blue Shield 01)	Facilitates mortgage-backed securitisations. The group is the primary funder to Blue Shield 01.	**504**	504	**Subordinated loan**	Subordinated loan
		16 162	16 163	**Mortgage-backed notes**	Mortgage-backed notes

Terms of contractual arrangements that require the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
The loans do not have a fixed term or repayment date. The first loss loan incurs interest at a rate of JIBAR plus 10% per annum and is only payable to the extent of available cash reserves. The second loss loan incurs interest at a rate of JIBAR plus 8% per annum and is only payable to the extent of available cash reserves. During the 2018 financial year, all subordinated loans and mortgage-backed notes were settled and the assets bought back by SBSA.	Should BG 1's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The group holds the class A4, A6, B, C, D, E and F notes. Interest for the different classes of notes accrues at the three-month JIBAR rate plus a margin ranging between 0.55% to 8%. Interest is payable quarterly. The notes' maturity date is 21 November 2032. During the 2018 financial year, all subordinated loans and mortgage-backed notes were settled and the assets bought back by SBSA.	
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG2's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG3's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG4's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should Siyakha's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds class A1 notes for which interest accrues at the three-month JIBAR rate plus 1.10%. The group also holds class A2, B, C and D notes for which interest accrues at a rate from prime less 2.1% to prime plus 2%. Interest is payable quarterly. The notes' maturity date is 11 February 2045.	
The subordinated loan is provided by the group. Interest is charged at the lower of prime plus 10% or net profit after tax or cash balance available in Blue Shield 01.	Should Blue Shield 01's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The group holds class A1, A2, A3 and C notes. Interest for the different classes of notes accrues at the three-month JIBAR rate plus a margin ranging between 1.55% and 4.00%. Interest is payable quarterly. The notes' maturity date is 21 November 2019.	

Name of the entity	Nature of the operations	Amount of support provided as at[1,2,3] 2018 Rm	Amount of support provided as at[1,2,3] 2017 Rm	Type of support[4] 2018 Rm	Type of support[4] 2017 Rm
Blue Shield Investments 02 (RF) Limited (Blue Shield 02)	Facilitates mortgage-backed securitisations. The group is the primary funder to Blue Shield 02.	**1 350**	1 314	**Subordinated loan**	Subordinated loan
		30 708	30 722	**Mortgage-backed notes**	Mortgage-backed notes
Blue Banner Securitisation Vehicle RC1 Proprietary Limited (Blue Banner)	Originates mortgage loans on behalf of group. The group is required to provide the funding for these mortgage loans.	**88**	106	**Bridging finance**	Bridging finance
Out of The Blue Originator Proprietary Limited (OTB)	OTB originates loans on behalf of Blue Titanium Conduit (RF) Limited (BTC). BTC is consolidated by the group.			**Overdraft facility**	Overdraft facility
Blue Titanium Conduit (RF) Limited (BTC)	Purchases eligible term assets and funds such investments through the issuance of commercial paper. The group is the primary liquidity facility provider to BTC.			**Liquidity facility**	Liquidity facility
			306	**Commercial paper**	Commercial paper
				Credit enhancement facility	Credit enhancement facility
Rapvest Investment Proprietary Limited	Facilitates finance deals for other group companies and third parties through preference share investments and loans to clients.	**9 790**	10 055	**Loan**	Loan
DAF Financial Services (RF) Proprietary Limited (DFS)	The structure is an asset-backed funding solution. The financial assets, the truck finance receivables, are transferred to DFS and funding is provided by Standard Bank on a limited-recourse basis secured by the receivables.	**301**		**Loan**	
Main Street 367 (RF) Proprietary Limited (Main Street)	Facilitates financing to BG1, BG2, BG3, BG 4 and Siyakha. SB-Debtors provides the funding to Main Street to enable Main Street to originate these loans.	**210**	212	**Subordinated loan**	Subordinated loan
Blue Diamond Investments No. 3 (RF) Limited (BD)3	The group issues notes to Blue Diamond Investments No. 3 (BD) then BD obtains credit protection from third-party investors by issuing notes to third-party investors on single or multiple corporate names. The notes issued by BD are held by Liberty.	**206**		**Credit-linked notes**	

1 The amount of support provided includes loans and advances and drawn down credit facilities provided to SEs by the group.
2 During the reporting period, the group did not provide any financial or other support to any subsidiary without having a contractual obligation to do so.
3 This is the amount as reported on the balance sheet as at 31 December 2018 and 2017 respectively.
4 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business. These transactions include loans and advances, deposits and current accounts and derivatives.

Terms of contractual arrangements that requires the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
The subordinated loan is provided by the group. Interest is charged at 11.25%.	Should Blue Shield 02's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds class A1, A2, B and C notes. Interest for the different classes of notes accrues at prime rate less a margin ranging between 1% and 1.9%. Interest is payable quarterly. The notes' maturity date is 1 December 2055.	
The loan does not have a fixed term or repayment date. Any profits in Blue Banner are paid out as interest to the group.	Should Blue Banner's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
OTB applies for the necessary overdraft facility as and when it originates loans. The drawn amount is settled once the originated loan is sold to BTC. The terms are negotiated and agreed upon at the time of granting of the overdraft facility. During the year, OTB did not apply for an overdraft facility. As at 31 December 2018, the outstanding balance on the overdraft facility was Rnil (2017: Rnil)	This SE does not expose the group to a risk of loss as it acts as a conduit between the group and BTC. OTB draws down on the overdraft facility as and when BTC originates loans and the facility is repaid on the same day of the draw down.
The liquidity facility is limited to the value of the underlying assets in BTC. As at 31 December 2018, the liquidity facility limit was Rnil (2017: R1 961 million).	In the event that the underlying assets are classified as non-performing loans.
The group periodically invests in commercial paper (CP) issued by BTC. The CP is typically short term in nature (92 days), and issued at arm's length. During the year ended 31 December 2018, SBSA held no investments in commercial paper issued by BTC.	
The credit enhancement facility is limited to 20% of all participating assets (the outstanding commercial paper issued in the market). BTC had not drawn down on the credit enhancement facility as at 31 December 2018.	
The loan is repayable on demand and no interest is charged on the loan.	In the event that the underlying assets are classified as non-performing loans.
The loan bears interest at a rate of prime plus 1%. The maturity date of the loan is 30 September 2022.	SBSA is exposed to the first-loss risk in the structure as well as potential losses that may be incurred on the receivables as a result of residual asset value risk. The residual asset value risk is, however, limited due to a put option that is in place.
The loan is only repayable to the extent that Main Street receives payment from BG1, BG2, BG3, BG4 and Siyakha. The interest is charged at the higher of JIBAR plus 10% and the cash available in terms of Main Street's priority of payments less R15 000.	In the event that customers of BG1, BG2, BG3, BG4 and Siyakha are unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds the notes issued by (BD)3. The group settles BD's operating expenses as and when necessary, typically in the event that BD has liquidity constraints. Any payment for such amounts is to be refunded by BD to the group.	In the event of a credit event, the group will suffer a loss. The group is also exposed to the risk of loss should it be unable to recover any unexpected operating expenses from (BD)3.

Unconsolidated structured entities

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

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

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

Unconsolidated structured entities continued

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

	2018 Rm	2017 Rm
Balance sheet		
Unconsolidated structured entities:		
Financial investments	**340**	192
Deposits and debt funding accounts from customers	**(2 118)**	(1770)
Trading assets	**31**	57
Total	**(1 747)**	(1521)

For both 2017 and 2018, Blue Diamond Investments No. 1 and No. 2 (RF) Limited earned income via a once off fee and commission income earned for structuring the SE.

Details of group companies with material non-controlling interests

	Liberty Group Limited		Africa Regions[1]	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Non-controlling interests (%)	**46**	46	*****	*
Summarised financial information on an IFRS basis before intercompany eliminations				
Total assets	**437 274**	444 127	**214 883**	175 556
Total liabilities	**405 881**	413 736	**181 335**	149 578
Total income	**50 504**	82 772	**23 061**	22 090
Profit for the year	**3 042**	3 704	**8 511**	7 234
Change in cash balances[2]	**1 805**	175	**8 087**	(6 642)
Profit attributable to non-controlling interests after inter-company eliminations	**1 169**	1 388	**2 640**	2 315
Non-controlling interest within statement of financial position	**16 933**	16 569	**8 333**	7 697
Dividends paid to non-controlling interests	**1215**	998	**662**	430

1 All balances except total assets and total liabilities (translated using the closing exchange rate) have been translated using cumulative exchange rates.
2 This line has been amended to reflect the change in total cash balances, having previously being stated as the change in cash balances with central banks.
* Please refer to pages 122 to 125.

Annexure B – Associates and joint ventures

	Safika Holdings Proprietary Limited[1]	Industrial and Commercial Bank of China (Argentina) S.A.	South African Home Loans Proprietary Limited (SAHL)
Ownership structure	Associate	Associate	Associate
Nature of business	Investment holding company	Banking	Finance
Principal place of business and country of incorporation	South Africa	Argentina	South Africa
Year end	February	December	February
Accounting treatment	Equity accounted	Equity accounted	Equity accounted
Date to which equity accounted	31 December 2018	31 December 2018	31 December 2018

	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
Effective holding (%)	**26.67**	26.67	**20**	20	**50**	50
Income statement						
Total comprehensive income/(loss)	**465**	795	**2 460**	2 193	**578**	426
Total comprehensive income/(loss) attributed to equity holders of the associate and joint ventures[2]	**124**	212	**492**	448	**289**	213
Dividend received from associates/ joint ventures	**27**				**113**	90
Statement of financial position[3]						
Non-current assets	**3 005**	2 623	**1 360**	1 633	**32 965**	30 157
Current assets	**207**	162	**69 053**	68 237	**5 135**	3 570
Non-current liabilities	**(117)**		**(331)**	(259)	**(35 239)**	(31 541)
Current liabilities		(56)	**(63 849)**	(61 638)	**(605)**	(209)
Net asset value attributed to equity holders of the associate and joint venture	**3 095**	2 729	**6 233**	7 973	**2 256**	1 977
Proportion of net asset value based on effective holding	**825**	728	**1 247**	1 595	**1 128**	989
Goodwill			**136**	235		
Other			**6**	10	**(63)**	(76)
Carrying value	**825**	728	**1 389**	1 840	**1 065**	913
Share of profits/(losses) from associate and joint ventures	**124**	212	**492**	448	**289**	213

1 The investment was made by the group's private equity operations and have been ring-fenced for headline earnings purposes. On the disposal of these associates and joint ventures held by the group's private equity division the gain or loss on the disposal will be included in headline earnings in terms of Headline Earnings Circular 4/2018 as issued by the South African Institute of Chartered Accountants, as amended from time to time.
2 Includes FCTR as reported by the associates and joint ventures. Excludes FCTR that originates at a group level as a result of inclusions of the associates and joint ventures in the group's results.
3 Summarised financial information is provided based on the latest available management accounts received.

ICBC Standard Bank Plc (ICBCS)		Other joint ventures		Other associates		Total associates and joint ventures – equity accounted	
Associate		Joint ventures		Associates		Associates and joint ventures	
Banking		Various		Various		Various	
London, UK		Various		Various		Various	
December		Various		Various		Various	
Equity accounted		Equity accounted		Equity accounted		Equity accounted	
31 December 2018		31 December 2018		31 December 2018		31 December 2018	
2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
40	40	**Various**	Various	**Various**	Various	**Various**	Various
(185)	802						
(74)	321						
		25			9		
291	131 784						
353 045	161 835						
(335 251)	(48 546)						
	(229 290)						
18 085	15 783						
7 234	6 313						
(769)	(660)						
6 465	5 653	**57**	82	**575**	449	**10 376**	9 665
(74)	152	**46**	8	**35**	69	**912**	1 102

	STANLIB Income Fund	STANLIB Property Income Fund	STANLIB Balanced Cautious Fund
Ownership structure	Associate	Associate	Associate
Nature of business	Fund	Fund	Fund
Principal place of business	South Africa	South Africa	South Africa
Year end	December	December	March
Accounting treatment	Fair value accounted	Fair value accounted	Fair value accounted

	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Effective holding (%)	**9**	11		14	**23**	22
Fair value	**3 196**	3 118		1 231	**1 679**	1 620
Income statement						
Revenue	**2 832**	2 217		480	**450**	429
Total profit for the year	**2 661**	2 076		377	**322**	292
Total comprehensive income	**2 661**	2 076		377	**322**	292
Dividend received from associates	**249**	175		55	**63**	70
Statement of financial position[1]						
Non-current assets	**34 823**	27 551		8 169	**7 128**	6 852
Current assets	**475**	385		30	**252**	445
Current liabilities	**(22)**	(15)		(16)	**(102)**	(9)
Net asset value	**35 276**	27 921		8 183	**7 278**	7 288
Total carrying value, including loans measured at fair value	**3 196**	3 118		1 231	**1 679**	1 620

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

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

	2018 Rm	2017 Rm
Cost	**48**	48
Carrying value	**619**	546
Statement of financial position[2]		
Non-current assets	**3 005**	2 623
Current assets	**207**	162
Current liabilities		(56)
Non-current liabilities	**(117)**	
Income statement		
Attributable income before impairment	**93**	159
Realised gains on disposal for the period included in headline earnings		
Fair value	**619**	546

1 The above note represents the banking activities 20% held in Safika Holdings Proprietary Limited.
2 Summarised financial information of the associates and joint ventures is provided based on the latest available management accounts received.

STANLIB Balanced Fund		STANLIB Corporate Money Market Fund		Other associates and joint ventures – fair value accounted		Total associates and joint ventures – fair value accounted	
Associate		Joint ventures		Associates		Associates and joint ventures	
Fund		Various		Various		Various	
South Africa		Various		Various		Various	
February		Various		Various		Various	
Fair value accounted		Fair value accounted		Fair value accounted		Fair value accounted	
2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
29	27	**5**	5	**Various**	Various	**Various**	Various
1 298	1 516	**2 014**	1 678	**5 637**	6 034	**13 824**	15 197
209	227	**3 207**	2 874				
132	146	**3 120**	2 801				
132	146	**3 120**	2 801				
35	46	**139**	19				
4 355	5 555	**37 194**	30 447				
156	253	**1 932**	3 703				
(42)	(9)	**(8)**	(7)				
4 469	5 799	**39 118**	34 143				
1 298	1 516	**2 014**	1 678	**5 637**	6 034	**13 824**	15 197

Annexure C – Risk and capital management – IFRS disclosures

Overview

Capital management

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

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

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

Enterprise risk management

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

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

The risk management disclosure that follows separately discloses the group's banking operations and investment management and life insurance activities as the group's investment management and life insurance risk is primarily managed within the Liberty group of companies which houses the group's material long-term insurance operations. The group has 55.5% interest in Liberty and, therefore, shares 55.5% of the risk exposure.

Banking operations

Capital management

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

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

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

Common equity tier 1 (CET 1): ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets (RWA).

Tier 1: CET 1 and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Perpetual non-cumulative preference shares that comply with Basel I and Basel II rules are included in tier I capital but are currently subject to regulatory phase-out requirements over a ten-year period, which commenced on 1 January 2013.

Total capital adequacy: tier 1 plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Subordinated debt that complies with Basel I and Basel II rules is included in total capital but is currently subject to regulatory phase-out requirements, over a ten-year period, which commenced on 1 January 2013.

QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

	2018 Rm	2017 Rm
IFRS ordinary shareholders' equity#	**165 061**	157 020
Qualifying non-controlling interest	**5 451**	4 892
Less: regulatory adjustments	**(24 628)**	(32 326)
Goodwill	**(2 208)**	(1 904)
Other intangible assets	**(17 703)**	(18 603)
Shortfall of credit provisions to expected future losses[1]		(2 076)
Investments in financial	**(8 616)**	(9 141)
Other	**3 899**	(602)
Unappropriated profit	**(11 643)**	(11 304)
CET 1 capital	**134 241**	118 282
Qualifying other equity instruments	**5 702**	6 291
Qualifying non-controlling interests	**385**	416
Tier 1 capital	**140 328**	124 989
Qualifying Tier II subordinated debt	**17 545**	14 777
General allowance for credit impairments	**2 776**	2 173
Tier II capital	**20 321**	16 950
Total regulatory capital	**160 649**	141 939
Total capital requirement	**120 405**	102 884
Total RWA	**1 079 642**	957 046

The table above is not audited unless it is denoted with #.

1 For reporting periods up to 31 December 2017, the group deducted from available capital the shortfall of IAS 39 credit provisions to regulatory expected loss. Given that the IFRS 9 impairment provisions are greater than the regulatory expected losses, this adjustment is no longer recognised.

Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Approach to managing and measuring credit risk

The group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. To the extent equity risk is held on the banking book, it is also managed under the credit risk governance framework, except in so far as approval authority rests with group equity risk committee (ERC). The management of credit risk is aligned to the group's three lines of defence framework. The business functions own the credit risk assumed by the group and, as the first line of defence, is primarily responsible for its management, control and optimisation in the course of business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming risk, is undertaken with integrity. Further second line oversight is provided by the group risk function through independent credit risk assurance.

The third line of defence is provided by group internal audit (GIA), under its mandate from the group audit committee (GAC).

Credit risk is managed through:

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

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future exposures (PFE) basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

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

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

In the case of collateral where the group has an unassailable legal title, the group's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including:

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

The main types of collateral obtained by the group for its banking book exposures include:

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

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

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

For trading and derivatives transactions where collateral support is considered necessary, the group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure (CSA).

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

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

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

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

Credit portfolio characteristics and metrics in terms of IFRS 9

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the group's master rating scale. 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 PBB portfolios. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

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

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

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

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

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

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

IAS 39

Performing loans

Performing loans are classified into two categories, namely:

- Neither past due nor specifically impaired loans: these loans are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21, and close monitoring loans are generally rated 22 to 25 using the group's master rating scale.
- Early arrears but not specifically impaired loans: early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is unlikely but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of future cash flows, including collateral. Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows.

Specifically impaired loans are further analysed into the following categories:

- **Substandard:** items that show underlying well-defined weaknesses and are considered to be specifically impaired.
- **Doubtful:** items that are not yet considered final losses due to some pending factors that may strengthen the quality of the items.
- **Loss:** items that are considered to be uncollectible in whole or in part. The group provides fully for its anticipated loss, after taking collateral into account.

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

		SB 1 – 12		SB 13 – 20	
		Stage 1 Rm	Stage 2 Rm	Stage 1 Rm	Stage 2 Rm
Loans and advances measured at amortised cost					
Personal & Business Banking	701 723	191 602	1 815	407 955	7 083
Mortgage loans	362 006	108 575	1 786	196 795	4 332
Vehicle and asset finance	89 410	1 250	11	75 939	1 214
Card debtors	33 216	1 604	8	25 382	174
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
Corporate & Investment Banking	510 113	291 386	4 912	179 889	17 965
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
Other service	(55 687)	(55 687)			
Gross carrying amount	1 156 149	427 301	6 727	587 844	25 048
Less: total ECL for loans and advances	(36 685)				
Net carrying amount	1 119 464				
Financial investments at amortised cost					
Corporate	15 433	14 084		1 349	
Sovereign	126 184	113 771		9 531	
Banking	1 974	1 974			
Other instruments	748	748			
Gross carrying amount	144 339	130 577		10 880	
Less: total ECL for financial investments	(194)				
Net carrying amount	144 145				
Financial investments at fair value through OCI					
Corporate	1 756	1 325		409	
Sovereign	34 488	10 181		16 997	
Gross carrying value	36 244	11 506		17 406	
Add: fair value adjustments	36				
Total financial investment at fair value through OCI	36 280				
Off-balance sheet exposure					
Letters of credit and bankers' acceptances	8 206	5 206	82	2 563	321
Guarantees	57 070	42 311	1 053	11 263	1 830
Unutilised facilities	178 959	153 924	1 811	20 307	2 872
Total exposure to off-balance sheet credit risk	244 235	201 441	2 946	34 133	5 023
Less: ECL for off-balance sheet exposures	(588)				
Total exposure to credit risk on financial assets subject to an expected credit loss	1 543 536				
Add: the following exposures not subject to ECL	354 861				
Cash and balances with central banks[1]	85 145				
Derivative assets	48 429				
Loans and advances at fair value	1 204				
Other financial assets[2]	9 583				
Other financial investment	24 955				
Pledged assets	7 218				
Trading assets	178 327				
Total exposure to credit risk	1 898 397				

[1] Balances with central banks are not subjected to ECL considerations due to the rigorous regulatory requirements of these transactions and its link to the underlying entities' ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.
[2] Due to the short-term nature of these financial assets and historical experience, other financial assets are regarded as having a low probability of default.

SB 21 – 25		Default				
Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss and interest in suspense on Stage 3 Rm	Gross default coverage %	Non-performing exposures %
8 220	50 589	34 459	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
2 882						
2 882						
22						
7 310						
7 332						
24	8	2				
2	101	510				
11	34					
37	143	512				

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY CONTINUED

	Performing loans				
		Neither past due nor specifically impaired		Not specifically impaired	
	Gross loans and advances Total Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing Rm
2017					
Personal & Business Banking	645 868	569 206	17 485	30 258	
Mortgage loans	346 518	303 125	8 564	19 325	
Instalment sale and finance leases	81 640	71 873	2 393	4 248	
Card debtors	32 268	27 204	1 389	1 555	
Other loans and advances	185 442	167 004	5 139	5 130	
Personal unsecured lending	51 835	41 731	2 653	3 262	
Business lending and other	133 607	125 273	2 486	1 868	
Corporate & Investment Banking	472 437	464 020	2 132	685	25
Corporate loans	408 624	400 426	2 132	685	
Commercial property finance	63 813	63 594			25
Other services	(47 834)	(47 836)			
Gross loans and advances	1 070 471	985 390	19 617	30 943	25
Less:					
Impairments for loans and advances	(22 444)				
Net loans and advances	1 048 027				
Add the following other banking activities exposures:					
Cash and balances with central banks	75 310				
Derivative assets	72 629				
Financial investments	180 104				
Trading assets	159 798				
Pledged assets	8 879				
Other financial assets	6 185				
Total on-balance sheet exposure	1 550 932				
Off-balance sheet exposure					
Letters of credit and bankers' acceptances	13 413				
Guarantees	63 761				
Irrevocable unutilised facilities	62 347				
Total exposure to credit risk	1 690 453				

Non-performing loans									
Specifically impaired loans									
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	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	Gross specific impair-ment coverage %	Total non-per-forming loans Rm	Non-per-forming loans %
7 420	14 725	6 774	28 919	16 976	11 943	11 943	41	28 919	4.5
4 273	10 675	556	15 504	11 525	3 979	3 979	26	15 504	4.5
409	1 561	1 156	3 126	1 759	1 367	1 367	44	3 126	3.8
542	411	1 167	2 120	524	1 596	1 596	75	2 120	6.6
2 196	2 078	3 895	8 169	3 168	5 001	5 001	61	8 169	4.4
395	1 343	2 451	4 189	1 002	3 187	3 187	76	4 189	8.1
1 801	735	1 444	3 980	2 166	1 814	1 814	46	3 980	3.0
1 951	3 254	370	5 575	2 250	3 325	3 325	60	5 600	1.2
1 914	3 097	370	5 381	2 180	3 201	3 201	59	5 381	1.3
37	157		194	70	124	124	64	219	0.3
		2	2		2	2		2	
9 371	17 979	7 146	34 496	19 226	15 270	15 270	44	34 521	3.2

Concentration risk

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

IFRS: INDUSTRY SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2018 Rm	2017 Rm
Agriculture	35 252	33 476
Construction	16 218	14 921
Electricity	18 781	19 211
Finance, real estate and other business services	350 025	295 917
Individuals	465 020	459 660
Manufacturing	78 820	60 130
Mining	33 423	25 675
Transport	37 016	24 909
Wholesale	60 078	23 552
Other services	62 720	113 020
Gross loans and advances	**1 157 353**	1 070 471

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2018		2017	
	%	Rm	%	Rm
South Africa	70	808 658	80	857 642
Africa Regions	20	229 047	15	162 260
International	10	119 648	5	50 569
Gross loans and advances	**100**	**1 157 353**	100	1 070 471

IFRS: INDUSTRY SEGMENTAL ANALYSIS OF STAGE 3/NON-PERFORMING CREDIT IMPAIRMENT OF LOANS AND ADVANCES

	2018 Rm	2017 Rm
Agriculture	1 776	756
Construction	842	156
Electricity	491	245
Finance, real estate and other business services	1 580	1 470
Individuals	13 743	9 121
Manufacturing	1 315	295
Mining	244	853
Transport	318	474
Wholesale	577	360
Other services	2 915	1 540
Credit impairment of non-performing loans	**23 801**	15 270

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS OF STAGE 3/NON-PERFORMING CREDIT IMPAIRMENT OF LOANS AND ADVANCES

	2018		2017	
	%	Rm	%	Rm
South Africa	70	16 630	82	12 583
Africa Regions	20	4 710	18	2 689
International	10	2 461		(2)
Credit impairment of non-performing loans	**100**	**23 801**	100	15 270

Collateral

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

Collateral includes:

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

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In the retail portfolio, 56% (2017: 56%) is fully collateralised. The R4.5 billion (2017: R3.0 billion) of retail accounts that lie within the 0% to 50% range of collateral coverage mainly comprise accounts which are either in default or legal. The total average collateral coverage for all retail mortgage exposures in the 50% to 100% collateral coverage category is 79% (2017: 95%).

Of the group's total exposure, 57% (2017: 48%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

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

COLLATERAL

						Collateral coverage – Total collateral		
2018	Total exposure (a+b) Rm	Un-secured (a) Rm	Secured (b) Rm	Netting agree-ments (c) Rm	Secured exposure after netting (b-c) Rm	1% to 50% Rm	50% to 100% Rm	Greater than 100% Rm
Corporate	612 478	439 420	173 058	10 540	162 518	13 855	116 605	32 058
Sovereign	259 994	249 101	10 893	2 265	8 628	772	7 150	706
Bank	360 994	233 936	127 058	45 732	81 326	44 668	31 161	5 497
Retail	604 711	120 343	484 368	473	483 895	4 536	139 280	340 079
Retail mortgage	372 152	68	372 084		372 084	1 217	42 134	328 734
Other retail	232 559	120 275	112 284	473	111 811	3 319	97 146	11 345
Total	1 838 177	1 042 800	795 377	59 010	736 367	63 831	294 196	378 340
Add: financial assets not exposed to credit risk	33 888							
Less: impairments for loans and advances	(36 685)							
Less: off-balance sheet items	(180 630)							
Total exposure	1 654 750							
Cash and balances with central banks	85 145							
Derivative assets	48 429							
Trading assets	178 327							
Pledged assets	7 218							
Financial investments	205 380							
Loans and advances	1 120 668							
Other financial assets	9 583							
Total	1 654 750							

COLLATERAL CONTINUED

2017	Total exposure (a+b) Rm	Un-secured (a) Rm	Secured (b)	Netting agree-ments (c) Rm	Secured exposure after netting (b-c) Rm	Collateral coverage – Total collateral 1% to 50% Rm	50% to 100% Rm	Greater than 100% Rm
Corporate	542 322	381 980	160 342	8 233	152 109	11 572	104 917	35 620
Sovereign	264 723	251 679	13 044	6 328	6 716	2 812	3 858	46
Bank	308 425	204 147	104 278	53 624	50 654	32 691	11 913	6 050
Retail	569 366	105 580	463 786	324	463 462	3 028	139 938	320 496
Retail mortgage	355 819	58	355 761		355 761	1 217	42 250	312 294
Other retail	213 547	105 522	108 025	324	107 701	1 811	97 688	8 202
Total	1 684 836	943 386	741 450	68 509	672 941	50 103	260 626	362 212

Add: Financial assets not exposed to credit risk	28 061
Less: impairments for loans and advances	(22 444)
Less: unrecognised off-balance sheet items[1]	(139 521)
Total exposure	1 550 932
Cash and balances with central banks	75 310
Derivative assets	72 629
Trading assets	159 798
Pledged assets	8 879
Financial investments	180 104
Loans and advances	1 048 027
Other financial assets	6 185
Total	1 550 932

Funding and liquidity risk

Definition

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

Approach to managing liquidity risk

The nature of the group's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the group with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The group manages liquidity in accordance with applicable regulations and within the group's risk appetite framework. The group's liquidity risk management governance framework supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met by the group's legal entities, under both normal and stressed conditions. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times. The group manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and derivative liabilities, which are presented as redeemable on demand) and will, therefore, not agree directly to the balances disclosed in the consolidated statement of financial position (SOFP).

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities, together with trading liabilities, are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand Rm	Maturing within one month Rm	Maturing between one to six months Rm	Maturing between six to 12 months Rm	Maturing after 12 months Rm	Total Rm
2018						
Financial liabilities						
Derivative financial instruments	**49 586**	**1**	**198**	**152**	**232**	**50 169**
Instruments settled on a net basis	**31 016**	**1**	**111**	**53**	**146**	**31 327**
Instruments settled on a gross basis	**18 570**		**87**	**99**	**86**	**18 842**
Trading liabilities	**61 267**					**61 267**
Deposits and debt funding	**912 296**	**63 412**	**154 403**	**80 128**	**195 352**	**1 405 591**
Subordinated debt		**58**	**411**	**6 594**	**15 901**	**22 964**
Other		**18 196**				**18 196**
Total	**1 023 149**	**81 667**	**155 012**	**86 874**	**211 485**	**1 558 187**
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	**17 801**					**17 801**
Guarantees	**85 576**					**85 576**
Irrevocable unutilised facilities	**77 253**					**77 253**
Total	**180 630**					**180 630**
2017						
Financial liabilities						
Derivative financial instruments[1]	73 676		12	32	29	73 749
Instruments settled on a net basis[1]	47 023		12	32	29	47 096
Instruments settled on a gross basis	26 653					26 653
Trading liabilities	63 576					63 576
Deposits and debt funding	787 553	101 860	120 565	84 280	177 282	1 271 540
Subordinated debt			134	344	19 719	20 197
Other		14 958				14 958
Total	924 805	116 818	120 711	84 656	197 030	1 444 020
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	13 413					13 413
Guarantees	63 761					63 761
Irrevocable unutilised facilities	62 347					62 347
Total	139 521					139 521

[1] In the prior year, amounts maturing between one to six months, six to 12 months and after 12 months were erroneously shown as negatives.

Market risk

Definition

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The group's key market risks are:

- trading book market risk
- interest rate in the banking book (IRRBB)
- equity risk in the banking book
- foreign currency risk
- own equity-linked transactions
- post-employment obligation risk.

Trading book market risk

Definition

Trading book market risk is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

The group's policy is that all trading activities are undertaken within the group's global markets' operations.

The market risk functions are independent of the group's trading operations and are accountable to the relevant legal entity ALCOs. ALCOs have a reporting line into group ALCO, a subcommittee of GROC.

All VaR and SVaR limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

VaR and SVaR

The group uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst case loss.

The ten-day period is based on the average expected time to reduce positions. The period of stress for SBSA is currently the 2008/2009 financial crisis while, for other markets, more recent stress periods are used where the group has received internal model approval, the market risk regulatory capital requirements is based on VaR and SVaR, both of which use a confidence level of 99% and a ten-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This will usually not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully
- the use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run similar levels of market risk throughout 2018 when compared to 2017 aggregate normal VaR, and reduced levels when compared to aggregate SVaR.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2018				
Commodities risk	**3**		**1**	**2**
Foreign exchange risk	**20**	**8**	**12**	**12**
Equity position risk	**12**	**2**	**6**	**8**
Debt securities	**33**	**12**	**17**	**20**
Diversification benefits[2]			**(10)**	**(16)**
Aggregate	**37**	**17**	**25**	**25**
2017				
Commodities risk	2			1
Foreign exchange risk	38	13	22	13
Equity position risk	12	3	6	5
Debt securities	22	12	16	12
Diversification benefits[2]			(14)	(11)
Aggregate	46	17	31	20

1 The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.
2 Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

TRADING BOOK SVAR ANALYSIS BY MARKET VARIABLE

	SVaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2018				
Pre-diversification			**409**	**487**
Aggregate	**457**	**191**	**304**	**369**
2017				
Pre-diversification			406	447
Aggregate	527	166	309	353

1 Diversification benefit is the benefit of measuring the SVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual regions' SVaRs and the SVaR of the whole trading portfolio.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

INTEREST RATE SENSITIVITY ANALYSIS[1]

		ZAR	USD	GBP	Euro	Other	Total
2018							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**2 211**	**397**	**(10)**	**(16)**	**497**	**3 079**
Decrease in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(2 251)**	**(429)**	**10**		**(468)**	**(3 138)**
2017							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 295	246	(2)	(15)	331	2 855
Decrease in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 325)	(339)			(367)	(3 031)

1 Before tax.

Equity risk in the banking book

Definition

Equity risk is defined as the risk of loss arising from a decline in the value of an equity or equity-type instrument held on the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value (NAV), enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Though issuer risk in respect of tradable equity instruments constitutes equity risk, such traded issuer risk is managed under the trading book market risk framework.

Approach to managing equity risk in the banking book

Equity risk relates to all transactions and investments subject to approval by the group ERC, in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

For the avoidance of doubt, equity risk in the banking book excludes strategic investments in the group's subsidiaries, associates and joint ventures deployed in delivering the group's business and service offerings unless the group financial director and group chief risk officer deem such investments to be subject to the consideration and approval by the group ERC.

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2018			
Equity securities listed and unlisted	**3 262**	**3 624**	**3 986**
Listed		**103**	
Unlisted		**3 521**	
Impact on profit and loss	**(356)**		**356**
Impact on OCI	**(7)**		**7**
2017			
Equity securities listed and unlisted	3 005	3 340	3 673
Listed		468	
Unlisted		2 872	
Impact on profit and loss	(326)		326
Impact on OCI	(8)		8

Foreign currency risk

Definition

The group's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Approach to managing foreign currency risk

The group foreign currency management committee, a subcommittee of the group capital management committee, manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Hedging is undertaken in such a way that it does not constrain normal operating activities. In particular, for banking entities outside of the South African common monetary area, the need for capital to fluctuate with risk-weighted assets is taken into account.

The repositioning of the group's NAV by currency, which is managed at a group level, is a controlled process based on underlying economic views and forecasts of the relative strength of currencies. The group does not ordinarily hold open exposures of any significance with respect to its banking book.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships in terms of IFRS are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

Foreign currency risk sensitivity analysis

The following table reflects the expected financial impact, in rand equivalent, resulting from a 10% shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposures arising from designated net investment hedges, other derivative financial instruments, foreign-denominated cash balances and accruals and intragroup foreign-denominated debt. The sensitivity analysis reflects the sensitivity to OCI and profit or loss on the group's foreign-denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis. The group's NAV in foreign operations has not been included in the table that follows.

FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS

		USD	Euro	GBP	NGN	Other	Total
2018							
Total net long/(short) position	Rm	**80**	**9**	**10**		**(2)**	**97**
Sensitivity (ZAR depreciation)	%	**10**	**10**	**10**	**10**	**10**	
Impact on profit or loss	Rm	**(8)**	**(1)**	**(1)**		**22**	**12**
2017							
Total net long/(short) position	Rm	57	6	14	2	(1)	78
Sensitivity (ZAR depreciation)	%	10	10	10	10	10	
Impact on profit or loss	Rm	(6)	(1)	(1)		(35)	(43)

Own equity-linked transactions

Definition

The group has exposure to changes in its share price arising from its equity-linked remuneration contractual commitments.

Depending on the nature of the group's equity-linked share schemes, the group is exposed to either income statement risk or NAV risk through equity due to changes in its own share price as follows:

- income statement risk arises as a result of losses being recognised in the group's income statement as a result of increases in the group's share price on cash-settled share schemes above the award grant price
- NAV risk arises as a result of the group settling an equity-linked share incentive scheme at a higher price than the price at which the share incentive was granted to the group's employees.

The following table summarises the group's most material share schemes together with an explanation of which risk (where applicable) the share scheme exposes the group to, and why, and an indication as to whether the share schemes are hedged.

Share scheme	Risk to the group	Explanation	Hedged[1]	Hedged risk
Equity growth scheme (EGS)	N/A	The EGS is an equity-settled share scheme that is settled through the issuance of new shares. Accordingly, the group does not incur any cash flow in settling the share schemes and hence is not exposed to any risk as a result of changes in its own share price. Since the EGS results in the issuance of new shares and in order to mitigate the dilutionary impact on existing shareholders, the group re-purchases shares from the open market.	No. As there is no cash flow risk	N/A
Quanto stock unit scheme (Quanto)	Income statement risk	The Quanto is a cash-settled share scheme. Increases in the group's share price results losses being recognised in the income statement.	Yes	SBK share price risk
Equity-settled deferred bonus scheme (DBS) and performance reward plan (PRP)	NAV risk	The DBS and PRP awards that are equity-settled, are settled through the purchase of shares from the open market. Accordingly, for these equity-settled share schemes, increases in the group's share price above the grant price will result in losses being recognised in the group's equity.	Yes	SBK share price risk
Cash-settled DBS and PRP	Income statement risk	The DBS and PRP awards that are cash-settled result in losses being recognised in the income statement as a result of increases in the group's share price.	Yes	SBK share price risk
Share appreciation rights scheme (SARP) – equity-settled	NAV risk	SARP awards that are issued to individuals in the employment of a group entity domiciled in South Africa are classified as equity-settled and are settled through the purchase of shares from the open market. Accordingly, changes in the group's share price above the grant price will result in gains and/or losses being recognised directly in the group's equity.	No, given the current number of awards that have been issued to date. The number of awards are, however, monitored to evaluate for future hedging considerations.	N/A
SARP – cash-settled	Income statement risk	Awards made to individuals of a group entity outside of South Africa are settled in cash. Increases in the group's share price will result in losses being recognised in the income statement	No, given the current number of awards that have been issued to date. The number of awards are, however, monitored to evaluate for future hedging considerations.	N/A

[1] The group partially hedges these exposures.

Investment management and life insurance – Liberty Holdings Limited

Credit risk

The following table provides information regarding the aggregated credit risk exposure of Liberty to debt instruments categorised by credit ratings, if available, as at 31 December.

EXPOSURE TO CREDIT RISK[1]

	A- and above Rm	BBB+ Rm	BBB Rm	BBB- Rm	BB+ Rm	BB Rm	BB- and below Rm	Not rated Rm	Pooled funds Rm	Total Rm
2018										
Debt instruments	**15 514**	**4 248**	**31 637**	**29 429**	**36 088**	**11 121**	**5 523**	**4 944**		**138 504**
Investment policies				**8 208**				**1 254**		**9 462**
Prepayments, insurance and other receivables	**514**	**82**	**29**	**395**				**3 933**		**4 953**
Mutual funds – interest-bearing instruments									**17 338**	**17 338**
Reinsurance assets	**1 654**		**35**					**430**		**2 119**
Derivatives and collateral deposits	**2 508**	**284**	**2 551**	**1 398**		**3 572**		**27**		**10 340**
Cash and cash equivalents	**3 782**	**452**	**4 155**	**5 712**	**14**	**2 316**	**384**	**159**		**16 974**
Total assets bearing credit risk	**23 972**	**5 066**	**38 407**	**45 142**	**36 102**	**17 009**	**5 907**	**10 747**	**17 338**	**199 690**
2017										
Debt instruments	8 349	1 238	33 124	28 299	24 944	20 704	5 048	1 989		123 695
Investment policies				8 498				1 206		9 704
Prepayments, insurance and other receivables	620	66	30	485	12			5 148		6 361
Mutual funds – interest-bearing instruments									22 174	22 174
Reinsurance assets	1 339	21	28		5		188	193		1 774
Derivatives and collateral deposits	1 802	160	329	2 544	4	3 031		1		7 871
Cash and cash equivalents	2 940	1 627	594	5 599		4 087	128	194		15 169
Total assets bearing credit risk	15 050	3 112	34 105	45 425	24 965	27 822	5 364	8 731	22 174	186 748

1 As reported by Liberty, refer to Liberty's annual financial statements.

Funding and liquidity risk

Long-term insurance

The table below breaks down Liberty's assets according to time to liquidate. It is worth noting that, in a stressed environment, the market value of these assets is likely to be negatively affected.

FINANCIAL PROPERTY AND INSURANCE ASSET LIQUIDITY[1]

	2018		2017	
	%	Rm	%	Rm
Liquid[2]	74	321 472	76	333 857
Medium[3]	16	67 279	14	63 590
Illiquid[4]	10	44 788	10	44 026
Total	100	433 539	100	441 473

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Liquid assets are those that are considered to be realisable within one month (for example, cash, listed equities and term deposits).
3 Medium assets are those that are considered to be realisable within six months (for example, unlisted equities and certain unlisted term deposits).
4 Illiquid assets are those that are considered to be realisable in excess of six months (for example, investment properties and policyholder assets).

Maturity profiles of financial instrument liabilities

The following table summarises the maturity profile of Liberty's financial instrument liabilities based on the remaining undiscounted contractual obligations. These figures will be higher than amounts disclosed in the statement of financial position (where the effect of discounting is taken into account) except for short duration liabilities. Policyholder liabilities under investment contracts, investment contracts with DPF and insurance contracts are shown in a separate table.

MATURITY PROFILE OF FINANCIAL INSTRUMENT LIABILITIES – CONTRACTUAL CASH FLOWS[1] (EXCLUDING POLICYHOLDER LIABILITIES AND DERIVATIVE LIABILITIES)

	Zero to three months[2] Rm	Four to 12 months Rm	One to five years Rm	Six to ten years Rm	Variable Rm	Total Rm
2018						
Subordinated notes	173	378	4 972	2 398		7 921
Commercial paper	811					811
Redeemable preference shares[3]					5	5
Liberty Two Degrees financial liabilities		745	1 573			2 318
Third-party financial liabilities arising on consolidation of mutual funds	48 186					48 186
Repurchase agreements	5 135	649				5 784
Collateral deposits payable	5 976					5 976
Insurance and other payables	11 568	347	54	2		11 971
Total	71 849	2 119	6 599	2 400	5	82 972
2017						
Subordinated notes	120	1 343	3 995	2 224		7 682
Redeemable preference shares[3]					5	5
Third-party financial liabilities arising on consolidation of mutual funds	49 713					49 713
Repurchase agreements	3 582	149	1 006			4 737
Collateral deposits payable	4 426					4 426
Insurance and other payables	11 756	196	41	2		11 995
Total	69 597	1 688	5 042	2 226	5	78 558

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 0 – 3 months are either due within the timeframe or are payable on demand.
3 No fixed maturity date, however, redeemable with a two-year notice period at the instance of Liberty or the holder.

Liquidity risks arising from long-term insurance business

The tables that follow provide an indication of liquidity needs in respect of cash flows required to meet obligations arising under long-term insurance business.

Undiscounted cash flows are shown and the effect of discounting is taken into account to reconcile to total policyholder contract values.

EXPECTED CASH FLOWS – LONG-TERM INSURANCE CONTRACTS[1]

	Insurance contracts				
	Policyholder liabilities Rm	Policyholder assets Rm	Reinsurance assets and liabilities Rm	Investment contracts with DPF[2] Rm	Investment contracts Rm
2018					
Investment-linked liabilities					
Within one year	**15 569**			**226**	**4 679**
One to five years	**57 136**			**(314)**	**8 251**
Six to ten years	**14 770**			**1 004**	**8 057**
11 – 20 years	**32 979**			**1 785**	**20 633**
Over 20 years	**35 851**			**7 736**	**55 346**
Total investment-linked liabilities	**156 305**			**10 437**	**96 966**
Non-investment-linked liabilities/(assets)					
Within one year	**5 187**	**(2 332)**	**(349)**		**584**
One to five years	**22 887**	**(6 416)**	**(701)**		**1 266**
Six to ten years	**14 470**	**(3 548)**	**(633)**		**2 054**
11 – 20 years	**25 814**	**3 063**	**(586)**		**30**
Over 20 years	**61 980**	**62 905**	**969**		**36**
Effect of discounting cash flows	**(85 899)**	**(60 380)**	**(116)**		**(1 123)**
Total non-investment-linked liabilities/(assets)	**44 439**	**(6 708)**	**(1 416)**		**2 847**
Total long-term insurance business liabilities/(assets)	**200 744**	**(6 708)**	**(1 416)**	**10 437**	**99 813**
Total surrender value of long-term insurance policyholder liabilities	**166 589**			**10 405**	**99 545**
2017					
Investment-linked liabilities					
Within one year	19 299			493	6 226
One to five years	63 806			125	9 026
Six to ten years	15 890			969	9 943
11 – 20 years	36 105			2 159	21 373
Over 20 years	33 014			8 099	51 204
Total investment-linked liabilities	168 114			11 845	97 772
Non-investment-linked liabilities/(assets)					
Within one year	5 308	(2 506)	(169)		571
One to five years	19 287	(6 690)	(218)		1 239
Six to ten years	13 671	(3 889)	(294)		2 041
11 – 20 years	26 070	2 604	(613)		40
Over 20 years	65 667	66 130	(2 655)		44
Effect of discounting cash flows	(87 563)	(63 133)	3 131		(1 188)
Total non-investment-linked liabilities/(assets)	42 440	(7 484)	(818)		2 747
Total long-term insurance business liabilities/(assets)	210 554	(7 484)	(818)	11 845	100 519
Total surrender value of long-term insurance policyholder liabilities	176 459			11 852	100 157

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 DPF refers to discretionary participation features.

Market risk

Exposure to financial, property and insurance assets

The following table summarises Liberty's exposure to financial, property and insurance assets. This exposure has been split into the relevant market risk categories and then attributed to the effective holders of the risk.

SUMMARY OF GROUP ASSETS SUBJECT TO MARKET RISK[1]

		Attributable to				
	Total assets Rm	Long-term policyholder investment-linked (including DPF) liabilities Rm	Other policyholder liabilities[5] Rm	Third-party financial liabilities arising on consolidation of mutual funds Rm	Non-controlling interests Rm	Residual liabilities and shareholders' interest Rm
2018						
Assets subject to market risk	**227 141**	**190 541**	**(7 136)**	**24 103**	**7 883**	**11 750**
Equity price	**123 673**	**108 886**	**(4 038)**	**13 498**		**5 327**
Property price[2]	**39 139**	**23 856**	**(287)**	**6 657**	**7 883**	**1 030**
Mixed portfolios, excluding investment policies[3]	**64 329**	**57 799**	**(2 811)**	**3 948**		**5 393**
Assets subject to market and credit risk	**199 690**	**84 156**	**43 716**	**24 083**	**507**	**47 228**
Interest rate	**187 316**	**73 901**	**42 017**	**24 083**	**507**	**46 808**
Investment policies in mixed portfolios	**9 462**	**9 462**				
Reinsurance assets[4]	**2 119**		**1 699**			**420**
Equity derivatives	**793**	**793**				
Long-term policyholder assets	**6 708**					**6 708**
Other assets	**3 735**					**3 735**
Total	**437 274**	**274 697**	**36 580**	**48 186**	**8 390**	**69 421**
Percentage (%)		**62.8**	**8.4**	**11.0**	**1.9**	**15.9**
2017						
Assets subject to market risk	247 241	204 691	(7 666)	31 809	7 497	10 910
Equity price	147 580	125 110	(4 350)	23 158		3 662
Property price[2]	40 180	25 010	(329)	5 423	7 497	2 579
Mixed portfolios, excluding investment policies[3]	59 481	54 571	(2 987)	3 228		4 669
Assets subject to market and credit risk	186 748	86 131	40 425	17 904	450	41 838
Interest rate	174 890	76 047	38 944	17 904	450	41 545
Investment policies in mixed portfolios	9 704	9 704				
Reinsurance assets[4]	1 774		1 481			293
Equity derivatives	380	380				
Long-term policyholder assets	7 484					7 484
Other assets	2 654					2 654
Total	444 127	290 822	32 759	49 713	7 947	62 886
Percentage (%)		65.5	7.4	11.2	1.8	14.1

1 As reported by Liberty. Refer to Liberty's annual financial statements.

2 Equity price risk is included in property price risk where the invested entity only has exposure to investment properties. Property company debt of R5 300 million is included in the interest rate risk line.

3 Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is practically difficult to accurately calculate given the number of mutual funds and hedge funds contained in the group portfolios.

4 Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.

5 Negative exposure to the various risk categories can occur in 'Other policyholder liabilities' since the present value of future charges can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholders' market-related liabilities. The policyholders' market risk exposure, however, remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder investment – linked liabilities by the amount of these negative liabilities.

Interest rate risk

The following table provides additional detail on financial instrument assets and liabilities and their specific interest rate exposure. Due to practical considerations, interest rate risk details contained in investments in non-subsidiary mutual funds and investment policies are not provided. Accounts receivable and accounts payable, where settlement is expected within 90 days, are not included in the analysis. The effect of interest rate risk on these balances is not considered significant given the short-term duration of the underlying cash flows. Derivative instrument exposure to interest rate is shown separately.

INTEREST RATE EXPOSURE[1]

Carrying value	2018 Rm	2017 Rm
Financial instruments liabilities	**19 846**	14 673
Exposed to cash flow interest rate risk	**18 369**	12 213
Exposed to fair value interest rate risk	**1 477**	2 460
Financial instruments assets	**159 583**	140 682
Exposed to cash flow interest rate risk	**91 242**	81 999
Exposed to fair value interest rate risk	**68 341**	58 683

1 As reported by Liberty. Refer to Liberty's annual financial statements.

Property market risk

Liberty's direct exposure to property market risk is shown below.

PROPERTY MARKET RISK[1]

	2018 Rm	2017 Rm
Investment properties	**34 316**	33 256
Owner-occupied properties	**1 645**	1 512
Gross direct exposure	**35 961**	34 768
Attributable to non-controlling interests	**(7 884)**	(7 497)
Net exposure	**28 077**	27 271
Concentration use risk within directly held properties is summarised below:		
Shopping malls	**29 520**	28 219
Office buildings	**2 439**	2 536
Hotels	**748**	762
Other property (mainly Melrose Arch, a convention centre and properties under development.)	**3 254**	3 251
Total	**35 961**	34 768

[1] As reported by Liberty. Refer to Liberty's annual financial statements.

Sensitivity analysis

The following table provides a description of the sensitivities that are provided on market risk assumptions.

Market value	Description of sensitivity
Interest yield curve	A parallel shift in the interest rate yield curve
Implied option volatilities	A change in the implied short-term, property and interest rate option volatility assumptions
Equity prices	A change in the local and foreign equity prices
Rand exchange rates	A change in the ZAR exchange rate to all applicable currencies

The equity price and rand currency sensitivities are applied as an instantaneous event at the financial position date with no change to long-term market assumptions used in the measurement of policyholder contract values. In other words, the assets are instantaneously impacted by the sensitivity on the financial position date. The new asset levels are applied to the measurement of policyholder contract values, where applicable, but no changes are made to the prospective assumptions used in the measurement of policyholder contract values.

The interest rate yield curve and implied option volatility sensitivities are applied similarly but the assumptions used in the measurement of policyholder contract values that are dependent on interest rate yield curves and implied option volatilities are updated.

The market sensitivities are applied to all assets held by Liberty (and not just assets backing the policyholder contract values). Each sensitivity is applied in isolation with all other assumptions left unchanged.

The following table summarises the impact of the change in the aforementioned risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation. The market risk sensitivities are net of risk mitigation activities. Consequently the comparability to the previous year is impacted by the level of risk mitigation at the respective financial position dates.

SENSITIVITY ANALYSIS[1]

	2018				2017			
	Change in variable %	Gross of reinsurance impact on policyholders' contract values Rm	Net of reinsurance impact on policyholders' contract values Rm	Impact on equity and attributable profit after taxation Rm	Change in variable %	Gross of reinsurance impact on policyholders' contract values Rm	Net of reinsurance impact on policyholders' contract values Rm	Impact on equity and attributable profit after taxation Rm
Market assumptions								
Interest rate yield curve	**12**	**(6 119)**	**(6 162)**	**(357)**	12	(5 267)	(5 236)	(274)
	(12)	**7 540**	**7 573**	**239**	(12)	6 567	6 541	168
Option price volatilities	**20**	**61**	**61**	**(21)**	20	16	16	(11)
	(20)	**(45)**	**(45)**	**11**	(20)	6	6	(4)
Equity prices	**15**	**21 810**	**21 810**	**1 528**	15	23 398	23 397	1 948
	(15)	**(21 853)**	**(21 853)**	**(1 481)**	(15)	(22 696)	(22 696)	(1 978)
Rand exchange rates	**12[2]**	**(5 924)**	**(5 924)**	**(563)**	12[2]	(5 402)	(5 402)	(630)
Rand exchange rates	**(12)[3]**	**5 940**	**5 940**	**681**	(12)[3]	5 394	5 394	643

1 As reported by Liberty. Refer to Liberty's annual financial statements
2 Strengthening of the rand.
3 Weakening of the rand.

The following table provides a description of the sensitivities that are provided on insurance risk assumptions.

Market value	Description of sensitivity
Assurance mortality	A level percentage change in the expected future mortality rates on assurance contracts
Annuitant longevity	A level percentage change in the expected future mortality rates on annuity contracts
Morbidity	A level percentage change in the expected future morbidity rates
Withdrawal	A level percentage change in the expected future withdrawal rates
Expense per policy	A level percentage change in the expected maintenance expenses

The following table summarises the impact of the change in the insurance risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation.

SENSITIVITY ANALYSIS OF RISK VARIABLES[1]

	2018				2017			
	Change in variable %	**Gross of reinsurance impact on policy-holders' contract values Rm**	**Net of reinsurance impact on policy-holders' contract values Rm**	**Impact on equity and attri-butable profit after taxation Rm**	Change in variable %	Gross of reinsurance impact on policy-holders' contract values Rm	Net of reinsurance impact on policy-holders' contract values Rm	Impact on equity and attri-butable profit after taxation Rm
Insurance assumptions								
Mortality								
Assured lives	**2**	**464**	**379**	**(273)**	2	434	361	(260)
	(2)	**(466)**	**(380)**	**274**	(2)	(436)	(362)	261
Annuitant longevity	**4[2]**	**392**	**392**	**(282)**	4[2]	390	390	(281)
	(4)[3]	**(375)**	**(375)**	**270**	(4)[3]	(374)	(374)	269
Morbidity	**5**	**764**	**628**	**(452)**	5	662	562	(405)
	(5)	**(759)**	**(625)**	**450**	(5)	(661)	(561)	404
Withdrawals	**8**	**502**	**509**	**(366)**	8	528	512	(369)
	(8)	**(543)**	**(552)**	**396**	(8)	(571)	(554)	399
Expense per policy	**5**	**420**	**420**	**(305)**	5	389	389	(282)
	(5)	**(420)**	**(420)**	**305**	(5)	(389)	(389)	282

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Annuitant life expectancy increases i.e. annuitant mortality reduces.
3 Annuitant life expectancy reduces, i.e. annuitant mortality increases.

Annexure D – Group share incentive schemes

Share-based payments

The group's share incentive schemes enable key management personnel and senior employees to benefit from the performance of the group and group companies' share price. For further detail regarding the share schemes refer to the group's governance and remuneration report.

	2018 Rm	2017 Rm
Expenses recognised in staff cost		
Equity growth scheme	**21**	53
Share appreciation rights scheme	**20**	7
Quanto stock scheme	**15**	59
Deferred bonus scheme	**1 257**	976
Performance reward plan	**427**	470
Cash-settled deferred bonus scheme	**371**	249
Liberty share incentive scheme	**94**	99
Other share incentive schemes		4
Total expenses recognised in staff costs	**2 205**	1 917
Summary of liabilities recognised in other liabilities		
Share appreciation rights scheme	**2**	1
Quanto stock scheme		92
Deferred bonus scheme	**157**	92
Performance reward plan	**216**	139
Cash-settled deferred bonus scheme	**373**	247
Total liability recognised in other liabilities	**748**	571

Equity growth scheme (EGS)

The EGS is an equity-settled scheme and represents appreciation rights allocated to employees. The converted value of the rights is effectively settled by issue of shares equivalent to the value of the rights. The scheme has five different subtypes of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Vesting categories			
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years
Type D	2, 3, 4	33, 67, 100	10 years
Type E	3, 4, 5	33, 67, 100	10 years

A reconciliation of the movement of share options is detailed below:

	Number of rights		Average price range (R)
	2018	2017	2018
Movement summary			
Rights outstanding at beginning of the year	**10 772 081**	17 809 194	
Exercised	**(3 390 508)**	(6 823 050)	**62.39 – 156.96**
Lapsed/forfeited	**(17 335)**	(214 063)	**90.50 – 156.96**
Rights outstanding at the end of the year	**7 364 238**	10 772 081	

Equity growth scheme (EGS) continued

During 2018, 1 417 128 (2017: 2 023 515) SBG shares were issued to settle the appreciated rights value. At the end of the year, the group would need to issue 2 557 500 (2017: 9 217 449) SBG shares to settle the outstanding appreciated rights value. The EGS rights are only awarded to individuals in the employment of a group entity domiciled in South Africa.

The group is required to ensure that employees' tax arising from benefits due in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act of South Africa. Where employees have elected not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme. No[1] (2017: nil) SBG shares were issued and sold to settle the employees' tax due during the year. This reduces the liability to the employee in respect of in respect of the outstanding appreciated rights value. Share options were exercised regularly throughout the year. The weighted average share price for the year was R195.35 (2017: R157.29). The following rights granted to employees, including executive directors, had not been exercised at year end:

	2018			2017		
Option expiry period	Number of ordinary shares	Option price range (rand)	Weighted average price (rand)	Number of ordinary shares	Option price range (rand)	Weighted average price (rand)
Year to 31 December 2018				60 800	83.10 – 92.00	90.91
Year to 31 December 2019	219 475	62.39 – 95.50	64.58	1 126 491	62.39 – 95.50	63.35
Year to 31 December 2020	2 002 713	102.39 – 114.69	111.83	2 333 977	102.00 – 114.69	111.82
Year to 31 December 2021	1 821 026	96.68 – 103.03	98.93	2 774 059	92.79 – 107.55	98.72
Year to 31 December 2022	225 962	98.75 – 108.90	107.42	278 497	98.75 – 108.90	107.70
Year to 31 December 2023	250 761	115.51	115.51	613 283	115.51	115.51
Year to 31 December 2024	517 886	126.87	126.87	870 150	126.87	126.87
Year to 31 December 2025	1 095 029	156.96	156.96	1 270 158	156.96	156.96
Year to 31 December 2026	1 231 386	122.24	122.24	1 444 666	122.24	122.24
Total	7 364 238			10 772 081		

1 Following the adoption by the group of the amendment to IFRS 2 on 1 January 2017, the employees' tax obligation are now settled directly in cash as opposed to the issuance of shares and subsequent sale to settle these taxes.

Shares appreciation rights scheme (SARP)

The SARP is a long-term scheme and represents appreciation rights awarded to employees and is based on the SBG's share price. Awards that are issued to individuals in the employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled. Vesting and expiry of the rights are as follows:

	Year	% vesting	Expiry
SARP	2,3,4	33,67,100	4,5,6

The converted value of the rights is settled either by purchasing shares for equity-settled awards on an external market and in cash for cash-settled awards equal to the value of the converted rights.

A reconciliation of the movement of share options is detailed below:

	2018		2017	
	Average price range (rand)	**Number of rights**	Average price range (rand)	Number of rights
Movement summary				
SARP				
Rights outstanding at the end of the year		**671 923**		
Granted[1]	**220.97**	**761 933**	155.95	722 322
Lapsed/forfeited			155.95	(50 399)
Rights outstanding at the end of the year		**1 433 856**		671 923
Outstanding equity-settled units		**1 302 257**		626 918
Outstanding cash-settled units		**131 599**		45 005

1 Includes 675 339 (2017: 667 317) units that are equity settled, the balance will be cash-settled.

At the end of the year, the group would need to purchase 85 958 SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised as at 31 December 2018:

	2018			2017		
Option expiry period	**Number of rights**	**Option price range (rand)**	**Weighted average price (rand)**	Number of rights	Option price range (rand)	Weighted average price (rand)
Year to 31 December 2021	**223 967**	**155.95**	**155.95**	223 967	155.95	155.95
Year to 31 December 2022	**477 920**	**155.95 – 220.97**	**190.50**	223 967	155.95	155.95
Year to 31 December 2023	**477 942**	**155.95 – 220.97**	**190.50**	223 989	155.95	155.95
Year to 31 December 2024	**254 027**	**220.97**	**220.97**			
Total	**1 433 856**			671 923		

The share appreciation rights granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting and the assumptions utilised are illustrated below:

	2018			2017		
	Tranche 1	**Tranche 2**	**Tranche 3**	Tranche 1	Tranche 2	Tranche 3
Number of appreciation rights granted	**253 953**	**253 953**	**254 027**	223 967	223 967	223 989
Weighted average fair value at grant date (rand)	**52.90**	**58.66**	**63.13**	35.32	39.44	43.06
The principal inputs are as follows:						
Weighted average share price (rand)	**220.97**	**220.97**	**220.97**	155.95	155.95	155.95
Weighted average exercise price (rand)	**220.97**	**220.97**	**220.97**	155.95	155.95	155.95
Expected life (years)	**4.00**	**5.00**	**6.00**	3.67	4.67	5.67
Expected volatility (%)	**29.19**	**29.19**	**29.19**	27.93	27.93	27.93
Risk-free interest rate (%)	**8.21**	**8.40**	**8.55**	8.13	8.34	8.51
Dividend yield (%)	**4.6**	**4.48**	**4.42**	4.46	4.41	4.32

Quanto stock scheme

Since 2007, Standard Bank International has operated a deferred incentive arrangement in the form of the Quanto stock unit plan. All employees granted an annual performance award over a threshold have part of their award deferred. The award units are denominated in USD, the value of which moves in parallel to the change in price of the SBG shares listed on the JSE. Awards are issued to individuals in employment of a group entity domiciled in the group's international operations and are cash-settled. Awards vest over a three year period.

Special terms apply to employees designated by the Prudential Regulatory Authority (PRA) as Code Staff. For these employees the deferred portion of the incentive is delivered in Quanto stock units with three-year vesting and an additional six-month holding period after vesting. Thereafter half of the remaining incentive (non-deferred portion) is paid immediately in cash and the other half is delivered in Quanto stock units with a further six-month vesting period. From 2016, awards of Quanto Stock Scheme units were replaced with awards of the cash-settled defined bonus scheme.

The change in liability due to the change in the SBG share price, is partially hedged through the use of equity options designated as cash flow hedges.

	Units	
	2018	2017
Movement summary		
Units outstanding at beginning of the year	**33 983**	112 939
Lapsed/forfeited		(164)
Exercised	**(33 983)**	(78 792)
Units outstanding at end of the year		33 983

Deferred bonus scheme

All employees granted an annual performance award over a threshold have part of their award deferred. The awards are indexed to the group's share price and accrue notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final payout is determined with reference to the group's share price on vesting date. These awards have been partially hedged through the use of equity forwards.

Awards that are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards that are made to individuals of a group entity outside of South Africa are classified as cash-settled.

	Units	
	2018	2017
Movement summary		
Units outstanding at beginning of the year	**14 353 804**	14 272 817
Units granted during the year[1]	**5 912 386**	7 037 201
Exercised	**(6 337 114)**	(6 291 609)
Lapsed/forfeited	**(609 564)**	(664 605)
Units outstanding at end of the year	**13 319 512**	14 353 804
Outstanding equity-settled units	**12 757 885**	13 365 219
Outstanding cash-settled units	**561 627**	988 585
Weighted average fair value at grant date (R)	**218.68**	155.87
Expected life (years)	**2.51**	2.51

[1] Includes 5 834 741 (2017: 6 907 216) units that are equity settled, the balance relates to cash-settled rewards.

Performance reward plan

The PRP is performance-driven share plan which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, DBS, and other share incentive schemes.

The awards that are indexed to the group's share price and accrue notional dividends during the vesting period, which are payable on vesting. Shares that vest (if any), and that are delivered to the employee, are conditional on the pre-specified performance metrics. These awards have been partially hedged through the use of equity forwards.

Awards are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled.

	Units	
	2018	2017
Movement summary		
Units outstanding at beginning of the year	**7 517 975**	7 703 203
Units granted during the year[1]	**2 210 428**	2 658 600
Exercised	**(2 456 539)**	(1 771 046)
Performance condition grant/(lapse)	**360 294**	(857 954)
Lapsed/forfeited	**(5 302)**	(214 828)
Units outstanding at the end of the year	**7 626 856**	7 517 975
Outstanding equity-settled units	**6 500 064**	6 103 839
Outstanding cash-settled units	**1 126 792**	1 414 136
Weighted average fair value at grant date (rand)	**220.97**	155.95
Expected life (years)	**3.07**	3.07

[1] Includes 1 947 028 (2017: 2 207 100) units that are equity-settled, the balance relates to cash-settled rewards.

Cash-settled deferred bonus scheme (CSDBS)

Effective for awards made in 2017, employees granted an annual performance award over a threshold and who are in employment in South Africa and meet other specific criteria have part of their award deferred.

Awards in rand are indexed to SBG's share price and accrues notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18, 30 and 42 months from the date of the award. The maturity value is determined with reference to the SBG share price on the vesting date. These awards are classified as cash-settled from a group perspective. Awards in currencies other than rand (being the employee's host country) are denominated in that currency with the same terms as rand-denominated awards with the value of the awards, in foreign currency, moving in parallel with changes in the SBG share price. These awards have been partially hedged through the use of equity forwards.

			2018				
Currency	Weighted average fair value at grant date	Expected life at grant date (years)	Opening balance	Granted	Exercised	Lapsed	Outstanding
AOA	220.97	2.51	126 326	233 735	(42 106)		317 955
BWP	220.97	2.51	19 409	17 896	(6 466)	(972)	29 867
CNY	220.97	2.51	41 921	25 188	(16 541)		50 568
EUR	220.97	2.51		46			46
GBP	220.97	2.51	66 231	33 804	(25 573)	(3 003)	71 459
GHS	220.97	2.51	8 054	5 713	(2 657)	(65)	11 045
HKD	220.97	2.51	52 274	17 009	(20 313)		48 970
KES	216.94	2.51	557 541	421 129	(177 790)	(36 741)	764 139
LSL	220.97	2.51	7 248	7 831	(2 414)		12 665
MUR	220.97	2.51	46 745	50 754	(15 580)		81 919
MWK	220.97	2.51	797 223	627 553	(265 737)		1 159 039
MZN	220.97	2.51	77 137	100 510	(25 705)		151 942
NAD	219.01	2.51	33 317	20 267	(11 103)		42 481
NGN	220.97	2.51	4 794 223	4 664 095	(1 359 793)	(135 203)	7 963 322
SGD	220.97	2.51		2 036			2 036
SZL	220.97	2.51	7 793	9 053	(1 954)	(2 603)	12 289
TZS	220.97	2.51		208 177			208 177
UGX	220.97	2.51	11 465 062	8 758 390	(3 479 691)	(1 342 759)	15 401 002
USD	220.97	2.51	34 310	17 187	(13 568)	(343)	37 586
XOF	220.97	2.51	176 915	195 506		(80 029)	292 392
ZAR	220.32	2.51	918 740	773 271	(304 437)	(5 904)	1 381 670
ZMW	220.97	2.51	14 565	12 216	(4 851)		21 930

Other share schemes

Scheme	Description	Classification	Stock symbol	2018 Outstanding units	2017 Outstanding units
Liberty Holdings group restricted share plan	During 2012, Liberty introduced the Liberty Holding group restricted share plan which has two methods of participation: 1) Long-term plan awards granted prior to 28 February 2013 vest 33 1/3% at the end of year two, three and four respectively while awards granted subsequently vest 33 1/3% at the end of year three, four and five respectively. 2) Deferred-plan – Awards vest 33 1/3% at the end of 18 months, 30 months and 42 months respectively.	Equity-settled scheme	LBH	4 341 587	4 013 757
Nigeria share schemes	On 1 March 2010 and 1 March 2011, share appreciation rights were issued to key management personnel. The scheme has various vesting periods, and expires ten years after grant date.	Cash-settled scheme	IBTCCB: NL	24 253 104	25 327 715
Group share incentive scheme (GSIS)	GSIS confers rights to employees to acquire shares at the value of the SBG share price at the date the option was granted. The scheme has various vesting periods, and expires ten years after grant date. During the year, 312 444 (2017: 854 312) SBG shares were issued to settle the GSIS awards.	Equity-settled scheme	SBK	696 115	1 022 621

2017				
Opening balance	Granted	Exercised	Lapsed	Outstanding
	131 155		(4 829)	126 326
	19 409			19 409
23 573	27 149	(7 713)	(1 088)	41 921
44 013	37 526	(14 576)	(732)	66 231
	8 054			8 054
41 445	24 642	(13 813)		52 274
	608 231		(50 690)	557 541
	7 248			7 248
	46 745			46 745
	797 223			797 223
	77 907		(770)	77 137
	33 317			33 317
	4 867 325		(73 102)	4 794 223
	7 793			7 793
	143 636		(143 636)	
	11 840 183		(375 121)	11 465 062
19 930	21 913	(6 638)	(895)	34 310
	176 915			176 915
	918 740			918 740
	23 367		(8 802)	14 565

Annexure E – Emoluments and share incentives of directors and prescribed officers

Executive directors' and prescribed officers' emoluments

	SK Tshabalala		BJ Kruger	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cost to company package	**9 987**	9 103	**9 906**	9 079
Cash package paid during the year	**8 636**	7 899	**8 480**	7 847
Retirement contributions paid during the year	**1 222**	1 076	**1 159**	1 076
Other allowances	**129**	128	**267**	156
Once-off allowances/payments[4]	**632**		**3 022**	
Short-term incentive	**25 400**	25 400	**24 950**	24 950
Short-term incentive (cash)[5]	**11 350**	11 350	**11 125**	11 125
Short-term incentive (share-linked deferral)[6]	**14 050**	14 050	**13 825**	13 825
Total reward (excluding conditional long-term incentive awards)	**36 019**	34 503	**37 878**	34 029
EGS awards vesting[7]		4 312		3 934
PRP awards vesting[8]	**20 228**	14 658	**20 228**	14 658
PRP notional dividend[9]	**2 818**	1 643	**2 818**	1 643
Total reward (including conditional long-term incentive awards)	**59 065**	55 116	**60 924**	54 264

Executive directors' and prescribed officers' emoluments – former prescribed officer

	PL Schlebusch[10]		DC Munro
	2018 R'000	2017 R'000	2017 R'000
Cost to company package	**1 786**	6 950	2 844
Cash package paid during the year	**1 602**	5 951	2 399
Retirement contributions paid during the year	**136**	704	334
Other allowances	**48**	295	111
Short-term incentive	**6 750**	27 000	13 100
Short-term incentive (cash)[5]	**2 175**	12 150	7 700
Short-term incentive (share-linked deferral)[6]	**4 575**	14 850	5 400
Total reward (excluding conditional long-term incentive awards)	**8 536**	33 950	15 944
EGS conditional reflecting[7]		2 723	3 101
PRP reflecting[8]	**19 781**	14 658	20 526
PRP notional dividend reflecting[9]	**1 403**	1 643	2 301
Five-year long-term incentive			20 000
Total reward (including conditional long-term incentive awards)	**29 720**	52 974	61 872

1 AKL Fihla was appointed as a prescribed officer on 1 June 2017. His fixed remuneration is shown from that date. The short-term incentive is for the full performance year 2017.
2 ZN Manyathi was appointed as a prescribed officer on 1 April 2018. His fixed remuneration is shown from that date. The short-term incentive is for the full performance year 2018.
3 M Nienaber was appointed as a prescribed officer on 1 January 2017.
4 Includes a once-off payment made in respect of Death in Service and Permanent Health Insurance benefits. In the case of BJ Kruger, this also includes a once-off payment in respect of retirement benefits.
5 These are performance related short-term incentive payments in respect of the financial year under review.
6 These are deferred bonus scheme awards issued in March 2019 (for the performance year 2018) which are subject to choice. Participants can elect to have the value of the deferred awards, or part thereof, invested in the SARP rather than the default DBS. To the extent that the SARP is selected, a 10% premium of the value of the award is added. Deferred bonus amounts not invested in SARP will be unitised with respect to the group's closing share price on 7 March 2019. The award will be updated in the group's 2019 annual financial statements to reflect the choices made and units/rights awarded.
7 EGS vesting on March 2018 (disclosed in 2017) were awarded in March 2011 and 2013. Relevant performance conditions were met as at 31 December 2017.
8 PRP units vesting were awarded in March 2015 (disclosed for the performance year 2017) and in March 2016 (disclosed for the performance year 2018). The PRP value delivered is calculated based on the group's closing share price of R178.81 as at 31 December 2018 (R195.66 for 2017) after calculating the delivery percentage based on the three-year performance conditions (110.58% delivery on the 2016 awards and 117.61% delivery on the 2015 awards). The amount included in the single figure will not be updated in the 2018 remuneration report but rather included at payment value in the settlement schedule. In the case of PL Schlebusch, the PRP value of the March 2016 award is based on the group's closing share price of R218.68 as at 31 March 2018.
9 PRP notional dividend is calculated by multiplying the vesting PRP units by the cumulative notional dividend incurred between the grant date and vesting date. The amount included in the single figure will not be updated in the 2018 remuneration report but rather included at payment value in the settlement schedule.
10 PL Schlebusch stepped down as a prescribed officer on 1 April 2018. His fixed remuneration and short-term incentive award disclosed is for the performance period 1 January to 31 March 2018.

A Daehnke		AKL Fihla[1]		ZN Manyathi[2]	M Nienaber[3]	
2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	**2018 R'000**	2017 R'000
6 294	5 697	**7 588**	4 015	**5 634**	**6 257**	5 517
5 570	5 084	**6 506**	3 507	**5 039**	**5 497**	4 829
704	610	**853**	444	**467**	**589**	542
20	3	**229**	64	**128**	**171**	146
111		**710**			**78**	
16 750	16 750	**19 000**	20 000	**21 500**	**15 125**	14 000
8 025	8 025	**8 650**	9 150	**9 900**	**7 212**	6 650
8 725	8 725	**10 350**	10 850	**11 600**	**7 913**	7 350
23 155	22 447	**27 298**	24 015	**27 134**	**21 460**	19 517
11 330	8 790	**9 709**	10 263	**9 709**	**5 655**	4 395
1 578	985	**1 353**	1 150	**1 353**	**788**	493
36 063	32 222	**38 360**	35 428	**38 196**	**27 903**	24 405

Non-executive directors

		Fixed remuneration				
		Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compensation for the year R'000
TS Gcabashe[1]	**2018**	**6 622**			**503**	**7 125**
	2017	6 306			503	6 809
RMW Dunne[2]	**2018**	**110**	**535**	**110**		**755**
	2017	263	1 280	263		1 806
GJ Fraser-Moleketi	**2018**	**277**	**714**	**277**		**1 268**
	2017	263	644	263		1 170
S Gu	**2018**					
	2017	365	248	110		723
H Hu	**2018**	**919**	**625**	**919**		**2 463**
	2017	511	347	511		1 369
GMB Kennealy	**2018**	**277**	**1 195**	**277**		**1 749**
	2017	263	904	263		1 430
JH Maree[3]	**2018**	**277**	**1 255**	**3 170**		**4 702**
	2017	263	921	3 023		4 207
NNA Matyumza	**2018**	**277**	**718**	**277**		**1 272**
	2017	263	639	263		1 165
Adv KD Moroka	**2018**	**277**	**857**	**277**		**1 411**
	2017	263	818	263		1 344
Dr. ML Oduor-Otieno	**2018**	**919**	**492**	**919**		**2 330**
	2017	876	526	876		2 278
AC Parker	**2018**	**277**	**670**	**277**		**1 224**
	2017	263	676	263		1 202
ANA Peterside CON	**2018**	**919**	**676**	**919**		**2 514**
	2017	876	655	1 483[5]		3 014
MJD Ruck[4]	**2018**	**277**	**1 886**	**1 733**		**3 896**
	2017	263	1 393	1 722[6]		3 378
PD Sullivan	**2018**	**919**	**1 492**	**919**		**3 330**
	2017	876	1 381	876		3 133
BS Tshabalala	**2018**					
	2017	226	690	226		1 142
JM Vice	**2018**	**277**	**1 233**	**277**		**1 787**
	2017	263	1 274	263		1 800
L Wang	**2018**	**277**	**334**	**277**		**888**
	2017	154	157	154		465
W Wang	**2018**					
	2017	110	52	110		272
EM Woods	**2018**					
	2017	106	316	106		528
Total	**2018**	**12 901**	**12 682**	**10 628**	**503**	**36 714**
Total	**2017**	12 773	12 921	11 038	503	37 235

1 TS Gcabashe other benefits relate to use of motor vehicle
2 RMW Dunne retired on 24 May 2018
3 JH Maree's fees for services as a director of group subsidiaries include fees paid by Liberty Holdings Limited
4 MJD Ruck's fees for services as a director of group subsidiaries include fees paid by Industrial and Commercial Bank of China (Argentina) S.A.
5 Paid by Stanbic IBTC.
6 Paid by Industrial and Commercial Bank of China (Argentina) S.A.

Fees are excluding VAT.

Share incentives

Standard Bank equity growth scheme

The EGS represents participation rights in the future growth of the Standard Bank Group share price. The eventual value of the right is settled by the receipt of Standard Bank Group shares equivalent to the full value of the participation rights. Certain EGS awards issued prior to March 2014 included performance conditions.

Deferred bonus scheme

Employees are awarded a deferred bonus, as a mandatory deferral of their short-term incentive or as discretionary award, into the deferred bonus scheme. The deferred bonus is unitised into a number of units with respect to the group's share price on the date of award. The shares are delivered to the employee on the vesting date for equity-settled share incentives. The cash-settled deferred bonus scheme awards are settled in cash on the vesting date. Notional dividends on the units are paid to the employees on the vesting date.

Performance reward plan

The group's PRP, effective from March 2014, is an equity-settled share scheme with a three-year vesting period and is designed to incentivise the group's senior executives whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic long-term objectives and to align the interests of those executives with overall group performance in both earnings growth and ROE. These are the most important financial metrics to create shareholder value and, therefore aligns the interests of management and shareholders. The awards are subject to the achievement of performance conditions set at award date and that determine the number of shares that ultimately vest. The awards will only vest in future in terms of the rules of the PRP. The shares, subject to meeting the pre-specified conditions, are delivered to the employee on vesting date. Notional dividends accrue during the vesting period and will be payable on vesting date.

Wealth and investment medium term investment

Selected employees are awarded an incentive award into the Wealth and investment medium term investment scheme. The incentive awards are unitised into a number of units with respect to the selected Melville Douglas funds. The incentive awards are settled in cash or units at the election of the employee.

SK Tshabalala[1]

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Deferred bonus schemes					
2014	2015/03/05	156.96	2 679	2018/09/30	
2015	2016/03/03	122.24	3 950	2018/09/30	
2015	2016/03/03	122.24	3 950	2019/09/30	
2016	2017/03/02	155.95	1 667	2018/09/30	
2016	2017/03/02	155.95	1 667	2019/09/30	
2016	2017/03/02	155.95	1 667	2020/09/30	
2016*	2017/03/02	155.95	2 597	2018/09/30	
2016*	2017/03/02	155.95	2 597	2019/09/30	
2016*	2017/03/02	155.95	2 597	2020/09/30	
2017	**2018/03/08**	**220.97**	**1 667**	**2019/09/30**	
2017	**2018/03/08**	**220.97**	**1 667**	**2020/09/30**	
2017	**2018/03/08**	**220.97**	**1 667**	**2021/09/30**	
2017*	**2018/03/08**	**220.97**	**3 017**	**2019/09/30**	
2017*	**2018/03/08**	**220.97**	**3 017**	**2020/09/30**	
2017*	**2018/03/08**	**220.97**	**3 017**	**2021/09/30**	
Performance reward plan					
2014	2015/03/05	156.96	10 000	2018/03/31	
2015	2016/03/03	122.24	12 500	2019/03/31	
2016	2017/03/02	155.95	12 500	2020/03/31	
2017	**2018/03/08**	**220.97**	**14 009**	**2021/03/31**	
Equity growth scheme vested					
2010	2011/03/04	98.80		C	2021/03/04
2012	2013/03/07	115.51		E	2023/03/07
2012	2013/03/07	115.51		D	2023/03/07
2012	2013/03/07	115.51		E	2023/03/07
Totals for 2018			**86 432**		

* Cash-settled deferred bonus scheme.

Refer to page 186 for footnotes.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018	Exercise date share price	Award[2] (R'000)	Notional dividend[3] (R'000)	Award[4] (R'000)	Notional dividend[5] (R'000)
	17 070		17 070			175	2 987	535		
	32 313		32 313			175	5 655	805		
	32 315				32 315				5 778	805
	10 687		10 687			175	1 870	190		
	10 687				10 687				1 911	190
	10 688				10 688				1 911	190
	16 650		16 650			175	2 914	296		
	16 650				16 650				2 977	296
	16 652				16 652				2 978	296
		7 542			7 542				1 349	71
		7 542			7 542				1 349	71
		7 544			7 544				1 349	71
		13 652			13 652				2 441	128
		13 652			13 652				2 441	128
		13 652			13 652				2 441	128
	74 916		74 916			219	16 383	1 643		
	102 300	10 828			113 128				20 228	2 818
	80 200				80 200				14 341	1 428
		63 400			63 400				11 337	596
	25 000		25 000			224	3 126			
	35 371		35 371			224	3 832			
	231 367		231 367			224	25 064			
	23 581		23 581			224	2 555			
							64 386	3 469	72 831	7 216

BJ Kruger

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Deferred bonus schemes					
2014	2015/03/05	156.96	1 658	2018/09/30	
2015	2016/03/03	122.24	3 950	2018/09/30	
2015	2016/03/03	122.24	3 950	2019/09/30	
2016	2017/03/02	155.95	1 667	2018/09/30	
2016	2017/03/02	155.95	1 667	2019/09/30	
2016	2017/03/02	155.95	1 667	2020/09/30	
2016*	2017/03/02	155.95	2 597	2018/09/30	
2016*	2017/03/02	155.95	2 597	2019/09/30	
2016*	2017/03/02	155.95	2 597	2020/09/30	
2017	**2018/03/08**	**220.97**	**1 667**	**2019/09/30**	
2017	**2018/03/08**	**220.97**	**1 667**	**2020/09/30**	
2017	**2018/03/08**	**220.97**	**1 667**	**2021/09/30**	
2017*	**2018/03/08**	**220.97**	**2 942**	**2019/09/30**	
2017*	**2018/03/08**	**220.97**	**2 942**	**2020/09/30**	
2017*	**2018/03/08**	**220.97**	**2 942**	**2021/09/30**	
Performance reward plan					
2014	2015/03/05	156.96	10 000	2018/03/31	
2015	2016/03/03	122.24	12 500	2019/03/31	
2016	2017/03/02	155.95	12 500	2020/03/31	
2017	**2018/03/08**	**220.97**	**12 507**	**2021/03/31**	
Equity growth scheme vested					
2010	2011/03/04	98.80		B	2021/03/04
2012	2013/03/07	115.51		E	2023/03/07
2013	2014/03/06	126.87		D	2024/03/06
Totals for 2018			**83 684**		

* Cash-settled deferred bonus scheme.

Refer to page 186 for footnotes.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018	Exercise date share price	Award[2] (R'000)	Notional dividend[3] (R'000)	Award[4] (R'000)	Notional dividend[5] (R'000)
10 566		10 566			175	1 849	331		
32 313		32 313			175	5 655	805		
32 315				32 315				5 778	805
10 687		10 687			175	1 870	190		
10 687				10 687				1 911	190
10 688				10 688				1 911	190
16 650		16 650			175	2 914	296		
16 650				16 650				2 977	296
16 652				16 652				2 978	296
	7 542			7 542				1 349	71
	7 542			7 542				1 349	71
	7 544			7 544				1 349	71
	13 312			13 312				2 380	125
	13 312			13 312				2 380	125
	13 314			13 314				2 380	125
74 916		74 916			219	16 383	1 643		
102 300	10 828			113 128				20 228	2 818
80 200				80 200				14 341	1 428
	56 600			56 600				10 121	532
25 000		25 000			215	2 910			
18 865		18 865			215	1 880			
105 442		105 442			215	9 312			
						42 773	3 265	71 432	7 143

A Daehnke

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Deferred bonus schemes					
2014	2015/03/05	156.96	1 800	2018/09/30	
2015	2016/03/03	122.24	2 072	2018/09/30	
2015	2016/03/03	122.24	2 073	2019/09/30	
2016	2017/03/02	155.95	1 000	2018/09/30	
2016	2017/03/02	155.95	1 000	2019/09/30	
2016	2017/03/02	155.95	1 000	2020/09/30	
2016*	2017/03/02	155.95	1 700	2018/09/30	
2016*	2017/03/02	155.95	1 700	2019/09/30	
2016*	2017/03/02	155.95	1 700	2020/09/30	
2017	**2018/03/08**	**220.97**	**1 000**	**2019/09/30**	
2017	**2018/03/08**	**220.97**	**1 000**	**2020/09/30**	
2017	**2018/03/08**	**220.97**	**1 000**	**2021/09/30**	
2017*	**2018/03/08**	**220.97**	**1 908**	**2019/09/30**	
2017*	**2018/03/08**	**220.97**	**1 908**	**2020/09/30**	
2017*	**2018/03/08**	**220.97**	**1 909**	**2021/09/30**	
Performance reward plan					
2014	2015/03/05	156.96	5 996	2018/03/31	
2015	2016/03/03	122.24	7 004	2019/03/31	
2016	2017/03/02	155.95	7 002	2020/03/31	
2017	**2018/03/08**	**220.97**	**10 010**	**2021/03/31**	
Equity growth scheme vested					
2008	2009/03/06	62.39		A	2019/03/06
2008	2009/03/06	62.39		B	2019/03/06
2009	2010/03/05	111.94		A	2020/03/05
2009	2010/03/05	111.94		B	2020/03/05
2010	2011/03/04	98.80		A	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
Totals for 2018			**52 782**		

* Cash-settled deferred bonus scheme.

Refer to page 186 for footnotes.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018	Exercise date share price	Award[2] (R'000)	Notional dividend[3] (R'000)	Award[4] (R'000)	Notional dividend[5] (R'000)
11 468		11 468			175	2 007	359		
16 954		16 954			175	2 967	422		
16 956				16 956				3 032	422
6 412		6 412			175	1 122	114		
6 412				6 412				1 147	114
6 413				6 413				1 147	114
10 901		10 901			175	1 908	194		
10 901				10 901				1 949	194
10 901				10 901				1 949	194
	4 525			4 525				809	43
	4 525			4 525				809	43
	4 527			4 527				809	43
	8 636			8 636				1 544	81
	8 636			8 636				1 544	81
	8 637			8 637				1 544	81
44 926		44 926			219	9 824	985		
57 300	6 065			63 365				11 330	1 578
44 900				44 900				8 029	799
	45 300			45 300				8 100	426
12 500		12 500			180	1 472			
12 500		12 500			180	1 472			
12 500				12 500					
12 500				12 500					
12 500				12 500					
9 375				9 375					
3 125				3 125					
45 832				45 832					
22 918				22 918					
						20 772	2 074	43 742	4 213

AKL Fihla[6]

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Deferred bonus schemes					
2014	2015/03/05	156.96	1 617	2018/09/30	
2015	2016/03/03	122.24	2 450	2018/09/30	
2015	2016/03/03	122.24	2 450	2019/09/30	
2016	2017/03/02	155.95	833	2018/09/30	
2016	2017/03/02	155.95	833	2019/09/30	
2016	2017/03/02	155.95	834	2020/09/30	
2016*	2017/03/02	155.95	2 033	2018/09/30	
2016*	2017/03/02	155.95	2 033	2019/09/30	
2016*	2017/03/02	155.95	2 034	2020/09/30	
2017	**2018/03/08**	**220.97**	**1 333**	**2019/09/30**	
2017	**2018/03/08**	**220.97**	**1 333**	**2020/09/30**	
2017	**2018/03/08**	**220.97**	**1 334**	**2021/09/30**	
2017*	**2018/03/08**	**220.97**	**2 283**	**2019/09/30**	
2017*	**2018/03/08**	**220.97**	**2 283**	**2020/09/30**	
2017*	**2018/03/08**	**220.97**	**2 284**	**2021/09/30**	
Performance reward plan					
2014	2015/03/05	156.96	7 000	2018/03/31	
2015	2016/03/03	122.24	6 002	2019/03/31	
2016	2017/03/02	155.95	6 004	2020/03/31	
2017	**2018/03/08**	**220.97**	**10 010**	**2021/03/31**	
Equity growth scheme vested					
2008	2009/03/06	62.39		A	2019/03/06
2008	2009/03/06	62.39		B	2019/03/06
2009	2010/03/05	111.94		A	2020/03/05
2009	2010/03/05	111.94		B	2020/03/05
2010	2011/03/04	98.80		A	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
2010	2011/03/04	98.80		B	2021/03/04
Totals for 2018			**54 983**		

* Cash-settled deferred bonus scheme.

Refer to page 186 for footnotes.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018	Exercise date share price	Award[2] (R'000)	Notional dividend[3] (R'000)	Award[4] (R'000)	Notional dividend[5] (R'000)
10 300		10 300			175	1 803	323		
20 042		20 042			175	3 507	499		
20 044				20 044				3 584	499
5 343		5 343			175	935	95		
5 343				5 343				955	95
5 345				5 345				956	95
13 038		13 038			175	2 282	232		
13 038				13 038				2 331	232
13 040				13 040				2 332	232
	6 034			6 034				1 079	57
	6 034			6 034				1 079	57
	6 035			6 035				1 079	57
	10 333			10 333				1 848	97
	10 333			10 333				1 848	97
	10 334			10 334				1 848	97
52 452		52 452			219	11 470	1150		
49 100	5 197			54 297				9 709	1 353
38 500				38 500				6 884	685
	45 300			45 300				8 100	426
10 000		10 000			180	1 178			
10 000		10 000			180	1 178			
12 500				12 500					
12 500				12 500					
13 750				13 750					
10 312				10 312					
3 438				3 438					
						22 353	2 299	43 632	4 079

ZN Manyathi

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Deferred bonus schemes					
2015	2016/03/03	122.24	2 650	2018/09/30	
2015	2016/03/03	122.24	2 650	2019/09/30	
2016	2017/03/02	155.95	1 250	2018/09/30	
2016	2017/03/02	155.95	1 250	2019/09/30	
2016	2017/03/02	155.95	1 250	2020/09/30	
2016*	2017/03/02	155.95	1 617	2018/09/30	
2016*	2017/03/02	155.95	1 617	2019/09/30	
2016*	2017/03/02	155.95	1 617	2020/09/30	
2017	**2018/03/08**	**220.97**	**1 333**	**2019/09/30**	
2017	**2018/03/08**	**220.97**	**1 333**	**2020/09/30**	
2017	**2018/03/08**	**220.97**	**1 334**	**2021/09/30**	
2017*	**2018/03/08**	**220.97**	**1 617**	**2019/09/30**	
2017*	**2018/03/08**	**220.97**	**1 617**	**2020/09/30**	
2017*	**2018/03/08**	**220.97**	**1 617**	**2021/09/30**	
Performance reward plan					
2015	2016/03/03	122.24	6 002	2019/03/31	
2016	2017/03/02	155.95	6 503	2020/03/31	
2017	**2018/03/08**	**220.97**	**10 010**	**2021/03/31**	
Equity growth scheme vested					
2013	2014/03/06	126.87		D	
2013	2014/03/06	126.87		D	
2013	2014/03/06	126.87		D	
2014	2015/03/05	156.96		D	
2014	**2015/03/05**	**156.96**		**D**	
Unvested rights					
2014	2015/03/05	156.96	8 904	2019/03/05	2025/03/05
Totals for 2018			**54 171**		

* Cash-settled deferred bonus scheme.

Refer to page 186 for footnotes.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018	Exercise date share price	Award[2] (R'000)	Notional dividend[3] (R'000)	Award[4] (R'000)	Notional dividend[5] (R'000)
21 678		21 678			175	3 794	540		
21 680				21 680				3 877	540
8 015		8 015			175	1 403	143		
8 015				8 015				1 433	143
8 017				8 017				1 434	143
10 366		10 366			175	1 814	185		
10 366				10 366				1 854	185
10 368				10 368				1 854	185
6 034				6 034				1 079	57
6 034				6 034				1 079	57
6 035				6 035				1 079	57
7 316				7 316				1 308	69
7 316				7 316				1 308	69
7 317				7 317				1 308	69
49 100	5 197			54 297				9 709	1 353
41 700				41 700				7 456	742
45 300				45 300				8 100	426
43 696				43 696					
43 696				43 696					
43 697				43 697					
56 725				56 725					
56 725				56 725					
56 725				56 725				1 239[7]	
						7 011	868	44 117	4 095

M Nienaber

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Deferred bonus schemes					
2014	2015/03/05	156.96	1 283	2018/09/30	
2015	2016/03/03	122.24	1 267	2018/09/30	
2015	2016/03/03	122.24	1 267	2019/09/30	
2016	2017/03/02	155.95	1 000	2018/09/30	
2016	2017/03/02	155.95	1 000	2019/09/30	
2016	2017/03/02	155.95	1 000	2020/09/30	
2016*	2017/03/02	155.95	1 283	2018/09/30	
2016*	2017/03/02	155.95	1 283	2019/09/30	
2016*	2017/03/02	155.95	1 283	2020/09/30	
2017	**2018/03/08**	**220.97**	**1 000**	**2019/09/30**	
2017	**2018/03/08**	**220.97**	**1 000**	**2020/09/30**	
2017	**2018/03/08**	**220.97**	**1 000**	**2021/09/30**	
2017*	**2018/03/08**	**220.97**	**1 450**	**2019/09/30**	
2017*	**2018/03/08**	**220.97**	**1 450**	**2020/09/30**	
2017*	**2018/03/08**	**220.97**	**1 450**	**2021/09/30**	
Performance reward plan					
2014	2015/03/05	156.96	2 998	2018/03/31	
2015	2016/03/03	122.24	3 496	2019/03/31	
2016	2017/03/02	155.95	9 996	2020/03/31	
2017	**2018/03/08**	**220.97**	**10 010**	**2021/03/31**	
Equity growth scheme vested					
2010	2011/03/04	98.80		C	2021/03/04
Totals for 2018			**44 516**		

* Cash-settled deferred bonus scheme.

Refer to page 186 for footnotes.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018	Exercise date share price	Award[2] (R'000)	Notional dividend[3] (R'000)	Award[4] (R'000)	Notional dividend[5] (R'000)
8 177		8 177			175	1 431	256		
10 362		10 362			175	1 813	258		
10 363				10 363				1 853	258
6 412		6 412			175	1 122	114		
6 412				6 412				1 147	114
6 413				6 413				1 147	114
8 229		8 229			175	1 440	146		
8 229				8 229				1 471	146
8 230				8 230				1 472	146
	4 525			4 525				809	43
	4 525			4 525				809	43
	4 527			4 527				809	43
	6 562			6 562				1 173	62
	6 562			6 562				1 173	62
	6 562			6 562				1 173	62
22 462		22 462			219	4 912	493		
28 600	3 028			31 628				5 655	788
64 100				64 100				11 462	1 141
	45 300			45 300				8 100	426
3 125		3 125			224	391			
						11 109	1 267	38 253	3 448

PL Schlebusch

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Deferred bonus schemes					
2014	2015/03/05	156.96	2 883	2018/09/30[7]	
2015	2016/03/03	122.24	4 117	2018/09/30[7]	
2015	2016/03/03	122.24	4 117	2019/09/30	
2016	2017/03/02	155.95	1 667	2018/09/30[7]	
2016	2017/03/02	155.95	1 667	2019/09/30	
2016	2017/03/02	155.95	1 667	2020/09/30	
2016*	2017/03/02	155.95	2 950	2018/09/30[7]	
2016*	2017/03/02	155.95	2 950	2019/09/30	
2016*	2017/03/02	155.95	2 950	2020/09/30	
2017	**2018/03/08**	**220.97**	**1 667**	**2019/09/30**	
2017	**2018/03/08**	**220.97**	**1 667**	**2020/09/30**	
2017	**2018/03/08**	**220.97**	**1 667**	**2021/09/30**	
2017*	**2018/03/08**	**220.97**	**3 283**	**2019/09/30**	
2017*	**2018/03/08**	**220.97**	**3 283**	**2020/09/30**	
2017*	**2018/03/08**	**220.97**	**3 283**	**2021/09/30**	
Performance reward plan					
2014	2015/03/05	156.96	9 998	2018/03/31	
2015	2016/03/03	122.24	9 999	2019/03/31	
2016	2017/03/02	155.95	9 996	2020/03/31	
2017	**2018/03/08**	**220.97**	**10 010**	**2021/03/08**	
Equity growth scheme vested					
2010	2011/03/04	98.80		B	2021/03/04
2012	2013/03/07	115.51		E	2023/03/07
Totals for 2018			**79 821**		

JH Maree

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date
Equity growth scheme vested					
2008	2009/03/06	62.39		A	2019/03/06
2009	2010/03/05	111.94		A	2020/03/05
2011	2012/03/08	108.90		A	2022/03/08
2012	2013/03/07	115.51		A	2023/03/07
2014	2015/03/05	156.96		D	2025/03/05
2012	2013/03/07	115.51		A	2023/03/07
2014	2015/03/05	156.96		D	2025/03/05
Unvested rights					
2014	2015/03/05	156.96		2019/03/05	2025/03/05
Totals for 2018					

* Cash-settled deferred bonus scheme.

1 As at 31 December 2018, SK Tshabalala has a right to 418 814 (2017: 418 814) shares as a beneficiary of Tutuwa Managers' Trust. At 31 December 2018 the debt per share was R53.49 (2017: R54.62).

2 Value on settlement is calculated by multiplying the vesting share/settlement price by the total units vesting and applying performance conditions (where applicable). Performance conditions applied to the 2016 PRP award issued in March 2015 that vested in March 2018 was 117.61%, against the performance conditions as explained in the remuneration structure section of the group's remuneration report within the governance and remuneration report.

3 Value is calculated by multiplying the notional dividend per unit with the total vesting units and applying performance conditions (where applicable).

4 Value is calculated by multiplying the year end SBK share price of R178.81 by the total outstanding units and applying performance conditions (where applicable).

5 Value is calculated by multiplying the notional dividend (accumulated from grant date to year end) with the total outstanding units and applying performance conditions (where applicable). Notional dividends are subject to the vesting conditions.

6 As at 31 December 2018, AKL Fihla has a right to 134 232 (2017: 134 232) shares as a beneficiary of Tutuwa Managers' Trust. At 31 December 2018 the debt per share was R53.49 (2017:R54.62).

7 In March 2015, deferred bonus scheme awards were converted into equity growth scheme (EGS) awards (without conditions) and are now vesting in March 2019.

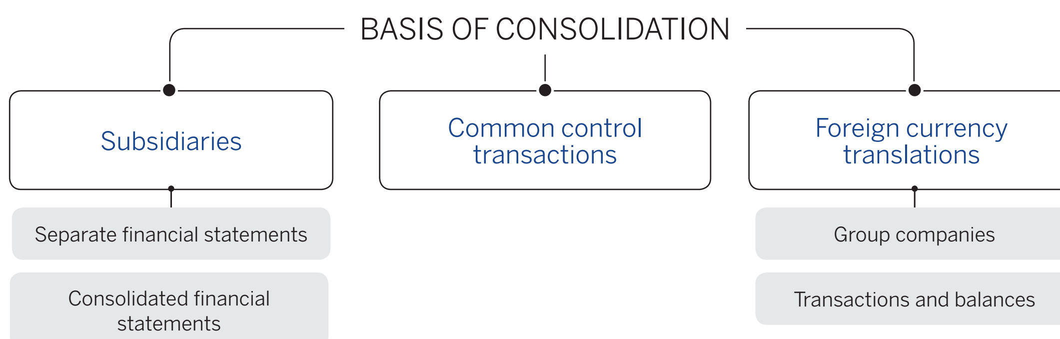
	Units					Exercise date share price	Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018		Award[2] (R'000)	Notional dividend[3] (R'000)	Award[4] (R'000)	Notional dividend[5] (R'000)
	18 370				18 370				4 017	403
	33 677				33 677				7 364	522
	33 677				33 677				7 364	522
	10 687				10 687				2 337	90
	10 687				10 687				2 337	90
	10 688				10 688				2 337	90
	18 916				18 916				4 137	159
	18 916				18 916				4 137	159
	18 917				18 917				4 137	159
		7 542			7 542				1 649	
		7 542			7 542				1 649	
		7 544			7 544				1 650	
		14 859			14 859				3 249	
		14 859			14 859				3 249	
		14 859			14 859				3 249	
	74 916		74 916			219	16 383	1 643		
	81 800	8 658			90 458				19 781	1 403
	64 100				64 100				14 017	538
		45 300			45 300				9 906	
	12 500		12 500			224	1 563			
	18 865		18 865			224	2 044			
							19 990	1 643	96 566	4 135

	Units					Exercise date share price	Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2018		Award[1] (R'000)	Notional dividend[2] (R'000)	Award[3] (R'000)	Notional dividend[4] (R'000)
	62 500		62 500			180	7 360			
	500 000				500 000					
	61 471				61 471					
	37 729				37 729					
	26 148				26 148					
	18 865				18 865					
	26 148				26 148					
	26 149				26 149				571	
							7 360		571	

Annexure F – Detailed accounting policies

The following accounting policies were applied in the preparation of the group and company financial statements. A copy of the full set of accounting policies is available at the company's registered office.

1. Basis of consolidation



Subsidiaries

Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains (losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interest are determined on the basis of the group's present ownership interest in the subsidiary.

Subsidiaries are consolidated from the date on which the group acquires control up to the date that control is lost. Control is assessed on a continuous basis. For mutual funds the group further assesses its control by considering the existence of either voting rights or significant economic power.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translations

Group companies

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

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rates
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

1. Basis of consolidation continued

Foreign currency translations continued

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transaction is utilised, for example an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges).

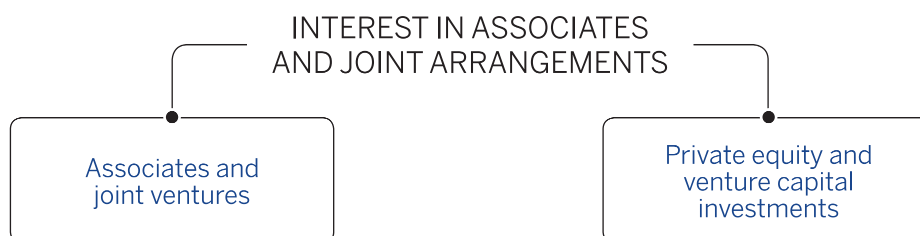
Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the non-interest revenue (trading revenue). [IFRS 9]

Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI (interest income) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (interest income). [IAS 39]

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's FCTR.

2. Interest in associates and joint arrangements



Associates and joint ventures

Associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the group's share of the net assets of the associate or joint venture (including goodwill).

Equity accounting is applied from the date on which the entity becomes an associate or joint venture up to the date on which the group ceases to have significant influence or joint control.

Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associate or joint ventures.

Unrealised profits from transactions are eliminated in determining the group's share of equity accounted profits. Unrealised losses are eliminated in the same way as unrealised gains (but only to the extent that there is no evidence of impairment).

Where there is an indicator of impairment the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying amount.

Impairment losses are recognised through non-trading and capital related items. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined, net of equity accounted losses, if no impairment loss had been recognised.

2. Interest in associates and joint arrangements continued

Associates and joint ventures continued

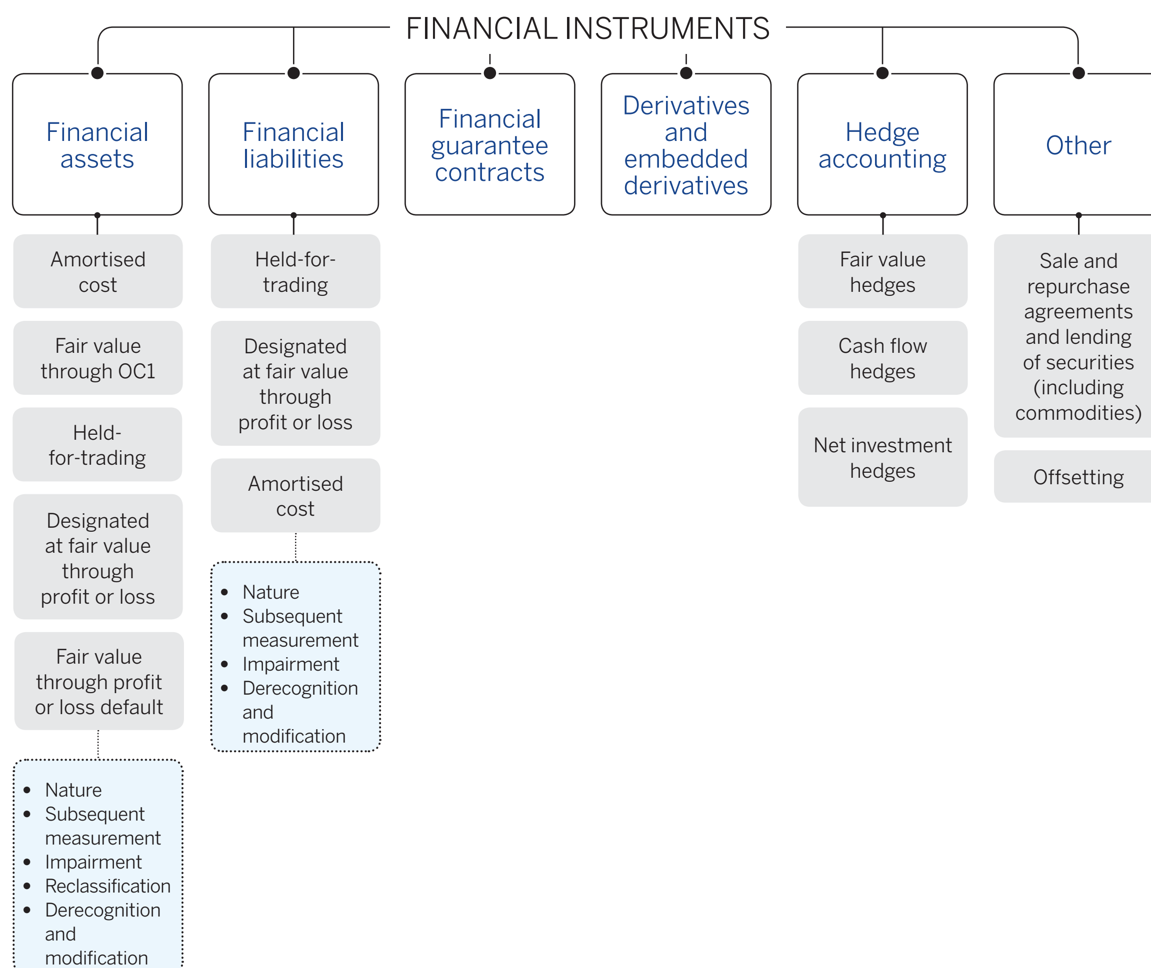
For a disposal of an associate or joint venture, being where the group loses significant influence over an associate or loses joint control over a joint venture, the difference between the sales proceeds and any retained interest and the carrying value of the equity accounted investment is recognised as a gain or loss in non-trading and capital related items. Any gains or losses in OCI reserves that relate to the associate or joint venture are reclassified to non-trading and capital related items at the time of the disposal.

The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Private equity and venture capital investments

Private equity and venture capital investments, including mutual funds held by investment-linked insurance funds that are associates. These associates are either designated on initial recognition at fair value through profit or loss, or are equity accounted.

3. Financial instruments



Initial measurement – financial instruments (IFRS 9 and IAS 39)

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

3. Financial instruments continued

IFRS 9 – accounting policies for financial instruments

Financial assets

Nature

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.
Fair value through OCI	Includes: A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): – held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and – the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Held for trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss – default	Financial assets that are not classified into one of the above mentioned financial asset categories.

3. Financial instruments continued

IFRS 9 – accounting policies for financial instruments continued

Financial assets continued

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	**Debt instrument:** Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. **Equity instrument:** Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest income.
Held for trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss, as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

3. Financial instruments continued

IFRS 9 – accounting policies for financial instruments continued

Financial assets continued

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

Significant increase in credit risk	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

3. Financial instruments continued

IFRS 9 – accounting policies for financial instruments continued

Financial liabilities

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: • to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis • where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

3. Financial instruments continued

IFRS 9 – accounting policies for financial instruments continued

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. The group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- unamortised premium.

3. Financial instruments continued

IAS 39 – Accounting policies for financial instruments continued

Financial assets

Nature

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold-to-maturity.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale.

Held-for-trading

Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets), those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-traders' margin.

Designated at fair value through profit or loss

Financial assets are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise
- where the financial assets are managed and their performance evaluated and reported on a fair value basis
- where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cash flows.

Available-for-sale

Financial assets that are not classified into one of the above mentioned financial asset categories.

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-to-maturity and loans and receivables

Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

Available-for-sale

Fair value, with gains and losses recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired.

Interest income on debt financial assets is recognised in interest income in terms of the effective interest rate method. Dividends received on debt (equity) available-for-sale financial assets are recognised in interest income (other revenue) within profit or loss.

When debt (equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income (other revenue).

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss

Fair value, with gains and losses recognised in interest income (other revenue) for all debt (equity) financial assets

3. Financial instruments continued

IAS 39 – Accounting policies for financial instruments continued

Financial assets continued

Impairment

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the financial asset that can be estimated reliably. The group assesses at each reporting date whether there is objective evidence that a financial asset which is either carried at amortised cost or classified as available-for-sale is impaired as follows:

Held-to-maturity and loans and receivables ('amortised cost')

The following criteria are used in determining whether there is objective evidence of impairment for loans or groups of loans:

- known cash flow difficulties experienced by the borrower
- a breach of contract, such as default or delinquency in interest and/or principal payments
- breaches of loan covenants or conditions
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

The group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which there is identified objective evidence of impairment, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss. Subsequent to impairment, the effects of discounting unwind over time as interest income.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment for impairment.

Impairment of groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss event and the date on which the group identifies the losses). Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

3. Financial instruments continued

IAS 39 – Accounting policies for financial instruments continued

Financial assets continued

Available-for-sale

Available-for-sale debt instruments are impaired when there has been a significant or prolonged decline in the fair value of the instrument below its cost and for equity instruments where there is information about significant changes with an adverse effect on the environment in which the issuer operates that indicates that the cost of the investment in the equity instrument may not be recovered.

When an available-for-sale asset has been identified as impaired, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss, within interest income (other revenue) for debt (equity) instruments. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through interest income for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

Reclassification of financial assets are permitted only in the following instances:

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent changes in estimates of cash flows (other than credit impairment changes) adjust the financial asset's effective interest rates prospectively. On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Held-to-maturity

Where the group is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.

Available-for-sale

The group may choose to reclassify financial assets that would meet the definition of loans and receivables if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Held-for-trading

The group may elect to reclassify non-derivative financial assets out of held-for-trading category in the following instances:

- if the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would not otherwise have met the definition of loans and receivables, it is permitted to be reclassified only in rare circumstances if the financial asset is no longer held for the purpose of selling it in the near team and the financial asset would have met the definition of loans and receivables, it is permitted to be reclassified if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Financial liabilities

Nature

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise
- where the financial liabilities are managed and their performance evaluated and reported on a fair value basis
- where the financial liability contains one or more embedded derivatives that significantly modify the financial asset's cash flows.

At amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

3. Financial instruments continued

IAS 39 – Accounting policies for financial instruments continued

Financial liabilities continued

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in interest expense.

Amortised cost

Amortised cost using the effective interest method with interest recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability, with the difference in the respective carrying amounts being recognised in profit or loss. In all other instances, the renegotiated asset or liability's effective interest rate is redetermined at date of modification taking into account the renegotiated terms.
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

3. Financial instruments continued

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts are subsequently measured at the higher of the:

- present value of any expected payment, when a payment under the guarantee has become probable; or
- unamortised premium.

Derivatives and embedded derivatives (IFRS 9 and IAS 39)

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

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms on IFRS 9 embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

In terms of IAS 39 embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

3. Financial instruments continued

Hedge accounting

The group continues to apply IAS 39 hedge accounting requirements for 2018 and 2017. Derivatives are designated by the group into the following relationships:

Type of hedge	Nature	Treatment
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised in profit or loss. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.
Cash flow hedges	Hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecasted transaction, or a highly probable forecast intragroup transaction.	The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised in profit or loss. Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss.
Net investment hedges	Hedges of net investments in a foreign operation.	The designated component of the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. The ineffective part of any changes in fair value is recognised in profit or loss. The cumulative gains and losses in OCI are accounted for similarly to cash flow hedges.

3. Financial instruments continued

Hedge accounting risk management strategy

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value, cash flow, or net investment hedges for recognised financial assets or liabilities, and highly probable forecast transactions. The group and company apply hedge accounting in respect of the following risk categories.

Foreign currency risk

The group and company operate internationally and are exposed to foreign exchange risk and translation risk.

Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the relevant group entity for each respective currency.

The group and company use a combination of currency forwards, swaps and foreign denominated cash balances to mitigate against the risk of changes in the future cash flows and functional currency value on its foreign-denominated exposures. Under the group's policy, the critical terms of these instruments must align with the foreign currency risk of the hedged item and is hedged on a 1:1 hedge ratio or where currency is managed on a portfolio basis the weighted expected foreign cash flows are aligned.

The group and company elect for each foreign currency hedging relationship, using either foreign currency forwards and swaps, to either include or exclude the currency forward points (basis) contained in the derivative instrument from the hedging relationship. This election is based on the currency pair involved, the shape of the yield-curve and the direction of the foreign currency hedged risk. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded from the hedging relationship this is deferred in other comprehensive income and recognised in profit or loss as appropriate during the hedging relationship.

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of foreign currency risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness. In hedges of foreign currency risk of highly probable forecast commercial transactions, ineffectiveness may arise if the amount of the forecast transaction changes from what was originally estimated. Ineffectiveness relating to highly probable forecast transactions no longer expected to occur during 2018 amounted to Rnil.

Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness. There was no material ineffectiveness relating to basis in relation to foreign currency hedging relationships during 2018.

Equity price risk

The group and company operate share incentive schemes that enable key management personnel and senior employees to benefit from the performance of SBG's share price. For further detail regarding the share schemes, refer to annexure D – equity-linked transactions and the group's governance and remuneration report. These share incentive schemes expose the group and company to equity price risk due to volatility in the share price of SBG (SBK:SJ). The group and company have in place appropriate risk management strategies and reporting processes in respect of this risk.

The group and company use a combination of equity forwards and options to mitigate against the risk of changes in the future cash flows associated with certain cash-settled schemes on a post attrition and vesting assumption basis. The following scheme exposures are subject to cash flow hedge accounting at a group level: deferred bonus scheme (DBS) and cash settled deferred bonus scheme (CSDBS) (Quanto). Cash flow hedge accounting is applied to align the timing mismatch of the derivative hedging instruments to the vesting period of the underlying awards (hedged items) over the applicable vesting period.

3. **Financial instruments** continued

Hedge accounting risk management strategy continued

Under the group's policy the critical terms of these instruments must align with equity price risk of the hedged item and is hedged on a 1:1 hedge ratio. The group and company elect for each hedging relationship, using either equity forwards and/or options, to either include or exclude the forward points (basis) contained in the derivative instrument from the hedging relationship. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded from the hedging relationship this is deferred in other comprehensive income and recognised in profit or loss as appropriate during the hedging relationship.

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of equity price risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness.

Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The group and company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group and company operate.

The group and company's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO. The group and company's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management the group applies fair value hedge accounting in respect of the interest rate risk element only, present within the following exposures:

- Specifically identified long-term fixed interest rate loans and advances and deposits and debt funding. To manage the risk associated with such risk exposures the group uses one or more cash collateralised fix for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure.
- Specifically identified long-term interest rate basis risk (CPI vs. JIBAR) inherent in loans and advances. To manage the basis risk associated with such risk exposures the group uses one or more cash collateralised floating for floating basis interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure and
- Portfolio interest rate risk present within a designated portfolio of loans and advances and deposits and debt funding. Portfolio interest rate risk hedging is conducted on an aggregate asset and liability portfolio basis. The hedge ratio and rebalancing frequency of portfolio hedges is determined using a dynamic approach reflecting the duration of portfolio exposure in accordance with a exposure bucketing approach.

The group and company observe interest rate risk in respect of these exposures using an unfunded cash collateralised interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only.

The group and company use a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness. The extent of hedge ineffectiveness as a result of fair value interest rate risk hedges is disclosed in note 2.3.5.

3. Financial instruments continued

Other (IFRS 9 and IAS 39)

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

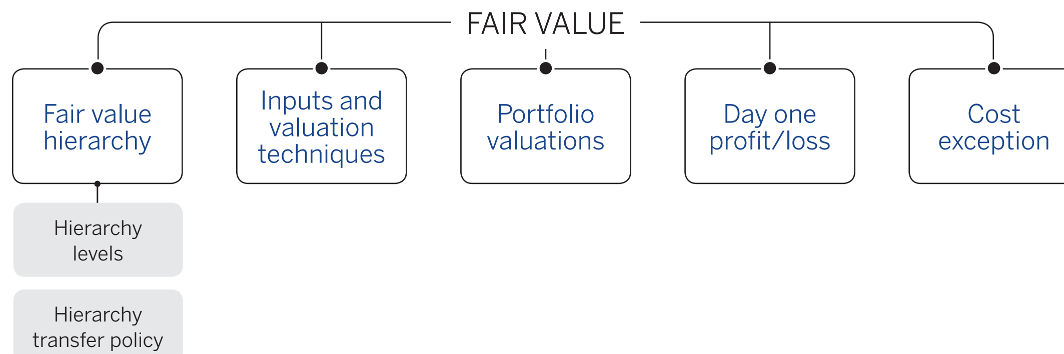
Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

Offsetting (IFRS 9 and IAS 39)

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

4. Fair value



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

4. Fair value continued

Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

4. Fair value continued

Inputs and valuation techniques continued

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item and description	Valuation technique	Main inputs and assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • discounted cash flow model • Black-Scholes model • combination technique models.	For level 2 and 3 fair value hierarchy items: • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • earnings yield • valuation multiples.
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Pledged assets Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.		
Financial investments Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.		

4. **Fair value** continued

Inputs and valuation techniques continued

Item and description	Main inputs and assumptions	Valuation technique
Loans and advances to banks and customers Loans and advances comprise: Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items: • discount rate*.
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant 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.	For level 2 and 3 fair value hierarchy items: • discount rate*.
Policyholders' assets and liabilities Policyholders' assets and liabilities comprise unit-linked policies and annuity certains.	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certains: discounted cash flow models are used to determine the fair value of the stream of future payments.	For level 2 and 3 fair value hierarchy items: • discount rate* • spot price of underlying.
Third-party financial liabilities arising on the consolidation of mutual funds (included in other liabilities) These are liabilities that arise on the consolidation of mutual funds.	The fair values of third-party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	For level 2 and 3 fair value hierarchy items: • discount rate*.

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

4. Fair value continued

Portfolio valuations

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

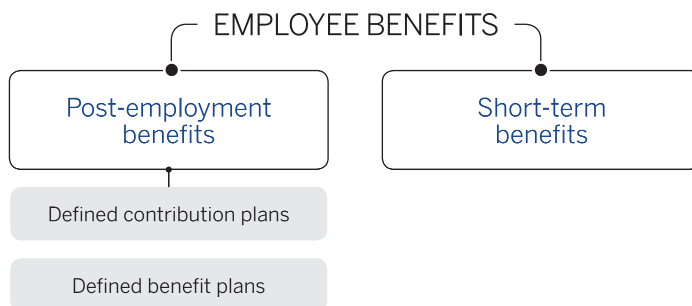
Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Cost exception (IAS 39)

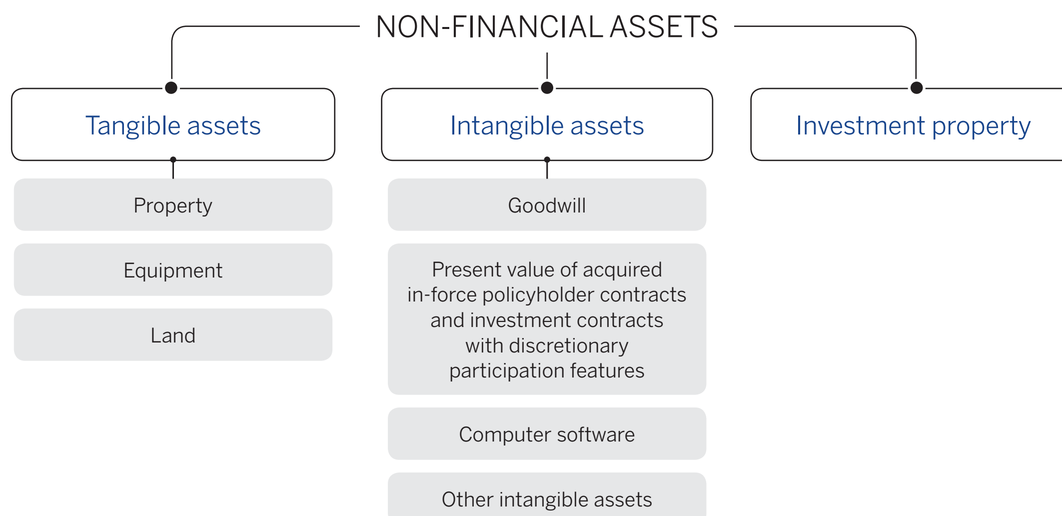
Where the fair value of investments in equity instruments or identical instruments do not have a quoted price in an active market, and derivatives that are linked to and must be settled by delivery of such equity instruments, are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets are not reversed.

5. Employee benefits



Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contribution plans The group operates a number of defined contribution plans. See note 45 for more information.	Accruals are recognised for unpaid contributions.	No direct impact.	Contributions are recognised as an operating expense in the periods during which services are rendered by the employees.
Defined benefit plans The group operates a number of defined benefit retirement and post-employment medical aid plans. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. See note 46 for more information.	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/(expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability). Other expenses related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets



Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Tangible assets (property, equipment and land) Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment losses. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated. Buildings 40 years Computer equipment 3 – 5 years Motor vehicles 4 – 5 years Office equipment 5 – 10 years Furniture 5 – 13 years Leased assets Shorter of useful life or lease term The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.	These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest CGUs. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Goodwill Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest. Goodwill arising on the acquisition of subsidiaries (associates or joint ventures) is reported in the statement of financial position as part of 'Goodwill and other intangible assets' ('Interest in associates and joint ventures').	Not applicable	The accounting treatment is generally the same as that for tangible assets except as noted below. Goodwill is tested annually for impairment and additionally when an indicator of impairment exists. An impairment loss in respect of goodwill is not reversed.
Present value of acquired in-force policyholder contracts and investment contracts with discretionary participation features Where a portfolio of policyholder contracts is acquired either directly from another insurer or through the acquisition of a subsidiary, the PVIF business on the portfolio, being the net present value of estimated future cash flows of the existing contracts, is recognised as an intangible asset. The PVIF intangible asset is carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses.	The PVIF intangible asset is amortised on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts (four to 12 years). The estimated life is re-evaluated annually.	Same accounting treatment as for tangible assets.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Computer software Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.	Amortisation is recognised in operating expenses on a straight line basis at rates appropriate to the expected lives of the assets (two to 15 years) from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.
Other intangible assets The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in operating expenses as incurred. The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations. Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.	Amortisation is recognised in operating expenses on a straight-line basis over the estimated useful lives of the intangible assets, not exceeding 20 years, from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.	
Derecognition Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.		

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Investment property Initially measured at cost, including transaction costs. Subsequently measured at fair value and included as part of investment management and service fee income and gains within the profit or loss.	The fair value is based on valuation information at the reporting date. If the valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets. Fair value adjustments recognised in investment management and service fee income and gains are adjusted for any double-counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.	
Derecognition Investment property is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on derecognition is recognised in investment management and service fee income and gains and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. When the use of a property changes such that it is reclassified from property and equipment to investment property, the difference between the carrying value at date of reclassification and its fair value is recognised in OCI.		

7. Property developments and properties in possession

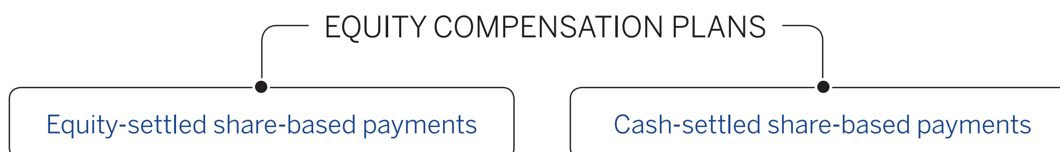
Property developments

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development.

Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

8. Equity-linked transactions



Equity-settled share-based payments

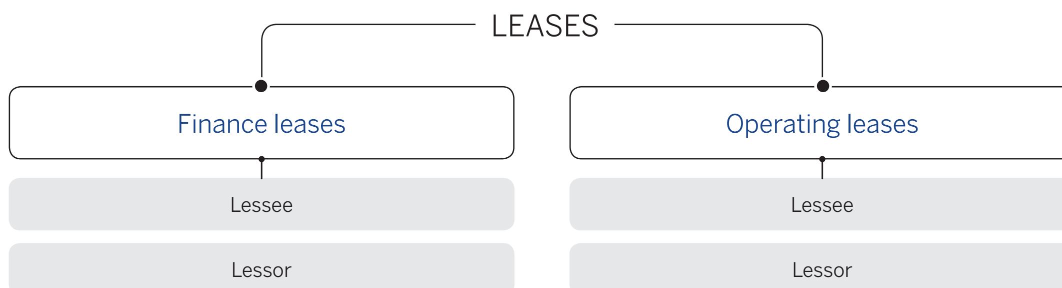
The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.

On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to share capital and premium.

Cash-settled share-based payments

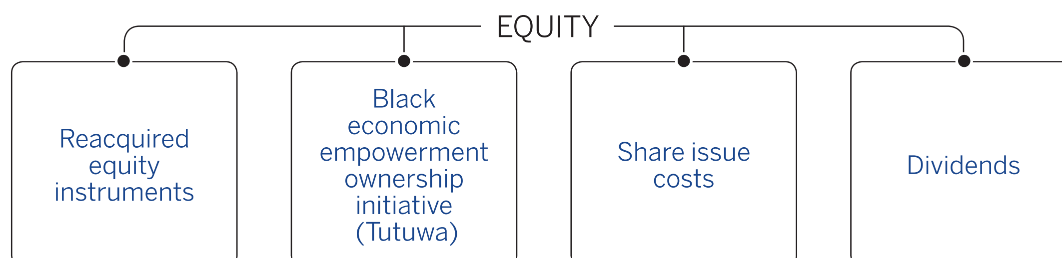
Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses.

9. Leases



Type and description	Statement of financial position	Income statement
Finance leases – lessee Leases, where the group assumes substantially all the risks and rewards incidental to ownership, are classified as finance leases.	The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Refer to non-financial assets accounting policy for the treatment of the leased asset. Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the group's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.	A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
Finance leases – lessor Leases, where the group transfers substantially all the risks and rewards incidental to ownership, are classified as finance leases.	Finance lease receivables, including initial direct costs and fees, are primarily accounted for as financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.
Operating leases – lessee All leases that do not meet the criteria of a financial lease are classified as operating leases.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under operating leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Operating leases – lessor All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis or a more representative basis where applicable over the lease term and is recognised in operating expenses. When an operating lease is terminated before the lease period has expired, any payment required by the group by way of a penalty is recognised as income in the period in which termination takes place.

10. Equity



Reacquired equity Instruments

Where subsidiaries purchase/(short sell) Standard Bank Group Limited's equity instruments, the consideration paid/(received) is deducted/(added) from/(to) equity attributable to ordinary shareholders as treasury shares on consolidation.

Fair value changes recognised by subsidiaries on these instruments are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued/(reacquired) outside the group, any consideration received/(paid) is included in equity attributable to ordinary shareholders.

Black economic empowerment ownership initiative (Tutuwa)

The group subscribed for 8.5% redeemable, cumulative, preference shares issued by the Tutuwa entities controlled by the group. The initial repurchase of group shares by the Tutuwa entities was treated as a reduction in the group's equity. Subsequent to the repurchase of the group shares, the Tutuwa entities containing these shares were sold to the black participants. The capital and dividends on the preference shares are repayable from future ordinary dividends received on group shares or from the disposal of the group's shares. As a result of the group's right to receive its own dividends back in the form of preference dividends and capital on the preference shares, the subsequent sale of the Tutuwa entities and consequent delivery of the group shares to the black participants (although legally effected) is not accounted for as a sale. The preference share investment in the Tutuwa entities is also not accounted for as an asset. The preference share asset is effectively eliminated against equity as a negative empowerment reserve.

As a consequence of the above, the IFRS accounting treatment followed until full redemption, or third-party financing, is as follows:

- the 8.5% redeemable, cumulative, preference shares issued by the Tutuwa entities and subscribed for by the group are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve
- the preference dividends received from the Tutuwa entities are eliminated against the ordinary dividends paid on the group shares held by the Tutuwa entities
- preference dividends accrued but not received, due to cash distributions paid to participants, increase the empowerment reserve
- for purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those Tutuwa entities that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party
- perpetual preference shares issued by the group for the purposes of financing the repurchased group shares are classified as equity. Dividends paid are accounted for on declaration.

Share issue costs

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

Dividends

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the annual financial statements.

11. Provisions, contingent assets and contingent liabilities

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically (when applicable) include the following:

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

Provision for restructuring

A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

Provision for onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

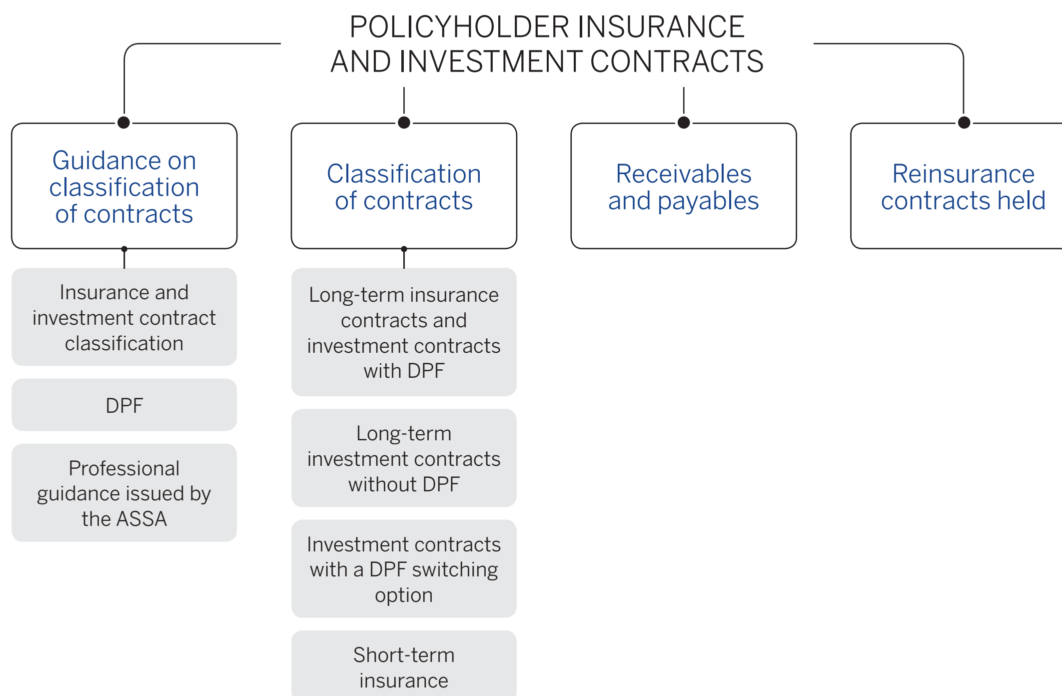
Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

12. Policyholder insurance and investment contracts



Guidance on classification of contracts

Insurance and investment contract classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or, in the case of life annuities, the lifespan of the policyholder is greater than that assumed. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Short-term insurance provides benefits under short-term policies, typically one year or less, which include engineering, fire, personal liability, marine and aviation, motor, personal accident, medical expenses, theft and the Workmen's Compensation Act, or a contract comprising a combination of any of those policies.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Discretionary participation features

A number of insurance and investment contracts contain a DPF feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses at the discretion of the group. The terms and conditions or practice relating to these contracts are in accordance with the group's published Principles and Practices of Financial Management, as approved by the FSB. The terms 'reversionary bonus' and 'smoothed bonus' refer to the specific forms of DPF contracts underwritten by the group. All components in respect of DPFs are included in policyholders' assets and liabilities.

Professional guidance issued by the Actuarial Society of South Africa

In terms of IFRS 4 Insurance Contracts (IFRS 4), insurance liabilities are measured under existing local practice. The group had, prior to the adoption of IFRS 4, adopted the Professional Guidance Notes (PGNs) issued by the ASSA to determine the liability in respect of insurance contracts issued in South Africa. The group has continued to value long-term insurance liabilities in accordance with these.

In 2012, the naming convention was changed and the term PGN was replaced with either APN or SAP depending on whether the former PGN was best-practice or mandatory respectively.

12. Policyholder insurance and investment contracts continued

Guidance on classification of contracts continued

These are available on the ASSA website – www.actuarialsociety.org.za

Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the annual financial statements.

Classification of contracts

Policyholder contracts are classified into four categories, depending on the duration of or type of investment benefit or insurance risks. The accounting for each of these contracts are detailed below.

Long-term insurance contracts and investment contracts with DPF

Measurement

These contracts are valued in terms of the FSV basis as described in SAP 104 Life offices – valuation of long-term insurers (SAP 104), using a discounted cash flow methodology. The assets and liabilities are reflected as policyholders' assets and liabilities in the statement of financial position. The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return, tax and any expected losses in respect of options.

The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of SAP 104, plus additional discretionary margins. Derivatives embedded in the group's insurance contracts are not separated and measured at fair value if the embedded derivative itself meets the definition of an insurance contract.

The liabilities in respect of the investment guarantees' underlying maturity and death benefits, and guaranteed annuity options are measured in accordance with APN 110 Reserving for minimum investment return guarantees on a market-consistent basis. Discretionary margins are held to ensure that the profit and risk margins in the premiums are not capitalised before it is probable that future economic benefits will flow to the entity.

These profits emerge over the lifetime of the contract in line with the risk borne by the group. Liabilities for individual market-related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the unit reserve element), reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy-by-policy cash flow basis (the rand reserve element).

Reversionary bonus classes of policies, and policies with fixed and guaranteed benefits are valued by discounting the expected future cash flows at market-related rates of interest reduced by an allowance for investment expenses and the relevant compulsory margins (the guaranteed element). Future bonuses have been allowed for at the latest declared rates where appropriate. The rand reserve element of market-related policies and the guaranteed element in respect of other policies are collectively known as the rand reserve.

In respect of corporate life and lump sum disability business, no discounting of future cash flows is performed. However, a provision will be held if the expected guaranteed premiums under the current basis and investment returns in the short term are not sufficient to meet expected future claims and expenses. For corporate investment contracts with DPF, in addition to the value of the policies' investment in the investment portfolios held, an additional provision will be held if the expected fee recoveries in the short term are not sufficient to meet expected expenses.

Within the group all investment contracts invested in smoothed bonus portfolios are classified as investment contracts with DPF. In respect of insurance and investment contracts with DPF where bonuses are smoothed, bonus stabilisation provisions are held arising from the difference between the after taxation investment performance of the assets net of the relevant management fees and the value of the bonuses declared. In accordance with SAP 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are included in policyholders' liabilities. The liability estimates are reviewed bi-annually. The effect of any change in estimates is recognised in profit or loss.

Where policyholders, in respect of certain policies, are entitled to a part surrender, any part surrender is treated as a derecognition of the policyholders' asset or liability.

Shadow accounting is applied to policyholder insurance contracts where the underlying measurement of the policyholder insurance liability depends directly on the fair value of any owner-occupied properties.

Any unrealised gains and losses on such owner-occupied properties are recognised in OCI. The shadow accounting adjustment to policyholder insurance contracts is recognised in OCI to the extent that the unrealised gains or losses, together with any related taxation on owner-occupied properties backing policyholder insurance liabilities are also recognised directly in OCI.

12. Policyholder insurance and investment contracts continued

Classification of contracts continued

Incurred but not reported claims (IBNR)

Provision is made in policyholders' assets and liabilities for the estimated cost at the end of the year of claims incurred but not reported at that date. IBNR provisions for the main categories of business are calculated using run-off triangle techniques. These liabilities are not discounted due to the short-term nature of IBNR claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of insurance liabilities net of any related intangible PVIF business assets is inadequate in the light of the estimated future cash flows, then the deficiency is recognised in profit or loss.

Premium income

Premiums and annuity considerations on insurance contracts, other than in respect of universally costed policies (policies where insurance risk charges are dependent on the excess of the sum assured over the value of units underlying the contract), recurring premium pure risk policies (collectively the Lifestyle series) and corporate schemes, are recognised when due in terms of the contract. Premiums receivable in respect of corporate schemes are recognised when there is a reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised when premiums are received, as failure to pay a premium will result in a reduction of attributable fund value, if available, or else in the lapse of the policy. Premium income on insurance contracts is recognised gross of reinsurance. Premiums are shown before deduction of commission.

Claims

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are recognised in insurance benefits and claims paid when the group is notified of a claim, based on the estimated liability for compensation owed to policyholders. Changes in the provision for IBNR claims are also recognised in insurance benefits and claims paid. Reinsurance recoveries are accounted for in the same period as the related claims.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred in insurance benefits and claims paid.

The FSV method for valuing insurance contracts and investment contracts with DPF makes implicit allowance for the deferral of acquisition costs and, hence, no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts.

Long-term investment contracts without DPF

Measurement

The group issues investment contracts without fixed benefits (unit-linked and structured products) and investment contracts with fixed and guaranteed benefits (term certain annuity). Investment contracts without fixed benefits are financial liabilities whose fair value is dependent on the fair value of the underlying financial assets, derivatives and/or investment property and are designated at inception as at fair value through profit or loss. These investment contracts are accounted for as financial liabilities and are designated at fair value through profit or loss.

For investment contracts with fixed and guaranteed terms, future benefit payments and premium receipts are discounted using market-related rates at the relevant statement of financial position date. No initial profit is recognised immediately as any profit on initial recognition is amortised over the life of the contract.

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities, whereas claims incurred are recorded as deductions from investment contract liabilities.

DRL on investment management contracts

A DRL is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for investment management services. The DRL is then released to investment management and service fee income and gains when the services are provided, over the expected duration of the contract on a straight-line basis.

Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is the period over which the service is rendered. Outstanding fees are accrued as a receivable in terms of the investment management contract.

12. Policyholder insurance and investment contracts continued

Classification of contracts continued

DAC in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs are expensed as incurred, unless specifically attributable to an investment contract with an investment management service element. Such costs are deferred and amortised on a straight-line basis over the expected life of the contract (10 to 16 years for linked annuities, one year for corporate business and five years for other investment contracts), taking into account all decrements, as they represent the right to receive future management fees.

A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis. An impairment test is conducted annually at the reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Investment contracts with a DPF switching option

Measurement

On certain investment contracts, policyholders have an option to switch some or all of their investment from a DPF fund to a non-DPF fund (and vice versa). The value of the liability held with respect to these contracts is taken at the aggregate value of the policyholder investment in the investment portfolio at the valuation date.

Short-term insurance

Gross written premiums

Gross premiums exclude value added tax (VAT). Premiums are accounted for as income when the risk related to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. The unearned premiums are calculated using a straight-line basis, except for those insurance contracts where allowance is made for uneven exposure.

Liability adequacy

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs.

Provision for reported claims and IBNR claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. The group's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges.

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the group at that date (IBNR claims). This provision is calculated using run-off triangle techniques. The provision for claims is not discounted for the time value of money due to the expected short duration to settlement.

DAC

Commissions that vary and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses within insurance benefits and claims paid when incurred.

DRL

A DRL is raised for any income receivable on the placement of reinsurance for risks arising from short-term insurance contracts. The DRL is released to income systematically over the coverage period of the respective reinsurance contract.

Receivables and payables

Receivables and payables related to insurance contracts and investment contracts are recognised when due. These include amounts due to and from agents, brokers and policyholders. Receivables and payables related to insurance contracts are subsequently measured in terms of IFRS 4 Insurance Contracts (IFRS 4), while those related to investment contracts are designated at fair value.

12. Policyholder insurance and investment contracts continued

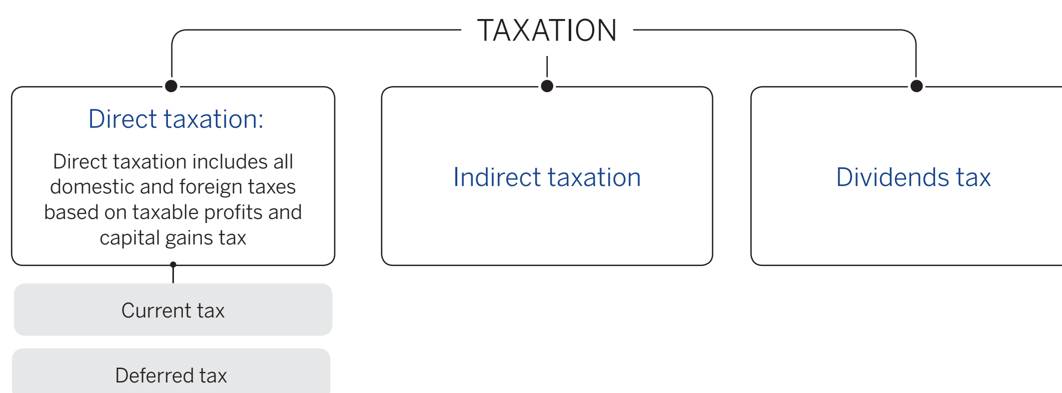
Reinsurance contracts held

The group cedes some insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire, or a portion of, losses arising on one or more of the insurance contracts issued by the group.

The expected benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets and included in 'Other assets' in the statement of financial position. Reinsurance assets are assessed for impairment at each reporting date. Any impairment loss is recognised in profit or loss.

Outward reinsurance premiums are recognised as an expense and are accounted for in the same accounting period that premiums received are recognised as revenue in insurance premiums.

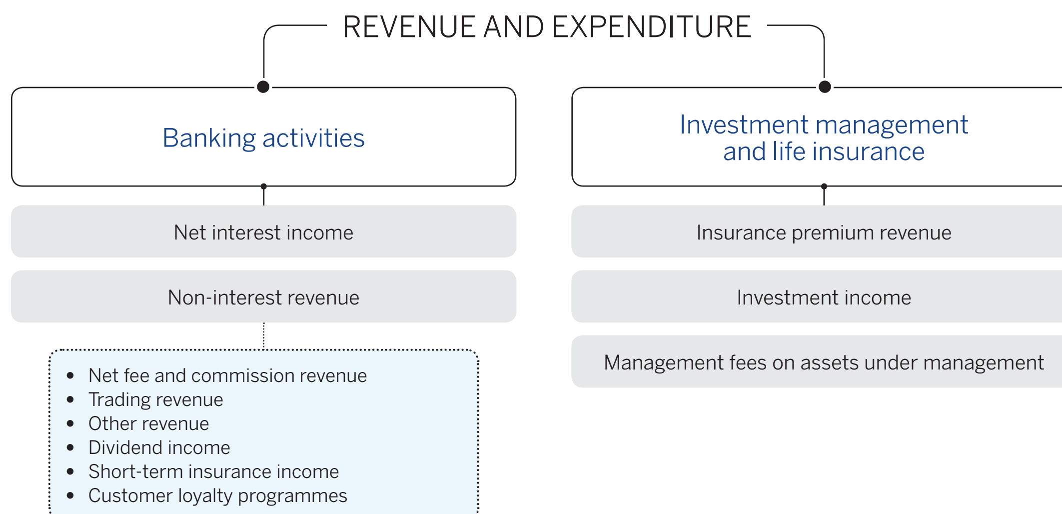
13. Taxation



Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	Current tax is recognised in the direct taxation line in the income statement except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.	Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
Direct taxation: deferred tax	Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences: • the initial recognition of goodwill • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses • investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.	

Type	Description, recognition and measurement	Offsetting
Direct taxation: deferred tax continued	The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	
Indirect taxation	Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity as dividend tax represents a tax on the shareholder and not the group. Dividend tax withheld by the group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (where applicable) is included in 'Other liabilities' in the statement of financial position.	Not applicable

14. Revenue and expenditure



Description	Recognition and measurement
Net interest income	Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate. Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income. When a financial asset is classified as specifically impaired (before 1 January 2018) or as Stage 3 impaired (after 1 January 2018), interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in interest income (before 1 January 2018) credit impairment (after 1 January 2018) when the financial asset is no longer specifically impaired (before 1 January 2018) or is reclassified out of Stage 3 (after 1 January 2018). Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income. Before the adoption of IFRS 9 on 1 January 2018, the following additional amounts were recognised in net interest income: • fair value gains and losses on debt financial assets that were designated at fair value through profit or loss • the gain or loss on the derecognition of a financial asset classified as available-for-sale • gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • fair value gains and losses on financial liabilities (including changes as a result of own credit risk) that were designated at fair value through profit or loss.

14. Revenue and expenditure continued

Description	Recognition and measurement
Net fee and commission revenue	Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance-based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.
Customer loyalty programmes	The group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.
Insurance premium revenue	Insurance premium revenue includes life insurance premiums, health insurance premiums and short-term insurance premiums.
Investment income	Investment income for investment management and life insurance activities comprises mainly rental income from properties, interest, hotel operations' sales and dividends. Dividends are recognised when the right to receive payment is established and interest income is recognised using the effective interest method. Hotel operation sales comprise the fair value of the sale of accommodation, food and beverage, other guest facilities and rentals received. Revenue is shown net of VAT, returns, rebates and discounts.
Management fees on assets under management	Fee income includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Administration fees received for the administration of medical schemes are recognised when the services are rendered.

14. Revenue and expenditure continued

Description	Recognition and measurement
Other gains/losses on financial instruments	After 1 January 2018, includes: • fair value gains and losses on financial assets that are at fair value through profit or loss • the gain or loss on the derecognition realisation of a debt financial asset classified as at fair value through OCI • gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • gains and losses arising from the reclassification of a financial asset from amortised cost to fair value • gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost • fair value gains and losses on designated financial instruments.
Other revenue	Other revenue includes dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases. Before 1 January 2018, gains and losses on equity instruments designated at fair value through profit or loss are recognised within other revenue. Gains and losses on equity instruments classified as available-for-sale financial assets are reclassified from OCI to other revenue on derecognition or impairment.
Short-term insurance income	Includes premium income, commission and policy fees earned, as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group and comprises the cash value of commission earned when premiums are payable directly to the underwriters.

Offsetting

Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

Interest in suspense

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

IAS 39 accounting treatment

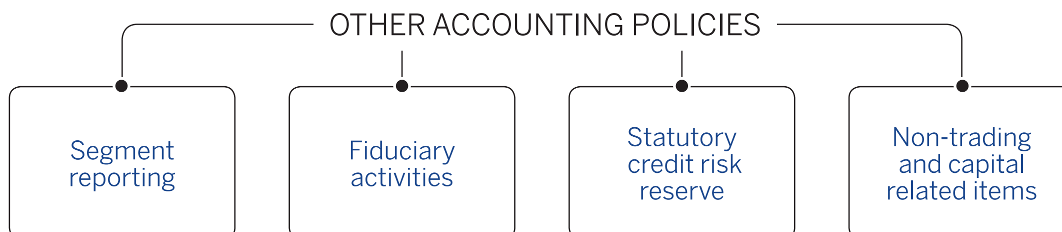
Up to 31 December 2017, IAS 18 Revenue required interest income to be recognised only when it was probable that the economic benefits associated with a transaction would flow to the entity. The group, in line with these requirements, suspended the recognition of contractual interest income on all exposures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

IFRS 9 accounting treatment

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

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

15. Other significant accounting policies



Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision maker.

Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

Statutory credit risk reserve

The statutory credit risk reserve represents the amount by which local regulatory authorities within the group's African Regions operations require in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

Non-trading and capital related items

Non-trading and capital related items primarily include the following:

- gains and losses on disposal of subsidiaries, joint ventures and associates (including foreign exchange translation gains and losses)
- gains and losses on the disposal of property and equipment and intangible assets
- impairment and reversals of impairments of joint ventures and associates
- impairment of investments in subsidiaries, property and equipment, and intangible assets
- other items of a capital related nature.

16. New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2018 and have not been applied in preparing these annual financial statements.

Title: IFRS 3 Business Combinations (amendment)

Effective date: 1 January 2020

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is not expected to have a material impact on the group.

Title: IFRS 9 Financial Instruments (amendment)

Effective date: 1 January 2019

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The amendment is not expected to have a material impact on the group.

16. New standards and interpretations not yet adopted continued

Title: IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date: deferred the effective date for these amendments indefinitely

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

Title: IFRS 16 Leases

Effective date: 1 January 2019

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 is 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 lessor accounting requirements in IAS 17 have not changed substantially in terms of this standard. A lessor, hence, continues to classify its leases as operating leases or finance leases and accounts for these as is currently done in terms of IAS 17. In addition, the standard requires lessors to provide enhanced disclosures about its leasing activities and, in particular, about its exposure to residual value risk and how it is managed.

Estimated impact assessment

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.

Title: IFRS 17 Insurance Contracts

Effective date: 1 January 2021 (proposed deferral by one year)

This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches.

The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts, and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a 'shock absorber' in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features.

An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time.

The requirement to eliminate all treasury shares has been amended such that treasury shares held for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets.

16. New standards and interpretations not yet adopted continued

Title: IFRS 17 Insurance Contracts continued

These requirements will provide transparent reporting about an entity's financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17.

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments)

Effective date: 1 January 2020

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.

Title: IAS 19 Employee Benefits (amendments)

Effective date: 1 January 2019

The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: IAS 28 Interest in Associates and Joint Ventures (amendment)

Effective date: 1 January 2019

This amendment clarifies that an entity should apply IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The amendments will be applied retrospectively. The amendment is not expected to have a significant impact on the annual financial statements.

Title: Annual improvements 2015-2017 cycle

Effective date: 1 January 2019

The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the group's annual financial statements.

Title: IFRIC 23 Uncertainty over Income Tax Treatments

Effective date: 1 January 2019

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight. The impact on the annual financial statements has not yet been fully determined.

Annexure G – Six year review

Consolidated statement of financial position

	2018 USDm*	2018 GBPm*	2018 EURm*	CAGR** %
Assets				
Cash and balances with central banks	5 921	4 650	5 179	10
Financial investments, trading and pledged assets	52 044	40 874	45 523	10
Loans and advances	77 932	61 205	68 167	6
Current and deferred taxation assets	314	247	275	18
Derivative and other assets	5 012	3 936	4 384	(4)
Non-current assets held for sale	53	43	45	(67)
Interest in associates and joint ventures	722	567	631	17
Goodwill and other intangible assets	1 646	1 293	1 440	6
Property and equipment	1 335	1 048	1 168	3
Investment property	2 318	1 820	2 027	4
Policyholders' assets	614	482	537	
Total assets	147 911	116 165	129 376	5
Equity and liabilities				
Equity	13 843	10 872	12 108	5
Equity attributable to ordinary shareholders	11 479	9 015	10 040	5
Equity attributable to other equity instrument holders	629	494	550	10
Non-controlling interests	1 735	1 363	1 518	7
Liabilities	134 068	105 293	117 268	5
Deposit and debt funding	94 405	74 142	82 575	8
Derivative and other liabilities	11 441	8 986	10 008	2
Trading liabilities	4 169	3 274	3 646	11
Current and deferred taxation liabilities	557	438	488	(2)
Non-current liabilities held for sale	16	13	14	(72)
Subordinated debt	1 833	1 440	1 603	1
Policyholders' liabilities	21 647	17 000	18 934	3
Total equity and liabilities	147 911	116 165	129 376	5

* The foreign denominated results above have been derived from the group's audited ZAR results by using the closing exchange rates. The foreign denominated results above have not been audited and have been presented for illustrative purposes only. This illustration would not be equivalent to that which would have resulted had the group presented its results in a currency other than ZAR in terms of IAS 21 The Effects of Changes in Foreign Exchange Rates.

** Compound annual growth rate.

Exchange rates (rounded) utilised to convert the 31 December 2018 statement of financial position rand exchange rates (closing):

USD – 14.38 (2017:12.31)
GBP – 18.31 (20176:16.55)
EUR – 16.44 (2017:14.77)

2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
85 145	75 310	77 474	75 112	64 302	53 310
748 396	714 993	632 396	607 352	537 146	457 018
1 120 666	1 048 027	1 065 405	1 076 917	928 241	839 620
4 519	2 109	2 467	2 415	2 213	1 943
72 075	98 606	87 851	131 741	82 324	88 691
762				219 958	183 284
10 376	9 665	8 196	9 703	3 727	4 797
23 676	23 329	23 675	24 031	21 175	18 085
19 194	16 179	16 041	17 670	16 737	16 882
33 326	32 226	31 155	30 508	27 022	27 299
8 827	7 484	7 314	7 579	6 507	
2 126 962	2 027 928	1 951 974	1 983 028	1 909 352	1 690 929
199 063	190 017	179 359	178 908	161 634	152 648
165 061	157 020	150 757	151 069	136 985	128 936
9 047	9 047	5 503	5 503	5 503	5 503
24 955	23 950	23 099	22 336	19 146	18 209
1 927 899	1 837 911	1 772 615	1 804 120	1 747 718	1 538 281
1 357 537	1 243 911	1 213 621	1 186 514	1 047 212	921 738
164 527	175 324	169 583	232 569	146 558	149 304
59 947	62 855	47 867	43 304	43 761	35 368
8 015	8 614	8 317	9 398	8 980	8 907
237				182 069	134 504
26 359	24 289	25 997	27 141	25 521	24 516
311 277	322 918	307 230	305 194	293 617	263 944
2 126 962	2 027 928	1 951 974	1 983 028	1 909 352	1 690 929

Consolidated income statement

	2018 USDm*	2018 GBPm*	2018 EURm*	CAGR** %
Net interest income	4 507	3 382	3 822	9
Non-interest revenue	3 404	2 554	2 886	6
Net fee and commission revenue	2 296	1 723	1 947	6
Trading revenue	841	631	713	7
Other revenue	267	200	226	1
Other gains and losses on financial instruments				
Income from banking activities	7 911	5 936	6 708	7
Income from investment management and life insurance activities	3 914	4 236	4 787	
Insurance premiums received	2 912	2 185	2 469	29
Revenue from contracts with customers	308	231	261	
Interest income	115	86	97	
Insurance benefits and claims paid	269	1 502	1 698	
Investment management and service fee income and gains	267	200	226	(41)
Fair value adjustments to investment management liabilities and third-party fund interests	43	32	36	
Total income	11 825	10 172	11 495	6
Credit impairment charges	(490)	(368)	(416)	(7)
Income after credit impairment charges	11 335	9 804	11 079	7
Operating expenses in banking activities	(4 541)	(3 408)	(3 852)	7
Operating expenses in insurance activities	(1 240)	(930)	(1 052)	3
Net income before non-trading and capital related items	5 554	5 466	6 175	8
Non-trading and capital related items	(48)	(36)	(41)	52
Share of post-tax results from associates and joint ventures	69	52	58	6
Net income before indirect taxation	5 575	5 482	6 192	8
Indirect taxation	(197)	(148)	(167)	6
Profit before direct taxation	5 378	5 334	6 025	8
Direct taxation	(687)	(516)	(583)	4
Profit for the year from continuing operations	4 691	4 818	5 442	9
Profit/(loss) for the year from discontinued operation				(100)
Profit for the year	4 691	4 818	5 442	10
Attributable to non-controlling interests and other equity instrument holders	392	294	333	6
Attributable to group ordinary shareholders	2 075	1 557	1 760	11
Headline earnings	2 106	1 581	1 786	10

* The foreign denominated results above have been derived from the group's audited ZAR results by using the average exchange rates. The foreign denominated results above have not been audited and have been presented for illustrative purposes only. This illustration would not be equivalent to that which would have resulted had the group presented its results in a currency other than ZAR in terms of IAS 21 The Effects of Changes in Foreign Exchange Rates.

** Compound annual growth rate.

Exchange rates (rounded) utilised to convert the 31 December 2018 income statement rand exchange rates – (average):

ZAR exchange rates – (average)

USD 13.23 (2017:13.30)
GBP 17.63 (2017:17.13)
EUR 15.60 (2017:15.02)

2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
59 622	60 125	56 892	49 310	45 152	39 095
45 709	42 574	42 965	41 803	38 891	34 311
30 375	28 670	29 012	26 920	26 079	23 184
11 129	10 731	10 988	11 016	9 294	7 811
3 533	3 173	2 965	3 867	3 518	3 316
672					
105 331	102 699	99 857	91 113	84 043	73 406
21 722	24 394	21 365	23 997	21 209	21 945
38 521	38 020	1 750	688	(6 476)	(10 779)
4 073					
1 516					
(26 484)	(43 848)				
3 533	43 957	22 887	36 791	38 743	50 774
563	(13 735)	(3 272)	(13 482)	(11 058)	(18 050)
127 053	127 093	121 222	115 110	105 252	95 351
(6 489)	(9 410)	(9 533)	(9 371)	(9 009)	(9 158)
120 564	117 683	111 689	105 739	96 243	86 193
(60 084)	(57 049)	(56 235)	(51 434)	(46 596)	(42 055)
(16 404)	(17 800)	(17 374)	(16 184)	(14 546)	(14 226)
44 076	42 834	38 080	38 121	35 101	29 912
(641)	(261)	(1 123)	(1 512)	986	(78)
912	1 102	187	(323)	626	685
44 347	43 675	37 144	36 286	36 713	30 519
(2 609)	(2 481)	(2 418)	(2 739)	(2 439)	(1 911)
41 738	41 194	34 726	33 547	34 274	28 608
(9 095)	(10 479)	(8 932)	(8 187)	(8 061)	(7 580)
32 643	30 715	25 794	25 360	26 213	21 028
			2 741	(4 048)	(1 022)
32 643	30 715	25 794	28 101	22 165	20 006
5 190	4 480	(3588)	(4 347)	(4 260)	(3 800)
27 453	26 235	22 206	23 754	17 905	16 206
27 865	26 270	23 009	22 187	20 882	16 986

Share statistics and market indicators

		CAGR** %	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Share statistics								
Dividend cover	times	**(2)**	**1.8**	1.8	1.9	2.0	1.8	2.0
Dividend yield	%	**6**	**5.4**	4.7	5.1	5.9	4.2	4.1
Earnings yield	%	**4**	**9.8**	8.4	9.5	12.0	7.5	8.2
Price earnings ratio	times	**(4)**	**10.2**	11.9	10.5	8.3	13.4	12.2
Price-to-book	times	**2**	**1.8**	2	1.6	1.2	1.7	1.6
Number of shares traded	millions	**10**	**1 618.5**	1 584.4	1 271.8	1 052.8	798	1 012.2
Turnover in shares traded	%	**10**	**102**	98	79	65	49	63
Market capitalisation	Rm	**7**	**289 723**	316 826	245 595	183 672	232 203	209381
Market indicators at 31 December								
Standard Bank Group share price								
High for the year	cents	**12**	**23 100**	20 000	15 748	17 700	14 930	13054
Low for the year	cents	**8**	**15 392**	13 401	9 700	9 480	11 416	10316
Closing	cents	**7**	**17 881**	19 566	15 175	11 350	14 348	12942
Prime overdraft rate (closing)	%	**4**	**10.25**	10.25	10.50	9.75	9.25	8.50
JSE All Share Index – (closing)		**2**	**52 081**	59 505	50 654	50 694	49 771	46256
JSE Banks Index – (closing)		**10**	**91 617**	96 187	77 545	61 072	72 998	57745
ZAR exchange rates – (closing)								
USD		**7**	**14.38**	12.31	13.69	15.50	11.57	10.49
GBP		**1**	**18.31**	16.55	16.94	22.93	18.02	17.36
EUR		**3**	**16.44**	14.70	14.43	16.86	14.01	14.44
ZAR exchange rates – (average)								
USD		**7**	**13.23**	13.30	14.69	12.75	10.84	9.64
GBP		**3**	**17.63**	17.13	19.96	19.49	17.85	15.09
EUR		**4**	**15.60**	15.02	16.26	14.14	14.39	12.81

Results and ratios

		CAGR %	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Standard Bank Group								
Share statistics								
Number of ordinary shares listed on JSE (millions)								
Weighted average		**0.3**	**1 594**	1 602	1 598	1 597	1 585	1 567
End of period		**0.1**	**1 590**	1 597	1 597	1 601	1 578	1 584
Share statistics per ordinary share (cents)								
Basic earnings	cents	**11**	**1 722,6**	1 637,8	1 389,8	1487,0	1129,9	1 034,4
Headline earnings	cents	**10**	**1 748,4**	1 640,0	1 440,1	1 388,9	1 081,4	1 084,2
Dividends	cents	**13**	**970**	910	780	674	598	533
Net asset value	cents	**5**	**10 380**	9 830	9 442	9 434	8 682	8 138
ROE	%	**5**	**18.0**	17.1	15.3	15.6	13.0	14.2

Capital adequacy, employee and other relevant statistics

		CAGR** %	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Capital adequacy[1]								
Risk-weighted assets	Rm	**2**	**923 016**	957 046	883 179	944 039	915 213	841272
Tier I capital[2]	Rm	**7**	**151 925**	136 293	126 188	125 710	117 970	110834
Total capital[2]	Rm	**5**	**172 289**	153 243	146 318	147 998	141 963	136084
Tier I capital to risk-weighted assets[3]	%		**14.10**	14.2	14.3	13.3	12.9	13.2
Total capital to risk-weighted assets[3]	%		**16.00**	16.0	16.6	15.7	15.5	16.2
Employee statistics								
Number of employees								
Banking activities			**47 419**	48 322	48 622	47 958	42 642	42 221
Group			**53 178**	54 558	54 767	54 361	49 259	48 808
Normalised headline earnings per employee	Rm	**8**	**523 995**	481 506	420 125	404 739	355 635	354871
Points of representation								
ATMs and ANAs*			**7 239**	7 362	7 189	7 193	7 065	7 861
Banking branches and service centres			**1 200**	1 212	1 211	1 221	1 233	1 283
Social investment and environment								
Corporate social investment spend[2]	Rm	**0.1**	**141.2**	106.0	95.7	115.9	115.0	104.0
Carbon footprint (metric tons CO_2)[2]			**243 132**	252 092	281 264	324 637	309 017	392 159

1 In accordance with Basel II principles relating to the treatment of insurance entities, insurance operations are excluded from the capital base of the banking group and its related risk-weighted assets. Capital in insurance operations in excess of statutory minimum requirements is not recognised in group capital.
2 South African banking activities only.
3 Capital includes unappropriated profit.
* Automated

Annexure H – Third-party funds under management

Third-party assets under management and funds under administration

Members of the group provide discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in profit or loss. Assets managed and funds administered on behalf of third parties include:

	2018 Rbn	2017 Rbn
Banking activities		
Asset management	**371**	280
Trusts and estates	**64**	56
Unit trusts/collective investments	**28**	20
Segregated funds	**98**	57
Portfolio management	**176**	142
Other	**5**	5
Fund administration	**363**	356
Unit trusts/collective investments	**62**	39
Segregated funds	**31**	49
Portfolio management	**47**	51
Other	**223**	217
Total	**734**	636
Geographical area[1]		
South Africa	**71**	93
Africa Regions	**544**	466
International	**119**	77
Liberty		
Asset management	**55**	48
Segregated funds	**55**	48
Wealth management – funds under administration	**337**	337
Single manager unit trust	**122**	128
Institutional marketing	**64**	56
Linked and structured life products	**80**	84
Multi-manager	**20**	16
Rest of Africa	**51**	53
Total Liberty	**392**	385
Total assets under management and funds under administration	**1 126**	1 021

Included in the balances above are funds for which the fund value is determined using directors' valuations.

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