

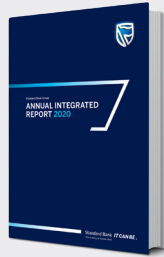


Standard Bank Group

ANNUAL FINANCIAL STATEMENTS 2020



Our reporting suite



Our integrated report

Our primary report to stakeholders, providing a holistic view of our ability to create sustainable shared value in the short, medium and long term.

We produce a full suite of reports to cater for the diverse needs of our stakeholders. Our integrated report contextualises and connects to information in the following reports, which provide additional disclosure and satisfy compliance reporting requirements:

Governance and remuneration report

Discusses the group's governance approach and priorities, as well as the remuneration policy and implementation report.

Risk and capital management report

Sets out the group's approach to risk management.

Annual financial statements

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

Environmental, social and governance (ESG) report

An overview of the group's processes and governance structures, including task-force on climate-related financial disclosures (TCFD).

Report to society (RTS)

Assesses the group's social, economic and environmental (SEE) impacts.

Subsidiary annual reports

Our subsidiaries provide an account to their stakeholders through their own annual reports, available on their respective websites.

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

Intended readers

Our shareholders, debt providers and regulators

Intended readers

Our clients, employees and broader society

We urge our stakeholders to make use of our reporting site at <https://reporting.standardbank.com/>. All our reports and latest financial results presentations, booklets and SENS announcements are available online, along with a glossary of financial and other definitions, acronyms and abbreviations used in our reports.

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



Key frameworks applied

	AIR	GOV/REM	RCM	AFS	ESG	RTS
The International Integrated Reporting <IR> Framework	✓					
Companies Act, 71 of 2008, as amended (Companies Act)		✓		✓		
Johannesburg Stock Exchange (JSE) Listings Requirements	✓	✓	✓	✓		
King IV Report on Corporate Governance for South Africa 2016™*	✓	✓	✓	✓	✓	
International Financial Reporting Standards (IFRS)			✓	✓		
South African Banks Act, 94 of 1990 (Banks Act)		✓	✓	✓		
Basel Committee on Banking Supervision's public disclosure framework		✓	✓			
CDP (previously Carbon Disclosure Project)					✓	
The Financial Stability Board's TCFD					✓	
United Nations (UN) Sustainable Development Goals (SDGs)						✓

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

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Refers readers to information in other reports online.



AIR For information on forward-looking statements, refer to the inside back cover.



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

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

These results, together with a summary thereof, were made publicly available on 11 March 2021.

CHIEF EXECUTIVE AND FINANCIAL DIRECTOR'S RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that the annual financial statements, set out on pages 20 to 244, fairly present in all material respects the financial position, financial performance and cash flows of Standard Bank Group Limited in terms of the International Financial Reporting Standards, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading, internal financial controls have been put in place to ensure that material information relating to Standard Bank Group Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer and the internal financial controls are adequate and effective and can be relied upon in the process of compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



Arno Daehnke

Financial director

10 March 2021



Sim Tshabalala

Group chief executive

10 March 2021

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In accordance with the Companies Act, the directors are responsible for the preparation of the annual financial statements. These annual financial statements conform to IFRS as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, and fairly present the affairs of Standard Bank Group Limited (SBGL) and Standard Bank Group (SBG) as at 31 December 2020, 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 annual 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 annual 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 2020 annual financial statements, which appear on pages 20 to 244, were approved by the board on 10 March 2021 and signed on its behalf by:



Thulani Gcabashe

Chairman

10 March 2021



Sim Tshabalala

Group chief executive

10 March 2021

GROUP SECRETARY'S CERTIFICATION

Compliance with the Companies Act

In terms of the Companies Act and for the year ended 31 December 2020, I certify that Standard Bank Group Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.



Zola Stephen
Group secretary
10 March 2021

REPORT OF THE GROUP AUDIT COMMITTEE

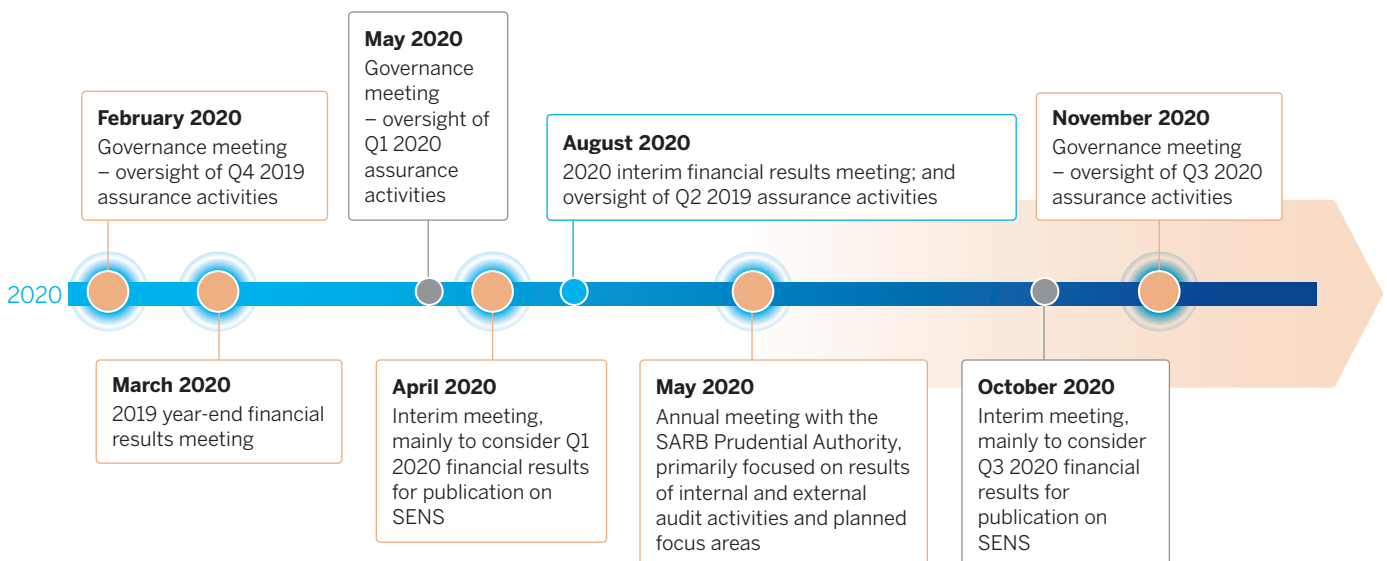
This report is provided by the group audit committee, in respect of the 2020 financial year of Standard Bank Group Limited, in compliance with section 94 of the Companies Act, as amended from time to time, and in terms of the JSE Listings Requirements. The committee's operation is guided by a detailed mandate that is informed by the Companies Act, the Banks Act, the JSE Listings Requirements and the King IV Code on Corporate Governance and is approved by the board. Section 94(2) of the Companies Act determines that, at each annual general meeting, a public company must elect an audit committee comprising at least three members. In view of the exemption granted in section 94(1), this section does not apply to the group audit committee and, accordingly, the appointment of its members is approved annually by the board.

The committee comprises six independent non-executive directors. All members have the necessary financial literacy, skills

and experience to execute their duties effectively. To ensure that risk-related matters of relevance to the audit committee are considered, the chairman is a member of and attended the group risk and capital management committee meetings held during the financial year. Through the chairman and other group audit committee members' membership on the group risk and capital management committee, group technology and information committee and group remuneration committee, collective and integrated oversight of key matters in the respective committees' deliberations was ensured.

The committee met eight times during 2020, including two meetings to consider quarterly financial results for publication on SENS and the annual meeting with the Prudential Authority of the SARB. All members were present for all meetings held during 2020.

MEETINGS HELD DURING THE YEAR



Information on the committee's role and responsibilities; its composition, including members' qualifications and experience; the date of members' appointment to the committee; the number of meetings held during the year and attendance at those meetings; as well as key areas of focus during the reporting period is provided in greater detail in the corporate governance statement which is included in the group's governance and remuneration report available on 31 March 2021 at www.standardbank.com/reporting.

Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the group's accounting, internal and external auditing, compliance, internal control and financial reporting practices. In discharging its responsibilities, the committee's activities in 2020 did not only focus on routine areas of responsibility, but also on specific focus areas that emerged as a result of the potential impact of the Covid-19 pandemic on the group's internal control environment and financial results:

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

In respect of oversight of the impact of Covid-19 on the internal control environment and financial results:

- Reviewed global and local regulatory and industry guidance on the accounting treatment of the financial impact of Covid-19.
- Reviewed and, where applicable, recommended that the board approved management's adoption of regulatory guidance notes and directives issued by the South African Reserve Bank's Prudential Authority, in response to the impact on the South African banking industry.
- Reviewed the accounting treatment of Covid-19 relief measures offered to the group's customers, notably in relation to the SA Government Guaranteed Covid-19 Term Loan Scheme.
- reviewed the potential impact of Covid-19 on the group's accounting for expected credit losses in accordance with IFRS 9.
- Reviewed the measures taken to ensure the internal financial control environment remained resilient despite the impact of Covid-19 on the operating environment.
- Reviewed and approved amendments to internal audit's plan in response to Covid-19, which included an enhanced approach to combined assurance, to strengthen risk and control oversight in business processes that had changed as a result of the groups response to the crisis.
- Reviewed the results of internal audit's advisory reviews in relation to the impact of Covid-19, with particular focus on credit portfolio reviews.
- Reviewed and endorsed group compliance's response to ensuring compliance and compliance monitoring activities were maintained and, where necessary, heightened amidst the Covid-19 crisis.
- As part of the interim and financial year end reporting process, reviewed the approach adopted to determine the forward-looking impact from an IFRS 9, *Financial Instruments* (IFRS 9) perspective on the group's credit provisions.
- Considered the results of external audit's review of management's estimation of the impact of Covid-19 on the group's annual financial statements.

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 2020, in accordance with all applicable legal requirements.
- Approved the final audit fees for the prior year ended 31 December 2019.
- Approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable for the ensuing year.

- Reviewed the audit process and evaluated the effectiveness of the audit, taking into consideration the group finance function's assessment of the audit and respective audit firms.
- Reviewed the results of the Independent Regulatory Board for Auditors' (IRBA's) firm inspection of both the group's external auditors, as it pertained to engagement inspections conducted by IRBA.
- Assessed and obtained assurance from the external auditors that their independence was not impaired.
- Confirmed that no amendments were required to the non-audit services policy, which governs the use of the group's external auditors for non-audit services.
- Approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount.
- Considered the nature and extent of all non-audit services provided by the external auditors.
- Monitored that the non-audit service fees for the year ended 31 December 2020 were within the threshold set by the group audit committee for such engagements.
- Confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005.
- Through the group's governance structures, considered reports from subsidiary audit committees and from management on the activities of subsidiary entities.

In respect of the financial statements:

- Confirmed the going concern basis for the preparation of the interim and annual financial statements.
- Examined and reviewed the interim and annual financial statements prior to submission and approval by the board.
- Reviewed external audit's report on the adequacy of credit provisions for performing and non-performing loans and impairment tests with respect to assets and considered feedback from the external auditors regarding the models applied by management in determining such impairments.
- Ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year.
- Ensured that the interim and annual financial statements conform with IFRS, the requirements of the JSE Listings Requirements, the Companies Act and all other applicable accounting guides and pronouncements.
- In accordance with JSE Listings Requirements, reviewed the process followed for the chief executive officer and the financial director to provide responsibility statements in respect of the preparation of the annual financial statements and the establishment and maintenance of internal controls over the annual financial statement process.
- 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, with due consideration of
 - the requirements and implications of regulatory guidance notes and directives issued by the South African Reserve Bank's Prudential Authority
 - the results of solvency and liquidity assessment
 - the ability of the company to continue as a going concern

- the impact on the organisation should the macroeconomic outlook be worse than forecasted
- the importance of not utilising the benefits of regulatory relief measures provided by the South African Reserve Bank's Prudential Authority in 2020
- Noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of annual financial statements, internal controls and related matters.
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Reviewed the content of the JSE's annual proactive monitoring report, including specific considerations in the preparation of financial statements.
- Reviewed and discussed the independent auditors' report.

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

In respect of financial accounting and reporting developments:

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

In respect of external reporting:

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

In respect of internal control and internal audit:

- Reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter.
- Considered reports of the internal and external auditors on the group's systems of internal control, including internal financial controls, and maintenance of effective internal control systems
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action taken in response to such findings.
- Noted that there were no significant differences of opinion between the internal audit function and management.
- Assessed the independence and effectiveness of the group chief audit officer, the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory.
- Considered the outcome of the group's external auditors' annual assessment of internal audit against the requirements of International Standards on Auditing (ISA) 601, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of external audit engagements.

- Reviewed internal audit's annual report which summarised the results and themes observed as part of internal audit's activities for the prior year as well as internal audit's assurance statement that the control environment was effective to ensure that the degree of risk taken by the group was at an acceptable level and that internal financial controls were adequate and effective in ensuring the integrity of material financial information.
- 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 reviewed the results of the five-yearly independent quality review of the internal audit function, which concluded that internal audit *Generally Conforms* to the International Standards for the Professional Practice of Internal Auditing, the Banks Act and the King IV Report on Corporate Governance.
- 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 officer, group chief financial crime compliance officer, the group financial director, management and the external auditors.
- Considered quarterly reports from the group's internal financial control committee.

In respect of legal, regulatory and compliance requirements:

- Reviewed and approved the annual compliance mandate and compliance plan.
- Reviewed, with management, matters that could have a material impact on the group.
- Monitored compliance with the Companies Act, the Banks Act, JSE Listings Requirements, King IV and other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of these.
- Noted that no complaints were received through the group's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.

In respect of risk management and information technology:

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

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

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

Independence, skills and expertise of the external auditors

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

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

- The auditors' independence was not prejudiced as a result of any previous appointment as auditor.
- In accordance with regulatory requirements, the group's PricewaterhouseCoopers Inc engagement partner rotated during 2016 and its KPMG Inc engagement partner in 2020
- 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. The group has commenced its planning for the rotation of its external auditors in accordance with regulatory guidelines and timelines and a detailed plan for the rotation was presented to the audit committee for consideration.

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

Group audit committee chairman

9 March 2021

DIRECTORS' REPORT

for the year ended 31 December 2020

Nature of business

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

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

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

Group results

Group headline earnings and headline earnings per share decreased by 43% to R15 945 million (2019: R28 207 million) and 43% to 1 002.6 cents (2019: 1 766.7 cents) respectively. Net asset value per share increased to 11 072 cents (2019: 10 742 cents) and group return on equity decreased to 8.9% (2019: 16.8%). A final dividend of 240 cents per share has been declared, bringing the total dividend declared for the year to 240 cents per share (2019: 994 cents per share).

Share capital

Ordinary shares

During the year, 231 636 (2019: 1 195 330) ordinary shares were issued in terms of the group's equity compensation plans, notably the Equity Growth Scheme (EGS) and Group Share Incentive Scheme (GSIS). No surplus capital was used to purchase ordinary shares in 2020 (2019: Rnil) to counteract the dilutive impact of the shares issued under the equity compensation plans. Effective from 2017, the group no longer issues EGS and GSIS awards. Awards are now provided in terms of the group's other share schemes, notably the Deferred Bonus Scheme and the Share Appreciation Rights Plan (SARP), 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 current year, the group would need to issue 383 111 (2019: 1 485 507) 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% (2019: 2.1%).

Registered office

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

Insurance

The group protects itself against financial loss by maintaining 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.

Analysis of shareholders

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 the group's behalf, were as follows:

	% held	
	2020	2019
Ordinary shares		
Industrial and Commercial Bank of China Limited (ICBC)	20.1	20.1
Government Employees Pension Fund (PIC)	12.4	13.3
6.5% preference shares		
MT Goulding	12.9	12.9
L Lombard	12.2	12.0
Old Sillery Proprietary Limited	9.1	9.1
JS Castle	7.6	7.6
DJ Saks	7.5	7.5
AP Macdonald	6.6	5.4
Non-cumulative preference shares		
Prescient Inc. Provider Fund	8.6	8.2

Events during 2020

Completion of the disposal of the group's residual 20% shareholdings in Industrial and Commercial Bank of China (Argentina) S.A. and its affiliates

In June 2020, after all governance and regulatory approvals were received, the group completed the disposal of its residual 20% shareholdings in Industrial and Commercial Bank of China (Argentina) S.A. and its affiliates (ICBCA) to ICBC. These residual investments were previously classified as investments in associates and accounted for using the equity accounting method in terms of IAS 28 *Investments in Associates and Joint Ventures* (IAS 28). In August 2019 these investments were classified, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5), as non-current assets held for sale since the put option granted by ICBC to the group was exercised.

The disposal proceeds of R3 094 million before tax amounts to circa R2 678 million (USD156 million) after taxes. The difference, between the net proceeds and the group's carrying value in ICBCA, of R1 835 million was recognised in profit or loss (within non-trading and capital related items) as a pre-tax gain outside of headline earnings (R1 419 million gain net of tax).

The foreign currency translation reserve (FCTR) debit balance of R3 367 million, associated with the investment, was released to profit or loss outside of headline earnings. The remaining impact of the disposal on headline earnings was negligible.

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, significant changes in macroeconomic circumstances 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.

During 2020, the group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by a total amount of R3 221 million (2019: R234 million). These impairments are excluded from the group's headline earnings, details of the impairments are listed below.

Through the performance of the impairment test, the following computer software intangible assets have been identified as impaired:

- New Business Online (BOL) Platform (impairment of R2 262 million)

- Payment Execution System (PES) (impairment of R215 million)
- Online Business Banking (OBB) digital channel (impairment of R286 million)
- Other intangible assets (impairments totalling to R458 million).

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

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.

For further details, refer to the key management assumptions section.

DIVIDENDS AT 31 DECEMBER 2020

	Ordinary shares	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)
Interim			
2019			
Dividend per share (cents)	454	3.25	391.38
2020			
Dividend number		102	32
Dividend per share (cents)		3.25	333.00
		Friday,	Friday,
Record date in respect of the cash dividend		11 September 2020	11 September 2020
Dividend cheques posted and CSDP ¹ /broker accounts credited/updated (payment date)		Monday,	Monday,
		14 September 2020	14 September 2020
Final			
2019			
Dividend per share (cents)	540	3.25	389.12
2020			
Dividend number	102	103	33
Dividend per share (cents)	240	3.25	272.93
Record date in respect of the cash dividend	Friday, 16 April 2021	Friday, 9 April 2021	Friday, 9 April 2021
Dividend cheques posted and CSDP ¹ /broker accounts credited/updated (payment date)	Monday, 19 April 2021	Monday, 12 April 2021	Monday, 12 April 2021

¹ Central Securities Depository Participant.

Ordinary shareholders are advised that, in line with the South African Reserve Bank's (SARB) guidance, the board did not declare an interim dividend during 2020.

Change in group directorate

The following changes in directorate took place during the year ended 31 December 2020 and up to 11 March 2021:

Appointments		
BP Mabelane	As non-executive director	1 January 2020
NMC Nyembezi	As non-executive director	1 January 2020
Dr X Guan	As non-executive director and joint deputy chairman	1 August 2020
PLH Cook	As independent non-executive director	22 February 2021
Retirements		
PD Sullivan	As joint deputy chairman	26 June 2020
Resignations		
Dr H Hu	As joint deputy chairman	24 February 2020
BP Mabalane	As non-executive director	31 July 2020

INDEPENDENT AUDITORS' REPORT

for the year ended 31 December 2020

To the shareholders of the Standard Bank Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Standard Bank Group Limited (the Group and Company), set out on pages 20 to 237 which comprise:

- the statements of financial position as at 31 December 2020;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statements of cash flows for the year then ended;
- the statements of changes in equity for the year then ended;
- accounting policy elections and restatements;
- key management assumptions;
- the notes to the financial statements; and
- Annexure A to F, excluding the section marked as "not audited" in Annexure C.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Bank Group Limited as at 31 December 2020, and its consolidated and separate financial performance and 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 and Company 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	<p>Expected credit losses on Corporate & Investment Banking (CIB) loans and advances Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.</p>	
	<p>The expected credit losses ("ECL") for CIB loans and advances ("exposures") are material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the Group's credit risk management processes and operations.</p> <p>This has resulted in this matter being considered to be a matter of most significance in the audit of the consolidated financial statements.</p> <p>The ECL of CIB exposures are estimated on a counterparty basis. For CIB exposures, the key areas of significant management judgement within the ECL calculations include:</p> <ul style="list-style-type: none"> • Evaluation of significant increase in credit risk ("SICR"); • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement, taking the impact of Covid-19 into account; • 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. 	<p>Our audit effort focussed on the ECL of CIB exposures as follows:</p> <p>Evaluation of SICR 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.</p> <p>We selected a sample of counterparties and assessed their assigned credit rating by:</p> <ul style="list-style-type: none"> • Testing the quantitative inputs into the credit rating systems against the financial information obtained from the counterparty and the Group's 25-point master rating scale; and • Assessing the qualitative inputs applied by management in the credit risk rating process for reasonability, by obtaining an understanding of the counterparty and the industry in which the counterparty operates and comparing these to independent market data. <p>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. Our procedures included the inspection of credit risk ratings at reporting date relative to origination date to assess whether the Group's SICR policy had been appropriately applied.</p> <p>For any deviations from the Group's credit policy, we assessed the validity for these deviations by agreeing the deviation back to underlying documentation.</p> <p>We evaluated management's processes for identifying stage 3 exposures by selecting a sample of exposures not classified as 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.</p>

Level	Key audit matter	How our audit addressed the key audit matter
<p>Group – consolidated financial statements</p>	<p>Expected credit losses on Corporate & Investment Banking (CIB) loans and advances <i>Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.</i></p> <p>Evaluation of SICR For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to counterparties on origination and reporting date. The Group has a 25-point master rating scale to quantify credit risk for each exposure.</p> <p>The SICR assessment and ECL measurement incorporates macro-economic inputs and forward-looking information.</p> <p>Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement, taking the impact of Covid-19 into account Macro-economic expectations, which include the impact of Covid-19, are incorporated in CIB's counterparty ratings to reflect the Group's expectation of future economic and business conditions.</p> <p>Assessment of ECL raised for stage 3 exposures Management applies its internal credit risk management approach and definitions to determine the recoverable amounts (including collateral) and timing of the future cash flows for stage 3 exposures at an individual counterparty level.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. Input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and is determined at an exposure level.</p>	<p>Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement, taking the impact of Covid-19 into account We evaluated the reasonableness of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement, by selecting a sample of counterparties and confirmed that the latest available forward looking information (FLI) has been incorporated in the credit risk rating, by comparing these to our own independent market data.</p> <p>Assessment of ECL raised for stage 3 exposures For a sample of exposures classified as stage 3, we assessed the reasonability of the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverability of the exposure by independently recalculating the ECL based on the expected cash flows and recoverability of collateral at an individual exposure level.</p> <p>For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral.</p> <p>The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement Making use of our internal valuation expertise, we assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) against the requirements of IFRS 9 <i>Financial Instruments</i> (IFRS 9). In addition, our procedures included assessing the appropriateness of the models through reperformance and validation procedures.</p> <p>We developed a top-down quantification of stage 1 and 2 ECL that relied on sub-industry specific economic data and outlooks to determine a reasonable range of ECL values. The assessment also considered default experience over 2020 and compared the assumed severity of the stress to historic stresses to assess the responsiveness of the Group's models to stress.</p> <p>As a result of the South African sovereign rating downgrades and the move into sub-investment grade we also assessed the ECL that corresponds to direct sovereign exposures such as government bonds and the benefit of explicit government guarantees to entities such as state-owned entities (SOEs). Furthermore, we inspected legal agreements, including any related government guarantees to confirm the existence and legal right to collateral.</p> <p>We assessed the adequacy of the disclosures, including the impact of Covid-19 on the ECL in the financial statements in accordance with IFRS 9.</p>

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	<p>ECL on Personal & Business Banking (PBB) loans and advances Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.</p> <p>The ECL for PBB loans and advances (exposures) is material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the impairment of loans and advances and on the Group's credit risk management processes and operations. This has resulted in this matter being considered to be a matter of most significance in the audit of the consolidated financial statements especially in light of the volatility caused by Covid-19.</p> <p>A significant portion of the ECL on PBB loans and advances 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 PBB loans and advances 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. As a consequence of Covid-19 additional judgemental credit adjustments were made against the loans and advances.</p> <p>For PBB, the key areas of significant management judgement within the ECL calculation include:</p> <ul style="list-style-type: none"> • Evaluation of SICR; • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; • Application of out-of-model adjustments into the ECL measurement; • Assessment of the ECL raised for individual exposures; and • Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. <p>Evaluation of SICR The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0-29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0-29 day accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.</p> <p>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.</p>	<p>Our audit effort focussed on the ECL for PBB exposures as follows:</p> <p>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. With the assistance of our internal modelling specialists we performed an independent recalculation of the resultant ECL for a sample of portfolios. Our internal modelling specialists tested the assumptions and calculations used in the ECL model.</p> <p>We evaluated the reasonableness of behavioural scores used to assess the SICR against the Group's accounting policies.</p> <p>We evaluated whether the Group has appropriately classified exposures in stages 1, 2 and 3 (including assets granted payment holidays as a result of Covid-19) by considering the Group's credit reviews, aging of the customer and arrears status.</p> <p>We evaluated the reasonability of changes in credit risk of the portfolio against key performance indicators and sensitivity analysis.</p> <p>We performed sensitivity analyses to determine the impact of change in credit risk on the ECL recognised.</p> <p>We tested the design, implementation and operating effectiveness of relevant controls that identify renegotiated and cured loans to assess whether the curing policies were appropriately applied.</p> <p>Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement We assessed the design and implementation of and tested the operating effectiveness of key controls focusing on the:</p> <ul style="list-style-type: none"> • Generation and approval of base case economic scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. <p>We also evaluated the governance processes that have been put in place to review and approve the economic scenarios used in the determination of the forward-looking impact.</p> <p>We made use of our internal economic specialists to assess both the base case and alternative scenarios generated, including the probability weights applied.</p> <p>We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing to independent industry data.</p> <p>We evaluated management's forward-looking information models to assess whether the macro-economic inputs are appropriately incorporated into the ECL models. We made use of our internal modelling specialists to assess the linkage of the forecasted macroeconomic factors to the ECL and to test the parameter shifts applied to the ECL that were calculated based on the scenarios.</p>

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	<p>ECL on Personal & Business Banking (PBB) loans and advances Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.</p>	
	<p>Application of out-of-model adjustments into the ECL measurement Management identified that due to modelling complexity, certain aspects of the ECL may not be fully reflected by the underlying model and an out-of-model adjustment is required for the forward-looking information impact for specific events and trends not captured in the model and specifically as a result of Covid-19.</p> <p>Assessment of ECL raised for individual exposures Impairment is assessed on individual exposures above a quantitative threshold in stage 3, and for accounts placed on the watchlist due to evidence of increased credit risk e.g. potential security shortfalls, deteriorating financial performance, etc. This assessment relates primarily to business lending accounts and incorporates judgement in determining the foreclosure value of the underlying collateral.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience and the loss experience given default; and timing and amount of forecasted cash flows related to the exposures.</p>	<p>Application of out-of-model adjustments into the ECL measurement We evaluated the reasonableness of a sample of out-of-model adjustments by assessing key assumptions, inspecting the calculation methodology and tracing a sample of out-of-model adjustments back to source data.</p> <p>For the Covid-19 out-of-model adjustment with the assistance of our internal economics specialists, we assessed the economic scenarios generated as well as the weightings applied against current economic data. We reperformed the adjustments made by management to reflect the expected impact from measures not captured in the scenarios.</p> <p>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.</p> <p>For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral.</p> <p>The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines.</p> <p>Our selection criteria were updated to consider exposures in sectors vulnerable to Covid-19.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement Making use of our internal valuation experts, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by reperformance and validation procedures. We also tested a sample of the data used in the models for accuracy.</p> <p>We assessed the adequacy of the disclosures, including the impact of Covid-19 on the ECL in the financial statements in accordance with IFRS 9.</p>

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	<p>Valuation of level 3 financial instruments Refer to the Key management assumptions note, note 2 – Derivative instruments, note 3 – Trading assets, note 5 – Financial investments, note 17 – Trading liabilities, and the Market risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements</p> <p>The fair value of financial instruments significantly affects the measurement of the consolidated profit or loss for the year and disclosures of financial risks in the consolidated financial statements. Fair value calculations are dependent on various sources of external and internal data and on sophisticated modelling techniques used to value the financial instruments. These models and techniques are constantly changing in line with developing market practices and trends. Level 3 financial instruments inherently contain elements of estimation uncertainty due to their illiquid and unobservable nature. These financial instruments include unlisted equity investments, trading assets and liabilities and various derivative financial instruments.</p> <p>Significant judgement is required to be exercised by management due to the absence of verifiable third-party information to determine key inputs in the valuation models. Some of these unobservable key inputs include:</p> <ul style="list-style-type: none"> • discount rates; • spot prices of the underlying; • correlation factors; • volatilities; • dividend yields; • earning yields; and • valuation multiples. <p>Level 3 derivative valuations use a variety of inputs, including equity prices; interest rates (usually in the form of discount rates); dividends forecasts and volatilities. These were all subjected to significant market volatilities in the past financial year, which gave rise to fluctuating derivative fair values on the statement of financial position.</p> <p>Given the combination of inherent subjectivity and judgement involved in estimating the fair values of level 3 financial instruments and the material nature of the balance, the valuation of level 3 financial instruments was considered to be a matter of most significance to the current year audit of the consolidated financial statements.</p>	<p>Our audit effort focussed on the valuation of level 3 financial instruments as follows:</p> <p>We tested the design, implementation and operating effectiveness of the relevant controls relating to the valuation of level 3 financial instruments to assess whether there is appropriate governance over the development of the valuation models and methodology policies, assumptions applied and data used, change controls, model validations, the monthly independent price verification process and the quarterly equity risk committee forum.</p> <p>For a sample of financial instruments, we reperformed the valuation using an independent model, and compared the fair value results to management's valuation to assess the reasonableness of management's model methodology and the output of model calculations.</p> <p>We assessed the appropriateness and sensitivity of discount rates, spot prices of the underlying, correlation factors, volatilities, dividend yields, earnings yields and valuation multiples with reference to the best available independent market information.</p> <p>Where independent market information was not available, we generated theoretical inputs based on other sources, incorporating assumptions that include proxy pricing transactions in the market as well as historical data, macro-economic information and correlations.</p> <p>In relation to unlisted equity investments, in conjunction with our valuation specialists, we assessed the appropriateness of valuation techniques used and the reasonableness of unobservable inputs and assumptions used in the determination of fair value through independently challenging whether these valuation adjustments fell within an acceptable range based on industry knowledge and available market information.</p> <p>We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 13, <i>Fair value measurement</i>.</p>
Group – consolidated financial statements	<p>Assessment of impairment of computer software intangible assets Refer to the Key management assumptions note, note 13 – Goodwill and other intangible assets</p> <p>As disclosed in note 13 to the consolidated financial statements, certain previously recognised computer software intangible assets were impaired and written off during the financial year given events and changes in circumstances which indicated that the carrying amount may not be recoverable.</p> <p>The recoverable amount is determined as the higher of an asset's fair value less costs 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.</p> <p>The extent of management's judgement applied to derive the estimates of the identified assets' future cash flows in order to determine the assets' recoverable amount and together with the magnitude of the impairment loss recognised in respect of computer software intangible assets resulted in this matter being identified as a matter of most significance in the current year audit of the consolidated financial statements.</p>	<p>Our audit effort focussed on the impairment of computer software intangible assets as follows:</p> <p>We evaluated the impairment indicators for computer software intangible assets by inspecting the minutes of the Board committee meetings where the impairment indicators were discussed and approved, and assessed these against the requirements of IAS 36, <i>Impairment of assets</i>. We evaluated the reasonableness of the key assumptions, such as cash flows, growth rate, discount rate, used in determining the value in use to underlying documentation and independent market data.</p> <p>We tested the mathematical accuracy of the calculations to estimate the recoverable amount.</p> <p>We assessed the adequacy of the disclosures in the financial statements in accordance with IAS 36, <i>Impairment of assets</i> and IAS 38, <i>Intangible Assets</i>.</p>

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	<p>Valuation of long-term policyholders' assets and liabilities under insurance contracts <i>Refer to the Key management assumptions note and note 8 – Policyholders' contracts</i></p> <p>As at 31 December 2020, the carrying amounts of the policyholder assets and liabilities were R5 billion and R209 billion, respectively, measured in accordance with Standard of Actuarial Practice 104 (SAP 104), which is the existing accounting practice adopted as an accounting policy under IFRS 4, <i>Insurance Contracts</i>.</p> <p>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 but not reported (IBNR).</p> <p>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, withdrawals, investment return and discount rates, expenses, taxation, and expense inflation. The assumptions applied by management, as disclosed in note 8 to the consolidated financial statements, in determining the value of the policyholders' assets and liabilities, and any changes to these assumptions, may result in a material adjustment to the value of policyholder assets and liabilities and ultimately the results of the Group.</p> <p>The Covid-19 pandemic had significant impact on the assumptions management applied in the measurement of policyholder liabilities due to the level of uncertainty and the significant adverse deviations of experience expected in the short-term. Management has assumed a Covid-19 reference scenario and the associated key judgements include, amongst others, assumptions relating to mortality, withdrawals and terminations as set out in the key management assumptions note.</p> <p>We considered the valuation of the policyholder assets and liabilities a matter of most significance to our current year audit due to the:</p> <ul style="list-style-type: none"> • significant management judgement required in determining the value of the policyholder assets and liabilities; and • magnitude of the policyholder assets and liabilities in relation to the consolidated total assets and liabilities of the Group. 	<p>Our audit effort focussed on the valuation of the policyholders' assets and liabilities, which included making use of our actuarial expertise as follows:</p> <ul style="list-style-type: none"> • Updated our understanding of the actuarial control environment and governance, including the functioning of the group audit and actuarial committee, which approves the methodology and assumption changes, against industry practice and regulatory requirements; • Attended management committee 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; • Assessed the changes in valuation methodology against the requirements of SAP 104 and industry practice; • Assessed the assumptions applied by management against the latest experience, industry trends and economic market trends; • Examined management's Analysis of Surplus, 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; and • Considered management's view of the impact of the Covid-19 pandemic on policyholder assets and liabilities. In particular, the process followed to determine the adjustment per assumption was considered as well as the application and impact on policyholder liabilities was assessed. <p>To test the inputs used in the valuation models we performed, on a sample basis, the following:</p> <ul style="list-style-type: none"> • Assessed the reasonability of the classification of expenses between maintenance and acquisition expenses and how they are capitalised in the valuation by considering the nature of the expenses and inspecting the source document relating to these expenses; 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.

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	<p>Valuation of investment property at year-end Refer to the Key management assumptions note and note 11 – Investment property</p> <p>The majority of the Group's investment properties comprises retail investment properties. At 31 December 2020, the carrying value of the Group's total investment properties portfolio was R30 billion.</p> <p>The Group's accounting policy is to measure investment properties at their fair value based on bi-annual external valuations performed by independent valuers using the discounted cash flow model. The fair value is dependent on the inputs and assumptions into the valuation techniques applied and the inputs into the valuation model.</p> <p>The inputs made by management in determining the fair value of the investment properties are set out in the Key management assumptions note of the consolidated financial statements and include, amongst others, the key assumptions relating to property-specific exit capitalisation rates, discount rates and cash flows.</p> <p>The impact of Covid-19 and the associated impact on the property investment industry have resulted in changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models.</p> <p>We considered the year-end valuation of investment properties as a matter of most significance to our current year audit due to the:</p> <ul style="list-style-type: none"> • inherent subjectivity of the key assumptions that underpin the valuation of investment properties and the heightened uncertainty involved in making these assumptions arising out of the Covid-19 pandemic; and • magnitude of the investment properties balance at year-end recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the investment properties recorded in the income statement. 	<p>We obtained an understanding of the approaches followed by management and the independent valuers for the valuation of the Group's investment property portfolio through discussions with management and the external valuers, as well as inspection of minutes of meetings of the board of directors.</p> <p>We updated our understanding of and tested the relevant controls related to:</p> <ul style="list-style-type: none"> • Entering and amending of leases in support of contractual rental income; • Setting and approving of budgets by the Group; • Consideration of external valuation reports by an internally appointed appraiser; and • Board approval of the valuations obtained. <p>We have evaluated the independent valuers by assessing their competence, independence and capabilities with reference to their qualifications and industry experience.</p> <p>On a risk-based sample basis, we assessed the calculation of the fair values in the external valuers' valuation reports by performing the following procedures:</p> <ul style="list-style-type: none"> • Utilised our internal valuation expertise to assess the appropriateness of the valuation methodology; • Assessed the reasonableness of the cash flows of each property used by the valuers in the discounted cash flow models. This involved: <ul style="list-style-type: none"> – agreeing the current year cash flows used in the model to the actual results for the year ended; and – assessing the forecasted cash flows against market information. • Assessed the reasonableness of the exit capitalisation rates, discount rates and vacancy rates against market related data for similar investment properties; and • Making use of our internal valuation expertise, we performed a high-level reasonability assessment on a sample of properties based on industry benchmarks referred to above. <p>We inspected the final valuation reports and agreed the fair values to the Group's accounting records.</p>

Level	Key audit matter	How our audit addressed the key audit matter
Company and Group – separate and consolidated financial statements	<p>Assessment of the carrying value of the Investment in ICBC Standard Bank Plc (ICBCS) <i>Refer to Annexure B – associates and joint ventures, Accounting policy elections and restatements note, the Key management assumptions note and note 47 – Interest in associates.</i></p> <p>In prior years Standard Bank Group Limited (SBG) held a 40% investment in ICBCS through Standard Bank London Holdings (SBLH). During the current year ownership of the investment was transferred out of SBLH directly into the Company.</p> <p>ICBCS has returned to profitability during the 2020 financial year after having incurred significant losses in prior years. In assessing the investment in ICBCS for indicators of impairment, the Group and Company considered ICBCS management's current financial performance and the future business plan.</p> <p>The calculation of the recoverable amount in respect of the associate interest in ICBCS was considered to be a matter of most significance in the current year audit due to the inherent high degree of judgement and uncertainty involved in determining the recoverable amount of the investment in ICBCS for the purposes of preparing the consolidated and separate financial statements of SBG.</p> <p>Management applied the assumptions as set out in Annexure B of the consolidated financial statements to calculate the recoverable amount of the investment at 31 December 2020. These are as follows:</p> <ul style="list-style-type: none"> • The Group applied a value in use approach to determine the recoverable amount of ICBCS utilising the latest available information at year end. • Cash flow projections were based on future cash flows the Group expects to derive from the investment taking into consideration the weighted average of various scenarios. These include key inputs based on ICBCS' most recent business plan. • A discount rate similar to prior year's was used, reflecting current market assessment of the time value of money and related risks. <p>Management concluded that the carrying value of the interest in ICBCS approximates its recoverable amount for the 2020 financial year.</p>	<p>Our audit effort focussed on assessing the carrying value of the investment in ICBCS for indicators of impairment.</p> <p>In order to assess the carrying value, we obtained management's value in use calculation in respect of the investment in ICBCS as follows and performed the procedures as listed below:</p> <ul style="list-style-type: none"> • We assessed the methodology applied by management to determine the value in use. We challenged the key assumptions supporting the value in use calculation by evaluating the accuracy and relevance of the input data used to support the calculation including approved budgets. We further considered the reasonableness of the budgets by comparing the budgets to historical results, market data as well as current economic conditions given the impact of Covid-19 as well as our knowledge of the business; • Making use of our experts we assessed the methodology of the value in use calculations and discount rate applied; • We independently recalculated the value in use of the investment in ICBCS and performed sensitivity analyses by considering the potential impact of reasonably possible downside changes in key assumptions, such as the cost of equity and the future business plans surrounding the ongoing operations of ICBCS; and • We assessed the appropriateness of the disclosures made in accordance with the requirements of IAS 28 <i>Investments in associates and joint ventures</i> and IAS 36 <i>Impairment of assets</i>.

Level	Key audit matter	How our audit addressed the key audit matter
Company – separate financial statements	Impairment of interest in subsidiaries <i>Refer to Annexure A – subsidiaries, consolidated and unconsolidated structured entities, Accounting policy elections and restatements note, Key management assumptions note and note 46 – Interest in subsidiaries.</i>	
	The Company has material interests in subsidiaries. Interest in subsidiaries represents substantially all of the total assets of the Company.	Our audit effort in respect of impairment of interest in subsidiaries focussed on:
	Interests in subsidiaries are measured at cost and are reviewed annually for impairment with reference to impairment indicators described in note 46 to the separate financial statements.	<ul style="list-style-type: none"> We evaluated management's policies for identifying impairment indicators relating to the Company's interest in subsidiaries against the requirements of IAS 36 – <i>Impairment of Assets</i>; We performed an independent impairment assessment by applying management's policy for identifying impairment indicators to the calculated net asset value of each of the investments to assess if there are any indicators of impairment; and On the identification of impairment indicators for SBLH, we compared the calculated net asset value to the carrying amount of the investment to determine the amount of the impairment to be recognised.
	The impairment of interest in subsidiaries was considered to be a matter of most significance to the current year audit due to the judgement applied in assessing the impairment indicators, the impact of the current economic conditions as a result of the Covid-19 pandemic and the magnitude of the Company's interest in subsidiaries.	
	During the reporting period an impairment loss of R6.9 billion was recognised on the Company's investment in SBLH. The impairment of the Company's investment is primarily driven by the dividend in specie distribution of its investment in ICBCS to the Company as well as the dividend paid from SBLH to the SBG. This investment was impaired to its recoverable amount (the net asset value ("NAV") approximates the recoverable amount).	

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Standard Bank Group Annual Financial Statements 2020" which includes the group secretary's certification, the report of the group audit committee and the directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the "Standard Bank Group Annual Integrated Report 2020" which is expected to be made available to us after that date. 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. and PricewaterhouseCoopers Inc. have been the joint auditors of Standard Bank Group Limited for 58 years.

PricewaterhouseCoopers Inc. *KPMG Inc.*

PricewaterhouseCoopers Inc.

Director: John Bennett
Registered Auditor
Johannesburg
10 March 2021

KPMG Inc.

Director: Gavin de Lange
Registered Auditor
Johannesburg
10 March 2021

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	GROUP	
		2020 Rm	2019 Rm
Assets			
Cash and balances with central banks	1	87 505	75 288
Derivative assets	2	118 290	71 407
Trading assets	3	262 627	222 802
Pledged assets	4	18 981	29 377
Financial investments	5	650 298	567 319
Current tax assets		694	567
Disposal of group assets held for sale	6	220	2 599
Loans and advances	7	1 271 255	1 181 067
Policyholders' assets	8	5 050	7 017
Other assets	9	36 020	29 901
Investment in associates and joint ventures	10	6 498	5 423
Investment property	11	29 917	34 180
Property, equipment and right of use assets	12	20 702	22 018
Goodwill and other intangible assets	13	18 262	22 323
Deferred tax assets	14	6 621	4 301
Total assets		2 532 940	2 275 589
Equity and liabilities			
Equity		215 272	209 484
Equity attributable to ordinary shareholders		176 371	171 229
Ordinary share capital	15	162	162
Ordinary share premium	15	17 854	17 822
Reserves		158 355	153 245
Equity attributable to other equity instrument holders	15	12 528	10 989
Preference share capital and premium	15	5 503	5 503
Additional tier 1 capital	15	7 025	5 486
Equity attributable to non-controlling interests		26 373	27 266
Liabilities		2 317 668	2 066 105
Derivative liabilities	2	111 577	69 498
Trading liabilities	17	81 261	83 847
Current tax liabilities		5 417	5 407
Disposal of group liabilities held for sale	6	92	246
Deposits and debt funding	18	1 624 044	1 426 193
Policyholders' liabilities	8	325 192	324 246
Subordinated debt	19	29 306	28 901
Provisions and other liabilities	20	137 894	124 101
Deferred tax liabilities	14	2 885	3 666
Total equity and liabilities		2 532 940	2 275 589

INCOME STATEMENT

for the year ended 31 December 2020

	Note	GROUP	
		2020 Rm	2019 Rm
Income from banking activities		108 581	110 461
Net interest income		61 425	62 919
Interest income ¹	26	107 025	123 943
Interest expense ¹	26	(45 600)	(61 024)
Non-interest revenue		47 156	47 542
Net fee and commission revenue		29 413	30 622
Fee and commission revenue	27	35 933	37 354
Fee and commission expense	27	(6 520)	(6 732)
Trading revenue	28	13 874	12 075
Other revenue	29	3 158	4 089
Other gains and losses on financial instruments	30	711	756
Income from investment management and life insurance activities		15 086	23 573
Insurance premiums received	31	39 202	39 801
Revenue from contracts with customers ¹	32	3 400	4 062
Interest income	32	1 648	1 920
Insurance benefits and claims paid ¹	31	(40 354)	(44 309)
Investment management and service fee income and gains	32	3 271	3 245
Fair value adjustments to investment management liabilities and third-party fund interests ¹	33	7 919	18 854
Total income		123 667	134 034
Credit impairment charges	34	(20 594)	(7 964)
Net income before operating expenses		103 073	126 070
Operating expenses in banking activities	35	(63 182)	(62 335)
Operating expenses in investment management and life insurance activities	35	(16 139)	(16 486)
Net income before capital items and equity accounted earnings		23 752	47 249
Non-trading and capital related items	36	(3 956)	(2 890)
Share of post tax profit/(loss) from associates	10	1 084	(512)
Profit before indirect taxation		20 880	43 847
Indirect taxation	37	(2 727)	(2 592)
Profit before direct taxation		18 153	41 255
Direct taxation	37	(3 640)	(10 559)
Profit for the year		14 513	30 696
Attributable to ordinary shareholders		12 358	25 443
Attributable to other equity instrument holders		803	873
Attributable to non-controlling interests		1 352	4 380
Earnings per share			
Basic earnings per ordinary share (cents)	38	777	1 594
Diluted earnings per ordinary share (cents)	38	775	1 585

¹ Restated. Refer to the restatement section on page 29 for more detail.

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	GROUP	
		2020 Rm	2019 Rm
Profit for the year		14 513	30 696
Other comprehensive loss after taxation for the year¹		(916)	(6 208)
Items that may be subsequently reclassified to profit or loss		(883)	(6 355)
Exchange differences on translating foreign operations ²		(797)	(6 661)
Foreign currency hedge of net investment reserve		(1)	
Movement in the cash flow hedging reserve	2	23	205
Net change in fair value of cash flow hedges		(277)	415
Realised fair value adjustments transferred to profit or loss		300	(210)
Net change in debt financial assets measured at fair value through other comprehensive income (FVOCI)	22	(108)	101
Net change in expected credit loss		(242)	41
Net change in fair value		107	74
Realised fair value adjustments transferred to profit or loss		27	(14)
Items that may not be subsequently reclassified to profit or loss		(33)	147
Defined benefit fund remeasurement		116	101
Change in own credit risk recognised on financial liabilities designated fair value through profit or loss (FVTPL)		34	(8)
Net change in fair value of equity financial assets measured at FVOCI	22	(147)	45
Other		(36)	9
Total comprehensive income for the year		13 597	24 488
Attributable to ordinary shareholders		12 083	20 000
Attributable to other equity instrument holders		803	873
Attributable to non-controlling interests		711	3 615

¹ Income tax relating to each component of other comprehensive income is disclosed in note 37.

² For the year ended 31 December 2020, refer to note 6 and annexure A for the most significant contributor (2019: refer to annexure A).

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	GROUP	
		2020 Rm	2019 Rm
Net cash flows from operating activities		28 421	23 347
Net income before capital items and equity accounted earnings		23 752	47 249
Adjusted for non-cash items and other adjustments included in the income statement	41	(43 527)	(63 506)
Increase in income-earning assets	41	(217 049)	(169 094)
Increase in deposits, trading and other liabilities	41	193 934	140 660
Dividends received		3 265	3 830
Interest paid ¹		(46 127)	(61 596)
Interest received ¹		108 146	124 718
Direct taxation paid		(7 100)	(9 907)
Purchase of properties		(292)	(175)
Proceeds on sales of properties		370	
Proceeds on financial instruments		14 938	10 612
Proceeds on realisation of fair value gain		749	468
Proceeds on collateral deposits payable		(2 638)	88
Net cash flows used in investing activities		430	(5 105)
Capital expenditure on property and equipment		(5 008)	(7 424)
Proceeds from sale of property, equipment and non-current asset held for sale		4 291	3 378
Capital expenditure on intangible assets		(1 771)	(1 489)
Disposal of interest to non-controlling interests in Liberty Life Swaziland			15
Acquisition of non-controlling interests in Liberty Holdings Namibia			(8)
Cash flows from disposals/(acquisitions) of associates and joint ventures ²		3 085	486
Net cash flows used in investing activities in disposal group		(167)	(63)
Net cash flows used in financing activities		(12 495)	(15 639)
Issuance of ordinary share capital		32	124
Issuance of other equity instruments		1 539	1 942
Equity transactions with non-controlling interests ³		(1 379)	391
Cash flows from black economic empowerment transactions		(8)	(132)
Issuance of subordinated debt	41	8 500	7 269
Redemption of subordinated debt	41	(8 488)	(4 850)
Principal lease repayments	20	(1 471)	(1 734)
Dividends paid ⁴		(11 220)	(18 649)
Effect of exchange rate changes on cash and cash equivalents		(4 139)	(12 460)
Net increase/(decrease) in cash and cash equivalents		12 217	(9 857)
Cash and cash equivalents at the beginning of the year		75 288	85 145
Cash and cash equivalents at the end of the year		87 505	75 288

¹ Restated. Refer to the restatement section on page 29 for more detail.

² The cash outflows from associates and joint ventures amounted to R9 million (2019: R255 million) and cash inflows amounted to R3 094 million (2019: R741 million). Refer to note 6 for further detail regarding the completion of the disposal of the group's residual 20% shareholding in ICBCA.

³ Cash flows to non-controlling interests comprise primarily of dividends paid to non-controlling interests.

⁴ During 2020, coupons to the value of R583 million (2019:R 636 million) was paid to Additional tier 1 (AT1) capital bond holders. Current tax of R163 million (2019: R178 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R420 million (2019: R458 million).

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

GROUP	Ordinary share capital and premium Rm	Empowerment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Cash flow hedging reserve Rm	Regulatory statutory credit risk reserve Rm
Balance at 1 January 2020	17 984	(69)	(2 659)	(7 583)	(983)	(4)	4 353
Total comprehensive (loss)/income for the year				(172)	(1)	27	
Profit for the year							
Other comprehensive (loss)/income for the year				(172)	(1)	27	
Increase in statutory credit risk reserve							830
Unincorporated property partnerships capital reductions and distributions ³							
Transactions with shareholders and non-controlling interests recorded directly in equity	32	8	(86)	20			10
Equity-settled share-based payment transactions ⁴							
Transfer of vested equity options							
Issue of share capital and share premium and capitalisation of reserves	32						
Deferred tax on share-based payment transactions							
Transactions with non-controlling interests			(23)	20			10
Net (increase)/decrease in treasury shares			(63)				
Redemption of preference shares		8					
Hyperinflation adjustments ⁵							
Net dividends paid							
Dividends paid to equity holders							
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares							
Balance at 31 December 2020	18 016	(61)	(2 745)	(7 735)	(984)	23	5 193

¹ The FVOCI reserve comprises of the FVOCI reserve for debt and equity financial investment. Refer to note 22 for more detail.

² Other equity holders are holders of preference share capital and AT1 capital. The dividend paid comprises of net equity impact of R420 million (2019: R458 million) on AT1 and preference dividend of R583 million (2019: R636 million). Refer to note 15 for more detail.

³ Where the group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses and the group consolidates its interest in those property partnerships.

⁴ Includes hedges of the group's equity-settled share incentive schemes.

⁵ Comprises of the hyperinflation adjustments primarily from Zimbabwe. Refer to annexure A for more details.

All balances are stated net of tax, where applicable.



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

Fair value through OCI reserve ¹ Rm	Own credit risk reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary shareholders' equity Rm	Other equity instrument holders ² Rm	Non-controlling interests Rm	Total equity Rm
597	26	284	220	159 063	171 229	10 989	27 266	209 484
(185)	17		(39)	12 436	12 083	803	711	13 597
				12 358	12 358	803	1 352	14 513
(185)	17		(39)	78	(275)		(641)	(916)
				(830)			(124)	(124)
6		673		(7 604)	(6 941)	736	(1 480)	(7 685)
		1 250 (577)		(243) 577	1 007		45	1 052
					32	1 539		1 571
				(291)	(291)			(291)
6				(70)	(57)		(319)	(376)
				65	2		352	354
				8	8			8
				1 053	1 053			1 053
				(8 695)	(8 695)	(803)	(1 558)	(11 056)
				(8 748)	(8 748)	(803)	(1 604)	(11 155)
				53	53		46	99
418	43	957	181	163 065	176 371	12 528	26 373	215 272

STATEMENT OF CHANGES IN EQUITY CONTINUED

for the year ended 31 December 2019

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

¹ The FVOCI reserve comprises of the FVOCI reserve for debt and equity financial investment. Refer to note 22 for more detail.

² Other equity holders are holders of preference share capital and AT1 capital. The dividend paid comprises of net equity impact of R458 million (2018: R322 million) on AT1 and preference dividend of R636 million (2018: R416 million). Refer to note 15 for more detail.

³ Where the group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses and the group consolidates its interest in those property partnerships.

⁴ Includes hedges of the group's equity-settled share incentive schemes

⁵ Refer to annexure A for more detail on material transactions with non-controlling interests.

⁶ Comprises of the hyperinflation adjustments primarily from Zimbabwe. Refer to annexure A for more details.

All balances are stated net of tax, where applicable.



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

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

ACCOUNTING POLICY ELECTIONS AND RESTATEMENTS

Accounting policy elections

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 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 Standards Council, the JSE Listings Requirements, and the South African Companies Act. The annual financial statements have been approved by the board on the 10 March 2021. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

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

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

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

Functional and presentation currency

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

Changes in accounting policies

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

Adoption of amended standards effective for the current financial year

- IFRS 3 *Business Combinations* (amendment) (IFRS 3), the amendment clarifies 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 will be applied prospectively.
- IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), IFRS 9 *Financial Instruments* (amendments) (IFRS 9) and IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendment will be applied retrospectively.
- Conceptual Framework for Financial Reporting (revised) (Conceptual Framework), the revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards. The revision did not result in any changes to IFRS standards.

Early adoption of revised standards:

- IFRS 3. This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (amendments) (IAS 37) instead of the Conceptual Framework. The amendments will be applied prospectively.
- IAS 16 *Property, Plant and Equipment* (amendments) (IAS 16). Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds

and related cost in profit or loss. The amendments will be applied retrospectively.

- IAS 37. Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior periods is not required, but rather adjusting the opening retained earnings with the cumulative effect of the amendments on transition date.

The adoption of the above amended standards on 1 January 2020 did not affect the group's previously reported financial results, and did not impact the group's results upon transition. Disclosures and accounting policies have been amended as relevant. Refer to annexure F – detailed accounting policies.

Restatements**Interest income and interest expense reclassification**

During the current reporting period, following a review of the allocation of interest funding to the trading book, it was identified that trading book revenue was erroneously allocated from trading revenue to interest income rather than the interest expenditure being allocated from interest expense to trading revenue. The correction of this allocation is equal and opposite on interest income and interest expense line items and did not impact the group's net interest income, trading revenue, profit for the year, earnings per share (basic and diluted), headline earnings, the statement of financial position or key ratios. The impact of the restatement on the group's income statement and statement of cash flows line items is as follows:

	2019		
	As previously reported Rm	Restatement Rm	Restated Rm
Income statement			
Interest income	129 500	(5 557)	123 943
Interest expense	(66 581)	5 557	(61 024)
Statement of cash flows			
Interest received	130 275	(5 557)	124 718
Interest paid	(67 153)	5 557	(61 596)

Policyholder contract reclassification

During 2020, the comprehensive review of the terms and conditions of all the group's policyholder contracts was finalised. This was done as part of the preparation work for adopting IFRS 17 *Insurance Contracts* which is effective from 1 January 2023. The review highlighted that one legacy portfolio of linked life annuities (which has not been sold since 2002), contained a certain element of insurance risk within the contracts due to the guarantees on death and survival. The portfolio had, since the group's adoption of IFRS in 2005, been incorrectly classified as an investment contract within the scope of IFRS 9 (previously IAS 39 *Financial Instruments*) and a portion as investment contracts with discretionary participation feature under IFRS 4 *Insurance Contracts* (IFRS 4). Application of the existing applicable IFRS 4 standard requires these contracts to be reclassified as insurance contracts. The change in valuation is immaterial and therefore the reclassification has not resulted in changes to the portfolio's liability measurement and the group's net asset value or prior earnings. Thus, the correction did not impact the group's profit for the year, earnings per share (basic and diluted), headline earnings, the statement of financial position, key ratios or statement of cash flow. The impact of the restatement on the group's income statement is as follows:

	2019		
	As previously reported Rm	Restatement Rm	Restated Rm
Revenue from contracts with customers	4 076	(14)	4 062
Insurance benefits and claims paid	(44 241)	(68)	(44 309)
Fair value adjustments to investment management liabilities and third-party fund interests	18 772	82	18 854

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. The estimates and judgements below have remained unchanged unless otherwise stated. The following represents the most material key management assumptions applied in preparing these financial statements.

Expected credit loss (ECL)

During the current reporting period models have been enhanced, but, no material changes to assumptions have occurred. Covid-19 placed considerable strain on our operations specifically retail, business and corporate clients, particularly in South Africa, however, the group's risk appetite remained unchanged. As such the below significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers were not amended.

ECL on financial assets – drivers

For the purpose of determining the ECL:

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

ECL measurement period

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

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

SICR and low credit risk

PBB

All exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a

customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD. Credit risk has increased since initial recognition when these criterion are met.

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

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

From a South Africa perspective, in accordance with SARB D3, where a restructure is considered due to Covid-19 related factors, the group determines whether the exposure is expected to remain in a not overdue status subsequent to the relief period. These restructured exposures are classified as Covid-19 related restructures and assessed monthly as either temporary or permanently distressed. The determination of temporary or permanently distressed is made by assessing various customer, transactional and delinquency variables (included but not limited to customers that were up to date at 29 February 2020 were deemed to be temporary in nature if it was expected that the customer would remain up to date post the relief period and customers experiencing financial distress and in arrears prior to 29 February 2020 were deemed to be permanent in nature) to estimate a PD. Temporary distressed accounts are classified as stage 1 or stage 2 based on the risk profile and permanently distressed accounts (high risk per the PD estimates) are classified as stage 3.

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 past due (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 low credit risk.

To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table below:

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

From a South African perspective for SARB D3 qualifying exposures the SICR methodology remains unchanged (comparing the credit risk grading) to determine whether these exposures are classified within stage 1 or stage 2. The credit risk grade is assessed at the time of the relief, and subsequent monthly reviews of the status of the request and client's performance are conducted.

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

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

For PBB these forward-looking economic expectations are included in the ECL where adjustments are made based on the group's 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 FLI, such as specific event risks and industry data, 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 the 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding (i.e. no reasonable expectation of recovery). This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries. The group assesses whether there is a reasonable expectation of recovery at an exposure level. As such once the below criteria are met at an exposure level, the exposure is written off.

The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the group is able to receive any further economic benefit from the impaired loan. The period defined for unsecured PBB products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off recoveries. Factors that are within the group's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of arrear instalments) is considered low to zero, and a period between 180 to 360 days in arrears; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof.

As an exception to the above requirements:

- where the exposure is secured (or for collateralised structures), the impaired exposure 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.
- For CIB products, write-offs are assessed on a case-by-case basis and approved by CIB credit governance committee based on the individual facts and circumstances.
- For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt. The group continuously monitors and reviews when exposures are written off, the levels of post write-off recoveries as well as the key factors causing post write-off recoveries, which ensure that the group's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

Curing

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

Where it has been determined that a financial asset no longer meets the criteria for SICR, the financial asset will be moved from stage 2 (lifetime ECL model) back to stage 1 (12-month ECL model) prospectively.

The group's forward-looking economic expectations 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 2020, for inclusion in the group's forward-looking process and ECL calculation:

South African economic expectation

- Our base case for South Africa assumes a relatively sharp recovery in the growth rate in 2021 on the back of strong base effects. The performance of the economy in 2021 will be influenced, both directly and indirectly, by the recovery post the Covid-19 pandemic and the roll back of lockdown regulations in 2021. This scenario assumes that a global economic recovery will provide support. We remain confident about gradual policy reform, but the recovery remains fragile.
- In our bear case scenario, we assume a more gradual economic recovery than the base case, on the back of a larger and more permanent destruction of businesses and jobs from the Covid-19 pandemic and a deeper GDP growth contraction in 2020. Disappointing and/or a lack of local policy reforms worsens the fiscal prognosis in this scenario with further pressure on ratings.
- The bull case scenario assumes that the current economic crisis triggers accelerated economic reforms and an efficient vaccine rollout programme to curb the spread of the coronavirus. This supports the post-pandemic growth rebound that we foresee in 2021. Strong fixed investment, employment growth and a rebound in consumption expenditure, as well as capital inflows will spur economic growth. In this scenario, ratings upgrades are still only expected in the medium-term.

Africa Regions economic expectation

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

- We expect GDP growth to show some recovery in 2021. It is worth noting that on an annual basis in 2021, GDP growth figures are expected to be bolstered by unwinding base effects mainly from Q2:20. We maintain that Q2:20 was most likely the worst of the pandemic for economic activity. It is likely that underlying consumption, and perhaps even investment, may not be as robust as the GDP growth number would imply for the period.
- The Angolan economy is set to remain in recession in 2021, a condition now dating back to 2016. Moreover, our base case foresees another recession in 2023. The medium-term growth prospects for Angola remain weak due to maturing oil fields, declining oil output, and slow progress on economic diversification, now exacerbated by the pandemic's impact.
- The dislocation caused by Covid-19 has exposed long-standing structural deficiencies within many African economies. In Nigeria, economic momentum will remain sluggish in 2021 as the pandemic has exacerbated pre-existing vulnerabilities. For Zambia, the pandemic coupled with the sovereign's fiscal challenges will weigh down on the recovery. In our base case scenarios, we expect the gradual easing of public health restrictions.
- Our bear case assumes stringent public health restrictions are re-introduced as successive waves of Covid-19 continue to disrupt economic activity. Should Malawi's current health restrictions, which are more stringent than previous sets of restrictions, remain in place for a prolonged period, this could see economic growth for 2021 be in line with a bear case outcome.

- Notably, it is not clear when vaccines will be rolled out and how countries will administer that process. Delays would pose a risk of new cases rising before vaccines have become widely available, which could then stall the economic recovery. Idiosyncratic factors in certain markets may also delay the economic recovery. Protracted debt restructuring talks between the Zambian sovereign and its creditors could limit growth momentum over the medium term. In Kenya, a bear case scenario factors in significant structural damage to the economy from the pandemic, which could be exacerbated by rising political tensions over the next two years.
- Our bull case assumes a strong post-pandemic recovery, with economic growth reaching pre-pandemic growth much sooner. The various vaccination programmes across the continent are successful. This reduces the spread of the virus and limits further disruptions. In many instances, the recovery is V-shaped. Structural reforms, higher levels of investments and a quicker recovery in consumption also underpin a more robust recovery.

Global economic expectation

The global base case is that the likely decline of around 4% in global GDP 2020 will be followed by a rise in 2021 of over 4%. The recovery will be back-loaded into the second half 2021 as the rollout of vaccines and easing of lockdown restrictions causes a recovery in growth, particularly spending on services. The base case assumes that the rollout of vaccines occurs broadly as planned and there are no major setbacks in the efficacy of the vaccines. While the recovery in the second half of 2021 could be strong among developed nations, the peak of the global recovery could take longer as developing nations vaccine rollouts take longer.

Policymakers will continue to nurture the recovery. Central banks in developed countries are expected to keep policy rates as low as they are now, or lower, through the course of 2021. In addition, many major central banks will continue with hefty asset purchases – mainly bonds – right through 2021. On the fiscal side, the extent of support in 2021 is expected to be a fraction of what we saw in 2020. Policy will still remain supportive with governments unlikely to try to recoup the expenditures made in 2020 with tax cuts or spending cuts in 2021.

Improved growth and policy support should help maintain asset price strength. This being said, prices of bonds and stocks have risen sharply, and many appear to be somewhat overvalued, especially in the United States (US). This could impair their ability to provide returns in 2021 that match those seen in 2020. A fall of some 10% is expected in the dollar's trade-weighted value in 2021 and this should help foster positive sentiment in riskier assets.

A bear case scenario would envisage difficulties in the rollout and/or efficacy of the Covid-19 vaccines, resulting in strict lockdown measures for longer. The global economy would probably still grow in 2021, if only as a reaction to the depth of the fall 2020 and the fact that therapeutics to treat the coronavirus have improved.

A bull scenario supposes that vaccine rollout is far speedier than current plans and efficacy is such that lockdowns can end more quickly than the base case. In this scenario the growth in 2021 is still back-loaded into the second half 2021 but at a much stronger pace than under the base case.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, bear and bull scenario, is presented for each identified time period.

Macroeconomic factors – 2020	Base scenario			Bear scenario			Bull scenario		
	2020 ¹	2021 (next 12 months)	Remaining forecast period ²	2020 ¹	2021 (next 12 months)	Remaining forecast period ²	2020 ¹	2021 (next 12 months)	Remaining forecast period ²
South Africa³									
Inflation (%)*	3.30	4.06	4.18	3.30	5.42	5.47	3.30	3.68	3.83
Prime (%)*	7.00	7.25	7.81	7.00	8.25	9.44	7.00	6.75	7.31
Real GDP (%)*	(7.00)	4.79	2.85	(10.30)	5.87	3.03	(5.84)	6.52	4.10
Employment rate growth (%)#	(3.27)	(0.01)	0.74	(3.27)	(0.66)	0.27	(3.27)	0.64	1.22
Household credit (%)*	3.86	3.18	4.44	3.71	1.71	2.66	3.56	4.82	6.20
Exchange rate USD/ZAR	14.86	15.46	16.01	14.86	17.50	17.84	14.86	14.50	15.15
Africa Regions⁴ (excluding Zimbabwe) (averages)									
Inflation (%)#	8.36	8.50	7.00	8.39	10.10	8.90	7.96	7.20	5.90
Policy rate (%)*	9.22	8.90	8.30	9.22	10.10	9.50	9.22	8.50	7.60
3m Tbill rate (%)*	7.98	8.60	7.90	7.98	10.00	9.20	7.98	7.90	6.70
6m Tbill rate (%)*	8.57	8.60	8.80	8.57	10.20	9.90	8.57	8.00	7.60
Real GDP (%)#	(2.14)	3.60	4.60	(2.68)	2.20	3.00	0.58	6.30	7.00
Africa Regions⁴ (averages)									
Inflation (%)#	30.58	15.70	8.20	33.27	40.60	78.50	30.11	9.40	9.40
Policy rate (%)*	10.18	10.10	9.50	10.18	10.90	10.20	10.18	8.90	7.90
3m Tbill rate (%)*	7.98	8.60	7.90	7.98	10.00	9.20	7.98	7.90	6.70
6m Tbill rate (%)*	8.57	8.60	8.80	8.57	10.20	9.90	8.57	8.00	7.60
Real GDP (%)#	(2.35)	3.70	4.70	(3.05)	1.80	2.70	0.57	6.20	7.00
Global⁵									
Inflation (%)*	0.60	1.80	2.10	0.60	2.20	1.80	0.60	1.90	2.60
Policy rate (%)*	0.10	0.10	0.30	0.10	(0.10)	(0.08)	0.10	0.10	0.50
Exchange rate GBP/USD*	1.37	1.46	1.54	1.37	1.24	1.28	1.37	1.49	1.54
Real GDP (%)#	(10.50)	4.80	2.20	(10.50)	0.30	2.00	(10.50)	7.00	2.70
Unemployment rate (%)*	5.00	5.60	4.90	5.00	5.90	5.90	5.00	5.30	4.40

¹ Revised as at 31 December 2020. The 2020 (next 12 months) view disclosed as at 31 December 2019, has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

² The remaining forecast period is 2022 to 2024.

³ The scenario weighting is: base at 50%, bull at 20% and bear at 30%. The scenario weighting has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

⁴ Where multiple jurisdictions are considered averages are used. The scenario weighting is: base at 55%, bull at 16% and bear at 29%. The scenario weighting has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

⁵ Based on UK outlook. The scenario weighting is: base at 50%, bull at 20% and bear at 30%. The scenario weighting has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

* Actual rates for 2020.

Estimated rates for 2020.

Macroeconomic factors – 1H20	Base scenario			Bear scenario			Bull scenario		
	2020 ¹	2H20 to 1H21 (next 12 months)	Remaining forecast period ²	2020 ¹	2H20 to 1H21 (next 12 months)	Remaining forecast period ²	2020 ¹	2H20 to 1H21 (next 12 months)	Remaining forecast period ²
South Africa³									
Inflation (%)	3.40	3.84	4.50	3.62	4.19	5.41	3.81	4.17	4.52
Prime (%)	7.25	7.25	9.30	7.75	7.56	9.75	7.50	6.94	9.39
Real GDP (%)	(8.50)	(0.85)	3.30	(13.22)	(7.34)	1.73	(4.64)	(0.60)	3.33
Employment rate growth (%)	(2.58)	(3.90)	0.70	(4.92)	(7.94)	0.59	(1.32)	(1.50)	1.48
Household credit (%)	(14.23)	(12.14)	5.07	(18.97)	(21.37)	1.92	(1.71)	(6.59)	5.42
Exchange rate USD/ZAR	17.39	16.43	15.86	18.46	18.23	16.88	16.65	15.53	15.35
Africa Regions⁴ (excluding Zimbabwe) (averages)									
Inflation (%)	8.24	9.69	7.47	7.49	8.96	7.47	7.64	8.05	6.31
Policy rate (%)	8.71	8.58	8.67	9.01	9.51	8.67	8.55	8.25	8.06
3m Tbill rate (%)	8.31	8.21	8.42	8.66	8.59	8.42	7.92	7.55	7.47
6m Tbill rate (%)	8.79	8.95	9.08	9.42	9.83	9.08	8.57	8.55	8.24
Real GDP (%)	(0.63)	1.36	6.21	(2.68)	(1.03)	6.21	0.49	2.42	7.00
Africa Regions⁴ (averages)									
Inflation (%)	34.66	34.71	11.03	43.94	74.02	87.27	29.00	18.29	6.35
Policy rate (%)	9.85	9.74	9.50	9.78	10.28	10.82	9.69	9.03	8.27
3m Tbill rate (%)	8.31	8.21	8.42	8.66	8.59	8.97	7.92	7.55	7.47
6m Tbill rate (%)	8.79	8.95	9.08	9.42	9.83	10.10	8.57	8.55	8.24
Real GDP (%)	(0.81)	1.23	6.09	(2.95)	1.31	4.19	0.65	2.52	7.00
Global⁵									
Inflation (%)	0.85	0.80	1.80	0.10	(0.50)	1.00	0.98	1.00	1.60
Policy rate (%)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.20
Exchange rate GBP/USD	1.28	1.35	1.50	1.14	1.10	1.25	1.30	1.40	1.60
Real GDP (%)	(5.15)	(9.00)	2.50	(7.90)	(12.00)	2.00	(4.40)	(6.00)	3.00
Unemployment rate (%)	6.58	7.00	5.50	8.08	9.00	7.00	6.45	6.50	4.50

¹ Revised as at 30 June 2020. The 2020 (next 12 month) view disclosed as at 31 December 2019, has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

² The remaining forecast period is 2021 to 2024.

³ The scenario weighting is: base at 50%, bull at 15% and bear at 35%. The scenario weighting has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

⁴ Where multiple jurisdictions are considered averages are used. The scenario weighting is: base at 55%, bull at 25% and bear at 20%. The scenario weighting has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

⁵ Based on UK outlook. The scenario weighting is: base at 50%, bull at 20% and bear at 30%. The scenario weighting has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.

Macroeconomic factors – 2019	Base scenario		Bear scenario		Bull scenario	
	2020 ¹ (next 12 months)	Remaining forecast period ²	2020 ¹ (next 12 months)	Remaining forecast period ²	2020 ¹ (next 12 months)	Remaining forecast period ²
South Africa³						
Inflation (%)	4.60	4.86	6.03	5.58	4.38	4.24
Prime (%)	9.75	10.03	10.69	10.63	9.50	9.66
Real GDP (%)	1.33	2.17	0.18	0.38	1.96	3.19
Employment rate growth (%)	0.51	0.94	(0.13)	0.17	0.89	1.78
Household credit (%)	6.53	6.82	5.52	6.50	6.96	7.50
Exchange rate USD/ZAR	14.83	14.43	16.44	15.32	13.70	13.58
Africa Regions⁴ (averages)						
Inflation (%)	7.60	7.10	9.20	8.40	6.50	6.30
Policy rate (%)	9.40	8.80	10.10	10.10	9.00	8.10
3m Tbill rate (%)	8.70	8.30	9.90	9.30	8.10	7.70
6m Tbill rate (%)	9.40	8.90	10.30	9.50	9.10	8.40
Real GDP (%)	3.70	4.60	2.60	3.60	4.50	5.40
Global⁵						
Inflation (%)	1.70	2.30	2.80	1.70	1.70	1.90
Policy rate (%)	0.30	1.00	0.10	0.80	1.30	1.90
Exchange rate GBP/USD	1.28	1.50	1.18	1.40	1.41	1.40
Real GDP (%)	0.90	1.90	(0.5)	1.40	2.00	1.90
Unemployment rate (%)	4.50	4.50	5.50	5.00	3.80	4.40

¹ As reported for the year ended 31 December 2019.

² The remaining forecast period is 2022 to 2023.

³ The scenario weighting is: base at 55%, bull at 25% and bear at 20%.

⁴ Where multiple jurisdictions are considered weighted averages are used. The scenario weighted average is: base at 55%, bull at 25% and bear at 20%.

⁵ Based on UK outlook. The scenario weighting is: base at 60%, bull at 20% and bear at 20%.

Sensitivity analysis of CIB forward-looking impact on ECL provision

Management assessed and considered the sensitivity of the provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Therefore the impact of forward-looking economic conditions is embedded into the total provision for each CIB client and cannot be stressed or separated out of the overall CIB provision. Thus, a sensitivity analysis of the total CIB provision of R9 581 million as at 31 December 2020 was performed. This analysis entailed recalculating the total provision, using a 100% portfolio weighting of each scenario. The impact of each scenario is R9 564 million (0.3% decrease in the total provision) for the base scenario, R 9 733 million (3% increase in total provision) for the bear scenario and R9 401 million (3% decrease in total provision) for the bull scenario. The income statement impact of R4 190 million for 2020 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenarios is R4 173 million (decrease of R17 million) for the base scenario, R4 342 million (increase of R152 million) for the bear scenario and R4 010 million (decrease of R180 million) for the bull scenario.

Sensitivity analysis of PBB forward-looking impact on ECL provision

The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2020, based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

	2020		2019	
	Rm	Change of total PBB provision on loans and advances %	Rm	Change of total PBB provision on Loans and advances %
Forward-looking impact on the total ECL provision	2 689		1 681	
Scenarios				
Base	2 671	(0.1)	1 466	(1)
Bear	3 539	2	2 970	4
Bull	1 801	(2)	983	(2)

The income statement impact of R961 million for 2020 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenarios is R943 million (decrease of R18 million) for the base scenario, R1 810 million (increase of R849 million) for the bear scenario and R73 million (decrease of R888 million) for the bull scenario.



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 in annexure C 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.

Post-model adjustments

Covid-19 has had a profound impact globally and there remains much uncertainty as to the future economic path and recovery. As mentioned in the sections above in determining the forward-looking impact, from an IFRS 9 perspective, the group has forecasted three possible future macroeconomic scenarios, being the base, bear and bull scenarios and attributed weightings to these three scenarios. The outcome of the Covid-19 pandemic is unpredictable, and this makes determining these scenarios and the assumptions underlying them complex. Given this uncertainty and the fact that the pandemic has impacted clients across all geographies and client segments, these scenarios have been stressed. Therefore, the group has deemed it appropriate to recognise an additional R500 million judgemental credit adjustment on the total loans and advances to customers portfolio. The credit adjustment is based on the group's best estimate of the post-model stressed scenarios using reasonable and supportable information available at the reporting date and is held within central and other and disclosed as part of other loans and advances.

Derivatives held-for-hedging Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. This reform is at various stages globally. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group. The

group's derivative instruments are governed by ISDA's 2006 definitions. ISDA is currently reviewing its definitions in light of IBOR reform and the group expects it to issue standardised amendments to all impacted derivative contracts at a future date. No derivative instruments have been modified as at the reporting date. Consequently, significant judgement is applied in determining whether certain interest rate risk hedge relationships will continue to qualify for hedge accounting. As at 31 December 2020, the group has applied the amendments to IAS 39 and the existing hedge relationships referencing IBORs continue to qualify for hedge accounting. The group will continue to apply the amendments to IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the group is exposed ends.

The group has assumed that this uncertainty will not end until the group's contracts that reference IBORs are amended to specify the date the interest rate benchmark will be replaced and the cash flows of the alternative benchmark rate. Management is monitoring market and accounting developments in this regard. The group has established a committee and working group within treasury and capital management to manage the transition to alternative rates. The objectives of the committee and working group include evaluating the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee and working group are working closely with business teams across the group to establish pricing for new lending products indexed to the ARR in impacted jurisdictions.



Refer to note 2 for derivative instruments disclosures.

Fair value

Financial instruments

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

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

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

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, 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 adjustments 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 or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

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

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date. 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 2020 was a net loss of R7 355 million (2019: R677 million net gain). Other financial instruments, not at level 3, are utilised to mitigate the risk of these changes in fair value.



Refer to note 22 for the fair value disclosures.

Investment property

The group invests in various properties which are predominantly owned for investment return. Certain properties house various of the group's insurance and asset management operations and these are classified as 'owner-occupied' properties under IAS 16. The balance of the properties is let to various tenants under lease agreements as defined under IFRS 16 *Leases* (IFRS 16). These properties are classified as "investment properties" under IAS 40 *Investment Property* (IAS 40). Investment properties are measured at fair value by external valuation appraisers, taking into account characteristics of the properties that market participants would consider when pricing the property at measurement date. The key assumptions in determination of the fair value are the rent reversion factors, exit capitalisation rates and discount rates. Other inputs considered relate to expense growth rental growth, existing tenant terms, location, vacancy rates and restrictions, if any, on the sale or use of the asset. The group applies judgement regarding the unit of account,

i.e. whether it should be valued as a stand-alone property or as a group of properties. Determination of fair value also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. Management derived discount rates are risk adjusted to factor in liquidity and asset class risk.

The fair values of the investment properties in South Africa at 31 December 2020 have been revised in consultation with external valuers, considering the current economic environment and lock down regulations and the estimated impact to all the valuation inputs. There have been no changes applied to the unit of account and derived use.

Valuations have been negatively impacted by inter alia, the negative effect of Covid-19 on current year rentals and growth assumptions for the forecasted period, higher vacancies, the potential for negative reversions and the time required to re-let vacant space. The valuers have also applied more conservative valuation metrics, including adjustments to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space. Jones Lang LaSelle, who value the majority of the group's South African portfolio, have emphasised the valuations disclosed as reported on "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty should be attached to the valuations. In spite of the material uncertainty noted by the independent valuers, the group is satisfied with property valuations as at 31 December 2020.

During July 2020, the sale of an office complex located in Century City, Cape Town was completed. The valuation of this property at 30 June 2020 reflected the sale price.

The fair values of the group's 100% owner-occupied properties were internally valued at 31 December 2020, with an insignificant fair value loss recognised for the year under review. The valuation is supported by a base external valuation as at 31 December 2019 and the 2020 valuation is supported by a Liberty Group Limited occupation commitment until at least December 2022. Significant refurbishments are being undertaken in the majority of the owner-occupied properties and an external valuation was not deemed appropriate under these circumstances. IFRS does not require external valuations for owner-occupied properties on an annual basis.



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.



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.



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, significant changes in macroeconomic circumstances 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.

During 2020, the group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by a total amount of R3 221 million (2019: R234 million). These impairments are excluded from the group's headline earnings, details of the impairments are listed below.

Through the performance of the impairment test, the following computer software intangible assets have been identified as impaired:

- New BOL platform (impairment write-off of R2 262 million)
- Payment Execution System (impairment write-off of R215 million)
- Online Business Banking digital channel (impairment write-off of R286 million)
- Other intangible assets (impairment write-off R458 million).

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

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.

New Business Online Platform

During 2020 the further migration of South African clients onto the new BOL platform was discontinued. This decision was informed by, inter alia, the complex nature of the South African product set, feature gaps to existing capabilities, increasing client demands, significant technology developments in banking platforms in recent years and the opportunity to accelerate the deployment of the new, more modern, replacement platform. As a result, the new BOL platform has been assessed as impaired for the South Africa client franchise. The platform remains in full use for the Africa Regions franchises. The carrying amount of the new BOL platform in South Africa is based on its value in use, thus an impairment of R2 262 million has been recognised for the year.

The principal assumptions considered in determining the South African new BOL platform's value in use include:

- Future cash flows – a forecast period of three years has been adopted by management to reflect revenue which, based on management's judgement and expected market conditions, could be sustainably generated in South Africa from the clients that have already been migrated onto the platform. No more clients will be migrated onto the platform, therefore no additional revenue or over a longer period was considered. The cash flows over the cash flow period are increased at an inflationary rate to reflect volumes and revenue growth of the asset.
- Discount rate – the future cash flows are discounted using a pre-tax rate of 13.5%. The discount rate utilised in the calculation of new BOL's value in use is deemed appropriate based on the asset under review.
- The key assumptions impacting the total impairment recognised as at 31 December 2020 are the future cash flow period and the discount rate. Thus, a sensitivity analysis of the total impairment R2 262 million as at 31 December 2020 was performed. This analysis entailed recalculating the total impairment, by changing the future cash flow period and changing the discount rate. The impact of each scenario is insignificant to the total impairment recognised.

Payment Execution System

PES was initially planned as the payments integration layer for new BOL in Namibia and South Africa. The asset is currently only deployed in Namibia and experiences through the implementation of PES in Namibia has highlighted that the asset was not fit-for-purpose as intended by management, requiring a complete replacement of the system with a solution with greater stability, agility and ability to adapt. As a result, no future cash flows are expected from the use of the system, therefore the entire asset of R215 million was impaired.

Online Business Banking

The OBB digital channel was an asset under construction related to small enterprise internet banking. Subsequent to its launch, the full internet capability for small enterprise businesses will be replaced under SA Digital on the Backbase platform rendering the full OBB digital channel as obsolete before the asset could become available for use in as intended by management. Due to no future cash flows expected from the use of the platform as none of the services developed can be reused or repurposed, the entire asset of R286 million was impaired.

Other intangible assets

Impairments relating to other intangible assets comprise of capitalised internally developed computer software. These intangible assets have been reviewed for impairment, particularly in the light of the current ongoing poor economic environment as well as the unknown consequences of the pandemic on the recovery of future economic activity, and were impaired by R458 million as at 31 December 2020.



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 to, on an annual basis and when indicators of impairment are present, test its recognised goodwill for impairment. As a consequence of Covid-19 and the impact which it has had on economies, businesses and asset valuations, the group has tested its recognised goodwill for impairment at 31 December 2020. The impairment tests are performed by comparing the cash-generating units' (CGU) 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 have been reassessed at 31 December 2020 and include:

- Future cash flows – the forecast periods adopted reflect a set of cash flows which, based on management's judgement, external data sources 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 and anticipated growth rates relative to those markets and allow forecasts to normalise following the impact of Covid-19. 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 appropriate long dated 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.

Having considered recent available historic financial information, management forecasts, market and economic data, the group concluded that there was no goodwill impairment in respect of relevant entities at 31 December 2020.

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.

	Stanbic IBTC Holdings PLC (Nigeria)		Stanbic Holdings PLC (Kenya)	
	2020	2019	2020	2019
Discounted cash flow				
Discount rate (nominal) (%)	18.8	17.6	17.3	16.9
Terminal growth rate (nominal) (%)	7.0	7.0	9.3	9.1
Forecast period (years) ¹	10	10	10	8

¹ In the instance where the group values subsidiaries where the long-term strategy is to hold and grow the investment, the preferred approach is to value future cash flows over a longer period in order to take account of periods of non-linear and linear growth and avoid a situation where too great a proportion of the value is derived from 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 year in which such determination is made.

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

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

Investment management and life insurance – Liberty Holding Limited

The key assumptions used within investment management and life insurance can materially affect the reported amounts. The assumptions require complex management judgements and are therefore continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Considering the Covid-19 pandemic emergence in the early part of 2020, the directors and management were required to apply significant key judgement to the potential future impact that Covid-19 will have on the group's operations and the associated IFRS measurement of various assets and liabilities as at 31 December 2020.

Given the significant remaining net adverse financial impact that Covid-19 is expected to have on the measurement of policyholder insurance contract liabilities, as a result of changes in management's view of the future best estimate cash flows,

additional disclosures have been provided in this section to assist in understanding the estimated impacts to the group's IFRS earnings, and the group's solvency capital position as measured in accordance with the Insurance Act.

Significant health risk mitigation measures were introduced by governments in many jurisdictions, including South Africa and most jurisdictions in which Liberty operates. As a result of Covid-19, the group included more detail relating to an assumed Covid-19 reference scenario and associated key judgements. This reference scenario has been updated for the year ended 31 December 2020. In preparing the 30 June 2020 results management acknowledged that there was a significant level of uncertainty over the short- and long-term impacts that Covid-19 may have on the group's business and had applied a key judgement that the bulk of the impact would be evident within twelve to eighteen months ('the short-term'). Consistent with this judgement, the bulk of the remaining short-term impact at 31 December 2020 is expected within the next 12 months. Great uncertainty about the long-term impact of the pandemic still remains. In anticipation of vaccination rollouts at frequencies required to suppress new evolving variants, and improvements in therapeutics and medical access, it is assumed that Covid-19 experience will fall within the typical variability of experience arising from general contagious disease spread in the long-term. Further, with no clear indication that there is any material adverse long-term impact of the pandemic, no specific long-term assumption changes have been made in respect of Covid-19. However, in the application of setting long-term assumptions as per the assumption setting policy, a higher degree of prudence has been exercised, given increased uncertainty arising from the current environment. Management established a 'reference scenario' in order to quantify a best estimate of the likely financial outcome, based on all relevant and reliable external data sources that are currently available, whilst recognising that the range of outcomes is large. This reference scenario was then applied, where applicable, to the assets and liabilities measurement models under the respective requirements of the IFRS and regulatory capital frameworks. In respect of policyholder insurance contracts measurement, this has resulted

in the recognition of a short-term pandemic reserve of pre-tax R2 291 million (30 June: R 3 041 million) for IFRS purposes as at 31 December 2020. Related pandemic reserve adjustments to the group's main regulated insurance entity, LGL required capital and available capital resulted in the LGL solvency capital requirement cover ratio decreasing from 1.91 (prior to the pandemic reserve) to 1.81 at 31 December 2020 (2019: 1.99). The revised reference scenario assumption for South Africa is that a further 40% of the population will be infected after the reporting date with the virus before the severity of the disease is reduced to immaterial levels. Of the individuals infected 20% are assumed to experience mortality rates by age similar to that experienced internationally (Wuhan mortality rates were assumed). The other 80% are assumed to have asymptomatic infection. It is assumed that vaccinations will prevent any material fatal Covid-19 related infections (including reinfection) after the 40% referenced above has been reached. In combination, these assumptions imply that a remaining 8% (i.e. 20% of 40%) of the population of South Africa. Age-based Covid-19 mortality experience as evidenced in the published Wuhan research study, has been assumed to apply to these remaining 8% of cases. Although other studies have been published since the initial Wuhan study, the Wuhan study is considered to be appropriately reflective of the case fatality rates by age consistent with the level of unreported infections assumed. It is also considered broadly consistent with the aggregate severity in terms of financial impact from mortality that Liberty has experienced. In the African regions outside of South Africa in which the group operates, a more conservative assumption has been adopted given the apparent delayed spread of infections in these regions with relatively fewer excess claims during 2020 than in South Africa. As referenced in the interim financial statements, given the potential risks associated with South Africa's prevalence of HIV and TB being significantly higher than in Wuhan, and a risk that the healthcare system in South Africa could become more overwhelmed than what occurred in Wuhan, there was a risk that the South African population's excess mortality experience would be higher than in Wuhan. With current excess deaths as reported by the South African Medical Research Council already over 2 times the ultimate estimated excess deaths for the population under the reference scenario as reported at 30 June 2020, this risk appears to have materialised. However, with Liberty's mortality exposure concentrated in the

affluent underwritten segment that has lower levels of HIV and TB and generally better access to healthcare than the general population, this risk was considered to be reduced for the group. Based on the actual claims experience of the group in the second half of 2020, this assumption of reduced risk appears to have been borne out in practice with the aggregate severity in terms of financial impact of mortality experienced by the group being broadly consistent with Wuhan mortality. There are indications that mortality has been worse, although not as marked as in the general population, in Liberty's non-underwritten segments (i.e. the relatively smaller emerging consumer market and corporate risk segments as well as among annuitants which has provided an offsetting financial impact). However, the net impact of the worse than assumed mortality on these segments is negligible relative to the impact of the excess mortality impact on the affluent book being broadly consistent with the assumption. The measures taken by governments and individuals to control the spread of the pandemic have resulted in recessionary economic environments in all regions where the group operates. While easing of these measures is gradually improving economic activity, management's expectation is that depressed economic activity is expected to prevail until the end of 2021. Thereafter economic growth is anticipated to resume to average long-term expectations. South African Gross Domestic Product is estimated to have contracted by 8% in 2020. Although real annual growth is forecast for South Africa from 2021, the Gross Domestic Product is currently only expected to reach pre-pandemic levels in real terms in the next 3 -5 years. As a result of the economic environment, it was anticipated in the reference scenario that there would be increased retrenchments. Although significant job losses have been incurred in the broader economy up to Q3 2020 as per reporting by Stats SA, retrenchments in the formal sector as per Stats SA and amongst Liberty's customers, based on internal experience of retrenchment benefits, have been significantly lower than the additional 4% assumed for 2020 in the pandemic reserve at 30 June 2020. A significant number of retrenchments among Liberty's customer base are still expected to occur as delayed adverse employment impacts of the pandemic are still anticipated to unfold.

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	
	2020	2019	2020	2019
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	8.30% to 14.05%	9.28% to 11.37%	Unfunded liability and therefore there is no asset-backing portfolio	Unfunded liability and therefore there is no asset-backing portfolio
Salary/benefit inflation	Inflation curve adjusted upwards by 1% p.a.	Inflation curve adjusted upwards by 1% p.a.	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 upwards by 1% to 1.5%	Inflation curve adjusted upwards by 1%
Medical cost inflation (applicable to all other members)	Not applicable to fund	Not applicable to fund	Difference between nominal and index-linked bond yield curves	Difference between nominal and index-linked bond yield curves
Consumer Price Index (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 rates	Inflation rate	Not applicable to fund	Not applicable to fund
Remaining service life of employees (years)	7 years 3 months to 9 years 1 month	7 years 11 months to 8 years 5 months	4 years 4 months to 5 years 10 months	4 years 11 months to 6 years 10 months
Mortality assumption – pre-retirement	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements
Mortality assumption – post-retirement	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements

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

² This relates to members within the employment of Liberty or Standard Bank of South Africa.



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

Long-term insurance contracts

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



Refer to annexure C for details regarding risk management.

Process used to decide on assumptions and changes in assumptions

Mortality and morbidity

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

Withdrawal

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

Investment return

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

- Bond rate – the derived yield from the bond yield curve, at a duration of ten years at the reporting date, 9.16% (2019: 9.17%)
- Equity rate – bond rate plus 3.5% as an adjustment for risk, 12.66% (2019: 12.67%)
- Property rate – bond rate plus 1% as an adjustment for risk, 10.16% (2019: 10.17%)
- Cash – bond rate less 1.5%, 7.66% (2019: 7.67%).

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities. The pre-taxation discount rate is set at the same rate. The rate averaged across these blocks of business is 10.4% per annum in 2020 (2019: 10.4% per annum). Where appropriate the investment return assumption is adjusted to make allowance for investment expenses and taxation.

Expenses

An expense analysis is performed on the actual expenses incurred, split between acquisition and maintenance expenses, in the calendar year preceding the reporting date. This analysis is used to calculate the acquisition costs incurred. The budget in respect of 2021 approved by the board is used to set the maintenance expense assumption.

Expense inflation

The expense inflation assumption is set taking into consideration the market implied inflation, the expected future development of the number of in force policies, as well as the expected future profile of maintenance expenses. The expense inflation assumption for pure risk, life annuity, disability in payment and guaranteed endowments business is set to be 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 7.41% at 31 December 2020 (2019: 7.42%).

Taxation

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

Correlations

No correlations between assumptions are allowed for.

Contribution increases

In the valuation of the policyholder and reinsurance contracts, voluntary premium increases that give rise to expected profits within broad product groups are not allowed for. However, compulsory increases and increases that give rise to expected losses within broad product groups are allowed for. This is consistent with the requirements of 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 sixteen thousand simulations are performed in calculating the liability.

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

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

The Top 40 index referred to below is a capital index whereas the All Bond Index (ALBI) is a total return index. 'Spot' refers to the value of the index at market close at the relevant date. 'At-the-money (spot)' means that the strike price of the option is equal to the current market value of the underlying. 'At-the-money (forward)' means that the strike price of the option is equal to the market's expectation of the capital index at the maturity date of the option.

Instrument	Price		Volatility	
	2020 %	2019 %	2020 %	2019 %
A one-year at-the-money (spot) put on the FTSE ¹ /JSE Top 40 index	7.52	4.89	20.09	17.09
A one-year put on the FTSE/JSE Top 40 index, with a strike price equal to 80% of spot	2.04	1.02	24.65	21.57
A one-year at-the-money (forward) put on the FTSE/JSE Top 40 index	7.74	6.34	19.99	16.37
A five-year at-the-money (spot) put on the FTSE/JSE Top 40 index	12.11	7.81	21.75	20.87
A five-year put on the FTSE/JSE Top 40 index, with a strike price equal to 1,04 ^{5#} of spot	21.54	14.89	20.80	20.04
A five-year (forward) put on the FTSE/JSE Top 40 index	16.33	15.37	21.26	20.00
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% ALBI, with rebalancing of the underlying index back to these weights taking place annually	12.09	6.86		
A 20-year at-the-money (spot) put on the FTSE/JSE Top 40 index	3.21	3.37	27.76	26.97
A 20-year put on the FTSE/JSE Top 40 index, with a strike price equal to 1,04 ^{20#} of spot	14.82	15.67	29.09	28.15
A 20-year at-the-money (forward) put on the FTSE/JSE Top 40 index	28.29	27.36	29.86	28.74
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	0.64	0.57		

¹ Financial Times Stock Exchange.

Exponent.

Policyholder insurance contracts and investment contracts with discretionary participation features

Liberty is predominately a long-term insurer providing risk cover (including death and disability) and investment solutions to a broad range of individuals either directly or indirectly through retirement funds. Consequently, Liberty's financial results are materially impacted by estimates of policyholder behaviour relating to the ability to continue paying premiums (lapse risk), retrenchment risk events, and exposure to claims mainly through the occurrence of mortality and morbidity.

Policyholder assets and liabilities under long-term insurance contracts and related reinsurance assets and liabilities

Liability and asset determination: 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; plus, claims incurred and not reported (IBNR). An IBNR provision is an estimate of the ultimate cost of claims where the loss event has occurred prior to financial position date, but which have not been reported at that date. In South Africa, material excess deaths occurred at the end of 2020, particularly in December, arising from the second wave of the pandemic. The IBNR was increased by R342 million at 31 December 2020 to reflect the estimated excess death claims incurred in 2020 arising from this second wave yet to be reflected in the development of reported claims by the financial reporting date.

Reinsurance assets and liabilities under insurance contracts include provisions for the net present value of expected future reinsurance premiums and expected future reinsurance recoveries. The key long-term assumptions applied, and analysis of their sensitivity are detailed in annexure C. The long-term demographic assumptions, used in contract measurement at 31 December 2020, have been strengthened from those applied at 31 December 2019 in line with the assumption setting policy based on pre-pandemic experience, taking the increased uncertainty arising from the current environment into consideration. However, no specific long-term assumptions have been made in respect of Covid-19. There are certain risks posed by the pandemic to some of the long-term insurance risks. These risks are discussed in more detail under in annexure C. Economic assumptions have been updated to reflect the current applicable investment market experience.

The reference scenario resulted in the establishment of a pandemic reserve (increase in insurance contract liabilities) at 30 June 2020 on the various reported financial metrics in respect of insurance contracts in-force. This reflected the estimated net adverse impact in the short-term to the best estimate cash flows and related margins, of these insurance contracts in excess of the supportable long-term assumptions. These impacts are a combination of the likely impact to the health of customers (mortality and morbidity) as well as the indirect impacts that the pandemic and the measures taken by governments and individuals to control the spread of the pandemic have had on economic activity. These indirect impacts are likely to manifest in higher unemployment and reduced

average individual income levels. In respect of insurance contracts, this increases the likelihood of retrenchment activity and higher policyholder terminations. The impacts have been assessed in accordance with the respective requirements of the various reporting metrics.

A pandemic reserve similarly reflecting the estimated net adverse impact in the short term at 31 December 2020 based on a revised reference scenario has been maintained on various reported financial metrics. Overall, there has been a utilisation of the reserve in the second half of 2020 on each of the financial metrics providing an offset to negative experience variances that have occurred over this period.

The material impacts to the reserve have been derived from the following assumptions:

- The age-based reported Covid-19 mortality experience of Wuhan will apply to 8% of Liberty's customers, including life assureds and annuitants.
- The lump sum disability experience outgo will increase by 35% over a one-year period.

- An additional 6% of retail customers are retrenched, above long-term assumptions.
- Liberty Corporate's customer revenue base reduces by 15% through a combination of increased customer terminations and member withdrawals related to the adverse economic conditions expected.
- 5% of Retail Risk and voluntary investment policies will terminate.
- Cost overruns in the short term as a result of lower than budgeted new business volumes and higher than expected terminations.

The short-term impacts on dread disease and income disability benefits are expected to be within the typical variability of the long-term experience and are thus considered supportable by the long-term assumptions.

These assumptions have been consistently applied in solvency and capital requirements calculations.

The estimates have been calculated on a net of reinsurance basis, allowing for expense modelling considerations and reinsurance recoveries where applicable. The impacts of applying these assumptions on the various bases are summarised in the table below:

Reference scenario – impact at 31 December 2020 impact	IFRS/GEV insurance liability adjustment
Policyholder insurance contracts	R2 291 million increase in liability
Taxation relief and non-controlling interests applied	(R656 million)
Impact to Liberty profit or loss/net worth	R1 635 million reduction to profit
	Liberty Insurance Act capital requirement coverage
Net reduction in Liberty solvency capital requirement cover	0.1 decrease in coverage ratio

The IFRS insurance liability adjustment includes an overall assessment of the liability adequacy requirement as prescribed under IFRS 4.

Sensitivities to the Liberty insurance contract pandemic reserve are tabled below. Mortality sensitivities have only been determined for an upward shock. The impact of a downward shock would be a profit similar in magnitude to the loss on the upward shock presented. The pre-non-controlling interest and tax reserve of R41 million in respect of Liberty Africa Insurance has not been included in the sensitivities as it is considered immaterial from a group perspective. The impacts presented below are net of taxation consequences. Any taxation relief is assumed to be recoverable.

Sensitivity variable	IFRS contract boundary ¹	Adjustment to the reference scenario ²	Impact on Liberty's profit or loss for the year ended 31 December 2020 Rm	Impact to the Liberty solvency capital requirement ratio at 31 December 2020 (times covered)
Mortality risk experience – assured lives	Long	+4% absolute to the expected 8% of Wuhan mortality assumed remaining impact in the calculation of the pandemic reserve (i.e a 50% relative increase to the pandemic reserve in respect of mortality) ³	(344)	(0.019)
	Short		(82)	(0.005)
Mortality risk experience – annuitants		(equates approximately to a +14% relative increase to overall mortality average for 1 year)	51	0.003
Lump sum disability risk experience	Long	+10% proportional increase for 1 year	(32)	(0.002)
	Short		(8)	(0.000)
Retail retrenchment risk experience⁴	Long	+5% absolute increase for 1 year (equates to a greater than +200% relative increase for 1 year)	(25)	(0.001)
Retail Risk and investment policy terminations		+5% absolute increase on Retail Risk and voluntary Investment business (equates approximately to a +50% relative increase on average for 1 year)	(483)	(0.072)

¹ In some instances, the sensitivities have been split dependent on whether the IFRS contract boundary is considered short or long. Short boundary business encompasses Corporate risk fund business, and Retail embedded credit business. The balance of the group's business is categorised as long boundary. This is to facilitate a comparison with the IFRS sensitivities provided in annexure C, since the impact on the sensitivities is zero for contracts with a short boundary definition, but given the extent of the stress in the short term it does give rise to a sensitivity in the table above.

² In some instances, approximate proportional sensitivities have been provided to aid comparison with the sensitivities provided in annexure C after adjusting with a suitable assumed discounted weighted average outstanding term of the cash flows. The stresses have been calibrated such that the actual financial consequence, if adverse, is reasonably likely to fall within the impact disclosed above.

³ The 50% relative stress is considered a reasonable stress to appropriately reflect the range of likely impact for Liberty given its small weighted exposure to HIV and TB relative to the population.

⁴ The typical net impact on the group for variations in retrenchment is immaterial. However, the unprecedented levels of retrenchment that are assumed in the reference scenario, resulting in a relative stress in excess of 240%, are significantly in excess of anything the group would have envisaged as a reasonable range. However, even at these extreme levels, the net impact on the group is not significant in relation to the aggregate impact of the reference scenario.

Policyholder liabilities – investment contracts with discretionary participation features

The full liability represents the total fair value of the matching asset portfolio and an estimate of the cost of any guarantees provided. Current policyholder obligations are estimated by calculating a net present value of expected future cash flows allowing for assumed future bonus rates. The difference between the fair value of the matching asset portfolio and the estimate of the current policyholder obligations is the bonus stabilisation reserve. The reference scenario has not directly impacted the measurement of investment contracts with discretionary participation features at 31 December 2020. This is because the associated changes in expected future cash flows do not impact the measurement of the referenced asset portfolios at the financial reporting date. Furthermore, the impact on financial metrics on other bases is negligible given the nature of these contracts. Funding levels on all material funds remain above 100%, and the only fund below the 100% funding level had a bonus stabilisation reserve of less than negative R25 million.



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, 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 reporting date up to the date of the approval of the financial results.



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

NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with central banks

	2020 Rm	2019 Rm
Coins and bank notes	19 400	16 700
Balances with central banks ¹	68 105	58 588
Total	87 505	75 288

¹ Included in this balance is R56 466 million (2019: R48 950 million) that primarily comprises of reserving requirements held with central banks within the countries of operation and are available for use by the group subject to certain restrictions and limitations levied by central banks within the respective countries. These balances are primarily held at FVTPL. The balance at amortised cost are regarded as having a low probability of default, therefore the ECL is insignificant.

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	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Held-for-trading	111 148	67 777	(102 369)	(65 677)
Held-for-hedging	7 142	3 630	(9 208)	(3 821)
Total	118 290	71 407	(111 577)	(69 498)

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.

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.

2.2 Derivatives held-for-trading

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

	Fair value of assets		Fair value of liabilities		Contract/notional amount ¹	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 ² Rm
Foreign exchange derivatives	36 209	31 397	(32 928)	(25 759)	1 606 394	1 588 705
Interest rate derivatives	64 135	29 496	(59 746)	(31 678)	3 517 592	5 445 789
Commodity derivatives	295	170	(209)	(119)	3 879	7 507
Credit derivatives	1 880	1 277	(2 497)	(4 356)	61 160	91 603
Equity derivatives	8 629	5 437	(6 989)	(3 765)	1 133 014	318 453
Total	111 148	67 777	(102 369)	(65 677)	6 322 039	7 452 057

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

² Restated. It was noted that the notional amounts for foreign exchange derivatives and interest rate derivatives for 2019 were in error understated by R30 632 million and R90 926 million respectively. It was also noted that the notional amount for equity derivatives for 2019 was in error overstated by R2.4 trillion. These restatements did not impact the group's fair value of these instruments or the group's statement of financial position.

2. Derivative instruments continued

2.3 Derivatives and other financial instruments held-for-hedging

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value or cash flow hedges for recognised assets or liabilities and highly probable forecast transactions. The group applies hedge accounting in respect of foreign currency risk, equity risk and interest rate risk. Refer to annexure F on page 210 for more information of these hedging strategies.

2.3.1 Derivatives designated as hedging instruments in fair value hedging relationships

	Fair value		Net fair value Rm	Maturity			Contract/notional amount ¹ Rm	Fair value (loss)/gain Rm
	Assets Rm	Liabilities Rm		Less than one year Rm	Between one to five years Rm	Over five years Rm		
2020								
Interest rate risk fair value hedging relationships	6 795	(7 799)	(1 004)	787	890	(2 681)	135 191	(3 469)
Interest rate swaps	6 795	(7 716)	(921)	870	890	(2 681)	134 538	(3 412)
Cross currency interest rate swaps		(83)	(83)	(83)			653	(57)
Total	6 795	(7 799)	(1 004)	787	890	(2 681)	135 191	(3 469)
2019								
Interest rate risk fair value hedging relationships	3 171	(1 725)	1 446	852	1 024	(430)	103 914	650
Interest rate swaps ²	3 171	(1 709)	1 462	852	1 040	(430)	103 262	610
Cross currency interest rate swaps		(16)	(16)		(16)		652	40
Total	3 171	(1 725)	1 446	852	1 024	(430)	103 914	650

¹ The notional amount is the sum of the absolute value of all contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative markets. Financial instruments with notional amounts of R134 782 million is directly impacted by USD LIBOR, GBP LIBOR and JIBAR interest rate benchmark reform.

² Restated. It was noted that the notional amounts for interest rate derivatives for 2019 were erroneously overstated by R90 926 million. This restatement did not impact the group's fair value of these instruments or the group's statement of financial position.

2.3.2 Hedged items classified as fair value hedges

	Fair value		Accumulated fair value gain/(loss) at 31 December Rm	Fair value gain/(loss) used to test hedge ineffectiveness Rm	Fair value hedge adjustments for the year Rm
	Assets Rm	Liabilities Rm			
2020					
Interest rate risk fair value hedging relationships					
Financial investments	30 389		3 346	3 183	3 183
Subordinated debt		(8 419)	(509)	(334)	(334)
Loans and advances to customers	51 458		3 075	2 134	2 134
Deposits and debt funding		(61 264)	(3 975)	(1 936)	(1 936)
Total	81 847	(69 683)	1 937	3 047	3 047
2019					
Interest rate risk fair value hedging relationships					
Financial investments	1 908		390	(90)	(90)
Subordinated debt		(7 816)	107	(176)	(176)
Loans and advances to customers	39 492		(869)	606	606
Deposits and debt funding		(65 273)	550	(852)	(852)
Total	41 400	(73 089)	178	(512)	(512)

2. Derivative instruments continued

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

2.3.3 Derivatives designated as hedging instruments in cash flow hedging relationships

	Fair value of assets Rm	Fair value of liabilities Rm	Net fair value Rm	Maturity analysis			Contract/notional amount ¹ Rm	Fair value gain/(loss) Rm
				Less than one year Rm	Between one to five years Rm	Over five years Rm		
2020								
Foreign currency risk cash flow hedging relationships	347	(203)	144	132	12		51 709	96
Currency forwards	347	(2)	345	333	12		49 330	151
Currency swaps		(201)	(201)	(201)			2 379	(55)
Equity price risk cash flow hedging relationships		(168)	(168)	(97)	(71)		534	(155)
Equity forwards		(168)	(168)	(97)	(71)		534	(155)
Interest rate risk cash flow relationships		(1 038)	(1 038)		(731)	(307)	1 270	(360)
Currency swaps		(1 038)	(1 038)		(731)	(307)	1 270	(360)
Total	347	(1 409)	(1 062)	35	(790)	(307)	53 513	(419)
2019								
Foreign currency risk cash flow hedging relationships	262	(413)	(151)	83	(234)		50 273	662
Currency forwards ²	259	(114)	145	150	(5)		43 665	339
Currency swaps ²	3	(299)	(296)	(67)	(229)		6 608	323
Equity price risk cash flow hedging relationships	197	(286)	(89)	(36)	(53)		661	(90)
Equity forwards	197	(286)	(89)	(36)	(53)		661	(90)
Interest rate risk cash flow relationships		(1 397)	(1 397)	(480)	(671)	(246)	2 950	(6)
Cross currency interest rate swaps		(11)	(11)		(11)		653	11
Currency swaps		(1 386)	(1 386)	(480)	(660)	(246)	2 297	(17)
Total	459	(2 096)	(1 637)	(433)	(958)	(246)	53 884	566

¹ The notional amount is the sum of the absolute value for both derivatives 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. Financial instruments with notional amounts of R1 270 million is directly impacted by the USD LIBOR and JIBAR interest rate benchmark reform.

² Restated. It was noted that the notional amounts for foreign currency forward derivatives for 2019 were in error overstated by R32 455 million and foreign currency swap derivatives for 2019 was in error understated by R1 823 million. This restatement did not impact the group's fair value of these instruments or the group's statement of financial position.

2.3.4 Hedge items classified as cash flow hedges

	2020 Rm	2019 Rm
Fair value gain/(loss) used to test hedge ineffectiveness		
Financial investments	346	53
Interest rate risk cash flow hedging relationships	346	53
Loans and advances	97	(294)
Foreign currency risk cash flow hedging relationships	97	(294)
Share scheme liabilities (excludes equity Deferred Bonus Scheme)	154	53
Equity price risk cash flow hedging relationships	154	53
Other operating expenses	(175)	(297)
Foreign currency risk cash flow hedging relationships	(175)	(297)
Total	422	(485)

2. Derivative instruments continued

2.3 Derivatives and other financial instruments held-for-hedging 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 Rm	Trading revenue Rm	Net interest income Rm	Total Rm
2020				
Fair value hedges			(422)	(422)
Interest rate risk fair value hedging relationships			(422)	(422)
Cash flow hedges		3		3
Foreign currency risk cash flow hedging relationships		17		17
Interest rate risk cash flow hedging relationships		(14)		(14)
Total		3	(422)	(419)
2019				
Fair value hedges			138	138
Interest rate risk fair value hedging relationships			138	138
Cash flow hedges	(37)	118		81
Foreign currency risk cash flow hedging relationships		71		71
Equity price risk cash flow hedging relationships	(37)			(37)
Interest rate risk cash flow hedging relationships		47		47
Total	(37)	118	138	219

2.3.6 Reconciliation of movements in the cash flow hedging reserve

	Foreign currency risk Rm	Equity price risk Rm	Total Rm
Balance at 1 January 2019	(150)	(44)	(194)
Amounts recognised directly in OCI before tax ¹	644	(78)	566
Amounts released to profit or loss before tax:	(373)	81	(292)
Interest income	176		176
Trading revenue	(386)		(386)
Other operating expenses	(163)	81	(82)
Taxation	(69)		(69)
Non-controlling interests	(15)		(15)
Balance as at 31 December 2019	37	(41)	(4)
Balance at 1 January 2020	37	(41)	(4)
Amounts recognised directly in OCI before tax ¹	(275)	(154)	(429)
Amounts released to profit or loss before tax:	292	125	417
Interest income	192		192
Trading revenue	285		285
Other operating expenses	(185)	125	(60)
Taxation	27	8	35
Non-controlling interests	4		4
Balance at 31 December 2020	85	(62)	23

¹ Includes dividends received on equity forwards during the year.

2. Derivative instruments continued

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

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	After three months but within one year Rm	After one year but within five years Rm	More than five years Rm	Total Rm
2020					
Net cash inflow/(outflow)	96	160	(180)	(53)	23
2019					
Net cash inflow/(outflow)	16	51	(28)	(43)	(4)

2.4 Day one profit or loss

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

	2020 Rm	2019 Rm
Unrecognised net profit at the beginning of the year	241	176
Additional net profit on new transactions	431	387
Recognised in trading revenue during the year	(662)	(315)
Exchange differences	26	(7)
Unrecognised net profit at the end of the year	36	241

3. Trading assets

3.1 Classification

	2020 Rm	2019 Rm
Collateral and other	9 776	6 386
Corporate bonds and floating rate notes	39 934	40 581
Government, municipality and utility bonds	85 310	80 377
Listed equities	72 075	51 547
Reverse repurchase and other collateralised agreements	40 969	27 992
Unlisted debt securities	14 563	15 919
Total	262 627	222 802

3.2 Day one profit or loss

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

	2020 Rm	2019 Rm
Unrecognised net profit at the beginning of the year	900	845
Additional net profit on new transactions	258	233
Recognised in trading revenue during the year	(145)	(178)
Unrecognised net profit at the end of the year	1 013	900

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 or which were partially derecognised together with their associated liabilities. 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
2020					
Bonds	17 599	(9 729)	17 598	(9 729)	7 869
Listed equities	1 382		1 382		1 382
Pledged assets (as recognised in the statement of financial position)	18 981	(9 729)	18 980	(9 729)	9 251
Financial investments ²	10 010	(10 002)	10 010	(10 002)	8
Total	28 991	(19 731)	28 990	(19 731)	9 259
2019					
Bonds	23 624	(17 796)	23 625	(17 796)	5 829
Listed equities	5 753		5 753		5 753
Pledged assets (as recognised in the statement of financial position)	29 377	(17 796)	29 378	(17 796)	11 582
Financial investments ²	12 805	(12 738)	12 805	(12 735)	70
Total	42 182	(30 534)	42 183	(30 531)	11 652

¹ Where the counterparty has recourse to the transferred asset.

² For these financial investments the counterparty is not permitted to sell or re-pledge the assets in the absence of default, hence they are not classified as pledged assets.

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

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

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

4.1 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities which are not recorded in the statement of financial position that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R169 738 million (2019: R94 429 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 R15 782 million (2019: R14 215 million).

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

4. Pledged assets continued

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 SEs. These transfers may give rise to full derecognition of the financial assets concerned.

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

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

	Carrying amount of transferred assets Rm	Fair value of transferred assets Rm	Net fair value Rm
2020			
Mortgage loans ¹	45 762	45 719	45 719
2019			
Mortgage loans ¹	45 751	45 730	45 730

¹ The group invests in vehicles specifically introduced to provide mortgage lending collateral against the Committed Liquidity Facility (CLF). To access the CLF, 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 2020, the mortgages within these vehicles, Blue Shield Investments O1 (RF) Limited and Blue Shield Investments O2 (RF) Limited, amounted to R46 billion (2019: R46 billion).

5. Financial investments

	Total		Banking activities		Investment management and life insurance activities	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Corporate	81 388	73 381	44 548	27 494	36 840	45 887
Sovereign	266 046	205 927	215 285	167 341	50 761	38 586
Banking	67 444	53 364	6 864	1 766	60 580	51 598
Mutual funds and unit-linked investments	106 207	99 499	2 008	1 315	104 199	98 184
Listed equities	95 712	100 367	155	145	95 557	100 222
Unlisted equities	7 695	8 179	3 397	4 195	4 298	3 984
Interest in associates and joint ventures held at fair value (annexure B)	20 953	16 168			20 953	16 168
Other instruments	4 853	10 434	2 809	2 447	2 044	7 987
Total	650 298	567 319	275 066	204 703	375 232	362 616
Accounting classification						
Net financial investments measured at amortised cost	203 157	153 760				
Gross financial investments measured at amortised cost	203 459	153 828				
ECL for financial investments measured at amortised cost ¹	(302)	(68)				
Financial investments measured at fair value	447 141	413 559				
Financial investments measured at FVTPL	369 444	368 512				
Debt financial investments measured at FVOCI ^{2,3}	76 613	43 763				
Equity financial investments measured at FVOCI ³	1 084	1 284				
Total	650 298	567 319				

¹ Refer to note 34 for the credit impairment charge for the current year of R307 million (2019: R45 million) on financial investments measured at amortised cost.

² Refer to note 34 for the credit impairment release for the current year of R242 million (2019: R41 million charge) on debt financial investments measured at FVOCI.

³ Refer to note 22.5.1 for the reconciliation of FVOCI reserve for equity financial investments and note 22.5.2 for the reconciliation of FVOCI reserve for debt financial investments.

6. Disposal of group assets and liabilities held for sale

	2020			2019		
	Gross Rm	Impairment ¹ Rm	Net Rm	Gross Rm	Impairment ¹ Rm	Net Rm
Samrand Data Centre				819		819
ICBCA				1 196		1 196
Liberty	213		213	891	(307)	584
Malawi property, equipment and right of use assets	7		7			
Total assets classified as held for sale	220		220	2 906	(307)	2 599
Financial investments	163		163	261		261
Other assets	26		26	443	(136)	307
Property, equipment and right of use assets	31		31	857	(22)	835
Goodwill and Intangibles (note 13)				126	(126)	
Interest in associate and joint ventures (note 10)				1 196		1 196
Deferred tax assets				23	(23)	
Total liabilities classified as held for sale	(92)		(92)	(246)		(246)
Provisions and other liabilities	(92)		(92)	17		17
Current tax liabilities				(263)		(263)
Total disposal group held for sale	128		128	2 660	(307)	2 353
Remeasurement movement						
Remeasurement balance at the beginning of the year		(307)			(249)	
Additional/(release) of remeasurement of disposal groups classified as held for sale		35			(319)	
2019 remeasurements applied to related current year net asset value adjustments		272			261	
Remeasurement balance at the end of the year					(307)	

¹ The impairment in the disposal group relates to the provision in the statement of financial position at 31 December 2020, the impairment of the disposal group included in the headline earnings reconciliation is a release of R35 million (2019: comprises of R307 million above and R14 million that was raised and written off during the reporting period).

Samrand Data Centre 2019

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

2020

Sale and leaseback

During October 2020, the group's data warehouse was disposed of and acquired by Africa Data Centres (ADC), a wholly owned subsidiary of the Liquid Telecom Group, for an amount that approximates its fair value at the date of disposal of R2 005 million. A leaseback agreement for a period of six years 11 months and 17 days was concluded between the group and ADC during October 2020, which includes the data warehouse (freehold property), as well as the electromechanical equipment, after which the group's data facility is expected to be fully cloud-based. A loan facility (with a mortgage bond being registered over the data warehouse i.e. the data warehouse is collateral for the loan facility) amounting to R1 200 million was provided by the group to ADC. This transaction has been accounted for as a sale and leaseback transaction of the data warehouse (freehold property) and electromechanical equipment in terms of IFRS 16. The right of use asset amounts to R487 million, consisting of R205 million equipment and R282 million property, on initial recognition of the sale and leaseback transaction. The right of use asset is presented in property, equipment and right of use assets on the statement of financial position. The right of use asset is measured at the proportion of the previous carrying amount, that relates to the right of use asset retained by the group. The gain on the sale and leaseback is presented in non-trading and capital related items (refer to note 36) and is included in the central and other segments.

6. Disposal of group assets and liabilities held for sale continued

The group's residual 20% shareholding in ICBCA

2019

In November 2012, the group completed the disposal of a controlling interest in ICBCA. The group retained a 20% shareholding in ICBCA, held by Standard Bank Group's wholly owned subsidiary, Standard Bank London Holdings Limited. This residual investment was classified as an investment in associate and accounted for using the equity accounting method in terms of IAS 28 *Investments in Associates and Joint Ventures*.

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

Based on the above, the requirements of IFRS 5 were met on 8 August 2019 and equity accounting of this investment was ceased. Therefore, as at 31 December 2019, the investment in ICBCA was disclosed as non-current assets held for sale and presented separately on the statement of financial position. The investment in ICBCA is measured at the lower of the carrying amount and fair value less costs to sell, being R1 196 million at 31 December 2019. The investment in ICBCA was not impaired at date of classification as held for sale or at year end. This is included in the other banking interests segment.

2020

In June 2020, after all governance and regulatory approvals were received, the group completed the disposal of its residual 20% shareholdings in ICBCA to ICBC. These residual investments were previously classified as investments in associates and accounted for using the equity accounting method in terms of IAS 28.

The disposal proceeds of R3 094 million before tax amounts to circa R2 678 million (USD156 million) after taxes. The difference, between the net proceeds and the group's carrying value in ICBCA of R1 835 million was recognised in profit or loss (within non-trading and capital related items) as a pre-tax gain outside of headline earnings (R1 419 million gain net of tax). The FCTR debit balance of R3 367 million, associated with the investment, was released to profit or loss outside of headline earnings. The remaining impact of the disposal to headline earnings was negligible. This is included in the other banking interests segment.

Disposal of group assets and liabilities from investment management and life insurance activities

2019

As part of the strategy refresh exercise conducted during 2018, various CGUs 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 CGUs during 2019.

The disposal of four operations, being the short-term insurance technology startup in South Africa, the asset management operations in Ghana and Botswana, and short-term insurance interest in Namibia, were concluded in the period under review. The CGUs remaining as held for sale are asset management operations in Uganda and Kenya, Health risk solutions and short-term insurance in Malawi.

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

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

2020

For the year ended 31 December 2018, Liberty Holdings Limited identified a number of entities that met the criteria as held for sale under IFRS 5 as a result of the strategy refresh exercise conducted during that year. The CGUs impacted were asset management operations in Ghana, Uganda, Kenya and Botswana, Health risk solutions, the short-term insurance technology start-up and short-term insurance in Namibia, Botswana and Malawi.

During 2020 sales were completed of the asset management operations in Kenya and Uganda, and Liberty Health Administration (Pty) Ltd (LHA), a licensed medical aid administrator in South Africa. LHA is part of the Health risk solutions business referred to above.

Two business operations, namely the short-term insurance operations in Botswana and Total Health Trust Limited in Nigeria (part of Health risk solutions) remain classified as disposal groups, as both are subject to sale processes at 31 December 2020. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified out of disposal of group assets and liabilities held for sale at 31 December 2020 due to no forthcoming acceptable purchase offers.

Based on the requirements of IFRS 5, the assets and liabilities in these disposal groups were classified as held for sale. The assets and liabilities were disclosed as a separate single line item in the statement of financial position, rather than within the specific class of asset and liabilities, as required by IFRS 5.

7. Loans and advances

7.1 Classification

	2020 Rm	2019 Rm
Loans and advances measured at fair value	2 204	161
Net loans and advances measured at amortised cost	1 269 051	1 180 906
Gross loans and advances measured at amortised cost	1 319 037	1 216 185
Mortgage loans	399 208	378 003
Vehicle and asset finance (note 7.2)	99 071	94 833
Card debtors	35 121	34 612
Corporate and sovereign	431 501	425 427
Banking	161 219	104 904
Other loans and advances	192 917	178 406
Expected credit losses on loans and advances (note 7.3) ¹	(49 986)	(35 279)
Total loans and advances	1 271 255	1 181 067

¹ The overall higher than expected credit losses is mainly attributable to constrained collections and further protraction in the legal environment stemming from the Covid-19 restrictions and lockdown in certain jurisdictions, increased forward-looking provisioning on the back off the weakened economic outlook (refer to the key management assumptions for further information in this regard), and changes from stage 1 to stages 2 and 3 based on risk profile assessments and stress caused by the impact of Covid-19.

7.2 Vehicle and asset finance

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

	2020			2019		
	Gross advances Rm	Unearned finance charges Rm	Net advances Rm	Gross advances Rm	Unearned finance charges Rm	Net advances Rm
Receivable within one year	35 199	(5 166)	30 033	33 525	(6 968)	26 557
Receivable between one and five years	78 248	(10 631)	67 617	80 595	(13 027)	67 568
Receivable after five years	1 755	(334)	1 421	775	(67)	708
Total	115 202	(16 131)	99 071	114 895	(20 062)	94 833

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

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

	2020				2019			
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Opening ECL	5 138	7 527	22 614	35 279	5 740	7 144	23 801	36 685
Transfers between stages¹	597	(1 842)	1 245		986	(1 032)	46	
Net impairments raised/ (released)	648	4 986	15 729	21 363	(1 357)	1 779	8 897	9 319
ECL on new exposure raised ²	1 809	1 465	2 616	5 890	1 707	1 009	936	3 652
Subsequent changes in ECL	(850)	3 735	13 833	16 718	(2 793)	922	8 108	6 237
Change in ECL due to derecognition	(311)	(214)	(720)	(1 245)	(271)	(152)	(147)	(570)
Impaired accounts written off ³			(8 616)	(8 616)			(12 990)	(12 990)
Exchange and other movements ⁴	(208)	(116)	2 284	1 960	(231)	(364)	2 860	2 265
Closing ECL	6 175	10 555	33 256	49 986	5 138	7 527	22 614	35 279

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

² The ECL recognised on new exposures originated during the reporting year (which are not included in opening balances) are included within the rows "ECL on new exposures raised" based on the exposures' ECL stage as at the end of the reporting year.

³ The contractual amount outstanding on loans and advances that were written off during the year that are still subject to enforcement activities is R3.1 billion (2019: R4.8 billion).

⁴ Exchange and other movements includes the net interest in suspense (IIS) time value of money (TVM) unwind raised and released during the year.

7. Loans and advances continued

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

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

	Opening ECL Rm	Transfer between stages			Total Rm
		(To)/from stage 1 Rm	From/(to) stage 2 Rm	(To)/from stage 3 Rm	
2020					
Mortgage loans	10 910	(257)	339	(82)	
Stage 1	667		182	75	257
Stage 2	1 910	(182)		(157)	(339)
Stage 3 (including IIS)	8 333	(75)	157		82
Vehicle and Asset Finance	3 720	(133)	368	(235)	
Stage 1	663		131	2	133
Stage 2	991	(131)		(237)	(368)
Stage 3 (including IIS)	2 066	(2)	237		235
Card debtors	2 656	(98)	236	(138)	
Stage 1	592		104	(6)	98
Stage 2	975	(104)		(132)	(236)
Stage 3 (including IIS)	1 089	6	132		138
Corporate	5 599		155	(155)	
Stage 1	1 151		77	(77)	
Stage 2	1 137	(77)		(78)	(155)
Stage 3 (including IIS)	3 311	77	78		155
Sovereign	93				
Stage 1	71				
Stage 2	17				
Stage 3 (including IIS)	5				
Bank	45				
Stage 1	45				
Stage 2					
Other loans and advances	12 256	(109)	744	(635)	
Stage 1	1 949		165	(56)	109
Stage 2	2 497	(165)		(579)	(744)
Stage 3 (including IIS)	7 810	56	579		635
Central and other					
Stage 1					
Stage 2					
Stage 3 (including IIS)					
Total	35 279	(597)	1 842	(1 245)	
Stage 1	5 138		659	(62)	597
Stage 2	7 527	(659)		(1 183)	(1 842)
Stage 3 (including IIS)	22 614	62	1 183		1 245

	Net impairments raised/ (released) Rm	Impaired accounts written off Rm	TVM unwind and IIS movements Rm	Exchange and other movements Rm	Closing ECL Rm
	4 272	(789)	826	(66)	15 153
	(79)			(1)	844
	1 500			(7)	3 064
	2 851	(789)	826	(58)	11 245
	2 719	(951)	264	(104)	5 648
	(76)				720
	884			(9)	1 498
	1 911	(951)	264	(95)	3 430
	2 837	(2 177)	128		3 444
	(2)			(2)	686
	555			(2)	1 292
	2 284	(2 177)	128	4	1 466
	3 877	(885)	519	(516)	8 594
	255			(120)	1 286
	192			(6)	1 168
	3 430	(885)	519	(390)	6 140
	2			(20)	75
	15			(19)	67
	(13)			(1)	3
					5
	29			(4)	70
	29			(4)	70
	7 127	(3 814)	937	(4)	16 502
	285			(62)	2 281
	1 589			(91)	3 251
	5 253	(3 814)	937	149	10 970
	500				500
	218				218
	282				282
	21 363	(8 616)	2 674	(714)	49 986
	648			(208)	6 175
	4 986			(116)	10 555
	15 729	(8 616)	2 674	(390)	33 256

7. Loans and advances continued

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

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

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

Changes in gross exposures relating to changes in ECL

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

- The ECL on new exposures raised of R5.9 billion (2019: R3.7 billion) primarily relates to the growth in the gross carrying amount from new exposures originated of:
 - Mortgage loans of R50 billion (2019: R45 billion)
 - Vehicle and asset finance of R33 billion (2019: R37 billion)
 - Other loans and advances of R38 billion
 - Corporate of R72 billion (2019: R171 billion).
- The decrease in ECL due to impaired accounts written off of R9 billion (2019: R13 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's policy is to transfer between stages using opening ECL balances based on the exposures' ECL stage at the end of the reporting year. Therefore, the related gross carrying amount of the significant transfers are as follows:

2020 (primarily as a result of Covid-19, however includes positive collection trends and strong performance observed in the latter part of 2020)

- Mortgage loans with a gross carrying amount of R8.3 billion that was in stage1 was transferred to stage 2.
- Mortgage loans with a gross carrying amount of R7.9 billion that was in stage 1 was transferred to stage 3.

	Net impairments raised/ (released) Rm	Impaired accounts written off Rm	TVM unwind and IIS movements Rm	Exchange and other movement Rm	Closing ECL Rm
	922	(1 069)	1 046	(118)	10 911
	(858)			(12)	667
	222			(24)	1 910
	1 558	(1 069)	1 046	(82)	8 334
	1 253	(1 017)	210	(128)	3 720
	(199)				663
	293			(57)	991
	1 159	(1 017)	210	(71)	2 066
	1 675	(2 213)	129	(6)	2 652
	(268)			1	592
	240			(3)	975
	1 703	(2 213)	129	(4)	1 085
	1 718	(4 974)	628	(268)	5 599
	246			(53)	1 151
	132			(143)	1 137
	1 340	(4 974)	628	(72)	3 311
	13				93
					71
	13				17
					5
	61			(79)	45
	61			(76)	45
				(3)	
	3 677	(3 717)	1 181	(330)	12 259
	(339)			(91)	1 949
	879			(134)	2 497
	3 137	(3 717)	1 181	(105)	7 813
	9 319	(12 990)	3 194	(929)	35 279
	(1 357)			(231)	5 138
	1 779			(364)	7 527
	8 897	(12 990)	3 194	(334)	22 614

- Vehicle and asset finance with a gross carrying amount of R3.5 billion that was in stage 1 was transferred to stage 2.
- Vehicle and asset finance with a gross carrying amount of R2.6 billion that was in stage 1 was transferred to stage 3.
- Other loans and advances with a gross carrying amount of R3.2 billion that was in stage 1 was transferred to stage 2.
- Other loans and advances with a gross carrying amount of R3.0 billion that was in stage 1 was transferred to stage 3.
- Corporate with a gross carrying amount of R5 billion that was in stage 1 was transferred to stage 2.
- Corporate with a gross carrying amount of R2.0 billion that was in stage 1 was transferred to stage 3.
- Card debtors with a gross carrying amount of R1.4 billion that was in stage 1 was transferred to stage 2.
- Card debtors with a gross carrying amount of R491 million that was in stage 2 was transferred to stage 3.

2019

- Mortgage loans of R5.8 billion that was in stage 2 and 3 was transferred to stage 1.
- VAF of R1.4 billion that was in stage 2 was transferred to stage 1, R1.1 billion was transferred from stage 2 to stage 3.
- Other loans and advances of R5.1 billion that was in stage 2 and was transferred to stage 1, R1.4 billion was transferred from stage 2 to stage 3.
- Corporate of R8.2 billion that was in stage 2 was transferred to stage 1.

7. Loans and advances continued

7.4 Modifications on loans and advances measured at amortised cost

	Stage 2		Stage 3	
	Gross amortised cost before modification Rm	Net modification gain or loss Rm	Gross amortised cost before modification Rm	Net modification gain or loss Rm
2020				
Mortgage loans	1 333	100		
Vehicle and asset finance			90	(2)
Card debtors	243	63	19	3
Other loans and advances	1 341	43		
Total	2 917	206	109	1
2019				
Mortgage loans	1 318	78		
Vehicle and asset finance			81	7
Card debtors	247	64		
Other loans and advances	766	122		
Total	2 331	264	81	7

R232 billion (2019: R16.2 billion) is the gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e. no net modification gain or loss).

Included in the above is client relief of R129 billion provided to PBB clients to assist with temporary liquidity constraints as a result of the impact of Covid-19, as well as CIB clients with exposure totalling R24.8 billion qualified for Covid-19 relief, including increased liquidity facilities, loan restructuring, covenant relaxations and payment holidays.

8. Policyholders' contracts

	2020		2019 ¹	
	Policyholders' assets Rm	Policyholders' (liabilities) Rm	Policyholders' assets Rm	Policyholders' (liabilities) Rm
Policyholders' liabilities under insurance contracts	5 050	(218 238)	7 017	(217 328)
Insurance contracts (note 8.1)	5 050	(208 904)	7 017	(207 104)
Investment contracts with DPF ² (note 8.1)		(9 334)		(10 224)
Policyholders' liabilities under investment contracts (note 8.2)		(106 954)		(106 918)
Total	5 050	(325 192)	7 017	(324 246)

Refer to footnotes on page 67.

8. Policyholders' contracts continued

8.1 Policyholders' and reinsurance assets and liabilities

	Insurance contracts		Reinsurance assets and liabilities Rm	Investment contracts with DPF ³ Rm
	Policyholders' assets Rm	Policyholders' liabilities Rm		
2020				
Balance at the beginning of the year¹	7 017	(207 104)	1 745	(10 224)
Reinsurance assets			1 991	
Reinsurance liabilities			(246)	
Inflows	(7 353)	(40 755)	1 920	(1 730)
Insurance premiums	(9 044)	(29 310)	1 913	(1 131)
Investment returns	1 691	(11 444)	7	(599)
Fee revenue		(1)		
Outflows	7 824	40 330	(1 736)	2 687
Claims and policyholders' benefits	5 526	30 854	(1 848)	2 504
Acquisition costs associated with insurance contracts	1 139	1 742	(16)	71
General marketing and administration expenses	1 870	4 863	(48)	135
Profit share allocations	93	1 280		
Finance costs and fair value adjustments on financial liabilities	360	821		
Taxation	(1 164)	770	176	(23)
Net income from insurance operations	(2 438)	(1 398)	451	(68)
Changes in assumptions	(3 282)	(841)	433	
Discretionary and compulsory margins and other variances	219	(42)	197	(92)
New business	(287)	(337)	(2)	
Shareholder taxation on transfer of net income	912	(178)	(177)	24
Exchange differences		23	(1)	1
Balance at the end of the year	5 050	(208 904)	2 379	(9 334)
Reinsurance assets (note 9)			2 585	
Reinsurance liabilities (note 20)			(206)	
Liquidity profile				
Current	286	(22 270)	736	(421)
Non-current	4 764	(186 634)	1 643	(8 913)
Balance at the end of the year	5 050	(208 904)	2 379	(9 334)

Refer to footnotes on page 67.

8. Policyholders' contracts continued

8.1 Policyholders' and reinsurance assets and liabilities continued

	Insurance contracts		Reinsurance assets and liabilities Rm	Investment contracts with DPF ³ Rm
	Policyholders' assets Rm	Policyholders' liabilities Rm		
2019¹				
Balance at the beginning of the year	6 708	(201 851)	1 416	(10 406)
Reinsurance assets			1 699	
Reinsurance liabilities			(283)	
Inflows	(8 090)	(50 672)	1 798	(2 792)
Insurance premiums	(8 771)	(29 518)	1 795	(1 756)
Investment returns	681	(21 135)	3	(1 036)
Fee revenue		(19)		
Outflows	8 399	43 730	(1 760)	2 974
Claims and policyholders' benefits	4 969	32 954	(1 824)	2 752
Acquisition costs associated with insurance contracts	1 315	1 723	(3)	85
General marketing and administration expenses	1 846	4 383	(47)	142
Profit share allocations	104	1 313	(5)	
Finance costs and fair value adjustments on financial liabilities	411	859		
Taxation	(246)	2 498	119	(5)
Net income from insurance operations		1 664	292	(14)
Changes in assumptions	(52)	99	68	
Discretionary and compulsory margins and other variances	210	3 110	326	(21)
New business	(117)	(296)	20	
Shareholder taxation on transfer of net income	(41)	(1 249)	(122)	7
Exchange differences		25	(1)	14
Balance at the end of the year	7 017	(207 104)	1 745	(10 224)
Reinsurance assets (note 9)			1 991	
Reinsurance liabilities (note 20)			(246)	
Liquidity profile				
Current	2 357	(21 486)	419	(512)
Non-current	4 660	(185 618)	1 326	(9 712)
Balance at the end of the year	7 017	(207 104)	1 745	(10 224)

Refer to footnotes on page 67.

8. Policyholders' contracts continued

8.2 Policyholders' liabilities under investment contracts

	2020 Rm	2019 ¹ Rm
Balance at the beginning of the year	(106 918)	(98 737)
Fund inflows from investment contracts (excluding switches)	(16 328)	(17 969)
Net fair value adjustment	(5 251)	(9 064)
Fund outflows from investment contracts (excluding switches)	20 261	17 510
Service fee income	1 226	1 316
Exchange differences	56	26
Balance at the end of the year	(106 954)	(106 918)
Liquidity profile		
Current	(8 384)	(7 218)
Non-current	(98 570)	(99 700)
Balance at the end of the year	(106 954)	(106 918)
Net income from investment contracts⁴	121	(26)
Service fee income	(1 226)	(1 330)
Expenses	1 347	1 304
Property expenses applied to investment returns	(230)	(313)
Shareholder taxation on transfer of net income	(48)	9
Acquisition costs	584	547
General marketing and administration expenses	1 009	1 041
Finance costs	32	20

¹ Restated. An adjustment has been applied to accurately reflect the attribution of the results of investing activities that are intended to specifically match or hedge certain policyholder contract market exposures, resulting in a change in the applicable investment return allocation between the policyholder assets and policyholder liabilities categories. This reallocation has no impact on the group's results.

² Discretionary participation feature (DPF).

³ The group cannot reliably measure the fair value of the investment contracts with DPF. The DPF is a contractual right that gives investors in these contracts the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group.

⁴ Prior to deferred acquisition costs (DAC) and deferred revenue liability (DRL) adjustments.

9. Other assets

	2020 Rm	2019 Rm
Financial assets	26 365	19 198
Operating leases – accrued income (note 11)	643	875
Other debtors ¹	3 873	768
Trading settlement assets	14 412	12 339
Accounts receivable ¹	2 161	1 559
Investment debtors ¹	1 021	158
Reinsurance assets ²	3 082	2 409
Retirement funds (note 43)	1 173	1 090
Non-financial assets	9 655	10 703
Items in the course of collection	1 041	1 771
Prepayments	2 930	2 985
Properties in possession	103	110
Fleet rental stock	5	541
Deferred acquisition costs	784	790
Insurance prepayments	4 792	4 506
Total	36 020	29 901

¹ Due to the short-term nature of these assets and historical experience, debtors are regarded as having a low probability of default; therefore ECL is insignificant on these asset balances.

² Reinsurance assets include short-term reinsurance assets of R497 million (2019: R418 million).

10. Interest in associates and joint ventures

	2020 Rm	2019 Rm
Equity accounted associates and joint ventures		
Carrying value at the beginning of the year	5 423	10 376
Share of profits	1 084	(512)
Impairments of associates and joint ventures ¹	(52)	(2 418)
Acquisitions	9	255
Disposals		(1 271)
Disposal of group assets held for sale (note 6)		(1 196)
Share of OCI movements	94	400
Foreign currency translation reserve	(240)	(63)
Other	334	463
Distribution of profit	(60)	(211)
Carrying value at the end of the year	6 498	5 423
Cost of investments	5 946	5 937
Share of reserves	3 810	2 692
Cumulative impairment	(3 258)	(3 206)

¹ Includes R44 million of impairments of assets within associates.

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.



Refer to annexure B for further information.

11. Investment property

	2020 Rm	2019 Rm
Fair value at the beginning of the year	34 180	33 326
Revaluations net of lease straight-lining	(5 419)	287
Additions – capitalised subsequent expenditure and acquisitions ¹	998	187
Disposals	(62)	
Transfers from owner occupied properties (note 12)	223	383
Exchange movements	(3)	(3)
Fair value at the end of the year	29 917	34 180
Investment property and related operating lease balances comprise the following:		
Investment properties at fair value	29 917	34 180
Operating leases – accrued income (note 9)	643	875
Total investment property	30 560	35 055
Amount recognised in profit or loss		
Rental income earned excluding straight lining operating leases	2 997	3 128
Direct operating expenses	1 000	954

¹ Includes cash and non-cash additions.

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

The South African located investment properties were independently valued as at 31 December 2020 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, Nigerian and Zimbabwean located properties were independently valued as at 31 December 2020 by various registered professional valuers in each territory.



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

12. Property, equipment and right of use assets

	Property	
	Freehold Rm	Leasehold Rm
Net book value at 1 January 2019	7 860	1 350
Cost	9 192	3 827
Accumulated depreciation	(1 332)	(2 477)
IFRS 16 Leases Transition		
Movement	(650)	(678)
Additions and modifications ³	2 819	158
Disposals	(1 448)	(30)
Depreciation	(167)	(276)
Disposal of group assets held for sale (note 6)	(472)	
Exchange movements	(999)	(530)
Transfer to investment property (note 11)	(383)	
Net book value 31 at December 2019	7 210	672
Cost	8 646	3 725
Accumulated depreciation and impairment	(1 436)	(3 053)
Movement	(308)	542
Additions and modifications ³	1 215	292
Disposals and terminations	(663)	(360)
Depreciation	(189)	(278)
Disposal of group assets held for sale (note 6)		
Fair value adjustment	(84)	
Exchange and other movements	(364)	888
Transfer to investment property (note 11)	(223)	
Net book value 31 December 2020	6 902	1 214
Cost	8 390	3 035
Accumulated depreciation and impairment	(1 488)	(1 821)

¹ This balance primarily relates to motor vehicles that are leased to third parties under operating leases. The group is the lessor. Refer to Note 24.3.2.

² Refer to note 6 and 20.3 for more detail relating to leasing activities.

³ Modifications relate to IFRS 16 right of use assets only.

Property and equipment include work in progress of R1 790 million (2019: R1 665 million) for which depreciation has not yet commenced (refer to note 25.2 for details regarding capital commitments).

12.1 Valuation

The fair value of completed freehold property, based on valuations undertaken for the period 2017 to 2020 was estimated at R9 086 million (2019: R9 122 million). Registers of freehold property are available for inspection by members, or their authorised agents, at the registered office of the company and its subsidiaries. Valuations were generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

	Equipment				Right of use assets ²			Total Rm
	Computer equipment Rm	Furniture and fittings Rm	Office equipment Rm	Motor vehicles ¹ Rm	Buildings Rm	Branches Rm	ATM spacing and other Rm	
	4 018	3 228	984	1 754	2 001	3 064	329	24 588
	11 673	7 473	2 196	2 129				36 490
	(7 655)	(4 245)	(1 212)	(375)				(17 296)
					2 001	3 064	329	5 394
	(422)	(157)	377	155	(423)	(730)	(42)	(2 570)
	1 222	615	106	2 191	575	487	138	8 311
	(61)	(97)	(65)	(1 689)	(126)	(148)	(22)	(3 686)
	(1 506)	(673)	(135)	(310)	(727)	(919)	(151)	(4 864)
			(347)					(819)
	(77)	(2)	818	(37)	(145)	(150)	(7)	(1 129)
								(383)
	3 596	3 071	1 361	1 909	1 578	2 334	287	22 018
	11 888	7 584	2 027	2 336	2 261	3 199	434	42 100
	(8 292)	(4 513)	(666)	(427)	(683)	(865)	(147)	(20 082)
	350	(688)	(901)	(729)	548	(339)	209	(1 316)
	1 813	315	194	1 148	2 194	559	368	8 098
	(60)	(390)	(14)	(1 606)	(946)	(16)	(6)	(4 061)
	(1 687)	(590)	(181)	(263)	(620)	(892)	(158)	(4 858)
	(3)		(4)	(8)				(15)
								(84)
	287	(23)	(896)		(80)	10	5	(173)
								(223)
	3 946	2 383	460	1 180	2 126	1 995	496	20 702
	11 565	6 253	1 367	1 651	3 255	3 701	790	40 007
	(7 619)	(3 870)	(907)	(471)	(1 129)	(1 706)	(294)	(19 305)

13. Goodwill and other intangible assets

	Goodwill Rm	Computer software Rm	Present value of in force life insurance (PVIF) Rm	Other intangible assets Rm	Total Rm
Net book value at 1 January 2019	2 310	21 321	24	21	23 676
Cost	4 285	36 543	1 465	720	43 013
Accumulated amortisation and impairment	(1 975)	(15 222)	(1 441)	(699)	(19 337)
Movements	(27)	(1 309)	(12)	(5)	(1 353)
Additions	43	2 394			2 437
Disposals		(181)			(181)
Amortisation		(2 579)	(12)	(5)	(2 596)
Disposal of group assets and liabilities held for sale (note 6)	(6)				(6)
Exchange movements	(53)	(709)			(762)
Impairments	(11)	(234)			(245)
Net book value at 31 December 2019	2 283	20 012	12	16	22 323
Cost	4 256	37 607	1 465	720	44 048
Accumulated amortisation and impairment	(1 973)	(17 595)	(1 453)	(704)	(21 725)
Movements	(76)	(3 974)	(5)	(6)	(4 061)
Additions		2 068			2 068
Amortisation		(2 685)	(5)	(6)	(2 696)
Exchange movements	(76)	(136)			(212)
Impairments		(3 221)			(3 221)
Net book value at 31 December 2020	2 207	16 038	7	10	18 262
Cost	4 142	39 672	157	39	44 010
Accumulated amortisation and impairment	(1 935)	(23 634)	(150)	(29)	(25 748)

R98 million (2019: R124 million) of borrowing costs was capitalised to computer software. Borrowing costs are capitalised using an average rate of 7.7% (2019: 7.40%).

Intangible assets include work in progress of R3 033 million (2019: R3 389 million) for which amortisation has not yet commenced.

13. Goodwill and other intangible assets continued**13.1 Goodwill**

	2020			2019		
	Gross goodwill Rm	Accumulated Impairment Rm	Net goodwill Rm	Gross goodwill Rm	Accumulated Impairment Rm	Net goodwill Rm
Stanbic IBTC Holdings PLC	1 995	(1 053)	942	2 070	(1 092)	978
Stanbic Holdings PLC (Kenya)	995		995	1 025		1 025
Other	1 152	(882)	270	1 161	(881)	280
Total	4 142	(1 935)	2 207	4 256	(1 973)	2 283

Stanbic IBTC Holdings PLC

Based on the impairment test performed, no impairment was recognised for 2020 or 2019.

Stanbic Holdings PLC (Kenya)

Based on the impairment test performed, no impairment was recognised for 2020 or 2019.

Goodwill relating to other entities

The remaining aggregated carrying amount of the goodwill of R270 million (2019: R280 million) has been allocated to CGUs that are not considered to be individually significant. Based on the impairment testing performed, no impairment (2019: R11 million) was recognised for 2020 on these CGUs.

14. Deferred taxation**14.1 Deferred tax analysis**

	2020 Rm	2019 Rm
Accrued interest receivable	11	54
Assessed losses ¹	(848)	(413)
Leased assets included in loans and advances	81	84
Capital gains tax	1 156	990
Credit impairment charges	(5 180)	(3 820)
Property, equipment and right of use assets	1 868	2 842
Derivatives and financial instruments	16	(1)
Fair value adjustments on financial instruments	176	372
Intangible asset – PVIF	(6)	(6)
Policyholder change in valuation basis	1 433	1 897
Post-employment benefits	156	105
Share-based payments	(763)	(955)
Special transfer to life fund	(1 389)	(842)
Provisions and other items	(447)	(942)
Deferred tax closing balance	(3 736)	(635)
Deferred tax liabilities	2 885	3 666
Deferred tax assets	(6 621)	(4 301)

¹ The group has estimated tax losses of R2 964 million (2019: R1 381 million) which are available for set-off against future taxable income. These tax losses have arisen from the group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities, refer to annexure F detailed accounting policies.

14. Deferred taxation continued

14.2 Deferred tax reconciliation

	2020 Rm	2019 Rm
Deferred tax at the beginning of the year	(635)	(1 091)
IFRS 16 transition adjustment		72
Total temporary differences for the year	(3 101)	384
Accrued interest receivable	(43)	17
Assessed losses	(435)	(170)
Leased assets included in loans and advances	(3)	(37)
Capital gains tax	166	638
Credit impairment charges	(1 360)	170
Deferred acquisition costs		(1)
Deferred revenue liability		3
Property, equipment and right of use asset	(974)	(254)
Derivatives and financial instruments	17	(58)
Fair value adjustments on financial instruments	(196)	176
Intangible asset – PVIF		(2)
Policyholder change in valuation basis	(464)	(458)
Post-employment benefits	51	50
Share-based payments	192	214
Special transfer to life fund	(547)	178
Provisions and other items	495	(82)
Deferred tax at the end of the year	(3 736)	(635)
Recognised in OCI	(77)	114
Fair value adjustments on financial instruments	(118)	68
Defined benefit fund remeasurements	55	52
Other	(14)	(6)
Recognised in equity – deferred tax on share based payments	291	30
Recognised in retained earnings – IFRS 16 transition adjustment		72
Recognised in the income statement	(3 306)	119
Exchange differences	(9)	121
Recognised in OCI	9	(4)
Recognised in the income statement	(18)	125
Total temporary differences	(3 101)	456

15. Share capital

15.1 Authorised

	2020 Rm	2019 Rm
2 billion ordinary shares (2019: 2 billion) ¹	200	200
8 million first preference shares (2019: 8 million) ²	8	8
1 billion second preference shares (2019: 1 billion) ³	10	10
Total	218	218

¹ Ordinary shares comprise shares of 10 cents each traded on the JSE and A2X under the symbol SBK, and on the NSX under the symbol SNB.

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

	2020 Rm	2019 Rm
Ordinary shares	18 016	17 984
Ordinary share capital	162	162
Ordinary share premium	17 854	17 822
Other equity instruments attributable to owners of parent	12 528	10 989
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)	7 025	5 486
Total	30 544	28 973

Holders of ordinary share capital hold one vote per ordinary share at the group's 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 2019	1 618 514 218
Shares issued during 2019 in terms of the group's equity compensation plans	1 195 330
Shares in issue at 31 December 2019	1 619 709 548
Treasury shares held by entities within the group	25 637 095
Shares held by other shareholders	1 594 072 453
Shares issued during 2020 in terms of the group's equity compensation plans	231 636
Shares in issue at 31 December 2020	1 619 941 184
Treasury shares held by entities within the group	27 036 663
Shares held by other shareholders	1 592 904 521

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

	2020 Number of shares	2019 Number of shares
Ordinary unissued shares	257 124 108	257 354 962
Ordinary shares reserved to meet the requirements of EGS and GSIS¹	122 703 854	122 935 490
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	(33 121 861)	(32 890 225)
Unissued ordinary shares	379 827 962	380 290 452
Unissued second preference shares	947 017 752	947 017 752

¹ During the year, 231 636 (2019: 1 195 330) ordinary shares were issued in terms of the group's equity compensation plans, notably the Equity Growth Scheme and Group Share Incentive Scheme. No surplus capital was used to purchase ordinary shares in 2020 (2019: Nil) 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 383 111 (2019: 1 485 507), 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% (2019: 2.1%).

15.4 Interest of directors in the capital of the company

	Direct beneficial ¹		Indirect beneficial ¹	
	2020 Number of shares	2019 Number of shares	2020 Number of shares	2019 Number of shares
Ordinary shares	1 047 470	927 630	248 059	219 358
A Daehnke	192 270	133 291	133 384	104 683
GJ Fraser Moleketi	1 890	1 890	14 675	14 675
TS Gcabashe ²	41 700	40 000		
JH Maree	163 109	163 109		
KD Moroka ²	67 151	67 151		
ANA Peterside CON			100 000	100 000
MJD Ruck	25 000	25 000		
SK Tshabalala	556 350	497 189		
Second preference shares³	10 331	10 331	3 034	3 034
J H Maree	10 331	10 331	3 034	3 034

¹ As per JSE Listings Requirements.

² Includes an allocation of shares in terms of the Tutuwa management trust.

³ Shares held by directors under share incentive scheme 901 101 (2019: 929 873).

There have been no changes to directors' interests in the group's share capital between 1 January 2021 and 11 March 2021.

15.5 General authority of directors to issue shares¹

	2020 Number of shares	2019 Number of shares
Ordinary shares	40 492 739	40 462 856
Second preference shares	1 324 556	947 017 752

¹ The general authority expires at the annual general meeting on 27 May 2021.

15. Share capital continued**15.6 Treasury shares**

	2020 Number of shares	2019 Number of shares
Purchased during the year ¹	66 991 574	35 372 939
Total treasury shares held at the end of year ²	27 036 663	25 637 095

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 year by the group's banking and insurance activities in terms of the transactions mentioned above.

15.7 Shareholder analysis

	2020		2019	
	Number of shares (million)	% holding	Number of shares (million)	% holding
Spread of ordinary shareholders (million)				
Public¹	1 077.5	66.6	1 061.9	65.6
Non-public¹	542.4	33.4	558.0	34.4
Directors and prescribed officers of SBG, and its subsidiaries ²	1.5	0.1	1.2	0.1
ICBC	325.0	20.0	325.0	20.0
Government Employees Pension Fund (Investment managed by PIC)	201.0	12.4	215.0	13.3
SBG retirement funds	1.8	0.1	2.3	
Restricted from trading for longer than 6 months	0.5		0.2	
Tutuwa participants ³	12.4	0.8	14.1	0.9
Associates of directors	0.2		0.2	
Total	1 619.9	100.0	1 619.9	100.0
Spread of first preference shareholders				
Public¹	8 000 000	100	8 000 000	100
Spread of second preference shareholders				
Public¹	52 982 248		52 982 248	
Non-public¹	52 968 883	100	52 968 883	100
Non-public¹	13 365		13 365	
Directors, associates of directors and prescribed officers of SBG, and its subsidiaries ²	13 365		13 365	
Total	52 982 248	100	52 982 248	100

¹ As per the JSE Listings Requirements.

² Excludes indirect holdings of strategic partners, which are included in Tutuwa participants.

³ Includes Tutuwa Community Trust, Tutuwa Strategic Holdings 1 and 2, and Tutuwa Managers' Trusts.

15. Share capital continued

15.8 Additional tier 1 capital and capital attributed to non-controlling interests

Bond	Date issued	First callable date	Notional and carrying value	Notional and carrying value
			2020 Rm	2019 Rm
SBT101	30 March 2017	31 March 2022	1 744	1 744
SBT102	21 September 2017	30 September 2022	1 800	1 800
SBT103	20 February 2019	31 March 2024	1 942	1 942
SBT104	29 September 2020	30 September 2025	1 539	
Total			7 025	5 486

During 2020, the group issued an additional Basel III compliant AT1 capital bond amounting to R1.5 billion (2019: R1.9 billion). The capital notes are perpetual, non-cumulative with an issuer call option after a minimum period of five years and one day and on every coupon payment date thereafter.

Coupons to the value of R583 million (2019: R636 million) were paid to AT1 capital bond holders. Current tax of R164 million (2019: R178 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R420 million (2019: R458 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.

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

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

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

	2020 Rm	2019 Rm
Liberty (after non-controlling interest)	61	69
Outstanding shares issued	61	69

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).



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

17. Trading liabilities

	2020 Rm	2019 Rm
Collateral	4 247	2 472
Credit linked notes	9 056	13 073
Government, municipality and utility bonds	7 639	10 775
Listed equities	34 413	33 215
Repurchase and other collateralised agreements	13 744	11 735
Other instruments ¹	12 162	12 577
Total	81 261	83 847

¹ Other instruments include unlisted equities and corporate bonds.

18. Deposits and debt funding

	2020 Rm	2019 Rm
Deposits and debt funding from banks	132 174	121 119
Deposits and debt funding from customers	1 491 870	1 305 074
Current accounts	282 291	240 246
Cash management deposits	265 828	175 847
Call deposits	431 300	355 172
Savings accounts	37 729	29 913
Term deposits	285 899	287 536
Negotiable certificates of deposit	109 827	148 997
Foreign currency funding	68 853	57 279
Other funding	10 143	10 084
Total	1 624 044	1 426 193

19. Subordinated debt

	Redeemable/ repayable date	First callable date	Notional value ¹	Carrying value ¹	Carrying value
			Million	2020 Rm	2019 Rm
Subordinated debt qualifying as SARB regulatory banking capital					
Standard Bank Group Limited				19 353	11 843
SBT201 ^{2,3}	13 February 2028	13 February 2023	ZAR3 000	3 026	3 040
SBT202 ^{2,3}	3 December 2028	3 December 2023	ZAR1 516	1 523	1 527
SBT203 ^{2,3}	3 December 2028	3 December 2023	ZAR484	535	506
SBT204 ^{2,3}	16 April 2029	16 April 2024	ZAR1 000	1 012	1 019
SBT205 ^{2,3}	31 May 2029	31 May 2024	USD400	6 236	5 751
SBT206 ^{2,3}	31 January 2030	31 January 2025	ZAR2 000	2 018	
SBT207 ^{2,3}	25 June 2030	25 June 2025	ZAR3 500	3 503	
SBT208 ^{2,3}	28 November 2030	28 November 2025	ZAR1 500	1 500	
The Standard Bank of South Africa				2 798	8 975
SBK21 ²	28 January 2025	28 January 2020	ZAR750		763
SBK22 ²	28 May 2025	28 May 2020	ZAR1 000		1 010
SBK24 ²	19 October 2025	19 October 2020	ZAR880		886
SBK18	24 October 2025	24 October 2020	ZAR3 500		3 560
SBK26 ²	25 April 2026	25 April 2021	ZAR500	518	521
SBK25 ²	25 April 2026	25 April 2021	ZAR1 200	1 216	1 218
SBK23 ²	28 May 2027	28 May 2022	ZAR1 000	1 064	1 017
Subordinated debt issued to group companies⁴				(28)	(86)
Total subordinated debt qualifying as SARB regulatory banking capital				22 123	20 732
Africa Regions' subordinated debt not qualifying as SARB regulatory banking capital				1 086	2 501
Stanbic Bank Kenya	8 December 2021	1 June 2020	KES4 000		557
Stanbic Bank Kenya	1 January 2029	1 January 2024	USD20	298	282
Stanbic IBTC Bank (Nigeria)	30 September 2024	30 September 2020	NGN15 440		618
Standard Bank Mozambique	September 2025 – October 2025	August 2020 – October 2020	MZN1 001		237
Other Africa Regions' bonds	October 2024 – October 2027	April 2020 – October 2024	Various	788	807
Total subordinated debt – banking activities				23 209	23 233
Subordinated debt from investment management and life insurance activities					
Qualifying as regulatory insurance capital				6 097	5 668
LGL 04	14 August 2020		ZAR1 000		1 046
LGL 05	12 December 2021		ZAR500	508	513
LGL 06	4 October 2022		ZAR400	437	423
LGL 07	4 October 2022		ZAR600	608	612
LGL 08	28 February 2023		ZAR900	915	931
LGL 09	28 February 2024		ZAR1 100	1 131	1 143
LGL 10	8 October 2025		ZAR1 000	992	1 000
LGL 11	9 September 2026		ZAR1 500	1 506	
Total				29 306	28 901

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

² Basel III compliant tier 2 instruments which contain a contractual non-viability write-off feature.

³ SBSA on a reciprocal basis entered into subordinated tier 2 capital lending agreements with SBG under identical terms.

⁴ Includes R16 million (2019: R86 million) relating to subordinated debt from investment management and life insurance activities.

20. Provisions and other liabilities

20.1 Classification

	2020 Rm	2019 Rm
Financial liabilities	100 547	94 477
Cash-settled share-based payment liability (annexure D)	330	452
Expected credit loss for off-balance sheet exposure (note 20.3)	645	360
Collateral and other insurance risk management liabilities	11 512	12 474
Deferred revenue liability	345	330
Third-party liabilities arising on consolidation of mutual funds (note 20.2)	61 505	56 758
Reinsurance liabilities (note 8.1)	206	246
Insurance payables	11 234	10 591
Lease liability (note 20.4)	5 124	4 055
Short-term insurance liability	1 058	991
Trading settlement liabilities	8 588	8 220
Non-financial liabilities	37 347	29 624
Items in the course of transmission	10 818	4 784
Post-employment benefits (note 43) ²	1 102	1 204
Staff-related accruals	10 903	11 963
Other non-financial liabilities ^{1,2}	14 524	11 673
Total	137 894	124 101

¹ Included in other non-financial liabilities are liabilities of a short-term nature such as accrued expenses and sundry provisions. Sundry provisions opening balance is R2 575 million (2019: R2 761 million) and closing balance is R2 650 million (2019: R2 575 million), resulting in a net charge of R75 million (2019: net release R186 million).

² Restated: There was a misallocation of R91 million between post-employment benefits and Other liabilities. The restatement did not impact the total provisions and other liabilities or the statement of financial position.

20.2 Third-party liabilities arising on consolidation of mutual funds

	2020 Rm	2019 Rm
Balance at the beginning of the year	56 758	48 186
Additional mutual funds classified as subsidiaries	3 000	5 741
Distributions	(1 392)	(1 712)
Fair value adjustments	4 488	6 327
Mutual funds no longer classified as subsidiaries	(2 129)	(513)
Net capital repayment or change in effective ownership	780	(1 271)
Balance at the end of the year	61 505	56 758

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

20. Provisions and other liabilities continued

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

Letters of credit, bank acceptances and guarantees	Opening balance Rm	Net ECL raised/ (released) Rm	Exchange and other movements Rm	Closing balance Rm
2020				
Stage 1	169	61	(12)	218
Stage 2	69	43	(5)	107
Stage 3	122	197	1	320
Total	360	301	(16)	645
2019				
Stage 1	158	25	(14)	169
Stage 2	58	11		69
Stage 3	372	(234)	(16)	122
Total	588	(198)	(30)	360

20. Provisions and other liabilities continued

20.4 Reconciliation of lease liabilities

	Balance at 1 January Rm	Additions/ modification Rm	Terminations and/or cancellations Rm	Interest expense ¹ Rm	Payments ² Rm	Exchange and other movements Rm	Balance at 31 December Rm
2020							
Buildings	1 642	2 051	(39)	136	(715)	(337)	2 738
Branches	2 131	490	(8)	187	(943)	12	1 869
ATM spacing and other	282	375	(3)	25	(161)	(1)	517
Total	4 055	2 916	(50)	348	(1 819)	(326)	5 124
2019							
Buildings	1 887	437	(44)	130	(667)	(101)	1 642
Branches	2 745	412	(152)	207	(1 288)	207	2 131
ATM spacing and other	322	107	(21)	24	(140)	(10)	282
Total	4 954	956	(217)	361	(2 095)	96	4 055

¹ As at 31 December 2020, R326 million (2019: R339 million) of this interest expense was included in income from banking activities and R22 million (2019: R22 million) was included in operating expenses in investment management and life insurance activities.

² These amounts includes the principal lease payments as disclosed in the statements of cash flows of R1 471 million (2019: R1 734 million). The remainder represents interest expense paid during the year.

The group leases various offices, branch space and ATM space. Rental contracts are typically made for fixed average periods of between three to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The additions/modifications during 2020 primarily comprise of renewals of various offices, branch space and ATM space leases as well as the sale and leaseback of the groups data warehouse (refer to note 6 for more detail).

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.

	Note	Fair value through profit or loss		
		Held-for-trading Rm	Designated at fair value Rm	Default Rm
2020				
Assets				
Cash and balances with central banks	1			75 208
Derivative assets	2	118 290		
Trading assets	3	262 627		
Pledged assets	4	2 451		8 599
Financial investments	5		28 219	341 225
Disposal of group assets held for sale	6			213
Loans and advances	7			1 242
Policyholders' assets	8			
Interest in associates and joint ventures	10			
Investment property	11			
Other financial assets ³	9			
Other non-financial assets				
Total assets		383 368	28 219	426 487
Liabilities				
Derivative liabilities	2	111 577		
Trading liabilities	17	81 261		
Disposal of group liabilities held for sale	6			
Deposits and debt funding	18		3 352	
Policyholders' liabilities ⁴	8		106 954	
Subordinated debt	19		6 081	
Other financial liabilities ³	20		76 885	
Other non-financial liabilities				
Total liabilities		192 838	193 272	

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

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

³ The fair value of other financial assets and liabilities measured at amortised cost approximates the carrying value due to their short-term nature.

⁴ The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

	Fair value through other comprehensive income		Total assets and liabilities measured at fair value Rm	Amortised cost Rm ¹	Other non-financial assets/liabilities Rm	Total carrying amount Rm	Fair value ² Rm
	Debt instruments Rm	Equity instruments Rm					
			75 208	12 297		87 505	87 565
			118 290			118 290	118 290
			262 627			262 627	262 627
	7 402		18 452	529		18 981	18 980
	76 613	1 084	447 141	203 157		650 298	655 007
			213		7	220	213
	962		2 204	1 269 051		1 271 255	1 269 805
					5 050	5 050	
					6 498	6 498	
					29 917	29 917	29 917
				26 365		26 365	
					55 934	55 934	
	84 977	1 084	924 135	1 511 399	97 406	2 532 940	
			111 577			111 577	111 577
			81 261			81 261	81 261
					92	92	
			3 352	1 620 692		1 624 044	1 623 404
			106 954		218 238	325 192	106 954
			6 081	23 225		29 306	28 996
			76 885	23 662		100 547	
					45 649	45 649	
			386 110	1 667 579	263 979	2 317 668	

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 IFRS 9 with disclosure of the fair value being provided for those items.

	Note	Fair value through profit or loss		
		Held-for-trading Rm	Designated at fair value Rm	Default Rm
2019				
Assets				
Cash and balances with central banks	1			65 650
Derivative assets	2	71 407		
Trading assets	3	222 802		
Pledged assets	4	11 629		11 577
Financial investments	5		24 028	344 484
Disposal of group assets held for sale	6			261
Loans and advances	7			161
Policyholders' assets	8			
Interest in associates and joint ventures	10			
Investment property	11			
Other financial assets ³	9			
Other non-financial assets				
Total assets		305 838	24 028	422 133
Liabilities				
Derivative liabilities	2	69 498		
Trading liabilities	17	83 847		
Disposal of group liabilities held for sale	6			
Deposits and debt funding	18		5 646	
Policyholders' liabilities ⁴	8		107 891	
Subordinated debt	19		5 668	
Other financial liabilities ³	20		74 985	
Other non-financial liabilities				
Total liabilities		153 345	194 190	

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

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

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

⁴ The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

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

22. Fair value disclosures

22.1 Assets and liabilities measured at fair value – measured on a recurring basis¹

	2020				2019			
	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 bank	73 656	1 552		75 208	60 079	5 571		65 650
Derivative assets	65	115 802	2 423	118 290	143	68 653	2 611	71 407
Trading assets	164 122	95 315	3 190	262 627	134 506	85 674	2 622	222 802
Pledged assets	15 757	2 695		18 452	28 612	103		28 715
Financial investments	228 228	196 873	22 040	447 141	216 360	186 535	10 664	413 559
Disposal of group assets classified as held for sale ²	213			213	261			261
Loans and advances		2 011	193	2 204			161	161
Investment property			29 917	29 917			34 180	34 180
Total assets at fair value	482 041	414 248	57 763	954 052	439 961	346 536	50 238	836 735
Financial liabilities								
Derivative liabilities	48	105 397	6 132	111 577	42	63 854	5 602	69 498
Trading liabilities	42 349	35 734	3 178	81 261	45 016	35 632	3 199	83 847
Deposits and debt funding		3 352		3 352		5 646		5 646
Policyholders' liabilities		106 954		106 954		107 891		107 891
Other financial liabilities		70 839	6 046	76 885		67 692	7 293	74 985
Subordinated debt		6 081		6 081		5 668		5 668
Total liabilities at fair value	42 397	328 357	15 356	386 110	45 058	286 383	16 094	347 535

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 year.

² The disposal group is measured on a non-recurring basis.

Assets and liabilities transferred between level 1 and level 2

During the current and prior years no significant assets or liabilities were transferred between level 1 and level 2.

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	Loans and advances Rm	Total Rm
Balance at 1 January 2019	3 409	2 367	10 906	33 326		50 008
Total gains/(losses) included in profit or loss	261	401	(643)	650	(19)	650
Trading revenue	261	401				662
Other revenue			(97)		(19)	(116)
Investment gains			(546)	650		104
Total gains included in OCI			86			86
Issuances and purchases	1 921	969	2 182	197	330	5 599
Sales and settlements	(2 705)	(1 115)	(2 089)		(150)	(6 059)
Transfers into level 3 ¹	56			10		66
Transfers out of level 3 ²	(304)					(304)
Exchange movement losses	(27)		222	(3)		192
Balance at 31 December 2019	2 611	2 622	10 664	34 180	161	50 238
Balance at 1 January 2020	2 611	2 622	10 664	34 180	161	50 238
Total gains/(losses) included in profit or loss	857	(92)	(1 402)	(5 419)	(74)	(6 130)
Trading revenue	857	(92)				765
Other revenue			(977)		(74)	(1 051)
Investment losses			(425)	(5 419)		(5 844)
Total losses included in OCI			(158)			(158)
Issuances and purchases	1 035	838	15 905	1 221	493	19 492
Sales and settlements	(2 082)	(124)	(960)	(62)	(387)	(3 615)
Transfers into level 3 ¹	62					62
Transfers out of level 3 ²	(149)	(54)	(1 946)			(2 149)
Exchange movement gains	89		(63)	(3)		23
Balance at 31 December 2020	2 423	3 190	22 040	29 917	193	57 763

¹ Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting year. 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 were transferred into level 2.

Unrealised losses/(gains) recognised in profit or loss on financial assets measured at level 3 fair value

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Investment property Rm	Loans and advances Rm	Total Rm
2020						
Trading revenue	690	(92)				598
Other revenue			(942)		74	(868)
Investment management and service fee income and gains			(596)	(5 736)		(6 332)
Total	690	(92)	(1 538)	(5 736)	74	(6 602)
2019						
Trading revenue	802	364				1 166
Other revenue ¹			(15)		(19)	(34)
Investment management and service fee income and gains ¹			(504)	503		(1)
Total	802	364	(519)	503	(19)	1 131

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

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

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 Rm	Total Rm
Balance at 1 January 2019	6 151	2 757	6 186	15 094
Total losses/(gains) included in profit or loss	256	(265)	(18)	(27)
Issuances and purchases	347	1 050	1 125	2 522
Sales and settlements	(959)	(458)		(1 417)
Transfers out of level 3 ¹	(212)			(212)
Transfers into level 3 ²	19	115		134
Balance at 31 December 2019	5 602	3 199	7 293	16 094
Balance at 1 January 2020	5 602	3 199	7 293	16 094
Total losses/(gains) included in profit or loss	758	495	(28)	1 225
Issuances and purchases	129	889	174	1 192
Sales and settlements	(226)	(1 405)	(1 393)	(3 024)
Transfers out of level 3 ¹	(131)			(131)
Balance at 31 December 2020	6 132	3 178	6 046	15 356

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

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

Unrealised losses/(gains) recognised in profit or loss on financial liabilities measured at level 3 fair value

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
2020				
Trading revenue	977	319		1 296
2019				
Trading revenue	253	(264)	(18)	(29)

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

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

	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	(Unfavourable) Rm
2020			
Derivative instruments	From (1%) to 1%	191	(191)
Financial investments	From (1%) to 1%	165	(223)
Trading assets	From (1%) to 1%	68	(68)
Trading liabilities	From (1%) to 1%	69	(69)
Investment property	From (1%) to 1%	2 652	(3 351)
Total		3 145	(3 902)
2019			
Derivative instruments	From (1%) to 1%	295	(295)
Financial investments	From (1%) to 1%	445	(378)
Trading assets	From (1%) to 1%	65	(65)
Trading liabilities	From (1%) to 1%	29	(29)
Investment property	From (1%) to 1%	3 979	(3 251)
Total		4 813	(4 018)

The measurement of financial investments classified as FVOCI would result in a R130 million favourable (2019: R129 million) and R125 million unfavourable (2019: R127 million) impact on OCI applying a 1% change (both favourable and unfavourable) of the significant unobservable inputs used to determine the fair value.

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 and detailed accounting policies in annexure F for more information about valuation techniques used.

22. Fair value disclosures continued

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

	2020				2019			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Cash and balances with central banks	12 357			12 357	9 639			9 639
Pledged assets		524	4	528		605	58	663
Financial investments	159 885	45 833	2 148	207 866	122 895	30 038	863	153 796
Loans and advances	10 846	246 397	1 010 358	1 267 601	11 056	193 644	977 802	1 182 502
Total assets	183 088	292 754	1 012 510	1 488 352	143 590	224 287	978 723	1 346 600
Liabilities								
Deposits and debt funding	964 372	624 655	31 025	1 620 052	734 447	656 213	30 345	1 421 005
Subordinated debt		1 302	21 613	22 915		11 891	11 704	23 595
Total liabilities	964 372	625 957	52 638	1 642 967	734 447	668 104	42 049	1 444 600

22.3 Third-party credit enhancements

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

22.4 Financial assets and financial liabilities designated at FVTPL

Financial assets	Maximum exposure to credit risk ¹ Rm	Current year loss on changes in fair value attributable to changes in credit risk Rm	Cumulative loss on changes in fair value attributable to changes in credit risk Rm
2020			
Financial investments	18 462	(53)	(57)
2019			
Financial investments	4 359	(27)	(4)

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

22. Fair value disclosures continued**22.4 Financial assets and financial liabilities designated at FVTPL continued**

Financial liabilities	Current year gain/ (loss) on changes in fair value attributable to changes in credit risk Rm	Cumulative gain on changes in fair value attributable to changes in credit risk ¹ Rm	Contractual payment required at maturity Rm	Carrying amount Rm	Difference between carrying amount and contractual payment Rm
Credit risk recognised in OCI					
2020					
Deposit and debt funding	5	18	3 259	3 352	93
Policyholders' liabilities			106 954	106 954	
Subordinated debt	41	65	7 400	7 408	8
Other financial liabilities			76 885	76 885	
Total	46	83	194 498	194 599	101
2019					
Deposit and debt funding	4	13	5 274	5 646	372
Policyholders' liabilities			107 891	107 891	
Subordinated debt	(16)	24	5 500	5 668	168
Other financial liabilities			74 985	74 985	
Total	(12)	37	193 650	194 190	540

¹ Gross of taxation. Refer to note 37.2 for detail on tax relating to the above.

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.

22.5 Reconciliation of FVOCI reserve movements**22.5.1 Equity financial investments**

	Revaluation		
	Balance at beginning of the year Rm	Gains/ (losses) Rm	Balance at end of year Rm
2020			
Visa shares	141	10	151
STRATE Limited	149	(6)	143
Other	32	(151)	(119)
Total	322	(147)	175
2019			
Visa shares	64	77	141
STRATE Limited	118	31	149
Other	95	(63)	32
Total	277	45	322

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

22. Fair value disclosures continued

22.5 Reconciliation of FVOCI reserve movements continued

22.5.2 Debt financial investments

	Balance at beginning of the year Rm	Net change in fair value Rm	Realised fair value adjustments and reversal to profit or loss Rm	Net expected credit loss (released)/ raised during the period Rm	Non-controlling interests and other movements Rm	Balance at the end of the year Rm
2020						
Sovereign	275	107	27	(242)	76	243
Total	275	107	27	(242)	76	243
2019						
Sovereign	246	74	(14)	41	(72)	275
Total	246	74	(14)	41	(72)	275

22.5.3 Total reconciliation of the FVOCI reserve

	Balance at the beginning of the year Rm	Net change in fair value Rm	Non-controlling interests Rm	Balance at the end of the year Rm
2020				
Total	597	(185)	6	418
2019				
Total	523	74		597

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

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

The following table sets out the impact of offset, as well as the required disclosures for financial assets and financial liabilities that are subject to an 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.

Assets	Gross amount of recognised financial assets ¹ Rm	Financial liabilities set off in the statement of financial position ² Rm	Net amount of financial assets subject to netting agreements ³ Rm	Collateral received ⁴ Rm	Net amount Rm
2020					
Derivative assets	111 141		111 141	(91 959)	19 182
Trading assets	48 188		48 188	(47 788)	400
Loans and advances ⁵	132 326	(27 712)	104 614	(102 998)	1 616
Total	291 655	(27 712)	263 943	(242 745)	21 198
2019					
Derivative assets	64 347		64 347	(57 027)	7 320
Trading assets	25 278		25 278	(18 327)	6 951
Loans and advances ⁵	100 096	(35 348)	64 748	(62 426)	2 322
Total	189 721	(35 348)	154 373	(137 780)	16 593

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

Liabilities	Gross amount of recognised financial liabilities ¹ Rm	Financial assets set off in the statement of financial position ² Rm	Net amount of financial liabilities subject to netting agreements ³ Rm	Collateral pledged ⁶ Rm	Net amount Rm
2020					
Derivative liabilities	104 503		104 503	(94 057)	10 446
Trading liabilities	21 775		21 775	(21 720)	55
Deposits and debt funding ⁵	33 497	(27 712)	5 785		5 785
Total	159 775	(27 712)	132 063	(115 777)	16 286
2019					
Derivative liabilities	64 742		64 742	(56 717)	8 025
Trading liabilities	23 291		23 291	(23 291)	
Deposits and debt funding ⁵	40 475	(35 348)	5 127		5 127
Total	128 508	(35 348)	93 160	(80 008)	13 152

¹ Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.

² Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.

³ Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement.

⁴ This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group to be offset in the event of default. In most cases the group and company is allowed to sell or repledge collateral received.

⁵ The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.

⁶ In most instances, the counterparty may not sell or repledge collateral pledged by the group.

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

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

24. Contingent liabilities and commitments

24.1 Contingent liabilities

	2020 Rm	2019 Rm
Letters of credit and bankers' acceptances	15 828	15 104
Guarantees	86 307	79 202
Total	102 135	94 306

Loan commitments of R92 663 million (2019: R73 940 million) that are irrevocable over the life of the facility or revocable only in response to material adverse changes are included in annexure C.

24.2 Commitments

	2020 Rm	2019 Rm
Investment property	458	601
Property and equipment	788	284
Other intangible assets	138	191
Total	1 384	1 076

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

24.3 Lease commitments

24.3.1 The future minimum payments payable under low-value assets and short-term leases are as follows:

	Year one Rm	Within one and five years Rm	Total Rm
2020			
Low-value assets and short-term leases	44	43	87
Total	44	43	87
2019			
Low-value assets and short-term leases ¹	32	5	37
Total	32	5	37

¹ Restated. Low-value assets and short-term leases within the category of 'Year one' was disclosed as R25 million in error, this should have been R32 million. The 'Year one' category was disclosed as R3 million, this should have been R5 million. This restatement had an impact on the overall balance of R37 million.

Low value assets comprise, IT equipment and small items of office furniture.

24.3.2 Motor vehicles under leases future undiscounted lease instalment

	Within one year Rm	Within one and five years Rm	After five years Rm	Total Rm
2020				
Motor vehicles	490	424	53	967
Total	490	424	53	967
2019				
Motor vehicles	180	147	6	333
Total	180	147	6	333

24. Contingent liabilities and commitments continued

24.4 Legal proceedings defended

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

Competition Commission – trading of foreign currency

On 15 February 2017, South Africa's Competition Commission lodged five complaints with the Competition Tribunal (CT) against 18 institutions, including one against The Standard Bank of South Africa Limited (SBSA) and two against a former subsidiary of the group, Standard New York Securities Inc (SNYS), in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group has, with the help of external counsel, conducted its own internal investigations and found no evidence that supports the complaints. Both SBSA and SNYS, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. These applications were heard in July 2018. The complaint against SNYS was dismissed on the grounds that South Africa's competition regulators lack jurisdiction over it. In the case of SBSA, the Competition Commission was directed to file an amended complaint containing sufficient facts to evidence the collusion alleged within 40 business days of the ruling or risk dismissal of the complaint. The allegations against SBSA are confined to USD/ZAR trading activities within SBSA and do not relate to the conduct of the group more broadly. A number of respondents have filed an appeal to the ruling raising various grounds, which will impact on the 40 business day deadline imposed on the Competition Commission for the filing of the amended complaint against SBSA. The CT issued a directive on 24 July 2019 to all parties. Pursuant to two appeals filed by the Competition Commission against judgements handed down by the Competition Appeal Court in favour of SBSA, on 20 February 2020 the Constitutional Court, by a majority of five to four judges, ordered that (a) the Competition Commission need not disclose its record of investigation into alleged collusion in foreign exchange markets until after both SBSA has filed its written defence to the complaint against it and the CT has directed that all parties make discovery of relevant documents, and (b) the Competition Appeal Court erred in not deciding if it had the requisite jurisdiction before ordering the Competition Commission to lodge its record of decision in SBSA's application to have the Competition Commission's decision to initiate a complaint of collusion against SBSA reviewed and set aside, and remitted that issue of jurisdiction back to the Competition Appeal Court for determination. The Competition Appeal Court, upon the ordered remission, ruled that it can have jurisdiction over the foreign respondents provided the Commission can prove that the alleged collusion had a direct, foreseeable and material effect within South Africa. The Appeal Court also ruled that the allegations against all the respondents were so vague as to be unintelligible. Therefore the Competition Commission was given a fixed period to file a wholly new complaint affidavit that addresses all of the identified shortcomings. The Commission, after lengthy delays, filed a wholly new complaint affidavit. In response, all of the respondents other than Investec filed notices of objection or notices to compel more particulars and, in the case of the Standard Bank related respondents, applications for the dismissal of the complaint in its entirety. The CT has invited all parties to a pre-hearing meeting to attempt to reach an all party agreement on how these multiple challenges will be heard and/or resolved.

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 2020, the indemnities provided are uncapped and of unlimited duration as they reflect that the pre-completion regulatory risks attaching to the disposed-of business remain with the group post-completion.

25. Maturity analysis

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

25.1 Financial assets and liabilities

	Note	Redeem-able on demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated ¹ Rm	Total Rm
2020							
Cash and balances with central banks ²	1	19 400				68 105	87 505
Trading assets	3	13 027	102 031	43 525	73 871	30 173	262 627
Pledged assets	4		16 064	883	773	1 261	18 981
Financial investments	5	6 051	188 795	47 705	27 403	380 344	650 298
Gross loans and advances ³	7	118 209	337 539	446 746	361 937	56 810	1 321 241
Other financial assets	9		25 153	98		1 114	26 365
Net derivative asset/(liability)	2		5 470	3 659	(2 416)		6 713
Trading liabilities	17	(4 101)	(27 658)	(6 349)	(8 800)	(34 353)	(81 261)
Deposits and debt funding	18	(1 117 858)	(299 839)	(155 348)	(50 999)		(1 624 044)
Subordinated debt ⁴	19		(2 227)	(25 573)	(1 506)		(29 306)
Provisions and liabilities	20	(501)	(23 709)	(12 330)		(64 007)	(100 547)
2019							
Cash and balances with central banks ²	1	16 700				58 588	75 288
Trading assets	3	4 084	93 827	33 355	74 587	16 949	222 802
Pledged assets	4		21 220	1 239	6 900	18	29 377
Financial investments	5	4 859	147 123	38 679	7 687	368 971	567 319
Gross loans and advances ³	7	125 454	249 510	443 128	360 833	37 421	1 216 346
Other financial assets	9		17 767	420		1 011	19 198
Net derivative asset/(liability)	2	597	4 550	(1 175)	(2 063)		1 909
Trading liabilities	17	(3 345)	(25 396)	(10 632)	(11 825)	(32 649)	(83 847)
Deposits and debt funding	18	(856 174)	(360 600)	(143 127)	(46 437)	(19 855)	(1 426 193)
Subordinated debt ⁴	19		(8 629)	(20 272)			(28 901)
Provisions and liabilities	20	(65)	(22 905)	(2 029)		(69 478)	(94 477)

¹ Undated maturity category comprises of regulatory or indeterminate maturity, including any item or position in respect of which no right or obligation in respect of maturity exists.

² On demand cash and balances with central banks include notes and coins.

³ Includes loans and advances measured at FVTPL.

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.

25. Maturity analysis continued

25.2 Non-financial assets and liabilities

	Note	Less than 12 months after reporting year Rm	More than 12 months after reporting year Rm	Total Rm
2020				
Non-current assets held for sale	6	220		220
Other assets	9	9 552	103	9 655
Interest in associates and joint ventures	10		6 498	6 498
Investment property	11		29 917	29 917
Property and equipment	12	537	20 165	20 702
Goodwill and other intangible assets	13		18 262	18 262
Provisions and other liabilities	20	(23 473)	(13 874)	(37 347)
Current and deferred tax asset	14	*	*	6 633
Current and deferred tax liability	14	*	*	(2 885)
2019				
Non-current assets held for sale		2 599		2 599
Other assets	9	10 593	110	10 703
Interest in associates and joint ventures	10		5 423	5 423
Investment property	11		34 180	34 180
Property and equipment	12	898	21 120	22 018
Goodwill and other intangible assets	13	797	21 526	22 323
Provisions and other liabilities	20	(18 257)	(11 367)	(29 624)
Current and deferred tax asset	14	*	*	4 868
Current and deferred tax liability	14	*	*	(9 073)

* Undated.

26. Interest

26.1 Interest income

	2020 Rm	2019 Rm
Effective interest rate interest income on:		
Loans and advances ¹	92 026	108 167
Financial investments	13 640	14 694
Interest income on credit impaired financial assets	1 359	1 082
Total	107 025	123 943
Interest income on items measured at amortised cost	103 838	121 304
Interest income on debt instruments measured at FVOCI	3 187	2 639

26.2 Interest expense

	2020 Rm	2019 Rm
Interest on deposits and debt funding ¹	42 820	57 592
Interest on lease liabilities (note 20.4)	326	339
Interest on subordinated debt	2 454	3 093
Total	45 600	61 024
Interest expense on items measured at amortised cost ¹	45 274	60 685
Interest expense on lease liabilities	326	339

¹ Restated. Refer to the restatement section on page 29 for more detail.

27. Fee and commission

27.1 Fee and commission revenue

	2020 Rm	2019 Rm
Account transaction fees	10 348	11 272
Card based commission	6 402	7 041
Documentation and administration fees	2 300	2 281
Electronic banking fees	4 410	4 546
Foreign currency service fees	2 067	2 253
Insurance fees and commission	1 839	1 857
Knowledge-based and other fees and commissions ¹	8 567	8 104
Total	35 933	37 354

¹ Other primarily comprises of fee and commission revenue earned on sundry services such as arrangement, agency and asset management fees as well as guarantee and commitment commissions.

All fee and commission revenue reported above relates to financial assets or liabilities not carried at FVTPL.

27.2 Fee and commission expense

	2020 Rm	2019 Rm
Account transaction fees	1 377	1 460
Card based commission	2 467	2 563
Documentation and administration fees	225	296
Electronic banking fees	562	736
Insurance fees and commission	570	497
Customer loyalty expense	654	664
Other	665	516
Total	6 520	6 732

All fee and commission expense reported above relates to financial assets or liabilities not carried at FVTPL.

28. Trading revenue

	2020 Rm	2019 Rm
Commodities	142	32
Equities	1 880	2 591
Fixed income and currencies	11 852	9 452
Total	13 874	12 075

29. Other revenue

	2020 Rm	2019 Rm
Banking and other revenue	760	1 300
Wealth and insurance related income	2 326	2 493
Property-related revenue	72	296
Total	3 158	4 089

30. Other gains and losses on financial instruments

	2020 Rm	2019 Rm
Derecognition gains on financial assets measured at amortised cost		10
Fair value (losses)/gains on debt financial assets measured at fair value through profit or loss – default	(763)	82
Gains on debt realisation of financial assets measured at fair value through OCI	70	149
Fair value gains on financial instruments designated at fair value through profit or loss	1 519	515
Other ¹	(115)	
Total	711	756

¹ Primarily comprises of fair value losses on equity instruments measured at FVTPL – default.

31. Insurance

31.1 Insurance premiums received

	2020 Rm	2019 Rm
Insurance premiums	41 816	42 182
Long-term	39 485	40 045
Short-term	2 331	2 137
Reinsurance premiums	(2 614)	(2 381)
Long-term	(1 913)	(1 795)
Short-term	(701)	(586)
Total	39 202	39 801

31.2 Insurance benefits and claims paid

	2020 Rm	2019 ¹ Rm
Claims and policyholders' benefits under insurance contracts	40 224	41 901
Insurance claims recovered from reinsurers	(2 161)	(2 079)
Net insurance claims and policyholders' benefits	38 063	39 822
Change in policyholder liabilities under insurance contracts	2 291	4 487
Insurance contracts	1 848	5 294
Policyholder assets related to insurance contracts	1 967	(309)
Investment contracts with DPF	(889)	(168)
Reinsurance assets	(635)	(330)
Total	40 354	44 309

¹ Restated. Refer to the restatement section on page 29 for more detail.

32. Investment management and service fee income and gains

	2020 Rm	2019 Rm
Investment income	3 271	3 245
Scrip lending fees	57	87
Rental income from investment property	3 090	3 059
Sundry income	111	85
Adjustment to surplus recognised on defined benefit pension fund	13	14
Total investment management and service fee income and gains	3 271	3 245

32. Investment management and service fee income and gains continued

32.1 Revenue from contracts with customers

	2020 Rm	2019 ¹ Rm
Fee income and reinsurance commission		
Service fee income from long-term policyholder investment contracts	1 211	1 298
Service fee income from investment contracts	1 226	1 316
Deferred revenue released to profit or loss	40	38
Deferred income relating to new business	(55)	(56)
Fee revenue	2 048	2 182
Management fees on assets under management	1 804	1 971
Performance fees	103	56
Health administration fees	88	98
Other fee revenue	53	57
Reinsurance commission earned on short-term insurance business	141	116
Total fee income and reinsurance commission	3 400	3 596
Hotel sales operations		
Hotel operations sales		466
Total revenue from contracts with customers	3 400	4 062

¹ Restated. Refer to the restatement section on page 29 for more detail.

32.2 Interest income

	2020 Rm	2019 Rm
Financial assets classified at FVOCI		
Service fee income from long-term policyholder investment contracts	1 310	1 462
Term deposits		
At amortised cost		
Policy loans receivable – interest income	25	19
Interest income on cash and cash equivalents	313	439
Total interest income on financial assets using the effective interest rate method	1 648	1 920

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

	2020 Rm	2019 ¹ Rm
Fair value adjustments to long term policyholder liabilities under investment contracts	(5 251)	(9 064)
Fair value adjustments to third-party mutual fund interests	(4 488)	(6 327)
Investment properties	(5 419)	287
Property debtors at fair value through profit and loss	(639)	
Financial assets at fair value through profit or loss (default)	24 889	35 179
Financial instruments at fair value through profit or loss	22 739	34 545
Financial instruments held for hedging and for trading	2 150	634
Financial assets designated at fair value through profit or loss	8	5
Fair value of financial liabilities	(1 189)	(1 206)
Other	8	(20)
Total	7 919	18 854

¹ Restated. Refer to the restatement section on page 29 for more detail.

34. Credit impairment charges

	2020 Rm	2019 Rm
Net expected credit loss raised	21 729	9 207
Financial investments (note 5)	65	86
Loans and advances (note 7)	21 363	9 319
Letters of credit and guarantees (note 20)	301	(198)
Recoveries on loans and advances previously written off	(1 342)	(1 514)
Modification loss on distressed financial asset	207	271
Total credit impairment charge	20 594	7 964

35. Operating expenses

	2020 Rm	2019 Rm
Banking activities	63 182	62 335
Communication	1 250	1 114
Information technology	9 454	7 487
Marketing and advertising	1 813	1 889
Premises	2 007	2 263
Staff costs	34 380	34 554
Other	14 278	15 028
Investment management and life insurance activities	16 139	16 486
Acquisition costs	4 058	4 241
Office costs	4 227	3 531
Staff costs	4 425	4 302
Other	3 429	4 412
Total	79 321	78 821

The following disclosable items are included in other operating expenses

Auditors' remuneration	408	423
Audit fees – current year	393	410
Fees for other services ¹	15	13
Amortisation – intangible assets (note 13)	2 696	2 596
Depreciation (note 12)	4 858	4 864
Operating lease charges	270	505
Professional fees	2 081	1 828

¹ All fees for services paid to the group's auditors were considered and approved by the group's audit committee in terms of its non-audit services policy. Refer to the report of the group audit committee chairman for further information.

36. Non-trading and capital related items

	2020 Rm	2019 Rm
Loss on sale of properties and equipment	(24)	(94)
Realised foreign currency movements on foreign operations and associates	(3 120)	
Gain on disposal of business	28	
Gains on disposal of associate	1 835	
Impairment of associate ¹	(52)	(2 418)
Impairment of intangible assets	(3 221)	(234)
Impairment of goodwill		(11)
Fair value gain on investment property	67	188
Remeasurement of non-current assets held for sale	35	(321)
Profit on sale and leaseback transaction	496	
Total	(3 956)	(2 890)

¹ Includes R44 million of impairments of assets within associates.

37. Direct and indirect taxation

37.1 Indirect taxation

	2020 Rm	2019 Rm
Value added tax (VAT) ¹	2 420	1 669
Other indirect taxes and levies	307	923
Total	2 727	2 592

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.

37.2 Direct taxation

	2020 Rm	2019 Rm
South African normal taxation	5 393	9 149
Current	5 462	9 387
Prior year	(69)	(238)
Deferred taxation	(3 101)	456
Current	(3 090)	397
Prior year	(11)	59
CGT, foreign normal and withholding tax – current year	1 570	1 162
Total direct taxation	3 862	10 767
Income tax recognised in OCI ¹	69	(106)
Deferred tax recognised directly in equity	(291)	(30)
Deferred tax recognised directly in retained earnings – IFRS 16 transition		(72)
Direct taxation per the income statement	3 640	10 559

¹ Included in this amount is current tax recognised through OCI of R1 million (2019: R4 million).

Income tax recognised in OCI

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

	2020 Rm	2019 Rm
Items that may be subsequently reclassified to profit or loss		
Movements in the cash flow hedging reserve¹	35	(69)
Net change in fair value of cash flow hedges	152	(151)
Realised fair value adjustments of cash flow hedges transferred to profit or loss	(117)	82
Net change in investments measured at FVOCI	43	5
Net change in expected credit loss		1
Net change in fair value	43	4
Items that may not be subsequently reclassified to profit or loss		
Defined benefit fund adjustments	(55)	(52)
Change in own credit risk recognised on financial liabilities designated at FVTPL	(12)	4
Net change in fair value of equity financial investments measured at FVOCI	48	
Other	10	6
Total	69	(106)

¹ Included in this amount is current tax recognised through OCI of R1 million (2019: R4 million).

37. Direct and indirect taxation continued**37.2 Direct taxation****Tax rate reconciliation**

	2020 %	2019 %
Direct taxation – statutory rate	28.0	28.0
Prior year tax	(0.4)	(0.4)
Direct taxation – current year	27.6	27.6
Capital gains tax	3.7	1.5
Foreign tax and withholding tax	5.9	3.4
Direct taxation – current year – normal	37.2	32.5
Permanent differences	(17.2)	(6.9)
Non-taxable income – capital profit	(1.8)	
Dividends received	(10.4)	(4.8)
Other non-taxable income – interest ¹	(13.6)	(5.5)
Assessed loss not subject to deferred tax ²	2.1	0.7
Non-deductible expenses	7.8	3.6
Effects of profits taxed in different jurisdictions	(1.3)	(0.9)
Direct effective tax rate³	20.0	25.6

¹ Relates to interest income earned from certain governments in Africa Regions which is exempt from tax.

² The group's assessed losses results in unrecognised deferred tax asset of R378 million (2019: R269 million).

³ Expressed as a percentage of profit before direct taxation.

38. Earnings per ordinary share

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

	2020 Number of units (‘000)	2019 Number of units (‘000)
Earnings attributable to ordinary shareholders (Rm)	12 358	25 443
Weighted average number of ordinary shares in issue (number of shares)		
Weighted average number of ordinary shares in issue before adjustments	1 619 899	1 619 124
Adjusted for shares held pursuant to Tutuwa initiative ¹		(2 050)
Adjusted for deemed treasury shares held by entities within the group ²	(29 485)	(20 450)
Weighted average number of ordinary shares in issue	1 590 414	1 596 624
Basic earnings per ordinary share (cents)	777	1 594
Diluted earnings per ordinary share		
Weighted average number of ordinary shares in issue Adjusted for the following potential dilution	1 590 414	1 596 624
Share incentive schemes	4 786	8 887
Standard Bank GSIS ³	44	188
Standard Bank EGS ⁴	295	1 322
Deferred bonus scheme	4 392	5 426
Performance reward plan	53	1 927
Share appreciation rights scheme	2	24
Diluted weighted average number of ordinary shares in issue	1 595 200	1 605 511
Diluted earnings per ordinary share (cents)	775	1 585

¹ The number of shares held by the Tutuwa participants are deducted as they are deemed not to be issued in terms of IFRS. The Tutuwa initiative ended during 2019.

² The number of shares held by entities within the group are deemed to be treasury shares for IFRS purposes.

³ 168 000 (2019: 275 121) share options were outstanding at the end of the year in terms of the GSIS.

⁴ 4 025 678 (2019: 4 941 267) rights outstanding at the end of the year in terms of the Standard Bank EGS. These units are convertible into 168 458 (2019: 1 379 838) ordinary shares at year end.

38. Earnings per ordinary share continued

Dilutive impact of shares issued during the year

Deferred bonus scheme

8 540 900 (2019: 6 979 195) 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 year the group had 11 874 000 (2019: 9 741 287) units hedged, which results in 790 621 (2019: 127 410) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Performance reward plan

3 391 544 (2019: 2 626 716) 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 year 206 149 (2019: 2 501 149) units were hedged, which results in 160 167 (2019: 257 464) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Share appreciation rights scheme

605 167 (2019: 1 215 820) 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 3 113 (2019: 42 131) 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.

39. Headline earnings

	Gross Rm	Direct tax Rm	Attributable to NCI and other ¹ Rm	Profit attributable to ordinary shareholders Rm
2020				
Profit for the year	18 153	(3 640)	(2 155)	12 358
Headline adjustable items added	3 956	(338)	(31)	3 587
IAS 16 – Loss on sale of property and equipment	24	(12)	4	16
IAS 21 – Realised foreign currency movements on foreign operations and associates	3 120			3 120
IAS 27/IAS 28 – Gains on disposal of business	(28)		6	(22)
IAS 28 – Gain on disposal of associate	(1 835)	416		(1 419)
IAS 28/IAS 36 – Impairment of associate ²	52	(2)		50
IFRS 5 – Remeasurement of disposal group assets held for sale	(35)		15	(20)
IAS 36 – Impairment of intangible assets	3 221	(899)	(56)	2 266
IAS 40 – Fair value gain on investment property	(67)	21		(46)
IFRS 16 – Profit on sale and leaseback	(496)	138		(358)
Standard Bank Group headline earnings	22 109	(3 978)	(2 186)	15 945
2019				
Profit for the year	41 255	(10 559)	(5 253)	25 443
Headline adjustable items added	2 890	15	(141)	2 764
IAS 16 – Loss on sale of property and equipment	94	(29)	1	66
IAS 28/IAS 36 – Impairment of associate	2 418			2 418
IAS 36 – Goodwill impairment	11			11
IAS 36 – Impairment of intangible assets	234	(65)		169
IAS 40 – Fair value gain on investment property	(188)	109		(79)
IFRS 5 – Impairment of non-current assets held for sale	321		(142)	179
Standard Bank Group headline earnings	44 145	(10 544)	(5 394)	28 207

¹ Non-controlling interests and other equity instrument holders.

² Includes R44 million of impairments of assets within associates.

	2020 Cents	2019 Cents
Headline earnings per ordinary share	1 002.6	1 766.7
Diluted headline earnings per ordinary share	999.6	1 756.9

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

40. Dividends

	2020 Rm	2019 Rm
Ordinary shares	8 748	16 092
Final		
540 cents per share declared on 4 March 2020 (2019: 540 cents per share declared on 6 March 2019)	8 748	8 740
Interim		
In line with the SARB's guidance, the board did not declare an interim dividend during 2020 (2019: 454 cents per share declared on 7 August 2019)		7 352
Second preference shares	383	415
Final		
389.12 cents per share declared on 4 March 2020 (2019: 390.22 cents per share declared on 6 March 2019)	206	207
Interim		
333.00 cents per share declared on 19 August 2020 (2019: 391.38 cents per share declared on 7 August 2019)	177	208
AT1 capital	420	458
31 December		
SBT 101	29	40
SBT 102	29	40
SBT 103	27	40
SBT 104	22	
30 September		
SBT 101	30	40
SBT 102	30	40
SBT 103	29	40
30 June		
SBT 101	35	40
SBT 102	36	40
SBT 103	35	40
30 March		
SBT 101	39	40
SBT 102	40	40
SBT 103	39	18
Total dividends	9 551	16 965

Final gross cash dividend No. 102 of 240 cents per share declared on 10 March 2021 (2019: 994 cents per share).

6.5% first cumulative preference shares dividend No. 103 of 3.25 cents per share (2019: 3.25 cents) payable on 12 April 2021 to all shareholders registered on 9 April 2021.

Non-redeemable, non-cumulative, non-participating preference shares dividend No. 33 of 272.93 cents per share (2019: 389.12 cents), payable on 12 April 2021 to all shareholders registered on 9 April 2021.

The AT1 capital bonds have coupon rates of three month JIBAR plus 565 basis points (SBT 101), JIBAR plus 545 basis points (SBT 102), JIBAR plus 440 basis points (SBT 103) and JIBAR plus 452 basis points (SBT 104). Interest is payable quarterly. For more information on AT1 capital, refer to note 15.8.

41. Statement of cash flows notes

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

	2020 Rm	2019 Rm
Depreciation and amortisation (note 35)	7 554	7 460
Credit impairment losses (note 34)	20 594	7 964
Investment gains and policyholders' transfers	8 043	13 966
Net inflows from third-party financial liabilities arising on consolidation of mutual funds	259	2 245
Interest expense ¹	45 852	61 267
Interest income ¹	(126 338)	(160 103)
Other	509	3 695
Total	(43 527)	(63 506)

¹ Included are non-cash flow items disclosed in income/expenses from investment management and life insurance activities. Restated, refer to page 29 for detail.

41.2 Increase in income-earning assets

	2020 Rm	2019 Rm
Net derivative assets	(2 806)	(3 121)
Trading assets	(38 557)	(43 306)
Pledged assets	7 089	(10 747)
Financial investments	(69 508)	(13 772)
Loans and advances	(107 870)	(89 119)
Other assets	(5 396)	(9 029)
Total	(217 048)	(169 094)

41.3 Increase in deposits, trading and other liabilities

	2020 Rm	2019 Rm
Deposit and debt funding	191 350	116 387
Trading liabilities	(2 464)	23 027
Provisions and other liabilities	5 048	1 246
Total	193 934	140 660

41.4 Reconciliation of subordinated debt

	2020 Rm	2019 Rm
Balance at the beginning of the year	28 901	26 359
Subordinated debt issued	8 500	7 269
Subordinated debt redeemed	(8 488)	(4 850)
Exchange movements	91	(36)
Decrease in subordinated bonds issued to group companies	(16)	
Other movements	318	159
Balance at the end of the year	29 306	28 901



Refer to note 19 for details on subordinated debt.

42. Related party transactions

42.1 Key management personnel

Key management personnel include: the members of the SBG board of directors and prescribed officers active for 2020 and 2019. Non-executive directors are included in the definition of key management personnel as required by IFRS. Prescribed officers are defined by the Companies Act. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with SBG. They may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

	2020 Rm	2019 Rm
Key management compensation		
Salaries and other short-term benefits paid	98	80
Post-employment benefits	4	4
Value of share options, rights and units expensed	98	93
Total	200	177
Loans and advances¹		
Loans outstanding at the beginning of the year	20	22
Change in key management structures		(2)
Net change in loans during the year	(6)	
Loans outstanding at the end of the year	14	20
Interest income		1
Deposit and debt funding²		
Deposits outstanding at the beginning of the year	147	141
Change in key management structures		(4)
Net change in deposits during the year	41	10
Deposits outstanding at the end of the year	188	147
Net interest expense	(8)	(6)
Investment products⁴		
Balance at the beginning of the year	838	712
Net change in investments during the year	391	126
Balance at the end of the year	1 229	838
Net investment return to key management personnel	(102)	10
Third-party funds under management		
Fund value at the beginning of the year	102	222
Change in key management structures		(130)
Net change in deposits during the year	11	10
Fund value at the end of the year	113	102
Net investment return	3	5
Shares and share options held³		
Shares beneficially owned (number)	1 786 507	1 667 867
Share options held (number)	2 197 600	2 315 897

¹ Loans include mortgage loans, vehicle and asset finance and credit cards. No specific credit impairments have been recognised in respect of loans granted to key management in the current or prior year. The mortgage loans and vehicle and asset finance are secured by the underlying assets. All other loans are unsecured.

² Deposits and debt funding include cheque, current and savings accounts.

³ Aggregate details of SBG shares and share options held by key management personnel.

⁴ Restated. During 2020, it was discovered that the 2019 investment products included amounts in currencies other than the group currency which resulted in a restatement of opening balance by R277 million, net change in investments during the year of R20 million and change in closing balance of R297 million. The restatement does not have an impact on the group's statement of financial position.

42. Related party transactions continued

42.2 Balances and transactions with ICBCS

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

Amounts included in the group's statement of financial position	2020 Rm	2019 Rm
Derivative assets	7 367	4 227
Trading assets		10
Loans and advances	11 269	11 394
Other assets	742	392
Derivative liabilities	(7 280)	(2 573)
Deposits and debt funding	(1 232)	(2 184)
Other liabilities	(150)	(1 595)

Services

The group entered into certain transitional service level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of Standard Bank Plc. In terms of these arrangements, services are delivered and received from ICBCS for the account of each respective party. As at 31 December 2020 the expense recognised in respect of these arrangements amounted to R137 million (2019: R496 million).

42.3 Balances and transactions with ICBC

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

Amounts included in the group's statement of financial position	2020 Rm	2019 Rm
Loans and advances	23 346	14 569
Other assets ¹	620	433
Deposits and debt funding ²	(14 535)	(8 569)

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 2020, a balance of USD41.7 million (R610.3 million) is receivable from ICBC in respect of this arrangement (2019: USD26.7 million; R374 million).

² Restated. It was noted that the related party deposits and debt funding amount with ICBC for 2019 was understated with R7 780 million. This restatement did not impact the group's statement of financial position.

Letters of credit

The group has off-balance sheet letters of credit exposure issued to ICBC as at 31 December 2020 of R2 573 million (2019: R3 573 million). The group received R96 million in fee and commission income relating to these transactions (2019: R91 million).

42. Related party transactions continued

42.4 Mutual funds

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

	2020 Rm	2019 Rm
Trading liabilities	(27)	(86)
Deposits and debt funding	(22 007)	(22 519)
Trading losses	(19)	(17)
Interest expense	(1 674)	(1 270)

42.5 Post-employment benefit plans

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

Amounts included in the group's statement of financial position and income statement	2020 Rm	2019 Rm
Fee and commission revenue	14	11
Deposits and debt funding	(114)	(361)
Interest expense	(31)	(36)
Financial investments held in bonds and money market	651	833

In addition to the above:

- the group manages R9 882 million (2019: R7 774 million) of the post-employment benefit plans' assets.
- the post-employment benefit plans hold SBG ordinary shares to the value of R296 million (2019 restated: R315 million). 2019 was overstated by R2 393 million due to a misallocation in the calculation of shares held. This restatement has no impact on the group's results.



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

43. Pensions and other post-employment benefits

	2020 Rm	2019 Rm
Amount recognised as assets in the statement of financial position (note 9)		
Banking activities		
Retirement funds (note 43.1)	1 081	945
Other retirement funds (note 43.1)	3	28
Investment management and life insurance activities		
Retirement funds (note 43.1)	89	117
Total	1 173	1 090
Amounts recognised as liabilities in the statement of financial position (note 20)		
Banking activities		
Post-employment healthcare benefits – other funds (note 43.2)	662	745
Investment management and life insurance activities		
Post-employment healthcare benefits (note 43.2)	440	459
Total	1 102	1 204

The total amount recognised as an expense for the defined contribution plans operated by the group amounted to R975 million (2019 restated: R898 million). During 2020 it was discovered that the amount disclosed in 2019 as an expense for defined contribution plans erroneously omitted an amount of R301 million. This restatement has no impact on the group's income statement.

43. Pensions and other post-employment benefits continued

43.1 Retirement funds

Standard Bank retirement funds

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

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

The fund is subject to a statutory financial review by actuaries at an interval of not more than three years. A full actuarial valuation was performed during the 2019 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 2021.

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

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

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

Liberty retirement funds

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

Description of risks

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

43. Pensions and other post-employment benefits continued**43.1 Retirement funds** continued

	2020 Rm	2019 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	(38 186)	(36 716)
Fair value of plan assets	39 518	37 944
Surplus	1 332	1 228
Asset ceiling	(159)	(138)
Included in the statement of financial position	1 173	1 090
SBGRF	1 081	945
Liberty retirement funds	89	117
Other retirement funds	3	28
Included in:		
Other assets (note 9)	1 173	1 090
Other liabilities (note 20)	1 102	1 204
Movement in the present value of funded obligations		
Balance at the beginning of the year	36 716	34 206
Current service cost	1 285	1 287
Interest cost	3 358	3 267
Employee contributions	909	918
Actuarial gain	(1 228)	(124)
Exchange loss/(gain)	36	(3)
Benefits paid	(2 890)	(2 835)
Balance at the end of the year	38 186	36 716
Movement in the fair value of plan assets		
Balance at the beginning of the year	37 944	35 235
Interest income	3 457	3 367
Contributions received	2 142	2 194
Net return on assets	(1 165)	(7)
Exchange gain/(loss)	30	(10)
Benefits paid	(2 890)	(2 835)
Balance at the end of the year	39 518	37 944
Cash	783	1 220
Equities	14 412	14 923
Bonds	11 521	10 669
Property and other	12 802	11 132

Plan assets do not include property occupied by the group.

The group expects to pay R1 317 million in contributions to the Standard Bank retirement funds in 2021 (2020: R1 250 million).

43. Pensions and other post-employment benefits continued

43.1 Retirement funds continued

	2020 Rm	2019 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost ¹	1 285	1 287
Net interest costs ²	(99)	(100)
Included in staff costs	1 186	1 187
The expected long-term rate of return is based on the expected long-term returns on equities, cash and bonds. The split between the individual asset categories is considered in setting these assumptions. Adjustments were made to reflect the effect of expenses.		
Components of statement of other OCI		
Actuarial loss under asset management	(1 165)	(7)
Actuarial gains	1 228	124
(Loss)/gain from changes in demographic assumptions	(1)	6
Gain/(loss) from changes in financial assumptions	966	(55)
Gain from changes in experience adjustments	263	173
Asset ceiling	(21)	(107)
Remeasurements recognised in OCI	42	10
Reconciliation of net defined benefit asset		
Net defined benefit asset at the beginning of the year	1 090	998
Net expense recognised ¹	(1 186)	(1 187)
Amounts recognised in OCI	42	10
Company contributions	1 233	1 276
Exchange loss ¹	(6)	(7)
Net defined benefit asset at the end of the year	1 173	1 090

¹ Restated. It was noted that the current service cost for 2019 was understated with R11 million and net expenses recognised and exchange movements for 2019 were overstated by R1 million each. This restatement did not impact the group's fair value of these instruments or the group's statement of financial position.

² Restated. It was noted that the net interest income for 2019 was understated with R100 million. This restatement did not impact the group's fair value of these instruments or the group's statement of financial position.

43.2 Post-employment healthcare benefits

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

Standard Bank

The largest portion of this liability represents a South African post-employment healthcare benefit scheme that covers all employees who went on retirement before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full actuarial valuation was performed at 31 December 2020. The next actuarial valuation is to be performed on 31 December 2021.

Liberty

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

43. Pensions and other post-employment benefits continued**43.2 Post-employment healthcare benefits** continued

	2020 Rm	2019 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	1 102	1 204
Included in the statement of financial position	1 102	1 204
Standard Bank	662	745
Liberty	440	459
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	1 204	1 237
Net expense recognised	159	118
Benefits paid	(94)	(89)
Amounts recognised in OCI	(170)	(61)
Foreign exchange movements	3	(1)
Balance at end of the year	1 102	1 204

	2020 Rm	2019 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	9	10
Net interest cost	150	108
Included in staff costs	159	118
Components of statement of other comprehensive income		
Actuarial losses arising from changes in financial assumptions	(95)	(30)
Actuarial losses arising from experience adjustments	(75)	(31)
Remeasurements recognised in OCI	(170)	(61)

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. The aggregate current service cost and interest cost is R159 million (2019: R118 million) and the defined benefit obligation is R1 102 million (2019: R1 204 million). A one percentage point change in the medical inflation rate would have the following effects on the amounts recognised:

	2020		2019	
	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Sensitivity analysis for post-employment medical aid fund				
Effect on the aggregate of the current service cost and interest cost	14	(11)	6	(5)
Effect on the defined benefit obligation	101	(85)	24	(17)

44. Segment reporting



BUSINESS UNITS AND WHAT WE OFFER

Personal & Business Banking

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

What we offer

Transactional products

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

Mortgage lending

Residential accommodation loans mainly to personal market customers

Card products

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

Vehicle and asset finance

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

Lending products

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

Wealth

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

Corporate & Investment Banking

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

What we offer

Customer 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

Central and other

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

Other banking interests

- Equity investments held in terms of strategic partnership agreements with ICBC, including:
 - ICBC Standard Bank Plc (40% associate)
 - ICBC Argentina (20% associate). The disposal of the associate was completed during June 2020.

Liberty

Life insurance and investment management activities

What we offer

South Africa Retail

Insurance and investment solutions to individual customers in South Africa

Business development

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

Asset management

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

Where reporting responsibility for individual cost centres and divisions within segments change, the segmental analyses' comparative figures are reclassified accordingly.

44. Segment reporting continued

44.2 Operating segments statement of financial position

	Personal & Business Banking		Corporate & Investment Banking	
	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm
Assets				
Cash and balances with central banks	15 982	15 436	71 289	59 669
Derivative assets	542	676	106 144	66 671
Trading assets	2	6	261 173	223 627
Pledged assets			8 533	17 800
Financial investments	72 638	45 146	180 493	154 564
Current tax assets	178	21	191	73
Disposal of group assets held for sale				
Loans and advances	728 466	708 063	587 007	527 611
Loans and advances to banks	35 182	51 377	164 175	107 876
Loans and advances to customers	693 284	656 686	422 832	419 735
Policyholders' assets				
Other assets	6 744	10 614	17 379	11 308
Interest in associates and joint ventures	2 042	1 843	566	563
Investment property				
Property, equipment and right of use asset	9 198	9 549	415	338
Goodwill and other intangible assets	10 825	11 886	688	3 018
Deferred tax assets	672	483	974	865
Total assets	847 289	803 723	1 234 852	1 066 107
Equity and liabilities				
Equity	76 450	74 101	71 014	65 916
Equity attributable to ordinary shareholders	70 341	68 686	64 167	59 882
Equity attributable to other equity holders	2 822	2 384	2 911	2 662
Preference shares				
AT1 capital shareholders	2 822	2 384	2 911	2 662
Equity attributable to non-controlling interests	3 287	3 031	3 936	3 372
Liabilities	770 839	729 622	1 163 838	1 000 191
Derivative liabilities	516	609	101 433	64 803
Trading liabilities			80 385	83 946
Current tax liabilities	1 307	4 939	540	2 289
Disposal group liabilities classified as held for sale				
Deposits and debt funding	709 561	610 475	981 228	891 951
Deposits from banks	9 948	3 510	159 129	168 828
Deposits and current accounts from customers	699 613	606 965	822 099	723 123
Policyholders' liabilities				
Interdivisional funding/(lending)	28 568	80 348	(38 284)	(79 608)
Subordinated debt	8 667	8 765	10 251	12 989
Provision and other liabilities	23 744	25 813	28 859	24 436
Deferred tax liabilities	(1 524)	(1 327)	(574)	(615)
Total equity and liabilities	847 289	803 723	1 234 852	1 066 107
Average gross loans and advances	747 612	714 407	639 901	536 013
Average interest-earning assets	783 603	733 702	928 395	771 778
Average ordinary shareholders' equity	71 896	68 025	67 271	59 347

¹ Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis' comparative figures are reclassified accordingly. Furthermore the note disclosure has been disaggregated to provide a better analysis of the segmented statement of financial position, this change had no impact on the group's statement of financial position.

	Central and other		Banking Activities		Other banking interests		Liberty		Standard Bank Group	
	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm
	234	183	87 505	75 288					87 505	75 288
	(590)	(522)	106 096	66 825			12 194	4 582	118 290	71 407
	(3 268)	(3 224)	257 907	220 409			4 720	2 393	262 627	222 802
	1 849		10 382	17 800			8 599	11 577	18 981	29 377
	21 935	4 993	275 066	204 703			375 232	362 616	650 298	567 319
	325	473	694	567				317	694	884
	7	819	7	819		1 196	213	584	220	2 599
	(44 218)	(54 607)	1 271 255	1 181 067					1 271 255	1 181 067
	(38 227)	(54 408)	161 130	104 845					161 130	104 845
	(5 991)	(199)	1 110 125	1 076 222					1 110 125	1 076 222
							5 050	7 017	5 050	7 017
	1 265	(927)	25 388	20 995			10 632	8 906	36 020	29 901
	95	96	2 703	2 502	3 522	2 645	273	276	6 498	5 423
	614	373	614	373			29 303	33 807	29 917	34 180
	9 396	9 721	19 009	19 608			1 693	2 410	20 702	22 018
	6 251	6 808	17 764	21 712			498	611	18 262	22 323
	4 735	2 636	6 381	3 984			240		6 621	3 984
	(1 370)	(33 178)	2 080 771	1 836 652	3 522	3 841	448 647	435 096	2 532 940	2 275 589
	38 030	36 504	185 494	176 521	3 522	3 841	26 256	29 122	215 272	209 484
	27 340	27 096	161 848	155 664	3 522	3 841	11 001	11 724	176 371	171 229
	6 795	5 943	12 528	10 989					12 528	10 989
	5 503	5 503	5 503	5 503					5 503	5 503
	1 292	440	7 025	5 486					7 025	5 486
	3 895	3 465	11 118	9 868			15 255	17 398	26 373	27 266
	(39 400)	(69 682)	1 895 277	1 660 131			422 391	405 974	2 317 668	2 066 105
	(715)	(688)	101 234	64 724			10 343	4 774	111 577	69 498
	(297)	(229)	80 088	83 717			1 173	130	81 261	83 847
	3 360	(2 060)	5 207	5 168			210		5 417	5 168
							92	246	92	246
	(48 388)	(56 346)	1 642 401	1 446 080			(18 357)	(19 887)	1 624 044	1 426 193
	(36 903)	(51 219)	132 174	121 119					132 174	121 119
	(11 485)	(5 127)	1 510 227	1 324 961			(18 357)	(19 887)	1 491 870	1 305 074
							325 192	324 246	325 192	324 246
	9 716	(740)								
	4 307	1 565	23 225	23 319			6 081	5 582	29 306	28 901
	(10 118)	(13 630)	42 485	36 619			95 409	87 482	137 894	124 101
	2 735	2 446	637	504			2 248	3 401	2 885	3 905
	(1 370)	(33 178)	2 080 771	1 836 652	3 522	3 841	448 647	435 096	2 532 940	2 275 589
	(51 454)	(56 310)	1 336 059	1 194 110						
	(51 339)	(45 594)	1 660 659	1 459 886						
	24 672	23 088	163 839	150 460	4 063	6 613	11 214	11 247	179 116	168 320

44. Segment reporting continued

44.3 Operating segments income statement

	Personal & Business Banking		Corporate & Investment Banking	
	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm
Income from banking activities	70 060	72 777	40 179	38 202
Net interest income	42 167	43 987	19 501	19 457
Interest income ²	71 486	82 372	63 576	69 424
Interest expense ²	(29 319)	(38 385)	(44 075)	(49 967)
Other interest				
Net fee and commission revenue	23 781	25 010	6 152	5 983
Fee and commission revenue	29 496	30 968	6 759	6 592
Fee and commission expense	(5 715)	(5 958)	(607)	(609)
Trading revenue	820	425	13 705	11 669
Other revenue	3 211	3 334	184	364
Other gains and losses on financial instruments	81	21	637	729
Income from investment management and life insurance activities				
Insurance premiums received				
insurance benefits and claims paid				
Investment management and service fee income and gains				
Fair value adjustments to investments management liabilities and third-party fund interests				
Total income	70 060	72 777	40 179	38 202
Credit Impairment charges	(15 913)	(6 360)	(4 190)	(1 590)
Net income before operating expenses	54 147	66 417	35 989	36 612
Operating expenses in banking operations	(44 259)	(43 152)	(21 418)	(20 950)
Operating expenses in life insurance operations				
Net income before capital items and equity accounted earnings	9 888	23 265	14 571	15 662
Non-trading and capital related items	(302)	148	(2 205)	(215)
Share of post tax profit/(loss) from associates	125	325	66	2
Net income before indirect taxation	9 711	23 738	12 432	15 449
Indirect taxation	(529)	(530)	(383)	(318)
Profit before direct taxation	9 182	23 208	12 049	15 131
Direct taxation	(2 271)	(5 816)	(534)	(2 034)
Profit for the year	6 911	17 392	11 515	13 097
Attributable to non-controlling interests	561	594	2 243	1 796
Attributable to other equity instrument holders	182	160	212	229
Attributable to ordinary shareholders	6 168	16 638	9 060	11 072
Headline earnings	6 397	16 573	10 566	11 254
Return on equity (ROE) (%)	8.9	24.4	15.7	19.0
Net interest margin (bps)	537	600	209	252
Credit loss ratio (bps)	213	89	59	32
Cost-to-income ratio (%)	63	59	53	55
Number of employees	23 956	24 469	3 555	3 551

¹ Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis' comparative figures are reclassified accordingly.

² Restated. During 2020, it was identified that in 2019, the allocation of interest funding to the trading book was in error allocated to interest income instead of interest expense, which resulted in the overstatement of interest income and interest expense within CIB to the amount of R5 557 million. Refer to the restatement section on page 29 for more detail.

	Central and other		Banking activities		Other banking interests		Liberty		Standard Bank Group	
	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm	2020 Rm	2019 ¹ Rm
	(1 658)	(518)	108 581	110 461					108 581	110 461
	(243)	(525)	61 425	62 919					61 425	62 919
	(28 037)	(27 853)	107 025	123 943					107 025	123 943
	27 794	27 328	(45 600)	(61 024)					(45 600)	(61 024)
	(520)	(371)	29 413	30 622					29 413	30 622
	(322)	(206)	35 933	37 354					35 933	37 354
	(198)	(165)	(6 520)	(6 732)					(6 520)	(6 732)
	(651)	(19)	13 874	12 075					13 874	12 075
	(237)	391	3 158	4 089					3 158	4 089
	(7)	6	711	756					711	756
							15 086	23 573	15 086	23 573
								39 801		39 801
								(44 309)		(44 309)
								9 227		9 227
							15 086	18 854	15 086	18 854
	(1 658)	(518)	108 581	110 461			15 086	23 573	123 667	134 034
	(491)	(14)	(20 594)	(7 964)					(20 594)	(7 964)
	(2 149)	(532)	87 987	102 497			15 086	23 573	103 073	126 070
	2 495	1 767	(63 182)	(62 335)			(16 139)	(16 486)	(63 182)	(62 335)
									(16 139)	(16 486)
	346	1 235	24 805	40 162			(1 053)	7 087	23 752	47 249
	252	(84)	(2 255)	(151)	(1 576)	(2 418)	(125)	(321)	(3 956)	(2 890)
		6	191	333	881	(864)	12	19	1 084	(512)
	598	1 157	22 741	40 344	(695)	(3 282)	(1 166)	6 785	20 880	43 847
	(1 191)	(1 158)	(2 103)	(2 006)			(624)	(586)	(2 727)	(2 592)
	(593)	(1)	20 638	38 338	(695)	(3 282)	(1 790)	6 199	18 153	41 255
	7	(38)	(2 798)	(7 888)	(416)		(426)	(2 671)	(3 640)	(10 559)
	(586)	(39)	17 840	30 450	(1 111)	(3 282)	(2 216)	3 528	14 513	30 696
	71	138	2 875	2 528			(1 523)	1 852	1 352	4 380
	409	484	803	873					803	873
	(1 066)	(661)	14 162	27 049	(1 111)	(3 282)	(693)	1 676	12 358	25 443
	(1 248)	(611)	15 715	27 216	881	(864)	(651)	1 855	15 945	28 207
			9.6	18.1	21.7	(13.1)	(5.8)	16.5	8.9	21.5
			370	431					370	431
			151	68					151	68
			58	56					58	56
	16 939	16 976	44 450	44 996			5 665	5 695	50 115	50 691

44. Segment reporting continued

44.4 Geographic information

	South Africa Rm	Africa Regions Rm	International Rm	Eliminations ¹ Rm	Standard Bank Group Rm
2020					
Total income²	77 149	44 773	3 508	(1 763)	123 667
Banking activities	65 636	41 200	3 508	(1 763)	108 581
Liberty	11 513	3 573			15 086
Total headline earnings	6 939	8 517	1 893	(1 404)	15 945
Banking activities	7 577	8 530	1 012	(1 404)	15 715
Other banking interests			881		881
Liberty	(638)	(13)			(651)
Total assets	2 018 458	484 611	126 563	(96 692)	2 532 940
Banking activities	1 578 208	476 214	123 041	(96 692)	2 080 771
Other banking interests			3 522		3 522
Liberty	440 250	8 397			448 647
Non-current assets³	55 080	13 194	485	(272)	68 487
Banking activities	23 938	12 629	485	(272)	36 780
Liberty	31 142	565			31 707
2019					
Total income²	89 776	41 551	3 694	(987)	134 034
Banking activities	70 052	37 702	3 694	(987)	110 461
Liberty	19 724	3 849			23 573
Total headline earnings	20 581	7 527	520	(421)	28 207
Banking activities	18 314	7 939	1 384	(421)	27 216
Other banking interests			(864)		(864)
Liberty	2 267	(412)			1 855
Total assets	1 833 665	422 860	111 391	(92 327)	2 275 589
Banking activities	1 406 815	414 614	107 550	(92 327)	1 836 652
Other banking interests			3 841		3 841
Liberty	426 850	8 246			435 096
Non-current assets³	65 772	13 662	194	(77)	79 551
Banking activities	29 078	12 944	194	(77)	42 139
Liberty	36 694	718			37 412

¹ Eliminations include intersegmental transactions and balances and also includes 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 year.

⁴ Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis' comparative figures are reclassified accordingly.

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STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	COMPANY	
		2020 Rm	2019 Rm
Assets			
Financial investments	45	56	81
Other assets			173
Interest in subsidiaries	46	99 743	90 190
Interest in associates	47	5 110	1 233
Current tax asset			8
Deferred tax asset	48	4	
Total assets		104 913	91 685
Equity and liabilities			
Equity			
Share capital and premium	15	18 016	17 984
Equity attributable to other equity instrument holders	15	12 528	10 989
Reserves		54 725	50 337
Liabilities			
Deferred tax liabilities	48	19 644	12 375
Subordinated debt	49	18 970	11 704
Indebtedness by the company to group subsidiaries	46	641	637
Other liabilities		25	33
Current tax liabilities		8	
Total equity and liabilities		104 913	91 685

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	COMPANY	
		2020 Rm	2019 Rm
Interest income		1 143	805
Interest expense		(1 124)	(771)
Other (losses)/gains	50	(39)	475
Dividends from subsidiaries		20 998	16 999
Total income		20 978	17 508
Operating expenses		(35)	(45)
Net income before impairments of investment		20 943	17 463
Impairment of investment in subsidiaries	46	(6 866)	(2)
Net income before share of profits from associate		14 077	17 461
Share of profits from associates	47	186	288
Profit before direct taxation		14 263	17 749
Direct taxation	51	(307)	(236)
Profit for the year		13 956	17 513
Other comprehensive loss after tax for the year		(17)	(6)
Net change in fair value of equity financial assets measured at fair value	45	(21)	(8)
Deferred tax on net fair value adjustment on equity financial assets measured at FVOCI	48	4	2
Total comprehensive income		13 939	17 507
Attributable to the ordinary shareholder		13 136	16 634
Attributable to other equity instrument holders		803	873

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	COMPANY	
		2020 Rm	2019 Rm
Net cash flows from operating activities		17 393	17 462
Profit before direct taxation		14 263	17 749
Adjusted for non-cash items and other adjustments included in the income statement	52	(14 329)	(17 794)
Decrease in income-earning assets	52	198	
Decrease in deposits, trading and other liabilities	52	(8)	(22)
Interest received		1 143	805
Interest paid		(858)	(771)
Dividends received		17 307	16 999
Proceeds on sale of shares in subsidiary			522
Taxation paid		(323)	(26)
Net cash flows used in from investing activities		(16 413)	(9 209)
Increase in investment in subsidiaries	52	(16 413)	(9 209)
Net cash flows used in financing activities		(980)	(8 253)
Proceeds from issue of share capital		32	124
Share buy-backs			
Issuance of other equity instruments		1 539	1 942
Issuance of subordinated debt	52	7 000	6 647
Net dividends paid		(9 551)	(16 966)
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 2020

COMPANY	Note	Share capital and premium Rm
Balance at 1 January 2019		17 860
Issue of share capital and share premium	15	124
Repurchase of share capital and share premium	15	
Vested units transfer to retained earnings		
Direct equity movement		
Total comprehensive income		
Other comprehensive income		
Profit for the year		
Dividends paid		
Preference share redemption		
Balance at 31 December 2019		17 984
Balance at 1 January 2020		17 984
Issue of share capital and share premium	15	32
Vested units transfer to retained earnings		
Total comprehensive income		
Other comprehensive income		
Profit for the year		
Dividends paid		
Balance at 31 December 2020		18 016

Revaluation reserve Rm	Cash flow hedging reserve Rm	Empowerment reserve Rm	Fair value through OCI reserve	Retained earnings Rm	Ordinary shareholders' equity Rm	Other equity instrument holders Rm	Total Rm
3 100	969	(148)	(41)	45 750	67 490	9 047	76 537
					124		124
						1 942	1 942
				18	18		18
			(6)	16 640	16 634	873	17 507
			(6)		(6)		(6)
				16 640	16 640	873	17 513
				(16 093)	(16 093)	(873)	(16 966)
		148			148		148
3 100	969		(47)	46 315	68 321	10 989	79 310
3 100	969		(47)	46 315	68 321	10 989	79 310
					32		32
						1 539	1 539
			(17)	13 153	13 136	803	13 939
			(17)		(17)		(17)
				13 153	13 153	803	13 956
				(8 748)	(8 748)	(803)	(9 551)
3 100	969		(64)	50 720	72 741	12 528	85 269

NOTES TO THE COMPANY FINANCIAL STATEMENTS

45. Financial investments

	2020 Rm	2019 Rm
Financial investments held in banking activities – unlisted equities	56	81
Financial investment measured at fair value through OCI		
Opening balance	49	57
Fair value adjustments	(21)	(8)
Closing balance	28	49
Financial investment measured at fair value through profit or loss		
Opening balance	32	27
Fair value adjustments	(4)	5
Closing balance	28	32
Total	56	81

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

46. Interest in subsidiaries

	2020 Rm	2019 Rm
Shares at cost	77 621	76 380
Indebtedness to the company (annexure A)	21 206	12 894
Investment through equity-settled share incentives	916	916
	99 743	90 190
Indebtedness by the company (annexure A)	(641)	(637)
Total	99 102	89 553



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

Indebtedness to the company are all current assets and have been classified as loans and advances which are measured on an amortised cost basis. These lending exposure are to entities that forms 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 (GRMC). The ECL has been assessed to be insignificant.

The carrying value approximates fair value and are 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 are 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 year.
- 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 the reporting period an impairment loss of R6.9 billion was recognised on the company's investment in Standard Bank London Holdings Ltd (SBLH) (2019: R2 million impairment loss was recognised on the company's investment in SML Limited). The impairment of SBLH is primarily driven by the dividend comprising of the cash dividend as well as the dividend in specie distribution of its investment in ICBCS distributed during 2020 reporting period. This investment was impaired to its recoverable amount (the NAV approximates the recoverable amount).

47. Interest in associates

	2020 Rm	2019 Rm
Carrying value at beginning of the year	1 233	1 065
Direct equity movement		18
Additions	3 691	
Share of profit	186	288
Dividend received		(138)
Carrying value at end of the year	5 110	1 233

The company's investments in associates include South African Home Loans (Proprietary) Limited and ICBCS which was received as a dividend in specie distribution from Standard Bank London Holdings a subsidiary of Standard Bank Group Limited in November 2020, refer to annexure B.

48. Deferred tax asset/(liability)

	2020 Rm	2019 Rm
Deferred tax reconciliation		
Deferred tax liability at the beginning of the year	(1)	(2)
Temporary difference for the year	5	1
Deferred tax on equity financial asset reserve recognised in OCI	4	2
Fair value adjustment – recognised in profit or loss	1	(1)
Deferred tax asset/(liability) at end of the year	4	(1)

49. Subordinated debt

	Redeemable/payable date	First callable date	Nominal value ¹ Million	Carrying value ¹	Carrying value
				2020 Rm	2019 Rm
SBT201	13 February 2028	13 February 2023	ZAR3 000	3 026	3 040
SBT202	03 December 2028	03 December 2023	ZAR1 516	1 524	1 527
SBT203	03 December 2028	03 December 2023	ZAR484	488	488
SBT204	16 April 2029	16 April 2024	ZAR1 000	1 012	1 020
SBT205	31 May 2029	31 May 2024	USD400	5 899	5 629
SBT206	31 January 2030	31 January 2025	ZAR2 000	2 018	
SBT207	25 June 2030	25 June 2025	ZAR3 500	3 503	
SBT208	28 November 2030	28 November 2025	ZAR 1 500	1 500	
Total				18 970	11 704

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

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

Subordinated debt are measured on an amortised cost basis and are classified as level 2 in the fair value hierarchy, with a fair value of R19.4 billion (2019: R11.8 billion).

49.1 Maturity analysis

	Within one to five years ¹	
	2020 Rm	2019 Rm
Subordinated debt – discounted	18 970	11 704
Subordinated debt – undiscounted	23 784	14 468

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.

50. Other (losses)/income

	2020 Rm	2019 Rm
Foreign exchange loss	(41)	
Unrealised (loss)/gains on financial instruments	(4)	5
Profit on the sale of shares		470
Other	6	
Total	(39)	475

51. Direct taxation

	2020 Rm	2019 Rm
Current year		
South African normal tax	196	209
Deferred tax charge	(5)	(1)
Foreign and withholding taxes	34	28
Prior years		
South African normal tax prior year under provision	82	
Total direct taxation recognised in statement of comprehensive income	307	236
South African tax rate reconciliation (%)		
Direct tax – statutory rate	28.0	28.0
Prior year tax	0.6	
Direct tax – current year	28.6	28.0
Withholding tax	0.2	0.2
Direct tax – current year – normal	28.8	28.2
Permanent differences		
Impairment of investment	13.5	
Non-deductible cost	0.3	
Dividends received	(40.1)	(26.0)
Other non-taxable income		(0.6)
Equity accounted earnings	(0.4)	(0.5)
Direct effective tax rate¹	2.1	1.1

¹ Expressed as a percentage of profit before direct tax.

52. Statement of cash flow notes**52.1 Adjustment for non-cash items and other adjustments included in the income statement**

	2020 Rm	2019 Rm
Dividends received	(20 998)	(16 999)
Interest income	(1 143)	(805)
Interest expense	1 124	771
Share of profits from associates	(186)	(288)
Profit on sale of shares in subsidiary		(470)
Impairment of investment in subsidiary	6 866	2
Unrealised loss/(gain) on financial instruments	4	(5)
Other non-cash expenses	4	
Total	(14 329)	(17 794)

52.2 Decrease in income-earning assets

	2020 Rm	2019 Rm
Financial Investments	25	3
Other assets	173	(3)
Total	198	

52.3 Decrease in other liabilities

	2020 Rm	2019 Rm
Other liabilities	(8)	(22)

52.4 Increase in investment in subsidiaries

	2020 Rm	2019 Rm
Increase in investment in subsidiaries	(8 105)	(3 208)
Movement in indebtedness	(8 308)	(6 001)
Total	(16 413)	(9 209)

52.5 Reconciliation of subordinated debt

	2020 Rm	2019 Rm
Balance at the beginning of the year	11 704	5 057
Subordinated debt issued and interest accrued for the period	7 266	6 647
Balance at the end of the year	18 970	11 704

53. Liquidity, credit and market risk information

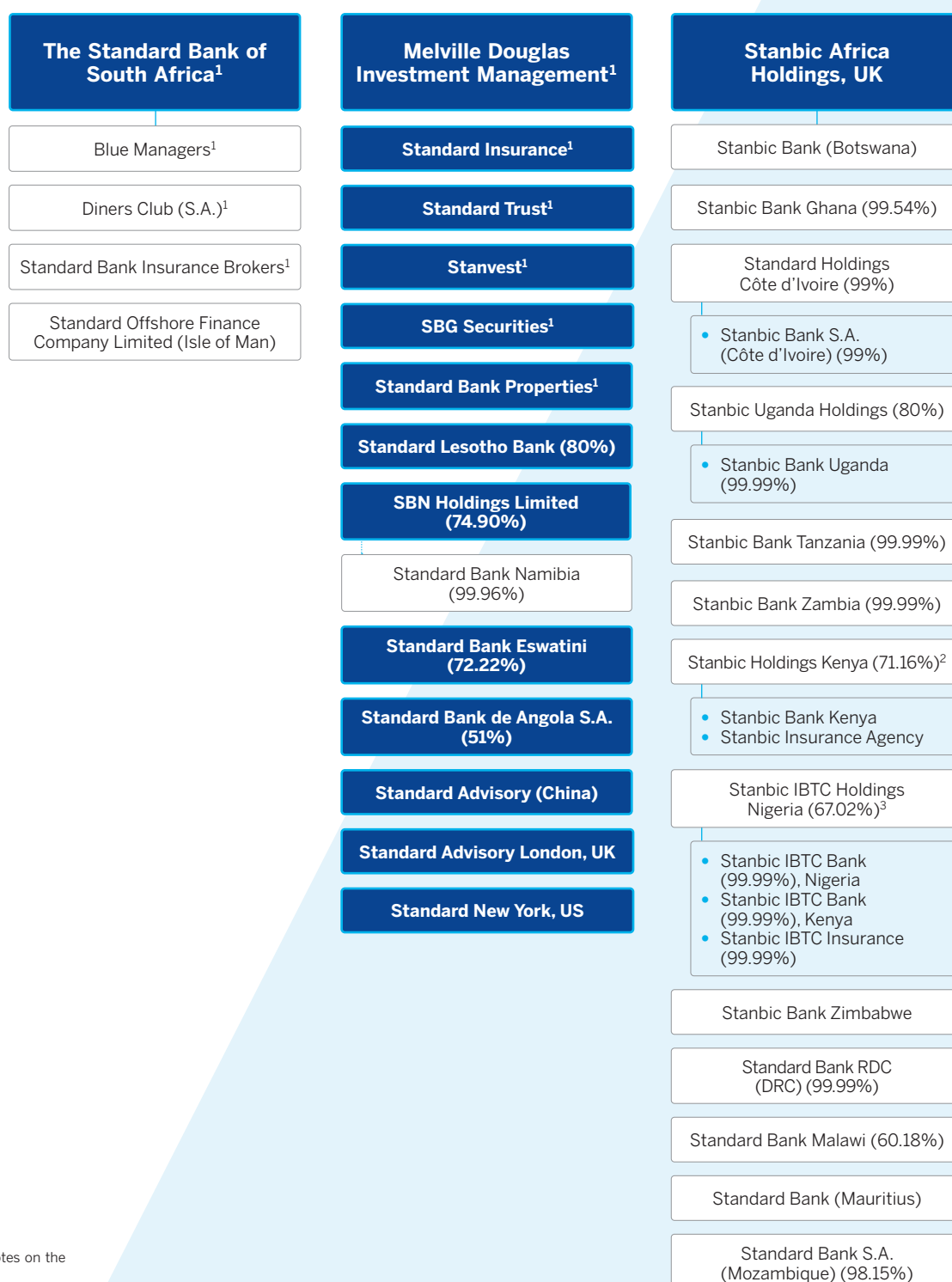
Other assets and liabilities consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk.

Annexure A – subsidiaries, consolidated and unconsolidated structured entities

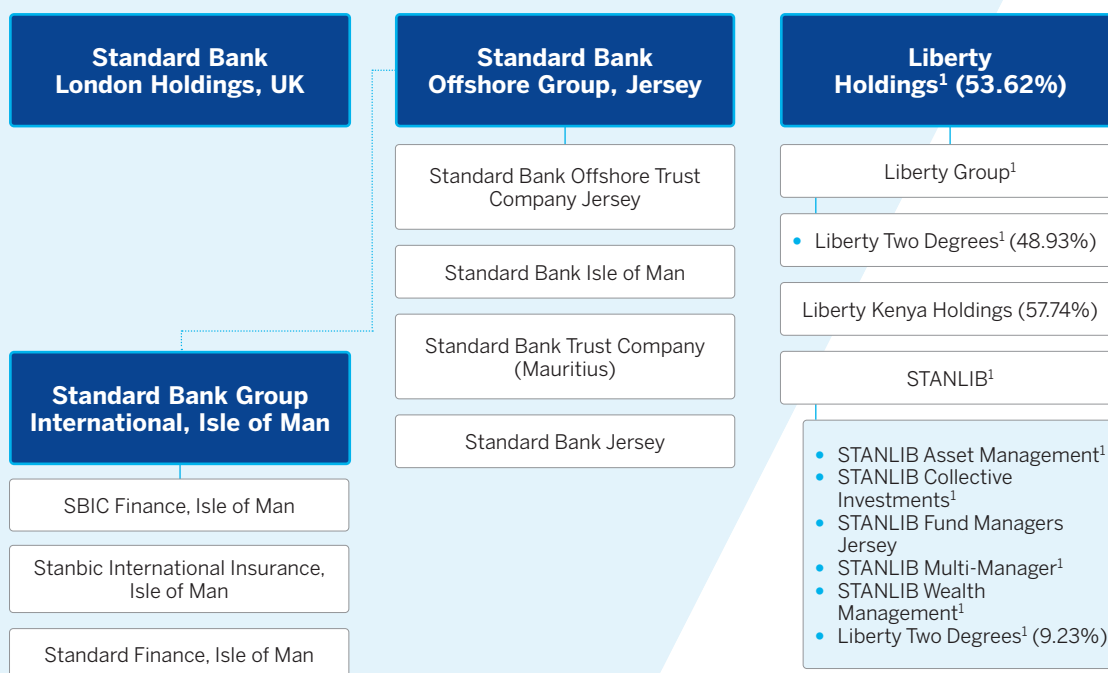
The diagram above depicts principal subsidiaries only. A full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office. The holding in subsidiaries is 100% unless otherwise indicated.



STANDARD BANK GROUP¹



¹ Refer to footnotes on the following page.



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.

¹ Incorporated in South Africa.

² Change in holding from 69.15% to 71.16%.

³ Change in holding from 65.70% to 67.02%.

	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	420
Stanbic Bank Ghana Limited (Ghana) ^{1#}	Commercial bank	630
Stanbic Bank Kenya Limited (Kenya) ^{1#}	Commercial bank	423
Stanbic Bank S.A. (Côte d'Ivoire) ^{1#}	Commercial bank	974
Stanbic Bank Tanzania Limited (Tanzania) ^{1,3#}	Commercial bank	50
Stanbic Bank Zambia Limited (Zambia) ^{1,3#}	Commercial bank	660
Stanbic Bank Zimbabwe Limited (Zimbabwe) ^{#*}	Commercial bank	2
Stanbic Bank Uganda Limited (Uganda) ^{1#}	Commercial bank	227
Stanbic IBTC Bank PLC (Nigeria) ^{1#}	Commercial bank	111
Standard Bank de Angola S.A. (Angola) [#]	Commercial bank	768
Standard Bank Isle of Man Limited (Isle of Man) ^{1#}	Merchant bank	25
Standard Bank Jersey Limited (Jersey) ^{1#}	Merchant bank	454
Standard Bank PLC (Malawi) ^{1,4#}	Commercial bank	23
Standard Bank (Mauritius) Limited (Mauritius) ^{1#}	Commercial bank	342
Standard Bank Namibia Limited (Namibia) ^{1,5#}	Commercial bank	2
Standard Bank RDC S.A. (DRC) ^{1,3#}	Commercial bank	944
Standard Bank S.A. (Mozambique) ^{1#}	Commercial bank	309
Standard Bank Eswatini Limited (Eswatini) [#]	Commercial bank	15
Standard Lesotho Bank Limited (Lesotho) [#]	Commercial bank	21
The Standard Bank of South Africa Limited [#]	Commercial bank	60
Total banking subsidiaries		

Refer to footnotes on the following page.

*Stanbic Bank Zimbabwe (SBZ) functional currency

The change in functional currency from USD to ZWL was effective from 1 October 2018. During the 2018 reporting year only exchange mechanism that SBZ had access to was ZWL, which was also the only 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 after the change in functional currency up until the end of the 2018 reporting year was the official rate of 1:1.

Reserve Bank of Zimbabwe (RBZ) implemented certain key monetary policy measures during February 2019. The most significant change was the establishment of a new foreign exchange interbank market and this interbank market will complement the existing official foreign exchange mechanism with the RBZ. The establishment of this interbank market has created an additional legal exchange mechanism whereby the bank is able to trade RTGS dollars (official currency). The starting rate of trade in this interbank market was 2.5RTGS:USD.

The foreign exchange interbank market was replaced by the foreign exchange auction trading system as from 23 June 2020. As at 31 December 2020, the rate deteriorated to 81.77 RTGS:USD from 16.54 RTGS:USD as at 31 December 2019, which resulted in a FCTR loss of R1.4 billion (2019: R2.5 billion) for the group, after the hyperinflation adjustment translation adjustment per IAS 21 *The effects of changes in foreign exchange rates* (IAS 21). During 2020, the Zimbabwe year-on-year monthly inflation rate moved from 521% to 349% at the end of December 2020. Therefore, SBZ remains a group entity operating in a hyperinflationary economy and the results for SBZ continue to be adjusted in accordance with IAS 29 *Financial reporting in hyperinflationary economies*. This resulted in the group's profit attributable to ordinary shareholders for the year ended 31 December 2020 decreasing by R607 million (2019: R82 million) and an increase in retained earnings of R1.05 billion (2019: R730 million). The consumer price index at the beginning of the reporting year was 552% (2019: 98%) and closed at 2475% (2019: 552%).

	Effective holding ²		Non-controlling interests		Book value of shares		Net indebtedness	
	2020 %	2019 %	2020 %	2019 %	2020 Rm	2019 Rm	2020 Rm	2019 Rm
	100	100						
	99	99	1	1				
	71	69	29	31				
	99	99	1	1				
	100	100						
	100	100						
	100	100			136	136		
	80	80	20	20				
	67	66	33	34				
	51	51	49	49	359	359		139
	100	100						
	100	100						
	60	60	40	40				
	100	100						
	75	84	25	16				
	100	100						
	98	98	2	2				
	72	72	28	28	94	94		
	80	80	20	20	13	13		
	100	100			56 145	50 541	20 378	12 070
					56 747	51 143	20 378	12 209

	Nature of operation	Nominal share capital issued
Non-banking subsidiaries		
Eccentric Payment Systems Proprietary Limited ¹	Development and marketing transactions – switching software and services	
Liberty Group Limited ¹	Insurance company	29
Liberty Holdings Limited ⁴	Insurance holding company	26
Liberty Two Degrees Limited ^{1,6}	Real Estate Investment trust	
Melville Douglas Investment Management Proprietary Limited [#]	Asset and portfolio management	
SBG Securities Proprietary Limited [#]	Stockbrokers	
SBN Holdings Limited (Namibia) ^{4,5}	Bank holding company	1
Stanbic Africa Holdings Limited (UK)	Investment holding company	1 494
Stanbic Holdings Ghana Limited ⁷	Holding company	30
Stanbic Holdings PLC (Kenya) ^{1,4}	Bank holding company	232
Stanbic IBTC Holdings PLC (Nigeria) ^{1,4}	Bank holding company	284
Stanbic Uganda Holdings Limited (Uganda) ⁴	Bank holding company	227
Standard Advisory (China) Limited (China)	Trading company	8
Standard Advisory London Limited (UK)	Arranging and advisory company	1
Standard Bank Group International Limited (Isle of Man)	Investment holding company	
Standard Bank London Holdings Limited (UK) ³	Investment holding company	6 337
Standard Bank Offshore Group Limited (Jersey) ²	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 [#]	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.

² Effective holding company, comprises direct and indirect holdings.

³ Minorities or nominee shareholders hold 0.5% or less.

⁴ Listed on a stock exchange.

⁵ Following the listing of SBN Holdings Limited on the Namibian Stock Exchange in November 2019, Standard Bank Group Limited legally owns 74.9% (2019:74.9%) and consolidates 74.9% (2019:84.47%) of SBN Holdings Limited's attributable earnings due to the degree of control over the empowerment structure. Refer to page 145 for further detail on the change in holding post 31 December 2019.

⁶ Effective shareholding represents Liberty Group's direct shareholding.

⁷ Established in 2019.

⁸ The decrease in the book value is mainly attributable to the sale of ICBCA, refer to note 6 and the distribution of ICBCS to SBG Limited refer to note 46 and 47.

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 interests		Book value of shares		Net indebtedness	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
	54	54	46	46				
	54	54	46	46				
	54	54	46	46	7 668	7 668		
	58	58	42	42				
	100	100			53	53		
	100	100			323	320		
	75	84	25	16	348	348		
	100	100			10 572	8 064	171	119
	100	100						
	71	69	29	31				
	67	66	33	34				
	80	80	20	20				
	100	100			10	10		
	100	100			557	557		
	100	100			308	308		
	100	100			792	7 658		
	100	100			49	49		
	100	100						
	100	100						
	100	100			30	30		
	100	100			55	55		
	100	100						
	54	54	46	46				
					109	135	16	(71)
					20 874	25 255	187	48
					77 621	76 398	20 565	12 257

Consolidated structured entities

Name of the entity	Nature of the operations	Amount of support provided as at ^{1,2,3}		Type of support ⁴	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Blue Granite Investments No.2 (RF) Proprietary Limited (BG2)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to BG2.	27	23	Subordinated loan	Subordinated loan
Blue Granite Investments No.3 (RF) Proprietary Limited (BG3)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to BG3.	58	59	Subordinated loan	Subordinated loan
Blue Granite Investments No.4 (RF) Proprietary Limited (BG4)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to BG4.		18	Subordinated loan	Subordinated loan
Siyakha Fund (RF) Proprietary Limited (Siyakha)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to Siyakha.		501	Subordinated loan	Subordinated loan
Blue Shield Investments 01 (RF) Limited (Blue Shield 01)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to Blue Shield 01.	502	504	Subordinated loan	Subordinated loan
		16 092	16 158	Mortgage backed notes	Mortgage backed notes
Blue Shield Investments 02 (RF) Limited (Blue Shield 02)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to Blue Shield 02.	1 812	1 816	Subordinated loan	Subordinated loan
		30 638	30 709	Mortgage backed notes	Mortgage backed 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 year, 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 2020 and 2019, 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 loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 2's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 3's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 4's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income reflected in the management accounts, after taking into account all income and expenses.	Should Siyakha's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The subordinated loan is provided by the group. Interest is charged at the lower of prime plus 10% or net profit after tax or cash balance available in Blue Shield 01.	Should Blue Shield 01's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The group holds class A1, A2, A3 and C notes. Interest for the different classes of notes accrues at the three-month JIBAR rate plus a margin ranging between 1.55% and 4.00%. Interest is payable quarterly. The notes' maturity date is 21 November 2024.	
The subordinated loan is provided by the group. Interest is charged at 11%.	Should Blue Shield 02's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
The group holds class A1, A2, B and C notes. Interest for the different classes of notes accrues at prime rate less a margin ranging between 1% and 1.9%. Interest is payable quarterly. The notes' maturity date is 1 December 2055.	

Consolidated structured entities continued

Name of the entity	Nature of the operations	Amount of support provided as at ^{1,2,3}		Type of support ⁴	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Blue Banner Securitisation Vehicle RC1 Proprietary Limited (Blue Banner)	Originates mortgage loans on behalf of group. The group is required to provide the funding for these mortgage loans.		7	Bridging finance	Bridging finance
Rapvest Investments Proprietary Limited	Facilitates finance deals for other group companies and third parties through preference share investments and loans to clients.	8 693	6 902	Loan	Loan
DAF Financial Services (RF) Proprietary Limited	The structure is an asset-backed funding solution. The financial assets, the truck finance receivables, are transferred to DFS and funding is provided by Standard Bank on a limited-recourse basis secured by the receivables.	207	234	Loan	Loan
Main Street 367 Proprietary Limited	Facilitates funding to BG1, BG2, BG3, BG4 and Siyakha. SB Debtors (a subsidiary of Standard Bank Group) provides the funding to Mainstreet to originate the loans.	231	222	Subordinated loan	Subordinated loan
Blue Diamond Investments No. 3 (RF) Limited (BD)³	The group issues notes to Blue Diamond Investments No. 3 (BD) then BD obtains credit protection from third-party investors by issuing notes to third-party investors on single or multiple corporate names. The notes issued by BD are held by Liberty.	203	203	Credit-linked notes	Credit-linked notes

¹ The amount of support provided includes loans and advances and drawn down credit facilities provided to SEs by the group.

² During the reporting year, 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 2020 and 2019, 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 loan does not have a fixed term or repayment date. Any profits in Blue Banner are paid out as interest to the group.	Should Blue Banner's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The loan is payable on demand. No interest is charged on the loan.	In the event that the underlying assets are classified as non-performing loans.
The loan bears interest at a rate of prime plus 1%. The maturity date of the loan is 30 September 2023.	SBSA is exposed to the first-loss risk in the structure as well as potential losses that may be incurred on the receivables as a result of residual asset value risk. The residual asset value risk is however limited due to a put option that is in place.
The loan is only repayable to the extent that Mainstreet receives payment from BG1, BG2, BG3, BG4 and Siyakha. The interest is charged at the higher of JIBAR plus 10% and the cash available in terms of Mainstreet's priority of payments less R15 000.	In the event that customers of BG1, BG2, BG3, BG4 and Siyakha are unable to meet their contractual obligations under the mortgage loan agreement and their loans are classified as non-performing.
The group holds the notes issued by (BD)3. The group settles BD's operating expenses as and when necessary, typically in the event that BD has liquidity constraints. Any payment for such amounts is to be refunded by BD to the group.	In the event of a credit event, the group will suffer a loss. The group is also exposed to the risk of loss should it be unable to recover any unexpected operating expenses from (BD)3.

Unconsolidated structured entities

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

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

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

	2020 Rm	2019 Rm
Balance sheet		
Unconsolidated structured entities		
Financial investments	230	248
Deposits and debt funding accounts from customers	(2 128)	(1 668)
Trading assets	65	42
Total	(1 833)	(1 378)

For both 2019 and 2020, Blue Diamond No. 1 earned income via a once off fee and commission income earned for structuring the SE.

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.

Details of group companies with material non-controlling interests

	Liberty Group Limited		Africa Regions ¹	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-controlling's interests (%)	46	46	*	*
Summarised financial information on an IFRS basis before intercompany eliminations				
Total assets	475 598	461 674	316 680	233 813
Total liabilities	447 601	429 285	269 875	195 862
Total income	66 043	84 447	22 580	19 460
(Loss)/profit for the year	(2 216)	3 635	10 534	9 043
Change in cash balances	1 255	403	11 500	33 911
Profit attributable to non-controlling interests after inter-company eliminations	(1 514)	1 416	2 857	2 515
Non-controlling interest within statement of financial position	15 255	17 398	11 358	9 502
Dividends paid to non-controlling interests	630	1 005	973	710

¹ All balances except total assets and total liabilities (translated using the closing exchange rate) have been translated using cumulative exchange rates.

* Please refer to pages 134 to 137.

Transactions with non-controlling interests primarily comprise of:

2020

There were no material transactions with non-controlling interests during the year.

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

2019

Listing of Standard Bank Namibia Holdings Limited

The group successfully completed the listing of its Namibian bank holding company, SBNH, on the Namibian Stock Exchange on 15 November 2019. As part of the public offer, SBNH raised equity of R200 million through an issue of ordinary shares, while SBGL sold a portion of its stake in SBNH for a sale consideration of R522 million.

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

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 2020	31 August 2020	31 December 2020	

	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Effective holding (%)	20	20		20	50	50
Income statement						
Total comprehensive income/(loss)	330	11		2 915	331	575
Total comprehensive income/(loss) attributed to equity holders of the associate and joint ventures ²	66	2		583	165	288
Dividend received from associates/joint ventures	60	70		33		138
Statement of financial position³						
Non-current assets	2 900	2 881			5 334	32 596
Current assets	188	75			31 805	5 260
Non-current liabilities					(33 075)	(34 496)
Current liabilities	(398)	(200)			(990)	(771)
Net asset value attributed to equity holders of the associate and joint venture	2 690	2 756			3 074	2 589
Proportion of net asset value based on effective holding	538	551			1 537	1 294
Goodwill/(impairment)						
Other					(54)	(61)
Carrying amount ⁴	538	551		1 196	1 483	1 233
Disposal group				(1 196)		
Carrying value	538	551			1 483	1 233
Share of profits/(losses) from associate and joint ventures	66	2		583	165	288

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

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

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

⁴ Includes FCTR that originates at a group level as a result of accounting for foreign denominated associates and joint ventures in group's results.

Refer to note 6 for more detail.

*ICBCS

ICBCS, in which the group is a 40% shareholder, incurred a loss of USD248 million for the 2019 financial year, which includes losses and provisions relating to a single client loss, of USD198 million and restructuring costs of USD30 million following the closure of certain regional offices and management actions to reduce operational costs. The single client loss arose as a result of an explosion at the Philadelphia Energy Solutions (PES) oil refinery complex on the East Coast of the United States. PES filed for bankruptcy protection in July 2019 and various associated actions are currently before the courts. ICBCS is a named beneficiary of certain policies covering Business Interruption in relation to the PES event. ICBCS has lodged a claim with the insurance company and is asserting the priority of its claim. As at 31 December 2019, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, ICBCS has not recognised any insurance recoveries as the significant uncertainty regarding the amount and timing of the insurance recoveries means that the recognition criteria for insurance recoveries are not yet satisfied. The bankruptcy process of PES and insurance claims process are ongoing. Following a review of ICBCS's business model, the ICBCS board has taken actions to reduce costs and simplify ICBCS's business model and will focus on driving efficiencies through working more closely with the ICBC. As at 31 December 2019, having issued AT1 capital to ICBC, ICBCS was sufficiently capitalised to meet its regulatory requirements and to support the business levels indicated

	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 2020	31 December 2020	31 December 2020	31 December 2020

	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
	40	40	Various	Various	Various	Various	Various	Various
	2 200	(3 502)						
	880	(1 401)						
	154 656	186 868						
	252 333	155 131						
	(112 488)	(285 367)						
	(275 403)	(40 200)						
	19 098	16 432						
	7 639	6 573						
	(2 418)	(2 418)						
	(1 699)	(1 478)						
	3 522	2 677		62	955	900	6 498	5 423
	3 522	2 677		62	955	900	6 498	5 423
	880	(1 401)	(53)	5	26	11	1 084	(512)

in its business plan. Given the significant losses suffered by ICBCS and the deterioration of market conditions, the group reviewed the recoverable amount of the associate investment at 30 September 2019. At that time, the group took into consideration available information, applying a value in use (VIU) approach in determining the carrying value. Following this review, the value of the group's carrying value in ICBCS was impaired from USD383 million to USD220 million with an impairment of R2.4 billion recognised in earnings attributable to ordinary shareholders. At 31 December 2019, after further losses recorded by ICBCS in the fourth quarter of 2019, including restructuring provisions, the group's 40% associate investment in ICBCS was carried at USD189 million (R2.6 billion). The group has assessed the recoverable amount of its investment in ICBCS at 31 December 2019; consistent with the approach used at 30 September 2019, the group adopted a VIU approach to determine the recoverable amount utilising the latest available information at year end. Cash flow projections were based on future cash flows the group could derive from the investment, taking into consideration various scenarios. In addition, an appropriate discount rate of 9.8%, which reflects current market assessments of the time value of money and risks specific to ICBCS, was applied. Key inputs to the VIU include ICBCS management's most recent business plan projections. The VIU reflects the present value of the expected future cash flows and is based on the weighted average of potential business outcomes. Based on the outcome of this analysis and the value derived, we conclude that the recoverable amount approximates carrying value and therefore no further impairment was recognised by the group at 31 December 2019. The group will continue to engage and work with ICBC and ICBCS to enable the business to generate acceptable returns. Taking into consideration ICBCS's operating performance in 2020, ICBCS management's business plans and market factors, we conclude that the carrying value of the group's interest in ICBCS approximates its recoverable amount.

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

	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Effective holding (%)	16	14	22	24	4	4	5	5
Fair value	8 697	6 773	1 567	1 555	1 010	980	2 258	2 056
Income statement								
Revenue	3 297	3 522	327	390	1 450	1 983	2 812	3 737
Total profit for the year	2 906	3 280	237	286	1 304	1 837	2 711	3 643
Total comprehensive income	2 906	3 280	237	286	1 304	1 837	2 711	3 643
Dividend received from associates	482	340	59	58	58	67	100	134
Statement of financial position¹								
Non-current assets	53 440	46 058	7 138	6 480	24 017	24 630	40 095	36 527
Current assets	117	105	114	83	502	432	8 264	1 511
Current liabilities	(37)	(32)	(8)	(8)	(12)	(13)	(8)	(8)
Net asset value	53 520	46 131	7 244	6 555	24 507	25 049	48 351	38 030
Total carrying value including loans measured at fair value	8 697	6 773	1 567	1 555	1 010	980	2 258	2 056

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 ventures¹

	2020 Rm	2019 Rm
Cost ²	56	56
Carrying value	538	551
Statement of financial position³		
Non-current assets	2 900	2 881
Current assets	188	75
Current liabilities	(398)	(200)
Income statement		
Attributable income before impairment	66	2
Fair value	538	551

¹ Included in note 10 associates and joint ventures.

² Restated. It was noted that the 2019 cost amount was understated with R8 million. This restatement did not impact the carrying value, fair value or attributable income for the private equity associates and joint ventures or the group's statement of financial position.

³ Summarised financial information of the associates and joint ventures is provided based on the latest available management accounts received.

	STANLIB Bond Fund	Thebe Renewable Energy Holdings (RF) (Pty) Ltd	STANLIB Flexible Income Fund	Other associates and joint ventures – fair value accounted	Total associates and joint ventures – fair value accounted
	Associate	Associate	Associate	Associate	Associates and joint ventures
	Fund	Fund	Fund	Various	Various
	South Africa	South Africa	South Africa	Various	Various
	December	December	December	Various	Various
	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted

	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
	23		81		22	25	Various	Various	Various	Various
	1 135		2 807		512	602	2 967	2 485	20 953	16 168
	421				184	170				
	396				161	147				
	396				161	147				
	42				46	28				
	5 036		3 510		2 189	2 368				
	9				95	3				
	(1)		(190)		(2)	(2)				
	5 044		3 320		2 282	2 369				
	1 135		2 807		512	602	2 967	2 485	20 953	16 168

Annexure C – risk and capital management – IFRS disclosures

Overview

Capital management

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

It 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 Internal Capital Adequacy and Assessment Process (ICAAP) and recovery plan.

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

Risk management

The group's activities give rise to various financial as well as insurance 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 risk, compliance and capital management (RCCM) governance framework approved by the group risk and capital management committee.

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 57.4% interest in Liberty and therefore shares 57.4% of the risk exposure.

Covid-19 impact on risk management

The group's results for the twelve months ended 31 December 2020 reflect the very difficult operating environment. Covid-19 placed considerable strain on our retail, business and corporate clients, particularly in South Africa. The group's strong capital position, going into the crisis, enabled us to respond quickly and significantly.

Risk management is a cornerstone of the group's response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, while preserving the group's financial position. Our response to the pandemic was swift and purposeful, and a testament to our operational resilience. As we executed our business continuity measures on an unprecedented scale across the group, we put our people, our customers and our

communities front and centre of our response efforts to this public health emergency. We provided extensive client relief programmes while carefully monitoring and managing our capital, liquidity and impairment risk metrics.

Client relief programmes comprised of assisting client with temporary liquidity constraints as a result of the impact of Covid-19, as well as increased liquidity facilities, loan restructuring in the form of covenant relaxations and payment holidays. These relief programmes resulted in no change in the present value of the estimated future cash flows resulting in no economic gain or loss (i.e. no net modification gain or loss) refer to note 7.4 for further detail in this regard.

In addition to the above, the group participated in the Small and Medium Enterprise (SME) loan guarantee scheme (Covid-19 loan guarantee scheme) with the SARB facilitated by the Banking Association of South Africa (BASA). The SARB committed to provide dedicated funding at the repo rate to the participating banks. As at the 31 December 2020, within other loans and advances includes R7.1 billion of drawn exposures relating to the Covid-19 loan guarantee scheme.

We helped ease the liquidity crisis facing many clients, particularly corporate clients, and maintained the collections activity by enabling employees to work from home. We continue to manage portfolio concentrations, including concentrations in specific client sectors, such as agriculture and real estate.

Climate-related emerging risks

The group's activities give rise to climate-related risks and opportunities, both in respect of the group's own operations and in respect of its lending to customers.

Climate-related risks and opportunities are considered qualitatively material to the group due to investor and other stakeholder expectations, as well as the nature of the group's activities. Such activities include the group's own business operations, and its lending to customers that operate in sectors that are vulnerable to physical and transition risks.

In terms of physical risk, the impact of higher frequency and intensity of physical hazards such as droughts, floods, heat and water stress and others, could impair the business assets and operations of the group's borrowers, leading to lower asset values, poorer credit quality and higher defaults, provisions and write offs.

Regarding transition risk, the group and the customers it transacts with, may face increases in risks associated with policy and legal changes, technology developments and market demand and supply dynamics. The group and its customers may be exposed to higher costs associated with mitigation and adaptation strategies designed to manage the transition to a lower carbon economy. In the case of the group's customers, such costs may affect the value of the group's financial assets and potentially lead to lower credit quality and higher impairments.

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

BASEL III QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

	2020 Rm	2019 Rm
IFRS ordinary shareholders' equity#	176 371	171 229
Qualifying non-controlling interest#	7 039	5 611
Less: regulatory adjustments	(19 814)	(22 459)
Goodwill	(2 207)	(2 186)
Other intangible assets	(13 797)	(16 518)
Investments in financial entities	(3 953)	(5 833)
Other adjustments including IFRS 9 phase-in	143	2 078
Unappropriated profit	(8 517)	(14 159)
CET 1 capital	155 078	140 222
Qualifying other equity instruments#	8 124	7 123
Qualifying non-controlling interests	742	636
Tier 1 capital	163 944	147 981
Qualifying tier II subordinated debt#	21 152	19 317
General allowance for credit impairments	4 751	2 685
Tier II capital	25 903	22 002
Total regulatory capital	189 847	169 983
Total capital requirement	147 537	126 807
Total RWA	1 229 478	1 099 528

The table above is unaudited, except where it is denoted with #.

Credit risk

Definition

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

Approach to managing and measuring credit risk

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

Credit risk is managed through:

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

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

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

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

Credit risk mitigation

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

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. CRM policies and procedures ensure that risk mitigation techniques

are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

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

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

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

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

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

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

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

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

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

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

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

Use of internal estimates

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

1. setting risk appetite
2. setting concentration and counterparty limits
3. credit approval and monitoring.

Corporate, sovereign and banking portfolios

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

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

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

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

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

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within stage 1 and 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. Whilst 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 has not rebutted IFRS 9's 90 days past due rebuttable presumption. Exposures which are overdue for more than 90 days are also considered to be in default.

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.

The information disclosed in the tables that follow, in respect of the credit quality of exposures was derived from the credit risk and capital systems of the Group. The classification of the exposures into asset classes was determined by reference to classifications as per note 7.

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

	Exposure Rm	SB 1 – 12		SB 13 – 20	
		Stage 1 Rm	Stage 2 Rm	Stage 1 Rm	Stage 2 Rm
2020					
Loans and advances at amortised cost					
Personal & Business Banking	769 011	232 218	757	387 563	19 995
Mortgage loans	399 208	141 847	129	175 643	13 917
Vehicle and asset finance	99 071	17 972	297	61 499	1 380
Card debtors	35 121	3 091	88	24 398	749
Other loans and advances	235 611	69 308	243	126 023	3 949
Personal unsecured lending	72 885	2 630	18	52 220	252
Business lending and other	162 726	66 678	225	73 803	3 697
Corporate & investment banking	593 744	265 548	3 289	260 593	45 244
Corporate	414 515	164 982	3 146	185 580	42 906
Sovereign	16 986	3 651	143	12 567	625
Banking	162 243	96 915		62 446	1 713
Other service	(43 718)	(43 718)			
Gross carrying amount of loans and advances at amortised cost	1 319 037	454 048	4 046	648 156	65 239
Less: Total expected credit loss for loans and advances	(49 986)				
Net carrying amount of loans and advances at amortised cost	1 269 051				
Financial investments at amortised cost					
Corporate	21 653	16 263		5 390	
Sovereign	97 460	87 853	2 176	7 074	
Banking	654	616		38	
Other instruments	67 275	67 275			
Gross carrying amount of financial investment at amortised cost	187 042	172 007	2 176	12 502	
Less: total expected credit loss for financial investments	(302)				
Net carrying amount of financial investment at amortised cost	186 740				
Financial investments at fair value through OCI					
Corporate	663	371		292	
Sovereign	35 580	35 365			
Banking	5 422	4 446		976	
Other instruments	160	160			
Gross carrying amount of financial investments at FVOCI	41 825	40 342		1 268	
Off-balance sheet exposure					
Letters of credit and bankers' acceptances	9 922	7 104	42	1 947	306
Guarantees	58 026	44 975	11	10 113	1 867
Unutilised facilities ¹	229 328	164 414	1 989	53 598	7 327
Total exposure to off-balance sheet credit risk	297 276	216 493	2 042	65 658	9 500
Expected credit loss for off-balance sheet exposures	(645)				
Net carrying amount of off-balance sheet exposures	296 631				
Total exposure to credit risk on financial assets subject to an expected credit loss	1 794 247				
Exposures not subject to ECL					
Loans and advances at FVTPL	2 204				
Cash and balances with central banks ²	87 505				
Derivative assets	106 096				
Other financial investments	46 501				
Trading assets	257 907				
Pledged assets	10 382				
Interest associates and joint ventures	6 225				
Other financial assets ³	21 952				
Total exposure to credit risk	2 333 019				

¹ The ECL on unutilised facilities is included in the total ECL for loans and advances.

² Balances with central banks comprise of FVTPL of R75 208 million that are not subject to ECL considerations and amortised cost of R12 297 million, which has a low probability of default therefore ECL is insignificant. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entities ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.

³ 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	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss and interest in suspense on Stage ³ Rm	Gross default coverage %	Non-performing exposures %
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm					
	17 993	51 863	58 622	58 622	31 511	27 111	46	7.6
	8 401	25 628	33 643	33 643	22 398	11 245	33	8.4
	1 201	9 179	7 543	7 543	4 113	3 430	45	7.6
	927	3 791	2 077	2 077	611	1 466	71	5.9
	7 464	13 265	15 359	15 359	4 389	10 970	71	6.5
	3 549	6 421	7 795	7 795	1 513	6 282	80	10.7
	3 915	6 844	7 564	7 564	2 876	4 688	62	4.6
	1 754	3 844	13 472	13 472	7 327	6 145	45	2.3
	1 228	3 201	13 472	13 472	7 327		45	3.3
	526	643						
	19 747	55 707	72 094	72 094	38 838	33 256	46.1	5.5
	307		50					
	307		50					
	215							
	215							
	134	387	2					
	588	132	340					
	285	230	1 485					
	1 007	749	1 827					

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY CONTINUED

	Exposure Rm	SB 1 – 12		SB 13 – 20	
		Stage 1 Rm	Stage 2 Rm	Stage 1 Rm	Stage 2 Rm
2019					
Loans and advances at amortised cost					
Personal & Business Banking	737 494	264 388	475	355 060	16 932
Mortgage loans	378 003	168 629	17	146 081	10 231
Vehicle and asset finance	94 833	10 467	164	68 906	2 238
Card debtors	34 612	1 245	11	27 480	646
Other loans and advances	230 046	84 047	283	112 593	3 817
Personal unsecured lending	66 463	3 065	32	46 597	715
Business lending and other	163 583	80 982	251	65 996	3 102
Corporate & investment banking	533 348	314 850	2 731	176 738	20 537
Corporate	406 285	212 144	2 585	156 792	20 162
Sovereign	19 142	7 472	146	11 325	96
Banking	107 921	95 234		8 621	279
Other service	(54 657)	(54 657)			
Gross carrying amount of loans and advances at amortised cost	1 216 185	524 581	3 206	531 798	37 469
Less: Total expected credit loss for loans and advances	(35 279)				
Net carrying amount of loans and advances at amortised cost	1 180 906				
Financial investments at amortised cost					
Corporate	21 323	20 999		324	
Sovereign	124 469	120 592		3 598	
Banking	991	872		47	72
Other instruments	841	841			
Gross carrying amount of financial investments	147 624	143 304		3 969	72
Less: total expected credit loss for financial investments	(68)				
Net carrying amount of financial investments	147 556				
Financial investments at fair value through OCI					
Corporate	2 843	2 843			
Sovereign	23 062	15 700	33		160
Gross carrying value of financial investments	25 905	18 543	33		160
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	20				
Total financial investment at fair value through OCI	25 925				
Off-balance sheet exposure					
Letters of credit and bankers' acceptances	15 104	12 443	15	2 307	285
Guarantees	79 202	62 594	13	12 108	3 593
Unutilised facilities ¹	163 437	142 823	1 218	16 298	2 851
Total exposure to off-balance sheet credit risk	257 743	217 860	1 246	30 713	6 729
Expected credit loss for off-balance Sheet exposures	(198)				
Net carrying amount of off-balance sheet	257 545				
Total exposure to credit risk on financial assets subject to an expected credit loss	1 611 932				
Exposures not subject to ECL	431 370				
Loans and advances at fair value	161				
Cash and balances with central banks ²	75 288				
Derivative assets	66 825				
Other financial investments	31 242				
Trading assets	220 409				
Pledged assets	17 800				
Interest in associate and joint ventures	5 147				
Other financial assets ³	14 498				
Total exposure to credit risk	2 043 302				

¹ The ECL on unutilised facilities is included in the total ECL for loans and advances.

² Balances with central banks comprise of FVTPL of R65 650 million that are not subject to ECL considerations and amortised cost of R9 368 million, which has a low probability of default therefore ECL is insignificant. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entities ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.

³ 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	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss and interest in suspense on Stage 3 Rm	Gross default coverage %	Non-performing exposures %
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm					
	16 076	45 900	38 663	38 663	19 365	19 298	50	4.9
	7 046	24 329	21 670	21 670	13 337	8 333	38	0.1
	2 406	6 352	4 300	4 300	2 234	2 066	48	
	858	2 871	1 501	1 501	412	1 089	73	
	5 766	12 348	11 192	11 192	3 382	7 810	70	4.9
	4 784	5 935	5 335	5 335	923	4 412	83	0.1
	982	6 413	5 857	5 857	2 459	3 398	58	
	7 523	2 704	8 265	8 265	4 949	3 316	40	1.9
	3 932	2 405	8 265	8 265	4 949			
	103					3 316		
	3 488	299						
	23 599	48 604	46 928	46 928	24 314	22 614	48	3.8
	174	105						
	174	105						
	7 169							
	7 169							
	19	11	24					
	5	207	682					
	4	114	129					
	28	332	835					

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

	2020 Rm	2019 Rm
Agriculture	34 722	37 496
Construction	19 001	16 986
Electricity	24 557	25 794
Finance, real estate and other business services	394 045	329 628
Individuals	563 610	528 993
Manufacturing	74 834	74 503
Mining	32 873	40 319
Transport	51 395	44 439
Wholesale	64 345	71 000
Other services	61 859	47 188
Gross loans and advances	1 321 241	1 216 346

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2020		2019	
	%	Rm	%	Rm
South Africa	65	861 565	72	879 654
Africa Regions	24	321 356	19	228 183
International	11	138 320	9	108 509
Gross loans and advances	100	1 321 241	100	1 216 346

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

	2020 Rm	2019 Rm
Agriculture	1 431	1 840
Construction	1 343	1 076
Electricity	579	72
Finance, real estate and other business services	2 784	1 473
Individuals	20 578	14 302
Manufacturing	862	1 402
Mining	363	234
Transport	1 709	351
Wholesale	2 096	670
Other services	1 511	1 194
Credit impairment of non-performing loans	33 256	22 614

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

	2020		2019	
	%	Rm	%	Rm
South Africa	77	25 504	77	17 346
Africa Regions	21	7 082	22	5 053
International	2	670	1	215
Credit impairment of non-performing loans	100	33 256	100	22 614

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, 53% (2019: 55%) is fully collateralised. The R2.9 billion (2019: R5.3 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 99% (2019: 77%).

Of the group's total exposure, 45% (2019: 52%) 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

	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agreements (c) Rm	Secured exposure after netting (b-c) Rm	Collateral coverage – Total collateral		
						1 to 50% Rm	50 to 100% Rm	Greater than 100% Rm
2020								
Corporate	671 839	406 197	265 642	40 804	224 838	8 906	152 480	63 453
Sovereign	327 136	294 669	32 467	6 760	25 707	7	24 754	947
Bank	279 569	49 669	229 900	79 785	150 115	585	37 450	112 080
Retail	684 389	133 448	550 941	443	550 498	2 937	184 244	363 317
Retail Mortgage	418 777	1 240	417 537		417 537	1 401	68 419	347 717
Other retail	265 612	132 208	133 404	443	132 961	1 536	115 825	15 600
Total	1 962 933	883 983	1 078 950	127 792	951 158	12 435	398 928	539 797
Add: Financial assets not exposed to credit risk	312 014							
Less: Impairments for loans and advances	(49 986)							
Less: Unrecognised off balance sheet items	(194 798)							
Total exposure	2 030 163							
Cash and balances with central banks	87 505							
Derivative assets	106 096							
Trading assets	257 907							
Pledged assets	10 382							
Financial investments	275 066							
Loans and advances	1 271 255							
Other financial assets	21 952							
Total	2 030 163							

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

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.

We maintain a prudent approach to liquidity management in accordance with the applicable laws and regulations, these include maintaining both the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) in excess of the minimum regulatory requirements throughout 2020. These ratios are the main drivers of liquidity risk management, as such appropriate liquidity buffers were held in line with the assessment of liquidity risk in stressed market conditions across the geographies in which the group operates.

Proactive liquidity management in line with group liquidity standards ensured that, despite volatile and constrained liquidity environments at the onset of the Covid-19 pandemic, adequate liquidity was maintained to fully support balance sheet strategies. This has been achieved through continuous engagements between treasury and capital management, risk and business units in which the liquidity risk with respect to on- and off-balance sheet positions was carefully monitored. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. The group continues to leverage the extensive deposit franchises across the portfolio to ensure that it has the appropriate amount, tenor and diversification of funding to support its current and forecast asset base while minimising cost of funding.

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.

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 – six months Rm	Maturing between six – 12 months Rm	Maturing after 12 months Rm	Total Rm
2020						
Financial liabilities						
Derivative financial instruments	111 576	215	171	201	2 459	114 622
Instruments settled on a net basis	85 667	215	16	152	2 455	88 505
Instruments settled on a gross basis	25 909		155	49	4	26 117
Trading liabilities	80 088					80 088
Deposits and debt funding	1 130 500	75 543	167 760	67 074	220 635	1 661 512
Subordinated debt		21	2 309	704	24 833	27 867
Other		23 662		1 493	4 353	29 508
Total	1 322 164	99 441	170 240	69 472	252 280	1 913 597
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	15 828					15 828
Guarantees	86 307					86 307
Irrevocable unutilised facilities	92 663					92 663
Total	194 798					194 798
2019						
Financial liabilities						
Derivative financial instruments	64 724	6	612	254	2 500	68 096
Instruments settled on a net basis	40 298	6	500	197	2 454	43 455
Instruments settled on a gross basis	24 426		112	57	46	24 641
Trading liabilities	83 718					83 718
Deposits and debt funding ¹	856 174	95 900	168 021	109 594	236 545	1 466 234
Subordinated debt		795	2 958	5 538	18 528	27 819
Other ¹		19 492		1 061	2 268	22 821
Total	1 004 616	116 193	171 591	116 447	259 841	1 668 688
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	15 104					15 104
Guarantees	79 202					79 202
Irrevocable unutilised facilities	73 940					73 940
Total	168 246					168 246

¹ Certain deposit and debt funding as well as lease liability commitments were restated for 2019.

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

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

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

VaR and SVaR

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

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

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

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

SVaR uses a similar methodology to VaR, but is based on 251-day period of financial stress which is reviewed quarterly and assumes a 10 day holding period and a worst case loss.

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

Limitations of historical VaR are acknowledged globally and include:

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

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

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run increased levels of market risk throughout the year for all asset classes when compared to 2019 aggregate normal VaR, and aggregate SVaR.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum ¹ Rm	Minimum ¹ Rm	Average Rm	Closing Rm
2020				
Commodities risk	2		1	1
Foreign exchange risk	25	10	17	16
Equity position risk	17	3	9	14
Debt securities	60	17	33	59
Diversification benefits ²			(23)	(38)
Aggregate	56	27	38	52
2019				
Commodities risk	3		1	1
Foreign exchange risk	26	9	14	15
Equity position risk	18	4	8	11
Debt securities	28	15	21	23
Diversification benefits ²			(10)	(21)
Aggregate	53	22	34	29

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
2020				
Commodities risk	48	4	11	9
Foreign exchange risk	410	88	188	177
Equity position risk	333	34	152	110
Debt securities	773	179	351	420
Diversification benefits ¹			(298)	(342)
Aggregate	855	191	403	373
2019				
Commodities risk	70	17	39	21
Foreign exchange risk	371	134	210	308
Equity position risk	272	48	135	254
Debt securities	367	202	280	303
Diversification benefits ²			(262)	(488)
Aggregate	741	221	403	398

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

² Diversification benefit is the benefit of measuring the sVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual sVaRs and the sVaR of the whole trading portfolio.

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 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 ANALYSIS¹

		ZAR	USD	GBP	Euro	Other	Total
2020							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 386	448	308	68	796	4 006
Decrease in basis points²		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 962)	(89)	(5)		(757)	(3 813)
2019							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 471	444	246	39	674	3 874
Decrease in basis points²		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 541)	(563)	(224)		(672)	(4 000)

¹ Before tax.

² A floor of 0% is applied to all interest rates under the decreasing interest rate scenario resulting in asymmetric rate shocks in low-rate environments.

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 financial director and group CRO deem such investments to be subject to the consideration and approval by the group ERC.

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2020			
Equity securities listed and unlisted	3 197	3 552	3 907
Listed		155	
Unlisted		3 397	
Impact on profit and loss	(247)		247
Impact on OCI	(108)		108
2019¹			
Equity securities listed and unlisted	3 906	4 340	4 774
Listed		145	
Unlisted		4 195	
Impact on profit and loss	(306)		306
Impact on OCI	(128)		128

¹ The methodology of determining the impact on OCI and P&L was changed in the year to directly reference investment amounts, rather than calculate amounts based on average portfolios.

Foreign currency risk**Definition**

The group's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect of the group's net assets in foreign operations and foreign-denominated financial assets and liabilities.

Approach to managing foreign currency risk

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

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

The repositioning of the group's NAV by currency, which is managed at a group level, is a controlled process based on underlying economic views and forecasts of the relative strength of currencies, other than foreign operations.

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

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in rand equivalent, resulting from a 10% shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on the group's foreign denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS

		USD	Euro	GBP	Naira	Other	Total
2020							
Total net long/(short) position	Rm	741	106	(24)	1	267	1 091
Sensitivity (ZAR depreciation) ¹	%	10	10	10	10	10	
Impact on profit or loss	Rm	74.1	10.6	(2.4)	0.1	26.7	109.1
2019							
Total net long/(short) position	Rm	298	90	25	1	49	463
Sensitivity (ZAR depreciation) ¹	%	10	10	10	10	10	
Impact on profit or loss¹	Rm	29.8	9.0	2.5	0.1	4.9	46.3

¹ A 10% appreciation in ZAR will have an equal and opposite impact on profit or loss to the amounts disclosed above.

Own equity-linked transactions

Definition

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

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

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

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

Share scheme	Risk to the group	Explanation	Hedged ¹	Hedged risk
Equity growth scheme (EGS)	N/A	The EGS is an equity-settled share scheme that is settled through the issuance of new shares. Accordingly, the group does not incur any cash flow in settling the share schemes and hence is not exposed to any risk as a result of changes in its own share price. Since the EGS results in the issuance of new shares and in order to mitigate the dilutionary impact on existing shareholders, the group re-purchases shares from the open market.	No. as there is no cash flow risk	N/A
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 low 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 low 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

Definition

Credit risk refers to the risk of loss or of adverse change in the financial position resulting, directly or indirectly, from fluctuations in the credit standing of counterparties and any debtors to which shareholders and policyholders are exposed. Credit risk is measured as a function of probability of default (PD), exposure at default (EAD) and the recovery rates (RR) post a default.

Credit risk management

Liberty has a strong credit risk sanctioning and monitoring capability. This capability enables Liberty to accept the risks inherent in the credit book. These credit risks are partially a function of Liberty's core business activities, but also part of a deliberate decision by Liberty to add credit risk exposures to diversify the risks on the balance sheet and to generate attractive risk-adjusted returns for shareholders. Liberty prefers to take credit risk to back its long dated and relatively illiquid liabilities due to the risk adjusted returns it is able to achieve. Looking forward, credit risks may be exacerbated by current and emerging macro-economic trends which may impact on the contribution of credit risk to Liberty's profit and loss. Day-to-day management of credit risk has been mandated to STANLIB Credit Alternatives Franchise which considers and, where appropriate, approves all credit risk taken for directly managed credit opportunities. The investment committee of STANLIB Credit Alternatives Franchise is made up of credit professionals with experience from the banking sector as well as independent members in order to ensure a robust credit process and independent decision-making. Credit risk is subject to a robust credit analysis, review and approval process. After origination, exposures are closely monitored and steps taken to mitigate risks if a deterioration becomes evident. Liberty group credit risk exercises oversight on the activities of the asset managers managing credit risk for Liberty under mandate. STANLIB's independent compliance function monitors compliance by STANLIB's portfolio managers with credit limits set by its investment committees and investment restrictions specified either in client mandates or in applicable legislation, with appropriate escalation and reporting if required. The group balance sheet management committee (GBSMC) and client fund control (CFC) committees are responsible for defining the credit characteristics of asset manager mandates supported by LibFin. The GBSMC is primarily responsible for decisions directly impacting shareholders, but does consider the possible impact its decisions may have on policyholders. The CFC committee, together with representatives from business, is primarily responsible for defining the credit characteristics of asset manager mandates on behalf of policyholders.

Overall, the credit risk portfolio as at 31 December 2020 remains heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. It also includes special purpose companies (e.g. securitisation and structured credit) and other corporate entities. In addition, the group is also exposed to underlying credit risk through investment in mutual funds, reinsurance, Liberty Two Degrees Limited, the property portfolio and investment policies.

Exposure to banks is spread across all the major SA banks. The largest exposures to state owned entities are exposures to Transnet and Eskom. It also includes special purpose companies (e.g. securitisation and structured credit) and other corporate entities. In addition, the group is also exposed to underlying credit risk through investment in mutual funds, reinsurance, Liberty Two Degrees Limited, the property portfolio and investment policies.

Rating scale

For the purposes of this report, standard rating classifications used by external ratings agencies have been applied

Where applicable, internal ratings are mapped to equivalent external rating agencies' (Moody's, Standard and Poor's) rating scales. These external, globally recognisable rating categories are defined below.

Investment grade

A: and above – Strong to extremely strong capacity to meet financial commitments.

BBB: Adequate capacity to meet financial commitments, but vulnerable to severe adverse economic conditions.

Non-investment grade

BB: Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.

Below BB: Vulnerable to adverse business, financial and economic conditions.

The above ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Not rated

The group is not restricted to investing purely in rated instruments, or where counterparties are rated, and accordingly invests in assets that offer appropriate returns after an internal assessment of credit risk. For most material investments in unrated instruments, or through unrated counterparties, internal ratings were undertaken. However, at any one time there will always be some unrated exposures, generally entered into through asset managers, where the internal ratings methodology has not been applied. This does not imply that the potential default risk is higher or lower than for rated assets. Due to the extent of work required to obtain or prepare a credit rating, certain asset holdings (principally related to the consolidation of mutual funds) do have assets with underlying ratings, however they may be classified as not rated for practical reasons. Exposure to prepayments, insurance and other receivables is predominantly not rated due to the large number of counterparties and the short period of credit exposure. This credit exposure is managed by business units. The loans reflected as not rated relate to loans granted by Liberty to policyholders, which are secured by their policies.

Pooled funds

The group invests in mutual funds through which it is also exposed to credit risk of the underlying assets in which the mutual funds are invested. The group's exposure to mutual funds is classified at fund level and not at the underlying asset level. Although mutual funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated credit assets and generally restrict funds to the acquisition of local currency investment grade assets.

The group uses a 25-point master rating scale to quantify the credit risk for each borrower.

Group master rating scale	Grading	Moody's Investors Service	Standard and Poor's	Fitch ¹
1 – 4	Investment grade	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-
5 – 7		A1, A2, A3	A+, A, A-	A+, A, A-
8 – 12		Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-
13 – 20	Sub-investment grade	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, BBB	BB+, BB, BB-, B+, B, BBB
21 – 25		Caa1, Caa2, Caa3	CCC+, CCC, CCC-	CCC+, CCC, CCC-
Default	Default	C	D	D

¹ During 2015, Fitch withdrew the SBF registration for their SA subsidiary. Their grades are retained in this table to cater for exposures that still reference Fitch.

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 RISK¹

	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
2020										
Debt instruments	9 321	2 951	3 764	17 911	8 914	70 111	37 424	6 212		156 608
Investment policies								941		941
Prepayments, insurance and other receivables										
Mutual funds – interest- bearing instruments									28 622	28 622
Reinsurance assets	2 623							459		3 082
Derivatives and collateral deposits	7 495	1 213	23	11 887	18	2 438	419	10		23 503
Prepayments, insurance and other receivables	890							4 923		5 813
Cash and cash equivalents	4 432	1 915	285	710		5 857	3 786	1 647		18 632
Total assets bearing credit risk	24 761	6 079	4 072	30 508	8 932	78 406	41 629	14 192	28 622	237 201
2019										
Debt instruments	13 569	5 035	25 461	30 460	52 658	13 392	4 454	4 599		149 628
Investment policies				2 330				913		3 243
Prepayments, insurance and other receivables	816							3 863		4 679
Mutual funds – interest- bearing instruments									22 392	22 392
Reinsurance assets	1 953							456		2 409
Derivatives and collateral deposits	2 857	453	1 664	2 072	505	2 307		145		10 003
Cash and cash equivalents	5 066	84	1 030	8 198	306	1 901		792		17 377
Total assets bearing credit risk	24 261	5 572	28 155	43 060	53 469	17 600	4 454	10 768	22 392	209 731

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

Funding and liquidity risk

Long-term insurance

Definition

Liquidity risk is the risk that a legal entity cannot maintain, or generate, sufficient cash resources to meet its payment obligations, in full, as they fall due or can only do so at an unsustainable cost or at materially disadvantageous terms. The group is exposed to liquidity risk in the event of heightened benefit withdrawals and risk claims where backing assets cannot be readily converted into cash. Liquidity risk also arises through collateral and margin calls related to derivative transactions used to hedge market risk.

Liquidity risk management

Liquidity risks is managed in accordance with applicable regulations and the liquidity risk policy. The risk is managed within approved risk limits and with oversight from group risk. Liquidity risk arising from contractual agreements and policyholder behaviour is primarily managed by matching liabilities with backing assets that are of similar maturity, cash flow profile and risk nature. A variety of tools are available to manage remaining cash flow mismatches (which include collateral and margin calls as a result of market moves from derivative trades used to match liabilities). These tools enable non-cash liquid assets, held in the liquid asset buffer, to be easily converted into cash. Where the group purchases backing assets that have predictable cash flow profiles, but which give rise to structural liquidity mismatches between projected cash inflows and outflows, the liquidity position is actively managed to prevent any undue future liquidity strains. In addition to the active management of liquidity risk, a liquidity contingency plan (LCP) serves as a pre-approved action plan to be executed during a liquidity stress event. The LCP is designed to protect stakeholder interests and provide confidence that the group can meet its liquidity requirements in a time of crisis. The group has defined insurer-specific early warning indicators (EWI) that are monitored to enable management to pro-actively identify and evaluate risk factors that may give rise to a liquidity risk event. These indicators are monitored per specified frequencies and tolerance levels. The EWI process and LCP have a clear response strategy that increases the likelihood that management will be able to respond appropriately to mitigate any material potential liquidity impact in advance of an event. At the onset of the Covid-19 crisis, financial markets experienced significant levels of volatility, resulting in significant collateral calls being made against the group's derivative position, whilst at the same time the value of the group's High quality liquid assets (HQLA) contracted. This placed pressure on the group's LCR, particularly at the one-year point. The subsequent recovery in financial markets resulted in a marked improvement in the group's LCR, which at 31 December 2020 indicated a healthy surplus of sources of liquidity available to meet stressed outflows. During the reporting period the group's LCP was invoked, ensuring that the group is able to meet liquidity requirements in full and on time. In addition, Liberty constrained the origination of illiquid assets within the STANLIB credit alternatives portfolio in order to conserve liquidity. The group is satisfied that its liquidity risk management processes were both appropriate and effective in managing the risk through the highly volatile markets which were observed during the period. The group revoked the LCP in the fourth quarter of 2020 given the sustained recovery of the LCR metrics.

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 LIQUIDITY¹

	2020		2019	
	%	Rm	%	Rm
Liquid ²	76	357 021	75	343 091
Medium ³	16	76 717	15	69 302
Illiquid ⁴	8	38 955	10	46 068
Total	100	472 693	100	458 461

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

² Liquid assets are those that are considered to be realisable within one month (for example, cash, listed equities and term deposits).

³ Medium assets are those that are considered to be realisable within six months (for example, unlisted equities and certain unlisted term deposits).

⁴ Illiquid assets are those that are considered to be realisable in excess of six months (for example, investment properties and policyholder assets).

Maturity profiles of financial instrument liabilities

The table below summarises the maturity profile of Liberty's financial instrument liabilities based on the remaining undiscounted contractual obligations. These figures will be higher than amounts disclosed in the statement of financial position (where the effect of discounting is taken into account) except for short duration liabilities. Policyholder liabilities under investment contracts, investment contracts with DPF and insurance contracts are shown in a separate table.

MATURITY PROFILE OF FINANCIAL INSTRUMENT LIABILITIES – CONTRACTUAL CASH FLOWS¹ (EXCLUDING POLICYHOLDER LIABILITIES, DERIVATIVE LIABILITIES AND LEASE LIABILITIES)

	Zero to three months ² Rm	Three to twelve months Rm	One to five years Rm	five to ten years Rm	10-20 years Rm	Variable Rm	Total Rm
2020							
Subordinated notes	81	738	4 935	1 591			7 345
Commercial paper	1 205						1 205
Redeemable preference shares ³	6	60	263	456	1 020	5	1 810
Loan facilities		745	817	604			2 166
Third-party financial liabilities arising on consolidation of mutual funds	61 505						61 505
Repurchase agreements	6 555	703					7 258
Collateral deposits payable	4 254						4 254
Insurance and other payables	13 196	1 740	18				14 954
Total	86 802	3 986	6 033	2 651	1 020	5	100 497
2019							
Subordinated notes	140	1 363	4 676	1 087			7 266
Redeemable preference shares ³						5	5
Loan facilities		195	2 567				2 762
Third-party financial liabilities arising on consolidation of mutual funds	56 758						56 758
Repurchase agreements	5 002	927					5 929
Collateral deposits payable	6 545						6 545
Insurance and other payables	12 804	311					13 115
Total	81 249	2 796	7 243	1 087		5	92 380

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

² Zero to three months are either due within the time frame or are payable on demand.

³ The variable preference shares have no fixed maturity date, however, they are 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 CONTRACTS¹

	Insurance contracts		Reinsurance assets and liabilities Rm	Investment contracts with DPF ² Rm	Investment contracts Rm
	Policyholder liabilities Rm	Policyholder assets Rm			
2020					
Investment-linked liabilities					
Within one year	15 138			421	7 883
One – five years	55 892			10	16 958
Five – ten years	16 557			912	13 121
Ten – 20 years	34 420			2 468	23 322
Over 20 years	32 030			5 523	42 952
Total Investment-linked liabilities	154 037			9 334	104 236
Non-investment-linked liabilities/(assets)					
Within one year	7 132	(286)	(736)		501
One – five years	27 090	(6 088)	(1 152)		2 698
Five – ten years	18 249	(3 153)	(929)		28
Ten – 20 years	33 815	5 092	(638)		7
Over 20 years	73 565	65 906	3 756		(3)
Effect of discounting cash flows	(104 984)	(66 521)	(2 680)		(513)
Total non-investment-linked liabilities/(assets)	54 867	(5 050)	(2 379)		2 718
Total long-term insurance business liabilities/(assets)	208 904	(5 050)	(2 379)	9 334	106 954
Total surrender value of long-term insurance policyholder liabilities	166 754			9 026	106 675
2019					
Investment-linked liabilities					
Within one year	16 857			512	6 659
One – five years	59 178			(146)	11 865
Five – ten years	17 020			973	11 689
Ten – 20 years	33 674			2 775	24 888
Over 20 years	32 968			6 110	48 964
Total Investment-linked liabilities	159 697			10 224	104 065
Non-investment-linked liabilities/(assets)					
Within one year	4 629	(2 357)	(419)		559
One – five years	25 971	(6 704)	(882)		1 101
Five – ten years	15 321	(3 700)	(777)		2 034
Ten – 20 years	27 620	3 431	(730)		21
Over 20 years	65 742	67 759	1 605		26
Effect of discounting cash flows	(91 876)	(65 446)	(542)		(888)
Total non-investment-linked liabilities/(assets)	47 407	(7 017)	(1 745)		2 853
Total long-term insurance business liabilities/(assets)	207 104	(7 017)	(1 745)	10 224	106 918
Total surrender value of long-term insurance policyholder liabilities	171 209			9 971	106 612

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

Definition

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in equity prices, interest rates, foreign currency exchange rates, property values and inflation as well as any changes in the implied volatility assumptions associated with these variables.

Market risk management

The group's shareholders are exposed to market risk arising predominantly from:

- The long-term policyholder asset/liability mismatch risk. This occurs if the group's assets do not move in the same direction or by the same magnitude as the obligations arising under its insurance and investment contracts, despite the controls and hedging strategies employed;
- Exposure to management fee revenues not already recognised in the negative rand reserves;
- Financial assets forming the group's capital base (also referred to as shareholders' equity) including currency risks on capital invested outside South Africa; and
- Financial assets held to back liabilities other than long-term policyholder liabilities.

The market risk associated with assets backing long-term policyholder investment-linked liabilities, including discretionary participation feature liabilities, is largely borne by the policyholder. However, poor performance on policyholder funds adversely affects asset related fee income. It may also lead to reputational damage and subsequently to increased policyholder withdrawals and a reduction in new business volumes.

The table below summarises Liberty's exposure to financial, property and insurance assets. This exposure has been split into the relevant market risk categories and then attributed to the effective holders of the risk.

SUMMARY OF GROUP ASSETS SUBJECT TO MARKET RISK¹

	Total assets Rm	Attributable to				Residual liabilities and shareholders' interest 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	
2020						
Assets subject to market risk only	230 442	169 839	(2 148)	42 233	6 433	14 085
Equity price	120 192	85 744	(686)	32 529		2 605
Property price ²	33 094	15 305	253	4 314	6 433	6 789
Mixed portfolios excluding investment policies ³	77 156	68 790	(1 715)	5 390		4 691
Assets subject to market and credit risk	237 201	111 085	46 622	19 272	551	59 671
Interest rate	232 092	109 058	44 037	19 272	551	59 174
Investment policies in mixed portfolios	941	941				
Reinsurance assets ⁴	3 082		2 585			497
Equity derivatives	1 086	1 086				
Long-term policyholder assets	5 050					5 050
Other assets	2 905					2 905
Total	475 598	280 924	44 474	61 505	6 984	81 711
Percentage (%)		59.0	9.4	12.9	1.5	17.2
2019						
Assets subject to market risk only	241 713	194 554	(5 743)	31 885	7 817	13 200
Equity price	130 831	108 065	(4 040)	20 810		5 996
Property price ²	39 527	25 074	(248)	5 636	7 817	1 248
Mixed portfolios excluding investment policies ³	71 355	61 415	(1 455)	5 439		5 956
Assets subject to market and credit risk	209 731	93 361	42 320	24 873	504	48 673
Interest rate	203 103	89 142	40 329	24 873	504	48 255
Investment policies in mixed portfolios	3 243	3 243				
Reinsurance assets ⁴	2 409		1 991			418
Equity derivatives	976	976				
Long-term policyholder assets	7 017					7 017
Other assets	3 213					3 213
Total	461 674	287 915	36 577	56 758	8 321	72 103
Percentage (%)		62.4	7.9	12.3	1.8	15.6

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 R3 961 million (2019: R5 327 million) is included in the interest rate risk line.

³ Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is practically difficult to accurately calculate given the number of mutual funds and hedge funds contained in the group portfolios.

⁴ Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.

⁵ Negative exposure to the various risk categories can occur in "Other policyholder liabilities" since the present value of future charges can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholders' market related liabilities. The policyholders' market risk exposure however remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder investment linked liabilities by the amount of these negative liabilities.

Interest rate risk

The table below provides additional detail on financial instrument assets and liabilities and their specific interest rate exposure. Due to practical considerations, interest rate risk details contained in investments in non-subsiary mutual funds and investment policies are not provided. Accounts receivable and accounts payable, where settlement is expected within 90 days, are not included in the analysis. The effect of interest rate risk on these balances is not considered significant given the short-term duration of the underlying cash flows.

INTEREST RATE EXPOSURE¹

Carrying value	2020 Rm	2019 Rm
Financial instruments liabilities	21 690	20 261
Exposed to cash flow interest rate risk	20 644	18 284
Exposed to fair value interest rate risk	1 046	1 977
Financial instruments assets	178 788	169 269
Exposed to cash flow interest rate risk	91 118	103 109
Exposed to fair value interest rate risk	87 670	66 160

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 RISK¹

	2020 Rm	2019 Rm
Investment properties	29 598	35 030
Owner-occupied properties	1 225	1 612
Gross direct exposure	30 823	36 642
Attributable to non-controlling interests	(7 162)	(8 400)
Net exposure	23 661	28 242
Concentration use risk within directly held properties is summarised below:		
Retail – super regional and regional	24 628	29 077
Retail – other	2 211	2 456
Office	1 952	2 402
Hotels	1 092	1 430
Specialised ²	940	1 277
Total	30 823	36 642

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

² The main properties disclosed as specialised are the Sandton Convention Centre and John Ross Eco Junction.

UNOBSERVABLE INPUTS INCLUDED IN VALUATION FOR INVESTMENT PROPERTIES

	Rm	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)
2020						
Office buildings	727	8.25 – 9.75	13.25 – 14.0	0.5 – 1.0	0.0 – 4.75	5.0 – 6.0
Retail – super regional and regional	24 628	6.5 – 7.75	10.5 – 11.0	0.5 – 2.0	(1.0) – 4.0	5.0 – 6.0
Retail- other	2 211	7.75 – 8.25	11.75 – 13.25	1.0 – 1.5	(1.0) – 5.0	5.0 – 6.0
Hotel	1 092	9.0	13.75 – 14.0			
Specialised	940	8.25 – 10.0	13.5 – 14.75	0.0 – 1.0	(1.0) – 4.75	5.0 – 6.0
2019						
Office buildings	790	8.3 – 9.5	12.5 – 13.8	0.0 – 2.5	4.0 – 5.0	6.5 – 7.0
Retail – super regional and regional	29 077	6.5 – 7.0	12.0 – 12.25	0.5 – 2.5	4.0 – 5.5	6.5
Retail- other	2 456	7.25 – 8.25	12.5 – 12.75	1.0 – 1.5	5.0 – 5.5	6.5
Hotel	1 430	8.8	14.0			
Specialised	1 277	8.25 – 10.0	13.0 – 15.25	0.0 – 1.0	(1.0) – 4.75	5.5 – 7.0

Inter-relationship between key unobservable inputs and fair value measurements:

The most significant impact on value is an adjustment on metrics whereby the estimated fair value would increase/decrease if:

- exit capitalisation rate was lower/(higher); and
- discount rate was lower/(higher).

Other inputs that impact the value positively (negatively) but are less significant are:

- vacancy and rent-free periods were shorter/(longer);
- expected market rental growth was higher/(lower); and
- expected expense growth was lower/(higher).

Sensitivity analysis

The table below provides a description of the sensitivities that are provided on market risk assumptions.

Market risk variable	Description of sensitivity
Interest yield curve	A level percentage change in the interest rate yield curve
Implied option volatilities	A change in the implied short-term equity, property and interest rate option volatility assumptions
Equity prices	A change in the local and foreign equity prices
Rand exchange rates	A change in the ZAR exchange rate to all applicable currencies

The equity price and rand currency sensitivities are applied as an instantaneous event at the financial position date with no change to long-term market assumptions used in the measurement of policyholder contract values. In other words, the assets are instantaneously impacted by the sensitivity on the financial position date. The new asset levels are applied to the measurement of policyholder contract values, where applicable, but no changes are made to the prospective assumptions used in the measurement of policyholder contract values.

The interest rate yield curve and implied option volatility sensitivities are applied similarly but the assumptions used in the measurement of policyholder contract values that are dependent on interest rate yield curves and implied option volatilities are updated. Over a reporting period, assets are expected to earn a return consistent with the long-term assumptions used in the measurement of policyholder contract values. The instantaneous sensitivities applied at the financial position date show the impacts of deviations from these long-term assumptions (e.g. the increase in the equity price sensitivity shows the impact of assets earning the sensitivity amount in excess of the long-term equity return assumption).

The market sensitivities are applied to all assets held by the group (and not just assets backing the policyholder contract values). Each sensitivity is applied in isolation with all other assumptions left unchanged.

The table below summarises the impact of the change in the aforementioned risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation. The market risk sensitivities are net of risk mitigation activities. Consequently the comparability to the previous year is impacted by the level of risk mitigation at the respective financial position dates.

SENSITIVITY ANALYSIS¹

	2020				2019			
	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 (12)	(5 822) 7 223	(5 889) 7 274	(348) 239	12 (12)	(6 438) 7 849	(6 494) 7 891	(362) 264
Option price volatilities	20 (20)	88 (73)	88 (73)	(42) 33	20 (20)	49 (26)	49 (26)	(9) (4)
Equity prices	15 (15)	21 206 (21 288)	21 206 (21 288)	1 111 (1 094)	15 (15)	21 869 (22 145)	21 868 (22 145)	1 364 (1 249)
Rand exchange rates	12 ²	(7 302)	(7 302)	(685)	12 ²	(6 476)	(6 476)	(641)
Rand exchange rates	(12) ³	7 318	7 318	694	(12) ³	6 490	6 490	681

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

² Strengthening of the rand.

³ Weakening of the rand.

The table below provides a description of the sensitivities that are provided on insurance risk assumptions.

Insurance risk variable	Description of sensitivity
Assurance mortality	A level percentage change in the expected future mortality rates on assurance contracts
Annuitant longevity	A level percentage change in the expected future mortality rates on annuity contracts
Morbidity	A level percentage change in the expected future morbidity rates
Withdrawal	A level percentage change in the expected future withdrawal rates
Expense per policy	A level percentage change in the expected maintenance expenses

The table below summarises the impact of the change in the insurance risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation.

SENSITIVITY ANALYSIS OF RISK VARIABLES¹

	2020				2019			
	Change in variable %	Gross of reinsurance impact on policyholders' contract values Rm	Net of reinsurance impact on policyholders' contract values Rm	Impact on equity and attributable profit after taxation Rm	Change in variable %	Gross of reinsurance impact on policyholders' contract values Rm	Net of reinsurance impact on policyholders' contract values Rm	Impact on equity and attributable profit after taxation Rm
Insurance assumptions								
Mortality								
Assured lives	2 (2)	510 (512)	411 (413)	(296) 297	2 (2)	497 (499)	403 (404)	(290) 291
Annuitant longevity	4 ² (4) ³	353 (340)	353 (340)	(254) 245	4 ² (4) ³	396 (386)	396 (386)	(285) 278
Morbidity	5 (5)	804 (800)	660 (658)	(475) 474	5 (5)	803 (798)	658 (655)	(474) 472
Withdrawals	8 (8)	454 (486)	467 (502)	(336) 360	8 (8)	492 (530)	503 (542)	(361) 389
Expense per policy	5 (5)	466 (465)	466 (465)	(338) 337	5 (5)	445 (445)	445 (444)	(322) 322

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.

	2020 Rm	2019 Rm
Expenses recognised in staff cost		
Equity Growth Scheme	(2)	8
Share Appreciation Rights Scheme	34	36
Deferred Bonus Scheme	1 306	1 280
Performance Reward Plan	81	245
Cash-Settled Deferred Bonus Scheme	229	385
Liberty Share Incentive Scheme	108	135
Total expenses recognised in staff costs	1 756	2 089
Summary of liabilities recognised in other liabilities		
Share Appreciation Rights Scheme	2	3
Deferred Bonus Scheme	9	16
Performance Reward Plan	5	58
Cash-Settled Deferred Bonus Scheme	314	375
Total liability recognised in other liabilities	330	452

Equity growth scheme

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 (Years)
Vesting categories			
Type A	3,4,5	50,75,100	Ten years
Type B	5,6,7	50,75,100	Ten years
Type C	2,3,4	50,75,100	Ten years
Type D	2,3,4	33,67,100	Ten years
Type E	3,4,5	33,67,100	Ten years

A reconciliation of the movement of share options is detailed below:

	Number of rights		Average price range (R)
	2020	2019	2020
Movement summary			
Rights outstanding at beginning of the year	4 941 267	7 364 238	
Exercised	(789 030)	(2 382 033)	62.39 – 156.96
Lapsed/forfeited	(126 559)	(40 938)	62.39 – 114.69
Rights outstanding at the end of the year	4 025 678	4 941 267	

Equity growth scheme continued

During 2020, 168 485 (2019: 801 345) SBG shares were issued to settle the appreciated rights value. At the end of the year, the group would need to issue 347 934 (2019: 1 379 838) 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 SBG shares were issued and sold to settle the employees' tax due for both 2020 and 2019. This reduces the liability to the employee in respect of the outstanding appreciated rights value. Share options were exercised regularly throughout the year. The weighted average share price for the year was R116.16 (2019: R183.51).

The following rights granted to employees, including executive directors, had not been exercised at year end:

Option expiry period	2020			2019		
	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 2020				866 419	62.39 – 114.69	107.14
Year to 31 December 2021				1 158 593	96.68 – 103.03	98.94
Year to 31 December 2022				192 825	98.75 – 108.90	107.16
		62.39				
Year to 31 December 2023	1 594 191	– 115.51	102.45	245 761	116	115.51
Year to 31 December 2024	472 533	126.87	126.87	472 533	127	126.87
Year to 31 December 2025	955 109	156.96	156.96	1 001 291	157	156.96
Year to 31 December 2026	1 003 845	122.24	122.24	1 003 845	122	122.24
Total	4 025 678			4 941 267		

Shares appreciation right scheme

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.

Shares appreciation right scheme continued

A reconciliation of the movement of share options is detailed below:

	2020		2019	
	Average price range (rand)	Number of rights	Average price range (rand)	Number of rights
Rights outstanding at the end of the year		2 686 914		1 433 856
Granted ¹	152.64	666 507	182.43	1 332 940
Exercised				(73 332)
Lapsed/forfeited		(29 024)		(6 550)
Rights outstanding at the end of the year		3 324 397		2 686 914
Outstanding equity-settled units		3 033 966		2 487 823
Outstanding cash-settled units		290 431		199 091

¹ Includes 605 167 (2019: 1 215 820) units that are equity settled, the balance will be cash settled.

During the year no (2019: 7 761) Standard Bank Group shares were purchased from the market to settle the appreciation rights value.

At the end of the year the Group would need to purchase 3 113 (2019: 44 052) 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 2020:

Option expiry period	2020			2019		
	Number of rights	Option price range (rand)	Weighted average price (rand)	Number of rights	Option price range (rand)	Weighted average price (rand)
Year to 31 December 2021				150 635	155.95	155.95
Year to 31 December 2022				475 737	155.95 – 220.97	190.36
Year to 31 December 2023	1 512 104	155.95 – 220.97	184.99	920 046	155.95 – 220.97	186.53
Year to 31 December 2024	905 480	152.64 – 220.97	185.72	696 130	182.43 – 220.97	196.37
Year to 31 December 2025	656 058	152.64 – 182.43	172.31	444 366	182.43	182.43
Year to 31 December 2026	250 755	152.64	148.00			
Total	3 324 397			2 686 914		

The share appreciation rights granted during the year were valued using a Black-Scholes option pricing model. Expected volatility is determined using historical SBK share price data available and applied over the expected life of the grant. Each grant was valued separately. The weighted fair value of the options granted per vesting date and the assumptions utilised are as follows:

	2020			2019		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Number of appreciation rights granted	222 876	222 876	220 755	444 287	444 287	444 366
Weighted average fair value at grant date (rands)	31.30	34.21	37.11	27.24	33.43	38.52
The principle inputs are as follows:						
Weighted average share price (rand)	152.64	152.64	152.64	182.43	182.43	182.43
Weighted average exercise price (rand)	152.64	152.64	152.64	182.43	182.43	182.43
Expected life (years)	4.00	5.00	6.00	4.00	5.00	6.00
Expected volatility (%)	28.55	28.55	28.55	30.77	30.77	30.77
Risk-free interest rate (%)	6.18	6.39	6.61	6.79	6.95	7.13
Dividend yield (%)	4.73	4.68	4.55	4.76	4.59	4.49

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	
	2020	2019
Movement summary		
Units outstanding at beginning of the year	12 940 583	13 319 512
Units granted during the year ¹	8 607 410	7 069 071
Exercised	(6 142 344)	(6 936 960)
Lapsed/forfeited	(628 641)	(511 040)
Units outstanding at end of the year	14 777 008	12 940 583
Outstanding equity-settled units	14 593 644	12 725 473
Outstanding cash settled units	183 364	215 110
Weighted average fair value at grant date (R)	151.39	182.54
Expected life (years)	2.51	2.51

¹ Includes 8 540 900 (2019: 6 979 195) units that are equity settled, the balance relates to cash-settled rewards.

Performance reward plan (PRP)

The PRP is a performance-driven share plan which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, DBS, and other share incentive schemes.

The awards are indexed to the group's share price and accrues 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, set annually by the SBG remuneration committee. These awards have been partially hedged through the use of equity forwards.

Awards that are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled.

	Units	
	2020	2019
Movement summary		
Units outstanding at beginning of the year	7 536 425	7 626 856
Units granted during the year ¹	3 715 344	2 908 816
Exercised	(2 497 377)	(3 165 142)
Performance condition uplift for awards vested during the year		302 966
Lapsed/forfeited	(183 552)	(137 071)
Units outstanding at the end of the year	8 570 840	7 536 425
Outstanding equity-settled units	7 777 539	6 748 300
Outstanding cash settled units	793 301	788 125
Weighted average fair value at grant date (R)	151.99	182.43
Expected life (years)	3.07	3.07

¹ Includes 3 391 544 (2019: 2 626 716) units that are equity settled, the balance relates to cash-settled rewards.

Cash-settled deferred bonus scheme (CSDBS)

Effective for awards made in 2017, employees granted an annual performance award over a threshold and who are in employment of the group and meet other specific criteria have part of their award deferred.

Awards in Rand are indexed to SBG's share price and accrues notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18, 30 and 42 months from the date of the award. The maturity value is determined with reference to the SBG share price on the vesting date. These awards are classified as cash settled from a group perspective. Awards in currencies other than Rand (being the employee's host country) are denominated in that currency with the same terms as Rand-denominated awards with the value of the awards, in foreign currency, moving in parallel with changes in the SBG share price. These awards have been partially hedged through the use of equity forwards.

Currency	Weighted average fair value at grant date	Expected life at grant date (years)	2020				
			Opening balance	Granted	Exercised	Lapsed	Outstanding
AOA	152.64	2.51	521 037	934 989	(186 472)	(45 684)	1 223 870
BWP	152.64	2.51	40 353	30 815	(22 930)	2 407	50 645
CNY	152.64	2.51	61 418	60 761	(29 145)		93 034
EUR					(45)	93	48
GBP	152.64	2.51	73 529	51 134	(34 551)	(2 481)	87 631
GHS	152.64	2.51	17 474	18 215	(6 352)	(5 397)	23 940
HKD			35 696		(17 588)		18 108
KES	152.64	2.51	934 330	627 054	(446 375)	(77 024)	1 037 985
LSL	152.64	2.51	6 681	4 881	(2 915)		8 647
MUR	152.64	2.51	117 096	51 663	(53 560)	(3 702)	111 497
MWK	152.64	2.51	1 266 750	333 488	(622 027)		978 211
MZN	152.64	2.51	206 796	144 932	(101 377)	(258)	250 093
NAD	152.64	2.51	46 086	33 126	(23 520)	(7 856)	47 836
NGN	152.64	2.51	9 631 714	6 659 155	(4 633 684)	(626 757)	11 030 428
SGD			9 894		(3 523)		6 371
SZL	152.64	2.51	17 311	3 604	(8 002)		12 913
TZS	152.64	2.51	374 494	751 164	(99 430)	(178 473)	847 755
UGX	152.64	2.51	20 982 435	16 866 345	(10 161 583)	(222 530)	27 464 667
USD	152.64	2.51	39 196	15 745	(19 511)	(871)	34 559
XOF	152.64	2.51	278 038	379 610	(64 362)	(127 941)	465 345
ZAR	152.64	2.51	1 376 469	825 696	(707 262)	(45 312)	1 449 591
ZMW	152.64	2.51	28 183	24 767	(13 824)		39 126
ZWL	152.64	2.51		29 526			29 526
CDF	152.64	2.51		12 068			12 068
AED	152.64	2.51		12 326			12 326

Other share schemes

Scheme	Description	Classification	Stock symbol	2020 Outstanding units	2019 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	4 551 933	4 223 461
Nigeria share schemes	On 1 March 2010 and 1 March 2011, share appreciation rights were issued to key management personnel. The scheme has various vesting periods, and expires ten years after grant date.	Cash-settled scheme	IBTCCB: NL		14 510 640
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, 63 151 (2019: 393 985) SBG shares were issued to settle the GSIS awards.	Equity-settled scheme	SBK	168 000	275 121

	2019				
	Opening balance	Granted	Exercised	Lapsed	Outstanding
	317 955	491 380	(61 860)	(226 438)	521 037
	29 867	22 519	(12 033)		40 353
	50 568	35 787	(24 937)		61 418
	46	47		(93)	
	71 459	41 097	(35 408)	(3 619)	73 529
	11 045	10 981	(4 552)		17 474
	48 970	18 784	(32 058)		35 696
	764 139	475 785	(305 594)		934 330
	12 665	4 496	(5 024)	(5 456)	6 681
	81 919	67 671	(32 494)		117 096
	1 159 039	698 544	(389 174)	(201 659)	1 266 750
	151 942	118 612	(57 224)	(6 534)	206 796
	42 481	24 446	(15 928)	(4 913)	46 086
	7 963 322	5 210 031	(3 233 749)	(307 890)	9 631 714
	2 036	8 536	(678)		9 894
	12 289	9 765	(4 743)		17 311
	208 177	235 708	(69 391)		374 494
	15 401 002	11 957 204	(6 293 547)	(82 224)	20 982 435
	37 586	21 227	(19 206)	(411)	39 196
	292 392	124 454	(138 808)		278 038
	1 381 670	565 604	(550 034)	(20 771)	1 376 469
	21 930	15 383	(8 702)	(428)	28 183

Annexure E – emoluments and share incentives of directors and prescribed officers

Executive directors' and prescribed officers' emoluments

	SK Tshabalala		A Daehnke	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cost to Company package	10 999	10 222	7 139	6 409
Cash package paid during the year	9 427	8 781	6 254	5 648
Retirement contributions paid during the year	1 350	1 235	782	702
Other allowances	222	206	103	59
Short-term Incentive	13 050	23 250	10 100	18 000
Short-term incentive (cash) ¹	5 900	10 525	4 600	8 150
Short-term incentive (share-linked deferral) ²	7 150	12 725	5 500	9 850
Total reward (excluding conditional long-term incentive awards)	24 049	33 472	17 239	24 409
PRP awards vesting ³		13 499		7 558
PRP notional dividend ⁴		2 225		1 246
Total reward (including conditional long-term incentive awards)	24 049	49 196	17 239	33 213

¹ These are performance related short-term incentive payments in respect of the financial year under review.

² These are deferred bonus scheme awards issued in March every year for the prior year performance period. These awards are subject to choice and 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 incentive amounts not invested in SARP will be unitised with respect to the group's closing share price the day results are announced. The award will be updated in the group's annual financial statements the following year to reflect the choices made and units/rights awarded.

³ PRP units vesting were awarded in March 2018 (disclosed for the performance year 2020). The PRP value delivered is calculated based on the group's closing share price of R127.08 as at 31 December 2020 (R168.32 for 2019) after calculating the delivery percentage based on the 3 year performance conditions (0% delivery on the 2018 awards and 100.0% delivery on the 2017 awards). The amount included in the single figure will not be updated in the 2020 remuneration report but rather included at payment value in the settlement schedule.

⁴ 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 2020 remuneration report but rather included at payment value in the settlement schedule.

	AKL Fihla		M Nienaber		ZN Manyathi	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
	8 227	7 734	7 160	6 431	7 834	7 520
	7 067	6 628	6 196	5 571	7 010	6 735
	925	855	718	640	625	600
	235	251	246	220	199	185
	16 300	21 750	12 550	17 500	8 700	21 500
	7 400	10 025	5 675	7 900	3 950	9 900
	8 900	11 725	6 875	9 600	4 750	11 600
	24 527	29 484	19 710	23 931	16 534	29 020
		6 480		10 789		7 019
		1 068		1 778		1 157
	24 527	37 032	19 710	36 498	16 534	37 196

Non-executive directors

2019	Fixed remuneration				Total compensation for the year R'000
	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	
TS Gcabashe¹	6 622			503	7 125
MA Erasmus	457		457		914
GJ Fraser-Moleketi	277	825	277		1 379
GMB Kennealy	277	1 344	277		1 898
JH Maree²	277	1 200	3 170		4 647
NNA Matyumza	277	823	277		1 377
Adv KD Moroka	277	857	277		1 411
Dr. ML Oduor-Otieno	963	450	963		2 376
AC Parker	277	698	277		1 252
ANA Peterside con	963	676	963		2 602
MJD Ruck³	277	1 441	1 472		3 190
PD Sullivan⁴	963	1 436	963		3 362
JM Vice	277	1 233	277		1 787
L Wang	277	351	277		905
H Hu⁵	963	469	963		2 395
Total	13 424	11 803	10 890	503	36 620

¹ TS Gcabashe other benefits relate to use of motor vehicle.

² JH Maree's fees for services as a director of group subsidiaries include fees paid by Liberty Holdings Limited.

⁵ NMC Nyembezi joined SBSA and SBG board on 1 January 2020.

³ 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.

⁴ PD Sullivan retired on 26 June 2020.

⁵ Dr H Hu resigned on 24 February 2020.

2020	Fixed remuneration				Total compensation for the year R'000
	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	
TS Gcabashe¹	6 953			364	7 317
MA Erasmus	1 055	680	1 055		2 790
GJ Fraser-Moleketi	290	662	290		1 242
X Guan²	121	274	121		516
GMB Kennealy	290	1 635	290		2 215
BP Mabelane³	170	229	170		569
JH Maree⁴	290	1 348	3 355		4 993
NNA Matyumza	290	967	290		1 547
Adv KD Moroka	290	900	290		1 480
NMC Nyembezi⁵	290	401	290		981
Dr. ML Oduor-Otieno	1 055	473	1 055		2 583
AC Parker	290	762	290		1 342
ANA Peterside con	1 055	775	1 055		2 885
MJD Ruck⁶	290	1 367	1 288		2 945
PD Sullivan⁷	517	704	517		1 738
JM Vice	290	1 280	290		1 860
L Wang	290	351	290		931
Total	13 826	12 808	10 936	364	37 934

¹ TS Gcabashe other benefits relate to use of motor vehicle.

² X Guan was appointed to the board on 1 August 2020.

³ BO Mabelane was appointed to the SBG SBSA boards on 1 January 2020 and resigned from the boards and committees on 31 July 2020.

⁴ JH Maree's fees for services as a director of group subsidiaries include fees paid by Liberty Holdings Limited.

⁵ NMC Nyembezi joined SBSA and SBG board on 1 January 2020.

⁶ 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.

⁷ PD Sullivan retired on 26 June 2020.

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 incentive, as a mandatory deferral of their short-term incentive or as discretionary award, into the Deferred Bonus Scheme. The deferred incentive 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 that 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 executives with 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.

Share appreciation rights plan

The SARP 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.

SK Tshabalala

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2016	2017/03/02	155.95	1 667	2020/09/30	
2016*	2017/03/02	155.95	2 597	2020/09/30	
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	2020/09/30	
2017*	2018/03/08	220.97	3 017	2021/09/30	
2018	2019/03/07	182.43	1 666	2020/09/30	
2018	2019/03/07	182.43	1 666	2021/09/30	
2018	2019/03/07	182.43	1 667	2022/09/30	
2018*	2019/03/07	182.43	3 017	2020/09/30	
2018*	2019/03/07	182.43	3 017	2021/09/30	
2018*	2019/03/07	182.43	3 017	2022/09/30	
2019	2020/03/05	152.64	1 500	2021/09/30	
2019	2020/03/05	152.64	1 500	2022/09/30	
2019	2020/03/05	152.64	1 500	2023/09/30	
2019*	2020/03/05	152.64	2 742	2021/09/30	
2019*	2020/03/05	152.64	2 742	2022/09/30	
2019*	2020/03/05	152.64	2 742	2023/09/30	
Performance reward plan					
2016	2017/03/02	155.95	12 507	2020/03/31	
2017	2018/03/08	220.97	14 009	2021/03/31	
2018	2019/03/07	182.43	14 011	2022/03/31	
2019	2020/03/05	152.64	16 653	2023/03/31	
Totals for 2020			97 588		

Refer to footnotes on page 178.

	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 2020	Award (R'000) ¹	Notional dividend (R'000) ²	Award (R'000) ³
	10 688		10 688		109	1 160	354		
	16 652		16 652		109	1 807	552		
	7 542		7 542		109	818	187		
	7 544			7 544				959	187
	13 652		13 652		109	1 481	338		
	13 652			13 652				1 735	338
	9 135		9 135		109	991	140		
	9 135			9 135				1 161	140
	9 138			9 138				1 161	140
	16 536		16 536	—	109	1 794	254		
	16 536			16 536				2 101	254
	16 537			16 537				2 102	254
		9 827		9 827				1 249	53
		9 827		9 827				1 249	53
		9 828		9 828				1 249	53
		17 961		17 961				2 282	97
		17 961		17 961				2 282	97
		17 963		17 963				2 283	97
	80 200		80 200		96	7 698	2 225		
	63 400			63 400				8 057	1 569
	76 800			76 800				9 760	1 178
		109 100		109 100				13 864	589
						15 749	4 050	51 494	5 099

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					
2016	2017/03/02	155.95	1 000	2020/09/30	
2016*	2017/03/02	155.95	1 700	2020/09/30	
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	2020/09/30	
2017*	2018/03/08	220.97	1 909	2021/09/30	
2018	2019/03/07	182.43	1 000	2020/09/30	
2018	2019/03/07	182.43	1 000	2021/09/30	
2018	2019/03/07	182.43	1 000	2022/09/30	
2018*	2019/03/07	182.43	1 908	2020/09/30	
2018*	2019/03/07	182.43	1 908	2021/09/30	
2018*	2019/03/07	182.43	1 909	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*	2020/03/05	152.64	1 950	2021/09/30	
2019*	2020/03/05	152.64	1 950	2022/09/30	
2019*	2020/03/05	152.64	1 950	2023/09/30	
Performance reward plan					
2016	2017/03/02	155.95	7 002	2020/03/31	
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	12 004	2022/03/31	
2019	2020/03/05	152.64	12 013	2023/03/31	
Equity growth scheme					
Vested					
2009	2010/03/05	111.94		A	2020/03/05
2009	2010/03/05	111.94		B	2020/03/05
2010	2011/03/04	98.80		A	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
Totals for 2020			68 120		

Refer to footnotes on page 178.

	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 2020	Award (R'000) ¹	Notional dividend (R'000) ²	Award (R'000) ³
	6 413		6 413		109	696	213		
	10 901		10 901		109	1 183	361		
	4 525		4 525		109	491	112		
	4 527			4 527				575	112
	8 636		8 636		109	937	214		
	8 637			8 637				1 098	214
	5 481		5 481		109	595	84		
	5 481			5 481				697	84
	5 483			5 483				697	84
	10 460		10 460		109	1 135	160		
	10 460			10 460				1 329	160
	10 462			10 462				1 330	160
		8 735		8 735				1 110	47
		8 735		8 735				1 110	47
		8 736		8 736				1 110	47
		12 775		12 775				1 623	69
		12 775		12 775				1 623	69
		12 776		12 776				1 624	69
	44 900		44 900		96	4 310	1 246		
	45 300			45 300				5 757	1 121
	65 800			65 800				8 362	1 009
		78 700		78 700				10 001	425
	12 500		12 500		152	507			
	12 500		12 500		152	507			
	12 500			12 500					
	9 375			9 375					
	3 125			3 125					
	45 832			45 832					
	22 918			22 918					
						10 361	2 390	38 046	3 717

AKL Fihla⁶

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2016	2017/03/02	155.95	834	2020/09/30	
2016*	2017/03/02	155.95	2 034	2020/09/30	
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	2020/09/30	
2017*	2018/03/08	220.97	2 284	2021/09/30	
2018	2019/03/07	182.43	1 333	2020/09/30	
2018	2019/03/07	182.43	1 333	2021/09/30	
2018	2019/03/07	182.43	1 334	2022/09/30	
2018*	2019/03/07	182.43	2 117	2020/09/30	
2018*	2019/03/07	182.43	2 117	2021/09/30	
2018*	2019/03/07	182.43	2 117	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*	2020/03/05	152.64	2 575	2021/09/30	
2019*	2020/03/05	152.64	2 575	2022/09/30	
2019*	2020/03/05	152.64	2 575	2023/09/30	
Performance reward plan					
2016	2017/03/02	155.95	6 004	2020/03/31	
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	12 004	2022/03/31	
2019	2020/03/05	152.64	11 158	2023/03/31	
Equity growth scheme					
Vested					
2009	2010/03/05	111.94		A	2020/03/05
2009	2010/03/05	111.94		B	2020/03/05
2010	2011/03/04	98.80		A	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
Totals for 2020			71 353		

Refer to footnotes on page 178.

	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 2020	Award (R'000) ¹	Notional dividend (R'000) ²	Award (R'000) ³
	5 345		5 345		109	580	177		
	13 040		13 040		109	1 415	432		
	6 034		6 034		109	655	149		
	6 035			6 035				767	149
	10 333		10 333		109	1 121	256		
	10 334			10 334				1 313	256
	7 308		7 308		109	793	112		
	7 308			7 308				929	112
	7 311			7 311				929	112
	11 602		11 602		109	1 259	178		
	11 602			11 602				1 474	178
	11 604			11 604				1 475	178
		8 735		8 735				1 110	47
		8 735		8 735				1 110	47
		8 736		8 736				1 110	47
		16 869		16 869				2 144	91
		16 869		16 869				2 144	91
		16 872		16 872				2 144	91
	38 500		38 500		96	3 696	1 276		
	45 300			45 300				5 757	1 121
	65 800			65 800				8 362	1 009
		73 100		73 100				9 290	395
	12 500		12 500		152	507			
	12 500		12 500		152	507			
	13 750			13 750					
	10 312			10 312					
	3 438			3 438					
						10 533	2 580	40 058	3 924

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					
2016	2017/03/02	155.95	1 000	2020/09/30	
2016*	2017/03/02	155.95	1 283	2020/09/30	
2017	2018/03/08	220.97	1 000	2020/09/30	
2017	2018/03/08	220.97	1 000	2021/09/30	
2017* ⁵	2018/03/08	220.97	1 450	2020/09/30	
2017*	2018/03/08	220.97	1 450	2021/09/30	
2018	2019/03/07	182.43	1 000	2020/09/30	
2018	2019/03/07	182.43	1 000	2021/09/30	
2018	2019/03/07	182.43	1 000	2022/09/30	
2018* ⁵	2019/03/07	182.43	1 637	2020/09/30	
2018*	2019/03/07	182.43	1 637	2021/09/30	
2018*	2019/03/07	182.43	1 638	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*	2020/03/05	152.64	1 867	2021/09/30	
2019*	2020/03/05	152.64	1 867	2022/09/30	
2019*	2020/03/05	152.64	1 867	2023/09/30	
Performance reward plan					
2016	2017/03/02	155.95	9 996	2020/03/31	
2017	08/03/2018	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	10 015	2022/03/31	
2019	2020/03/05	152.64	10 502	2023/03/31	
Totals for 2020			65 218		

Refer to footnotes on page 178.

	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 2020	Award (R'000) ¹	Notional dividend (R'000) ²	Award (R'000) ³
	6 413		6 413		109	696	213		
	8 230		8 230		109	893	273		
	4 525		4 525		109	491	112		
	4 527			4 527				575	112
	6 562		6 562		109	712	162		
	6 562			6 562				834	162
	5 481		5 481		109	595	84		
	5 481			5 481				697	84
	5 483			5 483				697	84
	8 976		8 976		109	974	138		
	8 976			8 976				1 141	138
	8 977			8 977				1 141	138
		8 735		8 735				1 110	47
		8 735		8 735				1 110	47
		8 736		8 736				1 110	47
		12 229		12 229				1 554	66
		12 229		12 229				1 554	66
		12 230		12 230				1 554	66
	64 100		64 100		96	6 153	2 124		
	45 300			45 300				5 757	1 121
	54 900			54 900				6 977	842
		68 800		68 800				8 743	372
						10 514	3 106	34 554	3 391

Z Manyathi

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2016	2017/03/02	155.95	1 250	2020/09/30	
2016*	2017/03/02	155.95	1 617	2020/09/30	
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	2020/09/30	
2017*	2018/03/08	220.97	1 617	2021/09/30	
2018	2019/03/07	182.43	1 333	2020/09/30	
2018	2019/03/07	182.43	1 333	2021/09/30	
2018	2019/03/07	182.43	1 334	2022/09/30	
2018*	2019/03/07	182.43	1 267	2020/09/30	
2018*	2019/03/07	182.43	1 267	2021/09/30	
2018*	2019/03/07	182.43	1 267	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*	2020/03/05	152.64	2 533	2021/09/30	
2019*	2020/03/05	152.64	2 533	2022/09/30	
2019*	2020/03/05	152.64	2 534	2023/09/30	
Performance reward plan					
2016	2017/03/02	155.95	6 503	2020/03/31	
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	10 015	2022/03/31	
2019	2020/03/05	152.64	11 158	2023/03/31	
Share appreciation rights plan					
2018	2019/03/07	182.43		2021/03/07	
2018	2019/03/07	182.43		2022/03/07	
2018	2019/03/07	182.43		2023/03/07	
Equity growth scheme					
Vested					
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05
Totals for 2019			65 854		

Refer to footnotes on page 178.

	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 2020	Award (R'000) ¹	Notional dividend (R'000) ²	Award (R'000) ³
	8 017		8 017		109	870	266		
	10 368		10 368		109	1 125	344		
	6 034		6 034		109	655	149		
	6 035			6 035				767	149
	7 316		7 316		109	794	181		
	7 317			7 317				930	181
	7 308		7 308		109	793	112		
	7 308			7 308				929	112
	7 311			7 311				929	112
	6 943		6 943		109	753	107		
	6 943			6 943				882	107
	6 944			6 944				882	107
		8 735		8 735				1 110	47
		8 735		8 735				1 110	47
		8 736		8 736				1 110	47
		16 596		16 596				2 109	90
		16 596		16 596				2 109	90
		16 599		16 599				2 109	90
	41 700		41 700		96	4 003	1 382		
	45 300			45 300				5 757	1 121
	54 900			54 900				6 977	842
		73 100		73 100				9 290	395
	29 823			29 823					
	29 823			29 823					
	29 824			29 824					
	43 696			43 696					
	43 696			43 696					
	43 697			43 697					
	56 725			56 725					
	56 725			56 725					
	56 725			56 725					
						8 993	2 541	37 000	3 537

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					
2011	2012/03/08	108.90		A	2022/03/08
2012	2013/03/07	115.51		A	2023/03/07
2014	2015/03/05	156.96		D	2025/03/05
2012	2013/03/07	115.51		A	2023/03/07
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05

Totals for 2020

* Cash settled Deferred Bonus Scheme

¹ 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 2017 PRP award that vested in 2020 was 100%, against the performance conditions as explained in the remuneration structure section of the groups remuneration report within the governance and remuneration report.

² Value is calculated by multiplying the notional dividend per unit with the total vesting units and applying performance conditions (where applicable).

³ Value is calculated by multiplying the year end SBK share price of R127.08 by the total outstanding units and applying performance conditions (where applicable).

⁴ 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).

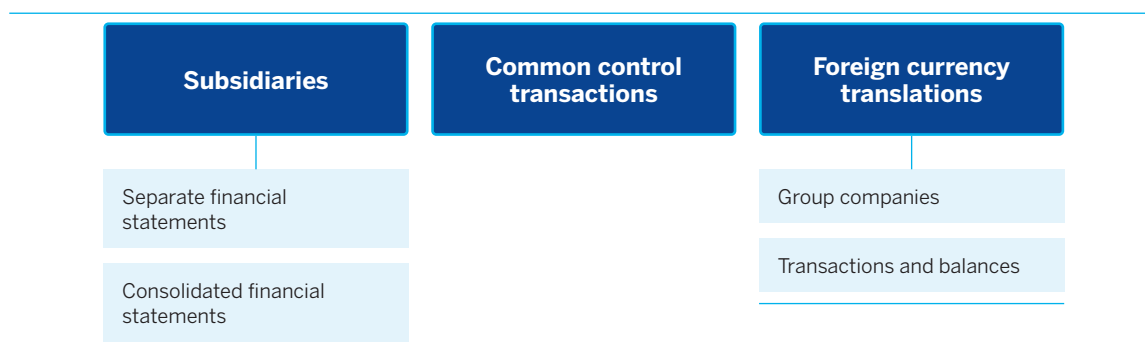
⁵ This award was settled with equity as opposed to cash in September 2020. This was done in order for the director to meet minimum shareholding requirements.

Annexure F – detailed accounting policies

The following accounting policies were applied in the preparation of the group and company financial statements, all policies apply to group and company, unless otherwise stated.

1. Basis of consolidation

BASIS OF CONSOLIDATION



Subsidiaries

Separate financial statements (including mutual funds in which the group has both an irrevocable asset management agreement and a significant investment)

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.

1. Basis of consolidation continued

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translations

Group companies

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

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rates for each month; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

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 transactions is utilised, for example an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (trading revenue) in profit or loss.

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's FCTR.

The results, cash flows and financial position of group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its parent at the exchange rate at the reporting date. These foreign exchange gains and losses on a hyperinflationary foreign operation are presented in OCI.

Subsidiaries in hyperinflationary economies

The financial of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit at the end of the reporting year following the historic cost approach.

However, as the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted are recognised directly in equity.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year.

Results, cash flows and the financial position of the group's subsidiaries which have been classified as hyperinflationary have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to annexure A.

2. Interest in associates and joint arrangements

INTEREST IN ASSOCIATES AND JOINT ARRANGEMENTS

**Associates and
joint ventures**

**Private equity and
venture capital
investments**

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. Additional interests acquired in associates form part of the equity accounted investment to the extent that they give rise to current access to returns associated with an ownership interest.

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.

For a disposal of an associate or joint venture, being where the group loses significant influence over an associate or loses joint control over a joint venture, the difference between the sales proceeds and any retained interest and the carrying value of the equity accounted investment is recognised as a gain or loss in non-trading and capital related items. Any gains or losses in OCI reserves that relate to the associate or joint venture are reclassified to non-trading and capital related items in profit or loss at the time of the disposal.

The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Private equity and venture capital investments

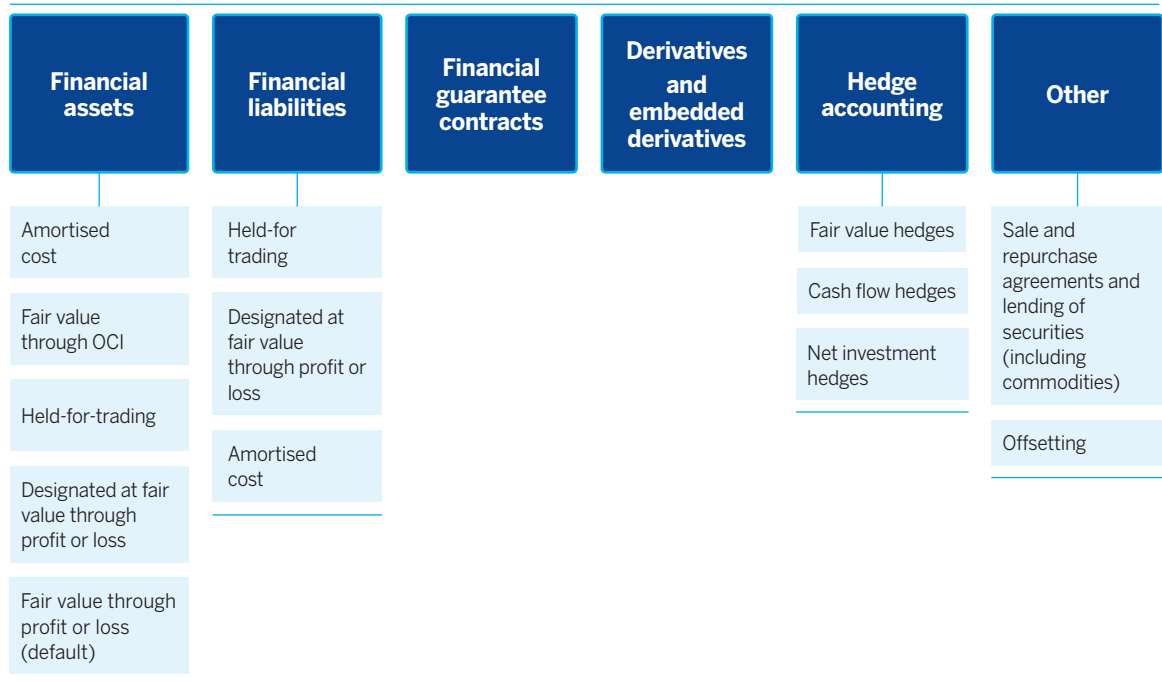
Private equity and venture capital investments, including mutual funds held by investment-linked insurance funds that are associates are either designated on initial recognition at fair value through profit or loss, or are equity accounted.

3. Financial instruments

Initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

FINANCIAL INSTRUMENTS



3. Financial instruments continued

Financial assets

Nature

Amortised cost	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Fair value through OCI	<p>Includes:</p> <ul style="list-style-type: none"> • A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): <ul style="list-style-type: none"> – 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	<p>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.</p> <p>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.</p>
Designated at fair value through profit or loss	<p>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.</p>
Fair value through profit or loss – default	<p>Financial assets that are not classified into one of the above mentioned financial asset categories.</p>

3. Financial instruments continued

Financial assets continued

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit 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 revenue.
Held for trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	Debt instruments – Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue. Equity instruments – Fair value gains and losses on the financial asset recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL 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: <ul style="list-style-type: none"> • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

3. Financial instruments continued

Financial assets continued

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

Significant increase in credit risk (SICR)	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: <ul style="list-style-type: none"> • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider. • Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

3. Financial instruments continued

Financial liabilities

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: <ul style="list-style-type: none"> • 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.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

3. Financial instruments continued

Financial liabilities continued

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
Financial assets	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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).</p>
Financial liabilities	<p>Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.</p>	

Financial guarantee contracts and loan commitments below market interest rate

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.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the group and company become party to the irrevocable commitment at fair value.

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 loan commitment; or
- unamortised premium.

3. Financial instruments continued

Derivatives and embedded derivatives

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

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms on IFRS 9 embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Hedge accounting

The group continues to apply IAS 39 hedge accounting requirements for 2020 and 2019. 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.	<p>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.</p> <p>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.</p>
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.	<p>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.</p> <p>The ineffective part of any changes in fair value is recognised in profit or loss.</p> <p>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.</p> <p>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.</p>
Net investment hedges	Hedges of net investments in a foreign operation.	The designated component of the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. The ineffective part of any changes in fair value is recognised in profit or loss. The cumulative gains and losses in OCI are accounted for similarly to cash flow hedges.

3. Financial instruments continued

Hedge accounting risk management strategy

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value, cash flow, or net investment hedges for recognised financial assets or liabilities, and highly probable forecast transactions. The group and company apply hedge accounting in respect of the following risk categories.

Foreign currency risk

The group and company operate internationally and are exposed to foreign exchange risk and translation risk.

Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the relevant group entity for each respective currency.

The group and company use a combination of currency forwards, swaps and foreign denominated cash balances to mitigate against the risk of changes in the future cash flows and functional currency value on its foreign-denominated exposures. Under the group's policy, the critical terms of these instruments must align with the foreign currency risk of the hedged item and is hedged on a 1:1 hedge ratio or where currency is managed on a portfolio basis the weighted expected foreign cash flows are aligned.

The group and company elect for each foreign currency hedging relationship, using either foreign currency forwards and swaps, to either include or exclude the currency forward points (basis) contained in the derivative instrument from the hedging relationship. This election is based on the currency pair involved, the shape of the yield-curve and the direction of the foreign currency hedged risk. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded from the hedging relationship this is deferred in other comprehensive income and recognised in profit or loss as appropriate during the hedging relationship.

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of foreign currency risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness. In hedges of foreign currency risk of highly probable forecast commercial transactions, ineffectiveness may arise if the amount of the forecast transaction changes from what was originally estimated. Ineffectiveness relating to highly probable forecast transactions no longer expected to occur during both 2020 and 2019 amounted to Rnil. Refer to note 2.

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 2020 and 2019.

Equity price risk

The group operates 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 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 uses 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), Performance Reward Plan (PRP) and Cash Settled Deferred Bonus Scheme (CSDBS). Cash flow hedge accounting is applied to align the timing mismatch of the derivative hedging instruments to the vesting period of the underlying awards (hedged items) over the applicable vesting period.

Under the group's policy the critical terms of these instruments must align with equity price risk of the hedged item and is hedged on a 1:1 hedge ratio. The group elects 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. Refer to note 2.

3. Financial instruments continued

Hedge accounting risk management strategy continued

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The group and company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group and company operate.

The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO. The group and company's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close 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 when 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 fixed for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the underlying risk exposure;
- Specifically identified long-term interest rate basis risk (CPI vs. JIBAR) inherent in loans and advances. To manage the basis risk associated with such risk exposures the group uses one or more cash collateralised floating for floating basis interest rate swaps that matches the critical terms or that exhibits the same duration as the underlying risk exposure; 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 an exposure bucketing approach. The hedge ratio is monitored on a daily basis and where necessary the portfolio is rebalanced using a dynamic approach.

The group observes 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 uses a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness. The extent of hedge ineffectiveness as a result of fair value interest rate risk hedges is disclosed in note 2.3.5.

Other

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

3. Financial instruments continued

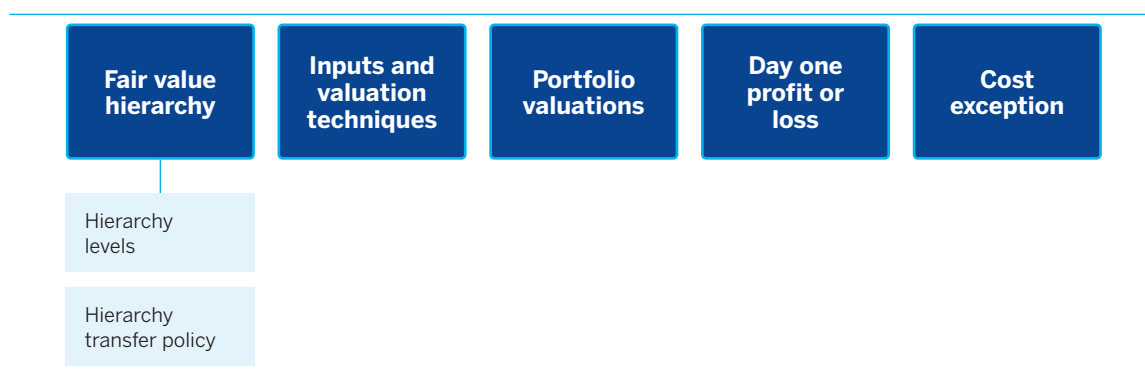
Hedge accounting risk management strategy continued

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

4. Fair value

FAIR VALUE



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting year.

4. Fair value continued

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item and description	Main inputs and assumptions	Valuation technique
<p>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.</p>	<p>Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include:</p> <ul style="list-style-type: none"> • Discounted cash flow model • Black-Scholes model • combination technique models. 	<p>For level 2 and 3 fair value hierarchy items:</p> <ul style="list-style-type: none"> • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • earnings yield • valuation multiples.
<p>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.</p>	<p>Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date.</p> <p>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.</p>	
<p>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.</p>	<p>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.</p>	
<p>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.</p>	<p>Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.</p>	

4. Fair value continued

Inputs and valuation techniques continued

Item and description	Main inputs and assumptions	Valuation technique
<p>Loans and advances to banks and customers</p> <p>Loans and advances comprise:</p> <ul style="list-style-type: none"> 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). 	<p>For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.</p>	<p>For level 2 and 3 fair value hierarchy items:</p> <ul style="list-style-type: none"> discount rate*
<p>Deposits and debt funding</p> <p>Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.</p>	<p>For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant to that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.</p>	<p>For level 2 and 3 fair value hierarchy items:</p> <ul style="list-style-type: none"> discount rate*

4. Fair value continued

Inputs and valuation techniques continued

Item and description	Main inputs and assumptions	Valuation technique
Policyholders' assets and liabilities Policyholders' assets and liabilities comprise unit-linked policies and annuity certain.	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certain: discounted cash flow models are used to determine the fair value of the stream of future payments.	For level 2 and 3 fair value hierarchy items: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Portfolio valuations

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

Day one profit or loss

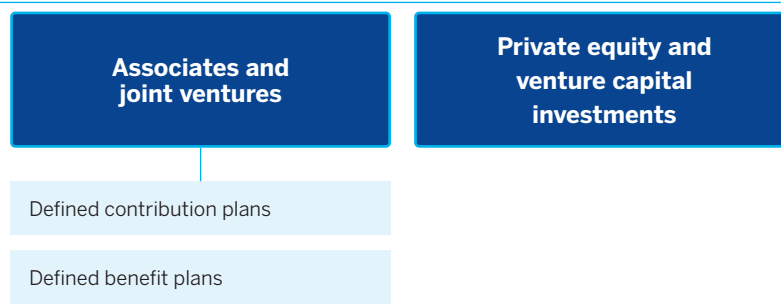
For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred (and recognised together with the instrument it relates to) where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

5. Employee benefits

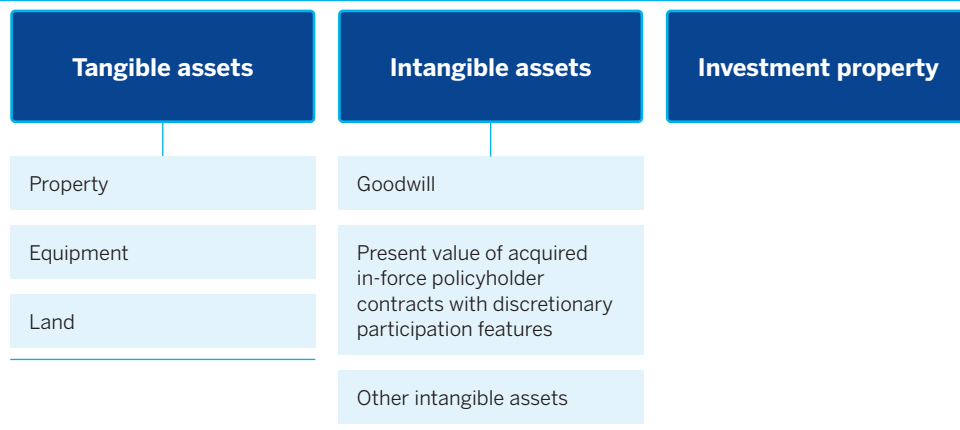
EMPLOYEE BENEFITS



Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contributions plans The group operates a number of defined contribution plans. See note 43 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 43 for more information.	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/ (expense) is determined on the defined benefit asset/ (liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/ (liability). Other expenses (including current service costs) related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets

NON-FINANCIAL ASSETS



Type and initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment														
<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <table border="1"> <tbody> <tr> <td>Significant freehold property</td> <td>Ten years</td> </tr> <tr> <td>Buildings</td> <td>40 years</td> </tr> <tr> <td>Computer equipment</td> <td>Four to five years</td> </tr> <tr> <td>Motor vehicles</td> <td>Four to five years</td> </tr> <tr> <td>Office equipment</td> <td>Three to ten years</td> </tr> <tr> <td>Furniture</td> <td>Five to 13 years</td> </tr> <tr> <td>Leased assets</td> <td>Shorter of useful life or lease term</td> </tr> </tbody> </table> <p>The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.</p>	Significant freehold property	Ten years	Buildings	40 years	Computer equipment	Four to five years	Motor vehicles	Four to five years	Office equipment	Three to ten years	Furniture	Five to 13 years	Leased assets	Shorter of useful life or lease term	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest CGUs.</p> <p>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.</p> <p>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.</p>
Significant freehold property	Ten years															
Buildings	40 years															
Computer equipment	Four to five years															
Motor vehicles	Four to five years															
Office equipment	Three to ten years															
Furniture	Five to 13 years															
Leased assets	Shorter of useful life or lease term															

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment
<p>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.</p> <p>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').</p>	Not applicable.	<p>The accounting treatment is generally the same as that for tangible assets except as noted below.</p> <p>Goodwill is tested annually for impairment and additionally when an indicator of impairment exists.</p> <p>An impairment loss in respect of goodwill is not reversed.</p>
<p>Present value of acquired inforce 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.</p> <p>The PVIF intangible asset is carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses.</p>	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
<p>Computer software</p> <p>Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred.</p> <p>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.</p> <p>Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use.</p> <p>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.</p>	<p>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.</p> <p>Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.</p>	<p>Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists.</p> <p>The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.</p>
<p>Other intangible assets</p> <p>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.</p> <p>The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations.</p> <p>Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.</p>	<p>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.</p> <p>Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.</p>	

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment
<p>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.</p>		
<p>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.</p>	<p>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.</p>	
<p>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.</p>		

7. Property developments and properties in possession

PROPERTY DEVELOPMENTS AND PROPERTIES IN POSSESSION

Property developments

Properties in possession

Property developments

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development.

Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties as well as gains and losses on disposal is recognised as an operating expense. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

8. Equity-linked transactions

EQUITY COMPENSATION PLANS

Equity-settled
share-based payments

Cash-settled
share-based payments

Equity-settled share-based payments

The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.

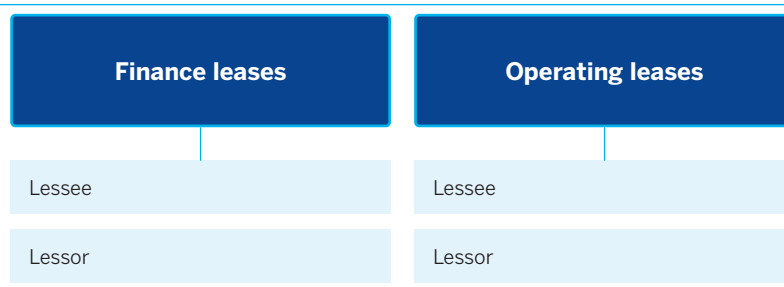
On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to share capital and premium.

Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses (staff costs). The awards vest over the specified period of service and/or once performance conditions are met.

9. Leases

LEASES



Type and description	Statement of financial position	Income statement
Lessee accounting policies		
<p>Single lessee accounting model All leases are accounted for by recognising a right-of-use asset and a lease liability except for:</p> <ul style="list-style-type: none"> • leases of low value assets; and • leases with a duration of twelve months or less. 	<p>Lease liabilities Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:</p> <ul style="list-style-type: none"> • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. • Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. 	<p>Interest expense on lease liabilities A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.</p>
	<p>Right of use assets Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:</p> <ul style="list-style-type: none"> • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset. <p>The group applies the cost model subsequent to the initial measurement of the right of use assets.</p>	
		<p>Termination of leases When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.</p>

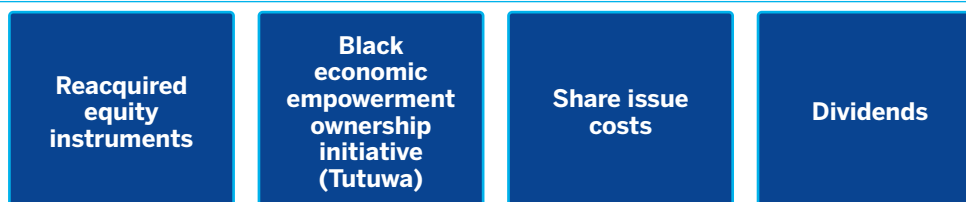
9. Leases continued

Type and description	Statement of financial position	Income statement
Lessee accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	<p>Reassessment of lease terms and lease modifications that are not accounted for as a separate lease</p> <p>When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.</p> <p>For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.</p> <p>For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.</p> <p>Lease modifications that are accounted for as a separate lease</p> <p>When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.</p>	

Type and description	Statement of financial position	Income statement
Lessor lease modifications		
Finance leases	<p>When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease.</p> <p>All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.</p>	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

10. Equity

EQUITY



Re-acquired equity instruments

Where subsidiaries purchase/(short sell) Standard Bank Group Limited's equity instruments, the consideration paid/(received) is deducted/(added) from/(to) equity attributable to ordinary shareholders as treasury shares on consolidation.

Fair value changes recognised by subsidiaries on these instruments are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued/(re-acquired) outside the group, any consideration received/(paid) is included in equity attributable to ordinary shareholders.

Black economic empowerment ownership initiative (Tutuwa)

The group subscribed for 8.5% redeemable, cumulative, preference shares issued by the Tutuwa entities controlled by the group. The initial repurchase of group shares by the Tutuwa entities was treated as a reduction in the group's equity. Subsequent to the repurchase of the group shares, the Tutuwa entities containing these shares were sold to the black participants. The capital and dividends on the preference shares are repayable from future ordinary dividends received on group shares or from the disposal of the group's shares. As a result of the group's right to receive its own dividends back in the form of preference dividends and capital on the preference shares, the subsequent sale of the Tutuwa entities and consequent delivery of the group shares to the black participants (although legally effected) is not accounted for as a sale. The preference share investment in the Tutuwa entities is also not accounted for as an asset. The preference share asset is effectively eliminated against equity as a negative empowerment reserve.

As a consequence of the above, the IFRS accounting treatment followed until full redemption, or third-party financing, is as follows:

- the 8.5% redeemable, cumulative, preference shares issued by the Tutuwa entities and subscribed for by the group are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve
- the preference dividends received from the Tutuwa entities are eliminated against the ordinary dividends paid on the group shares held by the Tutuwa entities
- preference dividends accrued but not received, due to cash distributions paid to participants, increase the empowerment reserve
- for purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those Tutuwa entities that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third-party
- perpetual preference shares issued by the group for the purposes of financing the repurchased group shares are classified as equity. Dividends paid are accounted for on declaration.

Share issue costs

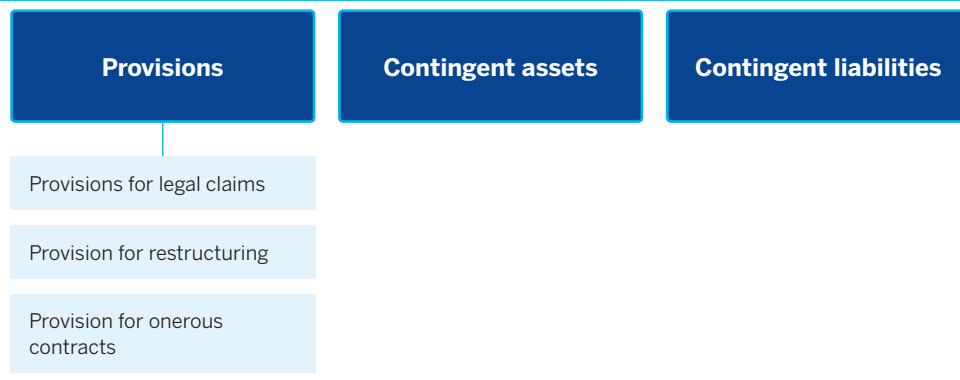
Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends

Distributions are recognised in equity in the year 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, 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

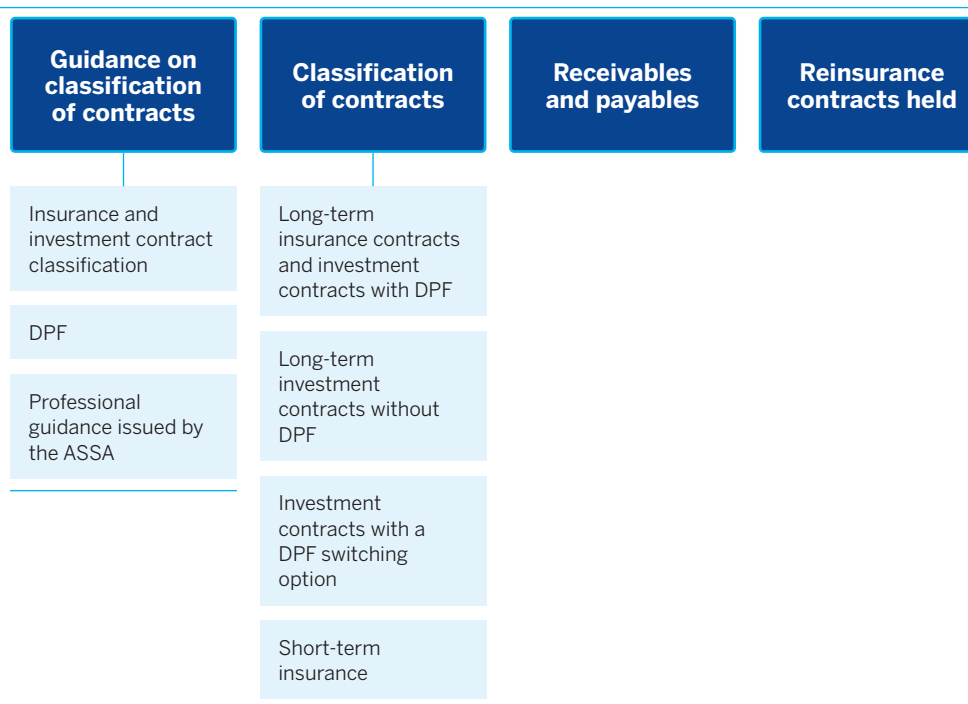
Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are 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

POLICYHOLDER INSURANCE AND INVESTMENT CONTRACTS



Classification of contracts

Insurance and investment contract classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or, in the case of life annuities, the lifespan of the policyholder is greater than that assumed. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Short-term insurance provides benefits under short-term policies, typically one year or less, which include engineering, fire, personal liability, marine and aviation, motor, personal accident, medical expenses, theft and the Workmen's Compensation Act, or a contract comprising a combination of any of those policies.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Discretionary participation features

A number of insurance and investment contracts contain a DPF feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses at the discretion of the group. The terms and conditions or practice relating to these contracts are in accordance with the group's published Principles and Practices of Financial Management, as approved by the Financial Services Board (FSB). The terms 'reversionary bonus' and 'smoothed bonus' refer to the specific forms of DPF contracts underwritten by the group. All components in respect of DPFs are included in policyholders' assets and liabilities.

Professional guidance issued by the Actuarial Society of South Africa (ASSA)

In terms of IFRS 4 Insurance Contracts (IFRS 4), insurance liabilities are measured under existing local practice. The group had, prior to the adoption of IFRS 4, adopted the Professional Guidance Notes (PGNs) issued by the ASSA to determine the liability in respect of insurance contracts issued in South Africa. The group has continued to value long-term insurance liabilities in accordance with these.

In 2012, the naming convention was changed and the term PGN was replaced with either Advisory Practice Notes (APN) or Standard Actuarial Practice (SAP) depending on whether the former PGN was best-practice or mandatory respectively.

These are available on the ASSA website – www.actuarialsociety.org.za

Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the annual financial statements.

12. Policyholder insurance and investment contracts continued

Measurements of contracts

Policyholder contracts are classified into four categories, depending on the duration of or type of investment benefit or insurance risks. The accounting for each of these contracts are detailed below.

Long-term insurance contracts and investment contracts with DPF

These contracts are valued in terms of the FSV basis as described in SAP 104 Life offices – valuation of long-term insurers (SAP 104), using a discounted cash flow methodology. The assets and liabilities are reflected as policyholders' assets and liabilities in the statement of financial position. The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return, tax and any expected losses in respect of options.

The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of SAP 104, plus additional discretionary margins. Derivatives embedded in the group's insurance contracts are not separated and measured at fair value if the embedded derivative itself meets the definition of an insurance contract.

The liabilities in respect of the investment guarantees' underlying maturity and death benefits, and guaranteed annuity options are measured in accordance with APN 110 Reserving for minimum investment return guarantees on a market-consistent basis. Discretionary margins are held to ensure that the profit and risk margins in the premiums are not capitalised before it is probable that future economic benefits will flow to the entity.

These profits emerge over the lifetime of the contract in line with the risk borne by the group. Liabilities for individual market-related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the unit reserve element), is then reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy-by-policy cash flow basis (the rand reserve element).

Reversionary bonus classes of policies, and policies with fixed and guaranteed benefits are valued by discounting the expected future cash flows at market-related rates of interest reduced by an allowance for investment expenses and the relevant compulsory margins (the guaranteed element). Future bonuses have been allowed for at the latest declared rates where appropriate. The Rand reserve element of market-related policies and the guaranteed element in respect of other policies are collectively known as the Rand reserve.

In respect of corporate life and lump sum disability business, no discounting of future cash flows is performed. However, a provision will be held if the expected guaranteed premiums under the current basis and investment returns in the short term are not sufficient to meet expected future claims and expenses. For corporate investment contracts with DPF, in addition to the value of the policies' investment in the investment portfolios held, an additional provision will be held if the expected fee recoveries in the short term are not sufficient to meet expected expenses.

Within the group all investment contracts invested in smoothed bonus portfolios are classified as investment contracts with DPF. In respect of insurance and investment contracts with DPF where bonuses are smoothed, bonus stabilisation provisions are held arising from the difference between the after taxation investment performance of the assets, net of the relevant management fees and the value of the bonuses declared. In accordance with SAP 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are included in policyholders' liabilities. The liability estimates are reviewed bi-annually. The effect of any change in estimates is recognised in profit or loss.

Where policyholders, in respect of certain policies, are entitled to a part surrender, any part surrender is treated as a derecognition of the policyholders' asset or liability.

Shadow accounting is applied to policyholder insurance contracts where the underlying measurement of the policyholder insurance liability depends directly on the fair value of any owner-occupied properties.

Any unrealised gains and losses on such owner-occupied properties are recognised in OCI. The shadow accounting adjustment to policyholder insurance contracts is recognised in OCI to the extent that the unrealised gains or losses, together with any related taxation on owner-occupied properties backing policyholder insurance liabilities, are also recognised directly in OCI.

Incurred but not reported claims (IBNR)

Provision is made in policyholders' assets and liabilities for the estimated cost at the end of the year of claims incurred but not reported at that date. IBNR provisions for the main categories of business are calculated using run-off triangle techniques. These liabilities are not discounted due to the short-term nature of IBNR claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of insurance liabilities net of any related intangible PVIF business assets is inadequate in the light of the estimated future cash flows, then the deficiency is recognised in profit or loss.

12. Policyholder insurance and investment contracts continued

Measurements of contracts continued

Premium income

Premiums and annuity considerations on insurance contracts, other than in respect of universally costed policies (policies where insurance risk charges are dependent on the excess of the sum assured over the value of units underlying the contract), recurring premium pure risk policies (collectively the Lifestyle series) and corporate schemes, are recognised when due in terms of the contract. Premiums receivable in respect of corporate schemes are recognised when there is a reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised when premiums are received, as failure to pay a premium will result in a reduction of attributable fund value, if available, or else in the lapse of the policy. Premium income on insurance contracts is recognised gross of reinsurance. Premiums are shown before deduction of commission.

Claims

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are recognised in insurance benefits and claims paid when the group is notified of a claim, based on the estimated liability for compensation owed to policyholders. Changes in the provision for IBNR claims are also recognised in insurance benefits and claims paid. Reinsurance recoveries are accounted for in the same year as the related claims.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred in insurance benefits and claims paid.

The FSV method for valuing insurance contracts and investment contracts with DPF makes implicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts.

Long-term investment contracts without DPF

Measurement

The group issues investment contracts without fixed benefits (unit-linked and structured products) and investment contracts with fixed and guaranteed benefits (term certain annuity). Investment contracts without fixed benefits are financial liabilities whose fair value is dependent on the fair value of the underlying financial assets, derivatives and/or investment property and are designated at inception at fair value through profit or loss.

For investment contracts with fixed and guaranteed terms, future benefit payments and premium receipts are discounted using market-related rates at the reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised over the life of the contract.

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities, whereas claims incurred are recorded as deductions from investment contract liabilities.

Deferred revenue liability (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.

Deferred acquisition costs (DAC) in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs are expensed as incurred, unless specifically attributable to an investment contract with an investment management service element. Such costs are deferred and amortised on a straight-line basis over the expected life of the contract (ten to 16 years for linked annuities, one year for corporate business and five years for other investment contracts), taking into account all decrements, as they represent the right to receive future management fees.

A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis. An impairment test is conducted annually at the reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Investment contracts with a DPF switching option

Measurement

On certain investment contracts, policyholders have an option to switch some or all of their investment from a DPF fund to a non-DPF fund (and vice versa). The value of the liability held with respect to these contracts is taken at the aggregate value of the policyholder investment in the investment portfolio at the valuation date.

12. Policyholder insurance and investment contracts continued

Measurements of contracts continued

Short-term insurance

Gross written premiums

Gross premiums exclude VAT. Premiums are accounted for as income when the risk related to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. The unearned premiums are calculated using a straight-line basis, except for those insurance contracts where allowance is made for uneven exposure.

Liability adequacy

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs.

Provision for reported claims and IBNR claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third-parties damage by the contract holders. The group's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges.

Provision is also made for claims arising from insured events that occurred before the close of the reporting year, but which had not been reported to the group at that date (IBNR claims). This provision is calculated using run-off triangle techniques. The provision for claims is not discounted for the time value of money due to the expected short duration to settlement.

DAC in respect of insurance contracts

Commissions that vary and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses within insurance benefits and claims paid when incurred.

DRL on insurance contracts

A DRL is raised for any income receivable on the placement of reinsurance for risks arising from short-term insurance contracts. The DRL is released to income systematically over the coverage period of the respective reinsurance contract.

Receivables and payables

Receivables and payables related to insurance contracts and investment contracts are recognised when due. These include amounts due to and from agents, brokers and policyholders. Receivables and payables related to insurance contracts are subsequently measured in terms of IFRS 4, while those related to investment contracts are designated at fair value through profit or loss in terms of IFRS 9.

Reinsurance contracts held

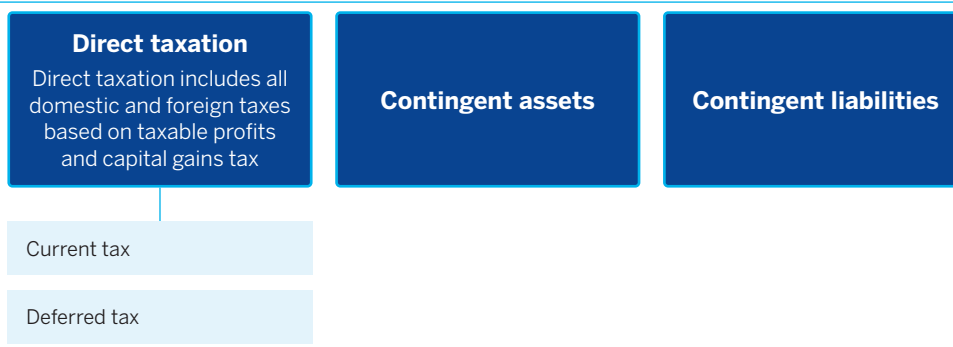
The group cedes some insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire, or a portion of, losses arising on one or more of the insurance contracts issued by the group.

The expected benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets and included in 'Other assets' in the statement of financial position. Reinsurance assets are assessed for impairment at each reporting date. Any impairment loss is recognised in profit or loss.

Outward reinsurance premiums are recognised as an expense and are accounted for in the same reporting year that premiums received are recognised as revenue in insurance premiums.

13. Taxation

TAXATION



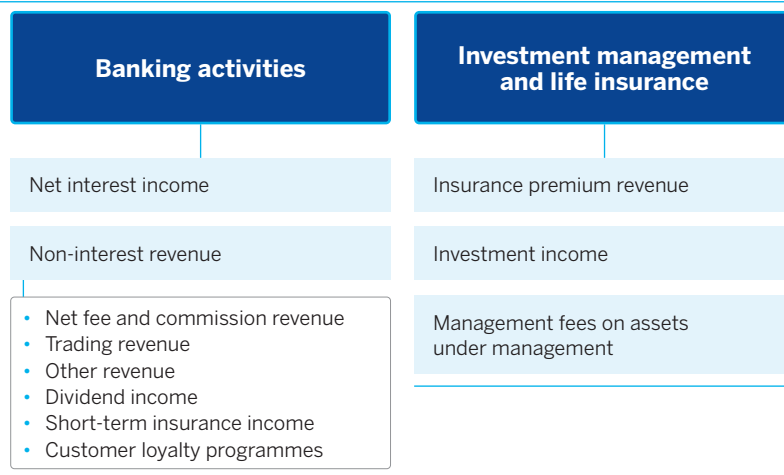
Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	<p>Current tax is recognised in the direct taxation line in the income statement except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.</p> <p>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.</p>	<p>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.</p>
Direct taxation: deferred tax	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • the initial recognition of goodwill; • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and • investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. 	

13. Taxation continued

Type	Description, recognition and measurement	Offsetting
Indirect taxation	<p>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.</p> <p>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.</p> <p>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.</p> <p>Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.</p>	
Indirect taxation	Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity, as dividend tax represents a tax on the shareholder and not the group. Dividends tax withheld by the group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (where applicable) is included in 'Provisions and other liabilities' in the statement of financial position.	Not applicable

14. Revenue and expenditure

REVENUE AND EXPENDITURE



Description	Recognition and measurement
Net interest income	<p>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.</p> <p>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.</p> <p>When a financial asset is classified as stage 3 impaired, interest income is calculated on the amortised cost based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of Stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.</p>
Net fee and commission revenue	<p>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.</p> <p>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.</p> <p>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.</p>
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

14. Revenue and expenditure continued

Description	Recognition and measurement
Customer loyalty programmes	The group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.
Insurance premium revenue	Insurance premium revenue includes life insurance premiums, health insurance premiums and short-term insurance premiums.
Investment income	Investment income for investment management and life insurance activities comprises mainly rental income from properties, interest, hotel operations' sales and dividends. Dividends are recognised when the right to receive payment is established and interest income is recognised using the effective interest method. Hotel operation sales comprise the fair value of the sale of accommodation, food and beverage, other guest facilities and rentals received. Revenue is shown net of VAT, returns, rebates and discounts.
Management fees on assets under management	Fee income includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Administration fees received for the administration of medical schemes are recognised when the services are rendered.
Other gains/losses on financial instruments	Includes: <ul style="list-style-type: none"> • Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default) • The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI • Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value • Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost. • Fair value gains and losses on designated financial liabilities.
Short-term insurance income	Includes premium income, commission and policy fees earned, as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group and comprises the cash value of commission earned when premiums are payable directly to the underwriters.
Other revenue	Other revenue comprises of revenue that is not included in any of the categories mentioned above this could include dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

Offsetting

Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

15. Other significant accounting policies

OTHER ACCOUNTING POLICIES

Segment reporting

Fiduciary activities

Statutory credit risk reserve

Non-trading and capital related items

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 makers, comprising of the chief executive and members of the finance executive.

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. Non-current assets held for sale, disposal groups and discontinued operations

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
<p>Non-current assets and liabilities held for sale and disposal groups</p> <p>Comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than continuing use (including regular purchases and sales in the ordinary course of business).</p>	<p>Immediately before classification, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities (or components of a disposal group) are presented separately in the statement of financial position.</p> <p>In presenting the group's non-current assets and liabilities as held for sale, intercompany balances are eliminated in full.</p>	<p>OCI movements are presented separately.</p>	<p>Impairment losses on initial classification as well as subsequent gains and losses on remeasurement of these assets are recognised in profit or loss. Property and equipment and intangible assets are not subsequently depreciated or amortised. Equity accounting thereafter for an interest in an associate or joint venture is suspended.</p>

17. 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 2020 and have not been applied in preparing these annual financial statements.

Title: IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments)

Effective date: 1 January 2021

The second phase of Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The group will transition to alternative benchmarks as each interest rate benchmark is replaced. The group has established a working group and detailed project plan, identifying key responsibilities and milestones of the project. The group is in the process of determining the estimated impact as none of the interest rate benchmarks it is exposed to has been replaced. The group is also assessing the system design requirements to accommodate the IBOR changes.

Title: IFRS 9 Financial Instruments General hedge accounting (GHA)

Effective date: 1 January 2018, but can be adopted for any financial period prior to the effective date of the Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA) which is still to be advised

The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The group has decided to adopt the IFRS 9 GHA as at 1 January 2021 in line with some market competitors both locally and globally. The group will transition to IFRS 9's GHA for all current and further micro hedges (hedges that minimises/manages the risk exposure of a single instrument). However, the group will continue to apply IAS 39 for macro hedges (hedges that minimises/manages the risk exposure of a portfolio), as IFRS 9 does not provide any guidance in this regard. The IASB is currently still researching the accounting model to cover situations where a group manages its risk dynamically (i.e. when the risk position being hedged changes frequently and is hedged by an open portfolio of changing assets and liabilities). The group is actively participating in some of the IASB research in the regard. The group has established a detailed project plan which includes the key responsibilities of the group's hedge accounting forum relating to the transition to IFRS 9 GHA. The group's estimated transition impact which is not expected to be material/significant to the group's results and is in the process of assessing the system design requirements to accommodate IFRS 9 GHA.

Title: IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

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 (amendment)

Effective date: 1 June 2020

IFRS 16 requires an entity to account for a change in consideration or term of a lease contract to be accounted for and disclosed as a lease modification. In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits the application of the practical expedient to rent concessions that meet specific Covid-19 related requirements and requires specified disclosures. An entity shall apply the practical expedient as an accounting policy choice and consistently to contracts with similar characteristics and in similar circumstances. The purpose of the amendment is to provide relief to lessees from the complexity arising in applying the requirements of IFRS 16 to Covid-19 related rent concessions. The amendment will be applied retrospectively and is not expected to have a material impact on the group.

17. New standards and interpretations not yet adopted continued

Title: IFRS 17 Insurance Contracts

Effective date: 1 January 2023

This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a “shock absorber” in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features. An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time. The requirement to eliminate all treasury shares has been amended such that treasury shares held for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets. These requirements will provide transparent reporting about an entities’ financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: IAS 1 Presentation of Financial Statements (amendment)

Effective date: 1 January 2023

The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities’ financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: Annual improvements 2018-2020 cycle

Effective date: 1 January 2022

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.

ANNEXURE G – SIX-YEAR REVIEW

Consolidated statement of financial position

	2020 USDm*	2020 GBPm*	2020 EURm*	CAGR** %
Assets				
Cash and balances with central banks	5 963	4 367	4 857	3
Financial investments, trading and pledged assets	63 509	46 511	51 730	9
Loans and advances	86 636	63 448	70 567	3
Current and deferred taxation assets	499	365	406	25
Derivative and other assets	10 516	7 702	8 566	3
Disposal group assets classified as held for sale	15	11	12	(46)
Interest in associates and joint ventures	443	324	361	(8)
Goodwill and other intangible assets	1 245	911	1 014	(5)
Property and equipment	1 411	1 033	1 149	3
Investment property	2 039	1 493	1 661	
Policyholders' assets	344	252	280	(8)
Total assets	172 620	126 419	140 603	
Equity and liabilities				
Equity				
Equity attributable to ordinary shareholders	14 671	10 744	11 950	5
Equity attributable to other equity instruments holders	12 020	8 803	9 790	3
Equity attributable to other equity instruments holders	854	625	695	18
Non-controlling interests	1 797	1 316	1 465	3
Liabilities	157 949	115 675	128 653	5
Deposit and debt funding	110 679	81 056	90 151	6
Derivative and other liabilities	17 001	12 451	13 848	1
Trading liabilities	5 538	4 056	4 510	13
Current and deferred taxation liabilities	566	414	461	(2)
Non-current liabilities held for sale	6	5	5	(38)
Subordinated debt	1 997	1 463	1 627	2
Policyholders' liabilities	22 162	16 230	18 051	1
Total equity and liabilities	172 620	126 419	140 603	

* 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.

** Compound annual growth rate.

Exchange rates (rounded) utilised to convert the 31 December 2020 statement of financial position and exchange rates (closing):

Currency	2020	2019
USD	14.67	14.00
GBP	20.04	18.42
EUR	18.01	15.70

2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
87 505	75 288	85 145	75 310	77 474	75 112
931 906	819 498	749 517	714 993	632 396	607 352
1 271 255	1 181 067	1 119 547	1 048 027	1 065 405	1 076 917
7 315	4 868	4 519	2 109	2 467	2 415
154 310	101 308	74 192	98 606	90 167	135 641
220	2 599	762			
6 498	5 423	10 376	9 665	8 196	9 703
18 262	22 323	23 676	23 329	23 675	24 031
20 702	22 018	19 194	16 179	16 041	17 670
29 917	34 180	33 326	32 226	31 155	30 508
5 050	7 017	6 708	7 484	7 314	7 579
2 532 940	2 275 589	2 126 962	2 027 928	1 954 290	1 986 928
215 272	209 484	199 063	190 017	179 359	178 908
176 371	171 229	165 061	157 020	150 757	151 069
12 528	10 989	9 047	9 047	5 503	5 503
26 373	27 266	24 955	23 950	23 099	22 336
2 317 668	2 066 105	1 927 899	1 839 911	1 774 931	1 808 020
1 624 044	1 426 193	1 357 537	1 243 911	1 213 621	1 186 514
249 471	193 599	164 810	175 324	171 899	236 469
81 261	83 847	59 947	62 855	47 867	43 304
8 302	9 073	8 015	8 614	8 317	9 398
92	246	237			
29 306	28 901	26 359	24 289	25 997	27 141
325 192	324 246	310 994	322 918	307 230	305 194
2 532 940	2 275 589	2 126 962	2 029 928	1 954 290	1 986 928

Consolidated income statement

	2020 USDm*	2020 GBPm*	2020 EURm*	CAGR** %
Net interest income	4 186	3 066	3 410	4
Non-interest revenue	3 214	2 354	2 618	13
Net fee and commission revenue	2 004	1 468	1 633	2
Trading revenue	946	692	770	5
Other revenue	215	158	175	(4)
Other gains and losses on financial instruments	48	35	39	(1)
Income from banking activities	7 400	5 419	6 027	17
Income from investment management and life insurance activities	1 028	753	837	(8)
Insurance premiums received	2 672	1 957	2 176	
Revenue from contacts with customers	232	170	189	(4)
Interest income	112	82	91	(3)
Insurance benefits and claims paid	(2 750)	(2 014)	(2 240)	9
Investment management and service fee income and gains	223	163	182	(38)
Fair value adjustments to investment management liabilities and third-party fund interests	540	395	440	(10)
Total income	8 428	6 172	6 865	2
Credit impairment charges	(1 403)	(1 028)	(1 143)	17
Income after credit impairment charges	7 024	5 144	5 722	
Operating expenses in banking activities	(4 306)	(3 153)	(3 507)	4
Operating expenses in insurance activities	(1 100)	(805)	(896)	
Net income before non-trading and capital related items	1 619	1 185	1 318	(9)
Non-trading and capital related items	(270)	(197)	(220)	
Share of post tax results from associates and joint ventures	74	54	60	26
Net income before indirect taxation	1 423	1 042	1 159	(10)
Indirect taxation	(186)	(136)	(151)	
Profit before direct taxation	1 237	906	1 008	(11)
Direct taxation	(248)	(182)	(202)	
Profit for the year from continuing operations	989	724	806	(11)
Profit/(loss) for the year from discontinued operation				
Profit for the year	989	724	806	(12)
Attributable to non-controlling interests and other equity instrument holders	92	67	75	(13)
Attributable to group ordinary shareholders	842	617	686	(12)
Headline earnings	1 087	796	885	(6)

* The foreign denominated results above have been derived from the group's audited ZAR results by using the average exchange rates. The foreign denominated results above have not been audited and have been presented for illustrative purposes only. This illustration would not be equivalent to that which would have resulted had the group presented its results in a currency other than ZAR in terms of IAS 21.

** Compound annual growth rate.

Exchange rates (rounded) utilised to convert the 31 December 2020 income statement and exchange rates – (average)

Currency	2020	2019
USD	14.67	14.44
GBP	20.04	18.43
EUR	18.01	16.16

2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
61 425	62 919	59 505	60 125	56 892	49 310
47 156	47 542	45 826	42 574	42 601	41 439
29 413	30 622	30 375	28 670	28 648	26 556
13 874	12 075	10 799	10 731	10 988	11 016
3 158	4 089	3 863	3 173	2 965	3 867
711	756	789			
108 581	110 461	105 331	102 699	99 493	90 749
15 086	23 573	21 722	(13 626)	19 615	23 309
39 202	39 801	38 251	38 020	1 750	688
3 400	4 062	4 073			
1 648	1 920	1 516			
(40 354)	(44 309)	(26 484)	(43 848)		
3 271	3 245	3 533	43 957	22 887	36 791
7 919	18 854	563	(13 735)	(3 272)	(13 482)
123 667	134 034	127 053	89 073	119 108	114 058
(20 594)	(7 964)	(6 489)	(9 410)	(9 533)	(9 371)
103 073	126 070	120 564	79 663	109 575	104 687
(63 182)	(62 335)	(60 084)	(57 049)	(55 871)	(51 070)
(16 139)	(16 486)	(16 404)	(17 800)	(17 374)	(16 184)
23 752	47 249	44 076	4 814	36 330	37 433
(3 956)	(2 890)	(641)	(261)	(1 123)	(1 512)
1 084	(512)	912	1 102	187	(323)
20 880	43 847	44 347	5 655	35 394	35 598
(2 727)	(2 592)	(2 609)	(2 481)	(2 418)	(2 739)
18 153	38 338	41 738	3 174	32 976	32 859
(3 640)	(10 559)	(9 095)	(10 479)	(8 932)	(8 187)
14 513	30 696	32 643	30 715	25 794	25 360
					2 741
14 513	30 696	32 643	30 715	25 794	28 101
1 352	5 253	5 190	4 480	(3 588)	(4 347)
12 358	25 443	27 453	26 235	22 206	23 754
15 945	28 207	27 865	26 270	23 009	22 187

Share statistics and market indicators

		CAGR** %	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Share statistics								
Dividend cover	times	14	4.2	1.8	1.8	1.8	1.9	2.0
Dividend yield	%	(27)	1.2	5.9	5.4	4.7	5.1	5.9
Earnings yield	%	(8)	7.9	10.5	9.8	8.4	9.5	12.0
Price earnings ratio	times	(31)	12.7	9.5	10.2	119.3	105.4	83.5
Price-to-book	times	(37)	1.1	1.6	1.8	20.2	16.0	12.0
Number of shares traded	millions	(31)	1 619.9	1 650.9	1 618.5	15 844.2	12 718.4	10 528.1
Turnover in shares traded	%	9	102	102	102	98	79	65
Market capitalisation	Rm	2	202 426	268 302	289 723	316 826	245 595	183 672
Market indicators at 31 December								
Standard Bank Group share price								
High for the year	cents	(1)	17 224	21 022	23 100	20 000	15 748	17 700
Low for the year	cents	(3)	8 341	15 860	15 392	13 401	9 700	9 480
Closing	cents	2	12 708	16 832	17 881	19 566	15 175	11 350
Prime overdraft rate (closing)	%	(6)	7	10	10	10	11	10
JSE All Share Index – (closing)		3	54 116	57 084	52 081	59 505	50 654	50 694
JSE Banks Index – (closing)		2	6 076	8 731	9 162	96 187	77 545	61 072
ZAR exchange rates – (closing)								
USD		(1)	14.67	14.00	14.38	12.31	13.69	15.50
GBP		(3)	20.04	18.42	18.31	16.55	16.94	22.93
EUR		1	18.01	15.70	16.44	14.70	14.43	16.86
ZAR exchange rates – (average)								
USD		(1)	16.45	14.44	13.23	13.30	14.69	12.75
GBP		(3)	21.08	18.43	17.63	17.13	19.96	19.49
EUR		1	18.76	16.16	15.60	15.02	16.26	14.14

Results and ratios

		CAGR %	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Standard Bank Group								
Share statistics								
Number of ordinary shares Listed on JSE (millions)			1 590	1 594	1 594	1 602	1 598	1 597
Weighted average			1 620	1 594	1 590	1 597	1 597	1 607
End of year								
Share statistics per ordinary share (cents)								
Basic earnings	cents	(12)	777.0	1 593.5	1 722.6	1 637.8	1 389.8	1 487.0
Headline earnings	cents	(6)	1 002.6	1 766.7	1 748.4	1 640.0	1 440.1	1 388.9
Dividends	cents	(25)	240.0	994.0	970.0	910.0	780.0	674.0
Net asset value	cents	3	11 072.0	10 741.6	10 379.8	9 830	9 442.0	9 434.0
ROE	%	(11)	8.9	16.8	18.8	17.1	15.3	15.6

Capital adequacy, employee and other relevant statistics

		CAGR** %	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Capital adequacy¹								
Risk-weighted assets	Rm	5	1 229 478	1 099 528	923 016	957 046	883 179	944 039
Tier I capital ²	Rm	5	163 944	147 981	151 925	136 293	126 188	125 710
Total capital ²	Rm	5	189 847	169 983	172 289	153 243	146 318	147 998
Tier I capital to risk-weighted assets ⁴	%	1	13	13	14	14	14	13
Total capital to risk-weighted assets ⁴	%	1	16	15	16	16	17	16
Employee statistics								
Number of employees								
Banking activities		(2)	44 450	44 996	47 419	48 322	48 622	47 958
Group		(2)	50 115	50 691	53 178	54 558	54 767	54 361
Normalised headline earnings per employee	Rm	(5)	318 168	556 450	523 995	481 506	420 125	404 739
Points of representation								
ATMS and ANAs*		(1)	6 774	8 970	7 239	7 362	7 189	7 193
Banking branches and service centres		(2)	1 124	1 114	1 200	1 212	1 211	1 221
Social investment and environment								
Corporate social investment spend ^{2,3}	Rm	1	124	114	141	106	96	116
Carbon footprint (metric tons CO ₂) ²		(10)	189 535	229 892	243 132	252 092	281 264	324 637

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 Includes R27 million for charitable donations relating to SBSA's Covid-19 response programme.

⁴ Capital includes unappropriated profit.

* Automated.

** Compound annual growth rate.

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:

	2020 Rbn	2019 Rbn
Banking activities		
Asset management	237	260
Trusts and estates		1
Unit trusts/collective investments	16	33
Segregated funds	26	21
Portfolio management	182	201
Other	13	4
Fund administration	240	295
Trusts and estates	18	17
Unit trusts/collective investments	5	12
Portfolio management	26	29
Other	191	237
Total	477	555
Geographical area		
South Africa	36	71
Africa Regions	357	400
International	84	84
Liberty		
Asset management	67	66
Segregated funds	67	66
Wealth management – funds under administration	385	334
Single manager unit trust	153	133
Institutional marketing	87	64
Hedge fund	2	
Linked and structured life products	90	88
Multi-manager	35	21
Rest of Africa	18	28
Total Liberty	452	400
Total assets under management and funds under administration	929	955

Included in the balances above are funds for which the fund value is determined using management's valuations.



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