The Standard Bank of South Africa

ANNUAL REPORT

for the year ended 31 December 2021

Standard Bank IT CAN BE™

Also trading as Stanbic Bank

Our reporting suite

Our full suite of reports caters for the diverse needs of our stakeholders. As the central connection point of our reporting suite and the primary report to our stakeholders, the SBG integrated report contextualises the information in our other reports. Our remaining reports provide additional disclosure on our performance for the year and satisfies various compliance reporting requirements.

SBG annual integrated report

Provides an outline of our ability to create and preserve value, and guard against value erosion in the short, medium and long term.

SBG governance and remuneration report

Discusses the group's governance approach and priorities, and includes our remuneration policy and implementation report.

Environmental, social and governance (ESG) report

Provides an overview of the group's processes and governance structures as they relate to social and environmental matters.

SBG annual financial statements

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

Risk and capital management report

Sets out the group's approach to risk management.

Report to society (RTS)

An assessment of our social and environmental impacts in the seven areas in which we believe we have the greatest impact and opportunity.

Climate-related financial disclosures (TCFD aligned reporting)

Discusses how the group is managing the risks and responding to the opportunities presented by climate change, aligned to the Task force on climate-related financial disclosures (TCFD) reporting.

The Standard Bank Group 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.

Our reporting portal
All our reports and latest results presentations, booklets and SENS announcements are available at **https://reporting.standardbank.com/**
A glossary of financial terms, other definitions, acronyms and abbreviations used in our reports is also available on this webpage.
The invitation to the annual general meeting (AGM) and notice of resolutions to be tabled at the AGM, are sent separately to shareholders and are also available online.

SBG: Standard Bank Group

Contents

How to navigate our reports

The following icons refer readers to information across our reports:

Refers readers to information elsewhere in this report.

Refers readers to information in other reports online.

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 of South Africa Limited's consolidated and separate annual financial statements was supervised by SBSA's chief finance & value management officer, Augustine Makhoni, ACCA (UK), Master in Business Leadership (UNISA), Bachelor of Commerce Honours (Accounting) Africa University Zimbabwe.

Who we are

As a major integrated financial services organisation, SBSA facilitates real economic activity which supports the country's socioeconomic development.

SBSA is SBG's **largest operating subsidiary**

SBSA is **wholly owned by SBG** which has been **listed on the JSE since 1970**

159-year history in South Africa

Primary issuer of senior bonds that are listed on the JSE and borrower of senior funds, making it the **largest borrowing entity** in SBG

OUR PURPOSE

Africa is our home, we drive her growth

OUR SA VISION

To harness our collective strengths, to amplify our delivery and to retain our leading position in South Africa

OUR STRATEGIC PRIORITIES

Transform client experience

Our Client Segments will:

- **DEFEND** our current client franchise and market positions
- **GROW** as we capture opportunities, with specific focus on our ten prioritised ecosystems

+

Execute with excellence

Our Client Solutions, Engineering and Innovation capabilities will:

- **DELIVER** innovative and cost-effective client solutions
- **ENABLE** the group's platform
- **PARTNER** to drive value

=

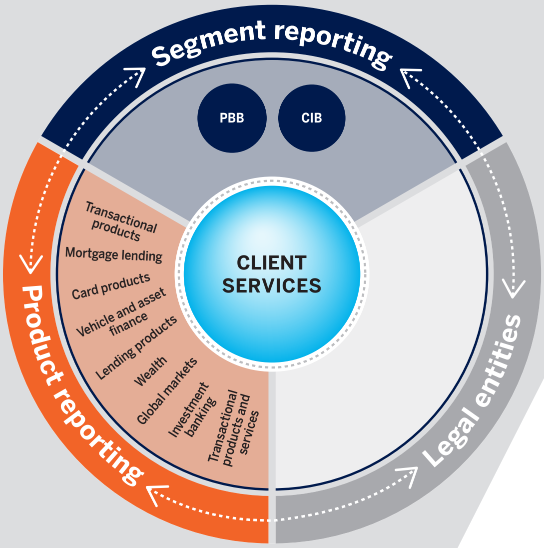
Drive sustainable growth and value

We will be purposeful in:

- Diligently **ALLOCATING RESOURCES**
- Delivering **ATTRACTIVE SHAREHOLDER RETURNS**
- Having a **POSITIVE IMPACT**

The group and company have made significant structural changes to better serve clients and as of this year is primarily organised into three client segments: Consumer & High Net Worth (CHNW) clients, Business & Commercial clients (BCC) and Corporate & Investment Banking (CIB) clients. Central and other will remain and house group hedging activities, unallocated capital, liquidity earnings and central costs.

OUR TRADITIONAL STRUCTURE TO 31 DECEMBER 2020



New capability model
from 01 January 2021

Client segments

We have shifted the business to be future-ready and client centric. Our reporting structure has changed to align to this principle. The client segments will be responsible for designing and executing the client value proposition strategy. Client segments will own the client relationship and create multi-product customer experiences to address life events distributed through our client engagement platforms.

Consumer & High Net Worth

CHNW is responsible for the end-to-end lifecycle of clients. CHNW services individual clients across sub-Saharan Africa. We enable our clients' daily lives by providing relevant solutions throughout their life journeys.

Corporate & Investment Banking

CIB serves large companies (multinational, regional and domestic), governments, parastatals and institutional clients across Africa and internationally. Our clients leverage our in-depth sector and regional expertise, our specialist capabilities and our access to global capital markets for advisory, transactional, trading and funding support.

Business & Commercial

BCC provides broad based client solutions for a wide spectrum of small- and medium-sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.

Client solutions

BANKING | INSURANCE | INVESTMENTS

Client solutions support the client segments and the group as a whole. This team works in partnership with the client segments to deliver the client value proposition strategy. Client solutions provide products and services for banking, insurance and investments and will expand into non-financial services and solutions over time.

Banking

- Home services
- Vehicle and asset finance
- Card and payments
- Retail lending
- Retail transactional
- Global markets
- Investment banking
- Transactional products and services

Insurance

Short-term and life insurance activities

- Short term: Homeowners' insurance, household contents, vehicle insurance and commercial all risk insurance.
- Long term: Life, disability, funeral cover and loan protection plans sold in conjunction with related banking products.
- Advice and brokerage.

Investments

- Stockbroking & advisory, alternative investments, compulsory investments and discretionary investments.
- Wealth management, passive investments, international investments, structured products and social impact investing.
- Integrated fiduciary services including fiduciary advice, will drafting and custody services as well as trust and estate administration.
- Asset management.
- Pension fund administration.

Central and other

- Hedging activities.
- Unallocated capital.
- Liquidity earnings.
- Central costs.

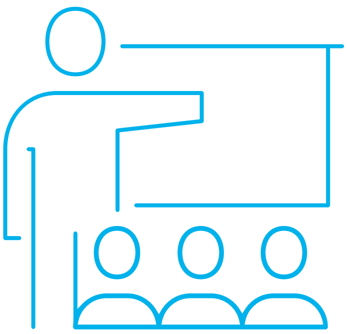
Refer to note 42 of the annual financial statements for segment reporting.

Our people

Employee headcount

Permanent employees
28 956
2020: 29 581

Non-permanent employees
972
2020: 879



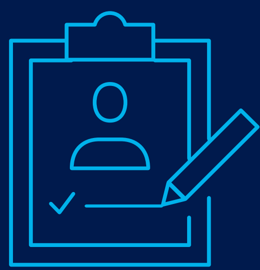
	2021	2020
Overall staff turnover (%)	**7.3**	6.4
Voluntary staff turnover (%)	**3.9**	2.8

PERCENTAGE BLACK WOMEN REPRESENTATION IN ALL MANAGEMENT LEVELS (%)

	2021	2020
Junior management	**63.2**	61.9
Middle management	**40.7**	39.7
Senior management	**25.6**	23.3
Top management	**7.7**	11.4

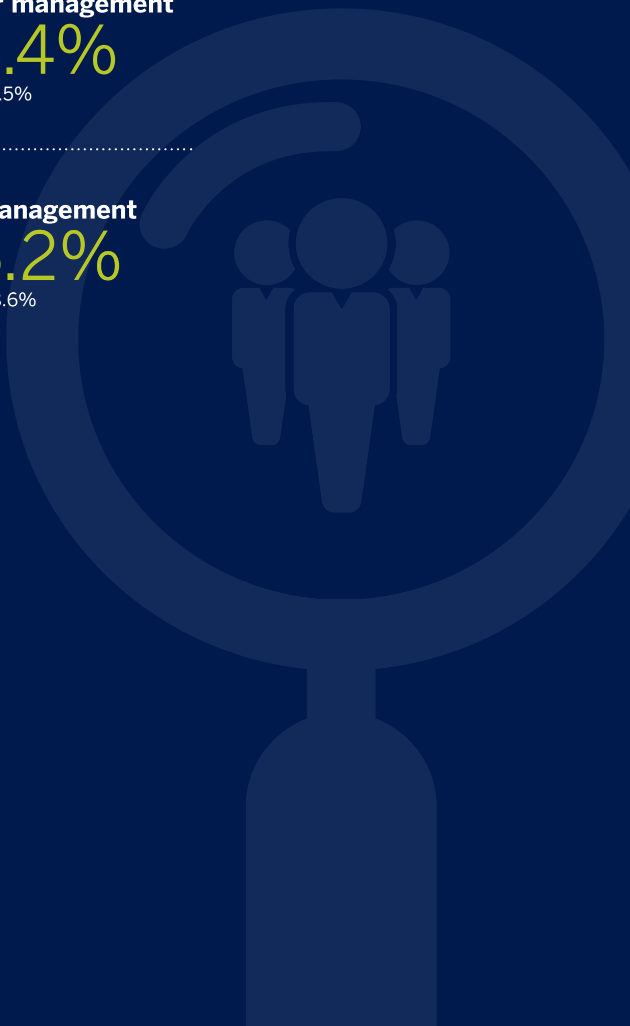
Percentage black representation in all management levels

Junior management
91.0%
2020: 90.1%



Middle management
76.9%
2020: 75.2%

Senior management
54.4%
2020: 51.5%



Top management
46.2%
2020: 48.6%

Bursary spend

Total number of employees assisted

1 711

2020: 1 632

Total bursary spend on employees (Rm)

50.6

2020: 44

Female graduate participants

56%

2020: 58%

BBBEE contributor

Level 1

Young talent development investment

GRADUATE PROGRAMME PARTICIPANTS

	2021	2020
Total graduate programme participants[1]	130	150
Black graduate participants (%)	86	87
Black economic empowerment (BEE) score – Level 1 BEE contributor[2]	124	113

GRADUATE PROGRAMME PARTICIPANTS

	2021	2020
Successfully completed leanerships	508	480
Number of learnerships started	582	282

1 This number denotes new intakes of the graduate development programme.
2 Based on the revised 2017 broad-based BEE (BBBEE) weighting system.
3 52% of whom were subsequently employed by SBSA (2020: 55%).

Skills development investment

TRAINING SPEND

	2021	2020
Training spend (Rm)	622	583
Training spend as a percentage of staff costs (Rm)	2.4	2.5
Number of employees trained	29 855	29 388
Number of women employees trained	18 516	18 569
Number of black employees trained	25 313	24 678

LEADERSHIP DEVELOPMENT PROGRAMME PARTICIPATION

	2021	2020
Total number of participants	3 902	4 426
Number of black participants	3 106	3 337

All information pertains to the SBSA group as at 31 December 2021 and 2020, unless otherwise stated.

SUMMARY OF EMPLOYMENT EQUITY PROGRESS REPORT (ALL EMPLOYEES)

Occupational levels	Male			
	A	C	I	W
Top management	5			4
Senior management	412	126	403	845
Professionally qualified and experienced specialists and mid-management	1 806	480	701	853
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2 940	780	534	296
Semi-skilled and discretionary decision-making	539	101	63	18
Unskilled and defined decision-making				
Total permanent	5 702	1 487	1 701	2 016
Temporary employees	100	5	16	34
Grand total	5 802	1 492	1 717	2 050

SUMMARY OF EMPLOYMENT EQUITY PROGRESS REPORT (PERSONS WITH DISABILITIES ONLY)

Occupational levels	Male			
	A	C	I	W
Top management				
Senior management		1	1	13
Professionally qualified and experienced specialists and mid-management	4	2	3	15
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	36	8	5	15
Semi-skilled and discretionary decision-making	4			1
Unskilled and defined decision-making				
Total permanent	44	11	9	44
Temporary employees				
Grand total	44	11	9	44

Key

A = African
C = Coloured
I = Indian
W = White

	Female				Foreign nationals		Total
	A	C	I	W	Male	Female	
	1			2			12
	406	112	299	468	158	63	3 292
	1 836	633	861	868	151	91	8 280
	6 486	1 961	1 059	971	33	67	15 127
	1 652	357	132	92	4	4	2 962
	10 381	3 063	2 351	2 401	346	225	29 673
	187	10	11	31	15	6	415
	10 568	3 073	2 362	2 432	361	231	30 088

	Female				Foreign nationals		Total
	A	C	I	W	Male	Female	
		1	2	3	1	2	24
	3	4	5	7		1	44
	35	14	13	24		2	152
	11	3	2	4			25
	49	22	22	38	1	5	245
	49	22	22	38	1	5	245

Chief executive officer's report

Lungisa Fuzile
The Standard Bank of South Africa, chief executive officer

2021 was a year of recovery, growth, and strategic progress for both South Africa and SBSA. The economic recovery supported the strong financial performance of SBSA.

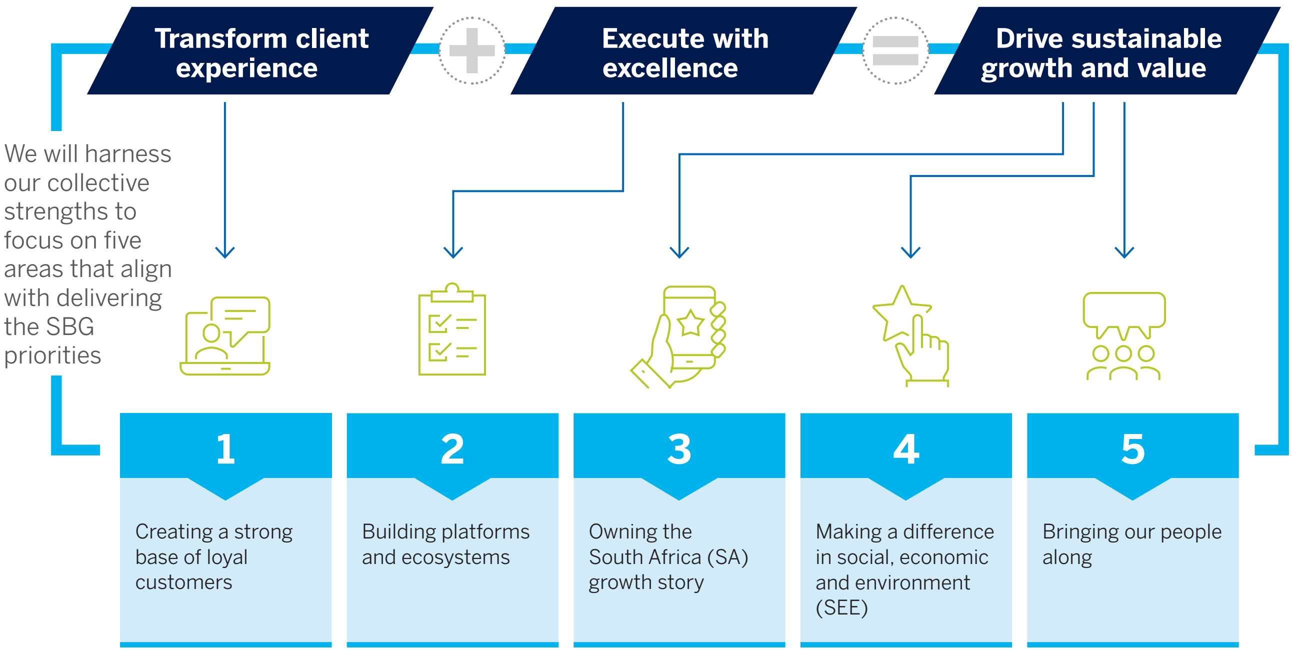
Headline earnings increased by more than 100% to R12.8 billion from R4.7 billion, and we achieved a return on equity (ROE) of 12.5% compared to 4.8% in 2020. Our cost-to-income ratio improved to 62.2% (2020: 63.4%), with positive jaws of 198 basis point (bps). Costs increased by 8% driven by increased staff related costs as the business performance improved. The recovery in business confidence and in the financial health of individuals saw impairments improve by 54%, with a credit loss ratio (CLR) of 68 bps, down from 148 bps in prior year.

During 2021, SBSA updated its strategic priorities to align to SBG. SBSA aims to transform client experience, execute with excellence, and drive sustainable growth and value. Our clients are at the centre of everything we do. We strive to understand their unique needs and aspirations, and to partner with them in making their dreams possible.

The South African leadership team has spent time aligning our focus areas to the SBG strategy to ensure we are well placed to achieve our 2025 Ambition. We have finalised the roadmap for our business with the ultimate goal of harnessing our collective strengths to defend the franchise where it is strong and recover in areas where we are lagging.

Driving our strategic priorities

Our 2025 ambition is to offer services beyond financial services to become a leading client-centred platform organisation.



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

COST-TO-INCOME RATIO

↓ **62.2%**

2020: 63.4%

JAWS

↑ **198 bps**

2020: (518) bps

We re-organised our business into three client segments: CHNW, BCC and CIB. These client segments are responsible for delivering competitive solutions to meet our clients' needs. Each client segment is underpinned by Client Solutions, Engineering, and Innovation capabilities to enable the seamless delivery of integrated, innovative, and cost-effective products and services. We have already started to see the benefits from these changes.

The past two years have been challenging, but we persevered and continued to support our clients and employees. As the country became accustomed to living with Covid-19, lockdown restrictions were relaxed and economic activity recovered across most sectors. The Covid-19 vaccination programme, although slow to start, has continued to reach more of South Africa's people.

The South African economy grew by 4.9% and inflation remained within the SARB's target range. The recovery of the economy to 2019 levels will take time, given the significant impact of the lockdowns on businesses, which resulted in many business closures and job losses. Further pressure was placed on our economy by the social unrest in mid-2021. I am saddened by the number of lives that have been lost or negatively impacted over this period. We have continued to serve our clients with empathy during their times of need.

CHNW

CHNW was most impacted by the pandemic, however the return to normal business in 2021 allowed for increased client activity across all channels, especially in digital channels. We grew our client base to 10 million active clients, up 9% from 2020 (main market up 10%, and affluent up 5%), with a key highlight being our MyMo solution with one million new accounts opened. Digital adoption increased by 22%, with most digital channel engagements via the SBG mobile app. That said, it is important to remember that digital channels have thinner margins than traditional channels. We supported our clients as they purchased homes with record home loans registrations, up 43% on 2020 and 61% higher than 2019 leaving us with a 35.2% market share of mortgages. We financed vehicles to the value of R43 billion, which is a 24% increase on the prior year. Furthermore, growth was also seen in our Flexi-Funeral solution, the fastest growing funeral plan in the market in comparison to peer banks.

BCC

In BCC, we continued to partner with our clients through this difficult period. Facilities and support offered in 2020 was carried through into 2021. These initiatives included payment holidays, loan restructures and government-backed Covid-19 loans. In line with the group strategy we continued to develop our offering in the Trade ecosystem premised on creating value and reducing friction for our clients when importing or exporting by linking and matching buyers and suppliers. We invested in training our relationship managers to understand our client businesses more deeply, allowing them to better partner with clients on their growth journeys. In recognition of the great strides that BCC has made in supporting the SME sector, we won the SME Bank of the Year Silver Award in the Efma SME Banking Awards for the second year in a row and we were awarded the Best Corporate/Institutional Digital Bank in Africa for SME Banking in the 22nd World's Best Digital Banking Awards in Africa.

CIB

CIB had a remarkable year and delivered a well-rounded performance. Revenues increased, led by Investment banking and Global markets, and headline earnings more than doubled, supported by credit impairment recoveries. The Global markets business benefited from volatility especially on the foreign currency and equity derivatives desk. Transactional products and services saw deposits increase as corporates held on to liquidity and managed cash flows.

Banking is increasingly digital, both in South Africa and globally, and we continue to make progress on delivering a seamless and integrated digital service for our clients. We recognise that system stability is integral to how clients interact and experience the bank. We regret the system challenges we experienced in 2021, which inconvenienced our clients. We responded swiftly to these and continue to focus our attention on these areas to ensure that our banking services are always on and always secure.

Executing our strategy to deliver our 2025 Ambition

We aim to transform client experience by providing consistently exceptional client experience through an expanded range of innovative offerings.

Client satisfaction scores remain positive and demonstrates how our clients perceive us.

CHNW NET PROMOTER SCORE (NPS)	CHNW CSI[1]	BCC NPS	CIB CSI
76	**2nd** position	**75**	**8.3**
2020: 73	2020: 5th position	2020: 64	2020: 8.3

1 Ranking in the 2021 Consulta SA-consumer satisfaction index (CSI) survey.

We strive to continuously satisfy our clients and when we fall short, we aim to respond in a timely manner. We are pleased to have been awarded the Ombudsman for Banking Services Customer Dispute Adjudication Team Award. The award is testament to the effort of the team in putting the customer experience first and making sure that we treat customers fairly.

We have found innovative ways to enable individuals, entrepreneurs, and small enterprises to access relevant and affordable financial products and services. We are excited by some of the partnerships we entered into in 2021. We placed in-store banking kiosks in Pick n Pay stores and increased the number of Instant Money contact points from 15 000 to 50 000 across the country. We have also made it cheaper for our clients to withdraw cash by reducing ATM cash withdrawal fees and reducing fees for withdrawals from other banks' ATMs. These benefits, in turn, support economic development and reduce inequality.

Our people have continued to show resilience in the face of numerous challenges during the past two years. Each person has had to deal with their very own circumstance to be at work and to support our clients. I am grateful to each of my colleagues for their commitment. With sadness, I pay tribute to those who have lost lives or loved ones during this time.

I am proud of the support provided to our people during this challenging time. This is reflected in the positive sentiment expressed in our annual employee satisfaction survey, with an improved employee net promoter score of +51. Our people feel positive about working at Standard Bank, they have high levels of work satisfaction, and they recognise the care taken by the bank to keep them safe, connected, and productive over the past two years. As the leadership team we take note that many also feel stressed, anxious and tired. We acknowledge this and we continue to run initiatives to support our teams psychologically and, to help them deal with the effects of Covid-19.

As part of our commitment to deliver better health outcomes to our employees and communities, we partnered with the DisChem Foundation to establish 32 public vaccination sites across the country.

The July social unrest significantly impacted our colleagues in the affected areas. We remained connected to our colleagues to understand their needs during this difficult period. We collaborated with Government, big businesses, and many of our colleagues to provide emergency humanitarian support through partnerships with organisations such as Gift of the Givers and OneFarm.

We continue to do the right business the right way, upholding our governance and ethical principles. Effective management of risks and ensuring that our personal, market and societal conduct reflects the highest standards of ethical and responsible business practice, are always top priorities for us. They are how we earn and keep the trust of our stakeholders.

We view the organisational transformation to a digital platform organisation as both a defensive and growth strategy for SBSA. As a digital platform organisation, we will provide new value-added services to clients expanding our services and solutions beyond traditional banking services.

Our transformation journey is well underway.

Through our ecosystem approach, we are creating new solutions to serve our clients better and grow our revenues. Examples are discussed under the Client focus strategic driver on **page 13**.

Our detailed progress on our strategic priorities is detailed on **page 12** to **page 17** of this report.

Looking ahead

Standard Bank Group has a well-articulated strategy and as SBSA, we are focused on executing on this strategy. We seek to continue to place our clients' needs and aspirations at the centre of our thinking to transform client experience. We will continue to look after our people, we will strive to deliver strong financial results through earnings growth and ROE, and we will aim to make a positive impact in the communities in which we operate.

Our priorities for 2022

We remain cautiously optimistic about the South African recovery. We will continue to deliver value to our clients and their communities. Our immediate priorities include:

- The diligent execution of our strategy, which is aligned to the Standard Bank Group strategy.
- Intense focus on growing our market shares, by building on the improvements we have achieved in client experience and operational efficiency.
- Keeping our employees safe, healthy, connected, and motivated as we move to hybrid ways of working.
- Expanding our range of new partnerships and new services that we can offer our clients.
- Continuing to explore new technology partners to ensure faster, stable, and secure services. System stability remains critical in ensuring that our busines is always on and always secure.
- Contributing positively to the group's journey to deliver the 2025 targets.

Our medium-term priorities to 2025

Standard Bank Group is accelerating towards the 2025 Ambition of becoming a client-centric, digitally enabled, platform organisation. SBSA is expected to contribute to the 2025 targets. Our contribution will be through:

- Revenue growth of 7% to 9% (CAGR for 2020 – 2025); an ROE of between 17% and 20%, a through-the-cycle credit loss ratio of 70 bps – 100 bps, while achieving a cost-to-income (CTI) ratio closer to 55% by 2025.
- Building comprehensive solutions in partnerships and ecosystems, such as Trader, Home and Mobility. These will change the way we do business, expanding what we can do for our clients beyond traditional financial services.
- Focusing on delivering innovative solutions that are modular – standardised, connectable, and cost-effective – so they can be efficiently scaled across our client segments and to strategic distribution partners, creating new opportunities and new revenue streams.
- Driving inclusive and sustainable economic growth and supporting the transformation of our country into a more equitable, just, and prosperous society.

The business environment in SA is rapidly changing, competition is getting fiercer and often arises from unlikely quarters. To stay relevant, we have to adapt. Our group's refreshed strategy seeks to do just that. What remains now is diligent execution of the strategy. Accordingly, we have made appropriate adjustments to the metrics by which we measure and hold each executive accountable. We are ready to defend and grow the Standard Bank franchise in SA and to make a meaningful contribution towards driving SA and Africa's growth.

Progress against strategy

SBSA (2025) target summary

OUR STRATEGIC PRORITIES	OUR SUCCESS MEASURES AND VALUE DRIVERS	OUR TARGETS	OUR TARGET OUTCOMES
Transform client experience	CLIENT FOCUS	• Top quartile **client and partner satisfaction** scores • Active **client base** increase 1.6 times by 2025 • **New revenues** from Beyond financial services of R3 billion	Growth and scale
	EMPLOYEE ENGAGEMENT	• Upward trend in **employee net promoter score (eNPS)** • Increasingly **diverse workforce** • Improved **workforce return on investment**	
Execute with excellence	RISK AND CONDUCT	• Operate within **risk appetite** and **conduct framework** • **Common equity tier 1 (CET) I ratio** >11%	Efficiency and resilience
	OPERATIONAL EXCELLENCE	• Lower **cost to serve** • **System security and stability**	
Drive sustainable growth and value	FINANCIAL OUTCOME	• Sustained **headline earnings growth** • **ROE** of 17% – 20% • Improving **data monetisation**	Legitimacy
	SEE IMPACT	• **Positive impact** in seven chosen impact areas • **Net zero** by 2050	

TRANSFORM CLIENT EXPERIENCE

OUR SUCCESS MEASURES

CLIENT FOCUS

In our strategy, we endeavour to be client centric by placing clients at the centre of everything we do. The Covid-19 relief measures that we had introduced to support our clients in 2020 were extended as needed. These included payment holidays, waiver of electronic processing transaction fees, term extensions, loan restructures and reduced banking fees. Clients continued to have access to online support, advice, and tools to help them respond to these impacts.

We made progress on our digital journey to make financial services as simple and frictionless as possible. The use of our digital channels continued to grow and volumes in our branch network have been decreasing. Our partnership strategy has progressed with Pick n Pay and Proparco. The partnership with Pick n Pay has increased our footprint across South Africa, making banking more accessible, and in 2022 we seek to grow our footprint further. In addition to making banking more accessible, our payment solution at Pick n Pay tills ensures that we stay at the forefront of payment modernisation by offering multiple ways in which our clients can pay for goods. The partnership with Proparco is aligned to our strategy to grow the small, medium and micro enterprises (SMMEs) market and will accelerate growth of Micro, Small, and Medium Enterprises (MSMEs).

These partnerships are important as they allow us to increase our access points and make it more convenient for clients.

We are encouraged by the progress made in our CHNW segment, with improved service levels, innovative solutions (including the launch of ApplePay and EasyScan) and simplifying our offerings.

The BCC business is growing and improvement can be seen across several measures including turnover, and client experience. We are focused on retaining our competitive position, and this is central to our strategy to acquire more clients and enhance client experience. We continue to partner with our clients for growth in our relationship banking segments through our competitive offerings and world-class Relationship Managers that act as trusted advisors to the businesses they serve.

CIB continues to focus on the development and delivery of fit-for-purpose solutions that solve unique client challenges. We continued to support large multinational corporations and large domestic clients as they weathered the turbulence. Working with our clients, we continuously tailor our payments, liquidity, capital and risk management solutions to be fit-for-purpose. An exciting area that is emerging is sustainable finance, and as an industry leader, we led several initiatives from green finance to social bonds with funding being dedicated to impactful financing of socially and environmentally friendly initiatives.

Overall, our client surveys showed good results in client satisfaction, with CHNW and BCC improving and CIB maintaining a high score.

CHNW CLIENT NUMBERS

↑ **10.2** million

2020: 9.3m

BCC CLIENT NUMBERS

↑ **500** thousand

2020: 492 thousand

Developing ecosystems

Our ecosystem strategy is well underway, and we are making good progress. Some of our initiatives include:

Trader ecosystem – Thrive

Thrive is a digital platform that aims to empower independent traders and brands to grow their businesses. This platform solution benefits our traders by providing seamless stock ordering, invoice management, and cash flow management, as well as improved cash security due to the cash burden placed on traders. The solution aims to digitise the buying and selling process, reducing the amount of cash transactions for traders and suppliers, resulting in easier and safer trading.

We have seen promising growth in our Trader ecosystem which has a sizable value pool of up to 200 000 traders valued at R15 billion. Our key partnerships resulted in 3 893 traders on the platform, of which 27% (1 053) are active traders.

Energy ecosystem – PowerPulse

PowerPulse is a platform that connects business and industrial-scale energy users to solar photovoltaic engineering, procurement, and construction partners. This is an innovative renewable energy digital platform that addresses the challenges faced by clients who require a stable supply of electricity. PowerPulse helps clients source alternative energy supplies by connecting them with appropriate solution suppliers.

Through PowerPulse, we are able to help clients source alternative means of energy production, with the support of vetted solution providers. This platform guides our clients in making the right technical decisions and selecting the right installation partners, aligned to the most appropriate legal and funding solutions, all within the complex regulatory and approval environment. Ultimately, we can play a leading role in this ecosystem by connecting both our clients and vetted solution providers for value to be shared among all participants.

The biggest benefits for our clients are reduced power costs and a reduction in reliance on our national power producer. In 2021, we wrote just over R364 million deals to fund alternative energy solutions.

Home ecosystem–Looksee

LookSee is Africa's first home management platform designed to help clients reduce the cost of home ownership by empowering both homeowners and buyers with information and products to help them make informed decisions about property.

Over 92 000 unique users have interacted with LookSee over 2021 with early signs of increasing demand for cost saving solutions.

Agriculture ecosystem – OneFarm

OneFarm is a digital business-to-business (B2B) platform to connect and provide services across the agricultural ecosystem through lend, protect, grow, trade and share services. In South Africa, OneFarm Share was launched through OneFarm platform as a result of the food crisis caused by Covid-19 lockdowns. OneFarm Share partnered with HelloChoice, a digital agri-trade platform, and FoodForward, a beneficiary network, to match excess produce from farmers with certified food recipients.

Food is procured at a reduced cost or donated by farmers and then provided to beneficiary organisations. The platform facilitates the smooth delivery of a nutritional basket of goods to vulnerable recipients in rural areas of South Africa. Through OneFarm Share, we have distributed over 5 900 tonnes of food and 23.6 million meals to over one million individuals.

OneFarm Share won a gold award at the Global EFMA Innovation Awards under the category of Social and Responsible Banking in 2021.

EMPLOYEE ENGAGEMENT

The workplace experience of our employees remains very important, driven by the personal needs and aspirations of existing and prospective employees, technological advancements, and broader societal and economic trends. We continue to shape a workforce that is future ready and able to respond to changing client needs. This also strengthens our relevance in the marketplace.

In 2021, the ongoing pandemic focused our attention on building a compelling culture that empowers our people to be their best in a prevailing new normal. The safety and wellbeing of our employees remained paramount in 2021. Various wellness initiatives were made available to support our employees with the most prevalent challenges that they were facing. This included ongoing support for coping with Covid-19 via a comprehensive infohub covering topics like how to deal with having Covid-19, looking after loved ones with Covid-19, and further education and awareness about vaccines. In addition, we provided employees with access to vaccinations through the Banking Association of South Africa vaccination sites.

A low point of the year was the July unrest, where some of our employees, primarily in KwaZulu Natal and Gauteng, were negatively impacted. Support was extended to these employees in the form of care packages for food and toiletries, and counselling services.

Investment in developing the current and future skills of our people continued in 2021 with the percentage of employees accessing training to support future readiness, increasing from 37.4% in 2020 to 45.6% in 2021. This is a positive indication that we are driving a culture of continuous learning with our employees. In 2021, we focused on building the core capabilities and skills required to meet changing client needs, as well as the shift towards a more digital and platform organisation, such as the Universal Banker and Relationship Manager learning journeys, as well as the Engineering Skills Academy. In addition, we invested in data and technology, behaviour, and leadership development. Our continued investment in youth development resulted in 582 enrolments in our learnership programmes and 130 enrolments to our graduate programmes.

Overall employee turnover was 7.3%, higher than 6.40% in 2020, albeit significantly lower than 12.2% in 2019 and remained well below the CEB global financial industry benchmark of 13%. Voluntary turnover in 2021 was 3.9%, up from 2020, however this was below the 2019 result of 4.7%. Our voluntary turnover also remained below the CEB global financial industry benchmark of 4%.

Our annual employee engagement survey 'Are You A Fan', had an 86.4% participation rate. The emotional promotion score covering how employees feel about working for Standard Bank was +71 for South Africa, up 13 points from 2020. The other key measure of employee satisfaction is the employee net promoter score, which measures the likelihood of an employee recommending Standard Bank as an employer. This score was +51, which is marginally up from the 2020 score.

The overall outcome on our employee engagement continues to show that the initiatives pursued in 2021 to enhance the workplace experience of our employees are successful and that we are on the right path to continue to deepen employee engagement.

EXECUTE WITH EXCELLENCE

OUR SUCCESS MEASURES

RISK AND CONDUCT

Our reputation as a trusted partner is built on the strong foundation of well-embedded risk management processes and ethical personal, market and societal conduct. Our licence to operate is based on this trust, making compliance with all applicable laws and regulations non-negotiable. This protects the value we create for all our stakeholders.

Risk

Our robust risk management system is governed by mandated board and management committees with appropriate expertise. We take measured risks within the risk appetite set at group level by the group board, and risk limits that are set and reviewed regularly by the relevant management committees at legal entity and other appropriate levels of the group. Our risk measurements are designed to balance regulatory capital requirements and shareholder expectations for risk-adjusted returns. They allow us to carefully manage our capital, liquidity, and funding allocations to transform and grow the business, while maintaining depositor and creditor confidence. We continuously improve the management of complex non-financial risks to manage risks that arise as we pursue growth opportunities that create value for all our stakeholders.

We have seen a strong credit recovery supported by an improving macro environment as well as robust credit strategies that maximises performance. We continue to support our customers through a targeted risk appetite allowing us to take advantage of market opportunities, while managing the overall risk sustainably. This is evidenced by our robust capital ratios, which remain above the minimum requirements.

Conduct

We manage conduct risk in accordance with our conduct risk management framework, which defines the group's conduct risk appetite and informs the approach to managing and mitigating instances of misconduct. Quarterly conduct governance dashboards are submitted to the SBSA executive committee, providing a view on the ethical climate of the group. Conduct is evaluated, managed, and monitored by the appropriate governance and management committees, using conduct risk indicators. Where deficiencies are identified, immediate remedial action is taken. We continue to identify metrics and mitigation measures to improve the responsiveness and effectiveness of conduct risk controls. No significant conduct matters arose during the year.

OPERATIONAL EXCELLENCE

System stability (Always On)

Our investment in system stability in 2021 continued to focus on providing stable, secure, and scalable capabilities. Unfortunately, we experienced a high number of system outages that impacted our clients during April and May 2021. A focused remediation plan was successfully implemented, resulting in improvements in the second quarter of 2021. We continue to focus on ensuring system stability.

Simplified customer experience

In 2021, the number of clients who chose to transact through digital channels increased. Overall, 60% of personal loans, 33% of savings and investments, and 30% of credit cards were initiated digitally.

We continue to make good progress in our digital transformation journey:

- The number of active users of our digital platforms grew by 27% in 2021.
- Our My360 platform, which provides clients with a holistic view of their wealth, grew registered users by 60% in 2021.
- We also continue to grow our Add-on Store which has enabled 2.4 million of our banking app clients to tailor their experience, by downloading widgets (called add-ons) which provide a host of additional products and services directly onto their app. Our latest innovation, App Message Centre launched in October 2021 and has already exceeded 600 000 unique visitors. Our clients can now receive helpful information, exclusive offers and even use our Live Chat to get assistance with a banker by a few clicks. On average, 1.2 million users are active on any one of our digital channels daily.

Instant Money was activated at over 2 000 PEP stores in partnership with KAZANG allowing for 50 000 pay out points to be enabled. We also reduced the 16 digit voucher number to 10 digits for client experience. We further enabled e-vouchers for Showmax, Uber, Uber eats, Google etc. as well as DSV Lockers for card collection to ease traffic within branches and improve client experience. We also opened more direct cash deposit points at USave, Shoprite, Pick n Pay and Boxer stores. Towards the end of the year, we successfully launched Apple Pay, which is now actively used by thousands of clients.

Enabling platforms – 2025 Ambition

To achieve our ambition of offering services beyond financial services, we have been delivering many proof of concepts.

Single digital identity store

We have successfully integrated our primary digital channels and platforms with an industry-leading enterprise security capability (Ping Indentity) for managing digital profiles. This moved us from multiple custom digital identity stores to a single modern enterprise-wide digital identity profile store. By implementing Ping Identity, we have made it easier and more secure for clients to access our banking services using a single set of credentials across all our digital platforms.

Shyft:

In 2021, Shyft successfully implemented the international share trading feature which was extremely well received in the market. The overall client base increased by over 50% with 120 000 customers registered and transactions valuing R12 billion processed. Our new users increased by 127% from the prior year, with 41 000 new users registered in 2021. Shyft was awarded MTN Business App of the Year Award for Financial Services for the second time.

OneHub:

OneHub is a business-to-business (B2B) online marketplace to assist our corporate clients with their digital transformation. Clients benefit from a safe and convenient single sign-on, which gives them access to a one-stop shop to address their needs. They can access a range of digital tools and services, including web applications and application programming interfaces (APIs), developed by the group and its trusted network of technology partners, to enhance efficiencies and streamline their own processes. New capabilities can be co-created with developers to address specific client needs We have more than 1 000 users which include clients, partners, and employees. OneHub was awarded the Global Finance award for innovation in the Corporate Finance category.

Progress on partnerships

Partnerships are essential to unlock growth for Standard Bank, as we become a platform organisation.

We have partnered with Amazon Web Services (AWS), Microsoft, and Salesforce to accelerate our transformation journey. These partnerships allow us to leverage cloud native services to accelerate our delivery and improve agility. An example of this is modernising our call centre interaction capabilities by migrating to Salesforce and AWS Connect cloud technologies. This has reduced our turnaround times and added more resolution channels (i.e. live chat) for customers.

We also implemented the first iteration of our digital e-commerce strategy via Salesforce enabling seamless product origination for three key lending products and associated insurance products. This is all done through advanced digital identification and web facial recognition, eliminating paper-based manual Know Your Customer (KYC) processes.

In addition, we have improved Relationship Banking capabilities through Salesforce which will allow for common and consistent views of clients, faster decision-making and more valuable time spent with customers discussing their business needs and solutions. Having all our customer segments on one common platform will further entrench the single view of customers across the value chain to assist in identifying new opportunities and services for their businesses, by leveraging the bank's huge network of clients and partners.

We also entered into an equity partnership with one of our existing partners, iiDENTIFii, to provide a biometric identity authentication system that can verify an individual's identity in real time, thus helping to reduce identity fraud.

DRIVE SUSTAINABLE GROWTH AND VALUE

OUR SUCCESS MEASURES

FINANCIAL OUTCOMES

2021 can be summarised as a year of recovery, following the economic rebound from the deep contraction in 2020. We saw good growth of 10% on Revenue and credit impairment charges down 54% from prior year, resulting in headline earnings of R12.8 billion. Full financial review to follow.

SEE IMPACT

We continuously work to identify opportunities to accelerate transformation, leveraging our skills, expertise, and access to various stakeholders in the economy to enable us to achieve transformation internally and be a catalyst for societal transformation through our core business activities. Aligned to our purpose of 'driving Africa's growth', we continue to embed SEE considerations into our strategy. Our key focus areas included greater financial inclusion, job creation and enterprise growth, health, and education.

We have found innovative ways to enable individuals, entrepreneurs, and small enterprises to access relevant and affordable financial products and services. This includes placing in-store banking kiosks in Pick n Pay stores, increasing the number of Instant Money contact points from 15 000 to 50 000 across the country, and making it cheaper and easier for our clients to draw cash. We continue to lead the market in providing affordable home loans, and to work closely with our customers to ensure we do all we can to keep them in their homes when times are tough. We have invested R41.9 million in enterprise development initiatives in 2021, enabling 500 black-owned small businesses to create over 1 300 jobs. We launched the inaugural Standard Bank Business Awards to recognise and reward those resilient and ambitious businesses that continue to persevere in the pursuit of growth. These awards have provided 5 businesses with a share of R4.5m in financial backing and development support needed to realise their expansion goals.

We continue to support students to access tertiary education through innovative no-collateral finance arrangements such as our Feenix crowd-funding platform.

Since 2017, we have raised R112.5 million through Feenix, funding more than 2 300 students. We also invested corporate social investment of R72.4 million in educational programmes. We continue to partner with North West University's Little African Scientist programme, the University of Johannesburg Foundation Phase Robotics Programme and Edufundi, among others, to improve access to quality learning and teaching.

As part of our commitment to deliver better health outcomes to our employees and communities, we partnered with the DisChem Foundation to establish 32 public vaccination sites across the country. We provided R75.9 million in emergency humanitarian support through partnerships with organisations such as OneFarm Share and Gift of the Givers in response to the social unrest experienced in Gauteng and KwaZulu Natal in July and natural disasters including wildfires in Cape Town. We also donated to the Pink Drive Foundation for mobile medical teams, employing previously unemployed nurses and drivers, and reaching over 37 000 people.

In contributing to the increase of renewable energy solutions, we developed the PowerPulse platform. This platform enables customers to engage with accredited solar energy solution providers, in an efficient and competitive manner, to deliver cost saving and sustainable energy solutions for their business. PowerPulse is accessible through our OneHub platform.

In response to the evolution of sustainable financing, the bank continues to raise green friendly funding to manage the capital stack in the form of social bonds.

Financial review

Augustine Makhoni –
Chief financial and value management officer

SBSA remained resilient throughout the disruption brought on by the Covid-19 pandemic. This has resulted in our 2021 financial performance showing strong recovery and growth across the franchise.

Overview of Financial Results

The global environment in 2021 was characterised by continued low interest rates and fiscal stimulus which supported global equity markets. Vaccination rates improved as the rollout beyond developed markets gained momentum. Lockdown restrictions were reintroduced in many places to deal with the new Covid-19 variants however, they were less restrictive than the initial lockdowns.

As lockdowns eased, activity and business confidence improved. High commodity prices supported the fiscus (tax collection) enabling the state to continue assisting citizens and sectors most impacted by the pandemic. The vaccination programme started off sluggish but gained momentum through various government initiatives. As the population regained their confidence to "travel again and business activity gained traction compared to 2020," we saw the South African economy grow by 4.9% in 2021.

The safety and protection of our clients and people remained the foremost priority during the social unrest experienced in July 2021 in KwaZulu Natal and Gauteng. We offered various forms of support to our clients, our colleagues and to the communities impacted to assist with the recovery process.

SBSA recorded a robust set of results as economic activities improved in the year under review. Headline earnings increased by over 100% compared to 2020, although not at the same levels compared to 2019. This contributed to an increased ROE of 12.5% compared to 4.8% in 2020 and a positive jaws of 198bps.

Banking earnings were supported by strong disbursements, improved transactional activity and volumes, as well as lower credit impairment charges. Insurance was underpinned by higher fees mainly due to annual increases and continued success from the Flexi-Funeral product. This was partially offset by increased funeral and short-term claims compared to the prior year. Investment's performance was supported by growth in assets under management, coupled with increased productivity and volumes in Standard Bank Financial Consultancy.

Performance of our franchise

Interest earning assets

Growth in interest earning assets were supported by yield and tenor optimisation strategies on the high-quality liquid asset portfolio (HQLA), which resulted in margin expansion and growth in financial investments of 11%.

Furthermore, continued momentum in disbursements and pay-outs across CHNW and BCC coupled with improved origination as general business activity resumed on the corporate portfolio resulted in gross loans and advances to customers of R1.0 trillion increasing by 6% compared to 2020, of which CHNW increased by 13%, BCC by 6% and CIB by 1%. Forward-looking releases, higher cures and write-off's resulted in a 2% increase in provisions held against loans and advances compared to 2020. Provisions decreased for stage 2 and 3 but increased for stage 1 across most product portfolios. Stage 3 loans represented 4.8% of the portfolio and the coverage ratio increased to 51% (2020: 5.3% and 44% respectively).

Across CHNW and BCC, the increased momentum seen from the market recovery and customer demand lifting in the second half of 2020, extended throughout 2021. Demand for Home services (mortgages) continued in a lower interest rate environment with registrations exceeding both 2020 and 2019 levels. Vehicle and asset finance across segments showed favourable growth due to renewed strategic focus and investment in system capabilities. Personal unsecured and business lending showed good growth, with the public sector lending portfolio providing growth trajectory in the business environment. New business growth remains closely monitored and credit risk continues to be managed within a stable risk appetite.

In keeping with our promise to deepen our client relationships and support them through the crisis, we continued to manage payment holiday extensions on a needs basis and further supported our clients following the social unrest experienced in July 2021. As at 31 December 2021, Covid-19 active

HEADLINE EARNINGS

↑R12.8 billion

2020: R4.7 billion

RETURN ON EQUITY

↑12.5%

2020: 4.8%

payment holiday to customers (including extensions) had reduced from R19 billion to R200 million. This predominately comprises card and business lending, representing 42% and 31% of the client relief portfolio respectively. Loans approved under the South African Covid-19 loan guarantee scheme totaled R7.7 billion, with R6.5 billion drawn down 31 December 2021, 99.76% of these accounts have now entered paying status.

In the first half of 2021, CIB loan origination slowed down as clients de-leveraged their balance sheets through prepayment, with limited opportunities for new deals and refinancing of facilities. Origination picked up in the second half of 2021, as general business activity improved on the back of the expected economic recovery. Significant damage to our retail clients' operations due to the civil unrest in July 2021 was mainly in KwaZulu Natal with clients shutting down operations for security reasons. We responded with an adapted credit risk approach to deal with requests for additional liquidity in CIB. Sufficient provisions were raised in stage 3 during 2020, with significantly reduced client deterioration or new defaults in 2021 largely offset by the successful restructuring and cure of previously non-performing clients.

Funding and liquidity

SBSA's liquidity position remained strong throughout 2021 supported by elevated transactional account balances, combined with limited net growth in client term lending balances. The South African market remained open to senior and subordinated bond issuances while issuance of negotiable certificate of deposits normalised following the market reduction in issuance observed during 2020 caused in part by elevated household deposit balances. Term funding levels are expected to continue to normalise in both loan and debt capital markets.

SBSA maintained both the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in excess of the minimum regulatory requirements of 80% and 100% respectively. With effect 1 January 2022, the minimum regulatory requirement for the LCR will increase to 90% and from 1 April 2022 increase to 100%.

Longer term funding in SBSA increased by R22.4 billion through the issuance of negotiable certificate of deposits and senior debt. The Standard Bank of South Africa Limited issued its debut R2 billion social bond in August 2021, followed by an additonal R1.5 billion in the fourth quarter of 2021. SBSA continues to benefit from favourable liquidity conditions, contributing to strong liquidity ratios.

Deposits from customers increased by 5% compared to 2020. CHNW customer deposits increased by 9%, driven by reduced customer spend and conscientious liquidity management, despite the easing of Covid-19 restrictions from the second half of 2021.

BCC deposit book achieved growth of 8% driven by TPFA (Third-Party Fund Administration) and demand account and strategic initiatives implemented.

CIB deposit growth of 2% was supported by key client retention and new clients being onboarded despite lower demand for longer-dated deposits.

Earnings were reflective of a favourable operating environment compared to prior period

Net interest income (NII)

NII increased by 3% to R40.8 billion compared to R39.5 billion in 2020, as continued momentum in disbursements, growth in financial investments and positive margin mix outweighed the impact of negative endowment from the lower interest rate environment.

Non-interest revenue (NIR)

NIR reflected a growth of 19% to R32.2 billion assisted by:

Net fee and commission revenue increased by 2% to R19.4 billion (2020: R18.9 billion) primarily supported by higher transactional activity compared to 2020 mainly in card turnover and the continued momentum from flexi funeral. ATM volumes related to SBSA clients started to show recovery; however, cash transactions continued to decline particularly within branches due to deliberate efforts to digitise transactions and provide alternative channels for customers to transact.

Trading revenue increased by 31% relative to 2020 due to an increase in structured client and equity deals as well as higher client foreign exchange sales following the recovery in economic activity and strong risk trading gains due to the positive positioning for directional market moves.

Other revenue improved by 67% compared to 2020 due to the non-recurrence of prior year losses related to the disposal of fleets. Dividend and investment income as general business activity improved in 2021 against prior year losses. In addition, an increase in insurance-related income due to higher gross written premiums as the portfolio tilts towards higher cover and premium products was recorded despite higher credit life and funeral claims experienced during the third Covid-19 wave.

Other gains and losses increased by over 100% compared to 2020 due to reversals of prior year valuation write downs on the equity portfolio.

Capital management

SBSA's capital adequacy remains strong and provides the financial resources to continue to support our clients and drive our growth aspirations. SBSA's CET 1 and Total capital adequacy ratios of 12.6% and 17.1% respectively remain above the regulatory minimums required by the Prudential Authority (PA). The group manages its capital levels to support business growth, maintain depositor and creditor confidence and create value while ensuring regulatory compliance.

In response to possible pressures on banks' capital supply brought about by the pandemic and to assist banks to continue to serve their clients under very difficult circumstances, the PA implemented measures to reduce the minimum capital and reserve funds maintained by banks in South Africa through a temporary relaxation of the pillar 2A capital requirement in 2020. The PA announced the reinstatement of the pillar 2A capital requirement effective from 1 January 2022 in Directive 5/2021.

During 2021, SBSA raised R3.2 billion in tier II capital through the issuance of subordinated debt and a further R3.5 billion Additional tier 1.

We continue to analyse the potential impact of the Basel III post-crisis reform proposals, the more significant components of which are due to be implemented from 1 January 2023, on our capital adequacy ratios, systems, and processes. Engagement with the PA on these reform proposals, including areas of national discretion specified by the Basel Committee on Banking Supervision (BCBS), is ongoing.

Credit impairment

Charges improved significantly driven by improved collections as the economy eased from the hard lockdown experienced in 2020, higher cures as a result of client relief population reclassified into the performing portfolio as customers resume payments and improved risk profile across portfolios.

Operating expenses

increased by 8% to R45.2 billion compared to 2020, with staff costs higher by 12% and other operating expenses increased by 4% due to normalised incentive provisioning and investment in strategic digital initiatives.

Staff costs were 12% higher largely driven by higher incentive accruals aligned to business performance and inflationary overnight annual increases.

Other operating expenses increased by 4% mainly driven by investments to advancing SBG's cloud strategy, continued investment in customer proposition initiatives, strengthening of client relationship management capabilities and costs incurred to support employees working.

Looking forward

South Africa's economic rebound is expected to continue, albeit at a slower rate (2022 real GDP growth: 2.0%) as policy stimulus fades and terms of trade retreat from the recent record highs. Inflation is expected to be moderate, supporting a gradual interest rate hiking cycle. We expect three further 25 bps increases over the course of this year. Persistent idiosyncratic risks remain, particularly high levels of unemployment. If structural reforms were accelerated, it could boost confidence, investment and drive faster growth. Geopolitical tensions, particularly the developments in Ukraine, present risks. The situation in Russia and Ukraine is complex and constantly evolving. We are actively monitoring these events in order to comply with all relevant local and international laws and guidelines. SBSA has limited exposure to Russia across its business operations.

We recognise the urgent need to develop new revenue streams and are making good progress in terms of scaling our digital payments, platforms and partnerships. We remain focused on the diligent allocation of capital to fund expansion, whilst managing costs.

Corporate governance report

We have well-defined governance structures embedded across SBSA (the group), supporting our ability to create and preserve value, while guarding against value erosion.

Our approach to corporate governance enable integrated thinking and decision-making that balances the achievement of our strategic priorities over time and reconciles the interests of the group, stakeholders and society in creating and protecting sustainable shared value and guarding against value erosion in the short, medium and long term.

As an integral part of the societies in which we operate and on which we depend for our licence to operate, we recognise our duties as a responsible corporate citizen to act in a manner that benefits these societies.

Our corporate governance approach rests on the following clear commitments:

Promoting transparency, accountability and empathy in managing our stakeholder relationships and ensuring our clients are treated fairly and consistently.

Delivering a positive impact on society, the economy and the environment through our business activities.

Adhering to applicable **regulatory and governance standards.**

Instilling an ethical and risk-aware culture that recognises that the trust our stakeholders have in us is the foundation of our legitimacy and the basis on which we are able to compete, collaborate and change.

Our governance philosophy and framework

Our ability to anticipate and respond effectively to change underpins our governance philosophy and supports the acceleration of our strategy, including how the board provides counsel and oversight. Our philosophy supports the digital enablement of governance, allowing the group to adequately introduce new operating models, understand the opportunities and risks associated with accelerating the strategy and managing constraints to effectively allocate our resources in an ever-changing world to deliver and protect sustainable shared value. Our board-approved governance framework is embedded in all the group's operations and is designed to provide clear direction for responsive decision-making and support responsible behaviour.

King IV forms the cornerstone of our governance approach. Our application of its principles is embedded throughout our governance framework and this allows us to achieve the good governance principles of ethical culture, good performance, effective control and legitimacy.

Details on how the King IV principles have been applied are in the SBG governance report available **online.**

We implement our framework principles to:

Ensure the pursuit of strategic opportunities within the board-approved risk appetite, supporting a prudent balance of risk and return.

Provide controls that are effective in avoiding financial loss or reputational damage due to misconduct or unethical behaviour.

Embed the principle of doing the right business, the right way and ensuring ethical business practises are embedded within and across our markets.

Support our legitimacy as a responsible corporate citizen, enhancing the resources and relationships we rely on today for the future benefit of the group, our clients, employees, stakeholders and society.

Achieving governance outcomes that drive sustainable shared value

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Our board is responsible for the ethical and effective leadership of the group. The chairman and the board set the ethical tone for the group.

Our purpose, values and ethics are the basis on which we institutionalise an ethical culture across the group and in the delivery of our strategy. Our code of ethics provides our people with practical guidance on how to behave, outlines acceptable conduct and empowers them to make faster, more confident decisions within clearly defined parameters. The board and committee effectiveness assessments and executive management performance evaluations measure conduct against the group's values and code of ethics.

Our overarching governance framework supports the institutionalisation of an ethical culture providing the cornerstones for the group's legitimacy through its focus on the governance of our conduct as individuals, in our markets and in society.

Our ethics framework

Our ability to achieve our purpose depends on our legitimacy and reputation as a trusted partner to our clients, and is underpinned by the ethics and values shaping our organisational culture and the conduct of our people. The board and executive leadership are responsible for ensuring an appropriate focus on ethics, conduct and positive client outcomes. We continue to review our approach to ethics to ensure it remains relevant and evolves as we transform the group.

Read more about our approach to ethics **here.**

STRATEGY, PERFORMANCE AND REPORTING

In approving the group's strategy, the board considers the group's purpose, vision, values and legitimacy, as well as the external environment, the group's operating model, infrastructure and resources and its performance against the metrics associated with our value drivers to ensure the long-term success and sustainability of the group.

The board has continued to take steps to improve its oversight and understanding of the implications of the new operating model:

- additional feedback from management on the progress to date from 'future ready' workstreams was received;
- throughout the month of July the board hosted weekly series of 'fireside' conversations with management to discuss group performance. This included, but was not limited to:
  - The balance between 'future ready transformation' and current business priorities
  - Annual budgeting, system stability and communication
  - ESG considerations.

  These sessions followed a less formal approach to traditional board meetings and provided both the board and management with additional avenues to discuss group performance and get insights into the business.

Setting the agenda and board meetings

Board and committee meetings were held in a combination of in-person and virtually, with virtual meetings ensuring the safety of board members and employees.

A forward planner with standing agenda items is prepared annually.

The chairman considers emerging issues affecting the group and adds these to the agenda as needed.

Care is taken to ensure the board has the appropriate time to consider matters critical to the group, including compliance, administrative and governance matters.

After each board meeting, a closed session is held for non-executive directors that provides them with an opportunity to test thoughts and raise matters considered inappropriate for discussion in the presence of the executive directors. The chairman provides feedback to the chief executive officer.

Offering effective counsel

Covid-19 placed considerable strain on our retail, business and corporate clients, particularly in South Africa. The social unrest in South Africa and subsequent riots placed additional strain on an already suffering economy. We remained strategic in our response and balanced in our approach during this challenging and uncertain time. Through it all, our commitment to our purpose has been unwavering.

Our focus throughout 2021 was to continue serving our clients in a digital way, while supporting our employees and clients to navigate the risks brought about by the pandemic and the recent civil unrest.

The board, together with the risk and capital management committee, SBG engineering committee, SBG social and ethics committee and the audit committee continued to provide oversight of the various impacts of the Covid-19 pandemic, of the social unrest, and the relief measures offered by the group. The board endorsed management's approach to respond to and recover from the pandemic.

During the year, the board held ten meetings.

Assessing the effectiveness of the board

The performance of the board and its committee are assessed through:

Mandate reviews

A detailed assessment of the compliance of board and each subcommittee with the provisions of their respective mandates is done annually. The group's external auditors conduct a limited assurance assessment on the review and express an opinion in this regard.

Effectiveness evaluation

The chairman, the board and its committees undergo an annual effectiveness evaluation, in terms of section 64B 2(b)(iv) of the Banks Act. The board alternates every other year between an externally facilitated independent evaluation, and an internal evaluation facilitated by the chairman, supported by the group secretary. Directors also participate in peer reviews, which are conducted every three years.

On-on-one discussions

Evaluation of individual director performance is carried out by the chairman in one-on-one discussion with individual directors.

The annual board evaluation process provides an opportunity to identify greater efficiencies, maximise strengths and highlight areas of further development to enable the board to continually improve its performance and that of the group.

The 2021 board evaluation review was internally facilitated, conducted by the group secretary, with oversight by the directors' affairs committee. This evaluation took the form of a series of questions with opportunity to provide free text comments or observations throughout the questionnaire. While the evaluation allowed for the board to review its effectiveness in 2021, the evaluation also intended to follow up on matters raised by directors in the 2020 Korn Ferry board effectiveness review, to assess whether directors are satisfied with progress. Key findings from the evaluation can be accessed online in the SBG **Governance Report**.

BALANCING OUR VALUE OUTCOMES

Providing effective oversight.

The board and its committees considered the following key items, in addition to the standard agenda items according to their mandates:

Client focus

- The group's complaints management programme.
- Deep-drill sessions for all client segments.
- Competitive market positioning areas of focus, and metrics.
- An update on SBG's strategic direction and medium-term objectives and targets.
- The group climate policy and climate risk management framework.

Employee engagement

- The group's progress against transformation, diversity and inclusion targets.
- The results from the annual 'Are you a Fan' employee survey.
- Reports on overall employee wellness which focused on the group's efforts to assist employees with the impact of Covid-19 on their mental health.

Risk and conduct

- The appropriateness and adequacy of the group credit metrices and ensured the group remained within approved risk appetite limits.
- The third-party risk management framework.
- The internal audit reports and management's remedial actions on audit findings.
- Feedback from the chairmen of all board sub-committees.
- Common themes that contributed to regulatory penalties and control enhancement measures implemented to reduce the group's residual risk.
- Conduct dashboards.
- Approved the appointment of Francis Karuhanga as the group chief audit officer, who replaced Mike White in April 2021.

Operational excellence

- Deep-drill sessions on the group's core banking programme to transform client experience and ensure alignment with future needs.
- The group delegation of authority framework for appropriateness.
- Deep-drill sessions on the group's strategic technology investments.
- The group's system stability and resilience to understand the root causes of significant disruptions to digital channels.
- Regular feedback on the group's 'Always On, Always Secure' programme.

Financial outcome

- The group's annual financial statements and the interim results.
- The adequacy of financial provisions in the annual financial statements.
- The adequacy of the group capital and liquidity, and its ability to continue as a going concern for the interim and financial year end.

SEE impact

- Group reputational matters
- Feedback on engagements with stakeholders.
- SBSA consumer financial education program assisting in the development of financial knowledge for individuals and small businesses.
- The group's youth employment and development strategy and the group's graduate, learnership/internship programme and bursary scheme.

GOVERNING STRUCTURES AND DELEGATION OF AUTHORITY

The board retains effective control through the governance framework and delegates certain functions to its committees according to clearly defined mandates and decision-making rights set by the framework. This allows the board to allocate sufficient attention to the matters reserved for its decision-making, while also ensuring that delegated matters receive in-depth focus. Committee chairmen are accountable for the effective functioning of board committees.

The board delegates the management of the day-to-day business affairs of the group to the chief executive officer, with full power on behalf of and in the name of the board. The executive committee provides counsel to the chief executive officer, acting as a sounding board and ensuring overall coordination across the group and other key stakeholders. Members of the executive committee exercise powers in accordance with their delegated authority.

Separation of roles and responsibilities

The roles of chairman and chief executive officer are separate. The allocation of responsibilities is clearly set out in the board mandate, ensuring that no single director has unfettered powers in the board decision-making process. Executive directors and the group's prescribed officers attend board meetings, increasing the contact between the board and management.

Board composition and skills

The collective background of the board members provides a balanced mix of skills, demographics, genders, nationalities, experience and tenures to enable it to fulfil its governance role and responsibilities objectively and effectively. The board considers its size and composition to be appropriate.

A skills matrix is applied to ensure directors have the relevant range of skills and experience in the short term and to identify specific skills required to create and preserve value in the long term.

The below indicates the number of directors who are considered as highly skilled and experienced in each area.

- 11/17 Banking and other financial services
- 11/17 Doing business in sub-Saharan Africa / International Markets and Client Centricity
- 9/17 Risk & Capital Management and Controls
- 8/17 Accounting & Auditing
- 6/17 IT / Digital (Technology)
- 14/17 Leadership of a large complex organisation
- 13/17 People development, diversity & inclusion and remuneration
- 13/17 Public company governance
- 11/17 Regulation / public policy
- 8/17 Environmental / social

Diversity and independence

The board-approved promotion of gender and diversity policy was approved in 2018 with a voluntary target of 33% female representation on the board by 2020. Having achieved this, the board has revised its female representation target to 40% by 2025.

The board resolved to maintain the race diversity targets in line with the management control scorecard as set out in the Amended Financial Sector Code of 2017. The board continues to consider these targets in the implementation of its succession plans and is satisfied with its progress.

An annual assessment of directors' independence is performed, including a self-assessment by each director and the consideration of each director's circumstances by the board. Consideration is also given to whether directors' interests, position, association or relationships are likely to influence or unduly cause bias in decision-making when judged from the perspective of a reasonable and informed third-party.

Provision 8.1.2.8 of the directive deems non-executive directors who have served on the board for a period of nine years or more as not independent. The group applied for and was granted an exemption by the Prudential Authority from the effects of this provision until May 2023 for directors who had served on the board for longer than nine years. The exemption is subject to the annual external independent assessment classifications made.

Thulani Gcabashe, Myles Ruck and Kgomotso Moroka have all served for periods longer than nine years. Taking into account the above exemption and following a rigorous annual review, including independent external assessment confirmation, the board confirmed that Thulani Gcabashe and Myles Ruck continue to be independent in character, demonstrated behaviour and contribution to board deliberations and judgement, notwithstanding tenure. For the period under review Kgomotso Moroka, and ICBC's nominated directors Xueqing Guan and Li Li were not considered independent.

Board education and training

Continuing board education sessions are scheduled in advance to ensure full board participation. Ongoing director education ensures that the board has both the awareness of relevant trends and the appropriate skills to offer relevant counsel and provide effective oversight as the group delivers its 2025 Ambition.

Topics covered in 2021 included:

- ESG: A specialist-led panel discussion on ESG coordinated by the CIB team.
- Anti-financial crime: A refresh of some of the well-known concepts of money laundering, terrorist financing and proliferation financing, as well as the measures that the group has in place to mitigate these risks.

Driving innovation

The board understands that information and technology is an integral part of the group's strategy and 2025 Ambition. In line with the group's transformation to a platform organisation, the SBG technology and information committee was reconstituted as the SBG engineering committee. This reconstitution expands the board committee's oversight responsibilities to focus more specifically on the specific components of the group's strategic platform initiatives, engineering and technology partnerships, as well as data and technology-related innovation initiatives and strategies. While the committee will continue to oversee the governance of technology and information in accordance with the requirements of King IV and assist the other board committees with oversight of relevant technical issues, this will not be the committee's major area of focus.

Board committees

RISK AND CAPITAL MANAGEMENT COMMITTEE

Chair: Myles Ruck

Purpose

- Provides independent and objective oversight of risk and capital management across the group.
- Reviews and assesses the adequacy and effectiveness of the risk and capital management governance framework and ensures that associated standards and policies are clear, appropriate and effective.
- Evaluates and agrees the nature and extent of opportunities and ensures discipline and control in managing the associated risk in pursuit of the group's strategic priorities.

AUDIT COMMITTEE

Chair: Trix Kennealy

Purpose

- Monitors and reviews the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes.
- Provides independent oversight of the group's assurance functions, including reviews of the independence and effectiveness of the external audit, internal audit and compliance functions.
- Assesses compliance with applicable legal, regulatory and accounting standards and policies in the preparation of fairly presented financial statements and external reports.

DIRECTORS' AFFAIRS COMMITTEE

Chair: Thulani Gcabashe

Purpose

- Determines the appropriate corporate governance structures and practices.
- Maintains the board continuity programme.
- Ensures compliance with all applicable laws, regulations and codes of conduct and practice.
- Assesses and ensures the effectiveness of the board and its committees.

LARGE EXPOSURE CREDIT COMMITTEE

Chair: Myles Ruck

Purpose

- Oversees compliance with relevant regulatory requirements in respect of large exposures.
- Reviews credit risks associated with the exposure as well as the mitigating actions to be implemented in order to ensure the maintenance of effective risk management in the bank.

For details on meeting attendance, refer to the governance report **online.**

Our leadership
The board

Our directors have deep experience and diverse skills, enabling the board to provide informed counsel, rigorous oversight and independent interrogation in leading integrated thinking in the group and guiding the group leadership council in the design and delivery of the group's strategy. Non-executive directors provide independent and objective judgement. They constructively challenge and monitor the executive management's delivery of strategy within the approval framework and risk appetite agreed by the board.

Chairman

DAC | RCMC | LECC

THULANI GCABASHE 64

Chairman and independent non-executive director, SBG and SBSA

Key strengths: Business leadership; executive management of a complex business; solid strategic planning experience.

Appointed: 2003

Appointed chairman: 2015

DAC | RCMC

XUEQING GUAN 58

Non-executive director, SBG and SBSA

Key strengths: Proven leadership in large international group; extensive board experience; strong strategic management experience in banking.

Appointed: 2020

RCMC | LECC

JACKO MAREE 66

Independent non-executive director, SBG and SBSA

Key strengths: Over 40 years' experience in banking and leadership; deep insight into the role of a chief executive and the challenges faced; skilled team builder.

Appointed: 2016

AC | RCMC | DAC

TRIX KENNEALY 63

Independent non-executive director, SBG and SBSA

Key strengths: Extensive operational and strategic management experience across a variety of industries and sectors; over 30 years' experience in corporate governance; broad experience in strategic financial management, including restructuring, acquisitions and integrations.

Appointed: 2016

Executive directors

LECC

LUNGISA FUZILE 55

Chief executive officer, SBSA

Key strengths: Strategy formation and execution; leadership and organisational development; deep understanding of the regulatory environment and relationship with regulators.

Appointed: 2018

LECC

SIM TSHABALALA 54

Executive director, SBG and SBSA

Key strengths: Extensive groupwide leadership experience; leading strategy formulation and execution; proven track record of enhancing competitiveness and ensuring sustainability.

Appointed: 2013

LECC

ARNO DAEHNKE 54

Executive director, SBG and SBSA

Key strengths: Detailed understanding of banking regulations; financial management, budgeting and forecasting skills; balance sheet management experience, including capital and liquidity management at group and subsidiary level.

Appointed: 2016

Committees:

- DAC — Directors' affairs committee
- AC — Audit committee
- LECC — Large exposure credit committee
- RCMC — Risk and capital management committee
- Committee chairman (dotted box)

Non-executive directors

PAUL COOK [41]

Independent non-executive director, SBG and SBSA

Key strengths: Use of digital tools to reach customers, creating disruptive brands, and improve the back-office; venture capital investment, entrepreneurial support and incubation, pan-Africa macro- and micro-trends experience.

Appointed: 2021

RCMC DAC

GERALDINE FRASER-MOLEKETI [61]

Independent non-executive director, SBG and SBSA

Key strengths: Experience in international, regional (Africa) and national politics; strong strategic, ethical and oversight skills; experience in human resources oversight.

Appointed: 2016

DAC RCMC [1]

LI LI [44]

Non-executive director, SBG and SBSA

Key strengths: Senior management experience in ICBC overseas branch, enterprise risk management, and more than 10 years' experience in compliance and AML.

Appointed: 2021

RCMC AC DAC

NOMGANDO MATYUMZA [59]

Independent non-executive director, SBG and SBSA

Key strengths: Strong financial and executive management skills; experience in strategy development and execution; seasoned non-executive director in several sectors.

Appointed: 2016

RCMC DAC

KGOMOTSO MOROKA [67]

Non-executive director, SBG and SBSA

Key strengths: Strong business leadership skills; extensive experience in governance, regulation and public policy; significant legal experience.

Appointed: 2003

RCMC LECC

NONKULULEKO NYEMBEZI [62]

Independent non-executive director, SBG and SBSA

Key strengths: Leadership across multiple sectors; strategy planning and execution; governance and corporate stewardship.

Appointed: 2020

AC

MARTIN ODUOR-OTIENO [65]

Independent non-executive director, SBG and SBSA

Key strengths: Over 18 years' extensive banking experience; strategy development and execution skills; strong leadership and governance experience.

Appointed: 2016

DAC AC

ATEDO PETERSIDE CON [66]

Independent non-executive director, SBG and SBSA

Key strengths: Strong business and banking experience, as the founder and former chief executive of the Investment Bank and Trust Company Limited (IBTC); seasoned investment banker and economist.

Appointed: 2014

RCMC LECC DAC

MYLES RUCK [66]

Independent non-executive director, SBG and SBSA

Key strengths: Strong banking experience with a career spanning over 30 years; experience in running a large and complex business; extensive risk management experience.

Appointed: 2016

1 In capacity as alternate to Xueqing Guan.

Non-executive directors cont.

AC RCMC

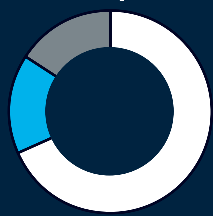
JOHN VICE [69]

Independent non-executive director, SBG and SBSA

Key strengths: Extensive experience in auditing, accounting, risk and practice management; experienced IT advisor and consultant in IT strategy, risk, audit and controls; knowledge and experience of running businesses in South Africa and other African countries.

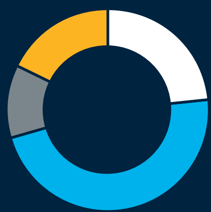
Appointed: 2016

Independence



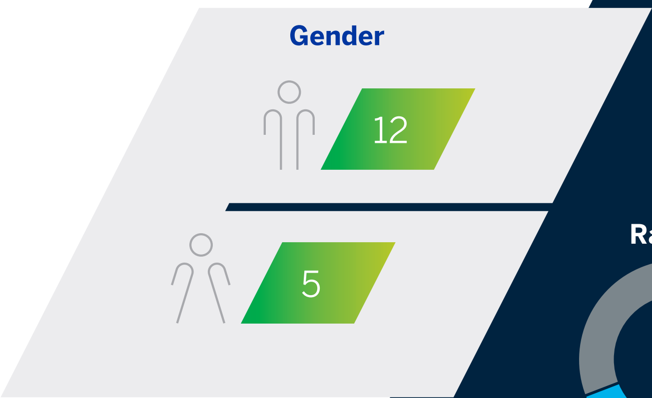
Independent non-executive directors	11
Non-executive directors	3
Executives	3

Tenure (years)

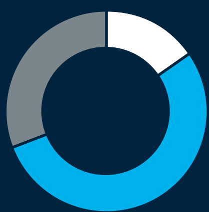


<3	4
3 – 6	8
6 – 9	2
>9	3

Gender



Race



White	6
Black	7
Non-South African	4

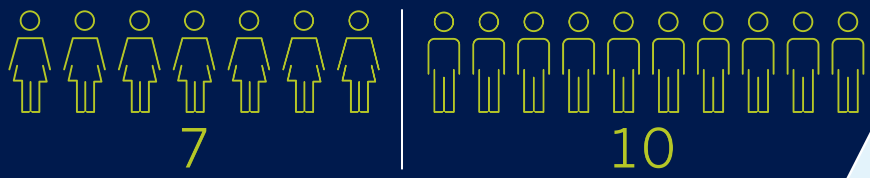
Age

Between 40 – 49	2
Between 50 – 59	5
>than 59	10

Committees:

DAC	Directors' affairs committee
AC	Audit committee
LECC	Large exposure credit committee
RCMC	Risk and capital management committee
	Committee chairman

Executive committee for SBSA



1 Lungisa Fuzile
Chief executive officer, SBSA
Qualifications MCom (UKZN), AMP (Harvard)

2 Steven Barker
Head, client solutions, everyday banking, cash & lending, SA
Qualifications BCom(Hon) in Business Management (UNISA), BCom in financial management (UNISA)

3 Simone Cooper
Head, business clients SA
Qualifications BCom (Hon) in Economics (Wits)

4 Ayesha Hansa
Head, legal SA
Qualifications BCom, Bachelor of Laws (summa cum laude); Master of Laws (cum laude) (UKZN), Admitted Attorney of the High Court of South Africa

5 David Hodnett
Chief risk and corporate affairs officer, SBG
Qualifications BCom (Wits), Bachelor of Accountancy (Wits), CA(SA), MBA (Manchester Business School/ University of Wales), Advanced Diploma in Banking (RAU)

6 Nolwandle Mgoqi
Head, client solutions, insurance, SA
Qualifications PhD (Wits), Post-Doctoral Fellow (UCLA, USA), MSc (Howard University, USA), BA (Smith College, USA), Global Business Leadership Programme (GIBS)

7 Kabelo Makeke
Head, consumer & high net worth clients, SA
Qualifications Diploma in Advanced Banking Law (UJ), Bachelor of Commerce, B. Compt. Honours (UNISA), CA (SA)

8 Augustine Makhoni
Chief financial officer, SBSA
Qualifications ACCA (UK), Master in Business Leadership (UNISA), Bachelor of Commerce Honours (Accounting) Africa University Zimbabwe

9 Zaid Moola
Head,corporate and investment banking, SA
Qualifications Bcom (UKZN), Diploma in Accounting Honours (UKZN), CA(SA), AMP (INSEAD)

10
Myen Moodley
Head, people and culture, SA
Qualifications Master's degree in Industrial Psychology (UDW), Advanced Human Resources Executive Programme (University of Michigan)

11
Khomotso Molabe
Head, engineering SA
Qualifications BTech: Eng. (TWR), MBL (UNISA), DTP (MIT Sloan)

12
Simphiwe Nghona
Head, client solutions, vehicle and asset finance, SA
Qualifications Management Development Program (MDP – Henley), post graduate diploma in business management (Henley)

13
Thandi Ngwane
Head, client solutions, investments, SA
Qualifications BSocSci (UKZN), LLB (UKZN), PG Dip. (Financial Planning) (UFS), Adv PG Dip (Financial Planning) (UFS), LLM (UKZN), Duke Leadership Programme (Fuqua School of Business, Duke University), General Management Programme (Harvard Business School)

14
Craig Polkinghorne
Head, commercial clients, SA
Qualifications BCom (UKZN), Bachelor of Commerce Honours (UNISA)

15
Shimoné Pretorius
Chief compliance officer, SBSA
Qualifications B.Proc (UJ), LLB (UJ), LLM (Tax) (UJ), Admitted Attorney (UJ), Compliance Certificate (UJ)

16
Thulani Sibeko
Chief brand and marketing officer, SBG
Qualifications BSc Bus Admin (California State University, USA), MBA (Henley), Graduate Certificate (Harvard), CM (SA)

17
Nelisa Zulu
Head client solutions, card and payments, SA
Qualifications MBA (GIBS), Bachelor of Commerce Honours, Information Systems (UCT), Bachelor of Commerce, Information Systems (UKZN)

Wits: University of the Witwatersrand.
UCT: University of Cape Town.
UJ: University of Johannesburg.
UNISA: University of South Africa.
UKZN: University of KwaZulu-Natal.

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In accordance with the Companies Act 71 of 2008 (Companies Act), the directors are responsible for the preparation of the annual financial statements.

These annual financial statements conform to International Financial Reporting Standards (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 Limited (JSE) Listings Requirements, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act and fairly present the affairs of the group and company as at 31 December 2021, and the net income and cash flows for the year then ended.

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

Based on the information and explanations provided by management and the group and company's internal auditors, the directors are of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and to maintain accountability for the group and company'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 group and the company, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the group and company will have adequate resources to continue in operational existence and as a going concern in the financial year ahead. The 2021 annual financial statements, which appear on pages 48 to 217, were approved by the board on 10 March 2022 and signed on its behalf by:

Thulani Gcabashe
Chairman
10 March 2022

Lungisa Fuzile
Chief executive officer
10 March 2022

GROUP SECRETARY'S CERTIFICATION

Compliance with the Companies Act 71 of 2008

In terms of the Companies Act and for the year ended 31 December 2021, I certify that The Standard Bank of South Africa 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 2022

REPORT OF THE GROUP AUDIT COMMITTEE

This report is provided by the group audit committee, in respect of the 2021 financial year of The Standard Bank of South Africa 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 was approved annually by the board. In line with governance best practice, with effect from 2022, the appointment of members to the audit committee will be presented to the shareholder for approval at the annual general meeting.

As at the end of December 2021, the committee comprised six independent non-executive directors, all of whom have the necessary financial literacy, skills and experience to execute their duties effectively. Maureen Erasmus resigned from the board and audit committee on 16 February 2022. To ensure that risk-related matters of relevance to the audit committee are considered, the chairman is a member of and attended the risk and capital management committee meetings held during the financial year. Through the chairman and other audit committee members' membership on the risk and capital management committee, group engineering committee and group remuneration committee, collective and integrated oversight of key matters in the respective committees' deliberations was ensured.

The committee met six times during 2021, including a special meeting to review and agree the audit firm participants in the mandatory audit firm rotation tender process. All members were present for all meetings held during 2021.

MEETINGS HELD DURING THE YEAR

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

Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the group's accounting, internal and external auditing, compliance, internal control and financial reporting practices. In discharging its responsibilities, the committee's activities in 2021 did not only focus on routine areas of responsibility, but also continued to focus on matters pertaining to the impact of the COVID-19 pandemic on the company, notably the 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:

- continued to review the results of internal audit's monitoring activities in response to the increased inherent risk profile as a result of the impact of COVID-19
- reviewed the measures taken to ensure the internal financial control environment remained resilient despite the impact of COVID-19 on the operating environment
- considered updates on the accounting treatment of COVID-19 relief measures offered to the company's customers, notably in relation to the SA Government Guaranteed COVID-19 Term Loan Scheme
- 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 perspective on the company's credit provisions and accounting for expected credit losses
- considered the results of external audit's review of management's estimation of the impact of COVID-19 on the 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 2021, in accordance with all applicable legal requirements
- approved the final audit fees for the prior year ended 31 December 2020

- 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 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 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 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 2021 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.

In respect of the financial statements:

- confirmed the going concern basis for the preparation of the interim and annual financial statements
- examined and reviewed the interim and annual financial statements prior to submission and approval by the board
- reviewed external audit's report on the adequacy of credit provisions for performing and non-performing loans and impairment tests with respect to assets and considered feedback from the external auditors regarding the models applied by management in determining such impairments
- ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year
- ensured that the interim and annual financial statements conform with IFRS, the requirements of the JSE Listings Requirements, the Companies Act and all other applicable accounting guides and pronouncements.
- considered accounting treatments, significant unusual transactions and accounting judgements
- considered the appropriateness of the accounting policies adopted and changes thereto
- considered and made recommendations to the board on the interim and final dividend payments to the shareholder, 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 importance of acting prudently by taking into consideration, among other things, the current and future impact of COVID-19 and the pace of economic growth on the organisation
- 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 audit committee's responsibilities, notably its review of financial results, reports from internal and external audit, finance and internal financial control reports, 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 report to the board for approval
- evaluated management's judgements and reporting decisions in relation to the annual 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 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 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 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 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 company was at an acceptable level and that internal financial controls were adequate and effective in ensuring the integrity of material financial information
- 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 company

- over the course of the year, met with the chief audit officer, the chief compliance officer, the head of anti-financial crime, the chief financial and value management officer, management and the external auditors
- considered quarterly reports from the internal financial control committee.

In respect of legal, regulatory and compliance requirements:

- reviewed and approved the 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 regulation, and reviewed reports from internal audit, compliance and external audit in this regard
- reviewed quarterly compliance and anti-financial crime reports
- noted that no complaints were received through the 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 audit committee members' membership on the risk and capital management committee, as well as interaction with the chairman of the 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 technology control environment and intangible assets

In respect of the coordination of assurance activities:

- 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.

Independence, skills and expertise of the external auditors:

The audit committee is satisfied that KPMG Inc. and PricewaterhouseCoopers Inc. are independent of the company and that KPMG Inc. and PricewaterhouseCoopers Inc. and the partners who are responsible for signing the company'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, one of the company's engagement partner rotated during 2018 and the other during 2021
- 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 2017 which determined that an audit firm may not be appointed auditor of a public interest entity for more than ten years. As a result, the group would, at a minimum, be required to rotate one of the audit firms for its 2024 financial year end, and the other for its 2026 financial year.

In January 2022, the Audit Committee proposed that KPMG Incorporated (KPMG) and PricewaterhouseCoopers Incorporated (PwC) will continue as the joint auditors for the 2022 and 2023 financial years, whereafter KPMG's tenure as a joint auditor will conclude following the finalisation of the 2023 financial year in accordance with the MAFR requirements. It was also proposed that PwC will remain as a joint auditor until the finalisation of the 2025 financial year. These proposals will be subject to the Audit Committee's periodic assessment of the respective audit firms' independence, skills and expertise, as well as shareholder approval at the relevant annual general meetings.

Following a comprehensive tender process, the Audit Committee confirmed the group's intent to appoint Ernst & Young Incorporated (EY) as one of the joint auditors for the financial year ending 31 December 2024. The appointment of EY and the designated audit partner is subject to approval by the South African Reserve Bank's Prudential Authority in accordance with section 61 of the Banks Act No. 94 of 1990 as amended. In terms of section 90 of the South African Companies Act No. 71 of 2008, as well as paragraph 3.86 of the JSE Listings Requirements, the appointment of EY as a joint auditor for the 2024 financial year will be recommended to the ordinary shareholder for approval at the relevant annual general meeting.

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 audit committee:

Trix Kennealy

Trix Kennealy
Group audit committee chairman

8 March 2022

DIRECTORS' REPORT

for the year ended 31 December 2021

Nature of business

The Standard Bank of South Africa Limited (SBSA or the group) is a wholly-owned subsidiary of Standard Bank Group Limited, an African banking group with South African roots. SBSA is the single largest operating entity within the Standard Bank Group.

SBSA results

Group headline earnings increased 172% to R12 877 million. Net asset value per share increased by 12% to 198 290 cents and group return on equity increased to 12.5% from the 4.8% in 2020.

A general review of the business and its operations is provided in the finance review.

Share capital

Ordinary shares

No ordinary shares were issued during 2021 (2020: three shares were issued at a premium of R4 065 million) and a nominal value of R1.

Dividends to the shareholder

Ordinary shares

On 10 March 2021, a dividend of R1 billion was declared to the shareholders recorded at the close of business on 21 April 2021, and paid on 28 April 2021.

On 18 August 2021, a dividend of R3.4 billion was declared to the shareholders recorded at the close of business on 10 September 2021 and paid on 13 September 2021.

On 10 March 2022, a dividend of R8.5 billion was declared to the shareholders recorded at the close of business on 30 March 2022, and payable on 31 March 2022.

Directors' and prescribed officers' changes and interest in shares

At the date of this report, no directors or prescribed officers changed or held, directly and indirectly, interests in the company's ordinary issued share capital or preference share capital.

Directors' and prescribed officers' emoluments and share incentives

Directors' and prescribed officers' emoluments, as well as information relating to the determination of their share incentive allocations and related matters are contained in annexure E.

Board of directors

The following changes in directorate have taken place during the 2021 financial year and up until 11 March 2022:

Appointments		
PLH Cook	As independent non-executive director	21 February 2021
L Li	As independent non-executive director	11 November 2021
Retirements		
AC Parker	As independent non-executive director	27 May 2021
Resignations		
L Wang	As independent non-executive director	11 November 2021
MA Erasmus	As independent non-executive director	16 February 2022

Group secretary and registered office

The group secretary is Zola Stephen. The address of the group secretary is that of the registered office, 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001.

Insurance

The group protects itself against 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 in terms of the group's risk exposures.

Events during 2021

Segmental changes

The group and company have made significant structural changes to better serve clients and as of this year is primarily organised into three client segments: Consumer & High Net Worth (CHNW) clients, Business & Commercial clients (BCC) and Corporate & Investment Banking (CIB) clients. Central and other will remain and house hedging activities, unallocated capital, liquidity earnings and central costs.

The client segments are supported by its Client Solutions, Engineering and Innovation capabilities. These shifts have allowed the group and company to realise a more integrated and seamless delivery of financial services to our diverse client base, reduce time and cost to serve and to innovate more quickly and efficiently.

This operating structure will enable transformation from the group's and company's current state as a trusted financial services provider, to achieve the 2025 ambition of being a platform business. By building out from its solid foundation in traditional financial services, SBSA will meet its clients on the digital platforms where they are shopping, socialising and doing business.

This will be accomplished by driving or contributing to 'ecosystems', coordinated networks of participants and devices, combining its own offerings with those of partners, enabling clients and producers to fulfil a broad range of needs seamlessly. Ten ecosystems have been identified and prioritised that will be driven or contributed to, that are closely adjacent to what the group and company already does in traditional financial services, and where value can be added based on existing capacities and expertise.

Refer to **note 42** for segment reporting.

INDEPENDENT AUDITORS' REPORT

for the year ended 31 December 2021

TO THE SHAREHOLDERS OF THE STANDARD BANK OF SOUTH AFRICA LIMITED

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of The Standard Bank of South Africa Limited (the Group and Company), set out on pages 48 to 214 which comprise:

- the statements of financial position as at 31 December 2021;
- the income statements for the year then ended;
- the statements of other 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;
- 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 The Standard Bank of South Africa Limited as at 31 December 2021, 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 and company – consolidated and separate financial statements	**Expected credit losses on Corporate & Investment Banking (CIB) loans and advances** *Refer to the Key management assumptions note, note 7 – Loans and advances, note 32 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.*	
	The expected credit losses ("ECL") assessment for CIB exposures is material to the consolidated and separate 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 and Company's credit risk management processes and operations. This has resulted in this matter being identified as a matter of most significance in the audit of the consolidated and separate financial statements. The ECL of CIB exposures is estimated on a counterparty basis. For CIB exposures, the key areas of significant management judgement within the ECL has increased due to the impact of the Covid-19 pandemic. This has increased the level of judgement required by management in the measurement of the ECL calculations, which includes: • Evaluation of Significant Increase in Credit Risk ("SICR"); • Incorporation of macroeconomic inputs and forward-looking information into the SICR assessment and ECL measurement; • Assessment of ECL recognised for Stage 3 exposures; and • Assessment of the input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement.	We performed the following procedures on the ECL, with the assistance of our credit and actuarial experts, considering the impact of Covid-19: **Evaluation of SICR** We selected a sample of counterparties and assessed their assigned credit rating by: • Testing the inputs into the credit rating systems against the financial information obtained from the counterparty and the Group's and Company's 25-point master rating scale; and • Assessing management's assumptions made during the credit risk rating process for reasonability, by obtaining an understanding of the counterparty and industry factors, performing an independent review of the counterparty and comparing the results to those used by management. We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures, at reporting date since the origination date of these exposures, were appropriate in terms of the Group's and Company's accounting policy for SICR. These procedures included the inspection of credit risk ratings at reporting date relative to origination date. We performed a detailed review of all counterparties which moved between the stages during the current year in order to ensure that the movements between the stages were in line with the credit policy and the testing performed on the counterparties.

Level	Key audit matter	How our audit addressed the key audit matter
Group and company – consolidated and separate financial statements	**Expected credit losses on Corporate & Investment Banking (CIB) loans and advances** continued *Refer to the Key management assumptions note, note 7 – Loans and advances, note 32 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.*	
	Evaluation of SICR For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to clients on origination and reporting date, based on the Group's and Company's 25-point master rating scale to quantify credit risk for each exposure.	We selected a sample of performing counterparties and performed the following procedures to determine if the counterparties' credit risk increased from origination: • Compared the credit rating on inception of the facility to the credit rating as at the reporting date; and • For any significant downgrades in the credit rating as per the policy, ensured that the counterparty is correctly classified in Stage 2 for impairment purposes.
	Incorporation of macroeconomic inputs and forward-looking information into the SICR assessment and ECL measurement Macroeconomic expectations are incorporated in CIB's counterparty ratings to reflect the Group's and Company's expectation of future economic and business conditions.	**Incorporation of macroeconomic inputs and forward-looking information into the SICR assessment and ECL measurement** We selected a sample of counterparties and assessed the incorporation of forward-looking information into their assigned credit risk rating. We have done this through obtaining an understanding of the forward-looking information which was considered for the counterparty and evaluated this for reasonability against management's expectation and other industry factors for the SICR assessment and ECL measurement.
	Assessment of ECL raised for Stage 3 exposures 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.	**Assessment of ECL raised for Stage 3 exposures** We selected a sample of Stage 3 exposures and tested these exposures against the default definition to ensure completeness of the Stage 3 exposures. Where ECL has been raised for Stage 3 exposures, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverability of the exposure. For a sample of Stage 3 exposures, we independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to the collateral. The collateral valuation techniques applied by management were assessed against the Group's and Company's valuation guidelines.
	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 are determined at a counterparty level.	**Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** With the assistance of our internal experts, we assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) in compliance with the requirements of IFRS 9 *Financial Instruments* (IFRS 9). In addition, our procedures included assessing the appropriateness of the models through reperformance and validation procedures. We obtained an understanding and tested the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management.

Level	Key audit matter	How our audit addressed the key audit matter
Group and company – consolidated and separate financial statements	**ECL on Consumer and High Net Worth and Business and Commercial Clients (CHNW & BCC) loans and advances** *Refer to the Key management assumptions note, note 7 – Loans and advances, note 32 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.*	
	The ECL for CHNW & BCC loans and advances (exposures) is material to the consolidated and separate 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 and Company's credit risk management processes and operations. This has resulted in this matter being considered a matter of most significance in the audit of the consolidated and separate financial statements especially considering the volatility caused by Covid-19. A significant portion of the ECL on CHNW & BCC 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 CHNW & BCC 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. For CHNW & BCC, the key areas of significant management judgement within the ECL calculation include: • Evaluation of SICR; • Incorporation of macroeconomic 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 • Assessment of the input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. **Evaluation of SICR** The Group and Company 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.	Our audit effort focussed on the ECL for CHNW & BCC exposures as follows: **Evaluation of SICR** Management provided us with a quantitative assessment of the Group's and Company'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. We evaluated the reasonableness of behavioural scores used to assess the SICR against the Group's and Company's accounting policies. We evaluated whether the Group and Company 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 and Company's credit reviews, aging of the customer and arrears status. We evaluated the reasonability of changes in credit risk of the portfolio against key performance indicators and sensitivity analysis. We performed sensitivity analyses to determine the impact of change in credit risk on the ECL recognised. 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. **Incorporation of macroeconomic 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: • Generation and approval of the 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. 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. We made use of our internal economic specialists to assess both the base case and alternative scenarios generated, including the probability weights applied.

Level	Key audit matter	How our audit addressed the key audit matter
Group and company – consolidated and separate financial statements	**Incorporation of macroeconomic 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 and Company's macroeconomic outlook, using models that correlate these parameters with macroeconomic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcomes based on the Group's and Company's macroeconomic outlook expectations. **Application of out-of-model adjustments into the ECL measurement** Management identified that due to the modelling complexity of some of the Covid-19 impacts, 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. **Assessment of ECL raised for individual exposures** Impairment is assessed on individual exposures above a quantitative threshold in Stage 3, and for accounts placed on the watchlist due to evidence of increased credit risk e.g. potential security shortfalls, deteriorating financial performance, etc. This assessment relates primarily to business lending accounts and incorporates judgement in determining the foreclosure value of the underlying collateral. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience and the loss experience given default; and timing and amount of forecasted cash flows related to the exposures.	We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing to independent industry data. We evaluated management's forward-looking information models to assess whether the macroeconomic 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. **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. **Assessment of ECL raised for individual exposures** Where ECL has been raised for individual exposures, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral. The collateral valuation techniques applied by management were assessed against the Group's and Company's valuation guidelines. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** Making use of our internal valuation experts, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by reperformance and validation procedures. We also tested a sample of the data used in the models for accuracy. 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.

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group and company – consolidated and separate financial statements</td><td colspan="2">Valuation of level 3 financial instruments

Refer to the Key management assumptions note, note 2 – Derivative instruments, note 3 – Trading assets, note 6 – Financial investments, note 14 – Trading liabilities, and the Market risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.</td></tr>
<tr><td>The fair value of financial instruments significantly affects the measurement of the consolidated and separate profit or loss for the year and disclosures of financial risks in the consolidated and separate 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.

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:
• discount rates;
• spot prices of the underlying;
• credit spreads;
• correlation factors;
• volatilities;
• dividend yields;
• earning yields; and
• valuation multiples.

Level 3 derivative valuations use a variety of inputs, including equity prices; interest rates (usually in the form of discount rates); credit spreads; 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.

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 and separate financial statements.</td><td>Our audit effort focussed on the valuation of level 3 financial instruments as follows:

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 and the monthly independent price verification process.

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.

We assessed the appropriateness and sensitivity of discount rates, spot prices of the underlying, credit spreads, correlation factors, volatilities, dividend yields, earnings yields and valuation multiples with reference to the best available independent market information.

Where independent market information was not available, we generated theoretical inputs based on other sources, incorporating assumptions that include proxy pricing transactions in the market as well as historical data, macroeconomic information and correlations.

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.

We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 13, Fair value measurement.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*The Standard Bank of South Africa Annual Financial Statements for the year ended 31 December 2021*" 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 "The Standard Bank of South Africa Annual Report 2021" 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 of South Africa Limited for 59 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Gino Fraser
Registered Auditor
Johannesburg
10 March 2022

4 Lisbon Lane
Waterfall City
Jukskei View
2090
South Africa

KPMG Inc.

KPMG Inc.
Director: Joelene Pierce
Registered Auditor
Johannesburg
10 March 2022

KPMG Crescent
85 Empire Road
Parktown
2193
South Africa

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2021

		GROUP		COMPANY	
	Note	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Assets					
Cash and balances with the central bank	1	**32 255**	34 030	**32 255**	34 030
Derivative assets	2	**58 287**	110 350	**58 268**	110 343
Trading assets	3	**238 098**	211 658	**232 633**	208 099
Pledged assets	4	**1 975**	911	**1 975**	911
Non-current assets held for sale	5	**265**		**265**	
Financial investments	6	**144 037**	129 461	**144 435**	129 857
Current tax asset		**288**	154	**288**	154
Loans and advances	7	**1 203 254**	1 124 238	**1 203 295**	1 123 188
Other assets	8	**19 680**	19 002	**19 623**	19 043
Interests in associates, joint ventures and subsidiaries	9	**940**	744	**6 639**	4 885
Property, equipment and right of use assets	10	**11 243**	12 449	**11 173**	12 375
Goodwill and other intangible assets	11	**10 834**	12 465	**10 722**	12 343
Deferred tax asset	12	**3 918**	4 005	**3 868**	3 952
Total assets		**1 725 074**	1 659 467	**1 725 439**	1 659 180
Equity and liabilities					
Equity		**118 968**	106 224	**117 105**	104 555
Equity attributable to the ordinary shareholder		**107 416**	98 352	**106 556**	97 530
Ordinary share capital	13	**60**	60	**60**	60
Ordinary share premium	13	**49 253**	49 253	**49 253**	49 253
Reserves		**58 103**	49 039	**57 243**	48 217
Other equity instruments	13	**11 488**	7 815	**10 549**	7 025
Equity attributable to AT1 capital shareholders		**10 549**	7 025	**10 549**	7 025
Equity attributable to non-controlling interests within SBG[1]		**939**	790		
Non-controlling interests		**64**	57		
Liabilities		**1 606 106**	1 553 243	**1 608 334**	1 554 625
Derivative liabilities	2	**69 594**	112 138	**69 549**	112 122
Trading liabilities	14	**79 416**	75 231	**79 416**	75 231
Current tax liability		**5 021**	4 058	**5 028**	4 078
Deposits and debt funding	15	**1 406 202**	1 318 773	**1 409 139**	1 320 655
Subordinated debt	16	**23 738**	22 151	**23 738**	22 151
Provisions and other liabilities	17	**22 116**	20 879	**21 464**	20 388
Deferred tax liability	12	**19**	13		
Total equity and liabilities		**1 725 074**	1 659 467	**1 725 439**	1 659 180

1 For more detail refer to annexure A.

INCOME STATEMENTS

for the year ended 31 December 2021

		GROUP		COMPANY	
	Note	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Net interest income		**40 806**	39 472	**39 378**	38 075
Interest income	25	**73 840**	80 983	**72 480**	79 666
Interest expense	26	**(33 034)**	(41 511)	**(33 102)**	(41 591)
Non-interest revenue		**32 241**	27 038	**31 407**	26 232
Net fee and commission revenue		**19 385**	18 937	**18 381**	17 980
Fee and commission revenue	27	**25 073**	24 231	**24 010**	23 263
Fee and commission expense	28	**(5 688)**	(5 294)	**(5 629)**	(5 283)
Trading revenue	29	**6 765**	5 157	**6 626**	5 128
Other revenue	30	**4 124**	2 472	**4 433**	2 692
Other gains and losses on financial instruments	31	**1 967**	472	**1 967**	432
Total income		**73 047**	66 510	**70 785**	64 307
Credit impairment charges	32	**(7 814)**	(17 095)	**(7 765)**	(17 068)
Revenue sharing agreements with group companies	40	**(413)**	(435)	**(413)**	(435)
Net income before operating expenses		**64 820**	48 980	**62 607**	46 804
Operating expenses	33	**(45 160)**	(41 875)	**(44 384)**	(40 975)
Net income before non-trading and capital items, and equity accounted earnings		**19 660**	7 105	**18 223**	5 829
Non-trading and capital related items	34	**(80)**	(3 040)	**(150)**	(3 040)
Share of post-tax profit from associates and joint ventures	9	**19**	26	**19**	26
Profit before indirect taxation		**19 599**	4 091	**18 092**	2 815
Indirect taxation	35	**(1 432)**	(1 313)	**(1 422)**	(1 307)
Profit before direct taxation		**18 167**	2 778	**16 670**	1 508
Direct taxation	35	**(3 620)**	924	**(3 350)**	1 121
Profit for the year		**14 547**	3 702	**13 320**	2 629
Attributable to the ordinary shareholder		**12 821**	2 543	**12 783**	2 209
Attributable to AT1 capital shareholders		**537**	420	**537**	420
Attributable to non-controlling interests within SBG[1]		**1 179**	734		
Attributable to non-controlling interests		**10**	5		
Basic and diluted earnings per ordinary share (cents)	36	**21 369**	4 237	**21 306**	3 682

1 For more detail refer to annexure A.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	GROUP 2021 Rm	GROUP 2020 Rm	COMPANY 2021 Rm	COMPANY 2020 Rm
Profit for the year		**14 547**	3 702	**13 320**	2 629
Other comprehensive income after taxation for the year[1]		**643**	75	**643**	84
Items that may be subsequently reclassified to profit or loss		**549**	150	**549**	159
Exchange differences on translating foreign operations		**539**	163	**539**	172
Movements in the total hedge reserve	2	**10**	(10)	**10**	(10)
Change in fair value of cash flow hedges		**291**	(629)	**291**	(629)
Realised fair value adjustments of cash flow hedges transferred to profit or loss		**(281)**	619	**(281)**	619
Net change in fair value of debt financial assets measured at fair value through other comprehensive income (FVOCI)			(3)		(3)
Items that may not be subsequently reclassified to profit or loss		**94**	(75)	**94**	(75)
Change in own credit risk recognised on financial liabilities designated at fair value through profit or loss (FVTPL)	20	**3**	4	**3**	4
Defined benefit fund remeasurements		**108**	118	**108**	118
Net change in fair value of equity financial assets measured at FVOCI	21	**(17)**	(197)	**(17)**	(197)
Total comprehensive income for the year		**15 190**	3 777	**13 963**	2 713
Attributable to the ordinary shareholder		**13 464**	2 618	**13 426**	2 293
Attributable to AT1 capital shareholders		**537**	420	**537**	420
Attributable to non-controlling interests within SBG[2]		**1 179**	734		
Attributable to non-controlling interests		**10**	5		

1 Income tax relating to each component of other comprehensive income is disclosed in note 35.2.
2 For more detail refer to annexure A.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2021

	Note	GROUP 2021 Rm	GROUP 2020 Rm	COMPANY 2021 Rm	COMPANY 2020 Rm
Net cash flows from operating activities		**2 919**	6 676	**1 375**	3 333
Net cash flows used in operations		**(34 228)**	(32 320)	**(32 784)**	(34 716)
Net income before non-trading and capital items, and equity accounted earnings		**19 660**	7 105	**18 223**	5 829
Adjusted for non-cash items and other adjustments included in the income statement	39	**(27 918)**	(19 479)	**(26 869)**	(18 363)
Increase in income-earning assets[2]	39	**(107 575)**	(144 749)	**(106 629)**	(145 047)
Increase in deposits, trading and other liabilities[2]	39	**81 605**	124 803	**82 491**	122 865
Dividends received		**1 596**	3 068	**1 315**	2 635
Interest paid		**(32 819)**	(41 146)	**(35 002)**	(41 226)
Interest received		**70 908**	78 132	**70 136**	77 470
Direct taxation paid		**(2 538)**	(1 058)	**(2 290)**	(830)
Net cash flows used in investing activities		**(2 429)**	(1 611)	**(1 924)**	(2 573)
Capital expenditure on property and equipment	10	**(1 800)**	(2 807)	**(1 790)**	(2 787)
Proceeds from sale of property, equipment and non-current assets held for sale		**520**	2 030	**523**	2 029
Capital expenditure on intangible assets	11	**(1 027)**	(1 336)	**1 093**	(1 320)
Proceeds from sale of intangible assets		**55**		**55**	
Increase in investments in subsidiaries[1]				**(1 630)**	(1 001)
Proceeds on disposal of investments in associates and joint ventures	9	**34**	627	**34**	627
Increase in investments in associates and joint ventures	9	**(211)**	(125)	**(209)**	(121)
Net cash flows used in financing activities		**(2 265)**	(4 257)	**(1 226)**	36
Proceeds from issue of share capital to shareholder			4 065		4 065
Proceeds from issue of additional tier 1 capital to shareholder	13	**3 524**	1 539	**3 524**	1 539
Principal lease repayments	17	**(1 079)**	(1 022)	**(1 070)**	(1 021)
Subordinated debt issued	39	**3 166**	7 000	**3 166**	7 000
Subordinated debt redeemed	39	**(1 700)**	(6 130)	**(1 700)**	(6 130)
Dividends paid	38	**(6 176)**	(9 709)	**(5 146)**	(5 417)
Effects of exchange rate changes			162		174
Net (decrease)/increase in cash and cash equivalents		**(1 775)**	970	**(1 775)**	970
Cash and cash equivalents at the beginning of the year	1	**34 030**	33 060	**34 030**	33 060
Cash and cash equivalents at the end of the year	1	**32 255**	34 030	**32 255**	34 030

1 Excludes a non-cash impairment of subsidiaries of R70 million (2020: Rnil).
2 Restated. Refer to note 39 for more details.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Note	Ordinary share capital and premium Rm	Foreign currency translation reserve Rm	Total hedge reserve[1] Rm
GROUP				
Balance at 1 January 2020		45 248	638	28
Total comprehensive income/(loss) for the year			163	(10)
Profit for the year				
Other comprehensive income/(loss) after tax for the year			163	(10)
Transactions with the shareholder and non-controlling interests, recorded directly in equity		4 065		
Transactions with non-controlling interests				
Issue of share capital and share premium	13	4 065		
Dividends paid	38			
Balance at 31 December 2020		49 313	801	18
Balance at 1 January 2021		**49 313**	**801**	**18**
Total comprehensive income/(loss) for the year			**539**	**10**
Profit for the year				
Other comprehensive income/(loss) after tax for the year			**539**	**10**
Transactions with the shareholder and non-controlling interests, recorded directly in equity				
Transactions with non-controlling interests				
Issue of share capital and share premium	13			
Dividends paid	38			
Balance at 31 December 2021		**49 313**	**1 340**	**28**

1 The total hedge reserve includes cash flow hedges as well as the foreign currency basis spread and forward element. Refer to the accounting policy election section for further detail.
2 The fair value through OCI reserve comprises of FVOCI reserves for debt and equity financial investments. Refer to note 21.
3 Refer to annexure A for more detail on material transactions with non-controlling interests.

Details relating to each reserve are provided in the accounting policies detailed in **annexure F**.

All balances are stated net of tax, where applicable.

Fair value through OCI reserve[2] Rm	Own credit risk reserve Rm	Retained earnings Rm	Ordinary shareholder's equity Rm	AT1 capital shareholders Rm	Non-controlling interests within SBG[3] Rm	Non-controlling interests Rm	Total equity Rm
165	11	55 087	101 177	5 486		54	106 717
(200)	4	2 661	2 618	420	734	5	3 777
		2 543	2 543	420	734	5	3 702
(200)	4	118	75				75
		(9 507)	(5 442)	1 119	55	(2)	(4 270)
		(4 347)	(4 347)		4 348	(2)	(1)
			4 065	1 539			5 604
		(5 160)	(5 160)	(420)	(4 293)		(9 873)
(35)	15	48 241	98 353	7 025	789	57	106 224
(35)	**15**	**48 241**	**98 353**	**7 025**	**789**	**57**	**106 224**
(17)	**3**	**12 929**	**13 464**	**537**	**1 179**	**10**	**15 190**
		12 821	**12 821**	**537**	**1 179**	**10**	**14 547**
(17)	**3**	**108**	**643**				**643**
		(4 401)	**(4 401)**	**2 987**	**(1 029)**	**(3)**	**(2 446)**
		(1)	**(1)**			**(3)**	**(4)**
				3 524			**3 524**
		(4 400)	**(4 400)**	**(537)**	**(1 029)**		**(5 966)**
(52)	**18**	**56 769**	**107 416**	**10 549**	**939**	**64**	**118 968**

	Note	Ordinary share capital and premium Rm	Foreign currency translation reserve Rm	Total hedge reserve[1] Rm
COMPANY				
Balance at 1 January 2020		45 248	663	28
Total comprehensive income/(loss) for the year			172	(10)
Profit for the year				
Other comprehensive income/(loss) after tax for the year			172	(10)
Transactions with the shareholder, recorded directly in equity		4 065		
Issue of share capital and share premium	13	4 065		
Dividends paid	38			
Balance at 31 December 2020		49 313	835	18
Balance at 1 January 2021		**49 313**	**835**	**18**
Total comprehensive income/(loss) for the year			**539**	**10**
Profit for the year				
Other comprehensive income/(loss) after tax for the year			**539**	**10**
Transactions with the shareholder, recorded directly in equity				
Issue of share capital and share premium	13			
Dividends paid	38			
Balance at 31 December 2021		**49 313**	**1 374**	**28**

1 The total hedge reserve includes cash flow hedges as well as the foreign currency basis spread and forward element. Refer to the accounting policy election section for further detail.
2 The fair value through OCI reserve comprises of FVOCI reserves for debt and equity financial investments. Refer to note 21.

Details relating to each reserve are provided in the accounting policies detailed in **annexure F**.

All balances are stated net of tax, where applicable.

Fair value through OCI reserve[2] Rm	Own credit risk reserve Rm	Retained earnings Rm	Ordinary shareholder's equity Rm	AT1 capital shareholders Rm	Total equity Rm
165	11	50 217	96 332	5 486	101 818
(200)	4	2 327	2 293	420	2 713
		2 209	2 209	420	2 629
(200)	4	118	84		84
		(5 160)	(1 095)	1 119	24
			4 065	1 539	5 604
		(5 160)	(5 160)	(420)	(5 580)
(35)	15	47 384	97 530	7 025	104 555
(35)	**15**	**47 384**	**97 530**	**7 025**	**104 555**
(17)	**3**	**12 891**	**13 426**	**537**	**13 963**
		12 783	**12 783**	**537**	**13 320**
(17)	**3**	**108**	**643**		**643**
		(4 400)	**(4 400)**	**2 987**	**(1 413)**
				3 524	**3 524**
		(4 400)	**(4 400)**	**(537)**	**(4 937)**
(52)	**18**	**55 875**	**106 556**	**10 549**	**117 105**

ACCOUNTING POLICY ELECTIONS

The principal accounting policies applied in the presentation of the group and company's annual financial statements are set out below. The accounting policy elections below apply to group and company, unless otherwise stated.

Basis of preparation

The group's consolidated and company's separate annual financial statements (annual financial statements) are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements, and the South African Companies Act. The annual financial statements have been approved by the board on 10 March 2022.

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.
- Investment in associates and joint ventures including private equity and venture capital investments, that are associates, are either designated on initial recognition at FVTPL or are equity accounted.
- Post-employment benefit obligations that are measured in terms of the projected unit credit method.

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

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 3).
- Cumulative gains and losses recognised in OCI in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 3).
- 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 costs to sell (accounting policy 3).
- Intangible assets, property, equipment and right of use assets are accounted for at cost less accumulated amortisation/depreciation and impairment (accounting policy 6).
- The portfolio exception is applied 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).
- Private equity and venture capital investments, including mutual funds, that are associates, are either designated on initial recognition at FVTPL or are equity accounted (accounting policy 2).
- Investments in subsidiaries are accounted for at cost less accumulated impairment losses, where applicable, in the separate financial statements (accounting policy 1).

Functional and presentation currency

The annual financial statements are presented in South African rand, which is the functional and presentation currency of the group. 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 for the adoption of the following amendments effective for the current year:

Adoption of amended standards effective for the current financial year

- IFRS 4 *Insurance Contracts* (IFRS 4), IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), IFRS 9 *Financial Instruments* (IFRS 9), IFRS 16 *Leases* (IFRS 16), IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) (amendments). The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 requirements to enable entities to deal with the 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 risk-free rates (ARRs), instead of derecognising or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis. The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation, if the hedge meets the other hedge accounting criteria.
  The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to ARRs. The group will transition to ARRs as each interest rate benchmark is replaced.
  The practical expedient to update the effective interest rate to reflect the change to the ARR was applied to loans and advances. Any other changes to the contractual cash flows that are as a result of the interest rate benchmark reform are accounted for in terms of the group's modifications policy (refer to annexure F (accounting policy 3) for further information relating to the modifications policy). The group's existing hedges were assessed against the phase 2 hedge accounting relief and no adjustment was required. The note below details the IBOR reform transition disclosure required as a result of the above amendments.
- IFRS 16 (amendment). 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 lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The group elected not to apply this practical expedient.
- Circular 1 2021 – *Headline Earnings*. The South African Institute of Chartered Accountants (SAICA) has issued amendments and clarifications mainly to existing headline earnings on IAS 16 *Property, Plant and Equipment*, IAS 39, IFRS 9 and IFRS 16 variable payments and rent concessions. The amendments have been applied retrospectively.

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.

During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The ICE Benchmark Administration Limited (IBA) has adopted a two-stage approach for the cession of the USD LIBOR rates with the one week and two month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, one month, three month, six month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the group is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). The South African Revenue Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa, however there is currently no indication of when the designated successor rate will be made available.

Given that the LIBOR rates and ARRs are calculated on a different basis, adjustments may be made to contracts that are transitioned from LIBOR to ARRs, to ensure economic equivalence.

The group has several LIBOR linked contracts that extend beyond 31 December 2021. The group ceased booking new LIBOR linked exposures from 1 October 2021, apart from limited circumstances to align with industry guidance and best practice. From this date, new exposures are booked using the ARRs being SOFR, SONIA, ESTR, TONA and SARON. In certain instances, other suitable rates are used, such as Central Bank Policy Rates.

The group has established a steering committee and working group within treasury and capital management (TCM) to manage the transition to ARRs. 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.

The group's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) 2006 definitions. ISDA published its IBOR Fallbacks Protocol (the Protocol), which will apply following a permanent cessation of an IBOR and ensures an orderly transition for IBOR linked contracts in the event that renegotiated contracts are not in place at the time of the cessation of LIBOR. Following a series of public consultations, ISDA launched its IBOR Fallbacks Protocol and IBOR Fallbacks Supplement (the Supplement) in October 2020. Together, they focus on strengthening existing and new derivative contracts with durable fallback language. The Protocol and Supplement both took effect in January 2021. The Protocol going into effect means that existing derivative contracts will now incorporate ISDA's new fallbacks if both counterparties have adhered to the Protocol or otherwise bilaterally agreed to include the new fallbacks in their contracts. The Supplement going into effect means that new derivative contracts that incorporate the 2006 ISDA Definitions and reference a relevant IBOR will also incorporate the new fallbacks.

The 5 March 2021 Financial Conduct Authority (FCA) statement around the timing for the cessation or loss of representativeness of all LIBOR settings represented an index cessation event under the IBOR Fallbacks Supplement and Protocol, triggering a fixing of the fallback spread adjustment at the point of the announcement. This spread adjustment is an important part of the overall fallback rate, and reflects a portion of the structural differences between IBORs and the ARRs used as a basis for the fallbacks – IBORs incorporate a credit risk premium and other factors, while ARRs are risk free or nearly risk free. Following multiple industry consultations by ISDA, it was determined that the fallback for each IBOR setting will be based on the relevant ARR compounded in arrears to address differences in tenor, plus a spread adjustment to account for the credit risk premium and other factors, calculated using a historical median approach over a five-year lookback period from the announcement date.

The announcement by the FCA effectively means that with effect from 5 March 2021, the ISDA spreads have now been fixed for all Euro, Sterling, Swiss franc, US dollar and Yen LIBOR tenors, giving firms more information about the exact fallback rate that will be used in the event they do not complete their transition efforts before cessation or non-representativeness occurs.

The above introduces a number of risks to the group including, but not limited to:

- Market risk – risk of not aligning to market regulations such as the ISDA, not meeting the market transition timelines and liquidity risk associated with the ARR.
- Model risk – risk of the valuation models used within the group not being able to cater for the changes in the intended manner.
- Legal risk – risk of being non-compliant to the agreements previously agreed with clients.
- Operational risk – risk of the group's systems not being able to accommodate for the changes to the interest rates as agreed with the clients.
- Financial risk – risk of not appropriately pricing the deals which will result in a transfer of value between the group and clients.
- Compliance/regulatory risk – risk that the bank is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.
- Reputational risk – the risk to the bank's reputation from failing to adequately prepare for the transition.
- Conduct risk – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

The steering committee has set up a risk management transition plan which details the transition process for each product in the relevant Business Units (BUs). Pricing is being managed centrally by TCM using the recommendations from the main industry bodies, namely ISDA for derivatives, Loan Markets Association for Loans and International Capital Market Association (ICMA) for Bonds Markets. The steering committee is also tracking updates and incorporating best practice recommendations emanating from official sector working groups established to catalyse transition in the relevant jurisdiction.

By way of policy, all new contracts or exposures referencing IBORs include robust fallback language, and work is underway to actively transition legacy exposures away from LIBOR. Changes in impacted systems are being implemented and will be ready to book at new rates. Communications to clients are underway via multiple platforms along with one-on-one conversations. The group is also ensuring that the staff have attended educational webinars and received the required updates and communication.

FINANCIAL INSTRUMENTS IMPACTED BY THE REFORM WHICH ARE YET TO TRANSITION

	2021			
	GBP LIBOR Rm	USD LIBOR Rm	EUR LIBOR Rm	Other IBORs Rm
Total assets subject to IBOR reform	**1 924**	**299 110**	**238**	**17**
Derivative assets[1]	1 924	243 802		
Loans and advances[2]		47 265	238	17
Trading assets		8 043		
Total liabilities subject to IBOR reform	**(5 624)**	**(248 364)**		**(2 710)**
Derivative liabilities[1]	(5 624)	(222 037)		(367)
Deposits and debt funding		(26 073)		(2 343)
Trading liabilities		(254)		
Total off-balance sheet exposures subject to IBOR reform		**26 763**		
Off-balance sheet items		26 763		

1 These balances represent the notional amount directly impacted by the IBOR reform. Where the derivatives have both pay and receive legs with exposure to the benchmark reform such as cross currency swaps, the notional amount is disclosed for both legs.
2 Gross carrying amount excluding allowances for expected credit losses (ECL).

Early adoption of amended standards

- IFRS 9: *General Hedge Accounting* (GHA). 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 elected to adopt and transition to IFRS 9 GHA for all current and future micro hedges (hedges that minimise/manage the risk exposure of a single instrument), in line with some market competitors both locally and globally. However, due to the IASB's project, Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA), not yet being finalised, the group will continue to apply IAS 39 for all macro hedges (hedges that minimise/manage the risk exposure of a portfolio). As at 1 January 2021, the risk management objective and the hedge documentation for all micro hedges has been updated to comply with the requirements of IFRS 9 GHA. The micro hedge relationships which existed as at 1 January 2021 were treated as continuing hedge relationships, and qualifying criteria was met which resulted in no transition or profit or loss impact for the group. The group has applied IFRS 9 GHA prospectively for all micro hedge relationships apart from certain hedge relationships where the group has elected to separate the foreign currency basis spread and the forward element of the forward contracts, IFRS 9 GHA has been applied retrospectively for these hedge relationships. This resulted in the total hedge reserve comprising of the foreign currency basis spread and forward element for these hedge relationships as well as the existing cash flow hedge reserve. Accordingly, the total hedge reserve remains unchanged on transition being 1 January 2021, with R3 million of the total hedge reserve comprising of the foreign currency basis spread and forward element for these hedge relationships. Refer to note 2.3.6 for further detail.
- IFRS 16 (amendment), the amendment extends the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The group elected not to apply this practical expedient.
- IAS 1 *Presentation of Financial Statements* of Financial Statements (IAS 1) (amendments), IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) (amendments). In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the, IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The amendments have been applied prospectively.
- IAS 8 (amendments). The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments have been applied prospectively.
- IAS 12 *Income Taxes* (IAS 12) (amendments). The amendments narrow the scope of the initial recognition exemption of deferred tax assets and liabilities. The exemption no longer applies to transactions that, at initial recognition, give rise to equal taxable and deductible temporary differences. The amendments have been applied retrospectively.
- Annual improvements 2018 to 2020 cycle. The IASB has issued various amendments and clarifications to existing IFRS. The amendments have been applied retrospectively.

The adoption of the above amended standards on 1 January 2021 did not affect the group's or company's previously reported financial results, and did not impact the group's or company's results upon transition, unless otherwise specified. Disclosures and accounting policies have been amended as relevant.

KEY MANAGEMENT ASSUMPTIONS

In preparing the group and company 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. The key management assumptions below apply to group and company, unless otherwise stated.

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 over the past two years, specifically retail, business and corporate clients, however, the group's risk appetite remained unchanged; as such no significant changes were made to the below significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers.

ECL on financial assets – drivers

For the purpose of determining the ECL:

- The home services, vehicle and asset finance (VAF), card, personal, business lending and other products 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. These LGD parameters are aligned to market practice.
- Corporate, sovereign and bank 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 relating to corporate, sovereign and bank exposures, including certain home services, VAF, card, personal, business lending and other product 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 or financial asset 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

Home services, vehicle and asset finance, card, personal, business lending and other products

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 to 29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0 to 29 days 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 DPD as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

In accordance with SARB Directive 3 (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 probability of default. 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.

Corporate, sovereign and bank products (including certain 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.

All 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 and company would need to determine the extent of the change in credit risk using the table that follows.

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 home services, VAF, card, personal, business lending and other products 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 corporate, sovereign and bank products' 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 and company'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 and company'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, this includes the classification of distressed restructures (including debt review exposure accounts) as default for a minimum of six months, while observing payment behaviour; 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 and company have not rebutted the 90 DPD 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. VAF, home services, 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 home services, VAF, card, personal, business lending and other 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 corporate, sovereign and bank products, write-off is assessed on a case-by-case basis and approved by the 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 (including debt review exposures) that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. an average of 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 home services, VAF, card, personal, business lending and other products credit governance committees (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.

Forward-looking economic expectations applied in the determination of the ECL at the reporting date

A range of base, bear and bull forward looking economic expectations were determined, as at 31 December 2021, for inclusion in the group's forward-looking process and ECL calculation.

South African economic expectation

Our base case for South Africa sees the economic rebound from the deep contraction in 2020 continuing, although momentum is slowing in response to fading policy stimulus, the adverse impact of the July 2021 unrest, bouts of electricity load-shedding as well as renewed fears about a persistent electricity shortfall, and a retreat in the terms of trade from the recent record high level. Inflation is expected to spike in the near term in response to the recent rand depreciation along with higher food and fuel costs. However, the output gap is still negative, with surveyed inflation expectations as well as wage pressure remaining contained as a reflection of the absence of second-round or demand-pull inflation pressure. The SARB can thus hike/normalise interest rates at a gradual pace. The rand is undervalued following the latest global financial market rout. We foresee a recovery even if it continues discounting a premium for persistent idiosyncratic and global risks.

In our bear case scenario, we assume a more protracted recovery than the base case, partly owing to disappointing reforms and persistent structural growth constraints. We are particularly concerned about the risk that existing vaccines may not be effective against the Omicron Covid variant and the persistent risk from the electricity shortfall.

The bull case scenario assumes that the economic crisis triggers accelerated economic reforms. We could also see higher and improved confidence boosting growth and attracting capital inflows.

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.

		Base scenario		Bear scenario		Bull scenario	
Macroeconomic factors – 2021	2021[1]	Next 12 months[2]	Remaining forecast period[3]	Next 12 months[2]	Remaining forecast period[3]	Next 12 months[2]	Remaining forecast period[3]
South Africa[4]							
Inflation (%)*	**4.51**	**4.72**	**4.13**	**5.18**	**4.79**	**4.30**	**3.78**
Real GDP[5] (%)*	**5.28**	**2.05**	**1.97**	**1.36**	**0.56**	**2.87**	**2.82**
Employment rate growth (%)#	**0.22**	**1.29**	**0.92**	**0.87**	**(0.13)**	**1.75**	**1.59**
Household credit (%)#	**4.71**	**5.33**	**5.41**	**5.43**	**4.44**	**5.28**	**6.27**
Exchange rate USD/ZAR	**14.90**	**15.03**	**15.15**	**15.58**	**16.19**	**14.43**	**14.41**
Prime lending rate (%)*	**7.25**	**8.00**	**9.50**	**8.75**	**10.25**	**7.75**	**8.75**

1 Revised as at 31 December 2021. 2021 (1 January 2021 to 31 December 2021), disclosed as at 31 December 2020, has been revised due to the changes in the macroeconomic factors.
2 Next 12 months following 31 December 2021 is 1 January 2022 to 31 December 2022.
3 The remaining forecast period is 1 January 2023 to 31 December 2025.
4 The scenario weighting is: base at 50%, bear at 30% and bull at 20%. The scenario weighting remains unchanged.
5 Gross domestic product.
* Actual rates for 2021.
\# Estimated base case rates for 2021 was disclosed where 2021 actuals were not available.

		Base scenario		Bear scenario		Bull scenario	
Macroeconomic factors –2020	2020[1]	Next 12 months[2]	Remaining forecast period[3]	Next 12 months[2]	Remaining forecast period[3]	Next 12 months[2]	Remaining forecast period[1]
South Africa[4]							
Inflation (%)	3.30	4.06	4.18	5.42	5.47	3.68	3.83
Real GDP (%)	(7.00)	4.79	2.85	5.87	3.03	6.52	4.10
Employment rate growth (%)	3.27	(0.01)	0.74	(0.66)	0.27	0.64	1.22
Household credit (%)	3.86	3.18	4.44	1.71	2.66	4.82	6.20
Exchange rate USD/ZAR	14.86	15.46	16.01	17.50	17.84	14.50	15.15
Prime lending rate (%)	7.00	7.25	7.81	8.25	9.44	6.75	7.31

1 Revised as at 31 December 2020. 2020 (1 January 2020 to 31 December 2020), where actuals for 2020 was not available, base case was disclosed above.
2 Next 12 months following 31 December 2020 is 1 January 2021 to 31 December 2021.
3 The remaining forecast period is 1 January 2022 to 31 December 2024.
4 The scenario weighing is: base at 50%, bear at 30% and bull at 20%.

Sensitivity analysis of the forward-looking impact on the total ECL provision on all financial instruments relating to corporate, sovereign and bank products

The expected credit loss methodology for corporate, sovereign and bank products is based primarily on client specific risk metrics, as such the forward-looking macroeconomic information is one of the component and/or driver of the total reported expected credit loss. Rating reviews of each client are performed at least annually, and entails credit analysts completing a credit scorecard and incorporating forward-looking information at a client level. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting expected credit loss for the individual client. Therefore the impact of forward-looking economic conditions is embedded into the total expected credit loss for each client and cannot be stressed or separated out of the overall expected credit loss provision.

Sensitivity analysis of home services, vehicle and asset finance, card, personal, business lending and other products forward-looking impact on ECL provision

During 2020, higher forward-looking ECL provisioning was raised due to significant uncertainty on the impact linked to Covid-19 and the forecasted underlying the bear macroeconomic scenarios. The decrease in the forward looking provision during 2021 is linked to marginal improvements in the macroeconomic outlook as well as the prior year forward-looking impact materialising in the underlying models particularly through loss given default. The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2021, 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.

	2021		2020	
	Forward-looking component of ECL provision Rm	**Income statement (release)/ charge Rm**	Forward-looking component of ECL provision Rm	Income statement charge Rm
Forward-looking impact on the total ECL provision	**1 380**	**(704)**	2 085	717
Scenarios				
Base	**1 119**	**(966)**	2 147	779
Bear	**2 349**	**264**	2 376	1 008
Bull	**579**	**(1 506)**	1 492	124

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

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 that fair value 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 due to the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS (refer to note 2.4 and note 3.2)
- quantifying and reporting the sensitivity to each risk driver
- prepayment rates
- 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 the year ended 31 December 2021 was a net loss of R26 million (2020: R1 623 million net loss). Other financial instruments, which are not level 3, are utilised to mitigate the risk of these changes in fair value.

Refer to **note 19** for assets and liabilities at fair value 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 an 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.

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 2021, components of 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 R19 million (2020: R3 039 million).

Refer to **note 11** for goodwill and intangibles disclosures.

Current and deferred tax

The group and company are subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The group recognises provisions for tax based on objective estimates of the amount of taxes that may be due. 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 35 and note 12, respectively, in the period in which such determination is made. Uncertain tax positions are provided for in accordance with the criteria defined within IAS 12 *Income Taxes* (IAS 12) and IFRIC 23 *Uncertainty over Income Tax treatments* (IFRIC 23). Deferred tax assets are only recognised to the extent that sufficient taxable profits will be generated in order to realise the tax benefit. 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.

Refer to **note 12 and note 35** for current and deferred tax disclosures.

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 17** for provisions and other liabilities disclosures.

Post-employment benefits

The group's post-employment benefits consist of both post-employment retirement funds and healthcare benefits. 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 obligation include the following:

2021	Retirement fund	Post-employment medical aid fund
Discount rate	Nominal government bond yield curve	Nominal government bond yield curve
Return on investments	9.74% – discounted rate of term equal to the discounted mean term of the liabilities	Not applicable to fund
Salary/benefit inflation	Inflation rate plus 1% plus a merit scale	Not applicable to fund
CPI inflation	Difference between nominal and index-linked bond yield curves	Difference between nominal and index-linked bond yield curves
Medical inflation	Not applicable to fund	Difference between nominal and index linked bond yield curves plus 1.5%
Provider benefit escalation	Inflation rate plus 2%	Not applicable to fund
Pension increase in allowance	Inflation rate	Not applicable to fund
Remaining service life of employees (years)	7.36	Not applicable to fund

2020	Retirement fund	Post-employment medical aid fund
Discount rate	Nominal government bond yield curve	Nominal government bond yield curve
Return on investments	8.30% – discounted rate of term equal to the discounted mean term of the liabilities	Not applicable to fund
Salary/benefit inflation	Inflation rate plus 1% plus a merit scale	Not applicable to fund
CPI inflation	Difference between nominal and index-linked bond yield curves	Difference between nominal and index-linked bond yield curves
Medical inflation	Not applicable to fund	Difference between nominal and index linked bond yield curves plus 1.5%
Provider benefit escalation	Inflation rate plus 2%	Not applicable to fund
Pension increase in allowance	Inflation rate	Not applicable to fund
Remaining service life of employees (years)	7.19	Not applicable to fund

Refer to **note 41** for pensions and other post-employment benefits disclosures.

NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with the central bank

GROUP AND COMPANY	2021 Rm	2020 Rm
Coins and bank notes	**7 536**	8 520
Balances with the central bank[1]	**24 719**	25 510
Total	**32 255**	34 030

[1] These balances primarily comprise reserving requirements levied by the SARB. These balances are available for use by the group and company subject to certain restrictions and limitations imposed by the SARB. These balances are held at fair value through profit or loss.

2. Derivative instruments

All derivatives are classified as either derivatives held-for-trading or derivatives held-for-hedging. A summary of the fair values of the derivative assets and derivative liabilities is as follows:

	Fair value of assets		Fair value of liabilities	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
GROUP				
Held-for-trading	**55 413**	103 263	**(59 081)**	(97 489)
Held-for-hedging	**2 874**	7 087	**(10 513)**	(14 649)
Total	**58 287**	110 350	**(69 594)**	(112 138)
COMPANY				
Held-for-trading	**55 394**	103 256	**(59 036)**	(97 473)
Held-for-hedging	**2 874**	7 087	**(10 513)**	(14 649)
Total	**58 268**	110 343	**(69 549)**	(112 122)

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 and company enter into a variety of foreign exchange, interest rate, commodity, credit and equity derivative transactions in accordance with the group and company's risk management policies and practices. Derivative instruments used by the group and company are held for both trading and hedging purposes and include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities. A summary of the total derivative assets and liabilities are shown in note 2.2, 2.3.1 and 2.3.3.

2.2 Derivatives held-for-trading

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

	Fair value of assets		Fair value of liabilities	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
GROUP				
Foreign exchange derivatives	**19 454**	36 058	**(19 986)**	(32 824)
Interest rate derivatives	**25 999**	54 408	**(27 606)**	(52 679)
Commodity derivatives	**1 021**	293	**(911)**	(210)
Credit derivatives	**1 389**	1 880	**(2 015)**	(2 497)
Equity derivatives	**7 550**	10 624	**(8 563)**	(9 279)
Total	**55 413**	103 263	**(59 081)**	(97 489)
COMPANY				
Foreign exchange derivatives	**19 454**	36 057	**(19 986)**	(32 824)
Interest rate derivatives	**26 002**	54 408	**(27 608)**	(52 679)
Commodity derivatives	**1 021**	293	**(911)**	(210)
Credit derivatives	**1 389**	1 880	**(2 015)**	(2 497)
Equity derivatives	**7 528**	10 618	**(8 516)**	(9 263)
Total	**55 394**	103 256	**(59 036)**	(97 473)

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 and company apply hedge accounting in respect of foreign currency risk, equity price risk and interest rate risk. Refer to annexure F – detailed accounting policies for more information on these hedging strategies.

2.3.1 Derivatives designated as hedging instruments in fair value hedging relationships

	Fair value			Maturity				
GROUP AND COMPANY	**Assets Rm**	**Liabilities Rm**	**Net fair value Rm**	**Less than one year Rm**	**Between one to five years Rm**	**Over five years Rm**	**Contract/ notional amount[2] Rm**	**Fair value (loss)/ gain Rm**
2021								
Interest rate risk fair value hedging relationships	**2 816**	**(3 197)**	**(381)**	**16**	**(555)**	**158**	**114 135**	**(62)**
Interest rate swaps	**2 816**	**(3 197)**	**(381)**	**16**	**(555)**	**158**	**114 135**	**26**
Cross currency interest rate swaps								**(88)**
Equity price risk fair value hedging relationships[1]		**(7 136)**	**(7 136)**	**(6 619)**	**(517)**		**47 849**	**(11 126)**
Equity forwards		**(7 136)**	**(7 136)**	**(6 619)**	**(517)**		**47 849**	**(11 126)**
Total	**2 816**	**(10 333)**	**(7 517)**	**(6 603)**	**(1 072)**	**158**	**161 984**	**(11 188)**
2020								
Interest rate risk fair value hedging relationships	6 693	(7 674)	(981)	792	877	(2 650)	127 832	(3 439)
Interest rate swaps	6 693	(7 591)	(898)	875	877	(2 650)	127 179	(3 382)
Cross currency interest rate swaps		(83)	(83)	(83)			653	(57)
Equity price risk fair value hedging relationships[1]	92	(6 413)	(6 321)	(6 321)			32 265	4 414
Equity forwards	92	(6 413)	(6 321)	(6 321)			32 265	4 414
Total	6 785	(14 087)	(7 302)	(5 529)	877	(2 650)	160 097	975

1 The company uses intercompany equity forward derivative instruments to mitigate against the risk of changes in the market values associated with certain equity instruments.

2 The notional amount is the sum of the absolute value 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 and company's participation in derivative contracts.

2. Derivative instruments continued

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

2.3.2 Hedged items classified as fair value hedges

GROUP AND COMPANY	Fair value Assets Rm	Fair value Liabilities Rm	Accumulated fair value (loss)/gain at 31 December Rm	Fair value (loss)/gain used to test hedge ineffectiveness Rm	Fair value hedge adjustments Rm
2021					
Interest rate risk fair value hedging relationships	**80 010**	**(91 592)**	**(2 307)**	**(553)**	**(553)**
Financial investments	**24 738**		**527**	**(1 273)**	**(1 273)**
Loans and advances	**55 272**		**(1 170)**	**(1 869)**	**(1 869)**
Deposits and debt funding		**(83 489)**	**(1 446)**	**2 297**	**2 297**
Subordinated debt		**(8 103)**	**(218)**	**292**	**292**
Equity price risk fair value hedging relationships	**54 514**		**7 023**	**11 084**	**11 084**
Trading assets	**54 514**		**7 023**	**11 084**	**11 084**
Total	**134 524**	**(91 592)**	**4 716**	**10 531**	**10 531**
2020					
Interest rate risk fair value hedging relationships	76 257	(67 482)	1 898	3 015	3 015
Financial investments	30 389		3 346	3 183	3 183
Loans and advances	45 868		2 950	2 058	2 058
Deposits and debt funding		(59 063)	(3 889)	(1 892)	(1 892)
Subordinated debt		(8 419)	(509)	(334)	(334)
Equity price risk fair value hedging relationships	38 417		(4 061)	(4 397)	(4 397)
Trading assets	38 417		(4 061)	(4 397)	(4 397)
Total	114 674	(67 482)	(2 163)	(1 382)	(1 382)

2.3.3 Hedging instruments in cash flow hedging relationships

GROUP AND COMPANY	Fair value Assets Rm	Fair value Liabilities Rm	Net fair value Rm	Maturity Less than one year Rm	Maturity Between one to five years Rm	Contract/ notional amount[1] Rm	Fair value gain/ (loss) Rm
2021							
Foreign currency risk cash flow hedging relationships	**807**	**(105)**	**702**	**702**		**3 610**	**181**
Cash[2]	**754**		**754**	**754**		**754**	**(11)**
Currency forwards						**397**	**90**
Currency swaps	**53**	**(105)**	**(52)**	**(52)**		**2 459**	**102**
Equity price risk cash flow hedging relationships	**3**	**(75)**	**(72)**	**(69)**	**(3)**	**1 776**	**228**
Equity forwards	**3**	**(75)**	**(72)**	**(69)**	**(3)**	**1 776**	**228**
Interest rate risk cash flow relationships	**2**		**2**		**2**	**2 000**	**(2)**
Interest rate swaps	**2**		**2**		**2**	**2 000**	**(2)**
Total	**812**	**(180)**	**632**	**633**	**(1)**	**7 386**	**407**
2020							
Foreign currency risk cash flow hedging relationships	302	(203)	99	87	12	50 820	(28)
Currency forwards	302	(2)	300	288	12	48 442	123
Currency swaps		(201)	(201)	(201)		2 378	(151)
Equity price risk cash flow hedging relationships		(359)	(359)	(335)	(24)	2 028	(835)
Equity forwards		(359)	(359)	(335)	(24)	2 028	(835)
Total	302	(562)	(260)	(248)	(12)	52 848	(863)

1 The notional amount is the sum of the absolute value 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 and company's participation in derivative contracts.
2 In the current year, the group has executed a hedge using cash as the hedging instrument. The cash is presented within loans and advances on the statement of financial position.

2. Derivative instruments continued

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

2.3.4 Hedged items classified as cash flow hedges

GROUP AND COMPANY	2021 Rm	2020 Rm
Fair value (loss)/gain used to test hedge ineffectiveness		
Financial investments	**(68)**	150
Foreign currency risk cash flow hedging relationships[1]	**(68)**	150
Loans and advances	**(83)**	(20)
Foreign currency risk cash flow hedging relationships[1]	**(85)**	(20)
Interest rate risk cash flow hedging relationships	**2**	
Share scheme liabilities (excludes equity deferred bonus scheme)	**(228)**	835
Equity price risk cash flow hedging relationships	**(228)**	835
Other operating expenses	**11**	(175)
Foreign currency risk cash flow hedging relationships	**11**	(175)
Total	**(368)**	790

1 Restated. During 2021 it was noted that an amount of R150 million was erroneously misallocated between foreign currency risk cash flow hedging relationships for financial investments and foreign currency risk cash flow hedging relationships for loans and advances during 2020. This restatement had no impact on the group's income statement or the group's statement of financial position.

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:

GROUP AND COMPANY	Trading revenue Rm	Net interest income Rm	Total Rm
2021			
Fair value hedges		**(657)**	**(657)**
Interest rate risk fair value hedging relationships		**(615)**	**(615)**
Equity price risk fair value hedging relationships		**(42)**	**(42)**
Cash flow hedges	**39**		**39**
Foreign currency risk cash flow hedging relationships	**39**		**39**
Total	**39**	**(657)**	**(618)**
2020			
Fair value hedges		(407)	(407)
Interest rate risk fair value hedging relationships		(424)	(424)
Equity price risk fair value hedging relationships		17	17
Cash flow hedges	(73)		(73)
Foreign currency risk cash flow hedging relationships	(73)		(73)
Total	(73)	(407)	(480)

Ineffectiveness relating to highly probable forecast transactions no longer expected to occur during both 2021 and 2020 amounted to Rnil. There was no material ineffectiveness relating to basis in relation to foreign currency hedging relationships during 2021 and 2020.

2. Derivative instruments continued

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

2.3.6 Reconciliation of movements in the total hedge reserve

GROUP AND COMPANY	Foreign currency risk[1] Rm	Equity price risk Rm	Interest rate risk Rm	Cost of hedging[1] Rm	Total Rm
Balance at 1 January 2020	74	(54)		8	28
Amounts recognised directly in OCI before tax	(217)	(835)		177	(875)
Amounts released to profit or loss before tax:					
Total income	148	905		(192)	861
Interest income[2]				(192)	(192)
Trading revenue[2]	323				323
Other operating expenses	(175)	905			730
Taxation	19	(19)		4	4
Balance at 31 December 2020	24	(3)		(3)	18
Balance at 1 January 2021	**24**	**(3)**		**(3)**	**18**
Amounts recognised directly in OCI before tax	**84**	**228**	**(2)**	**95**	**405**
Amounts released to profit or loss before tax:					
Total income	**(98)**	**(202)**		**(90)**	**(390)**
Interest income				**(90)**	**(90)**
Trading revenue	**(63)**				**(63)**
Other operating expenses	**(35)**	**(202)**			**(237)**
Taxation	**2**	**(7)**	**1**	**(1)**	**(5)**
Balance at 31 December 2021	**12**	**16**	**(1)**	**1**	**28**

1 The cost of hedging includes foreign currency basis risk and forward element which have been specifically excluded from the hedge relationships, where the group has elected to in terms of IFRS 9 GHA. This has no impact on the total hedge reserve. Refer to the accounting policy election section for further details.
2 Restated. During 2021 it was noted that there was an amount of R384 million which was erroneously misallocated between interest income and trading revenue during 2020. This restatement had no impact on the group's income statement or the group's statement of financial position.

2.3.7 Hedges classified as cash flow hedges

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

GROUP AND COMPANY	Three months or less Rm	After three months but within one year Rm	After one year but within five years Rm	Total
2021				
Net cash (outflow)/inflow	**(4)**	**30**	**2**	**28**
2020				
Net cash inflow/(outflow)	17	16	(15)	18

2. Derivative instruments continued

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.

GROUP AND COMPANY	2021 Rm	2020[1] Rm
Unrecognised net profit at the beginning of the year	**982**	891
Additional net profit on new transactions[2]		236
Recognised in trading revenue during the year	**(132)**	(145)
Unrecognised net profit at the end of the year	**850**	982

1 Restated. During 2021 it was noted that day one profit or loss balances and movements totalling to R982 million (opening balance of R891 million, additional net profit on new transactions of R236 million and amounts recognised in trading revenue during the year of R145 million) as at 31 December 2020 had been erroneously disclosed under trading assets instead of derivative instruments. This restatement did not impact the group's or company's statement of financial position or income statement.
2 Transaction price was not the best evidence of fair value due to trade related market factors that were deemed unobservable in the principal market of the underlying trades.

3. Trading assets

3.1 Classification

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Collateral and other	**5 410**	6 784	**5 410**	6 784
Corporate bonds	**35 898**	39 935	**35 898**	39 935
Government, municipality and utility bonds	**63 731**	67 283	**63 731**	67 283
Listed equities	**62 528**	42 441	**57 063**	38 882
Reverse repurchase and other collateralised agreements	**52 508**	40 863	**52 508**	40 863
Unlisted debt securities	**18 023**	14 352	**18 023**	14 352
Total	**238 098**	211 658	**232 633**	208 099

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.

GROUP AND COMPANY	2021 Rm	2020[1] Rm
Unrecognised net profit at the beginning of the year	**31**	9
Additional net profit on new transactions[2]	**1 520**	22
Recognised in trading revenue during the year	**(358)**	
Unrecognised net profit at the end of the year	**1 193**	31

1 Restated. During 2021 it was noted that day one profit or loss balances and movements totalling to R982 million (opening balance of R891 million, additional net profit on new transactions of R236 million and amounts recognised in trading revenue during the year of R145 million) as at 31 December 2020 had been erroneously disclosed under trading assets instead of derivative instruments. This restatement did not impact the group's or company's statement of financial position or income statement.
2 Transaction price was not the best evidence of fair value due to trade related market factors that were deemed unobservable in the principal market of the underlying trades.

4. Pledged assets

The following table presents details of financial assets which have been sold or otherwise transferred, but which have not been derecognised in their entirety 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.

GROUP AND COMPANY	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
2021					
Sovereign bonds	**1 975**	**(1 975)**	**1 975**	**(1 975)**	
Pledged assets (as recognised on the statement of financial position)	**1 975**	**(1 975)**	**1 975**	**(1 975)**	
Financial investments[2]	**18 016**	**(18 006)**	**18 016**	**(18 002)**	**14**
Total assets pledged[3]	**19 991**	**(19 981)**	**19 991**	**(19 977)**	**14**
2020					
Sovereign bonds	911	(911)	911	(911)	
Pledged assets (as recognised on the statement of financial position)	911	(911)	911	(911)	
Financial investments[2]	10 010	(10 002)	10 010	(10 002)	8
Total assets pledged[3]	10 921	(10 913)	10 921	(10 913)	8

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

The assets pledged by the group and company are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are customary to standard repurchase agreements and securities borrowing activities.

The majority of other financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. Risks to which the group and company 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 were partially derecognised. Further, there were no instances of financial assets that were transferred and derecognised where the group and company had continuing involvement.

4. Pledged assets continued

4.1 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group and company have 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 and company are permitted to sell or repledge in the absence of default is R187 884 million (2020: R163 486 million).

The fair value of financial assets accepted as collateral that have been sold, repledged or leased in terms of repurchase agreements or leasing transactions is R8 770 million (2020: R15 782 million). These transactions are conducted under terms that are usual and customary to reverse repurchase and securities borrowing activities.

4.2 Assets transferred not derecognised

Securitisations

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

Full derecognition occurs when the group and company transfer substantially all the risks and rewards of ownership and its contractual right to receive cash flows from the financial assets or retain 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 the conditions in IFRS.

The risks include interest rate, currency, prepayment and other price risks. However, where the group and company have 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 its associated liabilities:

	Carrying amount of transferred assets[1] Rm	Carrying amount of associated liabilities[1] Rm	Fair value of transferred assets[1] Rm	Fair value of associated liabilities Rm	Net fair value Rm
GROUP					
2021					
Home services[2]	**44 298**		**44 192**		**44 192**
2020					
Home services[2]	45 762		45 719		45 719
COMPANY					
2021					
Home services[2]	**44 298**	**(47 087)**	**44 192**	**(47 223)**	**(3 031)**
2020					
Home services[2]	45 762	(48 540)	45 719	(48 615)	(2 896)

1 The associated liabilities relating to the transferred assets, at a group level, only include external funding for the assets. The transferred assets are also funded by intercompany funding, which has been eliminated at a group level.
2 The group and company invest in vehicles specifically introduced to provide mortgage lending collateral against the Committed Liquidity Facility (CLF). To access the CLF, the SARB requires a portfolio of collateral, which is identified as a portfolio of mortgage loans. The SARB requires that these assets are ring-fenced in a separate legal entity, supported by a clearly defined note structure. At 31 December 2021, the mortgages within these vehicles, Blue Shield Investments 01 (RF) Limited and Blue Shield Investments 02 (RF) Limited, amounted to R44 billion (2020: R46 billion).

The interests and rights to the mortgage advances have been ceded as security for the associated liabilities, which have recourse only to the transferred assets. The following table analyses the carrying amount of the company's continuing involvement within securitisations:

	Carrying value Rm	Fair value Rm	Maximum exposure to risk Rm
COMPANY			
2021			
Home services	**589**	**589**	**589**
2020			
Home services	587	587	587

5. Non-current assets held for sale

2021

Equipment held for sale

During November 2021, the group's board approved the disposal of the safe custody business. The sale agreement includes various equipment, including furniture, owned by the group. The sale is expected to be concluded during 2022. The requirements of IFRS 5 *Non-current Assets Held For Sale And Discontinued Operations* (IFRS 5) were met during November 2021 and based on these, the assets subject to the sale agreement have been separately disclosed as non-current assets held for sale on the statement of financial position. The assets are measured at the lower of the carrying amount and fair value less costs to sell. The fair value less costs to sell is based on an assessment of what management believes a purchaser would value the assets, considering the current business viability and operations. The furniture was not impaired at 31 December 2021 and the net carrying value amounted to R10 million and is included in the consumer and high net worth segment.

Intangible asset held for sale

During December 2021, the appropriate level of management are committed to a plan to sell an intangible asset (software system). The transaction is expected to be concluded during 2022. As such, the requirements of IFRS 5 were met during December 2021 and the intangible asset has been separately disclosed as non-current assets held for sale on the statement of financial position. The asset is 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 asset, considering the current business viability and operations. The intangible asset was not impaired at 31 December 2021 and the carrying value amounted to R255 million. This included in the corporate and investment banking segment.

2020

Samrand Data Centre

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 6 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) 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 electromechanical equipment and as lease of the data warehouse (freehold property) in terms of IFRS 16. The right of use asset is presented in property, equipment and right of use assets on the statement of financial position. The electromechanical equipment is measured at the proportion of the previous carrying amount that relates to the right of use asset retained by the group. The right of use asset amounts to R1 146 million, consisting of R205 million equipment and R941 million property, on initial recognition of the sale and leaseback transaction. The gain on the sale and leaseback transaction is presented in non-trading and capital related items, refer to note 34, and is included in the central and other segment.

6. Financial investments

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Corporate	**39 445**	36 297	**39 445**	36 297
Sovereign	**99 949**	85 586	**99 949**	85 586
Bank	**1 824**	5 317	**1 824**	5 317
Listed equities	**42**	25	**42**	25
Unlisted equities and other instruments	**2 423**	2 236	**2 821**	2 632
Interest in associates and joint ventures held at fair value (annexure B)	**354**		**354**	
Total	**144 037**	129 461	**144 435**	129 857
Accounting classification				
Net financial investments measured at amortised cost	**105 081**	100 603	**105 473**	101 000
Gross financial investments measured at amortised cost	**105 119**	100 658	**105 511**	101 055
ECL for financial investments measured at amortised cost[1]	**(38)**	(55)	**(38)**	(55)
Financial investments measured at fair value	**38 956**	28 858	**38 962**	28 857
Financial investments measured at FVTPL	**38 278**	27 906	**38 282**	27 905
Debt financial investments measured at FVOCI[2]	**32**	283	**33**	283
Equity financial investments measured at FVOCI[2]	**646**	669	**647**	669
Total	**144 037**	129 461	**144 435**	129 857

1 Refer to the credit impairment charges note 32 for the current year credit impairment release of R17 million (2020: R42 million charge) on debt financial investments measured at amortised cost.

2 Refer to note 21 for the reconciliation of FVOCI reserve for financial investments. The credit impairment charges are deemed insignificant, therefore no credit impairment charges were recognised on debt financial investments measured at FVOCI during the current or prior year.

7. Loans and advances

7.1 Classification

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Loans and advances measured at fair value	486	1 235	486	1 235
Net loans and advances measured at amortised cost	1 202 768	1 123 003	1 202 809	1 121 953
Gross loans and advances measured at amortised cost	1 244 249	1 163 699	1 244 164	1 162 528
Home services	411 412	378 124	411 446	378 101
Vehicle and asset finance (note 7.2)	99 531	89 481	99 531	89 481
Card and payments	35 779	34 592	34 723	33 592
Personal unsecured lending[1]	48 279	47 363	48 279	48 735
Business lending and other[1]	120 617	80 535	83 415	78 823
Corporate and sovereign[2]	368 365	366 124	372 457	366 323
Bank	160 266	167 480	194 313	167 473
Expected credit losses (note 7.3)	(41 481)	(40 696)	(41 355)	(40 575)
Net loans and advances	1 203 254	1 124 238	1 203 295	1 123 188

1 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position.

2 Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had no impact on the statement of financial position.

7.2 Vehicle and asset finance

GROUP AND COMPANY	2021 Rm	2020 Rm
Gross investment in vehicle and asset finance	116 457	104 329
Receivable within one year	49 286	33 432
Receivable after one year but within five years	66 696	70 137
Receivable after five years	475	760
Unearned finance charges deducted	(16 926)	(14 848)
Net investment in vehicle and asset finance	99 531	89 481
Receivable within one year	40 846	28 335
Receivable after one year but within five years	58 234	60 425
Receivable after five years	451	721

Leases entered into are at market-related terms. Under the terms of the lease agreement, 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. Loans and advances continued

7.3 Reconciliation of ECL for loans and advances measured at amortised cost

GROUP	Stage 1 Rm	Stage 2 Rm	Stage 3 (including IIS) Rm	Total Rm
Opening ECL 1 January 2020	3 946	5 893	17 967	27 806
Transfers between stages[1]	619	(1 645)	1 026	
Net ECL raised	32	4 390	12 860	17 282
ECL on new exposures raised[2]	983	944	1 862	3 789
Subsequent changes in ECL	(765)	3 600	11 450	14 285
Change in ECL due to derecognition	(186)	(154)	(452)	(792)
Impaired accounts written off[3]			(6 690)	(6 690)
Exchange and other movements[4]	(4)	13	2 289	2 298
Closing ECL 31 December 2020	4 593	8 651	27 452	40 696
Opening ECL 1 January 2021	**4 593**	**8 651**	**27 452**	**40 696**
Transfers between stages[1]	**2 080**	**(925)**	**(1 155)**	
Net ECL (released)/raised	**(2 130)**	**(850)**	**11 478**	**8 498**
ECL on new exposures raised[2]	**787**	**579**	**891**	**2 257**
Subsequent changes in ECL	**(2 663)**	**(1 007)**	**11 351**	**7 681**
Change in ECL due to derecognition	**(254)**	**(422)**	**(764)**	**(1 440)**
Impaired accounts written off[3]			**(10 155)**	**(10 155)**
Exchange and other movements[4]	**17**	**5**	**2 420**	**2 442**
Closing ECL 31 December 2021	**4 560**	**6 881**	**30 040**	**41 481**

COMPANY	Stage 1 Rm	Stage 2 Rm	Stage 3 (including IIS) Rm	Total Rm
Opening ECL 1 January 2020	3 897	5 882	17 899	27 678
Transfers between stages[1]	613	(1 637)	1 024	
Net ECL raised/(released)	32	4 387	12 858	17 277
ECL on new exposures raised[2]	978	941	1 861	3 780
Subsequent changes in ECL	(766)	3 606	11 449	14 289
Change in ECL due to derecognition	(180)	(160)	(452)	(792)
Impaired accounts written off[3]			(6 660)	(6 660)
Exchange and other movements[4]	(3)		2 283	2 280
Closing ECL 31 December 2020	4 539	8 632	27 404	40 575
Opening ECL 1 January 2021	**4 539**	**8 632**	**27 404**	**40 575**
Transfers between stages[1]	**2 081**	**(926)**	**(1 155)**	
Net ECL (released)/raised	**(2 110)**	**(854)**	**11 411**	**8 447**
ECL on new exposures raised[2]	**784**	**580**	**889**	**2 253**
Subsequent changes in ECL	**(2 646)**	**(1 021)**	**11 285**	**7 618**
Change in ECL due to derecognition	**(248)**	**(413)**	**(763)**	**(1 424)**
Impaired accounts written off[3]			**(9 672)**	**(9 672)**
Exchange and other movements[4]	**7**		**1 998**	**2 005**
Closing ECL 31 December 2021	**4 517**	**6 852**	**29 986**	**41 355**

1 The group and company policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period.
2 The ECL recognised on new exposures originated during the reporting period (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 period.
3 The contractual amounts outstanding on loans and advances for group and company that were written off during the reporting period that are still subject to enforcement activities is R5.2 billion (2020: R2.8 billion).
4 Exchange and other movements includes the time value of money (TVM) unwind and net interest in suspense (IIS) raised and released during the year.

7. Loans and advances continued

7.3 Reconciliation of ECL for loans and advances measured at amortised cost continued

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

GROUP	Opening ECL 1 January 2021 Rm	Transfers between stages			
		(To)/from stage 1 Rm	From/(to) stage 2 Rm	From/(to) stage 3 Rm	Total Rm
Home services	14 256	(1 158)	45	1 113	
Stage 1	769		436	722	1 158
Stage 2	2 873	(436)		391	(45)
Stage 3 (including IIS)	10 614	(722)	(391)		(1 113)
Vehicle and asset finance	5 015	(339)	121	218	
Stage 1	665		176	163	339
Stage 2	1 278	(176)		55	(121)
Stage 3 (including IIS)	3 072	(163)	(55)		(218)
Card and payments	3 356	(144)	188	(44)	
Stage 1	667		89	55	144
Stage 2	1 261	(89)		(99)	(188)
Stage 3 (including IIS)	1 428	(55)	99		44
Personal unsecured lending[1]	8 126	(211)	230	(19)	
Stage 1	950		124	87	211
Stage 2	1 503	(124)		(106)	(230)
Stage 3 (including IIS)	5 673	(87)	106		19
Business lending and other[1]	4 752	(147)	265	(118)	
Stage 1	643		163	(16)	147
Stage 2	853	(163)		(102)	(265)
Stage 3 (including IIS)	3 256	16	102		118
Corporate and sovereign[2]	5 146	(81)	76	5	
Stage 1	854		93	(12)	81
Stage 2	883	(93)		17	(76)
Stage 3 (including IIS)	3 409	12	(17)		(5)
Bank	45				
Stage 1	45				
Total	40 696	(2 080)	925	1 155	
Stage 1	4 593		1 081	999	2 080
Stage 2	8 651	(1 081)		156	(925)
Stage 3 (including IIS)	27 452	(999)	(156)		(1 155)

Net ECL raised/ (released) Rm	TVM unwind and IIS movements Rm	Impaired accounts written off Rm	Exchange and other movements Rm	Closing ECL 31 December 2021 Rm
628	523	(1 022)		14 385
(958)				969
(631)				2 197
2 217	523	(1 022)		11 219
1 072	333	(965)		5 455
(422)				582
(263)				894
1 757	333	(965)		3 979
3 603	201	(3 359)		3 801
(188)				623
39				1 112
3 752	201	(3 359)		2 066
2 425	861	(3 714)		7 698
(171)				990
(91)				1 182
2 687	861	(3 714)		5 526
1 051	210	(902)		5 111
(197)				593
293				881
955	210	(902)		3 637
(249)	185	(193)	85	4 974
(162)			(27)	746
(197)			5	615
110	185	(193)	107	3 613
(32)			44	57
(32)			44	57
8 498	2 313	(10 155)	129	41 481
(2 130)			17	4 560
(850)			5	6 881
11 478	2 313	(10 155)	107	30 040

7. Loans and advances continued

7.3 Reconciliation of ECL for loans and advances measured at amortised cost continued

GROUP	Opening ECL 1 January 2020 Rm	Transfers between stages (To)/from stage 1 Rm	Transfers between stages From/(to) stage 2 Rm	Transfers between stages From/(to) stage 3 Rm	Total Rm
Home services	10 150	(244)	319	(75)	
Stage 1	613		175	69	244
Stage 2	1 729	(175)		(144)	(319)
Stage 3 (including IIS)	7 808	(69)	144		75
Vehicle and asset finance	3 107	(83)	314	(231)	
Stage 1	586		98	(15)	83
Stage 2	790	(98)		(216)	(314)
Stage 3 (including IIS)	1 731	15	216		231
Card and payments	2 582	(92)	231	(139)	
Stage 1	572		103	(11)	92
Stage 2	945	(103)		(128)	(231)
Stage 3 (including IIS)	1 065	11	128		139
Personal unsecured lending[1]	6 078	(97)	445	(348)	
Stage 1	885		142	(45)	97
Stage 2	1 306	(142)		(303)	(445)
Stage 3 (including IIS)	3 887	45	303		348
Business lending and other[1]	3 500	(76)	177	(101)	
Stage 1	498		75	1	76
Stage 2	457	(75)		(102)	(177)
Stage 3 (including IIS)	2 545	(1)	102		101
Corporate and sovereign[2]	2 342	(27)	159	(132)	
Stage 1	745		102	(75)	27
Stage 2	666	(102)		(57)	(159)
Stage 3 (including IIS)	931	75	57		132
Bank	47				
Stage 1	47				
Total	27 806	(619)	1 645	(1 026)	
Stage 1	3 946		695	(76)	619
Stage 2	5 893	(695)		(950)	(1 645)
Stage 3 (including IIS)	17 967	76	950		1 026

1 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position.

2 Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had no impact on the statement of financial position.

Net ECL raised/ (released) Rm	TVM Unwind and IIS movements Rm	Impaired accounts written off Rm	Exchange and other movements Rm	Closing ECL 31 December 2020 Rm
4 007	828	(729)		14 256
(88)				769
1 463				2 873
2 632	828	(729)		10 614
2 477	264	(833)		5 015
(4)				665
802				1 278
1 679	264	(833)		3 072
2 777	128	(2 131)		3 356
3				667
547				1 261
2 227	128	(2 131)		1 428
3 588	745	(2 285)		8 126
(32)				950
642				1 503
2 978	745	(2 285)		5 673
1 597	216	(561)		4 752
69				643
573				853
955	216	(561)		3 256
2 838	219	(151)	(102)	5 146
86			(4)	854
363			13	883
2 389	219	(151)	(111)	3 409
(2)				45
(2)				45
17 282	2 400	(6 690)	(102)	40 696
32			(4)	4 593
4 390			13	8 651
12 860	2 400	(6 690)	(111)	27 452

7. Loans and advances continued

7.3 Reconciliation of ECL for loans and advances measured at amortised cost continued

COMPANY	Opening ECL 1 January 2021 Rm	Transfers between stages			Total Rm
		(To)/from stage 1 Rm	From/(to) stage 2 Rm	(To)/from stage 3 Rm	
Home services	14 241	(1 158)	45	1 113	
Stage 1	769		436	722	1 158
Stage 2	2 872	(436)		391	(45)
Stage 3 (including IIS)	10 600	(722)	(391)		(1 113)
Vehicle and asset finance	5 012	(339)	121	218	
Stage 1	665		176	163	339
Stage 2	1 283	(176)		55	(121)
Stage 3 (including IIS)	3 064	(163)	(55)		(218)
Card and payments	3 251	(140)	184	(44)	
Stage 1	651		85	55	140
Stage 2	1 220	(85)		(99)	(184)
Stage 3 (including IIS)	1 380	(55)	99		44
Personal unsecured lending	7 392	(211)	230	(19)	
Stage 1	950		124	87	211
Stage 2	1 517	(124)		(106)	(230)
Stage 3 (including IIS)	4 925	(87)	106		19
Business lending and other	5 463	(147)	265	(118)	
Stage 1	624		163	(16)	147
Stage 2	832	(163)		(102)	(265)
Stage 3 (including IIS)	4 007	16	102		118
Corporate and sovereign	5 094	(81)	76	5	
Stage 1	800		93	(12)	81
Stage 2	866	(93)		17	(76)
Stage 3 (including IIS)	3 428	12	(17)		(5)
Bank	122	(5)	5		
Stage 1	80		5		5
Stage 2	42	(5)			(5)
Total	40 575	(2 081)	926	1 155	
Stage 1	4 539		1 082	999	2 081
Stage 2	8 632	(1 082)		156	(926)
Stage 3 (including IIS)	27 404	(999)	(156)		(1 155)

	Net ECL raised/ (released) Rm	TVM Unwind and IIS movements Rm	Impaired accounts written off Rm	Exchange and other movements Rm	Closing ECL 31 December 2021 Rm
	626	388	(885)		14 370
	(959)				968
	(631)				2 196
	2 216	388	(885)		11 206
	1 071	238	(870)		5 451
	(422)				582
	(264)				898
	1 757	238	(870)		3 971
	3 551	199	(3 310)	(2)	3 689
	(179)				612
	37				1 073
	3 693	199	(3 310)	(2)	2 004
	2 426	861	(3 705)		6 974
	(161)				1 000
	(91)				1 196
	2 678	861	(3 705)		4 778
	1 050	208	(902)	(98)	5 721
	(197)				574
	292				859
	955	208	(902)	(98)	4 288
	(245)	185		24	5 058
	(161)			5	725
	(196)				594
	112	185		19	3 739
	(32)			2	92
	(31)			2	56
	(1)				36
	8 447	2 079	(9 672)	(74)	41 355
	(2 110)			7	4 517
	(854)				6 852
	11 411	2 079	(9 672)	(81)	29 986

7. Loans and advances continued

7.3 Reconciliation of ECL for loans and advances measured at amortised cost continued

COMPANY	Opening ECL 1 January 2020 Rm	Transfers between stages (To)/from stage 1 Rm	From/(to) stage 2 Rm	From/(to) stage 3 Rm	Total Rm
Home services	10 124	(244)	319	(75)	
Stage 1	614		175	69	244
Stage 2	1 728	(175)		(144)	(319)
Stage 3 (including IIS)	7 782	(69)	144		75
Vehicle and asset finance	3 105	(83)	314	(231)	
Stage 1	586		98	(15)	83
Stage 2	790	(98)		(216)	(314)
Stage 3 (including IIS)	1 729	15	216		231
Card and payments	2 485	(86)	223	(137)	
Stage 1	559		97	(11)	86
Stage 2	903	(97)		(126)	(223)
Stage 3 (including IIS)	1 023	11	126		137
Personal unsecured lending[1]	6 078	(97)	445	(348)	
Stage 1	884		142	(45)	97
Stage 2	1 306	(142)		(303)	(445)
Stage 3 (including IIS)	3 888	45	303		348
Business lending and other[1]	3 480	(76)	177	(101)	
Stage 1	477		75	1	76
Stage 2	457	(75)		(102)	(177)
Stage 3 (including IIS)	2 546	(1)	102		101
Corporate and sovereign[2]	2 359	(31)	163	(132)	
Stage 1	745		106	(75)	31
Stage 2	683	(106)		(57)	(163)
Stage 3 (including IIS)	931	75	57		132
Bank	47	4	(4)		
Stage 1	32		(4)		(4)
Stage 2	15	4			4
Stage 3 (including IIS)					
Total	27 678	(613)	1 637	(1 024)	
Stage 1	3 897		689	(76)	613
Stage 2	5 882	(689)		(948)	(1 637)
Stage 3 (including IIS)	17 899	76	948		1 024

1 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position.

2 Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had not impact on the statement of financial position.

Net ECL raised/ (released) Rm	TVM Unwind and IIS movements Rm	Impaired accounts written off Rm	Exchange and other movements Rm	Closing ECL 31 December 2020 Rm
4 012	830	(725)		14 241
(89)				769
1 463				2 872
2 638	830	(725)		10 600
2 480	264	(836)	(1)	5 012
(4)				665
807				1 283
1 677	264	(836)	(1)	3 064
2 745	126	(2 104)	(1)	3 251
7			(1)	651
540				1 220
2 198	126	(2 104)		1 380
3 604		(2 290)		7 392
(31)				950
656				1 517
2 979		(2 290)		4 925
1 591	962	(554)	(16)	5 463
69			2	624
565			(13)	832
957	962	(554)	(5)	4 007
2 770	218	(151)	(102)	5 094
28			(4)	800
333			13	866
2 409	218	(151)	(111)	3 428
75				122
52				80
23				42
17 277	2 400	(6 660)	(120)	40 575
32			(3)	4 539
4 387				8 632
12 858	2 400	(6 660)	(117)	27 404

7. Loans and advances continued

7.3 Reconciliation of ECL for loans and advances measured at amortised cost continued

Changes in gross exposures relating to changes in ECL (group and company)

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 R 2.2 billion (2020: R4 billion) primarily relates to the growth in the gross carrying amount from new exposures originated of:
  - home services of R75 billion (2020: R48 billion)
  - vehicle and asset finance of R26 billion (2020: R31 billion)
  - corporate of R2.5 billion (2020: R55 billion)
  - The decrease in ECL due to impaired accounts written off of R9.9 billion (2020: R6.7 billion) resulted in an equal decrease to the gross carrying amount of loans and advances as exposures are fully 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 period. Therefore, the related gross carrying amount of the significant transfers primarily relate to the continued impact of Covid19 together with positive collection trends, are as follows:

2021

- home services with a gross carrying amount of R4.0 billion that was in stage 2 was transferred to stage 1
- home services with a gross carrying amount of R271 million that was in stage 3 was transferred to stage 1
- home services with a gross carrying amount of R988 million that was in stage 3 was transferred to stage 2
- vehicle and asset finance with a gross carrying amount of R66 million that was in stage 2 was transferred to stage 1
- vehicle and asset finance with a gross carrying amount of R700 million that was in stage 3 was transferred to stage 1
- card and payments with a gross carrying amount of R392 million that was in stage 2 was transferred to stage 1
- card and payments with a gross carrying amount of R623 million that was in stage 2 was transferred to stage 3
- personal unsecured lending with a gross carrying amount of R925 million that was in stage 2 was transferred to stage 3
- personal unsecured lending with a gross carrying amount of R871 million that was in stage 2 was transferred to stage 1
- business lending and other with gross carrying amount of R709 million that was in stage 2 was transferred to stage 3
- business lending and other with gross carrying amount of R251 million that was in stage 2 was transferred to stage 1
- corporate and sovereign with a gross carrying amount of R4.3 billion that was in stage 2 was transferred to stage 1

2020

- home services with a gross carrying amount of R8 billion that was in stage 2 was transferred to stage 1
- home services with a gross carrying amount of R4.5 billion that was in stage 2 was transferred to stage 3
- vehicle and asset finance with a gross carrying amount of R1.4 billion that was in stage 2 was transferred to stage 3
- card and payments with a gross carrying amount of R1.4 billion that was in stage 2 was transferred to stage 1
- card and payments with a gross carrying amount of R478 million that was in stage 2 was transferred to stage 3
- personal unsecured lending with a gross carrying amount of R1.4 billion that was in stage 2 was transferred to stage 3
- personal unsecured lending with a gross carrying amount of R988 million that was in stage 2 was transferred to stage 1
- business lending and other with gross carrying amount of R986 million that was in stage 2 was transferred to stage 3
- corporate and sovereign with a gross carrying amount of R2 billion that was in stage 3 was transferred to stage 1
- corporate and sovereign with a gross carrying amount of R2.6 billion that was in stage 2 was transferred to stage 1

7.4 Modifications on loans and advances measured at amortised cost

GROUP AND COMPANY	Stage 2		Stage 3	
	Gross amortised cost before modification Rm	Net modification loss/(gain) Rm	Gross amortised cost before modification Rm	Net modification (gain)/loss Rm
2021				
Home services	**765**	**40**		
Vehicle and asset finance			**74**	**(2)**
Card and payments	**267**	**(2)**	**201**	**48**
Personal unsecured lending[1]	**108**	**90**	**67**	**11**
Corporate and sovereign[2*]			**1 377**	
Total	**1 140**	**128**	**1 719**	**57**
2020				
Home services	1 316	99		
Vehicle and asset finance			90	(2)
Card and payments	243	62	19	3
Personal unsecured lending[1]	103	43		
Total	1 662	204	109	1

1 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position.

2 Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had not impact on the statement of financial position.

* The modification gains and losses on the corporate restructures have netted off resulting in an insignificant net gain or loss amount.

The gross carrying amount for modifications during the reporting period that resulted in no economic gain or loss (i.e. no net modification gain or loss) is R46 billion (2020: R213.9 billion). Included in the above is client relief of R4.5 billion (2020: R118.0 billion) that was provided to home services, VAF, card, personal, business lending and other product clients to assist with temporary liquidity constraints as a result of the impact of Covid-19, as well as CIB clients with exposure totalling R10.8 billion (2020: R24.8 billion) that qualified for Covid-19 relief, including increased liquidity facilities, loan restructures, covenant relaxations and payment holidays.

8. Other assets

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Financial assets	12 700	14 575	12 609	14 500
Trading settlement assets	3 123	5 178	3 123	5 181
Other financial assets[1,2]	9 577	9 397	9 486	9 319
Non-financial assets	6 980	4 427	7 014	4 543
Items in the course of collection	917	296	917	296
Prepayments	1 798	1 578	1 790	1 571
Pensions and post-employment benefits (note 41.1)	1 288	1 081	1 288	1 081
Other non-financial assets[2]	2 977	1 472	3 019	1 595
Total	19 680	19 002	19 623	19 043

1 Due to the short-term nature of these assets, historical experience and available forward-looking information, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.
2 Restated. During 2021 it was noted that there was an amount of R157 million for the group and R109 million for company relating to other non-financial assets erroneously included in other financial assets during 2020. The amount has been restated. This restatement had no impact on the group or company's statement of financial position.

9. Interests in associates, joint ventures and subsidiaries

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Investments in subsidiary companies (annexure A)			5 705	4 145
Interests in associates and joint ventures (note 9.1)	940	744	934	740
Total	940	744	6 639	4 885

9.1 Interest in associates and joint ventures

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Carrying value at the beginning of the year	744	1 227	740	1 227
Acquisitions	211	125	209	121
Disposals	(34)	(627)	(34)	(627)
Amounts recognised in the income statement	19	19	19	19
Impairment of associates (note 34)		(7)		(7)
Share of post-tax profit for the year	19	26	19	26
Carrying value at the end of the year	940	744	934	740

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

Associates and joint ventures are listed in annexure B.

10. Property, equipment and right of use assets

GROUP	Property	
	Freehold Rm	Leasehold Rm
Net book value – 1 January 2020	2 994	886
Cost	3 923	2 710
Accumulated depreciation	(929)	(1 824)
Movements	(25)	47
Additions and modifications[3]	96	259
Disposals and terminations	(5)	(13)
Depreciation	(116)	(199)
Net book value – 31 December 2020[2]	**2 969**	**933**
Cost	**4 012**	**2 063**
Accumulated depreciation	**(1 043)**	**(1 130)**
Movements	**(66)**	**(34)**
Additions and modifications[3]	**54**	**169**
Disposals and terminations	**(1)**	**(2)**
Disposal group held for sale (note 6)		
Depreciation	**(119)**	**(201)**
Net book value – 31 December 2021[2]	**2 903**	**899**
Cost	**4 065**	**2 213**
Accumulated depreciation	**(1 162)**	**(1 314)**

COMPANY	Property	
	Freehold Rm	Leasehold Rm
Net book value – 1 January 2020	2 992	883
Cost	3 921	2 707
Accumulated depreciation	(929)	(1 824)
Movements	(25)	47
Additions and modifications[3]	95	259
Disposals and terminations	(4)	(13)
Depreciation	(116)	(199)
Net book value – 31 December 2020[2]	**2 967**	**930**
Cost	**4 010**	**2 060**
Accumulated depreciation	**(1 043)**	**(1 130)**
Movements	**(65)**	**(33)**
Additions and modifications[3]	**55**	**170**
Disposals and terminations	**(1)**	**(2)**
Disposal group held for sale (note 6)		
Depreciation	**(119)**	**(201)**
Net book value – 31 December 2021[2]	**2 902**	**897**
Cost	**4 063**	**2 210**
Accumulated depreciation	**(1 161)**	**(1 313)**

1 This balance primarily relates to motor vehicles that are leased to third parties under operating leases. The group and company are the lessor. Refer to note 23.3.2

2 Includes work in progress for group and company of R84 million (2020: R768 million) for which depreciation has not yet commenced. Refer to note 23.2 for details regarding capital commitments.

3 Modifications relate to IFRS 16 right of use assets.

4 Refer to note 17.3 for more detail relating to leasing activities.

A register of freehold land and buildings is available for inspection at the company's registered office.

Valuation

The fair value of completed freehold property was based on valuations performed by valuers registered under the Valuers Act 23 of 1982, for the 2018 to 2021 period, and was estimated at R6 233 million (2020: R6 299 million) for the group and R6 379 million (2020: R6 195 million) for the company. The previous valuation was performed for the 2017 to 2020 period.

	Equipment				Right of use asset[4]			
	Computer equipment Rm	Motor vehicles[1] Rm	Office equipment Rm	Furniture and fittings Rm	Buildings Rm	Branches Rm	ATM spacing and other Rm	Total Rm
	2 177	1 758	172	1 784	1 329	1 663	220	12 983
	7 087	1 929	671	4 028	1 728	2 339	322	24 737
	(4 910)	(171)	(499)	(2 244)	(399)	(676)	(102)	(11 754)
	272	(722)	(9)	(266)	270	(305)	204	(534)
	1 194	1 081	61	116	2 251	371	318	5 747
	(14)	(1 602)	(10)	(34)	(1 624)	(15)	(3)	(3 320)
	(908)	(201)	(60)	(348)	(357)	(661)	(111)	(2 961)
	2 449	**1 036**	**163**	**1 518**	**1 599**	**1 358**	**424**	**12 449**
	6 663	**1 237**	**589**	**3 809**	**2 201**	**2 687**	**633**	**23 894**
	(4 214)	**(201)**	**(426)**	**(2 291)**	**(602)**	**(1 329)**	**(209)**	**(11 445)**
	(172)	**(284)**	**37**	**(34)**	**(328)**	**(286)**	**(39)**	**(1 206)**
	782	**356**	**104**	**335**	**63**	**393**	**96**	**2 352**
	(51)	**(493)**	**(6)**	**(28)**	**(26)**	**(45)**		**(652)**
				(10)				**(10)**
	(903)	**(147)**	**(61)**	**(331)**	**(365)**	**(634)**	**(135)**	**(2 896)**
	2 277	**752**	**200**	**1 484**	**1 271**	**1 072**	**385**	**11 243**
	6 082	**985**	**616**	**3 728**	**2 189**	**2 988**	**721**	**23 587**
	(3 805)	**(233)**	**(416)**	**(2 244)**	**(918)**	**(1 916)**	**(336)**	**(12 344)**

	Equipment				Right of use asset[4]			
	Computer equipment Rm	Motor vehicles[1] Rm	Office equipment Rm	Furniture and fittings Rm	Buildings Rm	Branches Rm	ATM spacing and other Rm	Total Rm
	2 164	1 757	170	1 783	1 297	1 663	220	12 929
	7 034	1 926	668	4 021	1 684	2 339	322	24 622
	(4 870)	(169)	(498)	(2 238)	(387)	(676)	(102)	(11 693)
	264	(721)	(9)	(269)	260	(305)	204	(554)
	1 178	1 081	59	115	2 234	371	318	5 710
	(13)	(1 601)	(10)	(36)	(1 625)	(15)	(3)	(3 320)
	(901)	(201)	(58)	(348)	(349)	(661)	(111)	(2 944)
	2 428	**1 036**	**161**	**1 514**	**1 557**	**1 358**	**424**	**12 375**
	6 593	**1 235**	**585**	**3 801**	**2 142**	**2 687**	**633**	**23 746**
	(4 165)	**(199)**	**(424)**	**(2 287)**	**(585)**	**(1 329)**	**(209)**	**(11 371)**
	(175)	**(285)**	**37**	**(34)**	**(319)**	**(287)**	**(41)**	**(1 202)**
	771	**356**	**104**	**334**	**65**	**393**	**93**	**2 341**
	(52)	**(494)**	**(6)**	**(29)**	**(26)**	**(46)**		**(656)**
				(10)				**(10)**
	(894)	**(147)**	**(61)**	**(329)**	**(358)**	**(634)**	**(134)**	**(2 877)**
	2 253	**751**	**198**	**1 480**	**1 238**	**1 071**	**383**	**11 173**
	6 014	**982**	**612**	**3 719**	**2 133**	**2 985**	**718**	**23 436**
	(3 761)	**(231)**	**(414)**	**(2 239)**	**(895)**	**(1 914)**	**(335)**	**(12 263)**

11. Goodwill and other intangible assets

GROUP	Goodwill Rm	Computer software Rm	Total Rm
Net book value – 1 January 2020	42	16 194	16 236
Cost	53	31 674	31 727
Accumulated amortisation and impairment	(11)	(15 480)	(15 491)
Movements		(3 771)	(3 771)
Additions[1]		1 434	1 434
Amortisation		(2 166)	(2 166)
Impairments		(3 039)	(3 039)
Net book value – 31 December 2020[2]	**42**	**12 423**	**12 465**
Cost	**53**	**33 107**	**33 160**
Accumulated amortisation and impairment	**(11)**	**(20 684)**	**(20 695)**
Movements		**(1 631)**	**(1 631)**
Additions[1]		**933**	**933**
Disposals		**(55)**	**(55)**
Disposal group held for sale (note 6)		**(255)**	**(255)**
Amortisation		**(2 235)**	**(2 235)**
Impairments		**(19)**	**(19)**
Net book value – 31 December 2021[2]	**42**	**10 792**	**10 834**
Cost	**53**	**33 420**	**33 473**
Accumulated amortisation and impairment	**(11)**	**(22 628)**	**(22 639)**

Refer to footnotes below.

COMPANY	Computer software Rm	Total Rm
Net book value – 1 January 2020	16 112	16 112
Cost	31 539	31 539
Accumulated amortisation and impairment	(15 427)	(15 427)
Movements	(3 769)	(3 769)
Additions[1]	1 418	1 418
Amortisation	(2 148)	(2 148)
Impairments	(3 039)	(3 039)
Net book value – 31 December 2020[2]	**12 343**	**12 343**
Cost	**32 958**	**32 958**
Accumulated amortisation and impairment	**(20 615)**	**(20 615)**
Movements	**(1 621)**	**(1 621)**
Additions[1]	**928**	**928**
Disposals	**(55)**	**(55)**
Disposal group held for sale (note 6)	**(255)**	**(255)**
Amortisation	**(2 220)**	**(2 220)**
Impairments	**(19)**	**(19)**
Net book value – 31 December 2021[2]	**10 722**	**10 722**
Cost	**33 265**	**33 265**
Accumulated amortisation and impairment	**(22 543)**	**(22 543)**

1 During 2021, R94 million (2020: R98 million) of borrowing costs was capitalised by the group and company. Borrowing costs are capitalised using an average rate of 4.2% (2020: 7.7%).

2 Includes work in progress for group and company of R1 721 million (2020: R2 843 million) for which amortisation has not yet commenced.

11.1 Goodwill composition

GROUP	2021 Gross Rm	2021 Accumulated impairment Rm	2021 Net Rm	2020 Gross Rm	2020 Accumulated impairment Rm	2020 Net Rm
Ecentric Payment Systems Proprietary Limited	36		36	36		36
Greystone Technologies Proprietary Limited	6		6	6		6
JSG Developments Proprietary Limited	11	(11)		11	(11)	
Total	53	(11)	42	53	(11)	42

11.2 Impairment of computer software

2021

During 2021, 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 R19 million.

2020

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

- New Business Online Platform (impairment 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 software systems (impairment write-off of R276 million).

12. Deferred tax

12.1 Deferred tax analysis

	GROUP 2021 Rm	GROUP 2020 Rm	COMPANY 2021 Rm	COMPANY 2020 Rm
Assessed losses[1]	45	557	32	551
Leased assets included in loans and advances	(58)	(67)	(60)	(71)
Right of use assets and lease liability	102	81	102	81
Depreciation	(1 449)	(1 739)	(1 431)	(1 735)
Other derivatives and financial instruments[2]	(24)	5	(24)	5
Fair value adjustments of financial instruments	(25)	5	(25)	5
Impairment charges on loans and advances	3 598	3 851	3 571	3 800
Deferred income	573	497	573	497
Share-based payments	471	311	469	311
Other differences	666	491	661	508
Deferred tax closing balance	3 899	3 992	3 868	3 952
Deferred tax asset	3 918	4 005	3 868	3 952
Deferred tax liability	(19)	(13)		

1 The estimated tax loss for the group and company amounted to Rnil (2020: R1 989 million) and Rnil (2020: R1 968 million) respectively, which are available for set off against future taxable income, for which a deferred tax asset was recognised. These deferred tax asset balances were offset, where applicable, against deferred tax liabilities, refer to annexure F – accounting policy 12 – taxation.

2 Derivatives other than those defined in section 24JB of the Income Tax Act of 1962 of South Africa.

12. Deferred tax continued

12.2 Deferred tax reconciliation

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Deferred tax balance at the beginning of the year	**3 992**	1 891	**3 952**	1 879
Prior year tax adjustment	**(55)**	19	**(52)**	9
Assessed losses	**(110)**	31	**(110)**	31
Leased assets included in loans and advances	**(2)**			
Right of use asset and lease liability	**7**		**7**	
Depreciation	**69**	6	**83**	6
Other derivatives and financial instruments	**(6)**		**(6)**	
Fair value adjustments of financial instruments	**1**		**1**	
Impairment charges on loans and advances	**(1)**	4	**11**	3
Deferred income	**1**	4	**1**	4
Share-based payments	**1**			
Other differences	**(15)**	(26)	**(39)**	(35)
Originating temporary differences for the year	**(38)**	2 082	**(32)**	2 064
Assessed losses	**(402)**	525	**(409)**	520
Leased assets included in loans and advances	**11**	15	**11**	10
Right of use asset and lease liability	**14**	24	**14**	24
Depreciation	**221**	969	**221**	968
Other derivatives and financial instruments	**(23)**	53	**(23)**	53
Fair value adjustments of financial instruments	**(31)**	63	**(31)**	63
Impairment charges on loans and advances	**(252)**	1 087	**(240)**	1 058
Deferred income	**75**	2	**75**	2
Share-based payments	**159**	(191)	**158**	(191)
Other differences	**190**	(465)	**192**	(443)
Deferred tax balance at the end of the year	**3 899**	3 992	**3 868**	3 952
Temporary differences for the year comprise				
Recognised in OCI (note 35)	**(42)**	13	**(42)**	13
Recognised in profit or loss	**(51)**	2 102	**(42)**	2 059
Total	**(93)**	2 115	**(84)**	2 072

13. Share capital, share premium and other equity instruments

13.1 Share capital

Authorised

GROUP AND COMPANY	2021 Rm	2020 Rm
80 000 000 ordinary shares (2020: 80 000 000)	80	80
1 000 000 000 preference shares (2020: 1 000 000 000)	10	10
Total	**90**	90

Ordinary shares consist of shares of R1 each. Preference shares consist of non-redeemable, non-cumulative, non-participating preference shares of R0,01 each.

Issued

GROUP AND COMPANY	2021 Rm	2020 Rm
59 997 136 ordinary shares (2020: 59 997 136)	60	60

No ordinary shares were issued during 2021 (Three ordinary shares of R1 each were issued during 2020 at a premium of R4 065 million).

Unissued shares

GROUP AND COMPANY	2021 Rm	2020 Rm
20 002 864 ordinary shares (2020: 20 002 864)	20	20
1 000 000 000 preference shares (2020: 1 000 000 000)	10	10
Total	**30**	30

The unissued ordinary shares and preference shares are under the general authority of the directors, whose authority expires at the annual general meeting to be held on 26 May 2022.

13.2 Ordinary share premium

GROUP AND COMPANY	2021 Rm	2020 Rm
Share premium on issue of shares	49 253	49 253

The share premium consists of capital investments into SBSA from its holding company, SBG, to ensure that SBSA continues to comply with regulatory requirements.

13.3 Other equity instruments

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
AT1 capital bonds (note 13.3.1)	10 549	7 025	10 549	7 025
Equity attributable to non-controlling interests within SBG[1]	939	790		
Total	**11 488**	7 815	**10 549**	7 025

1 Refer to annexure A for more details.

13. Share capital, share premium and other equity instruments continued

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

Bond	Date issued	Redeemable/ repayable date	Interest rate	Notional and carrying value 2021 Rm	2020 Rm
GROUP AND COMPANY					
SBT101	30 March 2017	31 March 2022	Three month Jibar + 565 bps	**1 744**	1 744
SBT102	21 September 2017	30 September 2022	Three month Jibar + 545 bps	**1 800**	1 800
SBT103	20 February 2019	31 March 2024	Three month Jibar + 440 bps	**1 942**	1 942
SBT 104	29 September 2020	30 September 2025	Three month Jibar + 452 bps	**1 539**	1 539
SBT105	29 March 2021	31 March 2026	Three month Jibar + 423 bps	**1 800**	
SBT106	12 October 2021	31 December 2026	Three month Jibar + 391 bps	**1 724**	
Total				**10 549**	7 025

During 2021, the group and company issued additional Basel III compliant AT1 capital bonds amounting to R3 524 million (2020: R1 539 million) to SBG. 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. Interest is payable quarterly, subject to declaration.

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.

Since the AT1 capital bonds do not have a contractual obligation to pay cash, they have been recognised within equity attributable to other equity instrument holders in the statement of financial position. During 2021 coupons to the value of R746 million (2020: R583 million) were paid to the AT1 capital bond holder. Current tax of R209 million (2020: R163 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R537 million (2020: R420 million).

14. Trading liabilities

GROUP AND COMPANY	2021 Rm	2020 Rm
Collateral	**53 684**	42 054
Credit-linked notes	**9 321**	9 067
Government, municipality and utility bonds	**3 457**	5 688
Repurchase and other collateralised agreements	**8 214**	12 534
Unlisted equities and other instruments	**4 740**	5 888
Total	**79 416**	75 231

15. Deposits and debt funding

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Deposits and debt funding from banks	201 578	173 029	201 599	174 229
Deposits and debt funding from customers	1 204 624	1 145 744	1 207 540	1 146 426
Call deposits	308 552	293 481	308 552	293 481
Card creditors	1 770	1 733	1 664	1 620
Cash management deposits	258 977	269 878	258 977	269 878
Current accounts	146 818	131 860	147 941	131 860
Foreign currency funding	71 578	57 123	71 578	57 123
Negotiable certificates of deposit	96 551	102 614	96 551	102 614
Savings accounts	16 975	15 497	16 975	15 497
Term deposits	281 266	251 847	281 266	251 846
Treasury priced deposits	14 654	16 184	16 646	17 073
Other funding	7 483	5 527	7 390	5 434
Total	1 406 202	1 318 773	1 409 139	1 320 655

16. Subordinated debt

GROUP AND COMPANY	Redeemable/repayable date	Callable date	Notional value[1] Rm	Carrying value[1] 2021 Rm	Carrying value[1] 2020 Rm
Unsecured, subordinated, redeemable tier II bonds					
SBK26[2]	25 April 2026	25 April 2021	500		518
SBK25[2]	25 April 2026	25 April 2021	1 200		1 216
SBK23[2]	28 May 2027	28 May 2022	1 000	992	1 064
SBT201[2,3]	13 February 2028	13 February 2023	3 000	2 978	3 026
SBT202[2,3]	3 December 2028	3 December 2023	1 516	1 522	1 523
SBT203[2,3]	3 December 2028	3 December 2023	484	510	535
SBT204[2,3]	16 April 2029	16 April 2024	1 000	1 012	1 012
SBT205[2,3]	31 May 2029	31 May 2024	6 354	6 525	6 236
SBT206[2,3]	31 January 2030	31 January 2025	2 000	2 019	2 018
SBT207[2,3]	25 June 2030	25 June 2025	3 500	3 498	3 503
SBT208[2,3]	28 November 2030	28 November 2025	1 500	1 509	1 500
SBT209[2,3]	29 June 2031	29 June 2026	1 722	1 723	
SST201[2,3]	8 December 2031	8 December 2026	1 444	1 450	
Total			25 220	23 738	22 151

1 The difference between the carrying and notional value represents transaction costs included in the initial carrying amounts, accrued interest and the unamortised fair value adjustments relating to bonds, where applicable, hedged for interest rate risk.
2 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.

17. Provisions and other liabilities

17.1 Summary

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Financial liabilities	**10 473**	11 602	**9 698**	10 816
ECL for off-balance sheet exposures (note 17.2)	**433**	503	**433**	503
Lease liabilities (note 17.3)	**3 104**	3 706	**3 057**	3 655
Trading settlement liabilities	**1 181**	2 333	**1 181**	2 333
Other financial liabilities[1]	**5 755**	5 060	**5 027**	4 325
Non-financial liabilities	**11 643**	9 277	**11 766**	9 572
Other non-financial liabilities[1,2]	**4 370**	4 083	**4 584**	4 456
Equity-linked transactions (annexure D)	**1 660**	1 107	**1 660**	1 107
Post-employment benefits (note 41.2)	**492**	518	**492**	518
Staff-related accruals	**5 121**	3 569	**5 030**	3 491
Total	**22 116**	20 879	**21 464**	20 388

1 Restated. During 2021, it was noted that there was an amount of R1 375 million for the group and R954 million for company relating to other financial liabilities erroneously included in other non-financial liabilities during 2020. The amount has been restated. This restatement had no impact on the group or company's statement of financial position.

2 Included in other non-financial liabilities are liabilities of a short-term nature such as accrued expenses and sundry provisions. Sundry provisions for SBSA group opening balance is R922 million (2020: R871 million) and a closing balance is R864 million (2020: R922 million), resulting in a net release of R58 million (2020: net charge R51 million) and SBSA company opening balance is R892 million (2020: R845 million) and closing balance is R839 million (2020: R892 million), resulting in a net release of R53 million (2020: net charge R47 million).

17.2 Reconciliation of ECL for off-balance sheet exposures

Letters of credit, bank acceptances and guarantees

GROUP AND COMPANY	Opening balance Rm	Net ECL raised/ (released) Rm	Exchange and other movements Rm	Closing balance Rm
2021				
Stage 1	**114**	**(31)**	**28**	**111**
Stage 2	**83**	**(16)**	**(12)**	**55**
Stage 3	**306**	**(25)**	**(14)**	**267**
Total	**503**	**(72)**	**2**	**433**
2020				
Stage 1	73	42	(1)	114
Stage 2	38	46	(1)	83
Stage 3	122	186	(2)	306
Total	233	274	(4)	503

17. Provisions and other liabilities continue

17.3 Reconciliation of lease liabilities

	Balance at 1 January 2021 Rm	Additions and modifications Rm	Terminations and cancellations Rm	Interest expense Rm	Payments[1] Rm	Balance at 31 December 2021 Rm
GROUP						
Buildings	**1 746**	**58**	**(33)**	**97**	**(431)**	**1 437**
Branches	**1 519**	**391**	**(53)**	**94**	**(724)**	**1 227**
ATM spacing and Other	**441**	**118**	**(4)**	**14**	**(129)**	**440**
Total	**3 706**	**567**	**(90)**	**205**	**(1 284)**	**3 104**
COMPANY						
Buildings	**1 695**	**56**	**(35)**	**93**	**(418)**	**1 391**
Branches	**1 519**	**391**	**(53)**	**94**	**(724)**	**1 227**
ATM spacing and Other	**441**	**117**	**(4)**	**14**	**(129)**	**439**
Total	**3 655**	**564**	**(92)**	**201**	**(1 271)**	**3 057**

	Balance at 1 January 2020 Rm	Additions and modifications Rm	Terminations and cancellations Rm	Interest expense Rm	Payments[1] Rm	Balance at 31 December 2020 Rm
GROUP						
Buildings	1 407	2 344	(1 696)	115	(424)	1 746
Branches	1 779	361	(7)	125	(739)	1 519
ATM spacing	233	310	(3)	17	(116)	441
Total	3 419	3 015	(1 706)	257	(1 279)	3 706
COMPANY						
Buildings	1 371	2 328	(1 696)	108	(416)	1 695
Branches	1 779	361	(7)	125	(739)	1 519
ATM spacing	233	310	(3)	17	(116)	441
Total	3 383	2 999	(1 706)	250	(1 271)	3 655

[1] These amounts include the principal lease repayments as disclosed in the statements of cash flows of R1 079 million (2020:R1 022 million) for the group and R1 070 million (2020: R1 021 million) for company. The remainder represents interest expense paid during the year.

The group leases various offices, branch spaces and ATM spaces. 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 during 2020 primarily related to the sale and leaseback of the group's data warehouse and the terminations during 2020 primarily relate to the cancellation of the original data warehouse lease with the group and Standard Bank Properties Limited an indirect wholly owned subsidiary of Standard Bank Group.

For SBSA Group the maturity analysis for the lease liability is as follows: R2 266 million within one year (2020: R2 446 million) and R838 million within one to five years (2020: R1 223 million). For SBSA Company the maturity analysis for the lease liability is as follows: R2 232 million within one year (2020: R2 412 million) and R825 million within one to five years (2020: R1 206 million).

18. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The tables that follow set out the group and company classification of assets and liabilities, and their fair values.

		FVTPL		
	Note	Held-for-trading Rm	Designated at fair value Rm	Default Rm
GROUP				
2021				
Assets				
Cash and balances with the central bank	1			32 255
Derivative assets	2	58 287		
Trading assets	3	238 098		
Pledged assets	4	1 349		
Financial investments	6		35 688	2 591
Loans and advances	7			486
Other financial assets[3]	8			
Other non-financial assets				
Total assets		297 734	35 688	35 332
Liabilities				
Derivative liabilities	2	69 594		
Trading liabilities	14	79 416		
Deposits and debt funding	15		3 576	
Subordinated debt	16			
Other financial liabilities[3]	17			
Other non-financial liabilities				
Total liabilities		149 010	3 576	
COMPANY				
2021				
Assets				
Cash and balances with the central bank	1			32 255
Derivative assets	2	58 268		
Trading assets	3	232 633		
Pledged assets	4	1 349		
Financial investments	6		35 689	2 593
Loans and advances	7			486
Other financial assets[3]	8			
Other non-financial assets				
Total assets		292 250	35 689	35 334
Liabilities				
Derivative liabilities	2	69 549		
Trading liabilities	14	79 416		
Deposits and debt funding	15		3 576	
Subordinated debt	16			
Other financial liabilities[3]	17			
Other non-financial liabilities				
Total liabilities		148 965	3 576	

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 instruments. Refer to the fair value section in accounting policy 4 – Fair value in annexure F and key management assumptions for a description on how fair values are determined.
3 The fair value of other financial assets and liabilities approximates their carrying value due to their short-term nature.

	FVOCI						
	Debt instruments Rm	Equity instruments Rm	Total fair value Rm	Amortised cost[1] Rm	Other non-financial assets and liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
			32 255			32 255	32 255
			58 287			58 287	58 287
			238 098			238 098	238 098
			1 349	626		1 975	1 975
	32	645	38 956	105 081		144 037	146 402
			486	1 202 768		1 203 254	1 202 627
				12 700		12 700	
					34 468	34 468	
	32	645	369 431	1 321 175	34 468	1 725 074	
			69 594			69 594	69 594
			79 416			79 416	79 416
			3 576	1 402 626		1 406 202	1 406 177
				23 738		23 738	23 738
				10 473		10 473	
					16 683	16 683	
			152 586	1 436 837	16 683	1 606 106	
			32 255			32 255	32 255
			58 268			58 268	58 268
			232 633			232 633	232 633
			1 349	626		1 975	1 975
	33	647	38 962	105 473		144 435	144 852
			486	1 202 809		1 203 295	1 202 645
				12 609		12 609	
					39 969	39 969	
	33	647	363 953	1 321 517	39 969	1 725 439	
			69 549			69 549	69 549
			79 416			79 416	79 416
			3 576	1 405 563		1 409 139	1 409 113
				23 738		23 738	23 738
				9 698		9 698	
					16 794	16 794	
			152 541	1 438 999	16 794	1 608 334	

18. Classification of assets and liabilities continued

Accounting classifications and fair values of assets and liabilities continued

	Note	FVTPL Held-for-trading Rm	FVTPL Designated at fair value Rm	Default Rm
GROUP				
2020				
Assets				
Cash and balances with the central bank	1			34 030
Derivative assets	2	110 350		
Trading assets	3	211 658		
Pledged assets	4	906		
Financial investments	6		25 590	2 316
Loans and advances	7			1 235
Other financial assets[3]	8			
Other non-financial assets				
Total assets		322 914	25 590	37 581
Liabilities				
Derivative liabilities	2	112 138		
Trading liabilities	14	75 231		
Deposits and debt funding	15		3 328	
Subordinated debt	16			
Other financial liabilities[3, 4]	17			
Other non-financial liabilities				
Total liabilities		187 369	3 328	
COMPANY				
2020				
Assets				
Cash and balances with the central bank	1			34 030
Derivative assets	2	110 343		
Trading assets	3	208 099		
Pledged assets	4	906		
Financial investments	6		25 590	2 315
Loans and advances	7			1 235
Other financial assets[3, 4]	8			
Other non-financial assets				
Total assets		319 348	25 590	37 580
Liabilities				
Derivative liabilities	2	112 122		
Trading liabilities	14	75 231		
Deposits and debt funding	15		3 328	
Subordinated debt	16			
Other financial liabilities[3, 4]	17			
Other non-financial liabilities				
Total liabilities		187 353	3 328	

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 instruments. Refer to the fair value section in accounting policy 4 – Fair value in annexure F and key management assumptions for a description on how fair values are determined.
3 The fair value of other financial assets and liabilities approximates their carrying value due to their short-term nature.
4 Restated. Refer to the corresponding notes for more detail.

	FVOCI						
	Debt instruments Rm	Equity instruments Rm	Total fair value Rm	Amortised cost[1] Rm	Other non-financial assets and liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
			34 030			34 030	34 030
			110 350			110 350	110 350
			211 658			211 658	211 658
			906	5		911	910
	283	669	28 858	100 603		129 461	133 856
			1 235	1 123 003		1 124 238	1 121 531
				14 575		14 575	
					34 244	34 244	
	283	669	387 037	1 238 186	34 244	1 659 467	
			112 138			112 138	112 138
			75 231			75 231	75 231
			3 328	1 315 445		1 318 773	1 326 988
				22 151		22 151	22 217
				11 602		11 602	
					13 348	13 348	
			190 697	1 349 198	13 348	1 553 243	
			34 030			34 030	34 030
			110 343			110 343	110 343
			208 099			208 099	208 099
			906	5		911	910
	283	669	28 857	101 000		129 857	132 299
			1 235	1 121 953		1 123 188	1 120 319
				14 500		14 500	
					38 252	38 252	
	283	669	383 470	1 237 458	38 252	1 659 180	
			112 122			112 122	112 122
			75 231			75 231	75 231
			3 328	1 317 327		1 320 655	1 328 847
				22 151		22 151	22 217
				10 816		10 816	
					13 650	13 650	
			190 681	1 350 294	13 650	1 554 625	

19. Assets and liabilities at fair value

19.1 Financial assets and liabilities measured at fair value on a recurring basis[1]

GROUP	2021 Level 1 Rm	2021 Level 2 Rm	2021 Level 3 Rm	2021 Total Rm	2020 Level 1 Rm	2020 Level 2 Rm	2020 Level 3 Rm	2020 Total Rm
Financial assets								
Cash and balances with the central bank	32 255			32 255	34 030			34 030
Derivative assets	50	57 634	603	58 287	52	108 116	2 182	110 350
Trading assets	139 399	82 388	16 311	238 098	125 942	82 526	3 190	211 658
Pledged assets	1 349			1 349	906			906
Financial investments	24 474	2 210	12 272	38 956	10 281	4 194	14 383	28 858
Loans and advances		13	473	486		1 042	193	1 235
Total	197 527	142 245	29 659	369 431	171 211	195 878	19 948	387 037
Financial liabilities								
Derivative liabilities	225	66 369	3 000	69 594	40	105 966	6 132	112 138
Trading liabilities	5 745	71 526	2 145	79 416	6 676	65 377	3 178	75 231
Deposits and debt funding		3 576		3 576		3 328		3 328
Total	5 970	141 471	5 145	152 586	6 716	174 671	9 310	190 697

COMPANY	2021 Level 1 Rm	2021 Level 2 Rm	2021 Level 3 Rm	2021 Total Rm	2020 Level 1 Rm	2020 Level 2 Rm	2020 Level 3 Rm	2020 Total Rm
Financial assets								
Cash and balances with the central bank	32 255			32 255	34 030			34 030
Derivative assets	31	57 634	603	58 268	45	108 116	2 182	110 343
Trading assets	133 935	82 387	16 311	232 633	122 383	82 526	3 190	208 099
Pledged assets	1 349			1 349	906			906
Financial investments	24 478	2 212	12 272	38 962	10 280	4 194	14 383	28 857
Loans and advances		13	473	486		1 042	193	1 235
Total	192 048	142 246	29 659	363 953	167 644	195 878	19 948	383 470
Financial liabilities								
Derivative liabilities	178	66 371	3 000	69 549	24	105 966	6 132	112 122
Trading liabilities	5 744	71 527	2 145	79 416	6 676	65 377	3 178	75 231
Deposits and debt funding		3 576		3 576		3 328		3 328
Total	5 922	141 474	5 145	152 541	6 700	174 671	9 310	190 681

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

Assets and liabilities transferred between level 1 and level 2

During the current year, R6 billion of trading assets was transferred from level 1 to level 2 as these assets are no longer listed or traded in an active market. During 2020, no significant assets or liabilities was transferred between level 1 and level 2.

19. Assets and liabilities at fair value continued

19.1 Financial assets and liabilities measured at fair value continued

19.1.1 Reconciliation of level 3 financial assets measured at fair value on a recurring basis

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

GROUP AND COMPANY	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances Rm	Total Rm
Balance at 1 January 2020	1 593	2 622	3 340	161	7 716
Total gains/(losses) included in profit or loss	778	(92)	(982)	(74)	(370)
Trading revenue	778	(92)			686
Other revenue			(982)	(74)	(1 056)
Total losses included in OCI			(254)		(254)
Originations and purchases	716	838	12 593	492	14 639
Sales and settlements	(818)	(124)	(314)	(386)	(1 642)
Transfers into level 3[1]	62				62
Transfers out of level 3[2]	(149)	(54)			(203)
Balance at 31 December 2020	2 182	3 190	14 383	193	19 948
Balance at 1 January 2021	**2 182**	**3 190**	**14 383**	**193**	**19 948**
Total gains/(losses) included in profit or loss	**311**	**195**	**69**	**(123)**	**452**
Trading revenue	**311**	**195**			**506**
Other revenue			**69**	**(123)**	**(54)**
Total gains included in OCI			**11**		**11**
Originations and purchases	**346**	**13 034**	**303**	**1 277**	**14 960**
Sales and settlements	**(2 161)**	**(80)**	**(2 463)**	**(874)**	**(5 578)**
Transfers into level 3[1]	**71**	**44**			**115**
Transfers out of level 3[2]	**(146)**	**(72)**	**(31)**		**(249)**
Balance at 31 December 2021	**603**	**16 311**	**12 272**	**473**	**29 659**

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

19.1.2 Reconciliation of level 3 financial liabilities measured at fair value on a recurring basis

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

GROUP AND COMPANY	Derivative liabilities Rm	Trading liabilities Rm	Total Rm
Balance at 1 January 2020	5 602	3 199	8 801
Total losses included in profit or loss – trading revenue	758	495	1 253
Issuances	129	889	1 018
Sales and settlements	(226)	(1 405)	(1 631)
Transfers out of level 3[2]	(131)		(131)
Balance at 31 December 2020	6 132	3 178	9 310
Balance at 1 January 2021	**6 132**	**3 178**	**9 310**
Total losses included in profit or loss – trading revenue	**394**	**84**	**478**
Issuances	**485**	**49**	**534**
Sales and settlements	**(3 933)**	**(1 104)**	**(5 037)**
Transfers into level 3[1]	**57**		**57**
Transfers out of level 3[2]	**(135)**	**(62)**	**(197)**
Balance at 31 December 2021	**3 000**	**2 145**	**5 145**

1 The valuation inputs of certain financial liabilities became unobservable during the year. The fair value of these financial liabilities was transferred into level 3.
2 The valuation inputs of certain level 3 financial liabilities became observable during the year. The fair value of these financial liabilities was transferred into level 2.

19. Assets and liabilities at fair value continued

19.1 Financial assets and liabilities measured at fair value continued

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

GROUP AND COMPANY	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances Rm	Total Rm
2021					
Trading revenue	**23**	**3 332**			**3 355**
Other revenue			**189**	**(123)**	**66**
Total	**23**	**3 332**	**189**	**(123)**	**3 421**
2020					
Trading revenue	611	(92)			519
Other revenue			(942)	74	(868)
Total	611	(92)	(942)	74	(349)

19.1.4 Unrealised losses recognised in profit or loss on financial liabilities measured at level 3 fair value

GROUP AND COMPANY	Derivative liabilities Rm	Trading liabilities Rm	Total Rm
2021			
Trading revenue	**684**	**108**	**792**
2020			
Trading revenue	977	319	1 296

19.1.5 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 valuation techniques and main assumptions 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 reasonable 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.

GROUP AND COMPANY	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	(Unfavourable) Rm
2021			
Derivative assets and liabilities	**From (1%) to 1%**	**306**	**(306)**
Financial investments	**From (1%) to 1%**	**161**	**(160)**
Trading assets	**From (1%) to 1%**	**86**	**(86)**
Trading liabilities	**From (1%) to 1%**	**51**	**(51)**
Total		**604**	**(603)**
2020			
Derivative assets and liabilities	From (1%) to 1%	184	(184)
Financial investments	From (1%) to 1%	164	(222)
Trading assets	From (1%) to 1%	68	(68)
Trading liabilities	From (1%) to 1%	69	(69)
Total		485	(543)

During 2021, a 1% change of the significant unobservable inputs relating to the measurement of a financial investment classified as FVOCI resulted in a R12 million favourable and unfavourable effect recognised in OCI (2020: R12 million).

Refer to key management assumptions and annexure F for more information.

19. Assets and liabilities at fair value continued

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

	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
GROUP								
Assets								
Pledged assets	626			626			4	4
Financial investments	86 249	17 718	3 478	107 445	86 015	17 630	1 353	104 998
Loans and advances	14 129	265 487	922 525	1 202 141	4 251	240 025	876 020	1 120 296
Total	101 004	283 205	926 003	1 310 212	90 266	257 655	877 377	1 225 298
Liabilities								
Deposits and debt funding	697 094	705 507		1 402 601	681 736	641 114	810	1 323 660
Subordinated debt[1]			23 738	23 738			22 217	22 217
Total	697 094	705 507	23 738	1 426 339	681 736	641 114	23 027	1 345 877

	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
COMPANY								
Assets								
Pledged assets	626			626			4	4
Financial investments	86 249	16 163	3 478	105 890	86 015	16 074	1 353	103 442
Loans and advances	14 006	271 047	917 106	1 202 159	4 221	249 155	865 708	1 119 084
Total	100 881	287 210	920 584	1 308 675	90 236	265 229	867 065	1 222 530
Liabilities								
Deposits and debt funding	697 866	707 670		1 405 536	681 638	643 071	810	1 325 519
Subordinated debt			23 738	23 738			22 217	22 217
Total	697 866	707 670	23 738	1 429 274	681 638	643 071	23 027	1 347 736

1 Restated. During 2021 it was noted that there was an amount of R22 217 million for the group and company relating to subordinated debt that was erroneously included in level 2 instead of level 3 during 2020. The amount has been restated. This restatement had no impact on the group or company's statement of financial position.

19.3 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.

20. Financial assets and liabilities designated at FVTPL

20.1 Financial assets designated at FVTPL

GROUP AND COMPANY	Maximum exposure to credit risk[1] Rm	Current year gain/(loss) on changes in fair value attributable to changes in credit risk Rm	Cumulative gain/(loss) on changes in fair value attributable to changes in credit risk Rm
2021			
Financial investments	**11 210**	**64**	**7**
2020			
Financial investments	15 560	(53)	(57)

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

20.2 Financial liabilities designated at FVTPL with credit risk recognised in OCI

GROUP AND COMPANY	Current year gain/(loss) on changes in fair value attributable to changes in credit risk[1] Rm	Cumulative gain/(loss) on changes in fair value attributable to changes in credit risk[1] Rm	Contractual payment required at maturity Rm	Carrying amount Rm	Difference between carrying amount and contractual payment Rm
2021					
Deposits and debt funding	**3**	**18**	**3 569**	**3 576**	**7**
2020					
Deposits and debt funding	4	15	3 259	3 328	69

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.

[1] Net of taxation. Refer to note 35.2 for detail on tax relating to the above.

21. Reconciliation of FVOCI reserve movements

21.1 Equity financial instruments

GROUP AND COMPANY	Balance at the beginning of the year Rm	Revaluation (losses)/ gains Rm	Balance at the end of the year Rm
2021			
Financial investments:			
Strate Limited	**143**	**(4)**	**139**
Other	**(177)**	**(13)**	**(190)**
Total	**(34)**	**(17)**	**(51)**
2020			
Financial investments:			
Strate Limited	150	(7)	143
Other	13	(190)	(177)
Total	163	(197)	(34)

Strategic equity investments are designated at FVOCI on initial recognition. No gains or losses were transferred to retained earnings during the year (2020: Rnil). No dividends were received during the year (2020: Rnil). Amounts are net of taxation.

21.2 Total reconciliation of the FVOCI reserve

GROUP AND COMPANY	Balance at the beginning of the year Rm	Net change in fair value[1] Rm	Balance at the end of the year Rm
2021			
Total	**(35)**	**(17)**	**(52)**
2020			
Total	165	(200)	(35)

1 After tax. Refer to note 35 for the tax raised on changes in fair value of financial investments measured at FVOCI.

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

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

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

GROUP AND COMPANY	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
2021					
Assets					
Derivative assets	**59 552**		**59 552**	**(52 785)**	**6 767**
Trading assets	**40 445**		**40 445**	**(36 152)**	**4 293**
Loans and advances[5]	**147 499**	**(26 973)**	**120 526**	**(118 691)**	**1 835**
Total	**247 496**	**(26 973)**	**220 523**	**(207 628)**	**12 895**
2020					
Assets					
Derivative assets	105 380		105 380	(89 517)	15 863
Trading assets	49 906		49 906	(48 424)	1 482
Loans and advances[5]	132 326	(27 712)	104 614	(102 998)	1 616
Total	287 612	(27 712)	259 900	(240 939)	18 961

GROUP AND COMPANY	Gross amount of recognised financial liabilities[1] Rm	Financial assets set off in the statement of financial position[2] Rm	Net amounts of financial liabilities subject to netting agreements[3] Rm	Collateral pledged[6] Rm	Net amount Rm
2021					
Liabilities					
Derivative liabilities	**64 549**		**64 549**	**(57 706)**	**6 843**
Trading liabilities	**8 191**		**8 191**	**(8 191)**	
Deposits and debt funding[5]	**33 991**	**(26 973)**	**7 018**		**7 018**
Total	**106 731**	**(26 973)**	**79 758**	**(65 897)**	**13 861**
2020					
Liabilities					
Derivative liabilities	102 850		102 850	(92 617)	10 233
Trading liabilities	12 534		12 534	(12 534)	
Deposits and debt funding[5]	33 597	(27 712)	5 885	(100)	5 785
Total	148 981	(27 712)	121 269	(105 251)	16 018

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 IFRS offsetting criteria is met.
2 Gross amounts of recognised financial assets or financial liabilities that qualify for offsetting in accordance with the criteria per IFRS.
3 Related amounts not offset in the statement of financial position that are subject to an enforceable master netting arrangement or similar agreement.
4 This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group and company to be offset in the event of default. In most cases the group and company are 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 its group by linking the current accounts of multiple legal entities within a group. This allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for those groups. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to a 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 and company.

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

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

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

23. Contingent liabilities and commitments

23.1 Contingent liabilities

GROUP AND COMPANY	2021 Rm	2020 Rm
Guarantees	82 190	46 508
Letters of credit	14 619	9 679
Total	**96 809**	56 187

Loan commitments of R121 480 million for group and R121 946 million for company (2020: R109 353 million for group and company) that are irrevocable over the life of the facility or revocable only in response to material adverse changes are included in Annexure C.

23.2 Commitments

GROUP AND COMPANY	2021 Rm	2020 Rm
Property and equipment	291	761
Other intangible assets	119	125
Total	**410**	886

The expenditure will be funded from internal resources.

23.3 Lease commitments

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

GROUP AND COMPANY	Within 12 months Rm	Within one to five years Rm	Total Rm
2021			
Low-value assets and short-term leases	8		8
2020			
Low-value assets and short-term leases	12	1	13

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

23.3.2 Motor vehicles under operating leases future undiscounted lease instalments:

GROUP AND COMPANY	Within one year Rm	Within second year Rm	Within third year Rm	Within fourth year Rm	Within fifth year Rm	After five years Rm	Total Rm
2021							
Motor vehicles	59	123	126	177	129	71	685
2020							
Motor vehicles	490	108	110	92	114	53	967

23. Contingent liabilities and commitments continued

23.4 Legal proceedings

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

Competition Commission – trading of foreign currency

On 15 February 2017, South Africa's Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against The Standard Bank of South Africa Limited (SBSA) and two against a former subsidiary of the 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 have an impact on the 40 business day deadline imposed on the Competition Commission for the filing of the amended complaint against SBSA. The Competition Tribunal (CT) issued a directive on 24 July 2019 to all parties. Pursuant to two appeals filed by the Competition Commission against judgments handed down by the Competition Appeal Court in favour of The Standard Bank of South Africa Limited ("SBSA"), on 20 February 2020 the Constitutional Court, by a majority of five to four judges, ordered that (a) the Competition Commission need not disclose its record of investigation into alleged collusion in foreign exchange markets until after both SBSA has filed its written defence to the complaint against it and the Competition Tribunal has directed that all parties make discovery of relevant documents, and (b) the Competition Appeal Court erred in not deciding if it had the requisite jurisdiction before ordering the Competition Commission to lodge its record of decision in SBSA's application to have the Competition Commission's decision to initiate a complaint of collusion against SBSA reviewed and set aside, and remitted that issue of jurisdiction back to the Competition Appeal Court for determination. 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 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. Hearings before the Competition Tribunal took place on various technical legal grounds from 29 November to 6 December 2019, and the Respondents await the outcome of the hearings.

Separately SBSA has requested a date for hearing of its review application from the Competition Appeal Court (CAC). This review is requested of the Competition Commission's decision to refer the complaint against SBSA to the tribunal following new case law confirming the CAC's jurisdiction to hear reviews of this nature. SBSA was advised that no directions on next steps will be made until the outcome of the Tribunal hearings.

24. Maturity analysis

The group and company assess the maturity of financial assets and financial liabilities at 31 December each year which provides an indication of the remaining contractual life of these assets at that point in time. For the maturity analysis of financial liabilities on a contractual undiscounted basis, refer to the funding and liquidity risk section within annexure C.

24.1 Financial assets and liabilities

The following table discloses the maturity analysis for the group and company's financial assets and liabilities on a contractual discounted basis. Exposures relating to the SBG group are managed separately to those of third parties.

GROUP	Note	On demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated[1] Rm	Total Rm
2021							
Cash and balances with the central bank[2]	1	**7 536**				**24 719**	**32 255**
Trading assets	3	**2 499**	**83 857**	**62 178**	**89 564**		**238 098**
Pledged assets	4			**626**	**1 349**		**1 975**
Gross financial investments	6	**(46)**	**76 824**	**48 795**	**16 983**	**1 520**	**144 076**
Gross loans and advances[3]	7	**114 219**	**336 922**	**395 769**	**343 406**	**54 419**	**1 244 735**
Other financial assets	8		**11 767**			**933**	**12 700**
Net derivative asset/(liability)	2	**13**	**(9 629)**	**(190)**	**(1 501)**		**(11 307)**
Trading liabilities	14	**(6 675)**	**(60 071)**	**(10 466)**	**(2 204)**		**(79 416)**
Deposits and debt funding	15	**(904 702)**	**(326 051)**	**(134 324)**	**(41 125)**		**(1 406 202)**
Subordinated debt[4]	16		**(1 112)**	**(22 626)**			**(23 738)**
Other financial liabilities	17		**(7 253)**	**(2 656)**		**(564)**	**(10 473)**
2020							
Cash and balances with the central bank[2]	1	8 520				25 510	34 030
Trading assets	3	14 201	86 954	41 422	69 081		211 658
Pledged assets	4		5		906		911
Gross financial investments	6	(65)	68 195	34 158	25 852	1 376	129 516
Gross loans and advances[3]	7	126 091	293 624	372 628	315 788	56 803	1 164 934
Other financial assets[5]	8		14 031			544	14 575
Net derivative asset/(liability)	2	4 361	(6 822)	2 595	(1 922)		(1 788)
Trading liabilities	14	(10 619)	(49 793)	(8 137)	(6 682)		(75 231)
Deposits and debt funding	15	(868 314)	(255 623)	(145 961)	(48 875)		(1 318 773)
Subordinated debt[4]	16		(1 734)	(20 417)			(22 151)
Other financial liabilities[5]	17	(155)	(7 137)	(3 598)		(712)	(11 602)

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. This will include deferred tax and provisions for non-performing assets.
2 On demand cash and balances with the central bank includes notes and coins.
3 Includes loans and advances measured at fair value through profit or loss.
4 The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.
5 Restated. Refer to corresponding notes for detail.

24. Maturity analysis continued

24.1 Financial assets and liabilities continued

COMPANY	Note	On demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated[1] Rm	Total Rm
2021							
Cash and balances with the central bank[2]	1	**7 536**				**24 719**	**32 255**
Trading assets	3	**2 499**	**78 392**	**62 178**	**89 564**		**232 633**
Pledged assets	4			**626**	**1 349**		**1 975**
Gross financial investments	6	**(46)**	**76 854**	**49 163**	**16 983**	**1 520**	**144 474**
Gross loans and advances[3]	7	**119 541**	**335 831**	**391 467**	**343 406**	**54 405**	**1 244 650**
Other financial assets	8		**11 553**			**1 056**	**12 609**
Net derivative asset/(liability)	2	**13**	**(9 603)**	**(190)**	**(1 501)**		**(11 281)**
Trading liabilities	14	**(6 675)**	**(60 071)**	**(10 466)**	**(2 204)**		**(79 416)**
Deposits and debt funding	15	**(907 148)**	**(326 242)**	**(134 624)**	**(41 125)**		**(1 409 139)**
Subordinated debt[4]	16		**(1 112)**	**(22 626)**			**(23 738)**
Other financial liabilities	17		**(6 717)**	**(2 459)**		**(522)**	**(9 698)**
2020							
Cash and balances with the central bank[2]	1	8 520				25 510	34 030
Trading assets	3	14 201	83 394	41 422	69 082		208 099
Pledged assets	4		5		906		911
Gross financial investments	6	(65)	68 591	34 158	25 852	1 376	129 912
Gross loans and advances[3]	7	135 152	292 709	364 005	315 093	56 804	1 163 763
Other financial assets[5]	8		14 267			233	14 500
Net derivative asset/(liability)	2	4 361	(6 812)	2 595	(1 923)		(1 779)
Trading liabilities	14	(10 618)	(49 793)	(8 137)	(6 683)		(75 231)
Deposits and debt funding	15	(869 716)	(255 802)	(146 262)	(48 875)		(1 320 655)
Subordinated debt[4]	16		(1 734)	(20 417)			(22 151)
Other financial liabilities[5]	17	(145)	(6 653)	(3 354)		(664)	(10 816)

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. This will include deferred tax and provisions for non-performing assets.
2 On demand cash and balances with the central bank includes notes and coins.
3 Includes loans and advances measured at fair value through profit or loss.
4 The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.
5 Restated. Refer to corresponding notes for detail.

24. Maturity analysis continued

24.2 Non-financial assets and liabilities

The following table discloses the maturity analysis for the group and company's non-financial assets and liabilities on a contractual discounted basis.

GROUP	Note	Less than 12 months after reporting period Rm	More than 12 months after reporting period Rm	Total Rm
2021				
Non-current assets held for sale	5	**265**		**265**
Other assets	8	**6 955**	**25**	**6 980**
Interests in associates, joint ventures and subsidiaries	9		**940**	**940**
Property, equipment and right of use assets	10	**342**	**10 901**	**11 243**
Goodwill and other intangible assets	11		**10 834**	**10 834**
Provisions and other liabilities	17	**(8 064)**	**(3 579)**	**(11 643)**
Current and deferred tax asset		*****	*****	**4 206**
Current and deferred tax liability		*****	*****	**(5 040)**
2020				
Other assets[1]	8	3 313	1 114	4 427
Interests in associates, joint ventures and subsidiaries	9	(13)	757	744
Property, equipment and right of use asset	10	176	12 273	12 449
Goodwill and other intangible assets	11		12 465	12 465
Provisions and other liabilities[1]	17	(5 831)	(3 446)	(9 277)
Current and deferred tax asset		*	*	4 218
Current and deferred tax liability		*	*	(4 071)

Refer to footnotes below the table that follows

COMPANY	Note	Less than 12 months after reporting period Rm	More than 12 months after reporting period Rm	Total Rm
2021				
Non-current assets held for sale	5	**265**		**265**
Other assets	8	**6 989**	**25**	**7 014**
Interests in associates, joint ventures and subsidiaries	9		**6 639**	**6 639**
Property and equipment	10	**337**	**10 836**	**11 173**
Goodwill and other intangible assets	11		**10 722**	**10 722**
Provisions and other liabilities	17	**(8 150)**	**(3 616)**	**(11 766)**
Current and deferred tax asset		*****	*****	**4 156**
Current and deferred tax liability		*****	*****	**(5 028)**
2020				
Other assets[1]	8	3 429	1 114	4 543
Interests in associates, joint ventures and subsidiaries	9		4 885	4 885
Property and equipment	10	175	12 200	12 375
Goodwill and other intangible assets	11		12 343	12 343
Provisions and other liabilities[1]	17	(6 016)	(3 556)	(9 572)
Current and deferred tax asset		*	*	4 164
Current and deferred tax liability		*	*	(4 078)

* Undated.
1 Restated. Refer to corresponding notes for detail.

25. Interest income

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Effective interest rate income on:				
Financial investments	8 137	6 502	7 752	6 395
Loans and advances	64 188	73 346	63 214	72 137
Interest income on credit impaired financial assets	1 515	1 135	1 514	1 134
Total	73 840	80 983	72 480	79 666
Interest income on items measured at amortised cost	73 840	80 953	72 480	79 636
Interest income on items measured at FVOCI		30		30

26. Interest expense

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Interest on deposits and debt funding	30 876	39 013	30 948	39 100
Interest related to fair-value activities				
Interest on lease liabilities (note 17.3)	205	257	201	250
Interest on subordinated debt	1 953	2 241	1 953	2 241
Total	33 034	41 511	33 102	41 591
Interest expense on items measured at amortised cost	32 829	41 254	32 901	41 341
Interest expense on lease liabilities	205	257	201	250

27. Fee and commission revenue

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Account transaction fees	7 992	8 406	7 991	8 406
Bancassurance revenue	2 416	2 029	863	678
Card-based commission	5 931	5 207	5 780	5 052
Documentation and administration fees	1 309	1 278	1 270	1 238
Electronic banking fees	3 355	3 256	3 355	3 256
Foreign currency service fees	1 270	1 145	1 270	1 145
Knowledge-based fees and commission	493	416	493	416
Other[1]	2 307	2 494	2 988	3 072
Total	25 073	24 231	24 010	23 263

[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 fair value through profit or loss for the group and company.

28. Fee and commission expense

	GROUP		COMPANY	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Account transaction fees	1 327	1 319	1 327	1 319
Bancassurance fees	615	570	548	553
Card-based commission	2 048	1 806	2 041	1 799
Customer loyalty expense	666	654	666	654
Documentation and administration fees	124	110	123	109
Electronic banking fees	486	496	486	496
Other	422	339	438	353
Total	5 688	5 294	5 629	5 283

All fee and commission expenses reported above relate to financial assets or liabilities not carried at fair value through profit or loss for the group and company.

29. Trading revenue

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Commodities and other	**90**	142	**90**	142
Equities	**1 909**	1 594	**1 771**	1 564
Fixed income and currencies	**4 766**	3 421	**4 765**	3 422
Total	**6 765**	5 157	**6 626**	5 128

30. Other revenue

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Banking and other[1]	**1 837**	226	**2 143**	443
Franchise and management fees (note 40.7)	**935**	961	**935**	961
Wealth and insurance related income	**1 263**	1 304	**1 263**	1 304
Property-related revenue/(loss)	**89**	(19)	**92**	(16)
Total	**4 124**	2 472	**4 433**	2 692

1 Included in banking and other for the company is dividend income from subsidiaries of R306 million (2020: R221 million).

31. Other gains and losses on financial instruments

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Fair value gains/(losses) on debt financial instruments measured at FVTPL – default	**470**	(791)	**470**	(791)
Fair value gains on financial instruments designated at FVTPL	**1 393**	1 378	**1 393**	1 378
Other[1]	**104**	(115)	**104**	(155)
Total	**1 967**	472	**1 967**	432

1 Primarily comprises of fair value gains and (losses) on interest in associates measured at FVTPL and equity instruments measured at FVTPL – default..

32. Credit impairment charges

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Net ECL raised/(released):	**8 409**	17 598	**8 358**	17 593
Financial investments (note 6)	**(17)**	42	**(17)**	42
Loans and advances (note 7)	**8 498**	17 282	**8 447**	17 277
Letters of credit, bank acceptances and guarantees (note 17.2)	**(72)**	274	**(72)**	274
Recoveries on loans and advances previously written off	**(780)**	(708)	**(778)**	(726)
Modification losses on distressed financial assets	**185**	205	**185**	201
Total	**7 814**	17 095	**7 765**	17 068

33. Operating expenses

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Amortisation – intangible assets (note 11)	**2 235**	2 166	**2 220**	2 148
Auditors' remuneration	**226**	215	**218**	204
Audit fees – current financial year	**221**	209	**213**	198
Fees for other services[1]	**5**	6	**5**	6
Communication related expenses	**819**	810	**805**	794
Depreciation (note 10)	**2 896**	2 961	**2 877**	2 944
Property	**320**	315	**320**	315
Equipment	**1 442**	1 517	**1 431**	1 508
Right of use assets	**1 134**	1 129	**1 126**	1 121
Information technology	**8 124**	7 762	**8 059**	7 690
Operating lease charges	**324**	279	**320**	274
Premises	**1 126**	1 190	**1 124**	1 188
Professional fees	**1 260**	1 244	**1 236**	1 221
Staff costs	**24 648**	22 143	**24 101**	21 644
Equity-linked transactions (annexure D)	**1 553**	444	**1 553**	444
Pension and other post-employment benefit costs (note 41.1)	**1 275**	1 233	**1 275**	1 233
Salaries and wages	**21 820**	20 466	**21 273**	19 967
Transfer pricing agreements (note 40.7)	**1 004**	1 085	**1 061**	1 130
Other expenses	**2 498**	2 020	**2 363**	1 738
Total	**45 160**	41 875	**44 384**	40 975

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

34. Non-trading and capital related items

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Impairment of associates (note 9)		7		7
Impairment of intangible assets (note 11)	**19**	3 039	**19**	3 039
Impairment of investment in subsidiary			**70**	
Loss on sale of property and equipment	**61**	25	**61**	25
Profit on sale and leaseback transaction		(31)		(31)
Total	**80**	3 040	**150**	3 040

35 Direct and indirect taxation

35.1 Indirect taxation

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Value added tax (VAT)[1]	**(1 224)**	(1 154)	**(1 220)**	(1 154)
Other indirect taxes and levies	**(208)**	(159)	**(202)**	(153)
Total	**(1 432)**	(1 313)	**(1 422)**	(1 307)

1 The group and company earn certain amounts of VAT exempt income which result in these amounts of VAT input not being able to be claimed from the revenue authorities.

35.2 Direct taxation

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
South African normal tax	**(3 569)**	(1 060)	**(3 308)**	(820)
Current year	**(3 586)**	(1 105)	**(3 308)**	(850)
Prior year	**17**	45		30
Deferred tax	**(51)**	2 102	**(42)**	2 059
Current year	**4**	2 083	**10**	2 050
Prior year	**(55)**	19	**(52)**	9
Capital gains, foreign and withholding tax		(118)		(118)
Total	**(3 620)**	924	**(3 350)**	1 121

Income tax recognised in OCI

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

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Items that may be subsequently reclassified to profit or loss				
Movements in the cash flow hedging reserve[1]	**(5)**	4	**(5)**	4
Net change in fair value of cash flow hedges	**(114)**	245	**(114)**	245
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**109**	(241)	**109**	(241)
Net change in fair value of FVOCI financial assets		1		1
Items that may not be subsequently reclassified to profit or loss				
Net change in fair value of FVOCI financial assets	**5**	56	**5**	56
Net change in own credit risk recognised on financial liabilities designated at FVTPL	**(1)**	(1)	**(1)**	(1)
Defined benefit fund remeasurements	**(42)**	(46)	**(42)**	(46)
Total	**(43)**	14	**(43)**	14

1 Included in this amount is current tax recognised through OCI of R1 million (2020: R1 million) for the group and company.

35 Taxation continued

35.2 Direct taxation continued

South African tax rate reconciliation

	GROUP				COMPANY			
	2021 %	**2021 Rm**	2020 %	2020 Rm	**2021 %**	**2021 Rm**	2020 %	2020 Rm
Direct taxation – statutory rate	**28**	**(5 173)**	28	(840)	**28**	**(4 668)**	28	(423)
Prior year tax		**(38)**	(2)	64		**(52)**	(3)	39
Direct taxation – current year	**28**	**(5 211)**	26	(776)	**28**	**(4 720)**	25	(384)
Adjustment to direct taxation		**34**	2	(43)		**34**	3	(43)
Foreign tax and withholding tax		**35**	2	(45)		**35**	3	(45)
Capital gains tax		**(1)**		2		**(1)**		2
Direct taxation – current year – normal	**28**	**(5 177)**	28	(819)	**28**	**(4 686)**	28	(427)
Permanent differences	**(8)**	**1 557**	(61)	1 743	**(8)**	**1 336**	(102)	1 548
Dividends received	**(8)**	**1 438**	(61)	1 812	**(8)**	**1 275**	(108)	1 630
Other non-taxable income	**(1)**	**201**	(3)	75	**(1)**	**140**	(5)	75
Other permanent differences	**1**	**(82)**	3	(144)	**1**	**(79)**	11	(157)
Direct tax charge for the year as a percentage of profit before tax	**20**	**(3 620)**	(33)	924	**20**	**(3 350)**	(74)	1 121

36. Basic, diluted and headline earnings per ordinary share

	GROUP		COMPANY	
	2021	2020	**2021**	2020
Earnings				
The calculations of basic earnings and headline earnings per ordinary share are as follows:				
Basic earnings (Rm)	**12 821**	2 543	**12 783**	2 209
Headline earnings (Rm) (note 37)	**12 877**	4 728	**12 909**	4 394
Weighted average number of ordinary shares in issue (thousands) (note 13)	**59 997**	59 997	**59 997**	59 997
Basic and diluted earnings per ordinary share (cents)	**21 369**	4 237	**21 306**	3 682
Headline earnings per ordinary share (cents)	**21 463**	7 880	**21 516**	7 324

37. Headline earnings

	2021				2020			
	Gross Rm	**Tax Rm**	**Other equity instrument holders Rm**	**Net Rm**	Gross Rm	Tax Rm	Other equity instrument holders Rm	Net Rm
GROUP								
Profit for the year	**18 167**	**(3 620)**	**(1 726)**	**12 821**	2 778	924	(1 159)	2 543
Headline earnings adjustable items added/(reversed)	**80**	**(24)**		**56**	3 040	(855)		2 185
IAS 16 – Loss on sale of property and equipment	**61**	**(18)**		**43**	25	(7)		18
IAS 28 – Impairment of associate					7	(2)		5
IAS 38 – Impairment of intangible assets	**19**	**(6)**		**13**	3 039	(855)		2 184
IFRS 16 – Profit on sale and leaseback transaction					(31)	9		(22)
Headline earnings	**18 247**	**(3 644)**	**(1 726)**	**12 877**	5 818	69	(1 159)	4 728
COMPANY								
Profit for the year	**16 670**	**(3 350)**	**(537)**	**12 783**	1 508	1 121	(420)	2 209
Headline earnings adjustable items added/(reversed)	**150**	**(24)**		**126**	3 040	(855)		2 185
IAS 16 – Loss on sale of property and equipment	**61**	**(18)**		**43**	25	(7)		18
IAS 28 – Impairment of associate					7	(2)		5
IAS 27/36 – Impairment of investment in subsidiary	**70**			**70**				
IAS 38 – Impairment of intangible assets	**19**	**(6)**		**13**	3 039	(855)		2 184
IFRS 16 – Profit on sale and leaseback transaction					(31)	9		(22)
Headline earnings	**16 820**	**(3 374)**	**(537)**	**12 909**	4 548	266	(420)	4 394

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

38. Dividends

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Ordinary dividends	**4 400**	5 160	**4 400**	5 160
Dividend No. 152 of 8 600 cents per share paid on 20 April 2020 to the shareholder registered on 17 April 2020		5 160		5 160
Dividend No. 153 of 1 667 cents per share paid on 28 April 2021 to the shareholder registered on 21 April 2021	**1 000**		**1 000**	
Dividend No. 154 of 5 667 cents per share paid on 13 September 2021 to the shareholders registered on 10 September 2021	**3 400**		**3 400**	
AT1 capital	**537**	420	**537**	420
31 December				
SBT101	**29**	29	**29**	29
SBT102	**30**	29	**30**	29
SBT103	**28**	27	**28**	27
SBT104	**23**	22	**23**	22
SBT105	**26**		**26**	
SBT106	**21**		**21**	
30 September				
SBT101	**30**	30	**30**	30
SBT102	**30**	30	**30**	30
SBT103	**28**	29	**28**	29
SBT104	**23**		**23**	
SBT105	**26**		**26**	
30 June				
SBT101	**29**	35	**29**	35
SBT102	**29**	36	**29**	36
SBT103	**28**	35	**28**	35
SBT104	**23**		**23**	
SBT105	**26**		**26**	
30 March				
SBT101	**29**	39	**29**	39
SBT102	**29**	40	**29**	40
SBT103	**28**	39	**28**	39
SBT104	**22**		**22**	
Dividends paid out of retained earnings[1]				
Dividends paid to SB Debtors Discounting No. 1 Proprietary Limited (SB Debtors)	**1 029**	4 293		
Total	**5 966**	9 873	**4 937**	5 580

On 10 March 2022, dividend No.155 of 14 167 cents per share payable on 31 March 2022 was declared, bringing the total dividends declared in respect of 2021 to 19 834 cents per share (2020: 10 267 cents per share)

1 Refer to Annexure A for more details.

39. Statement of cash flows notes

39.1 Adjustment for non-cash items and other adjustments included within the income statement

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Amortisation of intangible assets (note 11)	**2 235**	2 166	**2 220**	2 148
Depreciation of property, equipment and right of use assets (note 10)	**2 896**	2 961	**2 877**	2 944
ECL raised and released (note 32)	**7 814**	17 095	**7 765**	17 068
Interest income	**(73 840)**	(80 983)	**(72 480)**	(79 666)
Interest expense	**33 034**	41 511	**33 102**	41 591
Equity-linked transactions (annexure D)	**1 553**	444	**1 553**	444
Indirect taxation (note 35.1)	**(1 432)**	(1 313)	**(1 422)**	(1 307)
Dividends included in non-interest revenue	**(179)**	(1 352)	**(485)**	(1 573)
Other	**1**	2	**1**	(2)
Total	**(27 918)**	(19 469)	**(26 869)**	(18 353)

39.2 Increase in income-earning assets

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Net derivative liability	**9 533**	2 460	**9 516**	2 425
Trading assets	**(26 440)**	(25 568)	**(24 534)**	(24 508)
Pledged assets	**(1 064)**	6 570	**(1 064)**	6 570
Financial investments	**(14 576)**	(14 576)	**(14 577)**	(14 051)
Loans and advances[1]	**(74 527)**	(108 156)	**(75 570)**	(109 931)
Other assets	**(501)**	(5 479)	**(400)**	(5 552)
Total	**(107 575)**	(144 749)	**(106 629)**	(145 047)

1 Restated. During 2021, it was noted that certain foreign currency related non-cash movements were allocated to deposits and debt funding, instead of loans and advances for both group and company. A reallocation of R5 485 million was made between increase in incoming-earning assets and increase in deposits, trading and other liabilities for both group and company. This restatement had no impact on the group or company's net cash flows used in operations or statement of financial position.

39.3 Increase in deposits, trading and other liabilities

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Deposit and debt funding[1]	**77 083**	128 544	**78 138**	126 966
Trading liabilities	**4 185**	(2 416)	**4 185**	(2 416)
Other liabilities and provisions	**337**	(1 335)	**168**	(1 695)
Total	**81 605**	124 793	**82 491**	122 855

1 Restated. During 2021, it was noted that certain foreign currency related non-cash movements were allocated to deposits and debt funding, instead of loans and advances for both group and company. A reallocation of R5 485 million was made between increase in incoming-earning assets and increase in deposits, trading and other liabilities for both group and company. This restatement had no impact on the group or company's net cash flows used in operations or statement of financial position.

39.4 Reconciliation of subordinated debt

GROUP AND COMPANY	**2021 Rm**	2020 Rm
Balance at the beginning of the year	**22 151**	20 818
Subordinated debt issued	**3 166**	7 000
Subordinated debt redeemed	**(1 700)**	(6 130)
Accrued finance movements	**121**	463
Balance at the end of the year	**23 738**	22 151

40. Related party transactions

40.1 Parent

SBSA is a wholly-owned subsidiary of SBG.

40.2 Subsidiaries

Details of effective interest, investments in and loans to material subsidiaries are disclosed in annexure A.

40.3 Associates and joint ventures

Details of effective interest, investments in and loans to associates and joint ventures are disclosed in annexure B.

40.4 Key management personnel

Key management personnel has been defined as SBSA board of directors and prescribed officers effective for 2021 and 2020. Non-executive directors are included in the definition of key management personnel as required by IFRS. 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 SBSA. 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.

GROUP AND COMPANY	2021 Rm	2020 Rm
Key management compensation	**244**	149
Salaries and other short-term benefits paid	**158**	112
Post-employment benefits	**5**	5
IFRS 2 value of share options and rights expensed	**81**	32
Loans and advances[1]		
Loans outstanding at the beginning of the year	**14**	20
Change in key management structures	**(3)**	
Net change in loans during the year	**5**	(6)
Loans outstanding at the end of the year	**16**	14
Interest income	**1**	
Deposit and debt funding[2]		
Deposits outstanding at the beginning of the year	**188**	147
Change in key management structures	**(5)**	
Net change in deposits during the year	**(18)**	41
Deposits outstanding at the end of the year	**165**	188
Net interest income/(expense)	**3**	(8)
Investment products and third-party funds under management[3]		
Balance at the beginning of the year	**1 229**	838
Change in key management structures	**(4)**	
Net change in investments during the year	**176**	391
Balance at the end of the year	**1 401**	1 229
Net investment return to key management personnel	**(70)**	(102)
Shares and share options[4]		
Shares beneficially owned (number)	**1 435 790**	1 786 507
Share options held (number)	**2 423 569**	2 526 652

1 Loans for group and company include mortgage loans, vehicle and asset finance and credit cards. No specific impairments have been recognised in respect of loans granted to key management personnel in the current year or prior year. The mortgage loans and vehicle and asset finance are secured by the underlying assets. All other loans are unsecured.
2 Deposits for group and company include cheque, current and savings accounts.
3 Due to the similar nature of investment products and third-party funds under management, the two products have been aggregated into one table.
4 Aggregate details of SBG shares and share options held by key management personnel.

40. Related party transactions continued

40.5 Balances with SBG companies

The table below denotes balances with the group and company's holding company, subsidiaries and fellow banking subsidiaries.

	GROUP		COMPANY	
Assets	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Ultimate holding company				
– Indebtedness to the group/company	**369**	147	**369**	147
Interest in subsidiary companies			**11 749**	13 927
– Shares at cost (annexure A)			**5 705**	4 145
– Indebtedness to SBSA company			**6 044**	9 782
Interest in fellow banking subsidiary companies				
– Indebtedness to the group/company	**68 766**	73 318	**70 683**	76 341
Total	**69 135**	73 465	**82 801**	90 415
Shares at cost (annexure A)			**5 705**	4 145
Derivative assets	**5 277**	7 261	**5 277**	7 261
Financial investments			**392**	390
Loans and advances[1,2]	**57 309**	61 105	**64 808**	73 372
Trading assets	**1 752**	1 838	**1 752**	1 838
Other assets	**4 797**	3 261	**4 867**	3 409

	GROUP		COMPANY	
Liabilities and other equity instruments	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Indebtedness by the group/company				
Ultimate holding company	**35 551**	27 550	**35 551**	27 550
Subsidiaries			**3 077**	2 008
Fellow banking subsidiaries	**172 049**	135 255	**171 628**	134 882
Total	**207 600**	162 805	**210 256**	164 440
Other equity instruments				
AT1 capital bonds (note 13.3)	**10 549**	7 025	**10 549**	7 025
Liabilities				
Deposits and debt funding	**110 610**	83 246	**113 654**	85 240
Derivative liabilities	**11 062**	12 901	**11 062**	12 901
Subordinated debt	**22 640**	18 978	**22 640**	18 978
Trading liabilities	**50 644**	39 291	**50 644**	39 291
Other liabilities and provisions[3]	**2 095**	1 364	**1 707**	1 005

1 Included in the above for group and company are loans issued to subsidiaries and fellow banking subsidiaries that are repayable on demand. Interest is charged based on the group's internal funding rate. The loans are unsecured.
2 Included in loans and advances with subsidiaries for the group and company is ECL of R239 million (2020:R334 million). The net ECL released during the year amounted to R95 million (2020: R71 million net raised).
3 Included in other liabilities and provisions with subsidiaries is ECL of Rnil million (2020: R27 million) for the group and company. The net ECL released during the year amounted to R27 million (2020: R14 million net raised).

Letters of credit

The group and company have off balance sheet letters of credit exposures with fellow banking subsidiary companies of R2 885 million (2020: R3 050 million).

40. Related party transactions continued

40.6 Transactions with SBG companies

The table below denotes transactions with the group and company's holding company, subsidiaries and fellow banking subsidiaries.

	Holding company		Subsidiaries		Fellow banking subsidiaries	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Assets						
GROUP						
Interest income					**1 364**	1 152
Non-interest revenue	**25**				**2 693**	1 195
COMPANY						
Interest income			**74**	99	**918**	1 516
Non-interest revenue	**25**		**843**	710	**2 243**	1 247
Liabilities						
GROUP						
Interest expense	**1 287**	1 143			**704**	725
COMPANY						
Interest expense	**1 287**	1 143	**68**	96	**704**	3 418

40.7 Transactions with fellow subsidiaries in Africa Regions

Below is a summary of the nature and value of transactions with fellow subsidiaries.

GROUP AND COMPANY	2021 Rm	2020 Rm
Franchise and management fee income for the year included in other revenue	**935**	961
Net franchise and management fee balance owing to SBSA included in interests in SBG companies	**402**	363
Gross amounts owing to the group and company at the end of the year	**577**	501
Provisions	**(175)**	(138)
Provision raised on franchise and management fees during the year	**(37)**	(34)
Royalty fees on IT software licenses	**88**	91
Core banking systems fees	**47**	69
System development fees	**194**	265
Direct services[1]	**862**	237

1 Direct service fee recoveries from fellow African subsidiaries disclosed due to material increase in 2021.

Transfer pricing arrangements for 2021 and 2020

The company entered into various transfer pricing agreements with other SBG subsidiaries. These agreements have all been entered into on an arm's length basis in accordance with the pricing principles contained in the Organisation for Economic Co-operation and Development Guidelines and relevant domestic legislation. The nature of the agreements are such that the related parties performing relevant functions, assuming relevant risks and owning relevant assets in the day-to-day business activities of the group and company, are compensated on an arm's length basis. The integrated business model, in relation to functional, risk and asset profile and in accordance with the nature of the agreement, resulted in payments being made by both SBSA and fellow subsidiaries during the 2021 and 2020 financial years.

Revenue sharing agreements

Revenue sharing agreements include the allocation of revenue from transfer pricing agreements between SBG's legal entities. The service payer makes payment to service sellers for services rendered. All agreements of a revenue sharing nature are presented in the income statement as follows:

- The service payer of the agreement recognises, to the extent the charge is less than revenue from the agreement, the charge to the service sellers within the income statement line item revenue sharing agreements. To the extent that the revenue allocation to service sellers within the group is greater than the available revenue from the agreement, the charge above the available revenue is recognised within other operating expenses.
- The service seller of the agreement recognises, to the extent the allocation is made out of available revenue of the service payer, the revenue from the service payer within the income statement line item revenue sharing agreements. To the extent the revenue is not received from the service payer's available revenue, such revenue is recognised as a fee and commission revenue.

40. Related party transactions continued

40.7 Transactions with fellow subsidiaries in Africa Regions continued

The following amounts were recognised in the group and company income statements in terms of revenue sharing and transfer pricing agreements:

	GROUP		COMPANY	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Revenue sharing agreements	**413**	435	**413**	435
Other operating expenses (note 33)	**1 004**	1 085	**1 061**	1 130
Total	**1 417**	1 520	**1 474**	1 565

40.8 Transactions with Liberty

GROUP AND COMPANY	Liberty[1]	
	2021 Rm	2020 Rm
Balances		
Bancassurance net profit debtors	**1 299**	1 433
Binder agreement fee debtors	**366**	290
ROU assets	**147**	195
Collateral deposits debtors	**1 538**	2 256
Reverse repo assets	**2 239**	2 664
Loan to Liberty Two Degrees	**1 267**	1 108
Net derivative (liability)/asset	**(1 198)**	(1 942)
Fair value of derivative assets	**1 815**	2 910
Fair value of derivative liabilities	**(3 013)**	(4 852)
Lease liabilities	**(170)**	(221)
Collateral deposits payable	**(487)**	(1 083)
Sale and repurchase liabilities	**(2 205)**	(2 682)
Deposits and debt funding	**(7 776)**	(6 337)
Transactions		
Bancassurance premium income	**9 405**	6 159
Insurance policy commission income	**984**	791
Income on Liberty Two Degrees loan	**77**	89
Other income	**214**	172
Income on sale and repurchase agreements	**101**	80
Fee and commission income[2]	**65**	56
Insurance premium income[3]	**48**	36
Other expenses	**(102)**	(121)
Asset management fees[4]	**(8)**	(7)
Interest expense	**(94)**	(114)

1 Includes balances and transactions with Liberty Holdings Limited and its subsidiaries.
2 Liberty issued no subordinated notes in 2021 (2020: R1.5 billion). Hence no bond advisory fee was earned in 2021 (2020: R9 million).
3 Restated. During 2021, it was noted that insurance premium income of R36 million at 31 December 2020 had been erroneously disclosed as other expenses instead of other income. This restatement did not impact the group's statement of financial position or income statement.
4 Restated. During 2021, it was noted that asset management fees of R7 million at 31 December 2020 had been erroneously disclosed as other income instead of other expenses. This restatement did not impact the group's statement of financial position or income statement.

40.9 Mutual funds

SBG invests in various mutual funds that are managed by Liberty. Where Liberty has assessed that it has control (as defined by IFRS) over these mutual funds, it accounts for these mutual funds as subsidiaries. Where the Liberty 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 company and the mutual funds which Liberty has control or significant influence over:

GROUP AND COMPANY	**2021 Rm**	2020 Rm
Trading liabilities	**(1 881)**	(1 135)
Deposits and debt funding	**(39 505)**	(29 481)
Trading (losses)/gains	**(47)**	42
Interest expense	**(1 761)**	(2 135)

40. Related party transactions continued

40.10 Balances and transactions with ICBCS

The following balances were in place as at 31 December with ICBC Standard Bank Plc (ICBCS), an entity in which SBG has a 40% interest. There were no significant credit impairments related to balances and transactions with ICBCS. These transactions have been entered into at market related terms.

GROUP AND COMPANY	2021 Rm	2020 Rm
Derivative assets	**4 594**	7 232
Loans and advances	**4 043**	9 869
Other assets	**101**	101
Derivative liabilities	**(4 266)**	(6 691)
Deposits and debt funding	**(1 980)**	(801)
Other liabilities	**(72)**	(138)

In 2021, R18 million (2020: R6 million) in service level agreement revenue was recognised for services rendered to ICBCS relating to the support, licensing and maintenance of the financial systems used by ICBCS.

40.11 Shareholder of the parent

The group has several business relationships with the Industrial and Commercial Bank of China (ICBC), a 20.1% shareholder of SBG. 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 related to balances and transactions with ICBC.

40.11.1 Balances and transactions with ICBC

The group, in the ordinary course of business, receives term funding from, and provides loans and advances to, ICBC for strategic purposes. These monies are renegotiated and settled on an ongoing basis at market related terms. The following balances have been recognised in the group and company's financial statements, these balances are outstanding between SBSA and ICBC at 31 December, excluding those relating to ICBCS:

GROUP AND COMPANY	2021 Rm	2020 Rm
Loans and advances[1]	**1 802**	2 561
Other assets	**6**	8
Deposits and debt funding	**(13 532)**	(11 916)

1 Restated. During 2021, it was noted that loans and advances with ICBC were erroneously overstated as it included balances relating to another counterparty of R19 631 million for 2020. The disclosure has been restated to exclude these balances. This restatement did not impact the group's statement of financial position or any key ratios relating to loans and advances.

Letters of credit

The group has off-balance sheet letters of credit exposure issued to ICBC as at 31 December 2021 of R442 million (2020: R858 million). The group and company received R1 million in fee and commission income relating to these transactions (2020: R93 million).

40.12 Post-employment benefit plans

Details of transactions between the group and the company's post-employment benefit plans are listed below. The following amounts have been recognised in the group and company's financial statements:

GROUP AND COMPANY	2021 Rm	2020 Rm
Fee and commission revenue	**11**	10
Deposits and debt funding	**(47)**	(29)
Interest expense	**(1)**	
Financial investments in bonds and money market instruments	**632**	426

In addition to the above, the group manages R10 000 million (2020: R6 997 million) of the post-employment benefit plans' assets.

41. Pensions and other post-employment benefits

41.1 Retirement funds

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF), comprises primarily of SBSA's permanent staff. The fund, one of the ten largest in South Africa, is governed by the Pensions Fund Act 24 of 1956. 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 using 31 December 2021 data during 2022. 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 2022 data during 2023.

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 an 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.

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 (note 41.2) 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's asset and liability management process.

GROUP AND COMPANY	2021 Rm	2020 Rm
The amounts recognised in the statement of financial position in respect of the retirement fund is as follows		
Present value of funded obligations	**(43 337)**	(36 253)
Fair value of plan assets	**44 625**	37 334
Surplus (included in other assets in the statement of financial position)	**1 288**	1 081
Movement in the present value of funded obligations		
Balance at the beginning of the year	**36 253**	34 803
Current service cost	**1 329**	1 267
Interest cost	**3 039**	3 204
Contributions paid by employees	**955**	909
Actuarial losses/(gains)	**3 409**	(1 155)
Benefits paid	**(1 648)**	(2 775)
Balance at the end of the year	**43 337**	36 253
Movement in the fair value of plan assets		
Balance at the beginning of the year	**37 334**	35 748
Interest income	**3 126**	3 288
Contributions received	**2 248**	2 139
Net return on assets	**3 565**	(1 066)
Benefits paid	**(1 648)**	(2 775)
Balance at the end of the year	**44 625**	37 334
Plan assets consist of the following		
Cash	**915**	515
Equities	**19 314**	14 295
Bonds	**11 281**	10 073
Property and other	**13 115**	12 451
Balance at the end of the year	**44 625**	37 334

The group and company expect to pay R1 366 million in contributions to SBGRF in 2022 (2021: R1 292 million).

41. Pensions and other post-employment benefits continued

41.1 Retirement funds continued

GROUP AND COMPANY	2021 Rm	2020 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	**(1 329)**	(1 267)
Net interest income	**87**	84
Included in staff costs	**(1 242)**	(1 183)

The expected long-term rate of return is based on the expected long-term returns on equities, cash, bonds and properties (where applicable). The split between the individual asset categories is considered in setting these assumptions. Adjustments are made to reflect the effect of expenses.

GROUP AND COMPANY	2021 Rm	2020 Rm
Components of statement of OCI		
Actuarial gains/(losses) on assets	**3 565**	(1 066)
Actuarial (losses)/gains on liability	**(3 409)**	1 155
(Losses)/gains from changes in experience assumptions	**(3 169)**	951
(Losses)/gains from changes in financial assumptions	**(240)**	204
Increase in remeasurements recognised in OCI	**156**	89
Reconciliation of net defined benefit asset		
Net defined benefit asset at the beginning of the year	**1 081**	945
Net expense recognised	**(1 242)**	(1 183)
Amounts recognised in OCI – gain	**156**	89
Company contributions	**1 293**	1 230
Net defined benefit asset at the end of the year	**1 288**	1 081

Sensitivity analysis for post-retirement fund

Assumed inflation rates, discount rates and mortality improvements have a significant effect on the amounts recognised in profit or loss. A one percentage point change in these would have the following effects on amounts recognised in 2021 and 2020:

	2021		2020	
GROUP AND COMPANY	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Inflation rate				
Effect on the defined benefit obligation	**266**	**(212)**	235	(187)
Discount rate				
Effect on the defined benefit obligation	**247**	**(213)**	217	(172)
GROUP AND COMPANY	10% increase	10% decrease	10% increase	10% decrease
Mortality improvements				
Effect on the defined benefit obligation	**(28)**	**31**	(23)	25
GROUP AND COMPANY	+ 1 year	- 1 year	+ 1 year	- 1 year
Mortality improvements				
Effect on the defined benefit obligation	**(29)**	**29**	(24)	23

	2021 Rm	2020 Rm
Historical information		
Experience adjustments arising on plan liabilities	**(3 409)**	1 155
Experience adjustments arising on plan assets	**3 565**	(1 066)

41. Pensions and other post-employment benefits continued

41.2 Post-employment healthcare benefits

Post-employment medical aid

The post-employment healthcare benefit fund provides eligible employees, who were in service on 29 February 2000, with a lump sum benefit on retirement enabling them to purchase an annuity to be applied towards their post-employment healthcare costs. This benefit is prefunded in a provident fund and replaced the subsidy arrangement that was in place prior to this. Any shortfall in the payment to be made by these employees towards their healthcare costs subsequent to retirement is the responsibility of the employee.

The liability represents a post-employment healthcare benefit scheme that covers all employees who retired before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full statutory actuarial valuation was performed as at 31 December 2021. The next actuarial valuation will be performed as at 31 December 2022.

GROUP AND COMPANY	2021 Rm	2020 Rm
The amounts recognised in profit or loss are determined as follows		
Present value of unfunded defined benefits obligation	**492**	518
Post-employment medical aid	**492**	518
Movement in the present value of defined benefit obligations		
Balance at the beginning of the year	**518**	609
Interest cost	**33**	50
Actuarial losses/(gains)	**6**	(74)
Benefit payments	**(65)**	(67)
Balance at the end of the year	**492**	518
The amounts recognised in profit or loss are determined as follows		
Net interest cost	**(33)**	(50)
Components of statement of OCI		
Actuarial losses/(gains) arising from changes in financial assumptions	**30**	(19)
Gains arising from experience assumptions	**(24)**	(55)
Increase in remeasurement recognised in OCI	**6**	(74)

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 R33 million (2020: R50 million) and the defined benefit obligation is R492 million (2020: R518 million). A one percentage point change in the medical inflation rate would have the following effects on the amounts recognised:

GROUP AND COMPANY	2021		2020	
	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	**2**	**(3)**	2	(2)
Effect on the defined benefit obligation	**28**	**(28)**	30	(28)

42. Segment reporting

SEGMENTAL STRUCTURE FOR KEY BUSINESS LINES

OUR TRADITIONAL STRUCTURE TO 31 DECEMBER 2020

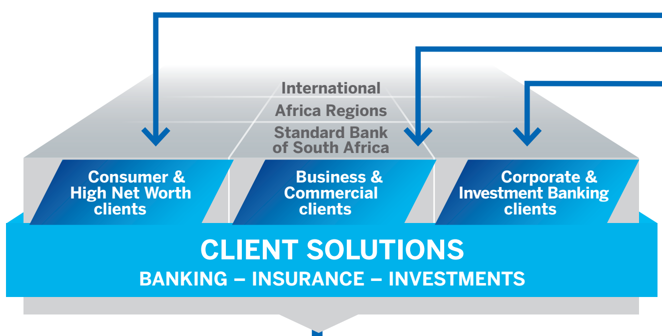
The Standard Bank of South Africa

Client segments

We have shifted the business to be future-ready and client centric. Our reporting structure has changed to align to this principle. The client segments will be responsible for designing and executing the client value proposition strategy. Client segments will own the client relationship and create multi-product customer experiences to address life events distributed through our client engagement platforms.

New capability model

from 01 January 2021



Consumer & High Net Worth clients

CHNW is responsible for the end-to-end lifecycle of clients. CHNW services individual clients across Sub-Saharan Africa. We enable our clients' daily lives by providing relevant solutions throughout their life journeys.

Business & Commercial clients

BCC segment provides broad based client solutions for a wide spectrum of small- and medium-sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.

Corporate & Investment Banking

The Corporate & Investment Banking segment serves large companies (multinational, regional and domestic), governments, parastatals and institutional clients across Africa and internationally. Our clients leverage our in-depth sector and regional expertise, our specialist capabilities and our access to global capital markets for advisory, transactional, trading and funding support.

Client solutions

Client solutions support the client segments and the group as a whole. This team works in partnership with the client segments in pursuit of the client value proposition strategy. Client solutions provide products and services for banking, insurance and investments and will expand into non-financial services and solutions over time.

Banking

Home services
Residential accommodation financing solutions, including related value added services.

Vehicle and asset finance
Comprehensive finance solutions in instalment credit, fleet management and related services across our retail and business markets.

Card and payments
Credit card facilities to individuals and businesses.

Merchant acquiring services.

Enablement of digital payment capabilities through various products and platforms.

Mobile money and cross-border businesses.

Retail lending
Comprehensive suite of lending products provided to individuals and small and medium-sized businesses.

Retail transactional
Comprehensive suite of transactional, savings, payment and liquidity management solutions.

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

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

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

Insurance

Short-term and life insurance activities
- Short term: Homeowners' insurance, household contents, vehicle insurance and commercial all risk insurance.
- Long term: Life, disability, funeral cover and loan protection plans sold in conjunction with related banking products.
- Advice and brokerage.

Investments

- Stockbroking & advisory, alternative investments, compulsory investments and discretionary investments.
- Wealth management, passive investments, international investments, structured products and social impact investing.
- Integrated fiduciary services including fiduciary advice, will drafting and custody services as well as trust and estate administration.
- Asset management.
- Pension fund administration.

Central and other

- Hedging activities.
- Unallocated capital.
- Liquidity earnings.
- Central costs.

42. Segment reporting continued

GROUP	Consumer & High Net Worth 2021 Rm	Consumer & High Net Worth 2020[1] Rm	Business & Commercial 2021 Rm	Business & Commercial 2020[1] Rm
Income statement				
Net interest income	**22 561**	21 220	**10 044**	9 955
Non-interest revenue	**11 650**	11 184	**6 922**	6 920
Net fee and commission revenue	**9 896**	9 083	**5 584**	5 872
Trading revenue	**208**	198	**771**	673
Other revenue	**1 546**	1 917	**439**	306
Other gains and losses on financial instruments		(14)	**128**	69
Total income	**34 211**	32 404	**16 966**	16 875
Credit impairment charges	**(6 863)**	(11 248)	**(1 347)**	(2 703)
Income before operating expenses	**27 348**	21 156	**15 619**	14 172
Operating expenses in Standard Bank Activities	**(20 915)**	(19 792)	**(10 403)**	(9 966)
Staff costs	**(6 372)**	(5 927)	**(2 626)**	(2 234)
Other operating expenses	**(14 543)**	(13 865)	**(7 777)**	(7 732)
Profit attributable to ordinary shareholders	**4 653**	1 080	**3 848**	2 910
Headline adjustable items	**49**	25	**8**	212
Headline earnings	**4 702**	1 105	**3 856**	3 122
Statement of financial position				
Net loans and advances	**512 157**	455 300	**125 762**	118 729
Net loans and advances to banks	**2 451**	2 389	**203**	252
Net loans and advances to customers	**509 706**	452 911	**125 559**	118 477
Other assets	**17 865**	20 398	**6 399**	7 064
Total assets	**530 022**	475 698	**132 161**	125 793
Equity	**40 224**	37 372	**15 124**	15 158
Liabilities	**489 799**	438 326	**117 037**	110 635
Deposits and debt funding	**236 096**	200 793	**291 329**	270 730
Deposits from banks		(16 204)	**6 497**	6 627
Deposits and current accounts from customers	**236 096**	216 997	**284 832**	264 103
Other liabilities	**253 703**	237 533	**(174 292)**	(160 095)
Total equity and liabilities	**530 022**	475 698	**132 161**	125 793

[1] The change in operating segments from 1 January 2021, refer to the directors' report and previous page for more detail, has resulted in a change in presentation in the form of renaming certain line items throughout these financial statements to align with the new client solutions terminology. This change in presentation was applied retrospectively and the segmental analyses' comparative figures were reclassified accordingly. This change had no impact on the comparative figures within the primary statements or other notes thereto.

	Corporate & Investment		Central & other		Total	
	2021 Rm	2020[1] Rm	**2021 Rm**	2020[1] Rm	**2021 Rm**	2020[1] Rm
	8 949	9 121	**(748)**	(824)	**40 806**	39 472
	12 726	8 687	**943**	247	**32 241**	27 038
	4 031	3 621	**(126)**	361	**19 385**	18 937
	5 777	4 453	**10**	(167)	**6 765**	5 157
	1 079	193	**1 060**	56	**4 124**	2 472
	1 839	420		(3)	**1 967**	472
	21 675	17 808	**195**	(577)	**73 047**	66 510
	397	(3 143)	**(1)**	(1)	**(7 814)**	(17 095)
	21 659	14 230	**194**	(578)	**64 820**	48 980
	(13 896)	(13 223)	**54**	1 106	**(45 160)**	(41 875)
	(5 946)	(5 051)	**(9 701)**	(8 930)	**(24 645)**	(22 142)
	(7 950)	(8 172)	**9 755**	10 036	**(20 515)**	(19 733)
	5 981	(296)	**(1 661)**	(1 151)	**12 821**	2 543
	(2)	1 789	**1**	159	**56**	2 185
	5 979	1 493	**(1 660)**	(992)	**12 877**	4 728
	493 763	496 842	**71 572**	53 367	**1 203 254**	1 124 238
	124 069	129 897	**67 757**	37 070	**194 480**	169 608
	369 694	366 945	**3 815**	16 297	**1 008 774**	954 630
	471 941	474 408	**25 615**	33 359	**521 820**	535 229
	965 704	971 250	**97 187**	86 726	**1 725 074**	1 659 467
	52 739	48 435	**10 881**	5 259	**118 968**	106 224
	912 965	922 815	**86 305**	81 467	**1 606 106**	1 553 243
	790 151	770 701	**88 626**	76 549	**1 406 202**	1 318 773
	103 474	105 374	**91 607**	77 232	**201 578**	173 029
	686 677	665 327	**(2 981)**	(683)	**1 204 624**	1 145 744
	122 814	152 114	**(2 321)**	4 917	**199 904**	234 469
	965 704	971 250	**97 187**	86 726	**1 725 074**	1 659 467

ANNEXURE A – SUBSIDIARIES, CONSOLIDATED AND UNCONSOLIDATED STRUCTURED ENTITIES

	Nature of operation	Issued share capital Rm
Blue Managers Limited	Participation mortgage bond finance	*
Blue Granite Investments No. 2 (RF) Proprietary Limited[1]	Securitisation vehicle	
Blue Granite Investments No. 3 (RF) Proprietary Limited[1]	Securitisation vehicle	
Blue Granite Investments No. 4 (RF) Proprietary Limited[1]	Securitisation vehicle	
Blue Shield Investments 01 (RF) Limited[1,2]	Securitisation vehicle	
Blue Shield Investments 02 (RF) Limited[1,2]	Securitisation vehicle	
Blue Titanium Conduit (RF) Limited[1,2]	Asset-backed commercial paper conduit	
Diners Club (S.A.) Proprietary Limited	Travel and entertainment card	*
Ecentric Payment Systems Proprietary Limited	Development and marketing transactions – switching software and services	*
Rapvest Investments Proprietary Limited[2]	Financing company	*
Siyakha Fund (RF) Proprietary Limited[1]	Securitisation vehicle	
Standard Bank Insurance Brokers Proprietary Limited	Insurance broking	*
STANLIB Targeted Return Fund[3]	Equity fund	
STANLIB Protected Equity Fund[4]	Equity fund	
Miscellaneous	Finance companies	
Total investment in subsidiaries		

1 Structured entity (SE), no shareholding.
2 See transactions with non-controlling interest below.
3 During the current year, the company purchased additional units in STANLIB Targeted Return Fund for a cash consideration of R115 million (2020: R31 million). In addition, the carrying value of our total units was lower than the net asset value of the fund, resulting in an impairment charge of R66 million.
4 During the current year, the company purchased additional units in STANLIB Protected Equity Fund for a cash consideration of R1 444 million (2020: R1 005 million). In addition, the carrying value of our total units was lower than the net asset value of the fund, resulting in an impairment charge of R3 million.
* Issued share capital less than R1 million.
** Book value less than R1 million.
*** Held indirectly.
**** Various holdings.

The principal place of business and country of incorporation for all subsidiaries is South Africa. The detailed information is only given in respect of subsidiaries which are material to the group's financial position. Details of all the group's subsidiaries and SEs are available upon request at the company's registered office.

Transactions with non-controlling interest within Standard Bank Group

During 2020, SBSA disposed of its preference share holdings in Blue Shields 01, Blue Shields 02, Blue Granite No.1, Blue Titanium Conduit and Rapvest to SB Debtors Discounting No. 1 Proprietary Limited (SB Debtors), an indirect wholly owned subsidiary of SBG. Therefore, the profits attributable to SB Debtors (being the preference shareholder) were transferred out of retained earnings into non-controlling interest within SBG. SBSA continues to have power over the relevant activities of these entities via the management agreements and exposure to variable returns through its funding participation. As such these entities continue to be consolidated by SBSA group. Given that the preference shareholder of these entities is outside the SBSA group, the profits attributable to the preference shareholder is recognised as part of non-controlling interests. However, since the preference shareholder is an indirect wholly owned subsidiary of SBG, the profits attributable is presented as non-controlling interests within SBG.

Foreign operations

SBSA also has foreign operations in the form of branches or representative offices in the Isle of Man, Dubai, New York, Ethiopia and Brazil.

Consolidation of structured entities

The structured entities are dependent on the group for financing and for the provision of critical services. Should the company terminate funding and suspend provision of these services these entities would not be able to continue in operation. The company also has residual risk as the financing provided by the company is subordinate to all other loans provided to the structured entities. The company also makes decisions regarding advances to be included in the securitisation portfolio and hence directs the structured entities' relevant activities. Accordingly, the company is considered, for IFRS purposes, to control these structured entities and hence the structured entities' results are consolidated into the group's results.

	Effective holding		Book value of shares		Net indebtedness (by)/to SBSA company	
	2021 %	2020 %	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
	100	100	******	**		
					(10)	(8)
						7
					(29)	(273)
					538	609
					(110)	(107)
	100	100	******	**	**363**	283
	54	54	**66**	66	**(27)**	(7)
	100	100	*******	***	**3 309**	8 648
			*******		**(8)**	(8)
	100	100	*******	***	**(454)**	(408)
	100	100	**3 077**	2 962	**(41)**	(405)
	100	100	**2 499**	1 055	**(1)**	(1)
	********	****	**63**	62	**(381)**	(556)
			5 705	4 145	**3 149**	7 774

Consolidated structured entities

The following table discloses the consolidated SEs to which the group provides financial support[1]:

		Amount of support provided as at[1,2,4]		Type of support[3]	
	Nature of operations	2021 Rm	2020 Rm	2021	2020
Blue Granite Investments No.2 (RF) Proprietary Limited (BG2)	Facilitates mortgage - backed securitisations. SBSA is the primary liquidity facility provider to BG2.	**28**	27	**Subordinated loan**	Subordinated loan
Blue Granite Investments No.3 (RF) Proprietary Limited (BG3)	Facilitates mortgage - backed securitisations. The group is the primary funder to BG3.	**58**	58	**Subordinated loan**	Subordinated loan
Blue Granite Investments No.4 (RF) Proprietary Limited (BG4)	Facilitates mortgage - backed securitisations. SBSA is the primary funder to BG4.			**Subordinated loan**	Subordinated loan
Blue Banner Securitisation Vehicle RC1 (Pty) Ltd	Originates mortgage loans on behalf of the group. The group is required to provide the funding in relation to the mortgage loans.			**Subordinated loan**	Subordinated loan
Blue Shield Investments 01 (RF) Limited (Blue Shield 01)	Facilitates mortgage - backed securitisations. SBSA is the primary funder to Blue Shield 01.	**495**	502	**Subordinated loan**	Subordinated loan
		16 005	16 092	**Mortgage backed notes**	Mortgage backed notes
Blue Shield Investments 02 (RF) Limited (Blue Shield 02)	Facilitates mortgage - backed securitisations. SBSA is the primary funder to Blue Shield 02.	**1 800**	1 812	**Subordinated loan**	Subordinated loan
		29 030	30 638	**Mortgage backed notes**	Mortgage backed notes

Refer to footnotes on the following page.

	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 BG2's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG3's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG4's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The loan does not have a fixed term or repayment date. 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 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 calculated at prime plus 1%.	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

		Amount of support provided as at[1,2,4]		Type of support[3]	
	Nature of operations	**2021 Rm**	2020 Rm	**2021**	2020
Blue Titanium Conduit (RF) Limited (BTC)	Purchases eligible term assets and funds such as investments through the issuance of commercial paper. SBSA is the primary liquidity facility provider to BTC.			**Liquidity facility – undrawn**	Liquidity facility – undrawn
				Commercial paper	Commercial paper
Rapvest Investments Proprietary Limited	Facilitates finance deals for other group companies and third parties through preference share investments and loans to clients.	**4 688**	8 693	**Loan**	Loan
Siyakha Fund (RF) Proprietary Limited (Siyakha)	Facilitates mortgage-backed securitisations. SBSA is the primary liquidity facility provider to Siyakha.			**Subordinated loan**	Subordinated loan
DAF Financial Services (RF) Proprietary Limited (DFS)	This special purpose vehicle (SPV) deals with the provision of vendor financing to SMEs to acquire vehicles in order to import and distribute the trucks.	**127**	207	**Loan**	Loan

1 During the reporting period, SBSA did not provide any financial or other support to any SE without having a contractual obligation to do so.
2 The amount of support provided includes loans and advances and drawn down credit facilities provided to SEs. All amounts are disclosed as at 31 December 2021.
3 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business which include loans and advances, deposits and current accounts and derivatives.
4 This is the amount as reported on the company's statements of financial position as at 31 December 2021 and 2020, respectively. For credit facilities, the amount shown is the drawn balance as at the reporting date.

	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 liquidity facility is limited to the value of the underlying assets in BTC. As at 31 December 2021, the liquidity facility limit was Rnil (2020: Rnil).	In the event that the underlying assets are classified as non-performing loans.
	The group periodically invests in commercial paper (CP) issued by BTC. The CP is typically short term in nature (92 days), and issued at arm's length. During the year ended 31 December 2021, SBSA held no investments in commercial paper issued by BTC.	
	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 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 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.

Unconsolidated structured entities

The following table discloses the unconsolidated SEs in which the group has an interest:

Name of entity	Nature and purpose of entity	Principal nature of funding	Principal nature of assets
Blue Diamond Investments No. 1 (RF) Limited (BD1) Blue Diamond Investments No. 2 (RF) Limited (BD2) Blue Diamond Investments No. 3 (RF) Limited (BD3)	These structures have been designed to provide third-party investors indirect exposure to corporate names. The group obtains credit protection from BD1, BD2 and BD3 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 SBSA
Blue Diamond X Investments (RF) Limited	Loans purchased from SBSA and the issuance of notes to third-party investors.	Commercial paper issued to third-party investors	Loans and advances to various counterparties
Africa ETF Issuer Limited offering the following: > Africa Palladium ETF (JSE code: ETFPLD) > Africa Platinum ETF (JSE code: ETFPLT) > Africa Rhodium ETF (JSE code: ETFRHO) > Africa Gold ETF (JSE code: ETFGLD)	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)

The following represents the group's interest in these entities

	2021 Rm	2020 Rm
Trading assets	**40**	65
Deposits and debt funding	**(2 423)**	(2 332)
Net carrying amount	**(2 383)**	(2 267)

Information relating to the size of these entities has not been provided as the information is not readily available to the group.

	Weighted average remaining useful life of assets	Terms of contractual arrangements	Events/circumstances that could expose the group to a loss	Types of income received by the group
	11 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.	Once-off fee and commission income earned for structuring the SE.
	15 years	SBSA acts as the administrator and identifies and invests suitable financial assets and facilitates the execution and settlement of trades.	None	Administration fee and upfront fees for originating the assets.
	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 group earns fees net of related expenses for managing the ETFs. These fees are recognised within non-interest revenue. Interest income is recognised on any funding provided to the SEs. Any trading revenue, as a result of transactions with the SEs is recognised in trading revenue.

ANNEXURE B – ASSOCIATES AND JOINT VENTURES

	Associates		Joint ventures[1]	
Ownership structure	Associate		Joint ventures	
Nature of business	Various		Various	
Principal place of business and country of incorporation	South Africa		South Africa	
Year end	Various		Various	
Accounting treatment	Equity accounted		Equity accounted	
Date to which equity accounted	31 December 2021		31 December 2021	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Effective holding (%)	**Various**	Various	**Various**	Various
Income statement				
Total comprehensive income	**83**	356		(105)
Statement of financial position[2]				
Non-current assets				
Current assets				
Non-current liabilities				
Current liabilities				
Net asset value attributed to the equity holders of the associate				
Proportion of net asset value based on effective holding				
Disposal				
Carrying value	**940**	744		
Share of total comprehensive income from associates	**19**	26		

1 Investments in joint ventures have reduced to nil.
2 Summarised financial information of the associates is provided based on the latest available management accounts received.

	Total associates and joint ventures – equity accounted	Fair value accounted Phembani	Total associates and joint ventures – fair value accounted
	Various	Associate	Associate
	Various	Financial company	Financial company
	South Africa	South Africa	South Africa
	Various	December	December
	Equity accounted	Fair value accounted	Fair value accounted
	31 December 2021	31 December 2021	31 December 2021

	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
	Various	Various	**29**		**Various**	Various
	83	251				
			6 952			
			(3 360)			
			3 592			
			342			
	940	744	**342**		**354**	
	19	26				

ANNEXURE C – RISK AND CAPITAL MANAGEMENT

The IFRS risk and capital management sections below apply to group and company, unless otherwise stated. For a more detailed discussion on the group and company's approach to risk management, refer to the risk and capital management report as noted in the reporting suite section of the annual report.

Overview

Capital management

The SBSA group's (the group) capital management function is designed to ensure that regulatory requirements are met at all times and that the banking 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 forecasting process. The capital plan is tested under a range of stress scenarios as part of the group's annual ICAAP and recovery plan.

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

Risk management

The group's activities give rise to various financial 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's risk and capital management committee (GRCMC).

Climate-related emerging risks

The group's activities give rise to climate-related risks and opportunities, in respect of the group's own operations and, more significantly, in respect of financed emissions across its client portfolio. In support of Africa's fair-share contribution to limiting warming to less than 1.5°C by 2050, the group is working towards aligning its lending and investment portfolios with Africa's climate transition to a lower carbon economy.

Governance

During 2021, the group's board of directors approved the Climate Policy, which includes a commitment to achieving net zero carbon emissions from its own operations for newly built facilities by 2030, for existing facilities by 2040, and from its portfolio of financed emissions by 2050. Going forward, the board and its committees will be responsible for:

- Overseeing implementation of the Climate Policy.
- Reviewing outputs of internal and regulatory climate risk stress test and related risk matters.
- Assessing executive performance in relation to climate policy commitments and targets.

The Climate Policy is designed as a roadmap to reducing exposures to businesses in sectors that are vulnerable to sector-specific climate commitments and targets. The policy will also inform the group's decision-making around identifying opportunities to deliver sustainable solutions that support a just transition in all presence countries.

The group risk oversight committee (GROC), chaired by the group chief risk officer, oversees financial and non-financial related risk, including climate-related risk, and is responsible for overseeing the embedment of climate-related risk-identification, classification, analysis, monitoring and reporting in the enterprise-wide risk management system.

The group portfolio risk management committee (GPRMC) assesses composition of the group's portfolio, the implications thereon of stressed scenarios (which will include climate-related risk scenarios) and sets concentration limits or thresholds of portfolios and risk appetite indicator guidelines for group, including for climate-related risks.

Strategy

The group supports a just transition that seeks to achieve the imperative for environmental sustainability in a manner that creates work opportunities and social inclusion, addresses Africa's energy poverty and acknowledges Africa's contribution to global emissions. The group plans to reduce its financed emissions intensity while responsibly managing its exposure to fossil fuels, specifically where there is an energy transition roadmap that supports cleaner fuels.

The group has adopted a phased and progressive approach to understanding its climate risk exposures and setting appropriate targets to reduce exposure and maximise opportunities. The first phase included the identification of four client sectors that face material climate-related risk and opportunity, namely: agriculture, gas, oil and thermal coal. The group has undertaken a rigorous process of research, internal consultation and expert engagement to develop a clear understanding of risks and opportunities in each sector, set appropriate strategies and to determine appropriate targets to manage portfolio risk and maximise opportunity. Further, the group will support the transition by mobilising sustainable finance across all banking products, with a cumulative target of R250 billion to R300 billion by the end of 2026.

Risk management

The group's preliminary credit portfolio risk assessments on sectors the group has defined as being more vulnerable to physical and transition risks have informed the setting of the group's Climate Policy and its understanding of climate risks in portfolios, including the following examples:

Transition risks

- Exposure to policy risk over the medium to long term associated with uncertain long-term demand for fossil fuels, especially coal, and other high emitting sectors. Key drivers for this risk include expected policy actions such as more onerous carbon-pricing regulations to limit emissions on business activities. Such action could lead to higher risks of stranded assets and the related financial risks for the group arising from an impairment in value of clients' operating assets pledged as collateral and leading therefore to an increase in the probability risk of client defaults.
- Market risk primarily over the short to medium term related to changing client expectations for greener products and services, potentially impacting on some of our clients' future business opportunities. Likewise, expectations from investors will also adjust to an appetite for lower financed emissions, applying pressure on the group to align with low emissions pathways.
- Higher reputational risk including in the immediate short-term negative stakeholder sentiment and adverse media coverage related to support of projects or activities with negative impacts on the climate, including oil and gas related infrastructure projects.

Physical risks

Acute physical risks such as more frequent and more intense extreme weather events, pose a risk to the group's own operations and those of its customers in sectors the group has identified as being vulnerable, including agriculture and others. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact the group's clients in affected sectors including mining, industrial, manufacturing and agriculture through water shortages, labour productivity, economic output and occupational health.

Opportunities

The group continues to work with its clients and partners to help them address their climate impacts, lower their emissions and improve their resilience. The group continues to expand its offering of sustainability linked lending solutions, green and social bonds. The group supports sustainable agricultural practices that promote reduced carbon emissions and improved resilience to climate risk. The group supports sustainable agricultural practices that promote reduced carbon emissions and improved resilience to climate risk.

Metrics and targets

In setting the group's targets for reducing exposure concentrations to affected sectors, setting future origination goals and driving sustainable finance offerings, the group referenced the NGFS Net Zero 2050 scenario, publicly available national research and statistics, including electricity planning forecasts (where available) and internal economic forecasts and research obtained from credible external sources. Detailed information in this regard can be found in the group's Climate related Disclosures Report (TCFD aligned), as well as the Climate Policy.

Covid-19 impact on credit risk management

SBSA Ltd's annual financial results in 2021 continued to partly reflect the difficult operating environment that persisted through much of the year in South Africa.

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 group's operational resilience. As SBSA executed business continuity measures on an unprecedented scale across the group, people, customers and communities were placed front and centre of SBSA Ltd's response efforts to this public health emergency. Extensive client relief programmes were provided while carefully monitoring and managing capital, liquidity and impairment risk metrics.

The levels of active payment relief, instituted as a response to the pandemic induced distress, were however lower by the end of the year compared to the levels provided at the end of 2020, as the vast majority of SBSA's payment relief programme had been concluded and customers recommenced normal payments. Refer to note 7.4 for further detail in this regard.

A significant portion (91%) of the business and commercial customers that had lapsed accounts have since recovered to make either full or partial payments, with a small percentage (2%) rolling into early arrears. The active client relief portfolio reflects 0.05% of the total BCC (SA) loans and advanced portfolio, while the relief portfolio for SA consumer and high net worth customers also reflected a large decline through 2021, reaching 0.02% of the CHNW (SA) portfolio by year-end, as operating conditions continued to improve through the year. Requests for Covid-related relief from SA corporate and investment customers plateaued in the second half of the year, in line with broad levels of business recovery, although clients in the real estate sector in particular benefited from liquidity-related support measures.

We continue to closely monitor sectors and portfolios that have shown signs of continued stress and slower recovery, including in industries hardest hit by the economic slowdown.

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 31 December 2021, other loans and advances include R6.5 billion (2020: R7.1 billion) of drawn on-balance sheet exposures relating to the Covid-19 loan guarantee scheme.

Capital management

The group manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for the 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 interests less impairments divided by total risk weighted assets (RWA).

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

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

BASEL III QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

	2021 Rm	2020 Rm
Ordinary share capital and premium#	49 313	49 313
Retained earnings#	56 769	48 241
Other reserves#	1 334	798
Less: regulatory adjustments	(10 063)	(10 934)
Goodwill	(42)	(42)
Other intangible assets	(9 117)	(10 511)
Other adjustments including IFRS 9 phase-in	(904)	(381)
Unappropriated profits	(8 323)	(3 742)
Common equity tier 1 capital	89 030	83 676
Qualifying other equity instruments#	10 502	6 944
Tier 1 capital	99 532	90 620
Qualifying tier II subordinated debt#	23 520	21 569
General allowance for credit impairments	2 836	2 418
Less: regulatory adjustments – investments in tier II instruments in other banks	(2 498)	(2 538)
Tier 2 capital	23 858	21 449
Total regulatory capital	123 390	112 069

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

Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, 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 CIB 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 the 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, the group attempt to mitigate credit risk, including CCR, to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

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

In the case of collateral where the group has an unassailable legal title, the group's policy 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 the group's banking book exposures include:

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

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

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

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

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

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

Use of internal estimates

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

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

Corporate, sovereign and banking portfolios

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

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

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

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

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

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

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

Default

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

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

The group has not rebutted IFRS 9's 90 days past due rebuttable presumption and therefore exposures which are overdue for more than 90 days are 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 – 2021	Gross carrying amount Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm
Loans and advances at amortised cost					
Home services	411 412	102 080	22	244 651	8 222
Vehicle and asset finance	99 531	20 807	4	60 507	2 845
Card payments	35 779	4 132		24 422	29
Personal unsecured lending[5]	48 279	2 349		28 489	103
Business lending and other[5]	85 106	14 997	234	56 932	2 039
Corporate and sovereign[5]	368 365	165 487	1 159	161 110	30 142
Bank	160 266	134 198		26 013	22
Central and other	35 511	35 511			
Gross carrying amount	**1 244 249**	**479 561**	**1 419**	**602 124**	**43 402**
Less: ECL on loans and advances	(41 481)				
Net carrying amount of loans and advances measured at amortised cost	**1 202 768**				
Financial investments measured at amortised cost					
Corporate and sovereign[5]	103 886	89 995	1 142	11 906	807
Bank	1 233	1 192		41	
Gross carrying amount	**105 119**	**91 187**	**1 142**	**11 947**	**807**
Less: ECL for financial investments measured at amortised cost	(38)				
Net carrying amount of financial investments measured at amortised cost	**105 081**				
Debt financial investments at FVOCI					
Corporate and sovereign[5]	32	32			
Gross carrying amount	**32**	**32**			
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)					
Total financial investment at fair value through OCI	**32**				
Off-balance sheet exposures					
Letters of credit and banker's acceptances	4 266	2 627		1 493	140
Guarantees	80 036	44 979		31 128	1 767
Unutilised facilities[1]	165 719	145 617	1 768	14 883	2 900
Total exposure to off-balance sheet credit risk	**250 021**	**193 223**	**1 768**	**47 504**	**4 807**
Less: ECL for off-balance sheet exposures	(433)				
Net carrying amount of off-balance sheet exposures	**249 588**				
Total exposure to credit risk on financial assets subject to ECL	**1 557 469**				
Add the following exposures not subject to ECL:					
Loans and advances at fair value	486				
Cash and balances with the central bank – held at FVTPL[2]	32 255				
Derivative assets	58 287				
Other financial investments – held at FVTPL[3]	38 924				
Trading assets	238 098				
Pledged assets	1 975				
Other financial assets[4]	12 700				
Total exposure to credit risk	**1 940 194**				

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Other financial investments comprise of FVTPL that are not subject to ECL considerations.
4 Due to the short-term nature of these assets and historical experience and available forward looking information, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.
5 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position. Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had not impact on the statement of financial position.

	SB 21 – 25		Default					
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet ECL and IIS on default exposures Rm	Gross default coverage %	Non-performing exposures %
	3 973	23 463	29 001	29 001	17 782	11 219	39	7.0
	2 709	6 132	6 527	6 527	2 548	3 979	61	6.6
	866	3 506	2 824	2 824	758	2 066	73	7.9
	5 179	4 816	7 343	7 343	1 817	5 526	75	15.2
	1 381	4 103	5 420	5 420	1 783	3 637	67	6.4
	1 518	901	8 048	8 048	4 435	3 613	45	2.2
	32	1						
	15 658	42 922	59 163	59 163	29 123	30 040	51	4.8

			36

	6		
	2 037	30	95
		540	11
	2 043	570	106

IFRS maximum exposure to credit risk by credit quality – 2020	Gross carrying amount1 Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm
Loans and advances at amortised cost					
Home services	378 124	144 652	106	157 268	13 826
Vehicle and asset finance	89 481	17 280	275	54 227	1 380
Card payments	34 592	3 090	88	24 003	742
Personal unsecured lending[5]	47 363	3 375		28 203	175
Business lending and other[5]	80 535	11 455	217	52 599	3 084
Corporate and sovereign[5]	366 124	166 365	3 283	145 793	39 026
Bank	167 480	109 577		56 093	1 371
Gross carrying amount	1 163 699	455 794	3 969	518 186	59 604
Less: ECL on loans and advances	(40 696)				
Net carrying amount of loans and advances measured at amortised cost	1 123 003				
Financial investments measured at amortised cost					
Corporate and sovereign[5]	100 004	89 488	1 104	9 362	
Bank	654	616		38	
Gross carrying amount	100 658	90 104	1 104	9 400	
Less: ECL for financial investments measured at amortised cost	(55)				
Net carrying amount of financial investments measured at amortised cost	100 603				
Debt financial investments at fair value through OCI					
Corporate and sovereign[5]	283	283			
Gross carrying amount	283	283			
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)					
Total financial investment at FVOCI	283				
Off-balance sheet exposures					
Letters of credit and banker's acceptances	2 301	1 411		706	131
Guarantees	28 136	22 151	4	3 723	1 771
Unutilised facilities[1]	208 036	146 832	3 496	47 970	8 236
Total exposure to off-balance sheet credit risk	238 473	170 394	3 500	52 399	10 138
Less: ECL for off-balance sheet exposures	(503)				
Net carrying amount of off-balance sheet exposures	237 970				
Total exposure to credit risk on financial assets subject to ECL	1 461 859				
Add the following exposures not subject to ECL:					
Loans and advances at FVTPL – default	1 235				
Cash and balances with the central bank – held at FVTPL[2]	34 030				
Derivative assets	110 350				
Other financial investments – held at FVTPL[3]	100 320				
Trading assets	211 658				
Pledged assets	911				
Other financial assets[4]	14 732				
Total exposure to credit risk	1 935 095				

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Other financial investments comprise of FVTPL that are not subject to ECL considerations
4 Due to the short-term nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.
5 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position. Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had not impact on the statement of financial position.

	SB 21– 25		Default					
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet ECL and IIS on default exposures Rm	Gross default coverage %	Non-performing exposures %
	8 371	22 853	31 048	31 048	20 434	10 614	34	8.2
	1 178	8 145	6 996	6 996	3 924	3 072	44	7.8
	927	3 688	2 054	2 054	626	1 428	70	5.9
	3 512	5 103	6 995	6 995	1 322	5 673	81	14.8
	3 663	4 349	5 168	5 168	1 912	3 256	63	6.4
	535	1 465	9 657	9 657	6 248	3 409	35	2.6
	421	18						
	18 607	45 621	61 918	61 918	34 466	27 452	44	5.3

			50
			50

	53		
	106	50	331
	244	120	1 138
	403	170	1 469

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

	2021 Rm	2020 Rm
Agriculture	29 648	24 174
Construction	9 042	10 079
Electricity	22 792	21 724
Finance, real estate and other business services	395 520	379 796
Individuals	558 884	515 315
Manufacturing	55 895	55 207
Mining	27 377	21 850
Transport	48 304	43 249
Wholesale	60 228	52 032
Other services	37 045	41 508
Gross loans and advances	**1 244 735**	1 164 934

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2021		2020	
	%	Rm	%	Rm
South Africa	81	1 014 380	77	899 485
Africa Regions[1]	4	48 313	6	72 710
International[1]	15	182 042	17	192 739
Gross loans and advances	**100**	**1 244 735**	100	1 164 934

1 Restated. During 2021 it was noted that the 2020 amounts relating to Africa Regions erroneously included R79 324 million relating to International. The restatement has no impact on the group's statement of financial position or any key ratios relating to loans and advances.

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

	2021 Rm	2020 Rm
Agriculture	530	413
Construction	1 212	1 135
Electricity	528	526
Finance, real estate and other business services	2 545	2 339
Individuals	21 337	19 148
Manufacturing	685	639
Mining	37	45
Transport	613	1 089
Wholesale	1 636	1 216
Other services	917	902
Credit impairment on non-performing loans	**30 040**	27 452

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

	2021		2020	
	%	Rm	%	Rm
South Africa	95	28 592	94	25 742
Africa Regions	3	852	4	1 041
International	2	596	2	669
Credit impairment on non-performing loans	**100**	**30 040**	100	27 452

Collateral

The table on the following page 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:

- 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.

The R486 million (2020: R472 million) of retail accounts that lie within the 0% to 50% range of collateral coverage mainly comprise accounts which are either in default or legal.

Of the group's total exposure, 44% (2020: 43%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

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

COLLATERAL

						Collateral coverage – Total collateral		
	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agreements (c) Rm	Secured exposure after netting (b-c) Rm	1 to 50 % Rm	50 to 100% Rm	Greater than 100% Rm
2021								
Corporate	611 482	399 648	211 834	10 712	201 122	1 678	159 446	39 998
Sovereign	153 888	143 975	9 913	523	9 390	2 155	6 543	692
Bank	339 932	112 680	227 252	47 236	180 016	86	53 434	126 496
Retail	617 364	100 364	517 000		517 000	486	142 847	373 667
Home services	412 957		412 957		412 957	486	44 870	367 600
Other retail	204 407	100 364	104 043		104 043		97 977	6 067
Total	1 722 666	756 667	965 999	58 471	907 528	4 405	362 270	540 853
Add: financial assets not exposed to credit risk	269 191							
Less: ECL for loans and advances	(41 481)							
Less: unrecognised off balance sheet items	(218 289)							
Total exposure	1 732 087							
Cash and balances with central banks	32 255							
Derivative assets	58 287							
Trading assets	238 098							
Pledged assets	1 975							
Financial investments	144 037							
Loans and advances	1 244 735							
Other financial assets	12 700							
Total	1 732 087							

	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	557 421	347 654	209 767	40 119	169 648	2 443	125 192	42 013
Sovereign	157 252	140 141	17 111	6 760	10 351	7	9 398	946
Bank	319 027	103 487	215 540	79 470	136 070	585	23 405	112 080
Retail	581 714	101 208	480 506		480 506	472	140 536	339 498
Home services	380 800		380 800		380 800	472	47 082	333 246
Other retail	200 914	101 208	99 706		99 706		93 454	6 252
Total	1 615 414	692 490	922 924	126 349	796 575	3 507	298 531	494 537
Add: financial assets not exposed to credit risk	216 703							
Less: ECL for loans and advances[1]	(40 696)							
Less: unrecognised off balance sheet items[1]	(166 041)							
Total exposure	1 625 380							
Cash and balances with central banks	34 030							
Derivative assets	110 350							
Trading assets	211 658							
Pledged assets	911							
Financial investments	129 461							
Loans and advances	1 124 238							
Other financial assets	14 732							
Total	1 625 380							

1 Restated. During 2020, it was noted that R501 million relating to unrecognised off balance sheet items was erroneously disclosed under ECL for loans and advances. This restatement has no impact on the group's or company's statement of financial position.

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.

Our risk management framework supports the measurement and management of liquidity, in all geographies across the corporate, Consumer and High Net Worth and Business and Commercial client sectors to ensure that payment obligations can be met by our legal entities under both normal and stressed conditions within the group's risk appetite framework and that regulatory minimum requirements are always met. This is achieved through a combination of maintaining adequate liquidity buffers, to ensure that cash flow requirements can be met, and ensuring that our balance sheet is structurally sound and supportive of our strategy. Liquidity risk is managed on a consistent basis across our banking subsidiaries, allowing for local requirements. Liquidity risk management ensures that we have the appropriate amount, diversification and tenor of funding and liquidity to always support its asset base.

We manage liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements, namely tactical short-term liquidity risk management, structural long-term liquidity risk management and contingency liquidity risk management.

Refer to the Funding and Liquidity Risk section of the SBG's Risk and Capital Management report for additional information.

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 to six months Rm	Maturing between six – 12 months Rm	Maturing after 12 months Rm	Total Rm
2021						
Financial liabilities						
Derivative financial instruments	**69 594**	**62**	**27**	**9**	**3**	**69 695**
Instruments settled on a net basis	**49 503**	**62**	**27**	**9**	**3**	**49 604**
Instruments settled on a gross basis	**20 091**					**20 091**
Trading liabilities	**79 416**					**79 416**
Deposits from customers and banks	**907 098**	**92 083**	**161 839**	**77 345**	**191 494**	**1 429 859**
Subordinated debt		**13**	**1 645**	**741**	**26 323**	**28 722**
Other		**7 253**		**1 050**	**5 325**	**13 628**
Total	**1 056 108**	**99 411**	**163 511**	**79 145**	**223 145**	**1 621 320**
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	**14 619**					**14 619**
Guarantees	**82 190**					**82 190**
Irrevocable unutilised facilities	**121 480**					**121 480**
Total	**218 289**					**218 289**
2020						
Financial liabilities						
Derivative financial instruments	112 138	212	171	201	53	112 775
Instruments settled on a net basis	86 333	215	16	152	49	86 765
Instruments settled on a gross basis	25 805	(3)	155	49	4	26 010
Trading liabilities	75 231					75 231
Deposits from customers and banks	868 314	62 920	144 895	54 966	206 789	1 337 884
Subordinated debt		18	2 276	675	23 626	26 595
Other		10 227		1 225	3 009	14 461
Total	1 055 683	73 377	147 342	57 067	233 477	1 566 946
Unrecognised financial liabilities						
Letters of credit and bankers acceptances	9 679					9 679
Guarantees	46 508					46 508
Irrevocable unutilised facilities	109 353					109 353
Total	165 540					165 540

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 Asset-Liability Committees (ALCOs). ALCOs have a reporting line into group ALCO, a subcommittee of Group Leadership Council (GLC).

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

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

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

VaR and SVaR

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

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

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

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

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

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

Limitations of historical VaR are acknowledged globally and include:

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

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

Market risk continued

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 2020 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
2021				
Commodities risk	**2**		**15**	**23**
Foreign exchange risk	**26**	**8**	**13**	**13**
Equity position risk	**19**	**9**	**31**	**17**
Debt securities	**71**	**11**		
Diversification benefits[2]			**(23)**	**(20)**
Aggregate	**69**	**23**	**37**	**34**
2020				
Commodities risk	2		1	1
Foreign exchange risk	20	5	14	16
Equity position risk	17	3	9	14
Debt securities	59	14	29	58
Diversification benefits[2]			(22)	(37)
Aggregate	54	20	32	51

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
2021				
Commodities risk	**13**		**4**	**1**
Foreign exchange risk	**315**	**111**	**221**	**128**
Equity position risk	**356**	**81**	**178**	**199**
Debt securities	**919**	**214**	**391**	**249**
Diversification benefits[2]			**(432)**	**(364)**
Aggregate	**880**	**143**	**362**	**214**
2020				
Commodities risk	48	4	11	9
Foreign exchange risk	404	79	171	168
Equity position risk	333	34	152	110
Debt securities	706	113	248	349
Diversification benefits[2]			(297)	(339)
Aggregate	792	99	285	298

1 The maximum and minimum SVaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate SVaR will not equal the sum of the individual market SVaR values, and it is inappropriate to ascribe a diversification effect to SVaR when these values may occur on different days.
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.

Market risk continued

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 ALCO.

Measurement

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

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

INTEREST RATE SENSITIVITY ANALYSIS[1]

		ZAR	USD	GBP	Euro	Other	Total
2021							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**3 144**	**(47)**	**1**	**(3)**	**5**	**3 100**
Decrease in basis points[2]		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(3 563)**	**10**				**(3 553)**
2020							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 358	(23)	(1)	(17)		2 317
Decrease in basis points[2]		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 935)	5				(2 930)

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 equity risk committee (ERC), in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

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

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2021			
Equity securities listed and unlisted	**2 219**	**2 465**	**2 712**
Listed		**42**	
Unlisted		**2 423**	
Impact on profit or loss	**(182)**		**182**
Impact on OCI	**(65)**		**65**
2020			
Equity securities listed and unlisted	2 035	2 261	2 487
Listed		25	
Unlisted		2 236	
Impact on profit or loss	(159)		159
Impact on OCI	(67)		67

Foreign currency risk

Definition

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

Gains or losses on derivatives that have been designated as 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 rand. 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[1]

		USD	Euro	GBP	Other	Total
2021						
Total net long/(short) position	Rm	**256**	**3**	**(8)**	**115**	**366**
Sensitivity (ZAR depreciation)[2]	%	**10**	**10**	**10**	**10**	
Impact on profit or (loss)/equity	Rm	**26**		**(1)**	**12**	**37**
2020						
Total net long/(short) position	Rm	371	63	5	212	651
Sensitivity (ZAR depreciation)[2]	%	10	10	10	10	
Impact on profit or (loss)/equity	Rm	37	6	1	21	65

1 Before tax.
2 A 10% appreciation in ZAR will have an equal and opposite impact on profit or loss to the amounts disclosed above.

Own equity-linked transactions

Definition

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

The group is exposed to income statement risk due to increases in the price of SBG's share price above the award grant price.

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)	Income statement risk	The EGS is an equity-settled share scheme that is settled through the issuance of new shares. The scheme is however accounted for as a cash-settled share scheme at an SBSA level. Increases in the group's share price results in losses being recognised in the income statement.	No, given that the share scheme is settled through the issuance of new shares at an SBG level, the share scheme is not hedged.	N/A
Equity-settled deferred bonus scheme (DBS) and performance reward plan (PRP)	Income statement risk	The DBS and PRP awards that are equity-settled, are settled through the purchase of shares from the open market. The share scheme is however accounted for as a cash-settled share scheme at an SBSA level. Increases in the group's share price above the grant price will result in losses being recognised in the income statement.	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	Income statement risk	The SARP is an equity-settled share scheme that is settled through the purchase of shares from the open market. The share scheme is however accounted for as a cash-settled share scheme at an SBSA level. Increases in the group's share price above the grant 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.

ANNEXURE D – EQUITY LINKED TRANSACTIONS

GROUP AND COMPANY	2021 Rm	2020 Rm
Expenses recognised in staff costs		
Equity growth scheme (EGS)	71	(179)
Share appreciation rights scheme (SARP)	7	(7)
Deferred bonus scheme (DBS)	1 039	631
Performance reward plan (PRP)	332	(65)
Cash-settled deferred bonus scheme (CSDBS)	104	64
Total expenses recognised in staff costs[1]	1 553	444
Summary of liabilities recognised in other liabilities		
Equity growth scheme (EGS)	126	64
Share appreciation rights scheme (SARP)	33	23
Deferred bonus scheme (DBS)	1 013	875
Performance reward plan (PRP)	390	52
Cash-settled deferred bonus scheme (CSDBS)	98	93
Total liability recognised in other liabilities	1 660	1 107

[1] Excluding gains and losses from hedges in terms of IFRS. The group's equity-linked transactions have exposure to equity securities price risk. To manage this price risk arising from these transactions, the group and company enter into equity forward hedges. For amounts recognised in the statement of profit or loss relating to these hedges, refer to note 2.3.6.

Equity growth scheme

The EGS is an equity-settled share scheme and represents appreciation rights allocated to employees that are based on SBG's share price. The converted value of the rights is settled by the issue of new SBG shares equivalent to the value of the rights. The EGS is classified as a cash-settled share scheme from an SBSA group and company perspective. The SARP has replaced the EGS and hence no further EGS awards will be granted. Share rights were last granted in 2016 under the equity growth scheme. The scheme has five different subtypes of vesting categories as follows:

Vesting categories	Year	% vesting	Expiry
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 the appreciation rights is detailed below:

	Average price range (rand)	Number of rights	
	2021	2021	2020
Movement summary			
Rights outstanding at beginning of the year		3 511 301	4 231 390
Exercised	62.39 – 156.96	(197 251)	(590 530)
Lapsed	62.39 – 114.69		(85 264)
Net transfers from/(to) other group companies	62.39 – 156.96	295 358	(44 295)
Rights outstanding at the end of the year		3 609 408	3 511 301

During the year, 25 353 (2020: 168 485) SBG shares were issued to settle the appreciated rights value. At the end of the year, SBG would need to issue 431 085 (2020: 296 436) SBG shares to settle the outstanding appreciated rights value. The EGS rights were only awarded to individuals in the employment of a group entity domiciled in South Africa and is cash-settled at a SBSA group and company level.

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 during the year. This reduces the liability due 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 ZAR131.30 (2020: ZAR116.16).

Equity growth scheme continued

The following rights granted to employees, including executive directors, had not been exercised at the end of the reporting period:

Option expiry period	Number of ordinary shares	Option price range (rand)	Weighted average price (rand)
2021			
Year to 31 December 2023	**1 375 144**	**98.68 – 115.51**	**102.90**
Year to 31 December 2024	**472 533**	**126.87**	**126.87**
Year to 31 December 2025	**908 765**	**156.96**	**156.96**
Year to 31 December 2026	**852 966**	**122.24**	**122.24**
Total	**3 609 408**		

Option expiry period	Number of ordinary shares	Option price range (rand)	Weighted average price (rand)
2020			
Year to 31 December 2023	1 271 998	62.39 – 115.51	101.19
Year to 31 December 2024	366 736	126.87	126.87
Year to 31 December 2025	908 765	156.96	156.96
Year to 31 December 2026	963 802	122.24	122.24
Total	3 511 301		

Shares appreciation right scheme

The SARP replaced the EGS in 2017 and is a long term scheme which represents appreciation rights awarded to employees that is based on SBG's share price. The converted value of the rights is settled by shares that are purchased by SBG from the market at a value that is equivalent to the value of rights. The SARP is classified as a cash-settled share scheme from an SBSA group and company perspective. Vesting and expiry of the rights are as follows:

	Year	% vesting	Expiry
SARP	**2, 3, 4**	**33, 67, 100**	**4, 5, 6**

A reconciliation of the movement of appreciation rights is detailed below:

	Average price range (rand)	Number of rights 2021	Number of rights 2020
Movement summary			
Rights outstanding at beginning of the year		**2 990 636**	2 455 590
Granted	142	**1 056 592**	564 070
Lapsed		**(64 369)**	(64 603)
Net transfers (to)/from other group companies		**(64 559)**	35 579
Rights outstanding at the end of the year		**3 918 300**	2 990 636

During the year no SBG shares were purchased (2020: nil SBG shares) from the market to settle the appreciated rights value.

At the end of the year the group would need to purchase 407 359 (2020: 3 113) SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised at year end:

Number of rights	Option price range (rand)	Weighted average price (rand)	Option expiry period
2021			
2 359 237	**110 – 220.97**	**142.00**	**Year to 31 December 2023**
182 739	**152.64**	**142.00**	**Year to 31 December 2024**
520 382	**142 – 152.64**	**142.00**	**Year to 31 December 2025**
518 270	**142 – 152.64**	**142.00**	**Year to 31 December 2026**
337 672	**142**	**142.00**	**Year to 31 December 2027**
3 918 300			
2020			
1 416 599	155.95 – 220.97	183.30	Year to 31 December 2023
807 739	152.64 – 220.97	186.35	Year to 31 December 2024
579 690	152.64 – 182.43	172.73	Year to 31 December 2025
186 608	110.00 – 152.64	152.64	Year to 31 December 2026
2 990 636			

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:

	2021			2020		
	Tranche 1	**Tranche 2**	**Tranche 3**	Tranche 1	Tranche 2	Tranche 3
Number of appreciation rights granted	**337 643**	**337 655**	**337 672**	188 731	188 731	186 608
Weighted average fair value at grant date (R)	**37.35**	**40.35**	**43.15**	31.30	34.21	37.11
The principal inputs are as follows:						
Weighted average share price (R)	**142.00**	**142.00**	**142.00**	152.64	152.64	152.64
Weighted average exercise price (R)	**142.00**	**142.00**	**142.00**	152.64	152.64	152.64
Expected life (years)	**4**	**5**	**6**	4	5	6
Expected volatility (%)	**38.00**	**38.00**	**38.00**	28.55	28.55	28.55
Risk-free interest rate (%)	**5.40**	**5.89**	**6.36**	6.18	6.39	6.61
Dividend yield (%)	**4.78**	**4.84**	**4.79**	4.73	4.68	4.55

Deferred bonus scheme

All employees granted an annual performance award over a certain threshold have part of their award deferred. In addition, the group makes special awards to qualifying employees in employment of a group entity. The awards 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 SBG's share price on the vesting date. These awards are classified as cash-settled awards from an SBSA group and company perspective, and have been partially hedged through the use of equity forwards.

	Units	
	2021	2020
Movement summary		
Units outstanding at beginning of the year	**14 281 401**	12 380 552
Granted	**6 512 198**	8 356 374
Exercised	**(6 223 636)**	(5 825 269)
Lapsed	**(723 512)**	(531 257)
Net transfers to other group companies	**(1 958)**	(98 999)
Units outstanding at end of the year	**13 844 493**	14 281 401
Weighted average fair value at grant date (R)	**141.16**	151.29
Expected life (years)	**2.51**	2.51

Performance reward plan

The performance reward plan is settled in SBG's shares to qualifying employees on the applicable vesting dates together with notional dividends that are settled in cash. Shares that vest (if any), and that are delivered to the employee, are conditional on pre-specified performance metrics set annually by the SBG Remuneration Committee. These awards are classified as cash-settled awards at an SBSA group and company perspective, and have been partially hedged through the use of equity forwards.

	Units	
	2021	2020
Movement summary		
Units outstanding at beginning of the year	**7 676 739**	6 602 598
Granted	**3 715 153**	3 358 644
Exercised		(2 084 643)
Performance condition lapsed	**(1 875 211)**	
Lapsed	**(201 190)**	(179 696)
Net transfers to other group companies	**(56 892)**	(20 164)
Units outstanding at the end of the year	**9 258 599**	7 676 739
Weighted average fair value at grant date (R)	**141.90**	151.92
Expected life (years)	**3.07**	3.07

Other share schemes

Scheme	Description	Classification	Stock symbol	Outstanding units 2021	Outstanding units 2020
Group share incentive scheme (GSIS)	The GSIS confers rights to employees to acquire shares at the value of the SBG share price at the date the option was granted. The share scheme has various vesting periods, and expires ten years after grant date. No awards were issued during the current or prior year by SBSA.	Equity-settled scheme	SBK	**5 231**	34 125

Cash settled deferred bonus scheme

Effective for awards made in 2017, employees granted an annual performance award over a certain threshold, who are in employment in South Africa and meet other specific criteria have part of their award deferred. This replaces the DBS from 2017 for these employees. In addition, employees who are assigned to SBSA from other SBG group companies (from the Africa Regions and International operations), and for whom an annual performance award over a threshold is granted, have part of their award deferred. For employees who are awarded CSDBS, and who qualify, the group may award additional special awards.

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 grant 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 an SBSA group and company 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								
CSDBS	**AED**	**CNY**	**GBP**	**GHS**	**HKD**	**KES**	**MWK**	**MZN**	**NAD**
2021									
Units outstanding at beginning of the year	**590**	**6 621**	**403**	**3 185**	**3 652**	**46 830**	**175 542**		**560**
Granted						**6 339**			
Exercised		**(683)**				**(17 108)**	**(113 415)**		
Lapsed	**(590)**								
Net transfers (to)/from		**(4 582)**	**(403)**	**(3 185)**		**(16 081)**			**(560)**
Outstanding at the end of the year		**1 356**			**3 652**	**19 980**	**62 127**		
Weighted average fair value at grant date						**142.00**			
Expected life at grant date (years)						**2.51**			
2020									
Units outstanding at beginning of the year		2 562	284	1 664	6 077	28 528	10 688	8 148	1 118
Granted	590	5 275	313	2 077					
Exercised		(1 216)	(73)	(556)	(2 425)	(34 309)	(178 035)	(8 148)	(558)
Lapsed									
Net transfers (to)/from			(121)			52 611	342 889		
Outstanding at the end of the year	590	6 621	403	3 185	3 652	46 830	175 542		560
Weighted average fair value at grant date	152.64	152.64	152.64	152.64					
Expected life at grant date (years)	2.51	2.51	2.51	2.51					

Currency							
NGN	**SZL**	**UGX**	**USD**	**XOF**	**ZAR**	**ZMW**	**ZML**
574 859	**227**	**1 653 596**	**2 444**		**1 312 292**	**264**	
				91 429	**358 007**		**4 091**
(521 203)	**(227)**	**(1 444 734)**	**(50)**	**(7 380)**	**(591 410)**	**(264)**	
3 841		**1 999 066**	**(2 358)**	**50 971**	**(53 860)**		
57 497		**2 207 928**	**36**	**135 020**	**1 025 029**		**4 091**
				142.00	**142.00**		**142.00**
				2.51	**2.51**		**2.51**
1 686 887		1 253 249	3 498	75 119	1 276 896		
5 101		1 067 873	1 224		727 257		
(1 201 237)	(226)	(667 526)	(1 407)		(634 839)	(315)	
			(871)		(50 570)		
84 108	453			(75 119)	(6 452)	579	
574 859	227	1 653 596	2 444		1 312 292	264	
152.64		152.64	152.64		152.64		
2.51		2.51	2.51		2.51		

ANNEXURE E – EMOLUMENTS AND SHARE INCENTIVES OF DIRECTORS AND PRESCRIBED OFFICERS

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	SK Tshabalala		A Daehnke		AKL Fihla	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
Cost to company package	**10 475**	10 999	**7 014**	7 139	**7 998**	8 227
Cash package paid during the year	**8 967**	9 427	**6 140**	6 254	**6 845**	7 067
Retirement contributions paid during the year	**1 290**	1 350	**765**	782	**894**	925
Other allowances	**218**	222	**109**	103	**259**	235
Once-off allowances/payments[5]						
Short-term incentive	**18 000**	13 050	**16 750**	10 100	**22 000**	16 300
Short-term incentive (cash)[1]	**8 100**	5 900	**7 525**	4 600	**9 900**	7 400
Short-term incentive (share-linked deferral)[2]	**9 900**	7 150	**9 225**	5 500	**12 100**	8 900
Total reward (excluding conditional long-term incentive awards)	**28 475**	24 049	**23 764**	17 239	**29 998**	24 527
PRP awards vesting[3]						
PRP notional dividend[4]						
Total reward (including conditional long-term incentive awards)	**28 475**	24 049	**23 764**	17 239	**29 998**	24 527

1 These are performance related short-term incentive payments in respect of the financial year under review.

2 These are deferred incentive 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 There were no PRP awards vesting for the performance year ending 2021 in respect of the PRP units awarded in March 2019 and year ending 2020 in respect of the PRP units awarded in March 2018. The PRP awards vesting in earlier performance years are calculated based on the group's closing share price at the end of the performance period. The amount included in the single figure numbers above are not amended for the actual vesting share prices on 31 March following the performance year. The actual payment values will be included in the settlement schedule.

4 PRP notional dividend is calculated by multiplying the vesting PRP units by the cumulative notional dividend granted in the period between the grant date and the vesting date. The amount included in the single figure numbers are not amended for the actual dividends declared following the performance year. The actual payment values will be included in the settlement schedule.

5 Includes a once-off payment made in respect of leave paid on retirement.

	FZ Montjane		M Nienaber		ZN Manyathi		L Fuzile	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
	7 202		**7 242**	7 160	**4 797**	7 834	**7 370**	7 145
	6 550		**6 283**	6 196	**4 280**	7 010	**6 742**	6 536
	502		**716**	718	**383**	625	**588**	570
	150		**243**	246	**134**	199	**40**	39
					483			
	14 500		**18 000**	12 550	**7 000**	8 700	**14 500**	7 300
	6 500		**8 100**	5 675	**4 650**	3 950	**6 500**	3 300
	8 000		**9 900**	6 875	**2 350**	4 750	**8 000**	4 000
	21 702		**25 242**	19 710	**12 280**	16 534	**21 870**	14 445
	21 702		**25 242**	19 710	**12 280**	16 534	**21 870**	14 445

Non-executive directors

	Fixed remuneration				
	Services as directors of Standard Bank Group R'000	Standard Bank Group Committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compensation for the year R'000
2021					
TS Gcabashe	**6 953**				**6 953**
PLH Cook[2]	**248**	**304**	**248**		**800**
MA Erasmus	**1 080**	**867**	**1 080**		**3 027**
GJ Fraser-Moleketi	**290**	**721**	**290**		**1 301**
X Guan[3]	**1 409**	**657**	**1 409**		**3 475**
GMB Kennealy	**290**	**2 296**	**290**		**2 876**
L Li[4]	**41**	**88**	**41**		**170**
JH Maree[5]	**290**	**1 640**	**3 448**		**5 378**
NNA Matyumza	**290**	**1 027**	**290**		**1 607**
Adv KD Moroka	**290**	**900**	**290**		**1 480**
NMC Nyembezi	**290**	**701**	**290**		**1 281**
Dr. ML Oduor-Otieno	**1 080**	**473**	**1 080**		**2 633**
AC Parker[11]	**118**	**232**	**118**		**468**
ANA Peterside CON	**1 080**	**1 045**	**1 080**		**3 205**
MJD Ruck	**290**	**1 747**	**579**		**2 616**
JM Vice	**290**	**1 280**	**290**		**1 860**
L Wang[9]	**251**	**292**	**251**		**794**
Total	**14 580**	**14 270**	**11 074**		**39 924**
2020					
TS Gcabashe[1]	6 953			364	7 317
MA Erasmus[12]	1 055	680	1 055		2 790
GJ Fraser-Moleketi	290	662	290		1 242
X Guan[3]	121	274	121		516
GMB Kennealy	290	1 635	290		2 215
JH Maree[5]	290	1 348	3 355		4 993
NNA Matyumza	290	967	290		1 547
Adv KD Moroka	290	900	290		1 480
NMC Nyembezi[6]	290	401	290		981
Dr. ML Oduor-Otieno	1 055	473	1 055		2 583
AC Parker[11]	290	762	290		1 342
ANA Peterside CON	1 055	775	1 055		2 885
MJD Ruck[7]	290	1 367	1 288		2 945
JM Vice	290	1 280	290		1 860
L Wang[8]	290	351	290		931
PD Sullivan[8]	517	704	517		1 738
BP Mabelane[10]	170	229	170		569
Total	13 826	12 808	10 936	364	37 934

1 TS Gcabashe other benefits relate to use of motor vehicle.
2 PLH Cook was appointed to SBSA and SBG boards on 22 February 2021
3 X Guan was appointed to the SBSA and SBG boards on 1 August 2020.
4 L Li was appointed to the SBSA and SBG boards on 11 November 2021 .
5 JH Maree's fees for services as a director of group subsidiaries include fees paid by Liberty Holdings Limited.
6 NMC Nyembezi joined SBSA and SBG boards on 1 January 2020.
7 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.
8 PD Sullivan retired on 26 June 2020.
9 L Wang resigned from the boards and committees on 11 November 2021.
10 BP Mabelane was appointed to SBSA and SBG boards on 1 January 2020 and resigned from the boards and committees on 31 July 2020.
11 AC Parker retired from the SBSA and SBG boards on 27 May 2021.
Fees are excluding VAT.

Share incentives

Standard Bank equity growth scheme

The EGS represents participation rights in the future growth of the SBG share price. The eventual value of the right is settled by the receipt of SBG 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 DBS. 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 SBG share price. The eventual value of the right is settled by the receipt of SBG 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					
2017	2018/03/08	220.97	1 667	2021/09/30	
2017*	2018/03/08	220.97	3 017	2021/09/30	
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	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	
2020	**2021/03/11**	**142.00**	**1 183**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 183**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 183**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**1 200**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**1 200**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**1 200**	**2024/09/30**	
Performance reward plan					
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	
2020	**2021/03/11**	**142.00**	**17 750**	**2024/03/31**	
Totals for 2021			**96 349**		

Refer to footnotes on page 184.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	7 544		7 544			144	1 090	232		
	13 652		13 652			144	1 972	420		
	9 135		9 135			144	1 319	195		
	9 138				9 138				1 279	195
	16 536		16 536			144	2 388	353		
	16 537				16 537				2 315	353
	9 827		9 827			144	1 419	112		
	9 827				9 827				1 376	112
	9 828				9 828				1 376	112
	17 961		17 961			144	2 594	205		
	17 961				17 961				2 515	205
	17 963				17 963				2 515	205
		8 333			8 333				1 167	50
		8 333			8 333				1 167	50
		8 334			8 334				1 167	50
		8 451			8 451				1 183	51
		8 451			8 451				1 183	51
		8 451			8 451				1 183	51
	63 400			63 400						
	76 800				76 800				10 753	1 639
	109 100				109 100				15 275	1 244
		125 000			125 000				17 501	750
							10 782	1 517	61 955	5 118

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					
2017	2018/03/08	220.97	1 000	2021/09/30	
2017*	2018/03/08	220.97	1 909	2021/09/30	
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	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	
2020	**2021/03/11**	**142.00**	**1 067**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 067**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 067**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**767**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**767**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**767**	**2024/09/30**	
Performance reward plan					
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	
2020	**2021/03/11**	**142.00**	**14 001**	**2024/03/31**	
Equity growth scheme					
Vested					
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 2021			**72 105**		

Refer to footnotes on page 184.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	4 527		4 527			144	654	139		
	8 637		8 637			144	1 247	266		
	5 481		5 481			144	792	117		
	5 483				5 483				768	117
	10 460		10 460			144	1 511	223		
	10 462				10 462				1 465	223
	8 735		8 735			144	1 262	100		
	8 735				8 735				1 223	100
	8 736				8 736				1 223	100
	12 775		12 775			144	1 845	146		
	12 775				12 775				1 789	146
	12 776				12 776				1 789	146
		7 512			7 512				1 052	45
		7 512			7 512				1 052	45
		7 512			7 512				1 052	45
		5 399			5 399				756	32
		5 399			5 399				756	32
		5 400			5 400				756	32
	45 300			45 300						
	65 800				65 800				9 213	1 404
	78 700				78 700				11 019	897
		98 600			98 600				13 805	592
	12 500				12 500				515	
	9 375				9 375				386	
	3 125				3 125				129	
	45 832				45 832				602	
	22 918				22 918				301	
							7 311	991	49 651	3 956

FZ Montjane

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 584	2021/09/30	
2017*	2018/03/08	220.97	1 784	2021/09/30	
2018	2019/03/07	182.43	1 583	2021/09/30	
2018	2019/03/07	182.43	1 583	2022/09/30	
2018*	2019/03/07	182.43	1 783	2021/09/30	
2018*	2019/03/07	182.43	1 784	2022/09/30	
2019	2020/03/05	152.64	1 583	2021/09/30	
2019	2020/03/05	152.64	1 583	2022/09/30	
2019	2020/03/05	152.64	1 584	2023/09/30	
2019*	2020/03/05	152.64	1 783	2021/09/30	
2019*	2020/03/05	152.64	1 783	2022/09/30	
2019*	2020/03/05	152.64	1 783	2023/09/30	
2020	**2021/03/11**	**142.00**	**767**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**767**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**767**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**467**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**467**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**467**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	8 021	2021/03/31	
2018	2019/03/07	182.43	9 012	2022/03/31	
2019	2020/03/05	152.64	9 006	2023/03/31	
2020	**2021/11/03**	**142.00**	**11 005**	**31/03/2024**	
Totals for 2021			**60 946**		

Refer to footnotes on page 184.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	7 167		7 167			144	1 035	220		
	8 072		8 072			144	1 166	248		
	8 679		8 679			144	1 253	185		
	8 680				8 680				1 215	185
	9 775		9 775			144	1 412	209		
	9 777				9 777				1 369	209
	10 372		10 372			144	1 498	118		
	10 372				10 372				1 452	118
	10 375				10 375				1 453	118
	11 683		11 683			144	1 687	133		
	11 683				11 683				1 636	133
	11 684				11 684				1 636	133
		5 399			5 399				756	32
		5 399			5 399				756	32
		5 400			5 400				756	32
		3 286			3 286				460	20
		3 287			3 287				460	20
		3 287			3 287				460	20
	36 300			36 300						
	49 400				49 400				6 916	1 054
	59 000				59 000				8 261	673
		77 500			77 500				10 851	465
							8 051	1 113	38 437	3 244

AKL Fihla

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 334	2021/09/30	
2017*	2018/03/08	220.97	2 284	2021/09/30	
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	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	
2020	**2021/03/11**	**142.00**	**1 267**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 267**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 267**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**1 700**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**1 700**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**1 700**	**2024/09/30**	
Performance reward plan					
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	
2020	**2021/11/03**	**142.00**	**12 013**	**2024/03/31**	
Equity growth scheme					
Vested					
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 2021			**76 329**		

Refer to footnotes on page 184.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	6 035		6 035			144	872	186		
	10 334		10 334			144	1 492	318		
	7 308		7 308			144	1 055	156		
	7 311				7 311				1 024	156
	11 602		11 602			144	1 676	248		
	11 604				11 604				1 625	248
	8 735		8 735			144	1 262	100		
	8 735				8 735				1 223	100
	8 736				8 736				1 223	100
	16 869		16 869			144	2 436	192		
	16 869				16 869				2 362	192
	16 872				16 872				2 362	192
		8 920			8 920				1 249	54
		8 920			8 920				1 249	54
		8 921			8 921				1 249	54
		11 972			11 972				1 676	72
		11 972			11 972				1 676	72
		11 972			11 972				1 676	72
	45 300			45 300						
	65 800				65 800				9 213	1 404
	73 100				73 100				10 235	833
		84 600			84 600				11 845	508
	13 750		6 875		6 875	142	300		283	
	10 312				10 312				425	
	3 438				3 438				142	
							9 093	1 200	50 737	4 111

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					
2017	2018/03/08	220.97	1 000	2021/09/30	
2017*5	2018/03/08	220.97	1 450	2021/09/30	
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	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*5	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	
2020	**2021/03/11**	**142.00**	**1 167**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 167**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 167**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**1 125**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**1 125**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**1 125**	**2024/09/30**	
Performance reward plan					
2017	2018/08/03	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	
2020	**2021/11/03**	**142.00**	**11 005**	**2024/03/31**	
Totals for 2021			**54 728**		

Refer to footnotes on page 184.

	Units: Opening balance	Units: Awards made during the year	Units: Number of awards exercised during the year	Units: Number of awards forfeited during the year	Units: Balance of awards 31 December 2021	Exercise date share price	Value on settlement: Award (R'000)[1]	Value on settlement: Notional dividend (R'000)[2]	Fair value at year end: Award (R'000)[3]	Fair value at year end: Notional dividend (R'000)[4]
	4 527		4 527			144	654	139		
	6 562		6 562			144	948	202		
	5 481		5 481			144	792	117		
	5 483				5 483				768	117
	8 976		8 976			144	1 296	192		
	8 977				8 977				1 257	192
	8 735		8 735			144	1 262	100		
	8 735				8 735				1 223	100
	8 736				8 736				1 223	100
	12 229		12 229			144	1 766	139		
	12 229				12 229				1 712	139
	12 230				12 230				1 712	139
		8 216			8 216				1 150	49
		8 216			8 216				1 150	49
		8 216			8 216				1 150	49
		7 922			7 922				1 109	48
		7 923			7 923				1 109	48
		7 923			7 923				1 109	48
	45 300			45 300						
	54 900				54 900				7 687	1 172
	68 800				68 800				9 633	784
		77 500			77 500				10 851	465
							6 718	889	42 843	3 499

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					
2017	2018/03/08	220.97	1 334	2021/09/30	
2017*	2018/03/08	220.97	1 617	2021/09/30	
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	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	
2020	**2021/03/11**	**142.00**	**1 033**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 033**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 033**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**550**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**550**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**550**	**2024/09/30**	
Performance reward plan					
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	
2020	**2021/11/03**	**142.00**	**12 013**	**31/03/2024**	
Share appreciation rights plan					
2018	2019/03/07	182.43			2023/03/31
2018	2019/03/07	182.43			2024/03/07
2018	2019/03/07	182.43			2025/03/07
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 2021			**67 696**		

Refer to footnotes on page 184.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	6 035		6 035			144	872	186		
	7 317		7 317			144	1 057	225		
	7 308		7 308			144	1 055	156		
	7 311				7 311				1 024	156
	6 943		6 943			144	1 003	148		
	6 944				6 944				972	148
	8 735		8 735			144	1 262	100		
	8 735				8 735				1 223	100
	8 736				8 736				1 223	100
	16 596		16 596			144	2 397	189		
	16 596				16 596				2 324	189
	16 599				16 599				2 324	189
		7 277			7 277				1 019	44
		7 277			7 277				1 019	44
		7 277			7 277				1 019	44
		3 873			3 873				542	23
		3 873			3 873				542	23
		3 874			3 874				542	23
	45 300			45 300						
	54 900				54 900				7 687	1 172
	73 100				73 100				10 235	833
		84 600			84 600				11 845	508
	29 823				29 823					
	29 823				29 823					
	29 824				29 824					
	43 696				43 696				574	
	43 696				43 696				574	
	43 697				43 697				574	
	56 725				56 725					
	56 725				56 725					
	56 725				56 725					
							7 646	1 004	45 262	3 596

L Fuzile

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017*	2018/03/08	220.97	467	2021/09/30	
2018	2019/03/07	182.43	500	2021/09/30	
2018	2019/03/07	182.43	500	2022/09/30	
2018*	2019/03/07	182.43	725	2021/09/30	
2018*	2019/03/07	182.43	725	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	1 617	2021/09/30	
2019*	2020/03/05	152.64	1 617	2022/09/30	
2019*	2020/03/05	152.64	1 617	2023/09/30	
2020	**2021/03/11**	**142.00**	**933**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**933**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**933**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**400**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**400**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**400**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	10 010	2021/09/30	
2018	2019/03/07	182.43	10 015	2022/03/31	
2019	2020/03/05	152.64	10 502	2023/03/31	
2020	**2021/03/11**	**142.00**	**11 502**	**2024/03/31**	
Share appreciation rights plan					
2018	2019/03/07	182.43	5 261		2023/03/31
2018	2019/03/07	182.43	5 262		2024/03/07
2018	2019/03/07	182.43	5 262		2025/03/07
Totals for 2021			**73 580**		

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	2023/03/31
2012	2013/03/07	115.51		A	2023/03/31
2014	2015/03/05	156.96		D	2025/03/05
2012	2013/03/07	115.51		A	2023/03/31
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05
Totals for 2021					

* 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).
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 R140.01 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). Notional dividends are subject to the vesting conditions.
5 This award was settled with equity as opposed to cash in September 2021. This was done in order for the director to meet minimum shareholding requirements.

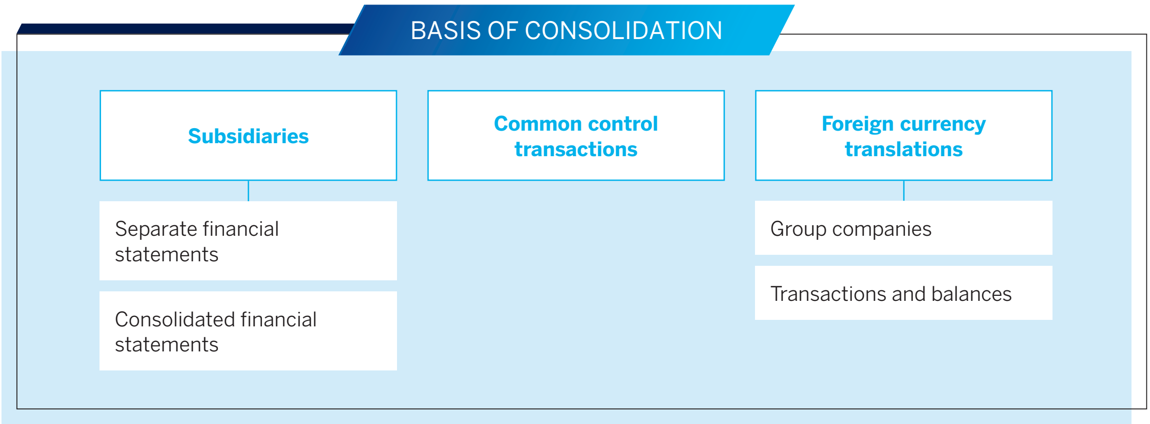
	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	2 112		2 112			144	305	65		
	2 740		2 740			144	396	58		
	2 743				2 743				384	59
	3 974		3 974			144	574	85		
	3 975				3 975				557	85
	8 735		8 735			144	1 262	100		
	8 735				8 735				1 223	100
	8 736				8 736				1 223	100
	10 591		10 591			144	1 530	121		
	10 591				10 591				1 483	121
	10 593				10 593				1 483	121
		6 573			6 573				920	39
		6 573			6 573				920	39
		6 573			6 573				920	39
		2 817			2 817				394	17
		2 817			2 817				394	17
		2 817			2 817				394	17
	45 300			45300						
	54 900				54 900				7 687	1 172
	68 800				68 800				9 633	784
		81 000			81 000				11 341	486
	28 841				28 841					
	28 842				28 842					
	28 844				28 844					
							4 067	429	38 956	3 196

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	61 471				61 471				1 912	
	37 729				37 729				924	
	26 148				26 148					
	18 865				18 865				462	
	26 148				26 148					
	26 149				26 149					
									3 298	

ANNEXURE F – DETAILED ACCOUNTING POLICIES

The following accounting policies were applied in the preparation of the group and company financial statements.

1. Basis of consolidation



Subsidiaries

Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains/(losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interest are determined on the basis of the group's present ownership interest in the subsidiary. Similarly, profits or losses of subsidiaries attributable to preference shareholders outside the group are recognised as non-controlling interest, but where these preference shareholders are within the Standard Bank Group these are presented as non-controlling interest within SBG.

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.

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 rate for each month and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

1. Basis of consolidation continued

Foreign currency translations continued

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transaction is utilised, for example, an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges to the extent that the hedge is effective).

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 other revenue (trading revenue).

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases, the foreign currency gains and losses are recognised in the group's FCTR.

2. Interest in associates and joint arrangements

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 associates 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.

For a disposal of an associate or joint venture, being where the group loses significant influence over an associate or loses joint control over a joint venture, the difference between the sales proceeds and any retained interest and the carrying value of the equity accounted investment, is recognised as a gain or loss in non-trading and capital related items. Any gains or losses in OCI reserves that relate to the associate or joint venture are reclassified to non-trading and capital related items at the time of the disposal.

The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Private equity and venture capital investments

Private equity and venture capital investments, including mutual funds, that are associates, are either designated on initial recognition at fair value through profit or loss, or are equity accounted. Where the private equity or venture capital investment is designated at fair value through profit or loss, the investment is presented within financial investments on the statement of financial position and the fair value movement is recognised within other gains and losses on financial instruments in profit or loss.

3. Financial instruments

Initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

FINANCIAL INSTRUMENTS

Financial assets	Financial liabilities	Financial guarantee contracts	Derivatives and embedded derivatives	Hedge accounting	Other
Amortised cost	Held-for-trading			Fair value hedges	Sale and repurchase agreements and lending of securities (including commodities)
Fair value through OCI	Designated at fair value through profit or loss			Cash flow hedges	Offsetting
Held-for-trading	Amortised cost				
Designated at fair value through profit or loss					
Fair value through profit or loss (default)					

3. Financial instruments continued

Financial assets

Nature

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.
Fair value through OCI	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default. Equity financial assets which are not held-for-trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Held-for-trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss – default	Financial assets that are not classified into one of the above mentioned financial asset categories.

3. Financial instruments continued

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 recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are not measured at fair value through profit or loss nor are used to provide loans 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: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

3. Financial instruments continued

Financial assets continued

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

Significant increase in credit risk (SICR)	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider • exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Financial liabilities

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: • to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis • where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Financial liabilities continued

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised or modified in the following instances:

<table>
<tr><th></th><th>Derecognition</th><th>Modification</th></tr>
<tr><td>Financial assets</td><td>Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.

In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.</td><td rowspan="2">Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).</td></tr>
<tr><td>Financial liabilities</td><td>Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.</td></tr>
</table>

3. Financial instruments continued

Financial liabilities continued

Financial guarantee contracts or loan commitment below market 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.

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.

Financial guarantee contracts and loan commitments at a below market interest rate are initially recognised when the group become party to the irrevocable commitment at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee/loan commitment. Financial guarantee contracts (that are not designated at fair value through profit or loss) and loan commitments at a below market interest rate, are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or loan commitments; or
- unamortised premium.

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.

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.

3. Financial instruments continued

Hedge accounting

The group applied IAS 39 for all hedging relationships, i.e. both micro (hedge relationships that minimise/manage the risk exposure of a single instrument) and macro (hedge relationships that minimise/manage the risk exposure of a portfolio) hedges for the 2020 reporting period. As of 1 January 2021, the group applied IFRS 9 to all micro hedge relationships, however, will continue to apply IAS 39 to all macro hedges. Derivatives, whether accounted for under IAS 39 or IFRS 9, are designated by the group into the following relationships:

Type of hedge	Nature	Treatment
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised immediately in profit or loss. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.
Cash flow hedges	Hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecasted transaction, or a highly probable forecast intragroup transaction.	The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised immediately in profit or loss. Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss.

3. Financial instruments continued

Hedge accounting risk management strategy

Hedge accounting is applied when the hedging relationship meets the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Where the above 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 financial assets or liabilities, and highly probable forecast transactions. For hedge relationships, where the critical terms of the hedged item and hedging instrument match, a qualitative method is considered appropriate for hedge effectiveness testing. Where the characteristics between the hedged item and hedging instrument are insufficiently correlated, judgement is applied and if required a qualitative and quantitative method is used for hedge effectiveness testing.

The group applies hedge accounting in respect of the following risk categories.

Foreign currency risk

The group operates internationally and is 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 uses a combination of currency forwards, swaps and foreign denominated cash balances to mitigate 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 elects 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 in the hedging relationship, this is recognised as a cost of the hedge and deferred in other comprehensive income (as a separate reserve within equity).

Where the hedged item subsequently results in the recognition of a non-financial asset or liability, or a firm commitment for a non-financial asset or liability the group removes the amount from equity and includes it directly in the initial cost or other carrying amount of the asset or the liability and amortises it to profit or loss on a systematic basis (where applicable). In all other cases the amount is reclassified to profit or loss.

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.

Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

3. Financial instruments continued

Hedge accounting risk management strategy continued

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 has 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, Performance Reward Plan and Cash-Settled Deferred Bonus Scheme. 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 time value or 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 in the hedging relationship this is recognised as a cost of the hedge and deferred in other comprehensive income (as a separate reserve within equity). Where the hedged item subsequently results in the recognition of a non-financial asset or liability, or a firm commitment for a non-financial asset or liability the group removes the amount from equity and includes it directly in the initial cost or other carrying amount of the asset or the liability and amortises it to profit or loss on a systematic basis (where applicable). In all other cases the amount is reclassified to profit or loss.

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 enters 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.

Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of IRRBB (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 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's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. In adherence to policies regarding interest rate risk management the group applies fair value hedge accounting in respect of the interest rate risk element only, present within the following exposures:

- Specifically identified long-term fixed interest rate Loans and advances and Deposits and debt funding. To manage the risk associated with such risk exposures the group uses one or more cash collateralised 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 of the underlying risk exposure and
- Portfolio interest rate risk present within a designated portfolio of loans and advances and deposits and debt funding. Portfolio interest rate risk hedging is conducted on an aggregate asset and liability portfolio basis. The hedge ratio and rebalancing frequency of portfolio hedges is determined using a dynamic approach reflecting the duration of portfolio exposure in accordance with an exposure bucketing 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 and company use a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness. The extent of hedge ineffectiveness as a result of fair value interest rate risk hedges is disclosed in note 2.3.5.

3. Financial instruments continued

Other

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

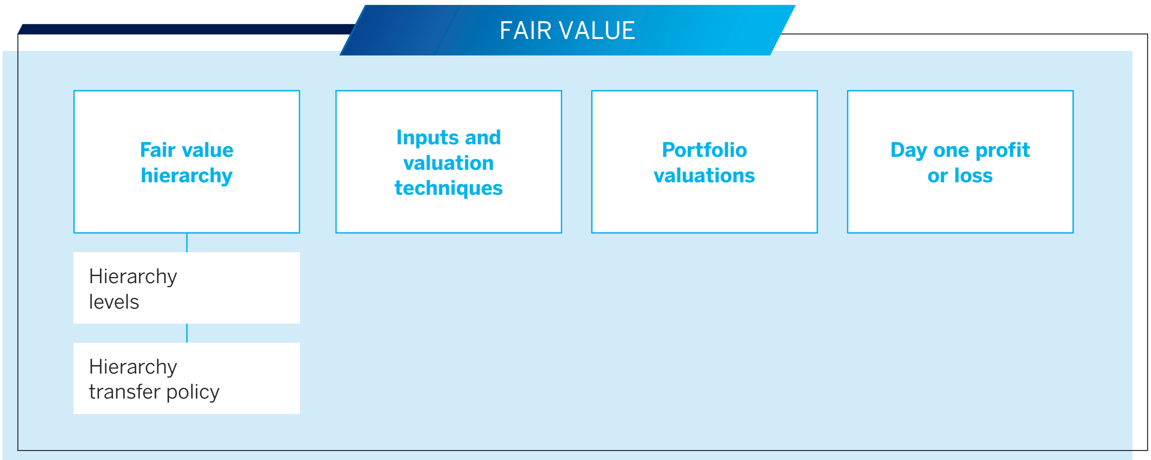
Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

4. Fair value



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

4. Fair value continued

Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

4. Fair value continued

Inputs and valuation techniques continued

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

<table>
<tr><th>Item and description</th><th>Valuation technique</th><th>Main inputs and assumptions</th></tr>
<tr><td>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.</td><td>Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include:
• discounted cash flow model
• Black-Scholes model
• combination technique models.</td><td rowspan="4">For level 2 and 3 fair value hierarchy items:
• discount rate*
• spot prices of the underlying
• correlation factors
• volatilities
• dividend yields
• earnings yield
• valuation multiples.</td></tr>
<tr><td>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.</td><td rowspan="3">Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial asset being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.</td></tr>
<tr><td>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.</td></tr>
<tr><td>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.</td></tr>
</table>

4. Fair value continued

Inputs and valuation techniques continued

Item and description	Valuation technique	Main inputs and assumptions
Loans and advances to banks and customers Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items: • discount rate*
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant to that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items: • discount rate*

* 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

Post-employment benefits

- Defined contribution plans
- Defined benefit plans

Short-term benefits

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contribution plans The group operates a number of defined contribution plans. See note 41 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 41 for more information.	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/(expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability). Other expenses (including current service costs) related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets

NON-FINANCIAL ASSETS

Tangible assets
- Property
- Equipment
- Land

Intangible assets
- Goodwill
- Computer software
- Other intangible assets

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Tangible assets (property, equipment, land and right of use assets) Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment losses. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated. 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 – 13 years Leased assets: Shorter of useful life or lease term. The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.	These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest cash generating units (CGUs). Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Goodwill Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest. Goodwill arising on the acquisition of subsidiaries (associates or joint ventures) is reported in the statement of financial position as part of 'Goodwill and other intangible assets' ('Interest in associates and joint ventures').	Not applicable	The accounting treatment is generally the same as that for tangible assets except as noted below. • Goodwill is tested annually for impairment and additionally when an indicator of impairment exists. • An impairment loss in respect of goodwill is not reversed.
Computer software Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.	Amortisation is recognised in operating expenses on a straight-line basis at rates appropriate to the expected lives of the assets (two to 15 years) from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.
Other intangible assets The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in operating expenses as incurred. The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations. Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.	Amortisation is recognised in operating expenses on a straight-line basis over the estimated useful lives of the intangible assets, not exceeding 20 years, from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.	
Derecognition Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.		

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 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 the performance conditions are met.

9. Leases

<table>
<tr><th>Type and description</th><th>Statement of financial position</th><th>Income statement</th></tr>
<tr><td colspan="3">Lessee accounting policies</td></tr>
<tr><td rowspan="3">Single lessee accounting model
All leases are accounted for by recognising a right of use asset and a lease liability except for:
• leases of low value assets and
• leases with a duration of twelve months or less.</td><td>Lease liabilities:
Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:
• Amounts expected to be payable under any residual value guarantee
• The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised
• Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.</td><td>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.</td></tr>
<tr><td>Right of use assets:
Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
• lease payments made at or before commencement of the lease
• initial direct costs incurred and
• the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

The group applies the cost model (refer to accounting policy 6) subsequent to the initial measurement of the right of use assets.</td><td>Depreciation and impairment on right of use assets:
Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses. The accounting treatment for impairment of right of use assets is the same as that for tangible assets (refer to accounting policy 6).</td></tr>
<tr><td>Termination of leases:
When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.</td><td>Termination of leases:
On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.</td></tr>
</table>

9. **Leases** continued

<table>
<tr><th>Type and description</th><th>Statement of financial position</th><th>Income statement</th></tr>
<tr><td colspan="3">Lessee accounting policies continued</td></tr>
<tr><td>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.</td><td>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.</td><td>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.</td></tr>
<tr><td rowspan="2">Reassessment and modification of leases</td><td colspan="2">Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:
When the group reassesses the terms of any lease (i.e. it 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.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.</td></tr>
<tr><td colspan="2">Lease modifications that are accounted for as a separate lease:
When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.</td></tr>
<tr><td>Separating components of a lease contract</td><td colspan="2">The group has elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The practical expedient is applied to each class of underlying asset.</td></tr>
</table>

9. Leases continued

Type and description	Statement of financial position	Income statement
Lessor accounting policies		
Finance leases Leases, where the group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised. At the end of the lease term, these assets are reclassified from tangible assets to other assets and measured the lower of cost and net realisable value.	Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income. When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.
Lessor lease modifications		
Finance leases	When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

10. Equity

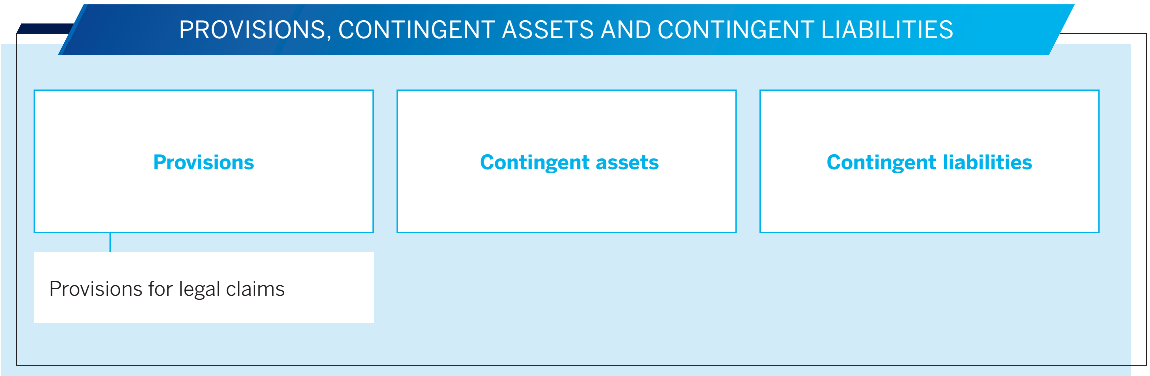
Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the annual financial statements.

11. Provisions, contingent assets and contingent liabilities



Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically (when applicable) include the following:

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

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. Taxation

TAXATION

Direct taxation

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax

- Current tax
- Deferred tax

Indirect taxation

Dividends tax

Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	Current tax is recognised in the direct taxation line in the income statement except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.	Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

12. Taxation continued

Type	Description, recognition and measurement	Offsetting
Direct taxation: deferred tax	Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences: • the initial recognition of goodwill • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses and • investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	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.
Indirect taxation	Indirect taxes comprising of non-recoverable value added tax, 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

13. Revenue and expenditure

REVENUE AND EXPENDITURE

Net interest income

Non-interest revenue

- Net interest income
- Net fee and commission revenue
- Trading revenue
- Customer loyalty programmes
- Dividend income
- Other gains/losses on financial instruments
- Other revenue

Description	Recognition and measurement
Net interest income	Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate. Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income. When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.
Net fee and commission revenue	Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance-based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

13. 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.
Other gains/ losses on financial instruments	Includes: • Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default) • The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI • Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value • Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost • Fair value gains and losses on designated financial liabilities • Fair value gains and losses on private equity or venture capital investment designated at fair value through profit or loss.
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.

14. Non-current assets and liabilities held for sale

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Non-current assets and liabilities 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).	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. In presenting the group's non-current assets and liabilities as held for sale, intercompany balances are eliminated in full.	OCI movements are presented separately.	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.

15. Other significant accounting policies

Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision 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.

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.

New standards and amendments not yet adopted

The following new standards, and amendments are not yet effective for the year ended 31 December 2021 and have not been applied in preparing these annual financial statements.

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 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, in which case the variable fee measurement approach (VFA) is used to measure the contract. 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 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 standard will not have an impact on the group's annual financial statements.

Title: IAS 1 Presentation of Financial Statements (amendments)

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. Pending the finalisation of the exposure draft on ED/2021/9 – Non-Current Liabilities with Covenants: Proposed Amendments to IAS 1, the effective date of all IAS 1 amendments will be deferred to 1 January 2024. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the group.

ANNEXURE G SIX-YEAR REVIEW

STATEMENT OF FINANCIAL POSITION

GROUP	CAGR %	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Assets							
Cash and balances with central banks	(1)	**32 255**	34 030	33 060	34 536	35 893	33 947
Derivative assets	(1)	**58 287**	110 350	66 392	50 471	73 552	60 878
Trading assets	16	**238 098**	211 658	186 090	161 330	131 024	113 155
Pledged assets	(1)	**1 975**	911	7 481	674	6 812	2 081
Financial investments	9	**144 037**	129 461	115 127	105 438	86 344	91 551
Current tax asset	2	**288**	154	201	132	122	264
Loans and advances	5	**1 203 254**	1 124 238	1 026 242	966 335	937 156	945 841
Other assets	15	**19 680**	19 002	13 436	10 914	10 616	9 681
Non-current assets held for sale		**265**		346			
Interest in associates, and joint ventures	7	**940**	744	1 227	1 017	864	667
Property equipment and right of use assets	5	**11 243**	12 449	12 983	10 284	8 448	8 637
Goodwill and other intangibles	(10)	**10 834**	12 465	16 236	17 106	17 746	18 354
Deferred tax asset	47	**3 918**	4 005	1 925	2 025	223	565
Total assets	6	**1 725 074**	1 659 467	1 480 746	1 360 262	1 308 800	1 285 621
Equity and liabilities							
Equity	4	**118 968**	106 224	106 717	101 200	104 338	96 290
Equity attributable to ordinary shareholders	2	**107 416**	98 352	101 177	97 650	100 791	96 285
Ordinary share capital		**60**	60	60	60	60	60
Ordinary share premium	4	**49 253**	49 253	45 188	44 388	43 638	41 138
Reserves	1	**58 103**	49 039	55 929	53 202	57 093	55 087
Other equity instruments	34	**11 488**	7 815	5 486	3 544	3 544	
Non-controlling interest	67	**64**	57	54	6	3	5
Liabilities	6	**1 606 106**	1 553 243	1 374 029	1 259 062	1 204 462	1 189 331
Derivative liabilities		**69 594**	112 138	65 710	51 748	77 665	68 422
Trading liabilities	12	**79 416**	75 231	77 647	58 867	59 595	44 261
Current tax liabilities	5	**5 021**	4 058	3 926	3 758	3 411	3 987
Deposits and debt funding	6	**1 406 202**	1 318 773	1 184 748	1 108 799	1 030 912	1 035 928
Subordinated debt	3	**23 738**	22 151	20 818	18 850	17 287	20 340
Provisions and other liabilities	6	**22 116**	20 879	21 146	17 019	15 577	16 375
Deferred tax liability	1	**19**	13	34	21	15	18
Total equity and liabilities	6	**1 725 074**	1 659 467	1 480 746	1 360 262	1 308 800	1 285 621

INCOME STATEMENT

GROUP	CAGR %	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Net interest income	1	**40 806**	39 472	41 581	39 831	41 520	39 445
Non-interest revenue	4	**32 241**	27 038	29 922	29 987	28 480	27 065
Net fee and commission revenue		**19 385**	18 937	20 991	21 185	20 356	19 778
Fee and commission revenue	1	**25 073**	24 231	26 617	26 603	25 306	24 447
Fee and commission expense	4	**(5 688)**	(5 294)	(5 626)	(5 418)	(4 950)	(4 669)
Trading revenue	6	**6 765**	5 157	5 331	5 358	5 344	4 944
Other revenue	12	**4 124**	2 472	3 151	2 922	2 780	2 343
Other gains and losses on financial instruments		**1 967**	472	449	522		
Total income	2	**73 047**	66 510	71 503	69 818	70 000	66 510
Credit impairment charge	2	**(7 814)**	(17 095)	(5 724)	(5 557)	(7 145)	(7 024)
Revenue sharing agreements	(16)	**(413)**	(435)	(614)	(772)	(726)	(1 015)
Income before operating expenses	2	**64 820**	48 980	65 165	63 539	62 129	58 471
Operating expenses	3	**(45 160)**	(41 875)	(42 644)	(41 660)	(40 372)	(38 460)
Net income before capital items and equity accounted earnings		**19 660**	7 105	22 521	21 879	21 757	20 011
Non-trading and capital related items	(31)	**(80)**	(3 040)	(341)	(383)	(191)	(524)
Share of profit from associates and joint ventures		**19**	26	40	129	187	(21)
Net income before indirect taxation		**19 599**	4 091	22 220	21 625	21 753	19 466
Indirect taxation	1	**(1 432)**	(1 313)	(1 345)	(1 418)	(1 301)	(1 381)
Profit before direct taxation		**18 167**	2 778	20 875	20 207	20 452	18 085
Direct taxation	(1)	**(3 620)**	924	(4 015)	(4 190)	(4 347)	(3 849)
Profit for the year		**14 547**	3 702	16 860	16 017	16 105	14 236
Attributable to non-controlling interest	58	**10**	5	4		(1)	1
Attributable to AT1 capital shareholders		**537**	420	458	322	165	
Attributable to non-controlling interests within SBG		**1 179**	734				
Attributable to ordinary shareholders	(2)	**12 821**	2 543	16 398	15 695	15 941	14 235

STATISTICS RETURNS AND CAPITAL ADEQUACY

GROUP	CAGR %	2021	2020	2019	2018	2017	2016
Headline earnings (Rm)	(2)	**12 877**	4 728	16 646	15 971	16 078	14 599
Net asset value attributable to ordinary shareholders (Rm)	(8)	**107 416**	98 352	177 870	165 027	173 897	160 483
Share statistics							
Number of ordinary shares in issue (thousands)							
Weighted average		**59 997**	59 997	59 997	59 997	59 997	59 997
End of period		**59 997**	59 997	59 997	59 997	59 997	59 997
Share statistics per ordinary share (cents)							
Basic earnings	(2)	**21 369**	4 237	27 331	26 160	26 570	23 726
Headline earnings per share	(2)	**21 463**	7 880	27 745	26 620	26 798	24 332
Ordinary dividend	(26)	**4 400**	5 160	18 600	22 985	24 334	19 668
Selected returns and ratios							
ROE (%)	(5)	**12.5**	4.8	16.9	16.7	16.6	15.8
Non-interest revenue to total income (%)	1	**44**	41	42	43	41	41
Average ordinary shareholder's equity to average total assets (%)	(3)	**6.3**	6.0	6.7	7.1	7.5	7.2
Loans-to-deposits ratio (%)	(1)	**85.6**	85.2	86.6	87.2	90.9	91.3
Cost-to-income ratio (%)	1	**62.2**	62.9	59.6	60.0	58.0	59.0
Credit loss ratio (%)	(2)	**0.68**	3.09	0.57	0.56	0.77	0.75
Effective tax rate (%)	(1)	**25.8**	9.5	24.1	25.9	26.0	26.9
Headline earnings per employee (rand)		**454 119**	162 911	562 783	504 422	497 124	445 008
Number of employees	(3)	**28 356**	29 022	29 578	31 662	32 342	32 805

COMPANY	CAGR[1] %	2021	2020	2019	2018	2017	2016
Capital adequacy							
Risk-weighted assets (Rm)	7	**772 054**	722 809	669 571	669 286	610 314	560 735
Tier 1 capital (Rm)[2]	5	**99 194**	90 620	84 150	88 734	86 408	76 866
Total qualifying regulatory capital (Rm)[2]	5	**123 052**	112 069	112 788	104 908	101 606	94 359
Tier 1 capital adequacy ratio (%)	(1)	**12.9**	13.0	14.0	13.5	14.2	13.7
Total capital adequacy ratio (%)	(1)	**16.0**	16.0	16.8	15.7	16.6	16.8
Headline earnings (Rm)		**12 877**	4 326	15 469	14 872	15 211	14 061
Rand exchange rates at 31 December							
US dollar	3	**15.89**	14.67	14.00	14.38	12.31	13.69
Sterling	5	**21.46**	20.04	18.42	18.31	16.55	16.94
Euro	5	**18.00**	18.01	16.16	16.44	14.70	14.42
Market indicators at 31 December							
Prime overdraft rate (%)	(8)	**7.25**	7.00	10.25	10.25	10.25	10.50
JSE[3] All Share Index	8	**73 709**	59 409	57 084	52 081	59 505	50 654
JSE[3] Banks Index	3	**8 823**	6 076	8 731	9 162	9 619	7 755

1 CAGR refers to compound annual growth rate for the period 2016 to 2021.
2 Including unappropriated profits.
3 JSE Limited, the licensed securities exchange in Johannesburg.

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