The Standard Bank of South Africa

ANNUAL REPORT 2017

Standard Bank Moving Forward™

CONTENTS

All our reports are available online at **www.standardbank.com/reporting**. Financial and other definitions, as well as a list of acronyms and abbreviations used in this report are also available online.

For the latest financial information, including the latest financial results presentations, booklets, Stock Exchange News Service (SENS) and results announcements, refer to our investor relations page at **www.standardbank.com/reporting** or scan the QR code to be taken there directly.

We welcome the views of our stakeholders on our reports. Please email your feedback to **InvestorRelations@standardbank.co.za.** You can also use this address to request printed copies of our reports.

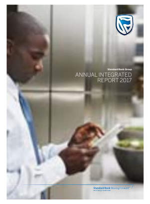
OUR REPORTING SUITE

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

References

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

Annual integrated report



Provides a holistic assessment of SBG's ability to create value. It considers the issues that are material to our commercial viability and social relevance, which are required to achieve our strategy in the medium to long term. These include the macroeconomic and socio-political conditions in which we operate. Where applicable, information in this report has been extracted from other publications in our reporting suite.

Frameworks* applied
- JSE Listings Requirements
- King Code
- <IR> Framework of the International Integrated Reporting Council

Assurance
Certain information in this report has been extracted from SBG's audited annual financial statements.

AIR

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

Report to society

An account of SBG's social, economic and environmental impacts and how these contribute to SBG's sustainability and its ability to achieve its purpose.

Our supplementary environmental, social and governance report, and our transformation report to society are available online.

Intended readers: the group's **broad base of stakeholders***, particularly clients, employees, business partners, regulators, government and civil society organisations.*

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

Assurance
KPMG Inc. has provided assurance over selected information in the report to society.

RTS

***Definitions:**

Banks Act – South African Banks Act 94 of 1990
Companies Act – South African Companies Act 71 of 2008
FTSE – Financial Times Stock Exchange
IFRS – International Financial Reporting Standards
JSE – Johannesburg Stock Exchange
King Code – King Report on Corporate Governance, also known as King IV
Group – The Standard Bank of South Africa group
SBSA – The Standard Bank of South Africa
SBG – The Standard Bank Group

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

Intended readers of the reports below: shareholders, debt providers and regulators.

Governance and remuneration report

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

Frameworks* applied
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code
- Basel III

Assurance
Certain information in the governance and remuneration report has been extracted from SBG's audited annual financial statements.

GOV REM

Annual financial statements

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

Frameworks* applied
- IFRS
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code

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

AFS

Risk and capital management report

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

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

RCM

This report

The Standard Bank of South Africa Limited annual report

As SBG's largest banking subsidiary, SBSA produces its own annual report and audited annual financial statements.

Frameworks* applied
- Various regulations, including Basel III
- IFRS
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code

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

AFS pg

The Standard Bank of South Africa Limited risk and capital management report

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

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

RCM

BACKGROUND TO THE STANDARD BANK OF SOUTH AFRICA AND THIS REPORT

OUR STRATEGY

Our strategy is centred on our commitment to Africa and directs our growth and evolution to the shared benefit of our clients, our people and all our stakeholders. Its purpose is to create direction, impart stability and foster ambition. It allows us to lead with purpose, to build a better business, and to position our footprint and platform for the future.

We serve the full value chain of clients in our domestic operation – from the basic to the most sophisticated financial services needs. In line with the Standard Bank Group's (SBG) strategic value drivers, our intention is to place our clients at the centre of everything we do. This provides us with the required focus on maintaining high standards of customer service and cost-effective delivery channels.

SBSA will continue to underpin SBG's sustainable growth by fulfilling its role as an integrated financial services organisation that facilitates the growth of the real economy and socioeconomic development in South Africa.

OUR PURPOSE

Africa is our home, we drive her growth.

Our vision is our medium-term aspiration: to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

SPECTRUM OF FINANCIAL SERVICES

SBSA's Personal & Business Banking division offers banking and other financial services to individual customers and small to medium-sized enterprises with its product offering, including transactional products, lending products, mortgage lending, card products, vehicle and asset finance and wealth.

SBSA's Corporate & Investment Banking division serves a wide range of requirements for banking, finance, trading, investment, risk management and advisor services and delivers this comprehensive range to client coverage; investment banking; global markets; and global transactional products and service offerings.

SBSA, as a major integrated financial services organisation, continues to facilitate the real economic activity which supports the country's socioeconomic development:

- SBG's largest operating subsidiary
- Wholly owned by SBG which is listed on the JSE since 1970
- Continues to be the main booking entity for SBG – as a result, SBSA cannot be viewed as a purely South African operation
- 155-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

SBSA group's contribution to SBG

- 69% of SBG's net interest income[1]
- 68% of SBG's total income[1]
- 62% of SBG's assets
- 68% of SBG's headline earnings[1,2]
- 63% of SBG's headline earnings[2]
- 86% of loans and advances[1]
- 59% of SBG's employees

[1] Based on SBG's banking activities.
[2] Based on SBSA's headline earnings as consolidated into SBG after taking into account an adjustment for certain share-based payment schemes which are accounted for on a cash-settled basis in SBSA but equity settled basis in SBG.

10 Key financial data is available in the financial review.

6 Key human capital data is available.

ABOUT THIS REPORT

This annual report includes SBSA group and company's audited annual financial statements, a financial review of SBSA's financial performance during 2017 and SBSA's corporate governance report. Given that SBSA is SBG's largest operating subsidiary, this annual report should be read together with SBG's reports as set out on page 2, in particular that of SBG's annual integrated report and SBG's governance and remuneration report.

OUR PEOPLE

EMPLOYEE HEADCOUNT

Overall staff turnover
8.8%
(2016: 8.6%)

Voluntary staff turnover
5.3%
(2016: 5.6%)

Number of employees

Permanent employees
32 342
(2016: 32 805)

Non-permanent employees
2 320
(2016: 2 343)

PERCENTAGE BLACK REPRESENTATION AT ALL MANAGEMENT LEVELS:

TOP MANAGEMENT[1]
34.1%
(2016: 22.2%)

SENIOR MANAGEMENT
43.1%
(2016: 40.7%)

MIDDLE MANAGEMENT
69.5%
(2016: 68%)

JUNIOR MANAGEMENT
87.5%
(2016: 86.6%)

PERCENTAGE BLACK WOMEN REPRESENTATION AT ALL MANAGEMENT LEVELS:

TOP MANAGEMENT[1] 9.1%
(2016: 9.4%)

SENIOR MANAGEMENT 18.1%
(2016: 16.5%)

MIDDLE MANAGEMENT 36.1%
(2016: 35.5%)

JUNIOR MANAGEMENT 59.9%
(2016: 59.4%)

Refer to footnotes on the following page.

SKILLS DEVELOPMENT INVESTMENT

TRAINING SPEND

	2017	2016
Training spend (Rm)	725	688
Training spend as a percentage of staff costs (%)	3.3	3.3
Number of employees trained	30 943	33 613
Number of women employees trained	19 534	21 173
Number of black employees trained	24 716	27 554

BURSARY SPEND

	2017	2016
Total bursary spend on employees (Rm)	23	14
Total number of employees assisted	934	724

LEADERSHIP DEVELOPMENT PROGRAMME PARTICIPATION

	2017	2016
Total number of participants	3 543	2 460
Number of black participants	2 392	1 768

BLACK ECONOMIC EMPOWERMENT (BEE) SCORE
113.68
(2016: 94.56)

Level 1 BEE CONTRIBUTOR[3]

YOUNG TALENT DEVELOPMENT INVESTMENT

GRADUATE PROGRAMME PARTICIPANTS

TOTAL GRADUATE DEVELOPMENT PROGRAMME PARTICIPANTS[2]
116
(2016: 174)

% BLACK GRADUATE PARTICIPANTS
89%
(2016: 81%)

FEMALE GRADUATES
46%
(2016: 46%)

LEARNERSHIP PROGRAMMES

SUCCESSFULLY COMPLETED LEARNERSHIPS[4]
771
(2016: 660)

NUMBER OF LEARNERSHIPS STARTED
808
(2016: 856)

1 The definition for top management changed in 2017.
2 This number denotes new intakes to the graduate development programme.
3 Based on the revised 2017 Financial Sector Broad-Based Black Economic Empowerment codes.
4 83% of whom were subsequently employed by SBSA (2016: 72%).

All information pertains to SBSA group as at 31 December 2017 and 2016, unless otherwise stated.

SUMMARY OF EMPLOYMENT EQUITY PROGRESS REPORT (ALL EMPLOYEES)[1]

	Male				Female				Foreign nationals		
Occupational levels	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	11	0	1	15	3	0	0	3	8	2	43
Senior management	278	120	351	1 002	204	92	228	531	140	69	3 015
Professionally qualified and experienced specialists and mid-management	1 530	485	815	1 232	1 478	636	932	1 182	203	106	8 599
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2 916	940	638	419	6 005	2 371	1 310	1 467	51	92	16 209
Semi-skilled and discretionary decision making	1 559	367	192	46	3 498	835	307	233	26	45	7 108
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
Total permanent	6 294	1 912	1 997	2 714	11 188	3 934	2 777	3 416	428	314	34 974
Temporary employees	133	11	4	16	219	18	13	12	5	3	434
Grand total	6 427	1 923	2 001	2 730	11 407	3 952	2 790	3 428	433	317	35 408

SUMMARY OF EMPLOYMENT EQUITY PROGRESS REPORT (PERSONS WITH DISABILITIES ONLY)[1]

	Male				Female				Foreign nationals		
Occupational levels	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	1	0	1	12	1	0	3	2	0	1	21
Professionally qualified and experienced specialists and mid-management	3	4	8	20	4	2	7	13	0	0	61
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	36	4	9	12	32	22	13	34	0	2	164
Semi-skilled and discretionary decision making	8	2	1	2	20	3	3	8	0	0	47
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
Total permanent	48	10	19	46	57	27	26	57	0	3	293
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	48	10	19	46	57	27	26	57	0	3	293

1 The employment equity progress is measured as at 30 September 2017. "Permanent employees" are as defined in the Labour Relations Act, which includes temporary staff that have been employed by SBSA group for more than three months.

A African   C Coloured   I Indian   W White

FINANCIAL REVIEW

"SBSA is at the core of the Standard Bank Group. Our pool of skilled bankers, insurers and asset managers enables us to fulfil our purpose to drive growth in South Africa and throughout this continent that we are proud to call home.

Considering the weak performance of the South African economy, combined with the high levels of political uncertainty and market volatility over the year, continued intense competition, and focus on maintaining our high market shares, SBSA did well to achieve a 10% increase in headline earnings and a return on equity of 16.6%."

Sim Tshabalala*
Chief executive

* Sim Tshabalala is the chief executive of SBG and was chief executive of SBSA until 15 January 2018.

10%

R16 078 million
HEADLINE EARNINGS
(2016: R14 599 million)

16.6%
RETURN ON EQUITY (ROE)
(2016: 15.8%)

"SBSA's results have continued to demonstrate our resilience and our ability to continue to improve our South African client offering in an environment that reflected low business confidence and a cautious approach to business activity during 2017."

Libby King
Chief financial officer

Results overview

Global macroeconomic conditions were positive during 2017, supporting increased trade volumes and underpinning global growth of 3.7% for the year. A benign inflation environment and low wage growth across most advanced economies resulted in slower than expected monetary policy tightening. Continued capital flows to emerging markets supported emerging market funding costs and currencies.

Growth in South Africa remained weak at 1.3%, continuing its deviation from the global trend. During the year, consumer and business confidence remained low as a result of the poor macro environment, and severe political and policy uncertainties. This was exacerbated by successive downgrades by the three largest credit rating agencies. As a consequence, demand for credit remained lacklustre, moderating from already subdued levels in 2016. Despite local sentiment, South Africa emerged from a technical recession in the second quarter and inflation re-entered the 3% to 6% target range, providing scope for a 25 basis point (bps) interest rate cut in July. The rand, although volatile, was on average stronger against the major currencies, as well as those of the key Africa Regions countries in which the Standard Bank Group (SBG) operates.

KEY FINANCIAL RESULTS AND RATIOS

	% change	2017	2016
Headline earnings (Rm)	10	**16 078**	14 599
Headline earnings per ordinary share (cents)	10	**26 798**	24 332
ROE (%)		**16.6**	15.8
Jaws (%)		**0.2**	(2.8)
Tier 1 capital adequacy ratio[1] (%)		**14.2**	13.7
Total capital adequacy ratio (%)		**16.6**	16.8
Common equity tier 1		**13.6**	13.7
Net asset value per ordinary share (cents)	8	**173 897**	160 483
Non-interest revenue to total income ratio (%)		**41.1**	41.0
Credit loss ratio (%)		**0.77**	0.75
Cost-to-income ratio (%)		**58.6**	59.0

[1] Tier 1 capital adequacy for SBSA company, including unappropriated profits.

BUSINESS UNIT PERFORMANCE

		Headline earnings		ROE	
	% change	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Personal & Business Banking	12	**12 416**	11 089	**23.7**	21.7
Corporate & Investment Banking	(1)	**5 517**	5 558	**15.1**	15.0
Other services	9	**(1 855)**	(2 048)	**(47.8)**	(>100)
Total	10	**16 078**	14 599	**16.6**	15.8

[1] Where reporting responsibility for individual cost centres and divisions within business units change, the segmental analysis of comparative figures are reclassified accordingly.

Personal & Business Banking (PBB)

PBB's headline earnings of R12 416 million was up 12% on 2016, driven by increases in net interest income of 6% and non-interest revenue (NIR) of 7% as well as a decline of 4% in credit impairment charges as a result of improved collection strategies and customer performance. This growth in earnings was partly offset by a 6% increase in operating expenses due to increased IT amortisation on strategic investments such as the core banking modernisation, combined with increased spend on marketing campaigns. Overall, PBB generated an ROE of 23.7% an improvement from the 21.7% reported in the previous year.

Net interest income increased to R32 billion, largely due to an increase in revolving credit portfolios and new mortgage loan business as the group continues to grow its market share in target markets. Net fee and commission revenue increased by 6% to R19 billion as a result of healthy volume-based increases in both card and electronic banking combined with pricing increases in transactional banking and card transactions. Other revenue increased 17%, driven largely by insurance-related income as a result of higher average premiums. The migration of client level data to new systems also allowed us to identify, and recover, NIR leakages from prior years.

Improved credit performance across secured lending products and card can be attributed to improved collections including early interventions and improved customer performance, coupled with lower mortgage loan write offs driven by amended strategies. This is partially offset by an increase in business lending impairments due to deterioration in the agricultural and commercial segments' credit performance, which saw an increase in watch list exposures and accounts entering business rescue. Overall, coverage levels were maintained.

As our journey to digitise the group and deliver an always-on and always there experience to customers continues to gain traction, PBB's staff complement declined by 1%, while the total square meterage (m2) of the branch network declined by a further 3% to 375 000m2 reducing our branch footprint almost 15% since 2010. PBB has around 2.2 million unique customers who are actively using digital channels as their preference, with more choosing to use our mobile banking offering than internet banking. Mobile banking transactions processed were 32% higher than in 2016. By contrast, teller and enquiry volumes in branches declined by 14% and 13% respectively.

PBB's Wealth business had a positive contribution due to growth in client deposit balances and higher average premiums as a result of the focused sale of higher value products in Standard Bank Insurance Brokers (SBIB).

Corporate & Investment Banking (CIB)

CIB recorded headline earnings of R5 517 million, down 1% on 2016, indicative of a challenging environment in South Africa.

Revenues were flat year on year, characterised by low business confidence and recessionary pressures for the greater part of the year. Investment Banking and Transactional Products and Services produced positive growth of 5% and 1% respectively while Global Markets was down 1% year on year as the market saw reduced volumes especially in foreign currency trading. The group experienced growth in the financial institutions, industrials and consumer sectors, while growth in power and infrastructure and mining and metals sectors was subdued following the downgrade of South Africa's sovereign risk.

Net interest income increased slightly by 2%, driven by higher margins in the cash management portfolio, offset by a decline in the average loan book for foreign currency denominated balances due to the stronger rand. Non-interest revenue declined 0.6% driven by lower advisory fees earned as a result of competition and less corporate deal activity. Credit impairment charges increased by 58% as a result of higher performing portfolio provisions on corporate exposures following deterioration in risk ratings on the back of the sovereign downgrades. Operating expenses increased by 4% due to staff costs. This was offset by a 5% reduction in other operating expenses. Overall, CIB's ROE improved to 15.1% from 15.0%.

Other services

Other services headline earnings loss reduced by 9% to R1 855 million largely due to the positive endowment impact on surplus capital and reserves, lower tier 2 funding costs and the recognition of gains on intangible assets sold to various Africa Regions countries.

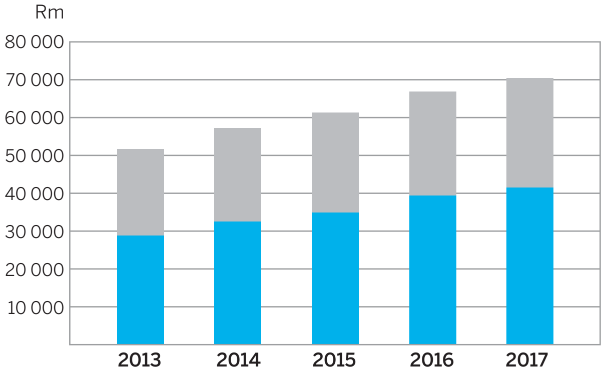
Income statement analysis

The income statement reflects the revenue generated by the group and costs incurred in generating that revenue.

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	% change	2017 Rm	2016 Rm
Net interest income	5	**41 520**	39 445
Non-interest revenue	6	**28 943**	27 429
Net fee and commission revenue	3	**20 819**	20 142
Trading revenue	8	**5 344**	4 944
Other revenue	19	**2 780**	2 343
Total income	5	**70 463**	66 874
Credit impairment charges	2	**(7 145)**	(7 024)
Specific credit impairment	2	**(6 796)**	(6 656)
Portfolio credit impairment	(5)	**(349)**	(386)
Income before revenue sharing agreements	(6)	**63 318**	59 850
Revenue sharing agreements	(28)	**(726)**	(1 015)
Income before operating expenses	6	**62 592**	58 835
Operating expenses	5	**(40 835)**	(38 824)
Net income before capital items and equity accounted earnings	9	**21 757**	20 011
Non-trading and capital related items	(64)	**(191)**	(524)
Share of profit/(loss) from associates and joint ventures	>100	**187**	(21)
Net income before indirect taxation	12	**21 753**	19 466
Indirect taxation	(6)	**(1 301)**	(1 381)
Profit before direct taxation	13	**20 452**	18 085
Direct taxation	13	**(4 347)**	(3 849)
Profit for the year	13	**16 105**	14 236
Attributable to other equity instrument holders	(>100)	**(165)**	
Attributable to non-controlling interest	>100	**1**	(1)
Attributable to the ordinary shareholder	12	**15 941**	14 235
Headline earnings adjustable items added	(62)	**137**	364
Headline earnings	10	**16 078**	14 599

Income contribution
CAGR[1] (2013 – 2017): 8%



1 Compound annual growth rate (CAGR).

Net interest income

Net interest income is the interest received on lending products and financial investments, less the interest paid on deposits, debt funding and subordinated debt.

This can be expressed as a ratio, net interest margin, which expresses our net interest income as a percentage of average interest earning assets. The movement in benchmark lending rates (most notably the prime lending rate in South Africa) and changes in the size and composition of loans and advances are key factors which cause net interest income to vary.

The group's net interest income increased by 5% to R42 billion during 2017, supported by higher balances in mortgage loans, revolving credit portfolios, business lending and other loans as well as positive endowment benefit. This growth was partly offset by lower average loans and advances to banks and corporate customers as a result of the stronger rand, repayments by several major customers and lower levels of new business.

Non-interest revenue

Non-interest revenue comprises net fee and commission revenue, trading and other revenue.

The net fee and commission revenue is closely linked to transactional banking volumes, which are a function of economic activity and competition for banking services. Trading revenue is a function of trading volumes and market volatility which affects trading spreads. Other revenue consists of other banking activity revenue, including property-related revenue and income derived from bancassurance agreements.

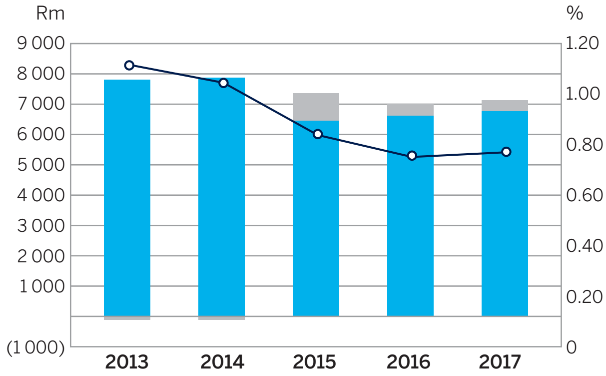
Non-interest revenue increased by R1.5 billion, or 6%, on the prior year with net fee and commission revenue up 3% to R21 billion, trading revenue increasing by 8% to R5 billion and other revenue increasing 19% to R3 billion.

Net fee and commission revenue growth of 3% was attributable to higher service fees, annual price increases and increased online volumes and higher arrangement, guarantee and custody related service fees. This growth was impacted by reduced client deal activity due to the subdued economic environment and a decrease in foreign currency service fees due to a stronger rand.

Trading revenue growth of 8% was largely driven by strong fixed income related revenue as a result of higher client trade volumes, but this was offset by lower currency income following reduced volume in South Africa. Trading revenue was further aided by the non-recurrence of the write-off of a Naira denominated debtor in the prior year.

The growth in other revenue was largely as a result of insurance-related dividends from SBIB, franchise and management fees charged to certain SBG Africa Region entities and favourable mark-to-market movements on investments.

Credit impairment charges
CAGR (2013 – 2017): (2%)



Credit impairment charges

Credit impairments represent the losses incurred as a result of the inability of our clients to repay their debt obligations to the group.

The credit loss ratio expresses impairment charges as a percentage of average loans and advances. It indicates how much, on average, of each rand lent by the group to customers and clients is not repaid during the year.

Credit impairment charges increased 2% to R7.1 billion and the group's credit loss ratio increased from 0.75% in 2016 to 0.77% in 2017. While the group's specific debt coverage ratio remained flat at 45%, the group's non-performing loans as a percentage of total loans increased to 3.1% from 3.0% in the previous year.

PBB's total impairment charge decreased by 4% to R6.3 billion and the credit loss ratio improved from 1.29% to 1.19% largely as a result of improved collection strategies and customer performance. PBB's specific debt coverage ratio and the non-performing loans as a percentage of total loans remained flat at 42% and 4.7% respectively. The reduction in the total impairment charge was a result of the performing portfolio provisions declining following intensified early collection strategies, improved payment capabilities, and the proactive detection and rehabilitation of accounts, but was partially offset by an increase in the specific impairment charge of 3.0% to R6.5 billion in the personal unsecured lending and business lending portfolios.

CIB's total impairment charges increased during the year by R306 million to R838 million, with performing loan provisions increasing by R358 million and specific impairments decreasing by R52 million. CIB's specific debt coverage ratio and the non-performing loans as a percentage of total loans increased to 68% and 1% from 66% and 0.9% respectively. These changes were attributable to the reclassification of certain previously non-performing exposures to watch list.

The increase in the performing portfolio provision was also impacted by the deterioration in risk grading of clients in the power and infrastructure, mining and metals and consumer sectors following the downgrade of South Africa's sovereign risk.

Revenue sharing agreements

Revenue sharing agreements are agreements that allow for the sharing of income with other SBG companies.

Revenue sharing agreements reduced by 28% partly as a result of the stronger rand as well as a lower component of staff costs from SBG's international subsidiaries.

Non-trading and capital related items

Non-trading and capital related items comprise gains and losses on the disposal of businesses, disposal-related gains and losses on property, plant and equipment and intangible assets and other items of a capital-related nature.

A loss of R191 million was recognised in the current year compared to a loss of R524 million in 2016. Included in this loss is the impairment of certain intangible assets of R283 million as a result of components which had become obsolete, which was partially offset by the profit on the disposal of core banking assets to SBG's Africa Regions of R80 million as well as profits on the disposal of various items of property and equipment. These items have been excluded from headline earnings.

Operating expenses

Operating expenses represent the costs that the group incurs to generate current and future revenues.

Inflation and foreign exchange rates are key external variables that impact operating expenses, as well as the impact of changes in the SBG share price on its share-based payment schemes. Many internal factors also affect the growth in operating expenses, such as the number of employees and investments in infrastructure.

Operating expense growth was well contained at 5% due to focused attention from management, while ensuring continued investment for future growth. Revenue growth for the year slightly exceeded cost growth, as measured by our jaws ratio of 0.2%, an improvement from a negative 2.8% in 2016. The group's cost-to-income ratio also improved slightly to 58.6% from 59.0% in the previous year.

	% change	2017 Rm	2016 Rm
Staff costs	5	**22 038**	20 913
Other operating costs	5	**18 797**	17 911
Total operating expenses	5	**40 835**	38 824
Cost to income ratio (%)		**58.6**	59.0

Staff costs

Staff costs grew by 5% to R22 billion mainly due to annual salary increases and higher variable costs associated with the group's share schemes as a result of the increase in the SBG share price. The impact of this increase was mitigated by equity-based hedges in place. The increase in staff costs was also partly offset by a slight reduction in the number of permanent employees as well as lower non-permanent related employee costs.

Other operating expenses

Other operating expenses were 5% up on the previous year on the back of increases in IT costs, amortisation, marketing and premises costs. IT costs increased due to higher maintenance costs, licensing fees and other system spend as well as costs associated with the upgrading of ATM data lines to fibre. Amortisation cost increased following the go-live of several core-banking systems. Marketing costs were higher due to the launch of several campaigns including the 'What's your next!' and Shyft campaigns as well as an increase in the costs associated with UCount, the group's customer loyalty programme, linked to an increase in transaction volumes and a higher account base. Premises costs increased mainly due to annual lease increases. These increases were partially offset by lower operational costs, notably due to the non-recurrence of the Japan card fraud incident in the prior year.

Balance sheet analysis

The balance sheet or statement of financial position reflects what the group owns, owes and the equity that is attributable to the shareholder.

GROUP BALANCE SHEET AS AT 31 DECEMBER 2017

	% change	2017 Rm	2016 Rm
Assets			
Cash and balances with the central bank	6	**35 893**	33 947
Derivative assets	19	**71 542**	60 074
Trading assets	18	**126 283**	107 442
Pledged assets	>100	**6 812**	2 081
Financial investments	(6)	**86 344**	91 551
Current tax asset	(54)	**122**	264
Loans and advances	(2)	**900 895**	920 406
Other assets	13	**8 492**	7 493
Interest in SBG companies, associates and joint ventures – banking activities	32	**46 000**	34 807
Property and equipment	(2)	**8 448**	8 637
Goodwill and other intangible assets	(3)	**17 746**	18 354
Deferred tax asset	(61)	**223**	565
Total assets	2	**1 308 800**	1 285 621
Equity and liabilities			
Equity	8	**104 338**	96 290
Equity attributable to the ordinary shareholder	5	**100 791**	96 285
Ordinary share capital		**60**	60
Ordinary share premium	6	**43 638**	41 138
Reserves	4	**57 093**	55 087
Other equity instruments	>100	**3 544**	
Non-controlling interest	(40)	**3**	5
Liabilities	1	**1 204 462**	1 189 331
Derivative liabilities	9	**72 989**	67 104
Trading liabilities	42	**38 240**	26 976
Current tax liability	(14)	**3 411**	3 987
Deposits and debt funding	3	**962 920**	937 038
Liabilities to SBG companies	(19)	**95 416**	117 983
Subordinated debt	(15)	**17 287**	20 340
Provisions and other liabilities	(11)	**14 184**	15 885
Deferred tax liability	(17)	**15**	18
Total equity and liabilities	2	**1 308 800**	1 285 621

Derivative assets and liabilities

The group transacts derivatives on behalf of its clients and hedges those positions by means of derivatives with other market participants.

The group's participation in derivative transactions is primarily a flow-based business in terms of which a margin is earned, it also enters into derivatives to hedge its own underlying risk, notably that of interest rate risk in its lending book and equity risk with respect to the share schemes which are referenced to SBG's share price.

Derivative assets and liabilities increased during the year by 19% and 9% respectively as a result of an increase in market volatility and exposures with other financial institutions.

Financial investments, trading and pledged assets and trading liabilities

Financial investments principally comprise listed and unlisted equity instruments, government and corporate debt listed on a recognised exchange, as well as other regulatory prescribed instruments that the group is required to hold.

The group's trading assets and liabilities comprise those assets and liabilities held for short-term purposes to realise gains as a result of changes in underlying market variables.

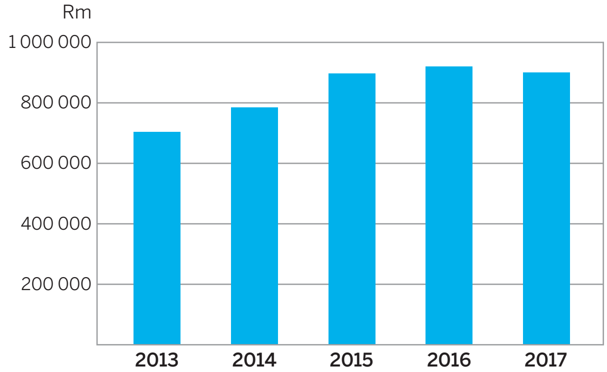
Pledged assets are those assets provided by the group to other market participants as collateral for lending-related transactions. While these assets may be used by the market participants for their own purposes, the assets are required to continue to be recognised on the group's balance sheet.

Financial investments decreased 6% to R86 billion mainly as a result of a decline in the fair value of government bonds as well as the maturity of certain government bonds. The decline was partly offset by an increase in listed debt investments following the conversion of debt loans to bonds.

Trading assets increased by 18% mainly driven by new deals with key clients and positive mark-to-market and forex movements following the strengthening of the rand against the USD and Euro.

Pledged assets increased by R4 billion to R6.8 billion due to a higher level of repurchase lending arrangements (liabilities). The assets, which have been reclassified to pledged assets, have been provided to the repurchase agreement counterparty as collateral.

Loans and advances
CAGR (2013 – 2017): 5%



Loans and advances

Loans and advances represent both the largest asset class on the group's balance sheet and the largest source of revenue in the form of interest income.

The group's lending business also creates cross-selling opportunities to earn trading fees and insurance-related revenues. Growing loans and advances within the group's accepted risk levels is, therefore, essential to growing revenue and within the personal market in particular, depends on the customers' ability to repay debt.

ANALYSIS OF LOANS AND ADVANCES

	% change	2017 Rm	2016 Rm
Personal & Business Banking	3	**536 491**	520 599
Mortgage loans	3	**329 975**	321 445
Vehicle and asset finance (VAF)	2	**72 727**	71 297
Card debtors	3	**31 694**	30 668
Other loans and advances	5	**102 095**	97 189
Personal unsecured lending	(2)	**38 810**	39 705
Business lending and other	10	**63 285**	57 484
Corporate & Investment Banking	(10)	**356 523**	396 149
Loans to banks	(24)	**89 570**	117 660
Loans to customers	(4)	**266 953**	278 489
Other services	22	**26 443**	21 754
Gross loans and advances	(2)	**919 457**	938 502
Credit impairments for loans and advances	3	**(18 562)**	(18 096)
Specific credit impairments	2	**(13 009)**	(12 762)
Portfolio credit impairments	4	**(5 553)**	(5 334)
Net loans and advances	(2)	**900 895**	920 406

Net loans and advances decreased by 2% to R901 billion in 2017, with PBB reporting growth of 3% while CIB's loans and advances declined by 10%.

In PBB, mortgage loans grew by 3% driven by a new marketing campaign. VAF loans increased by 2% linked to better integration within the dealer network. Card debtors grew 3% due to increased spend by existing customers, but offset by a marginal decline in the account base. The increase in business and other loans resulted from the group securing new public sector clients.

CIB's loans and advances decreased by 10% in 2017. Loans and advances to customers declined by 4% as clients settled facilitates earlier than planned as they delayed new investments. SBSA treasury management activities are reflected CIB's balance sheet through reverse repurchase lending and loans and advances to banks. Both these activities do not reflect client activity but rather treasury management activities. There was a decrease in reverse repurchase lending related loans with various international banks and customers. Other loans and advances to banks also declined driven by lower overnight lending.

Interest in SBG companies, associates and joint ventures and liabilities to SBG companies

The group's interest in SBG companies, associates and joint ventures and liabilities to SBG companies primarily comprises lending, borrowing and related transactional balances with fellow SBG subsidiaries, primarily in SBG's Africa Regions.

Interest in SBG companies, associates and joint ventures increased by 32% during 2017. The increase was primarily due to a higher loan funding to fellow SBG banking subsidiaries and favourable returns from the group's Safika associate. Liabilities to SBG companies declined mainly as a result of lower deposits from SBG's Channel Island subsidiaries.

Goodwill and other intangible assets

Goodwill and other intangible assets primarily comprise of computer software intangible assets developed to support the group's banking activities and provide the group with the ability to enhance client experience using digital platforms

Goodwill and other intangible assets decreased by 3% on the prior year, as a result of the amortisation of intangible assets brought into use during the year as well as the disposal of certain computer software intangible assets to SBG's Africa Regions entities.

Ordinary shareholder's funds and other equity instruments

The group's ordinary shareholder's equity comprises ordinary share capital and share premium as well as reserves (primarily retained reserves).

Other equity instruments comprises the group's Additional Tier 1 (AT1) capital bonds. The shareholder's equity and other equity instruments continue to support the progressively higher levels of regulatory and internal capital requirements required to comply with Basel III.

Ordinary shareholder's equity increased by 8% to R104 billion during the year. The increase was primarily a result of profit for year attributable to ordinary shareholders of R16 billion offset by dividends of R13.7 billion declared and paid to SBG.

The group maintained strong Basel III capital ratios during the year attributable to lower risk-weighted assets balance and increased internal capital generation. At 31 December 2017, SBSA's tier 1 capital adequacy ratio and total capital adequacy ratios were 14.2% and 16.6% respectively, both well above the regulatory and internal capital requirements.

During the year, the group issued its debut Basel III compliant AT1 capital bonds amounting to R3.5 billion to its shareholder, SBG. 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 relevant regulator (the SARB) that a write-off, without which the issuer would have become non-viable, is necessary, or a decision to make a public-sector injection of capital or equivalent support, without which the issuer would have become non-viable.

Deposits, current accounts, debt funding, subordinated debt, capital and liquidity

Deposits and debt funding provide the group with the means to lend to its clients.

This fulfils the group's role in connecting providers of capital with those that require additional capital and thereby contributing to the functioning of the broader financial system. The group pays interest on the funds borrowed and derives fee income from transactional activity with respect to its client deposits. The group's subordinated debt provides further funding for the group's growth requirements and importantly, qualifies as tier II capital.

Deposits and debt funding increased by 3% to R963 billion. This increase is mainly attributable to higher money market call deposits as a result of better returns offered to customers, higher term deposits following growth in balances and increased negotiable certificates to meet the group's net stable funding ratio (NSFR) requirements.

PBB's deposits and current accounts increased by 9% to R375 billion in 2017 largely due to an increase in current, cash management and call deposit accounts. Current accounts increased as a result of higher branch deposits, cash management accounts increased due to growth in business and commercial banking predominantly from existing clients.

Cash management, savings and investment portfolio balances also benefited from targeted marketing campaigns and reduced minimum investment balances, while call deposits increased following strong growth in retail priced deposits. In addition to this, term deposits increased 25% as a result of marketing initiatives to attract new customers.

CIB's deposits and debt funding decreased by 1% to R589 billion in 2017 mainly as a result of a decline in deposits from banks, following lower deposits from local banks and lower foreign deposits due to a strengthening rand. This decline was offset by an increase of 10% in negotiable certificates of deposit (NCDs) in response to a strategy to improve the group's NSFR ratio and liquidity optimisation as NCDs are more liquid than bonds and also less expensive.

During 2017, the bank maintained an average liquidity coverage ratio (LCR) of 99.8% which is comfortably above the minimum regulatory requirement of 80%. From 3 May 2018, the group will be required to comply with the Basel III NSFR disclosures. As at 31 December 2017, the NSFR ratio was above the required regulatory minimum of 100%.

Subordinated debt decreased by 15% year-on-year mainly due to the redemption of notes in January and December 2017 of R3 billion. The terms of the subordinated debt include a regulatory requirement similar to those of the AT1 capital bonds.

Closing

We are optimistic about the economic prospects in South Africa. We believe that the positive steps taken already by the ruling party subsequent to its leadership conference will improve business and consumer confidence. This positive sentiment, as well as pent-up demand, should begin to reflect in key economic indicators.

We will continue to support faster, more inclusive and more sustainable economic growth and human development in South Africa. In a tumultuous but ultimately auspicious year, it was necessary to spend considerable time on political economy issues. We think this is an obligation that flows directly from the group's Purpose and Values and as a commercial imperative in defence of our shareholders' interests. The group's cost structure, revenue possibilities, profitability and sustainability all depend very heavily on the political economy and, most of all, on the quality of the institutions responsible for South Africa's economic policy and governance.

In the face of fast-growing competition from established banks and new competitors, we maintain a relentless focus on three immediate priorities - to transform into a client-centred, digitally enabled, integrated universal financial services organisation.

We are in the final stages of our core banking journey, and by the end of the first quarter of 2018, 95% of our customers in South Africa will have been migrated onto our core banking platform. With this modernised platform in place, we will increasingly focus on front end solutions and innovation, the benefit of which should be experienced directly by our customers.

Above all, this year, and every year, we stand ready to serve our customers with consistent excellence, wherever they are and whatever financial services they require, online or in-person.

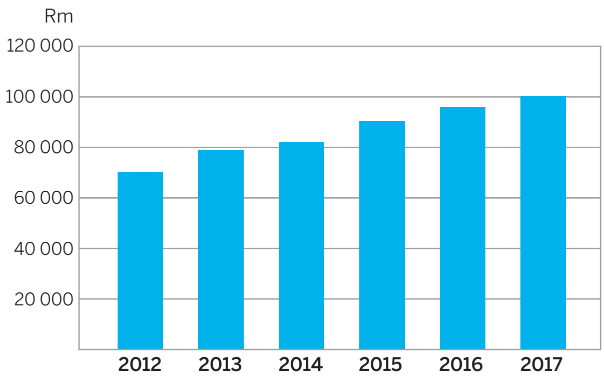
SIX-YEAR REVIEW

STATEMENT OF FINANCIAL POSITION

	CAGR[1] %	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Assets							
Cash and balances with the central bank	7	**35 893**	33 947	30 252	32 218	29 934	25 926
Derivative assets	(2)	**71 542**	60 074	100 356	54 062	59 974	78 844
Trading assets	29	**126 283**	107 442	63 282	51 436	35 574	35 685
Pledged assets	4	**6 812**	2 081	7 879	5 281	4 394	5 706
Financial investments	2	**86 344**	91 551	98 944	101 856	73 604	76 679
Current tax asset	(9)	**122**	264	242	313	286	191
Loans and advances	6	**900 895**	920 406	897 344	785 483	704 919	659 500
Other assets	(15)	**8 492**	7 493	9 003	7 470	11 623	18 960
Non-current assets held for sale							960
Interest in SBG companies, associates and joint ventures – banking activities	(5)	**46 000**	34 807	41 347	66 907	72 757	58 430
Property and equipment	(1)	**8 448**	8 637	8 931	9 085	8 989	8 895
Goodwill and other intangible assets	11	**17 746**	18 354	19 315	16 999	13 785	10 350
Deferred tax asset	54	**223**	565	58	40	38	26
Total assets	6	**1 308 800**	1 285 621	1 276 953	1 131 150	1 015 877	980 152
Equity and liabilities							
Equity	8	**104 338**	96 290	90 714	82 418	79 204	70 625
Equity attributable to the ordinary shareholder	7	**100 791**	96 285	90 714	82 412	79 201	70 562
Ordinary share capital		**60**	60	60	60	60	60
Ordinary share premium	4	**43 638**	41 138	40 138	36 296	36 296	35 196
Reserves	10	**57 093**	55 087	50 516	46 056	42 845	35 306
Other equity instruments		**3 544**					
Non-controlling interest	(46)	**3**	5		6	3	63
Liabilities	6	**1 204 462**	1 189 331	1 186 239	1 048 732	936 673	909 527
Derivative liabilities	(2)	**72 989**	67 104	120 857	66 298	65 813	81 744
Trading liabilities	12	**38 240**	26 976	24 625	22 709	20 424	21 221
Current tax liability	3	**3 411**	3 987	2 945	3 338	3 361	2 940
Deposits and debt funding	6	**962 920**	937 038	874 372	799 936	721 350	712 676
Liabilities to SBG companies	14	**95 416**	117 983	127 185	123 794	90 688	50 201
Subordinated debt	(5)	**17 287**	20 340	21 309	20 734	20 815	22 400
Provisions and other liabilities	(4)	**14 184**	15 885	14 403	11 691	14 084	17 573
Deferred tax liability	(55)	**15**	18	543	232	138	772
Total equity and liabilities	6	**1 308 800**	1 285 621	1 276 953	1 131 150	1 015 877	980 152

[1] CAGR refers to compound annual growth rate for the period 2012 to 2017.

Ordinary shareholder's equity – group

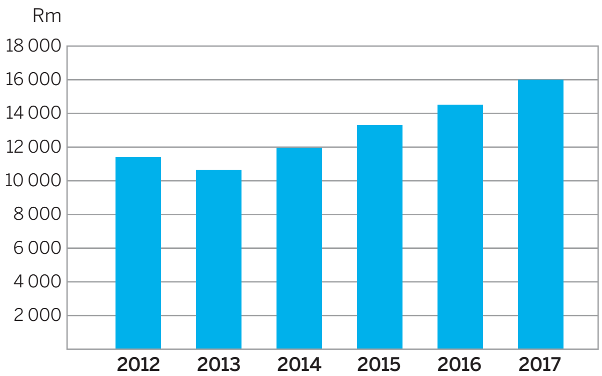


INCOME STATEMENT

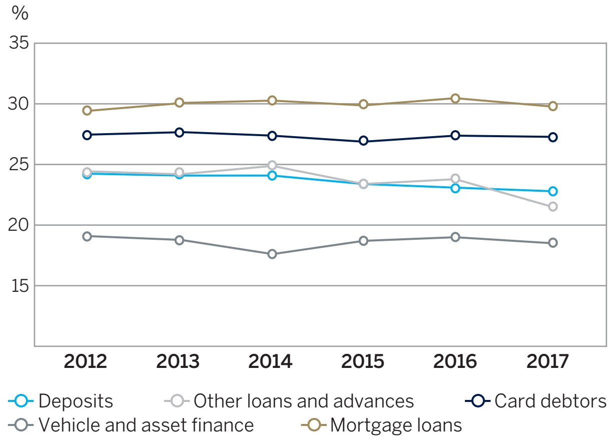
	CAGR[1] %	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Net interest income	10	**41 520**	39 445	34 958	32 492	28 888	25 249
Interest income	12	**98 226**	86 301	74 035	66 749	58 069	55 677
Interest expense	13	**(56 706)**	(46 856)	(39 077)	(34 257)	(29 181)	(30 428)
Non-interest revenue	6	**28 943**	27 429	26 347	24 725	22 848	22 032
Net fee and commission revenue	5	**20 819**	20 142	19 094	18 815	16 976	16 364
Fee and commission revenue	5	**25 306**	24 447	23 095	22 770	20 508	19 483
Fee and commission expense	8	**(4 487)**	(4 305)	(4 001)	(3 955)	(3 532)	(3 119)
Trading revenue	11	**5 344**	4 944	4 188	3 453	3 521	3 147
Other revenue	2	**2 780**	2 343	3 065	2 457	2 351	2 521
Total income	8	**70 463**	66 874	61 305	57 217	51 736	47 281
Credit impairment charges	4	**(7 145)**	(7 024)	(7 385)	(7 876)	(7 815)	(5 785)
Revenue sharing agreements	(15)	**(726)**	(1 015)	(1 125)	(1 759)	(1 646)	(1 642)
Income before operating expenses	9	**62 592**	58 835	52 795	47 582	42 275	39 854
Operating expenses	10	**(40 835)**	(38 824)	(34 693)	(31 211)	(27 956)	(25 496)
Net income before capital items and equity accounted earnings	9	**21 757**	20 011	18 102	16 371	14 319	14 358
Non-trading and capital related items		**(191)**	(524)	(1 234)	(475)	(287)	182
Share of profit/(loss) from associates and joint ventures	(23)	**187**	(21)	65	121	303	676
Net income before indirect taxation	7	**21 753**	19 466	16 933	16 017	14 335	15 216
Indirect taxation	6	**(1 301)**	(1 381)	(1 550)	(1 398)	(1 211)	(974)
Profit before direct taxation	8	**20 452**	18 085	15 383	14 619	13 124	14 242
Direct taxation	13	**(4 347)**	(3 849)	(2 904)	(2 942)	(2 608)	(2 347)
Profit for the year	6	**16 105**	14 236	12 479	11 677	10 516	11 895
Attributable to non-controlling interest	(38)	**(1)**	1	1	3	(21)	11
Attributable to other equity instrument holders		**165**					
Attributable to the ordinary shareholder	6	**15 941**	14 235	12 478	11 674	10 537	11 884

[1] CAGR refers to compound annual growth rate for the period 2012 to 2017.

Headline earnings – group



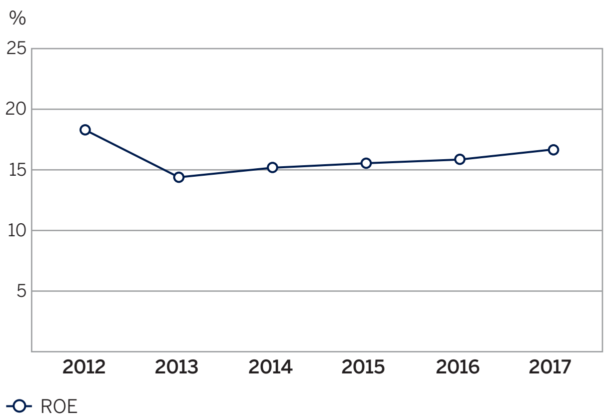
SBSA market share movements



STATISTICS, RETURNS AND CAPITAL ADEQUACY

	CAGR[1] %	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Group							
Headline earnings (Rm)	7	**16 078**	14 599	13 376	12 024	10 709	11 461
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	6	**26 570**	23 726	20 798	19 458	17 563	19 808
Headline earnings per share	7	**26 798**	24 332	22 294	20 041	17 849	19 103
Dividends	42	**23 812**	19 668	15 834	14 334	10 667	4 163
Net asset value	8	**173 897**	160 483	151 198	137 360	132 008	117 609
Selected returns and ratios							
ROE (%)		**16.6**	15.8	15.5	15.1	14.4	18.3
Non-interest revenue to total income (%)		**41.1**	41.0	43.0	43.2	44.2	46.6
Average ordinary shareholder's equity to average total assets (%)		**7.5**	7.2	7.2	7.4	7.5	6.6
Loans-to-deposits ratio (%)		**93.6**	98.2	102.6	98.2	97.7	92.5
Cost-to-income ratio (%)		**58.6**	59.0	57.6	57.0	56.0	54.5
Credit loss ratio (%)		**0.77**	0.75	0.84	1.04	1.11	0.89
Effective total taxation rate (%)		**26.0**	26.9	26.3	27.1	26.6	21.8
Headline earnings per employee (rand)	4	**497 124**	445 008	412 305	442 808	392 242	406 880
Number of employees	3	**32 342**	32 805	32 442	27 154	27 302	28 168
Return on average risk-weighted assets (%)		**2.6**	2.5	2.2	2.3	2.0	2.3

Return on equity – group

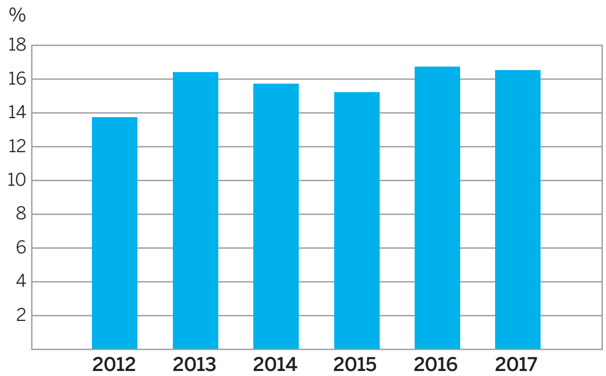


STATISTICS, RETURNS AND CAPITAL ADEQUACY

	CAGR[1] %	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Company							
Capital adequacy							
Risk-weighted assets (Rm)	3	**610 314**	560 735	580 944	513 856	489 045	528 266
Tier 1 capital (Rm)	9	**86 406**	76 866	70 550	63 312	62 379	55 988
Total capital (Rm)	7	**101 606**	94 359	88 943	81 027	80 680	72 694
Tier 1 capital adequacy ratio (%)[2]		**14.2**	13.7	12.1	12.3	12.8	10.6
Total capital adequacy ratio (%)[2]		**16.6**	16.8	15.3	15.8	16.5	13.8
Headline earnings (Rm)	6	**15 211**	14 061	12 721	11 738	10 279	11 140
Rand exchange rates at 31 December							
US dollar		**12.31**	13.69	15.50	11.57	10.49	8.48
Sterling		**16.55**	16.94	22.93	18.02	17.36	13.71
Euro		**14.70**	14.42	16.86	14.01	14.44	11.18
Market indicators at 31 December							
SA prime overdraft rate (%)		**10.25**	10.50	9.75	9.00	8.50	8.50
JSE[3] All Share Index	9	**59 505**	50 654	50 694	49 771	46 256	39 250
JSE[3] Banks Index	13	**96 187**	77 545	61 072	72 998	57 745	53 362

1 CAGR refers to compound annual growth rate for the period 2012 to 2017.
2 Including unappropriated profits.
3 JSE Limited, the licensed securities exchange in Johannesburg.

Total capital adequacy ratio – company



CORPORATE GOVERNANCE REPORT

22

CORPORATE GOVERNANCE OVERVIEW

The group's corporate governance approach promotes strategic decision-making that combines long- and short-term outcomes to reconcile the interests of the group, our stakeholders and society to create sustainable shared value.

Corporate governance is integrated across the group's operations. Through the group's governance framework, the board fulfils an oversight role and deliberates with executive management over strategic direction, financial goals, resource allocation and risk appetite. Management applies the tone set by the board and the governance philosophy, based on the group's values, as a set of principles and structures that enable the group to create shared value for all our stakeholders.

Our approach to corporate governance extends beyond compliance. We see corporate governance as an enabler that creates competitive advantage through enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership.

In line with this ambition, the King Report on Corporate Governance (King Code) has formed the cornerstone of our approach to governance. We support the overarching goals of King IV, being the creation of:

- ETHICAL CULTURE
- GOOD PERFORMANCE
- EFFECTIVE CONTROL
- LEGITIMACY

The board is satisfied with the group's application of the principles of King IV, and our application register is available online at **www.standardbank.com**, together with the SBG governance report.

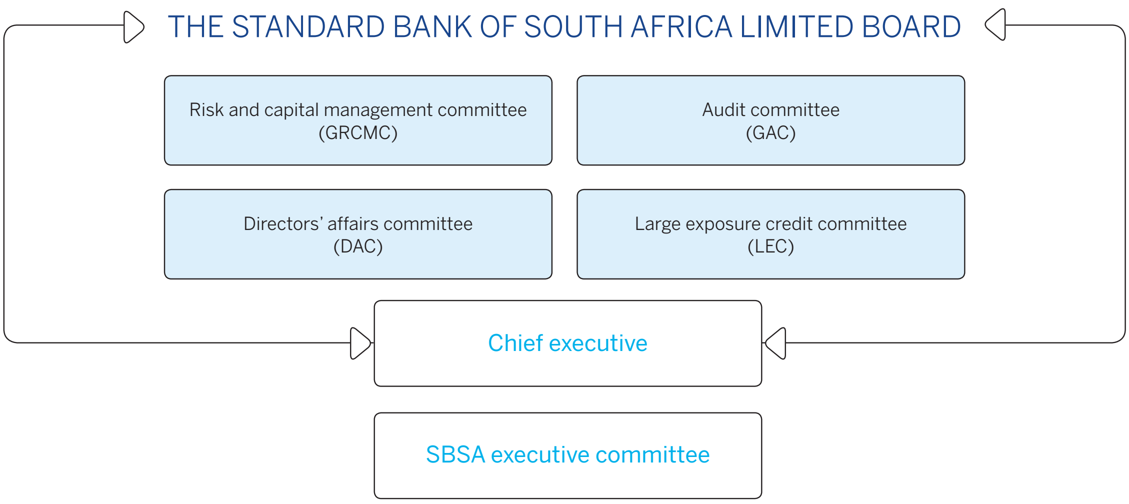
OUR GOVERNANCE FRAMEWORK

The group operates within a clearly defined board-approved governance framework, which outlines mechanisms for the group to implement robust governance practices and provides clear direction for decision-making across all disciplines. Through this framework the board has delegated the day-to-day management of the group to the chief executive without abdicating the board's responsibility.

The delegation of authority framework is reviewed annually in consultation with the group's finance function to ensure that financial limits remain appropriate, taking into account the size of the group and its specific operational context.

The group secretary monitors the effective implementation of the authority delegated to the chief executive and has confirmed that in the year under review, the chief executive (Sim Tshabalala) acted within the authority delegated to him by the board. The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority.

The chief executive engages the board on all critical decisions of the group. These engagements take place with mutual respect and candour. All board decisions are consistently based on ethical foundations.



OUR BOARD OF DIRECTORS

The board serves as the focal point for and custodian of the group's corporate governance. It is responsible for providing ethical and effective leadership to the group. It agrees the strategic direction and approves the policy frameworks used to measure organisational performance. This is achieved through transparent reporting on the part of management and active board oversight. The chief executive and the executive team deliver against agreed performance targets aligned to the group strategy and in the best interests of the group and its material stakeholders.

The board mandate details the board's role's and responsibilities. It reflects the principles incorporated in the Companies Act, Banks Act, the company's memorandum of incorporation (MOI), King IV, Basel Corporate Governance Principles for Banks, JSE Listings Requirements, and any applicable law or binding regulatory provisions. The mandate, which also specifies matters reserved for board decision, is reviewed at least annually together with an assessment of the board performance against its said provisions.

Board members are bound by the code of ethics and fiduciary duties owed to the company. Directors have the necessary competence and ethical character to discharge their duties, to provide strategic direction and control the group, as set out in the board mandate and the MOI.

The board is committed to acting in the best interests of the group, in good faith and without undue personal conflicts of interest. In making decisions, the board adopts a pragmatic approach to the group's core business, prudently evaluates the full range of inputs the group adopts and the impact of operating activities on these inputs, as well as the potential trade-offs between them.

As a financial services organisation, our ability to innovate is critical to remaining relevant to our clients. The board is committed to ensuring that the group remains agile to meet the changing needs of its clients and other stakeholders. The composition of the board is carefully reviewed to ensure it has the necessary skills to deliver on the group strategy and leverage opportunities.

The board monitors and holds the relevant executive accountable for the group's operational and financial performance. Management is open and transparent with the board and escalates concerns to its attention in the appropriate forums and in a timeous manner.

The role of chairman is separate from that of the chief executive. There is a clear division of responsibilities.

GOV REM For the group's comprehensive approach to corporate governance, refer to the SBG governance report.

CULTURE, ETHICS AND VALUES

The chairman and the board set the ethical tone for the group. The chief executive and the chief ethics officer are responsible for entrenching the group's values and code of ethics. The board, through the relevant board committees, requests and considers compliance reports by executive management, internal auditors and external auditors on measures implemented to ensure compliance with regulatory and other legislative requirements.

At an absolute minimum, we adhere to and comply with all the legal obligations of the jurisdictions in which we operate. Our subsidiary governance framework and the relevant group policies establish a common standard of corporate governance and conduct across the group.

OUR BOARD OF DIRECTORS

The group has a unitary board structure with:

- 1 independent non-executive chairman
- 4 non-executive directors
- 4 executive directors
- 10 independent non-executive directors

1. THULANI GCABASHE (60)
Chairman and independent non-executive director, SBG and SBSA
Appointed: 2003
Appointed chairman: 2015
DAC | GRCMC | LEC

2. HAO HU (55)
Deputy chairman, SBG and non-executive director, SBG and SBSA
Appointed: 2017
DAC | GRCMC

3. JACKO MAREE (62)
Deputy chairman, SBG and non-executive director, SBG and SBSA
Appointed: 2016
LEC | GRCMC

4. KGOMOTSO MOROKA (63)
Non-executive director, SBG and SBSA
Appointed: 2003
DAC | GRCMC

5. LUBIN WANG (44)
Non-executive director, SBG and SBSA
Appointed: 2017
DAC | GRCMC

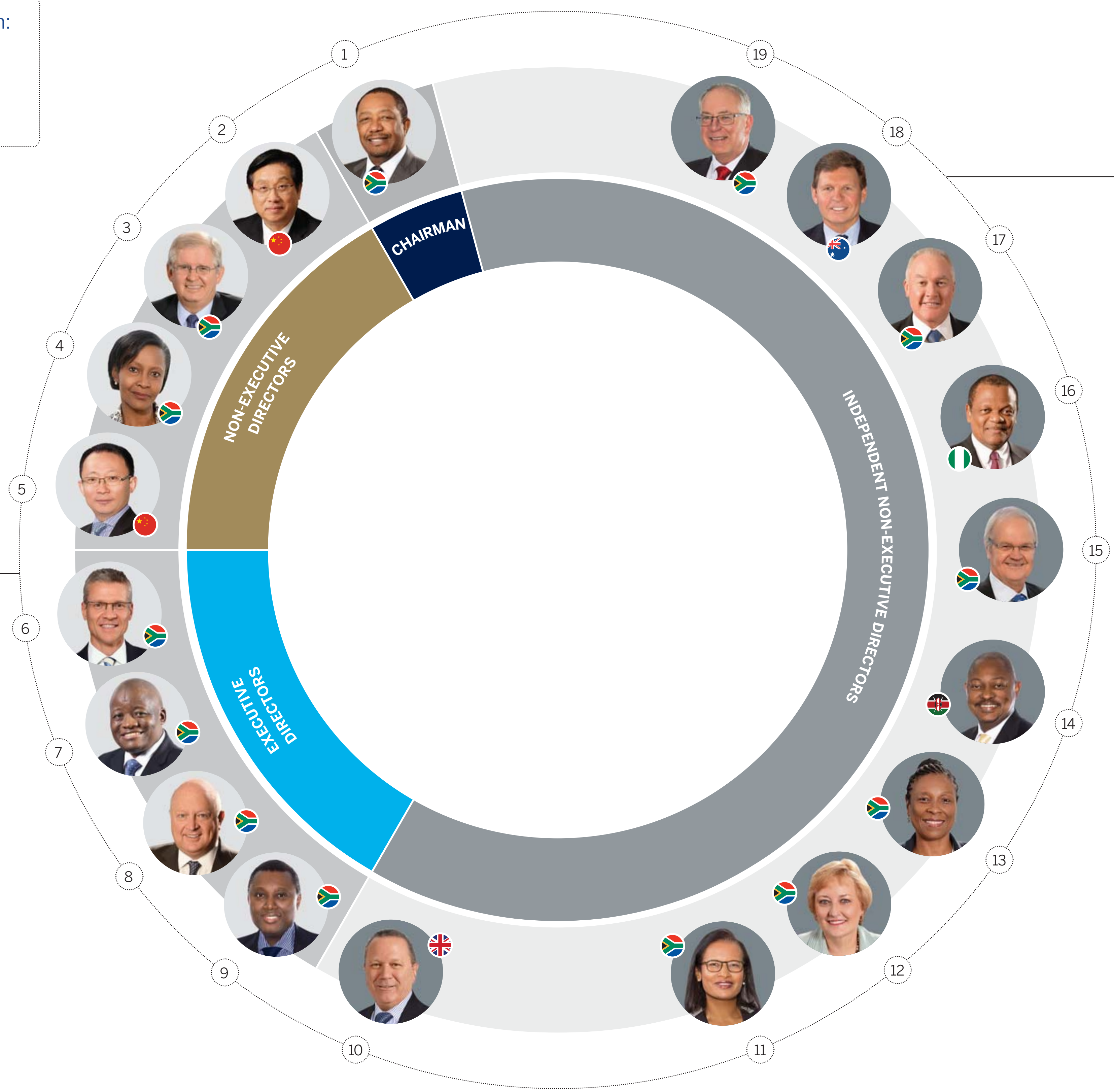
6. ARNO DAEHNKE (50)
Group financial director, SBG and executive director, SBSA
Appointed: 2016
LEC

7. LUNGISA FUZILE (51)
Chief executive, SBSA
Appointed: 2018
LEC

8. BEN KRUGER (58)
Executive director, SBG and SBSA
Appointed: 2013
LEC

9. SIM TSHABALALA (50)
Chief executive, SBG and executive director, SBSA
Appointed: 2008
LEC

10. RICHARD DUNNE (69)
Independent non-executive director, SBG and SBSA
Appointed: 2009
GAC | GRCMC



11. GERALDINE FRASER-MOLEKETI (57)
Independent non-executive director, SBG and SBSA
Appointed: 2016
DAC | GRCMC

12. TRIX KENNEALY (59)
Independent non-executive director, SBG and SBSA
Appointed: 2016
GAC | GRCMC

13. NOMGANDO MATYUMZA (55)
Independent non-executive director, SBG and SBSA
Appointed: 2016
GRCMC

14. MARTIN ODUOR-OTIENO (61)
Independent non-executive director, SBG and SBSA
Appointed: 2016
GAC

15. ANDRÉ PARKER (66)
Independent non-executive director, SBG and SBSA
Appointed: 2014
DAC | LEC

16. ATEDO PETERSIDE CON (62)
Independent non-executive director, SBG and SBSA
Appointed: 2014
GAC

17. MYLES RUCK (62)
Independent non-executive director, SBG and SBSA
Appointed: 2006
DAC | GRCMC | LEC

18. PETER SULLIVAN (70)
Lead independent non-executive director, SBG and independent non-executive director, SBSA
Appointed: 2013
GAC | GRCMC

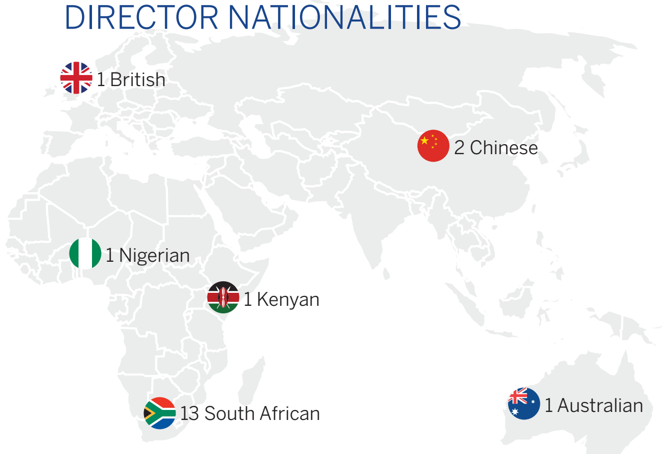
19. JOHN VICE (65)
Independent non-executive director, SBG and SBSA
Appointed: 2016
GAC | GRCMC

GOV REM For full CV details, refer to the SBG governance report.

GENDER

4 female 15 male

DIRECTOR NATIONALITIES



DEMOGRAPHICS

7 White
6 Black
6 Non-South African

AGE

1 Between 40 – 50 years
8 Between 50 – 60 years
10 Older than 60 years

TENURE OF NON-EXECUTIVE DIRECTORS

53% <3 years
20% 3 – 6 years
7% 6 – 9 years
20% >9 years

DAC Group directors' affairs committee | GAC Group audit committee | GRCMC Group risk and capital management committee
LEC Large exposure credit committee | ■ Committee chairman

2017 BOARD AGENDA AND FOCUS AREAS

During the year, the board held six meetings, including its annual two-day strategy meeting. The key focus areas that supported the group's value creation are listed below.

Focus areas for 2017

Strategy

- group strategy execution progress
- the five strategic value drivers
- global trends shaping the banking industry
- future of financial services and work in the digital world
- political economy in South Africa
- executive succession plans
- transformation.

Financial performance

- 2018 budget
- the group's four-year financial plan
- the group's solvency, liquidity and going concern status and proposed dividend payments
- financial impact of the changing regulatory landscape on capital ratios and operational costs.

Risk, conduct and oversight

- impact of cybersecurity
- supplier risk
- board effectiveness
- oversight and monitoring of risk profile against risk appetite
- governance standards to mitigate and control significant risks
- legislation and regulation updates
- conduct reporting and oversight.

Stakeholder engagement

- reports on allegations of widespread public and private sector corruption in South Africa, and its impact on the group's clients and service providers
- ethics management
- engagement with the Registrar of Banks and the SARB supervisory team
- feedback from stakeholder engagements
- contribution to the political economy.

Governance

- corporate governance, risk and capital management process and objectives
- delegation of authority framework
- director eligibility for re-appointment
- board composition
- subsidiary governance framework based on King IV.

BOARD MEETING ATTENDANCE

ROLE	ATTENDANCE AND ELIGIBILITY[1]	INDEPENDENT	APPOINTED
CHAIRMAN			
Thulani Gcabashe	6/6	Yes	1 July 2003, appointed chairman, 28 May 2015
EXECUTIVE DIRECTORS			
Arno Daehnke	6/6	–	1 May 2016
Lungisa Fuzile	0/0	–	15 January 2018
Ben Kruger	6/6	–	7 March 2013
Sim Tshabalala	6/6	–	1 June 2008
NON-EXECUTIVE DIRECTORS			
Richard Dunne	6/6	Yes	3 December 2009
Geraldine Fraser-Moleketi	6/6	Yes	21 November 2016
Hao Hu	4/4	No	1 June 2017
Trix Kennealy	6/6	Yes	21 November 2016
Jacko Maree	6/6	No	21 November 2016
Nomgando Matyumza	6/6	Yes	21 November 2016
Kgomotso Moroka	5/6	No	1 July 2003
Martin Oduor-Otieno	6/6	Yes	1 January 2016
André Parker	6/6	Yes	14 March 2014
Atedo Peterside CON	6/6	Yes	22 August 2014
Myles Ruck	6/6	Yes	15 August 2006
Peter Sullivan	6/6	Yes	15 January 2013
John Vice	6/6	Yes	21 November 2016
Lubin Wang	4/4	No	1 June 2017

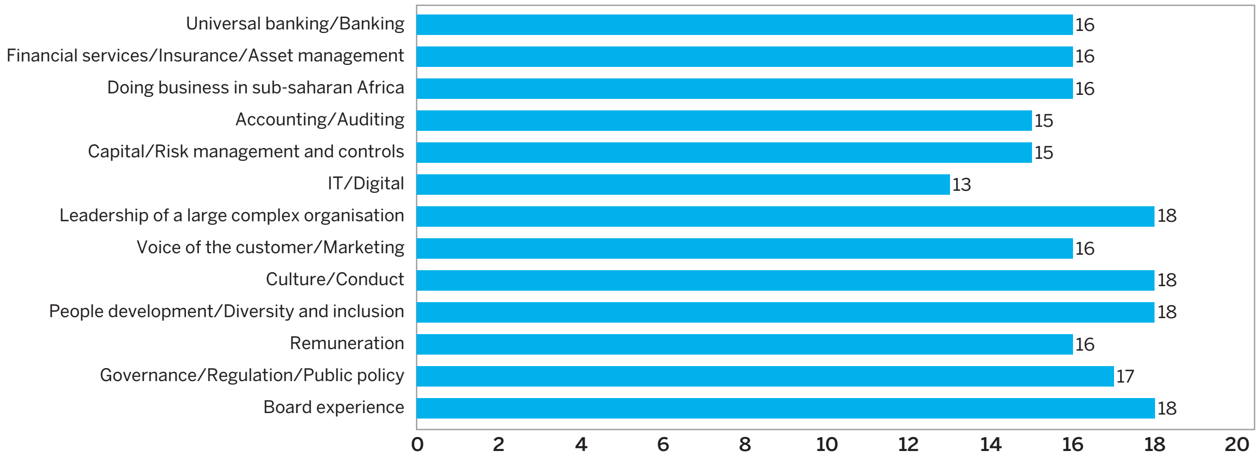
1 Eligibility based on appointment date.

COMPOSITION

We recognise that a balanced board is vital for sustainable value creation. The group has a unitary board, which is considered effective and appropriate for the size of the group. We believe that the board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationalities, experience, tenure and independence.

There is a clear division of responsibilities and no one director has unfettered powers, ensuring there is an appropriate balance of power.

SBSA Director Skills Matrix[1]



1 The skills matrix was assessed as at 31 December 2017. Lungisa Fuzile, appointed on 15 January 2018, is therefore not included in this assessment.

DIVERSITY

The board adopted a gender diversity policy in 2016 and set a target of 33% female representation on the board by 2020. The board has four women non-executive directors, making up 21% of the board.

The board continues to evaluate its implementation of its diversity policy and in line with the amended JSE Listings Requirements and King Code, it will approve the race diversity policy for its composition.

Efforts are underway to ensure that the board achieves its set targets by 2020.

BOARD REVIEW

The effectiveness of the board and its committees is assessed regularly. Externally facilitated board and board committee evaluations are performed every two years and internal self-evaluations performed every alternate year.

The 2017 board effectiveness review was facilitated internally by the group secretary and the chairman conducted individual director performance assessments. The board's effectiveness was assessed against the following areas:

- Group strategy and execution.
- Board composition.
- Ethics management and conduct.
- Executive management and succession.
- Risk, IT, data and compliance.
- Assurance functions.
- Transformation.
- Oversight over subsidiaries.
- Stakeholder engagement.
- Effectiveness of board committees.

The review concluded that the performance of the board and its committees, evaluated against these areas, is considered effective. The board is satisfied that the evaluation process is improving its performance and effectiveness.

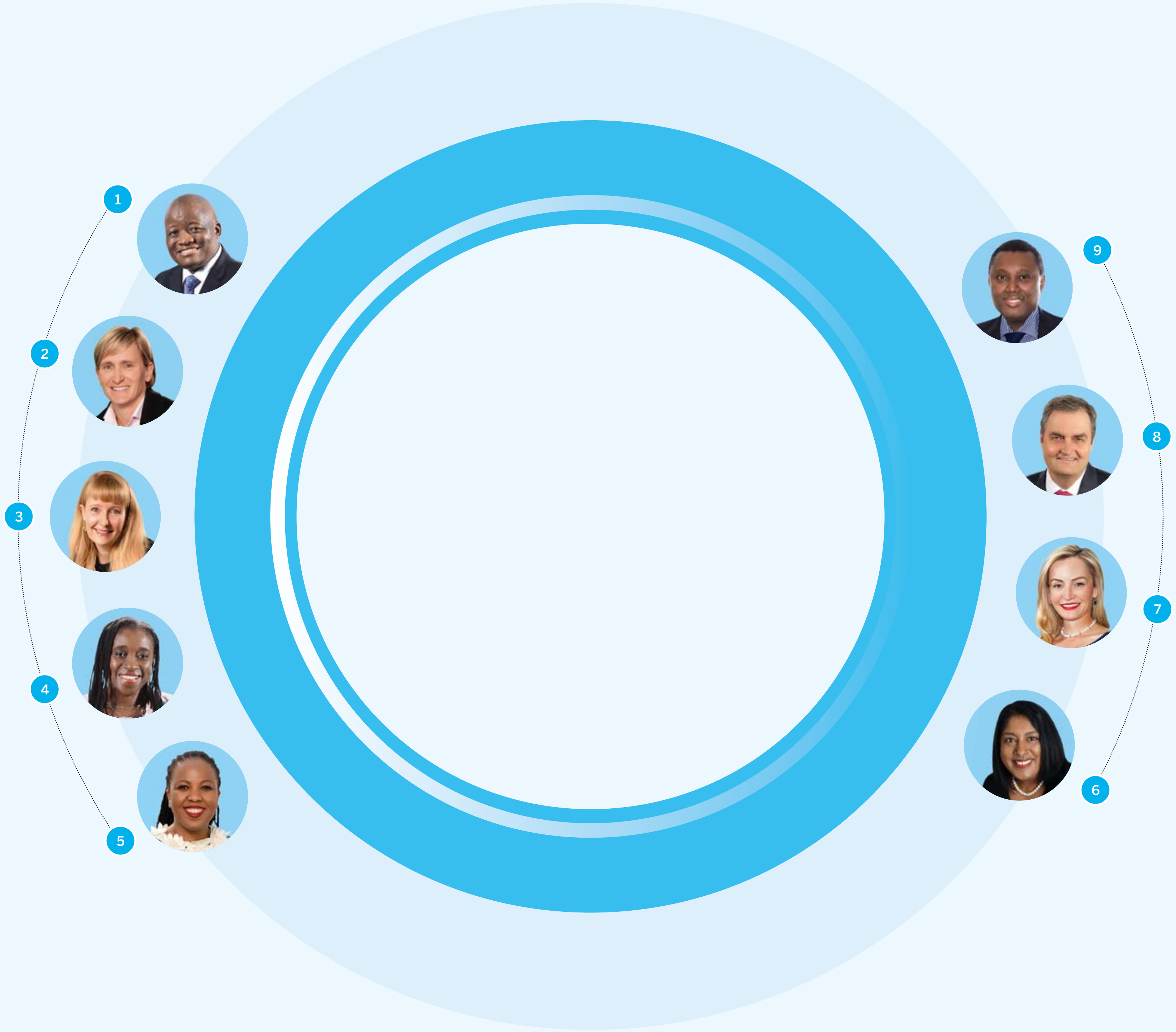
GOV
REM
For an overview of the evaluation results and action plans, refer to the SBG corporate governance report.

BOARD COMMITTEES

Directors' affairs committee	The committee met five times during the year and its responsibilities include: • Ensuring the appropriateness of the group corporate governance structures and practices. • Ensuring board continuity and succession planning. • Ensuring compliance with all applicable laws, regulations and codes of conduct and practices. • Assessing and ensuring the effectiveness of the board and its committees.
Group audit committee	The committee met five times during the year and its responsibilities include: • Monitoring and reviewing the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes. • Providing independent oversight of the group's assurance functions. • Reviewing the independence and effectiveness of the group's external auditors, and the internal audit and compliance functions. • Assessing the group's compliance with applicable legal, regulatory and accounting standards and policies. • Approving the group's external financial publications.
Group risk and capital management committee	The committee met four times during the year and its responsibilities include: • Providing independent and objective oversight and governance of risk and capital management. • Setting the direction for how risk and capital management should be approached and addressed in the group. • Reviewing and assessing the adequacy and effectiveness of the risk and capital management governance framework. • Reviewing and approving the risk appetite statement for the group's banking operations. • Reviewing risk management reports and monitoring the group's risk profile. • Evaluating and agreeing the opportunities and associated risks that the organisation is willing to take.
Large exposure credit committee	The committee met three times during the year and its responsibilities include: • Considering management reports recommending the approval and annual renewals of large exposures, as defined by the Banks Act. • Reviewing credit risks associated with exposure as well as the mitigating actions to be implemented in order to ensure the maintenance of effective risk management in the bank.

EXECUTIVE COMMITTEE

Our experienced leadership team continues to collaborate to deliver on our strategic objectives. Composition of the executive committee is based on both requirements and capabilities.



1. LUNGISA FUZILE (51)

Group chief executive, SBSA
Qualifications:
MCom (Natal), AMP (Harvard)

Lungisa Fuzile joined the group in January 2018 as chief executive of SBSA. Prior to his appointment, he had a 20-year career in public service. His most recent role was as director-general of the National Treasury where he was responsible for providing strategic leadership and direction to the successful execution of the legislative mandate of the National Treasury.

2. LIBBY KING (52)

Chief financial officer, SBSA, and head, finance operations
Qualifications:
BAcc(Wits), BCom (Wits), CA(SA)

Libby King joined the financial control department of Standard Corporate Merchant Bank (SCMB) in 1994, and was appointed head of the department in 1998. In 2008, she was appointed chief operating officer of CIB, South Africa. In 2011, Libby was appointed chief financial officer, SBSA.

3. ISABEL LAWRENCE (49)

Group chief compliance and data officer
Qualifications:
BA (Hons), LLM (RAU)

Isabel Lawrence joined the group's legal division in 1998 where she was responsible for legal risk and transacting for PBB. She was appointed head of the group legal in 2003 and was appointed group chief compliance officer in January 2012. In 2017, she was appointed data officer in addition to her current role.

4. DISEBO MOEPHULI (54)

Chief executive, CIB South Africa
Qualifications:
MBA (Finance) (Dalhousie), BA (Botswana, Lesotho and Swaziland)

Disebo Moephuli joined the group as chief executive officer of CIB South Africa. Prior to this, she was the chief corporate and regulatory officer (chief risk officer) at Transnet. Disebo previously worked for the SARB as head of financial markets and for Rand Merchant Bank in their interest rate and FX structuring businesses. She previously worked for the Development Bank of Southern Africa where she held the position of asset and liability manager, deputy treasurer, treasurer and exco member.

5. FUNEKA MONTJANE (39)

Chief executive, PBB South Africa
Qualifications:
BCom (Hons) (Wits), MCom (UJ), CA(SA)

Funeka Montjane joined the group in 2008 and was appointed chief financial officer of PBB South Africa. In 2010, she was appointed head of home loans PBB South Africa and appointed chief executive PBB South Africa in 2012.

6. MYEN MOODLEY (44)

Head of human capital
Qualifications:
Master's degree in industrial psychology

Myen Moodley joined the group in January 1997 and has held various roles in human capital across a range of business areas, including business operations and customer channels before being appointed as head of human capital for PBB South Africa in November 2012.

7. MARGARET NIENABER (44)

Chief executive, Wealth
Qualifications:
BCompt (Hons) (UFS), CA(SA)

Margaret Nienaber joined the group in 2010 as head of private clients South Africa. In 2013, she was appointed global head of Wealth and Investment (previously known as private clients). She was appointed chief executive of Wealth with effect 1 January 2017.

8. NEIL SURGEY (59)

Chief risk officer and group ethics officer
Qualifications:
BCom (UCT), AMP (Insead)

Neil Surgey joined the commercial banking division of Standard Bank in 2002 as a director in strategy and business support. He joined SCMB as director of finance and operations in 2003 and in 2006 was appointed as global chief operating officer of CIB. In 2010 he was appointed head of transactional products and services, CIB. He was appointed group chief risk officer in 2015.

9. SIM TSHABALALA (50)

Group chief executive, SBG, and executive director, SBSA
Qualifications:
BA, LLB (Rhodes), LLM (University of Notre Dame, USA), HDip Tax (Wits), AMP (Harvard)

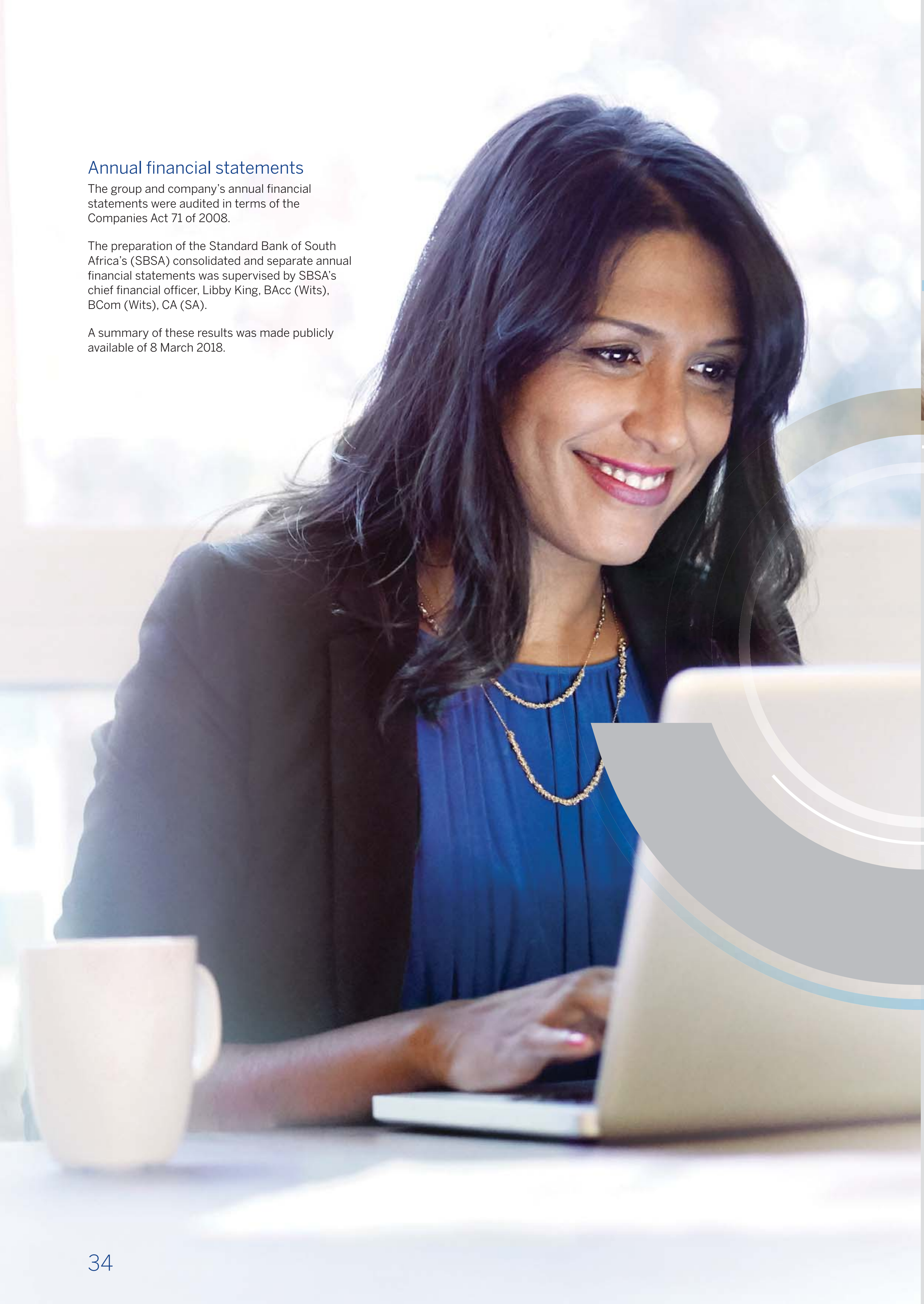
Sim Tshabalala joined the group in 2000 in the project finance division of SCMB and was appointed to group exco in 2001. Between 2001 and 2006, he was managing director of Stanbic Africa, and was appointed chief executive of PBB in 2006. In June 2008, he was appointed chief executive of SBSA. In March 2013, he was appointed joint group chief executive of SBG, a position he held alongside Ben Kruger until September 2017. In January 2018, Sim stepped down as chief executive, SBSA. He continues to serve as group chief executive of SBG and executive director, SBSA.

Annual financial statements

The group and company's annual financial statements were audited in terms of the Companies Act 71 of 2008.

The preparation of the Standard Bank of South Africa's (SBSA) consolidated and separate annual financial statements was supervised by SBSA's chief financial officer, Libby King, BAcc (Wits), BCom (Wits), CA (SA).

A summary of these results was made publicly available of 8 March 2018.



ANNUAL FINANCIAL STATEMENTS

34

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), and fairly present the affairs of the group and company as at 31 December 2017, and the net income and cash flows for the year then ended.

The directors are ultimately responsible for the group and company's internal controls. 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 group and company assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

Based on the information and explanations provided by management and the group's internal auditors, the directors are of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and to maintain accountability for the 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 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 2017 annual financial statements which appear on pages 50 to 204 were approved by the board on 7 March 2018 and signed on its behalf by:

Thulani Gcabashe
Chairman
7 March 2018

Lungisa Fuzile
Chief executive
7 March 2018

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 2017, 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
7 March 2018

REPORT OF THE GROUP AUDIT COMMITTEE

This report is provided by the audit committee (committee), in respect of the 2017 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 committee and, accordingly, the appointment of its members is approved annually by the board. Information on the committee's role and responsibilities; its composition, including members' qualifications and experience; the date of members' appointment to the committee; the number of meetings held during the year and attendance at those meetings; as well as key areas of focus during the reporting period is provided in greater detail in the corporate governance statement.

Execution of functions

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

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

- **In respect of the external auditors and the external audit:**
  - considered and recommended the reappointment of KPMG Inc. and PricewaterhouseCoopers Inc. as joint external auditors for the financial year ended 31 December 2017, in accordance with all applicable legal requirements
  - approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable
  - reviewed the audit process and evaluated the effectiveness of the audit, taking into consideration the results of an external audit assessment performed by the group's finance function
  - assessed and obtained assurance from the external auditors that their independence was not impaired
  - reviewed and approved the annual renewal of the group's Use of Joint Group Auditors for Non-Audit Services policy
  - through the chairman, approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount
  - considered the nature and extent of all non-audit services provided by the external auditors
  - monitored that the non-audit service fees for the year ended 31 December 2017 were within the threshold set by the 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 annual financial statements
  - examined and reviewed the annual financial statements prior to submission and approval by the board
  - reviewed reports 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 concerning any changes that were made to the models applied by management in determining such impairments
  - ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year
  - ensured that the 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
  - 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 JSE's 2017 report on proactive monitoring of compliance with IFRS of listed entities, noting that no material accounting or disclosure deficiencies were identified as part of the group's internal assessment of its financial statements relative to the findings in the JSE's report
  - reviewed and discussed the independent auditors' report.

In accordance with revised International Standards on Auditing, independent auditors' reports for financial years ending on or after 15 December 2016 are required to incorporate the reporting of key audit matters. 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, the group's accounting policies, as well as the annual financial statements, the committee took cognisance of the key audit matters as reported in the independent auditors' report. In addition, the 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
  - reviewed the group's progress in preparing for the adoption of IFRS 9 on 1 January 2018
  - with respect to IFRS 9, reviewed the results of the group's internal quantitative impact studies, as well as the results and external auditors' report of the group's IFRS 9 hard close audit process
  - reviewed the South African Reserve Bank's (SARB) feedback and findings from its IFRS 9 on-site meetings.

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

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

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

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

Independence, skills and expertise of the external auditors

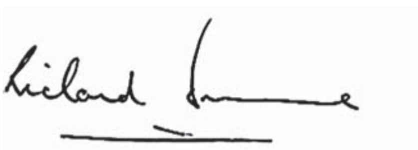
The committee is satisfied that KPMG Inc. and PricewaterhouseCoopers Inc. are independent of the group and that KPMG Inc. and PricewaterhouseCoopers Inc. and the partners who are responsible for signing the group's financial statements have the requisite skills and expertise. This conclusion was arrived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

- the representations made by KPMG Inc. and PricewaterhouseCoopers Inc. to the committee, including confirmation of the firms' and individual auditors' accreditation on the JSE List of Auditors
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the group
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor
- in accordance with regulatory requirements, the group's engagement partners rotated during 2016
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

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

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

On behalf of the group audit committee



Richard Dunne
Chairman, group audit committee
5 March 2018

DIRECTORS' REPORT

for the year ended 31 December 2017

Nature of business

SBSA 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 by 10% to R16.1 billion. Net asset value per share increased by 8% to 173 897 cents and group return on equity increased to 16.6% from the 15.8% in 2016.

A general review of the business and its operations is provided in the finance review on page 10.

Share capital

Ordinary shares

During 2017, one share was issued at a premium of R2.5 billion (2016: one share was issued at a premium of R1.0 billion).

Directors' and prescribed officers' interest in shares

At the date of this report, no directors or prescribed officers 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.

Dividends to the shareholder

Ordinary shares

On 2 March 2017, a dividend of R8.0 billion was declared to the shareholder recorded at the close of business on 17 March 2017, and paid on 20 March 2017.

On 17 August 2017, a dividend of R5.7 billion was declared to the shareholder recorded at the close of business on 5 September 2017, and paid on 8 September 2017.

On 8 March 2018, a dividend of R8.6 billion was declared to the shareholder recorded at the close of business on 6 April 2018, and payable on 9 April 2018.

Board of directors

The following changes in directorate have taken place during the 2017 financial year and up until 7 March 2018:

The Standard Bank of South Africa Limited

Appointments		
Dr H Hu	as director	1 June 2017
L Wang	as director	1 June 2017
L Fuzile	as director	15 January 2018

Resignations		
Dr S Gu	as director	1 June 2017
Dr W Wang	as director	1 June 2017
BS Tshabalala	as director	10 November 2017

Retirements		
EM Woods	as director	25 May 2017

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.

Post balance sheet event

Basel III compliant tier 2 bond issuance

On 7 February 2018 the group issued R3.0 billion Basel III compliant bonds that qualify as tier 2 capital. The capital notes are perpetual, non-cumulative with an issuer call option after a minimum period of five years and one day and on every coupon payment date thereafter. The payment dates are quarterly and the first call date is 13 February 2023.

The terms of the Basel III compliant tier 2 capital bonds include a regulatory write-off requirement similar to the AT1 capital bonds.

INDEPENDENT AUDITORS' REPORT

To the shareholder of The Standard Bank of South Africa Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

The Standard Bank of South Africa Limited's group ("consolidated") and company ("separate") financial statements, set out on pages 50 to 204, comprise:

- the consolidated and separate statements of financial position as at 31 December 2017;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- annexure A to F but excludes the sections marked as "unaudited" in annexure C.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of The Standard Bank of South Africa Limited (the company) and its subsidiaries (together the group) as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

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

Key audit matters

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

LEVEL	KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Group and company – *consolidated and separate financial statements*	**CREDIT IMPAIRMENT LOSSES ON LOANS AND ADVANCES** *(Refer to the Key management assumptions note, note 6 Loans and advances and note 31 Credit impairment charges and the Credit risk section of annexure C – Risk and capital management in the Annual financial statements.)*	
	Credit impairments relating to loans and advances, disclosed in note 6 Loans and advances, represent management's best estimate of the losses incurred within the loan portfolios at the balance sheet date. Credit impairments are calculated on a portfolio basis for loans of a similar nature and on an individual basis for significant loans. The Key management assumptions note in the financial statements sets out the basis, including the related judgements, for the calculation of portfolio and specific loan impairments. The impairment calculations are considered separately for Corporate & Investment Banking and Personal & Business Banking, as described further below. These impairment provisions are material to the group and company in terms of the value, subjective nature of the impairment calculations and the effect of these on the group's risk management processes and operations. This has resulted in this matter being identified as a matter of most significance in the current year audit of the consolidated financial statements.	Our audit included considering the appropriateness of accounting policies and evaluated the loan impairment methodologies across the group and company in order to compare these with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). We found that the accounting policies and loan impairment methodologies were in accordance with IAS 39.

LEVEL	KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Group and company *– consolidated and separate financial statements*	**Corporate & Investment Banking (specific loan impairments)** In Corporate & Investment Banking, a significant portion of the loans are assessed on an individual basis. Significant judgements, estimates and assumptions have been made by management in respect of the amount and timing of future cash flows, in particular the: • expected time to recover cash and collateral, • expected recoveries as a percentage of impaired loans.	**Corporate & Investment Banking (specific loan impairments)** We obtained an understanding and tested the relevant controls relating to the approval of credit facilities, the subsequent monitoring and remediation of exposures including collateral management and the evaluation of credit risk ratings. We evaluated management's process for identifying specific impairment based on IAS 39 guidelines relating to impairment indicators, the current macro-economic and global environment, industry factors and client specific factors identified from the review of credit records. Where specific impairments have been raised, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of impaired loans, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral. For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were evaluated against the group's and company's valuation guidelines, which are designed in accordance with the appropriate accounting standards. We also selected a sample of loans and advances that had not been identified as specifically impaired and formed an independent view about the appropriateness of the conclusions reached, including using external evidence to substantiate our views. Our testing found the methodology for the identification and valuation of specific impairments and the related judgements applied, to be reasonable and in accordance with the requirements of IFRS.

LEVEL	KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Group and company – *consolidated and separate financial statements*	**Personal & Business Banking (specific and portfolio loan impairments)** For Personal & Business Banking a significant portion of the impairment is calculated on a portfolio basis. Portfolio impairment provisions are predominantly determined using statistical models which incorporate observable data, assumptions and estimates. The models approximate the impact of current economic and credit conditions on the portfolio of loans. Management applies judgement in designing the models, analysing the observable data, determining appropriate assumptions and formulating estimates. Management also evaluates the overall portfolio provisions in light of industry specific economic conditions and other risk indicators present at the reporting date that correlate with recent loss rates observed with each portfolio. Specific emphasis is placed on the treatment of cured and renegotiated loans, accounts under debt review and post write-off recoveries. Significant judgements, estimates and assumptions have been made by management in respect of the emergence periods between the impairment event occurring and an individual or collective impairment being recognised.	**Personal & Business Banking (specific and portfolio loan impairments)** We have obtained an understanding and tested the relevant controls relating to the credit origination processes, the credit monitoring processes and credit remediation processes. For model-based portfolio impairments which considers the performing (which includes normal monitoring, close monitoring and early arrears exposures) and the non-performing book, with the assistance of our experts we evaluated: • The design and implementation of the models, including significant assumptions and the quality of the observable data used to derive model parameters in relation to our understanding of industry norms. • The current business practice and data outputs in terms of collection strategy, write-off and rehabilitation against policy as well as industry norms. • The reasonableness of the impairment model methodology used to determine the probability of default, loss given default and the emergence periods (together the "modelled parameters" excluding model parameter overrides) used to compute the performing portfolio provision in relation to their knowledge of the client and the industry. • The reasonableness of the loss rates estimated by management for the non-performing book allowing for the ageing of defaulted assets, the type of collection process followed as well as the impact of the treatment of renegotiated and cured loans in the impairment model in light of the South African Reserve Bank directive dealing with distressed credit in relation to their knowledge of the client and the industry. • The appropriateness of assumptions underlying additional portfolio provisions recognised by management, in light of recent economic events and circumstances that would not be reflected by the model. • In addition, the final reasonableness of the portfolio provision was evaluated by comparing it to our independent model. This model independently estimates the modelled parameters using the same modelling data as that of the group and company. For the testing approach adopted, we found the impairment model methodology used in both the performing and non-performing impairment model methodology to be reasonable. We also found that the related judgements made by management in their assessment of the additional portfolio provisions to be reasonable and the disclosures to be acceptable and in accordance with the requirements of IFRS.

LEVEL	KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER

Group and company *– consolidated and separate financial statements*

ASSESSMENT OF THE IMPAIRMENT OF COMPUTER SOFTWARE INTANGIBLE ASSETS

(Refer to the Key management assumptions note, note 10 Goodwill and other intangible assets and note 33 Non-trading and capital related items in the annual financial statements.)

The group and company has a substantial investment in recognised computer software intangible assets relating to various computer software that is currently being developed and/or has been brought into use.

As disclosed in note 10 Goodwill and other intangible assets in the financial statements, additional amounts were capitalised during the year as a result of further additions to strategic programs still under development. Furthermore, certain previously recognised intangible assets were impaired to reflect management's current outlook relating to the components of the software and its estimated utilisation.

The Key management assumptions note in the financial statements sets out the basis, including the related judgements, for the impairment of computer software intangible assets where impairment indicators have been identified.

Significant judgements, estimates and assumptions have been made by management in respect of:

- assessing the future economic benefits associated with additional costs capitalised in light of new technological developments, obsolescence and changes in the manner in which the software is used or expected to be used
- determining the recoverable amount of the recognised asset or cash generating unit, where indicators of impairment exist.

The recoverable amount of the group's and company's computer software intangible assets is based on value in use calculations. The significant estimates and assumptions made by management in determining the recoverable amount include:

- expected future cash flows to be derived from these assets and the related timing of the expected future cash flows
- determining the appropriate discount rate to utilise in the impairment calculation.

The extent of management judgement relating to the impairment of computer software intangible assets and the magnitude of this balance resulted in this matter being identified as a matter of most significance in the current year audit of the group's and company's financial statements.

As part of our audit, we have inspected the group's and company's capitalisation policy in terms of the requirements IAS 38 *Intangible Assets*.

We obtained an understanding and tested the design and implementation of the relevant management controls relating to the monitoring of cost capitalisation of computer software intangible assets.

These processes include controls over the approval and recognition of new computer software intangible assets, ongoing monitoring and review of estimated and actual spend relating to system development, review and sign off of impairment assessments and the approval of transfer of assets from "under construction" to "in use".

We inspected the cash projections used in the value in use calculations to evaluate if they reflected the most recently approved management budgets which informs management's best estimate of the future useful life of the computer software intangible assets. We evaluated the reasonableness of the key assumptions used in the calculation in light of our current understanding of the business and the economic conditions that are expected to exist over the remaining operational life of the computer software intangible assets.

We evaluated the significant assumptions used in determining the value in use which included an independent comparison to industry norms and evaluation of the discount rates applied.

For the testing approach adopted, we found that the methodology, inputs and related judgements applied by management in determining appropriate costs to be capitalised and the value in use of each significant project to be reasonable and in accordance with the requirements of IFRS.

LEVEL	KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Group and company – *consolidated and separate financial statements*	**IFRS 9 *FINANCIAL INSTRUMENTS* (ISSUED BUT NOT EFFECTIVE ACCOUNTING STANDARD)** Disclosure of the estimated impact of IFRS 9 *Financial Instruments* (IFRS 9), an accounting standard not yet effective at the reporting date, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. AFS 200 (Refer to annexure F of the annual financial statements)	
	IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) requires disclosure of the known or reasonably estimable information relevant to assessing the possible impact of adopting new standards that are not yet effective at the reporting date. This year, these disclosures include a discussion of the impact that initial application of IFRS 9 *Financial Instruments* (IFRS 9) is expected to have on the group's financial statements. IFRS 9 became effective for the group on 1 January 2018. The new standard will have a significant impact on the group, particularly in the calculation of credit loss impairments, and the South African Reserve Bank, as the South African banking regulator, is scrutinising the approach that banks have taken in preparing for the IFRS 9 transition. Management has established systems, processes, methodologies and controls during the 2017 financial year in order to ensure that the group is ready to implement IFRS 9 when it becomes effective. As part of the group's IFRS 9 transition project, management tested the group's readiness for the transition to IFRS 9 through a hard close process at the end of September 2017 by calculating the group's impairment loss using the impairment models that will be applied when IFRS 9 is effective. Given management's focus on preparing for the IFRS 9 transition and the group's state of readiness, we have applied significant audit effort in the current year in order to understand and test the systems and models that management have put in place in advance of IFRS 9, which supports our evaluation of the disclosures that management have provided to meet the requirements of IAS 8. Accordingly, this disclosure has been identified as a matter of most significance in the current year's audit of the consolidated financial statements.	In evaluating the required disclosures of the impact of the adoption of IFRS 9, we considered, and where necessary (as described below) tested the governance over the project, the implementation of the necessary systems, processes, methodologies and controls by the group. We considered the disclosures made with regard to the impact that IFRS 9's classification and measurement requirements are expected to have on the group's reserves as at 1 January 2018 based on our understanding of the new classification and measurement requirements of IFRS 9. For the expected credit loss impairment model we considered if the disclosure is consistent with our understanding of the requirements of IFRS 9 and the output of the group's impairments models, based on the work we performed on the group's readiness assessment at September 2017. This work included all the audit procedures that we would usually perform when auditing credit impairment models, including governance over model development, validation and approval as well as control testing, using our experts and evaluation of key judgements when performing the credit model testing. In this context, we considered the amount presented as the expected impact on the group's reserves on 1 January 2018. For the remainder of the disclosures made in relation to IFRS 9 we considered these in relation to our understanding of the decisions made by management as part of the group's IFRS 9 implementation project. For the testing approach adopted, we found the disclosure made by management in the current financial statements to be consistent with our understanding of the group's readiness in advance of the IFRS 9 transition and in accordance with the disclosure requirements of IFRS.

LEVEL	KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Group and company *– consolidated and separate financial statements*	**VALUATION OF LEVEL 3 FINANCIAL INSTRUMENTS** (Refer to the Key management assumptions note, note 2 Derivative instruments, note 3 Trading assets, note 5 Financial investments, note 13 Trading liabilities, note 19 Assets and liabilities at fair value, note 29 Trading revenue and the Market risk section of annexure C – Risk and capital management in the annual financial statements.)	
	The fair value of financial instruments significantly affects the measurement of profit and loss and disclosures of financial risks in the financial statements. Fair value calculations are dependent on various sources of external and internal data and on sophisticated modelling techniques used to value financial instruments disclosed as level 3 in the financial statements, which are evolving as markets become more sophisticated. Level 3 financial instruments measured at fair value for which there are no quoted market prices require significant judgements to be made by management in their valuation processes. Due to the significance of the judgements made in determining fair value and the extent of work required to address this matter, this has been identified as a matter of most significance in the current year audit of the consolidated financial statements.	Our audit included obtaining an understanding and testing of the relevant controls put in place to ensure that there is appropriate governance over valuation model development and changes. We evaluated whether the correct sources of external and internal data was used in the valuations and models' calculations. In particular, we evaluated key assumptions and modelling approaches used and recalculated gains or losses on significant exposures to evaluate the appropriateness of mark-to-model values. For our testing approach adopted, we found that the data inputs used, model methodology applied and the outputs of the model calculations to be reasonable and in accordance with the requirements of IFRS.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report, the report of the group audit committee and the group secretary's certification as required by the Companies Act of South Africa and the Directors' responsibility for financial reporting, the sections marked as "unaudited" in annexure C – Risk and capital management and the annual report for the year ended 31 December 2017 which was obtained prior to the date of this auditors' report. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

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

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

If, based on the work we have performed on the other information 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's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that based on available statutory records, KPMG Inc. and PricewaterhouseCoopers Inc. have been the joint auditors of The Standard Bank of South Africa Limited for 55 years.

KPMG Inc.

KPMG Inc.
Registered Auditor

Director: Heather Berrange
Chartered Accountant (SA)
Registered Auditor
85 Empire Road
Parktown
2193
7 March 2018

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor

Director: Stefan Beyers
Chartered Accountant (SA)
Registered Auditor
4 Lisbon Lane
Waterfall City
2090
7 March 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

		GROUP		COMPANY	
	Note	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Assets					
Cash and balances with the central bank	1	35 893	33 947	35 893	33 947
Derivative assets	2	71 542	60 074	71 542	60 076
Trading assets	3	126 283	107 442	126 283	107 442
Pledged assets	4	6 812	2 081	6 812	2 081
Financial investments	5	86 344	91 551	85 877	90 824
Current tax asset		122	264	122	262
Loans and advances	6	900 895	920 406	884 648	909 909
Other assets	7	8 492	7 493	8 345	7 318
Interest in SBG companies, associates and joint ventures – banking activities	8	46 000	34 807	59 354	42 091
Property and equipment	9	8 448	8 637	8 423	8 600
Goodwill and other intangible assets	10	17 746	18 354	17 652	18 285
Deferred tax asset	14	223	565	161	507
Total assets		1 308 800	1 285 621	1 305 112	1 281 342
Equity and liabilities					
Equity		104 338	96 290	101 690	94 500
Equity attributable to the ordinary shareholder		100 791	96 285	98 146	94 500
Ordinary share capital	11	60	60	60	60
Ordinary share premium	12	43 638	41 138	43 638	41 138
Reserves		57 093	55 087	54 448	53 302
Other equity instruments	11	3 544		3 544	
Non-controlling interest		3	5		
Liabilities		1 204 462	1 189 331	1 203 422	1 186 842
Derivative liabilities	2	72 989	67 104	72 989	67 106
Trading liabilities	13	38 240	26 976	38 240	26 976
Current tax liability		3 411	3 987	3 403	3 992
Deposits and debt funding	15	962 920	937 038	961 650	934 944
Liabilities to SBG companies	8	95 416	117 983	95 927	117 914
Subordinated debt	16	17 287	20 340	17 287	20 340
Provisions and other liabilities	17	14 184	15 885	13 926	15 570
Deferred tax liability	14	15	18		
Total equity and liabilities		1 308 800	1 285 621	1 305 112	1 281 342

INCOME STATEMENTS

for the year ended 31 December 2017

	Note	GROUP 2017 Rm	GROUP 2016 Rm	COMPANY 2017 Rm	COMPANY 2016 Rm
Net interest income		**41 520**	39 445	**40 434**	38 767
Interest income	25	**98 226**	86 301	**96 802**	85 276
Interest expense	26	**(56 706)**	(46 856)	**(56 368)**	(46 509)
Non-interest revenue		**28 943**	27 429	**28 006**	26 434
Net fee and commission revenue		**20 819**	20 142	**19 711**	19 054
Fee and commission revenue	27	**25 306**	24 447	**24 175**	23 331
Fee and commission expense	28	**(4 487)**	(4 305)	**(4 464)**	(4 277)
Trading revenue	29	**5 344**	4 944	**5 345**	4 985
Other revenue	30	**2 780**	2 343	**2 950**	2 395
Total income		**70 463**	66 874	**68 440**	65 201
Credit impairment charges	31	**(7 145)**	(7 024)	**(7 092)**	(6 962)
Revenue sharing agreements		**(726)**	(1 015)	**(726)**	(1 015)
Income before operating expenses		**62 592**	58 835	**60 622**	57 224
Operating expenses	32	**(40 835)**	(38 824)	**(39 886)**	(37 910)
Net income before capital items and equity accounted earnings		**21 757**	20 011	**20 736**	19 314
Non-trading and capital related items	33	**(191)**	(524)	**(191)**	(525)
Share of profit/(loss) from associates and joint ventures	8	**187**	(21)	**187**	(21)
Net income before indirect taxation		**21 753**	19 466	**20 732**	18 768
Indirect taxation	34	**(1 301)**	(1 381)	**(1 295)**	(1 373)
Profit before direct taxation		**20 452**	18 085	**19 437**	17 395
Direct taxation	34	**(4 347)**	(3 849)	**(4 198)**	(3 699)
Profit for the year		**16 105**	14 236	**15 239**	13 696
Attributable to non-controlling interest		**(1)**	1		
Attributable to other equity instrument holders		**165**		**165**	
Attributable to the ordinary shareholder		**15 941**	14 235	**15 074**	13 696
Basic earnings per ordinary share (cents)	35	**26 570**	23 726	**25 125**	22 828

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Profit for the year	**16 105**	14 236	**15 239**	13 696
Other comprehensive loss – net of taxation	**(389)**	(68)	**(382)**	(64)
Items that may be subsequently reclassified to profit and loss				
Exchange differences on translating foreign operations	**(295)**	(413)	**(288)**	(411)
Movements in the cash flow hedging reserve	**118**	149	**118**	149
Change in fair value of cash flow hedges	**316**	(1 128)	**316**	(1 128)
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**(198)**	1 277	**(198)**	1 277
Net change in fair value of available-for-sale financial assets	**25**	28	**25**	28
Items that may not be reclassified to profit and loss				
Defined benefit fund remeasurements	**(237)**	168	**(237)**	170
Total comprehensive income for the year	**15 716**	14 168	**14 857**	13 632
Attributable to the ordinary shareholder	**15 552**	14 167	**14 692**	13 632
Attributable to other equity instrument holders	**165**		**165**	
Attributable to non-controlling interest	**(1)**	1		

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

		GROUP		COMPANY	
	Note	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Net cash flows from operating activities		**16 035**	16 006	**15 993**	15 999
Net cash flows used in operations		**(21 625)**	(20 004)	**(20 736)**	(19 507)
Net income before capital items and equity accounted earnings		**21 757**	20 011	**20 736**	19 314
Adjusted for non-cash items and other adjustments included in the income statement[1]	38	**(30 008)**	(28 816)	**(28 995)**	(28 216)
Increase in income-earning assets[1]	38	**(23 853)**	(66 113)	**(24 415)**	(68 881)
Increase in deposits, trading and other liabilities[1]	38	**10 479**	54 914	**11 938**	58 276
Dividends received		**4 187**	3 916	**3 543**	3 573
Interest paid		**(57 010)**	(47 059)	**(56 672)**	(46 712)
Interest received		**94 828**	83 161	**94 055**	82 490
Direct taxation paid[1]		**(4 345)**	(4 008)	**(4 197)**	(3 845)
Net cash flows used in investing activities		**(2 909)**	(2 610)	**(2 874)**	(2 606)
Capital expenditure on property and equipment	9	**(1 542)**	(1 677)	**(1 535)**	(1 672)
Proceeds from sale of property and equipment		**63**	69	**46**	54
Capital expenditure on intangible assets		**(2 519)**	(3 551)	**(2 474)**	(3 537)
Proceeds from sale of intangible assets		**1 080**	2 433	**1 080**	2 433
Distributions from investments in associates and joint ventures	8	**9**	116	**9**	116
Net cash flows used in financing activities		**(10 885)**	(9 350)	**(10 885)**	(9 350)
Proceeds from issue of share capital to shareholder	11	**2 500**	1 000	**2 500**	1 000
Proceeds from issue of additional tier 1 capital to shareholder	11	**3 544**		**3 544**	
Subordinated debt issued	38		1 700		1 700
Subordinated debt redeemed	38	**(3 000)**	(2 750)	**(3 000)**	(2 750)
Dividends paid		**(13 929)**	(9 300)	**(13 929)**	(9 300)
Effects of exchange rate changes		**(295)**	(351)	**(288)**	(349)
Net increase in cash and cash equivalents		**1 946**	3 695	**1 946**	3 694
Cash and cash equivalents at the beginning of the year	1	**33 947**	30 252	**33 947**	30 253
Cash and cash equivalents at the end of the year	1	**35 893**	33 947	**35 893**	33 947

[1] The comparative figures for these line items have been restated to exclude certain non-cash flow related amounts. This restatement has no impact on the income statements or statements of financial position.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Note	Ordinary share capital and premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Available-for-sale reserve Rm	Share-based payment reserve Rm	Retained earnings Rm	Ordinary shareholder's equity Rm	Equity attributable to other equity holders[1] Rm	Non-controlling interest Rm	Total equity Rm
GROUP											
Balance at 1 January 2016		40 198	1 094	(92)	174	40	49 300	90 714			90 714
Total comprehensive (loss)/income for the year			(413)	149	28		14 403	14 167		1	14 168
Profit for the year							14 235	14 235		1	14 236
Other comprehensive (loss)/income after tax for the year			(413)	149	28		168	(68)			(68)
Transactions with the shareholder and non-controlling interest, recorded directly in equity		1 000				(33)	(9 563)	(8 596)		4	(8 592)
Equity-settled share-based payment transactions						(30)	(266)	(296)			(296)
Transactions with non-controlling shareholders										4	4
Issue of share capital and share premium		1 000						1 000			1 000
Transfer of vested equity options						(3)	3				
Dividends paid	37						(9 300)	(9 300)			(9 300)
Balance at 31 December 2016		41 198	681	57	202	7	54 140	96 285		5	96 290
Balance at 1 January 2017		**41 198**	**681**	**57**	**202**	**7**	**54 140**	**96 285**		**5**	**96 290**
Total comprehensive (loss)/income for the year			**(295)**	**118**	**25**		**15 704**	**15 552**	**165**	**(1)**	**15 716**
Profit for the year							**15 941**	**15 941**	**165**	**(1)**	**16 105**
Other comprehensive (loss)/income after tax for the year			**(295)**	**118**	**25**		**(237)**	**(389)**			**(389)**
Transactions with the shareholder and non-controlling interest, recorded directly in equity		**2 500**				**4**	**(13 550)**	**(11 046)**	**3 379**	**(1)**	**(7 668)**
Equity-settled share-based payment transactions						**7**	**147**	**154**			**154**
Transactions with non-controlling shareholders										**(1)**	**(1)**
Issue of share capital and share premium		**2 500**						**2 500**	**3 544**		**6 044**
Transfer of vested equity options						**(3)**	**3**				
Dividends paid	37						**(13 700)**	**(13 700)**	**(165)**		**(13 865)**
Balance at 31 December 2017		**43 698**	**386**	**175**	**227**	**11**	**56 294**	**100 791**	**3 544**	**3**	**104 338**

1 Attributable to the holder of SBSA's Alternative Tier 1 capital bonds that were issued during 2017.

AFS 174 Details relating to each reserve are provided in the accounting policies detailed in annexure F.

All balances are stated net of tax where applicable.

	Note	Ordinary share capital and premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Available-for-sale reserve Rm	Share-based payment reserve Rm	Retained earnings Rm	Ordinary shareholder's equity Rm	Equity attributable to other equity holders[1] Rm	Total equity Rm
COMPANY										
Balance at 1 January 2016		40 198	1 058	(92)	174	40	48 089	89 467		89 467
Total comprehensive (loss)/income for the year			(411)	149	28		13 866	13 632		13 632
Profit for the year							13 696	13 696		13 696
Other comprehensive (loss)/income after tax for the year			(411)	149	28		170	(64)		(64)
Transactions with the shareholder, recorded directly in equity		1 000				(33)	(9 566)	(8 599)		(8 599)
Equity-settled share-based payment transactions						(30)	(266)	(296)		(296)
Issue of share capital and share premium		1 000						1 000		1 000
Transfer of vested equity options						(3)		(3)		(3)
Dividends paid	37						(9 300)	(9 300)		(9 300)
Balance at 31 December 2016		41 198	647	57	202	7	52 389	94 500		94 500
Balance at 1 January 2017		**41 198**	**647**	**57**	**202**	**7**	**52 389**	**94 500**		**94 500**
Total comprehensive (loss)/income for the year			**(288)**	**118**	**25**		**14 837**	**14 692**	**165**	**14 857**
Profit for the year							**15 074**	**15 074**	**165**	**15 239**
Other comprehensive (loss)/income after tax for the year			**(288)**	**118**	**25**		**(237)**	**(382)**		**(382)**
Transactions with the shareholder, recorded directly in equity		**2 500**				**4**	**(13 550)**	**(11 046)**	**3 379**	**(7 667)**
Equity-settled share-based payment transactions						**7**	**147**	**154**		**154**
Issue of share capital and share premium		**2 500**						**2 500**	**3 544**	**6 044**
Transfer of vested equity options						**(3)**	**3**			
Dividends paid	37						**(13 700)**	**(13 700)**	**(165)**	**(13 865)**
Balance at 31 December 2017		**43 698**	**359**	**175**	**227**	**11**	**53 676**	**98 146**	**3 544**	**101 690**

[1] Attributable to the holder of SBSA's Alternative Tier 1 capital bonds that were issued during 2017.

AFS 174 Details relating to each reserve are provided in the accounting policies detailed in annexure F.

All balances are stated net of tax where applicable.

ACCOUNTING POLICY ELECTIONS

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

Basis of preparation

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

- available-for-sale financial assets, financial assets and liabilities classified at fair value through profit or loss, and liabilities for cash-settled share-based payment arrangements
- 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 other comprehensive income (OCI) in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 3)
- commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less cost to sell (accounting policy 3)
- intangible assets and property and equipment are accounted for at cost less accumulated amortisation and impairment (accounting policies 6)
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 4)
- investments in associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method in the separate financial statements (accounting policy 2).

Functional and presentation currency

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

Changes in accounting policies

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

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

Annual improvements 2014 – 2016 clarification to IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12): amendment clarifies that an entity is not required to disclose summarised financial information for a subsidiary, joint venture or associate when classified (or included in a disposal group that is classified) as held for sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5).

Early adoption of revised standards:

- Amendment to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (IFRS 2): the amendment eliminates diversity in practice in three main areas, namely (1) effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; (2) classification of a share-based payment transaction with net settlement features for withholding tax obligations; and (3) accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled
- Annual improvements 2014 – 2016 clarification to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) and IAS 28 *Investments in Associates and Joint Ventures* (IAS 28). The improvement clarifies that an entity may make an election separately for each associate or joint venture, that is a venture capital organisation, or a mutual fund, unit trust and similar entities, including investment-linked insurance funds, at initial recognition to measure that associate or joint venture at either at fair value through profit or loss in accordance with IAS 39 or the equity method in accordance with IAS 28.

The abovementioned amendments to the IFRS standards, adopted on 1 January 2017, did not have any effect on the group's previously reported financial results or disclosures and had no material impact on the group's accounting policies.

KEY MANAGEMENT ASSUMPTIONS

In preparing the annual 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 uncertain future events that are believed to be reasonable under the circumstances. Unless otherwise stated, no material changes to assumptions have occurred during the year.

Credit impairment losses on loans and advances

Portfolio loan impairments

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

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

A key input into the determination of the group and company's portfolio impairment provisions is the emergence period. The loss ratios applied to loan balances in the portfolio are based on the estimated loss emergence period. At year end, the group and company applied an average loss emergence period of a minimum of three months (2016: three months) for PBB and 12 months (2016: 12 months) for CIB loans and advances. Where required, these emergence periods are assessed by determining the sensitivity of the impairment by applying both longer and shorter emergence periods and comparing the sensitivity results with the incurred loss experience.

Specific loan impairments

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

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

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

	Expected time to recovery		**Expected recoveries as a percentage of impaired loans**	
	2017 Months	2016 Months	**2017 %**	2016 %
Personal & Business Banking	**8 – 15**	8 – 15	**58**	58
Mortgage lending	**15**	15	**74**	75
Instalment sale and finance leases	**9**	9	**59**	56
Card debtors	**8**	8	**25**	28
Other lending	**13**	13	**32**	32
Corporate & Investment Banking	**21**	21	**32**	34

Fair value

Financial instruments

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

The group and company'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 and company make 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. Unobservable inputs are subject to management judgement and although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values 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, and other illiquid risk drivers. In making appropriate valuation adjustments, the group and company apply methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing this 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 and company'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 and company have, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data (level 3) that was recognised in profit or loss for the year ended 31 December 2017 was a net gain of R3 969 million (2016: R5 053 million net gain) for the group and company. Other financial instruments, not at level 3, are utilised to mitigate the risk of these changes in fair value.

AFS 86 Refer to note 19 for 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.

AFS 120 Refer to annexure A for detail on subsidiaries, consolidated and unconsolidated structured entities within the group.

Computer software intangible assets

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

The recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate. These impairments are excluded from the group's headline earnings.

During the 2017 financial year, certain of the group and company's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by an amount of R283 million for group and R281 million for company. These impairments are excluded from the group and company's headline earnings.

AFS 77 189 Refer to note 10 for intangible asset disclosure, as well as annexure F for more detail on the accounting policy relating to computer software, the capitalisation thereof, as well as amortisation and impairment policies.

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 and company recognise 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 34 and note 14 respectively, in the period in which such determination is made.

Uncertain tax positions, which do not meet the probability criteria defined within IFRS, are not provided for but are rather disclosed as contingent liabilities or assets as appropriate. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group in order to utilise the deferred tax assets.

Provisions

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

Post-employment benefits

The group and company's post-employment benefits consist of both post-employment retirement funds and healthcare benefits. The group and company'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 principle assumptions used in the determination of the group's obligations include the following:

	RETIREMENT FUND	POST-EMPLOYMENT MEDICAL AID FUND
2017		
Discount rate	Nominal government bond yield curve	Nominal government bond yield curve
Return on investments	9.13% – 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
Consumer price index (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)	9.67	Not applicable to fund

	RETIREMENT FUND	POST-EMPLOYMENT MEDICAL AID FUND
2016		
Discount rate	Nominal government bond yield curve	Nominal government bond yield curve
Return on investments	9.45% – 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)	10.68	Not applicable to fund

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Cash and balances with the central bank

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Coins and bank notes	**12 606**	12 256
Balances with the central bank[1]	**23 287**	21 691
Total	**35 893**	33 947

[1] The balances with the central bank are not available for use by the group and company. These balances primarily comprise reserving requirements held with the South African Reserve Bank.

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	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
GROUP				
Held-for-trading	**70 029**	59 388	**(71 425)**	(65 399)
Held-for-hedging	**1 513**	686	**(1 564)**	(1 705)
Total	**71 542**	60 074	**(72 989)**	(67 104)
COMPANY				
Held-for-trading	**70 029**	59 390	**(71 425)**	(65 401)
Held-for-hedging	**1 513**	686	**(1 564)**	(1 705)
Total	**71 542**	60 076	**(72 989)**	(67 106)

2.1 Use and measurement of derivative instruments

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

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.

2.2 Derivatives held-for-trading

The group and company transact derivative contracts to address client demand, both as a market maker in the wholesale 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		Notional amount[1]	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
GROUP						
Foreign exchange derivatives	**33 466**	30 810	**(26 033)**	(25 854)	**917 859**	1 745 139
Interest rate derivatives	**31 672**	23 082	**(38 727)**	(33 146)	**6 842 681**	6 590 331
Commodity derivatives	**280**	305	**(325)**	(270)	**10 587**	4 818
Credit derivatives	**669**	3 528	**(1 696)**	(3 942)	**70 248**	95 197
Equity derivatives	**3 942**	1 663	**(4 644)**	(2 187)	**253 109**	194 585
Total	**70 029**	59 388	**(71 425)**	(65 399)	**8 094 484**	8 630 070
COMPANY						
Foreign exchange derivatives	**33 466**	30 810	**(26 033)**	(25 854)	**917 859**	1 745 139
Interest rate derivatives	**31 672**	23 084	**(38 727)**	(33 147)	**6 842 681**	6 587 718
Commodity derivatives	**280**	305	**(325)**	(270)	**10 587**	4 818
Credit derivatives	**669**	3 528	**(1 696)**	(3 942)	**70 248**	95 197
Equity derivatives	**3 942**	1 663	**(4 644)**	(2 188)	**253 109**	194 585
Total	**70 029**	59 390	**(71 425)**	(65 401)	**8 094 484**	8 627 457

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

2. Derivative instruments continued

2.3 Derivatives held-for-hedging

The group and company enters into derivative transactions, which are designated and qualify as either fair value or cash flow hedges for recognised assets or liabilities or highly probable forecast transactions. Derivatives designated as hedging instruments consist of:

	Fair value of assets		Fair value of liabilities		Notional amount[1]	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
GROUP AND COMPANY						
Derivatives designated as fair value hedges	**792**	515	**(1 352)**	(1 233)	**13 472**	72 188
Derivatives designated as cash flow hedges	**721**	171	**(212)**	(472)	**9 270**	4 530
Total	**1 513**	686	**(1 564)**	(1 705)	**22 742**	76 718

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

2.3.1 Derivatives designated in fair value hedge relationships

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

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Hedging instruments	**243**	958	**243**	965
Hedged items attributable to the hedged risk	**(181)**	(963)	**(181)**	(969)

2.3.2 Derivatives designated in cash flow hedge relationships

The group and company use currency forwards, swaps and options to mitigate against the risk of changes in future cash flows on its foreign-denominated exposures. Interest rate swaps are primarily used to hedge, by major currency, variable rate financial assets and liabilities with the objective of mitigating changes in future interest cash flows resulting from the impact of changes in market interest rates and reinvestment or reborrowing of current balances. The group and company also manages the risks arising from changes in cash flows from cash-settled share incentive schemes by using equity forwards. The equity forwards partially mitigate the changes in SBG's share price by locking in a fixed price at maturity.

The forecasted timing of the release of net cash flows before tax from the cash flow hedging reserve into profit or loss for the group and company is as follows:

	Three months or less Rm	More than three months but less than one year Rm	More than one year but less than five years Rm
GROUP AND COMPANY			
2017			
Net cash (outflow)/inflow	**(4)**	**105**	**142**
2016			
Net cash (outflow)/inflow	(23)	63	39

2. Derivative instruments continued

2.3 Derivatives held-for-hedging continued

2.3.2 Derivatives designated in cash flow hedge relationships continued

Reconciliation of movements in the cash flow hedging reserve

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Balance at the beginning of the year	**57**	(92)
Amounts recognised directly in OCI before tax	**438**	(1 567)
(Less)/add: amounts released to profit or loss before tax	**(274)**	1 774
Total (loss)/income	**(248)**	1 811
Other operating expenses	**(26)**	(37)
Less: deferred tax	**(46)**	(58)
Balance at the end of the year	**175**	57

Ineffectiveness that arises from cash flow hedges is recognised immediately in profit or loss. No amounts were recognised in profit or loss during 2017 or 2016.

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

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

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Unamortised profit at the beginning of the year	**11**	25
Additional profit on new transactions		2
Recognised in trading revenue during the year	**(5)**	(16)
Unamortised profit at the end of the year	**6**	11

3. Trading assets

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Collateral	**4 193**	2 430
Commodities[1]	**1**	491
Corporate bonds	**15 347**	3 582
Government, municipality and utility bonds	**43 579**	29 595
Listed equities	**24 638**	18 298
Reverse repurchase and other collateralised agreements	**26 243**	44 805
Unlisted debt securities[1]	**12 282**	8 241
Total	**126 283**	107 442

[1] The note disclosure has been expanded for a better analysis of the balance.

3.1 Day one profit or loss – trading assets

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

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Unamortised profit at the beginning of the year	**588**	582
Additional profit on new transactions	**162**	137
Recognised in trading revenue during the year	**(108)**	(131)
Unamortised profit at the end of the year	**642**	588

4. Pledged assets

4.1 Pledged assets

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Financial assets that may be repledged or resold by counterparties in the absence of default		
Government, municipality and utility bonds	**6 454**	1 879
Corporate bonds	**358**	202
Total	**6 812**	2 081

4.2 Total assets pledged

The total amount of financial assets that have been pledged as collateral for liabilities and contingent liabilities is R18 045 million (2016: R10 949 million).

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 reverse repurchase agreements and securities borrowing activities.

4.3 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 R60 618 million (2016: R143 139 million).

The fair value of financial assets accepted as collateral and commodities received through commodity leases that have been sold, repledged or leased in terms of repurchase agreements or leasing transactions is R20 271 million (2016: R33 056 million).

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

4.4 Assets transferred not derecognised

Securitisations

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

Full derecognition occurs when the group and company transfers substantially all the risks and rewards of ownership and its contractual right to receive cash flows from the financial assets or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets 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.

4. Pledged assets continued

4.4 Assets transferred not derecognised continued

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

	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities[1] Rm	Fair value of transferred assets Rm	Fair value of associated liabilities[1] Rm	Net fair value Rm
GROUP					
2017					
Mortgage loans[2]	**47 740**	**400**	**47 848**	**400**	**47 448**
2016					
Mortgage loans	18 602	638	18 537	638	17 899

	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities[1] Rm	Fair value of transferred assets Rm	Fair value of associated liabilities[1] Rm	Net fair value Rm
COMPANY					
2017					
Mortgage loans[2]	**46 004**	**48 704**	**46 276**	**46 886**	**(610)**
2016					
Mortgage loans	16 143	16 367	16 143	16 175	(32)

1 The associated liabilities relating to the transferred assets 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 During 2017, the group invested in a vehicle that was 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. In order to support the loading of this collateral into the SARB collateral management system, the SARB requires that these assets are ring-fenced in a separate legal entity, supported by a clearly defined note structure. At 31 December 2017, the mortgages within this vehicle totalled R30 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			
2017			
Mortgage loans	**387**	**387**	**387**
2016			
Mortgage loans	364	364	364

4. Pledged assets continued

4.4 Assets transferred not derecognised continued

Other assets transferred not derecognised

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.

The following table presents details of other financial assets which have been sold or otherwise transferred, but which have not been derecognised in their entirety or which were partially derecognised, and their associated liabilities:

	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
GROUP AND COMPANY					
2017					
Pledged assets	**6 812**	**6 812**	**6 807**	**6 807**	
Bonds (sovereign)	**6 812**	**6 812**	**6 807**	**6 807**	
Financial investments[2]	**11 233**	**11 225**	**11 233**	**11 223**	**10**
Total	**18 045**	**18 037**	**18 040**	**18 030**	**10**
2016					
Pledged assets	2 081	2 081	2 084	2 084	
Bonds (sovereign)	2 081	2 081	2 084	2 084	
Financial investments[2]	8 868	8 860	8 868	8 858	10
Total	10 949	10 941	10 952	10 942	10

1 Where the company has recourse to the transferred asset.
2 For these financial investments, the counterparty is not permitted to sell or repledge the assets in the absence of default, hence they are not classified as pledged assets.

During the current year of assessment 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 had continuing involvement.

5. Financial investments

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Short-term negotiable securities	**63 099**	60 753	**63 099**	60 753
Other financial investments	**23 245**	30 798	**22 778**	30 071
Total	**86 344**	91 551	**85 877**	90 824
Comprising:				
Corporate bonds	**13 907**	5 839	**13 907**	5 839
Government, municipality and utility bonds	**11 133**	25 502	**11 133**	25 502
Listed equities	**467**	784		57
Mutual funds	**402**	173	**402**	173
Treasury bills	**57 659**	56 458	**57 659**	56 458
Unlisted equities	**2 560**	2 745	**2 560**	2 745
Other instruments	**216**	50	**216**	50
Total	**86 344**	91 551	**85 877**	90 824

6. Loans and advances

6.1 Loans and advances net of impairments

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Loans and advances to banks	**91 610**	119 844	**90 990**	119 351
Loans and advances to customers	**809 285**	800 562	**793 658**	790 558
Gross loans and advances to customers	**827 847**	818 658	**812 101**	808 515
Mortgage loans	**329 975**	321 445	**327 952**	318 650
Vehicle and asset finance (note 6.2)	**72 759**	71 335	**72 759**	71 335
Card debtors	**31 694**	30 668	**30 592**	29 617
Overdrafts and other demand lending	**48 212**	49 262	**48 224**	49 273
Personal loans	**7 644**	8 219	**7 644**	8 219
Corporate, business and other loans	**40 568**	41 043	**40 580**	41 054
Other term loans	**268 048**	259 279	**255 133**	252 662
Personal loans	**31 545**	31 488	**31 545**	31 488
Corporate, business and other loans	**236 503**	227 791	**223 588**	221 174
Loans granted under resale agreements	**6 153**	14 148	**6 153**	14 148
Commercial property finance	**71 006**	72 521	**71 288**	72 830
Credit impairments for loans and advances (note 6.3)	**(18 562)**	(18 096)	**(18 443)**	(17 957)
Specific credit impairments	**(13 009)**	(12 762)	**(12 915)**	(12 649)
Portfolio credit impairments	**(5 553)**	(5 334)	**(5 528)**	(5 308)
Net loans and advances	**900 895**	920 406	**884 648**	909 909

6.2 Vehicle and asset finance

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Gross investment in vehicle and asset finance	**87 983**	86 362
Receivable within one year	**28 639**	27 661
Receivable after one year but within five years	**59 158**	58 511
Receivable after five years	**186**	190
Unearned finance charges deducted	**(15 224)**	(15 027)
Net investment in vehicle and asset finance	**72 759**	71 335
Receivable within one year	**22 898**	21 869
Receivable after one year but within five years	**49 690**	49 296
Receivable after five years	**171**	170

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.

6. Loans and advances continued

6.3 Credit impairments for loans and advances

A reconciliation of the allowance for impairment losses for loans and advances to customers, by class:

	Mortgage loans Rm	Vehicle and asset finance Rm	Card debtors Rm	Personal unsecured lending Rm	Business lending and other Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2017								
GROUP								
Specific impairments								
Balance at the beginning of the year	**3 447**	**1 123**	**1 567**	**3 043**	**1 172**	**2 254**	**156**	**12 762**
Impaired accounts written off	**(1 105)**	**(935)**	**(1 349)**	**(2 058)**	**(559)**	**(57)**	**(24)**	**(6 087)**
Discount element recognised in interest income	**(315)**	**(98)**	**(26)**	**(231)**	**(56)**	**(53)**	**(5)**	**(784)**
Net impairments raised/(released)[1]	**1 711**	**940**	**1 377**	**2 018**	**956**	**347**	**(30)**	**7 319**
Foreign exchange and other movements			**(5)**	**(69)**		**(148)**	**21**	**(201)**
Balance at the end of the year	**3 738**	**1 030**	**1 564**	**2 703**	**1 513**	**2 343**	**118**	**13 009**
Portfolio impairments								
Balance at the beginning of the year	**1 061**	**711**	**641**	**1 082**	**1 156**	**587**	**96**	**5 334**
Net impairments (released)/raised[1]	**(69)**	**(99)**	**63**	**(14)**	**(53)**	**521**		**349**
Foreign exchange and other movements			**(46)**			**(84)**		**(130)**
Balance at the end of the year	**992**	**612**	**658**	**1 068**	**1 103**	**1 024**	**96**	**5 553**
Total	**4 730**	**1 642**	**2 222**	**3 771**	**2 616**	**3 367**	**214**	**18 562**
2016								
GROUP								
Specific impairments								
Balance at the beginning of the year	3 700	1 067	1 364	2 651	1 023	2 775	158	12 738
Impaired accounts written off	(1 835)	(821)	(1 240)	(1 381)	(360)	(498)	(13)	(6 148)
Discount element recognised in interest income	(360)	(97)	(19)	(222)	(49)	(104)		(851)
Net impairments raised[1]	1 942	974	1 483	1 985	558	358	11	7 311
Foreign exchange and other movements			(21)	10		(277)		(288)
Balance at the end of the year	3 447	1 123	1 567	3 043	1 172	2 254	156	12 762
Portfolio impairments								
Balance at the beginning of the year	1 014	688	642	1 043	1 217	425	96	5 125
Net impairments raised/(released)[1]	47	23	54	142	(61)	163		368
Foreign exchange and other movements			(55)	(103)		(1)		(159)
Balance at the end of the year	1 061	711	641	1 082	1 156	587	96	5 334
Total	4 508	1 834	2 208	4 125	2 328	2 841	252	18 096

[1] Net impairments raised/(released) disclosed above is before recoveries or amounts written off in previous years, as well as credit recoveries on off-balance sheet exposures and will not agree to the impairment charges on the income statement. Note 31 contains a reconciliation of the above amounts to the income statement impairment charges.

6. Loans and advances continued

6.3 Credit impairments for loans and advances continued

A reconciliation of the allowance for impairment losses for loans and advances to customers, by class:

	Mortgage loans Rm	Vehicle and asset finance Rm	Card debtors Rm	Personal unsecured lending Rm	Business lending and other Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2017								
COMPANY								
Specific impairments								
Balance at the beginning of the year	**3 435**	**1 123**	**1 515**	**2 994**	**1 220**	**2 207**	**155**	**12 649**
Impaired accounts written off	**(1 064)**	**(935)**	**(1 316)**	**(2 058)**	**(559)**	**(57)**	**(24)**	**(6 013)**
Discount element recognised in interest income	**(309)**	**(98)**	**(25)**	**(231)**	**(56)**	**(53)**	**(5)**	**(777)**
Net impairments raised/(released)[1]	**1 685**	**940**	**1 341**	**2 018**	**956**	**347**	**(30)**	**7 257**
Foreign exchange and other movements			**(5)**	**(69)**		**(148)**	**21**	**(201)**
Balance at the end of the year	**3 747**	**1 030**	**1 510**	**2 654**	**1 561**	**2 296**	**117**	**12 915**
Portfolio impairments								
Balance at the beginning of the year	**1 069**	**709**	**622**	**1 082**	**1 171**	**577**	**78**	**5 308**
Net impairments (released)/raised[1]	**(68)**	**(99)**	**63**	**(14)**	**(53)**	**521**		**350**
Foreign exchange and other movements			**(46)**			**(84)**		**(130)**
Balance at the end of the year	**1 001**	**610**	**639**	**1 068**	**1 118**	**1 014**	**78**	**5 528**
Total	**4 748**	**1 640**	**2 149**	**3 722**	**2 679**	**3 310**	**195**	**18 443**
2016								
COMPANY								
Specific impairments								
Balance at the beginning of the year	3 652	1 067	1 316	2 651	1 022	2 727	158	12 593
Impaired accounts written off	(1 771)	(821)	(1 205)	(875)	(866)	(489)	(8)	(6 035)
Discount element recognised in interest income	(349)	(97)	(18)	(111)	(160)	(105)		(840)
Net impairments raised[1]	1 903	974	1 443	1 319	1 224	351	5	7 219
Foreign exchange and other movements			(21)	10		(277)		(288)
Balance at the end of the year	3 435	1 123	1 515	2 994	1 220	2 207	155	12 649
Portfolio impairments								
Balance at the beginning of the year	1 011	686	626	1 043	1 215	414	96	5 091
Net impairments raised/(released)[1]	58	23	51	109	(44)	163	(18)	342
Foreign exchange and other movements			(55)	(70)				(125)
Balance at the end of the year	1 069	709	622	1 082	1 171	577	78	5 308
Total	4 504	1 832	2 137	4 076	2 391	2 784	233	17 957

1 Net impairments raised/(released) disclosed above is before recoveries or amounts written off in previous years, as well as credit recoveries on off-balance sheet exposures and will not agree to the impairment charges on the income statement. Note 31 contains a reconciliation of the above amount to the income statement impairment charges.

7. Other assets

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Items in the course of collection	**299**	283	**299**	283
Post-employment benefits (note 40)	**901**	1 283	**901**	1 283
Prepayments	**1 317**	1 236	**1 315**	1 235
Trading settlement assets	**4 261**	3 938	**4 218**	3 837
Other debtors	**1 714**	753	**1 612**	680
Total	**8 492**	7 493	**8 345**	7 318

8. Interest in SBG companies, associates and joint ventures – banking activities

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Interest in SBG group companies (note 8.1)[1]	**45 136**	34 140	**58 490**	41 424
Interest in associates and joint ventures (note 8.2)	**864**	667	**864**	667
Total	**46 000**	34 807	**59 354**	42 091

[1] For information relating to the related party transactions, refer to note 39.

8.1 Interest in SBG companies

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Ultimate holding company				
– Indebtedness to the group/company	**150**	94	**150**	94
Interest in subsidiary companies			**13 241**	7 189
– Shares at cost (annexure A)			**138**	147
– Indebtedness to the company			**13 103**	7 042
Interest in fellow banking subsidiary companies				
– Indebtedness to the group/company	**44 986**	34 046	**45 099**	34 141
Total	**45 136**	34 140	**58 490**	41 424
Comprising:				
Shares at cost			**138**	147
Derivative assets	**2 010**	804	**2 010**	804
Financial investments			**3 521**	2 004
Loans and advances	**36 261**	25 435	**46 119**	30 440
Trading assets	**4 741**	5 713	**4 741**	5 713
Other	**2 124**	2 188	**1 961**	2 316
Total	**45 136**	34 140	**58 490**	41 424

8. Interest in SBG companies, associates and joint ventures – banking activities continued

8.2 Interest in associates and joint ventures

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Carrying value at the beginning of the year	**667**	812
Share of profit/(loss)	**187**	(21)
Impairments of associates		(10)
Acquisitions	**19**	2
Dividends received	**(9)**	(116)
Carrying value at the end of the year[1]	**864**	667
Comprising:		
Cost of investments	**196**	177
Share of reserves	**686**	508
Impairments	**(18)**	(18)
Carrying value at the end of the year[1]	**864**	667
Share of profit/(loss)	**187**	(21)
Impairments of associates recognised in non-trading and capital related items		(10)
Share of profit/(loss) from associates and joint ventures	**187**	(31)

[1] Refer to annexure B for details on associates and joint ventures on page 128.

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.

8.3 Liabilities to SBG companies

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Indebtedness by the group/company to:				
Ultimate holding company	**2**	176	**2**	176
Subsidiaries			**1 200**	147
Fellow banking subsidiaries	**95 414**	117 807	**94 725**	117 591
Total	**95 416**	117 983	**95 927**	117 914
Comprising:				
Deposits and debt funding	**67 992**	98 890	**68 707**	98 900
Derivative liabilities	**4 676**	1 318	**4 676**	1 318
Trading liabilities	**21 355**	17 285	**21 355**	17 285
Other	**1 393**	490	**1 189**	411
Total	**95 416**	117 983	**95 927**	117 914

9. Property and equipment

9.1 Group

	Property		Equipment				
	Freehold Rm	Leasehold Rm	Computer equipment Rm	Motor vehicles Rm	Office equipment Rm	Furniture and fittings Rm	Total Rm
Net book value							
1 January 2016	3 085	1 195	2 385	103	318	1 845	8 931
Movements	(59)	(85)	(95)	(17)	(48)	10	(294)
Additions	47	239	875	30	56	430	1 677
Disposals	(8)		(11)	(22)	(13)	(68)	(122)
Depreciation	(98)	(324)	(959)	(25)	(91)	(352)	(1 849)
Net book value							
31 December 2016[1]	**3 026**	**1 110**	**2 290**	**86**	**270**	**1 855**	**8 637**
Cost	**3 640**	**2 644**	**6 284**	**196**	**665**	**3 729**	**17 158**
Accumulated depreciation	**(614)**	**(1 534)**	**(3 994)**	**(110)**	**(395)**	**(1 874)**	**(8 521)**
Movements	**(58)**	**19**	**(30)**	**(13)**	**(41)**	**(66)**	**(189)**
Additions	**45**	**294**	**834**	**32**	**38**	**299**	**1 542**
Disposals			**(19)**	**(25)**		**(7)**	**(51)**
Depreciation	**(103)**	**(275)**	**(845)**	**(20)**	**(79)**	**(358)**	**(1 680)**
Net book value							
31 December 2017[1]	**2 968**	**1 129**	**2 260**	**73**	**229**	**1 789**	**8 448**
Cost	**3 685**	**2 931**	**6 487**	**164**	**680**	**3 936**	**17 883**
Accumulated depreciation	**(717)**	**(1 802)**	**(4 227)**	**(91)**	**(451)**	**(2 147)**	**(9 435)**

1 Includes work in progress of R311 million (2016: R336 million) for which depreciation has not yet commenced.

9.2 Company

	Property		Equipment				
	Freehold Rm	Leasehold Rm	Computer equipment Rm	Motor vehicles Rm	Office equipment Rm	Furniture and fittings Rm	Total Rm
Net book value							
1 January 2016	3 078	1 189	2 352	98	311	1 840	8 868
Movements	(54)	(80)	(91)	(14)	(41)	12	(268)
Additions	47	239	871	30	56	429	1 672
Disposals	(3)		(10)	(21)	(6)	(68)	(108)
Depreciation	(98)	(319)	(952)	(23)	(91)	(349)	(1 832)
Net book value							
31 December 2016[1]	**3 024**	**1 109**	**2 261**	**84**	**270**	**1 852**	**8 600**
Cost	**3 638**	**2 643**	**6 212**	**186**	**662**	**3 723**	**17 064**
Accumulated depreciation	**(614)**	**(1 534)**	**(3 951)**	**(102)**	**(392)**	**(1 871)**	**(8 464)**
Movements	**(58)**	**19**	**(19)**	**(12)**	**(41)**	**(66)**	**(177)**
Additions	**45**	**294**	**827**	**32**	**38**	**299**	**1 535**
Disposals			**(5)**	**(24)**		**(7)**	**(36)**
Depreciation	**(103)**	**(275)**	**(841)**	**(20)**	**(79)**	**(358)**	**(1 676)**
Net book value							
31 December 2017[1]	**2 966**	**1 128**	**2 242**	**72**	**229**	**1 786**	**8 423**
Cost	**3 683**	**2 930**	**6 431**	**157**	**677**	**3 930**	**17 808**
Accumulated depreciation	**(717)**	**(1 802)**	**(4 189)**	**(85)**	**(448)**	**(2 144)**	**(9 385)**

1 Includes work in progress of R311 million (2016: R336 million) for which depreciation has not yet commenced.

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

9. Property and equipment continued

9.3 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 2017 to 2019 period, and was estimated at R6 061 million (2016: R5 613 million) for the group and R6 059 million (2016: R5 611 million) for the company. The previous valuation was performed for the 2014 to 2016 period.

10. Goodwill and other intangible assets

10.1 Group

	Goodwill Rm	Computer software Rm	Total Rm
Net book value – 1 January 2016	36	19 279	19 315
Movements	6	(967)	(961)
Additions[1]	6	3 835	3 841
Disposals		(2 383)	(2 383)
Amortisation		(1 849)	(1 849)
Impairments		(570)	(570)
Net book value – 31 December 2016[2]	**42**	**18 312**	**18 354**
Cost	**85**	**27 058**	**27 143**
Accumulated amortisation and impairment	**(43)**	**(8 746)**	**(8 789)**
Movements		**(608)**	**(608)**
Additions[1]		**2 770**	**2 770**
Disposals		**(1 000)**	**(1 000)**
Amortisation		**(2 095)**	**(2 095)**
Impairments		**(283)**	**(283)**
Net book value – 31 December 2017[2]	**42**	**17 704**	**17 746**
Cost	**85**	**28 574**	**28 659**
Accumulated amortisation and impairment	**(43)**	**(10 870)**	**(10 913)**

1 During 2017, R251 million (2016: R284 million) of interest was capitalised.
2 Includes work in progress of R4 597 million (2016: R3 448 million) for which amortisation has not yet commenced.

10.2 Company

	Goodwill Rm	Computer software Rm	Total Rm
Net book value – 1 January 2016		19 262	19 262
Movements		(977)	(977)
Additions[1]		3 821	3 821
Disposals		(2 383)	(2 383)
Amortisation		(1 845)	(1 845)
Impairments		(570)	(570)
Net book value – 31 December 2016[2]		**18 285**	**18 285**
Cost	**39**	**27 016**	**27 055**
Accumulated amortisation and impairment	**(39)**	**(8 731)**	**(8 770)**
Movements		**(633)**	**(633)**
Additions[1]		**2 725**	**2 725**
Disposals		**(1 000)**	**(1 000)**
Amortisation		**(2 077)**	**(2 077)**
Impairments		**(281)**	**(281)**
Net book value – 31 December 2017[2]		**17 652**	**17 652**
Cost	**39**	**28 488**	**28 527**
Accumulated amortisation and impairment	**(39)**	**(10 836)**	**(10 875)**

1 During 2017, R251 million (2016: R284 million) of interest was capitalised.
2 Includes work in progress of R4 597 million (2016: R3 448 million) for which amortisation has not yet commenced.

10. Goodwill and other intangible assets continued

10.3 Goodwill composition

	2017			2016		
	Gross Rm	Accumulated impairment Rm	Net Rm	Gross Rm	Accumulated impairment Rm	Net Rm
GROUP						
eCentric Payment Systems Proprietary Limited	36		36	36		36
Greystone Technologies Proprietary Limited	6		6	6		6
LC Golf SA Proprietary Limited	4	(4)		4	(4)	
COMPANY						
Oltio Holdings Proprietary Limited	39	(39)		39	(39)	
Total	85	(43)	42	85	(43)	42

11. Share capital and other equity instruments

11.1 Ordinary share capital

Authorised

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
80 000 000 (2016: 80 000 000) ordinary shares	80	80
1 000 000 000 (2016: 1 000 000 000) preference shares	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	
	2017 Rm	2016 Rm
59 997 131 (2016: 59 997 130) ordinary shares	60	60

During 2017, one ordinary share (2016: one) of R1 was issued on 11 April 2017 at a premium of R2 500 million (2016: R1 000 million).

Unissued shares

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
20 002 869 (2016: 20 002 870) ordinary shares	20	20
1 000 000 000 (2016: 1 000 000 000) preference shares	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 23 May 2018.

11. Share capital and other equity instruments continued

11.2 Other equity instruments

Bond	Date issued	Redeemable/ repayable date	Interest rate	Notional value 2017 Rm	Carrying value 2017 Rm
GROUP AND COMPANY					
SBT101	30 March 2017	31 March 2022	Jibar + 565 bps	**1 744**	**1 744**
SBT102	21 September 2017	30 September 2022	Jibar + 545 bps	**1 800**	**1 800**
Total				**3 544**	**3 544**

The group issued its debut Basel III compliant AT1 capital bonds to SBG during the year amounting to R3.5 billion. The capital notes are perpetual, non-cumulative with an issuer call option after a minimum period of five years and one day and on every coupon payment date thereafter. Interest is, subject to declaration, payable quarterly.

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 2017, coupons to the value of R229 million were paid to the AT1 capital bond holder. Current tax of R64 million relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R165 million.

12. Ordinary share premium

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Share premium on issue of shares	**43 638**	41 138

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. Trading liabilities

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Collateral	**822**	437
Credit-linked notes	**6 573**	5 778
Government, municipality and utility bonds	**12 764**	8 062
Listed equities	**158**	149
Repurchase and other collateralised agreements	**13 154**	6 984
Other instruments	**4 769**	5 566
Total	**38 240**	26 976

14. Deferred tax

14.1 Deferred tax analysis

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Assessed losses	**(14)**	(20)	**(11)**	(16)
Leased assets	**154**	182	**155**	182
Depreciation	**2 552**	1 870	**2 552**	1 870
Derivatives[1]	**115**	100	**115**	100
Fair value adjustments on financial instruments	**129**	(103)	**123**	(110)
Impairment charges on loans and advances	**(1 004)**	(750)	**(973)**	(724)
Deferred income	**(482)**	(488)	**(482)**	(488)
Share-based payments	**(827)**	(502)	**(827)**	(502)
Other differences	**(831)**	(836)	**(813)**	(819)
Deferred tax closing balance	**(208)**	(547)	**(161)**	(507)
Deferred tax asset	**(223)**	(565)	**(161)**	(507)
Deferred tax liability	**15**	18		

1 Derivatives as defined in section 24JB of the Income Tax Act 58 of 1962 of South Africa.

14.2 Deferred tax reconciliation

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Deferred tax balance at the beginning of the year	**(547)**	485	**(507)**	531
Change in deferred tax on the capital gains tax (CGT) inclusion rate[1]		8		8
Deferred tax balance after adjustment for CGT inclusion rate	**(547)**	493	**(507)**	539
Prior year tax adjustment:	**73**	352	**71**	(18)
Assessed losses	**1**	1		
Depreciation	**48**	(85)	**48**	(85)
Other derivatives and financial instruments		(12)		(12)
Fair value adjustments of financial instruments[2]	**184**	1	**184**	(6)
Impairment charges on loans and advances	**(248)**	75	**(249)**	75
Share-based payments	**(102)**	282	**(102)**	(78)
Other differences	**190**	90	**190**	88
Originating/(reversing) temporary differences for the year:	**266**	(1 392)	**275**	(1 028)
Assessed losses	**5**	(17)	**5**	(16)
Leased assets	**(28)**	(41)	**(27)**	(41)
Depreciation	**634**	79	**634**	79
Derivatives[3]	**15**	(196)	**15**	(196)
Other derivatives and financial instruments		(615)		(615)
Fair value adjustments of financial instruments[2]	**48**	113	**49**	113
Impairment charges on loans and advances	**(6)**	(5)		(5)
Deferred income	**6**	31	**6**	31
Share-based payments	**(223)**	(490)	**(223)**	(130)
Other differences	**(185)**	(251)	**(184)**	(248)
Deferred tax balance at the end of the year	**(208)**	(547)	**(161)**	(507)
Temporary differences for the year comprise:				
Recognised in OCI	**(33)**	147	**(40)**	143
Recognised in profit or loss	**372**	(1 179)	**386**	(1 181)
Total	**339**	(1 032)	**346**	(1 038)

1 Relates to fair value adjustments on financial instruments.
2 Included in the fair value adjustments of financial instruments is a deferred tax credit of R51 million (2016: R76 million credit) relating to OCI. The R51 million (2016: R76 million credit) is made up of R5 million credit (2016: R18 million credit) relating to fair value adjustments on available-for-sale investments and R46 million credit (2016: R58 million credit) relating to fair value adjustments on cash flow hedges.
3 Derivatives as defined in section 24JB of the Income Tax Act 58 of 1962 of South Africa.

15. Deposits and debt funding

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Deposits and debt funding from banks	**80 618**	105 724	**80 610**	105 739
Deposits and debt funding from customers	**882 302**	831 314	**881 040**	829 205
Current accounts	**111 598**	104 982	**111 598**	104 982
Cash management deposits	**165 900**	165 510	**165 900**	165 510
Card creditors	**1 435**	1 440	**1 435**	1 440
Call deposits	**216 866**	195 354	**216 866**	195 354
Savings accounts	**13 145**	14 001	**13 145**	14 001
Term deposits	**205 737**	191 820	**204 023**	189 341
Foreign currency funding	**30 950**	32 364	**30 950**	32 364
Negotiable certificates of deposit	**134 147**	121 848	**134 147**	121 848
Securitisation issuances	**347**	495		
Other funding	**2 177**	3 500	**2 976**	4 365
Deposits and debt funding	**962 920**	937 038	**961 650**	934 944

16. Subordinated debt

	Redeemable/ repayable date	Callable date	Notional value[1] Rm	Carrying value[1] 2017 Rm	Carrying value[1] 2016 Rm
GROUP AND COMPANY					
Unsecured, subordinated, redeemable tier II bonds					
SBK15	23 January 2022	23 January 2017	**1 220**		1 242
SBK14	1 December 2022	1 December 2017	**1 780**		1 795
SBK16	15 March 2023	15 March 2018	**2 000**	**2 008**	2 008
SBK9	10 April 2023	10 April 2018	**1 500**	**1 529**	1 529
SBK17	30 July 2024	30 July 2019	**2 000**	**2 032**	2 031
SBK19	24 October 2024	24 October 2019	**500**	**509**	508
SBK20[2]	2 December 2024	2 December 2019	**2 250**	**2 268**	2 269
SBK21[2]	28 January 2025	28 January 2020	**750**	**763**	763
SBK22[2]	28 May 2025	28 May 2020	**1 000**	**1 010**	1 009
SBK24[2]	19 October 2025	19 October 2020	**880**	**899**	897
SBK18	24 October 2025	26 October 2020	**3 500**	**3 563**	3 565
SBK26[2]	25 April 2026	25 April 2021	**500**	**506**	511
SBK25[2]	25 April 2026	26 April 2021	**1 200**	**1 225**	1 225
SBK23[2]	28 May 2027	28 May 2022	**1 000**	**975**	988
Total subordinated debt				**17 287**	20 340

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

[2] The terms of the issued bonds include a regulatory requirement which provides for the write-off in whole or in part on the earlier of a decision by the relevant regulator (SARB) that a write-off, or a public sector injection of capital or equivalent support is necessary, without which the issuer would have become non-viable.

17. Provisions and other liabilities

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Accrued expenses	**1 947**	2 033	**1 972**	1 972
Equity-linked transactions (annexure D)	**2 912**	2 155	**2 912**	2 155
Post-employment benefits (note 40.2)	**601**	641	**601**	641
Staff-related accruals	**6 604**	5 174	**6 530**	5 087
Trading settlement liabilities	**1 630**	2 111	**1 630**	2 111
Other liabilities, accruals and provisions	**490**	3 771	**281**	3 604
Total	**14 184**	15 885	**13 926**	15 570

18. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table that follows sets out the group's classification of financial assets and liabilities, and their fair values:

GROUP	Note	Held-for-trading Rm	Designated at fair value Rm	Held-to-maturity Rm	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
2017										
Assets										
Cash and balances with the central bank	1				**35 893**				**35 893**	**35 893**
Derivative assets	2	**71 542**							**71 542**	**71 542**
Trading assets	3	**126 283**							**126 283**	**126 283**
Pledged assets	4	**4 609**	**1 845**		**358**				**6 812**	**6 807**
Financial investments	5		**12 658**	**72 087**		**1 599**			**86 344**	**86 353**
Loans and advances to banks	6				**91 610**				**91 610**	**91 542**
Loans and advances to customers	6		**100**		**809 185**				**809 285**	**807 307**
Interest in SBG companies, associates and joint ventures – banking activities	8	**6 751**			**38 005**			**1 244**	**46 000**	**44 756**
Other financial assets[3]					**6 678**				**6 678**	
Other non-financial assets								**28 353**	**28 353**	
Total		**209 185**	**14 603**	**72 087**	**981 729**	**1 599**		**29 597**	**1 308 800**	
Liabilities										
Derivative liabilities	2	**72 989**							**72 989**	**72 989**
Trading liabilities	13	**38 240**							**38 240**	**38 240**
Deposits and debt funding from banks	15						**80 618**		**80 618**	**80 898**
Deposits and debt funding from customers	15		**13 629**				**868 673**		**882 302**	**884 728**
Subordinated debt	16						**17 287**		**17 287**	**17 607**
Liabilities to SBG companies	8	**26 031**					**69 375**	**10**	**95 416**	**95 406**
Other financial liabilities[3]							**13 060**		**13 060**	
Other non-financial liabilities								**4 550**	**4 550**	
Total		**137 260**	**13 629**				**1 049 013**	**4 560**	**1 204 462**	
2016										
Assets										
Cash and balances with the central bank	1				33 947				33 947	33 947
Derivative assets	2	60 074							60 074	60 074
Trading assets	3	107 442							107 442	107 442
Pledged assets	4	1 178	705		198				2 081	2 084
Financial investments	5		17 747	72 514		1 290			91 551	91 940
Loans and advances to banks	6				119 844				119 844	119 805
Loans and advances to customers	6		86		800 476				800 562	797 620
Interest in SBG companies, associates and joint ventures – banking activities	8	6 517			27 056			1 234	34 807	32 825
Other financial assets[3]					5 524				5 524	
Other non-financial assets								29 789	29 789	
Total		175 211	18 538	72 514	987 045	1 290		31 023	1 285 621	
Liabilities										
Derivative liabilities	2	67 104							67 104	67 104
Trading liabilities	13	26 976							26 976	26 976
Deposits and debt funding from banks	15						105 724		105 724	105 609
Deposits and debt funding from customers	15		12 434				818 880		831 314	832 898
Subordinated debt	16						20 340		20 340	20 282
Liabilities to SBG companies	8	18 603					99 360	20	117 983	118 405
Other financial liabilities[3]							14 733		14 733	
Other non-financial liabilities								5 157	5 157	
Total		112 683	12 434				1 059 037	5 177	1 189 331	

1 Includes financial assets and liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
2 Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section on page 184 of annexure F and key management assumptions on page 59 for a description on how fair values are determined.
3 The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.

18. Classification of assets and liabilities continued

Accounting classifications and fair values of assets and liabilities continued

The table that follows sets out the company's classification of financial assets and liabilities, and their fair values:

COMPANY	Note	Held-for-trading Rm	Designated at fair value Rm	Held-to-maturity Rm	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
2017										
Assets										
Cash and balances with the central bank	1				**35 893**				**35 893**	**35 893**
Derivative assets	2	**71 542**							**71 542**	**71 542**
Trading assets	3	**126 283**							**126 283**	**126 283**
Pledged assets	4	**4 609**	**1 845**		**358**				**6 812**	**6 807**
Financial investments	5		**12 661**	**71 618**		**1 598**			**85 877**	**85 864**
Loans and advances to banks	6				**90 990**				**90 990**	**90 998**
Loans and advances to customers	6		**100**		**793 558**				**793 658**	**792 026**
Interest in SBG companies, associates and joint ventures – banking activities	8	**6 751**			**51 221**			**1 382**	**59 354**	**57 972**
Other financial assets[3]					**6 533**				**6 533**	
Other non-financial assets								**28 170**	**28 170**	
Total		**209 185**	**14 606**	**71 618**	**978 553**	**1 598**		**29 552**	**1 305 112**	
Liabilities										
Derivative liabilities	2	**72 989**							**72 989**	**72 989**
Trading liabilities	13	**38 240**							**38 240**	**38 240**
Deposits and debt funding from banks	15						**80 610**		**80 610**	**80 898**
Deposits and debt funding from customers	15		**13 619**				**867 421**		**881 040**	**882 666**
Subordinated debt	16						**17 287**		**17 287**	**17 607**
Liabilities to SBG companies	8	**26 031**					**69 886**	**10**	**95 927**	**95 917**
Other financial liabilities[3]							**12 847**		**12 847**	
Other non-financial liabilities								**4 482**	**4 482**	
Total		**137 260**	**13 619**				**1 048 051**	**4 492**	**1 203 422**	
2016										
Assets										
Cash and balances with the central bank	1				33 947				33 947	33 947
Derivative assets	2	60 076							60 076	60 076
Trading assets	3	107 442							107 442	107 442
Pledged assets	4	1 178	705		198				2 081	2 084
Financial investments	5		17 746	71 788		1 290			90 824	91 184
Loans and advances to banks	6				119 351				119 351	119 357
Loans and advances to customers	6		86		790 472				790 558	787 551
Interest in SBG companies, associates and joint ventures – banking activities	8	6 517			34 194			1 380	42 091	39 803
Other financial assets[3]					5 363				5 363	
Other non-financial assets								29 609	29 609	
Total		175 213	18 537	71 788	983 525	1 290		30 989	1 281 342	
Liabilities										
Derivative liabilities	2	67 106							67 106	67 106
Trading liabilities	13	26 976							26 976	26 976
Deposits and debt funding from banks	15						105 739		105 739	105 624
Deposits and debt funding from customers	15		12 420				816 785		829 205	829 921
Subordinated debt	16						20 340		20 340	20 282
Liabilities to SBG companies	8	18 603					99 291	20	117 914	117 932
Other financial liabilities[3]							14 423		14 423	
Other non-financial liabilities								5 139	5 139	
Total		112 685	12 420				1 056 578	5 159	1 186 842	

1 Includes financial assets and liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
2 Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section on page 184 of annexure F and key management assumptions on page 59 for a description on how fair values are determined.
3 The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.

19. Assets and liabilities at fair value

19.1 Financial assets and liabilities measured at fair value

The table below sets out the financial assets and liabilities measured at fair value for the group:

	2017				2016			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
GROUP								
Financial assets								
Measured on a recurring basis								
Derivative assets	122	67 282	4 138	71 542	178	57 781	2 115	60 074
Trading assets	73 959	47 240	5 084	126 283	45 529	57 162	4 751	107 442
Pledged assets	6 454			6 454	1 879	4		1 883
Financial investments		11 633	2 624	14 257	10 373	6 023	2 641	19 037
Loans and advances to customers		100		100		86		86
Interest in SBG companies[1]		6 751		6 751		6 508	9	6 517
Total	80 535	133 006	11 846	225 387	57 959	127 564	9 516	195 039
Financial liabilities								
Measured on a recurring basis								
Derivative liabilities	92	67 492	5 405	72 989	145	58 405	8 554	67 104
Trading liabilities	11 292	23 909	3 039	38 240	7 551	15 244	4 181	26 976
Deposits and debt funding from customers	146	13 483		13 629		12 434		12 434
Liabilities to SBG companies		26 031		26 031		18 592	11	18 603
Total	11 530	130 915	8 444	150 889	7 696	104 675	12 746	125 117

1 For purposes of all fair value disclosures, interest in SBG companies includes associates and joint ventures.

The table below sets out the financial assets and liabilities measured at fair value for the company:

	2017				2016			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
COMPANY								
Assets								
Measured on a recurring basis								
Derivative assets	122	67 282	4 138	71 542	178	57 783	2 115	60 076
Trading assets	73 959	47 240	5 084	126 283	45 529	57 162	4 751	107 442
Pledged assets	6 454			6 454	1 879	4		1 883
Financial investments		11 634	2 625	14 259	10 373	6 022	2 641	19 036
Loans and advances to customers		100		100		86		86
Interest in SBG companies[1]		6 751		6 751		6 508	9	6 517
Total	80 535	133 007	11 847	225 389	57 959	127 565	9 516	195 040
Liabilities								
Measured on a recurring basis								
Derivative liabilities	92	67 492	5 405	72 989	145	58 407	8 554	67 106
Trading liabilities	11 292	23 909	3 039	38 240	7 551	15 244	4 181	26 976
Deposits and debt funding from customers	146	13 473		13 619		12 420		12 420
Liabilities to SBG companies		26 031		26 031		18 592	11	18 603
Total	11 530	130 905	8 444	150 879	7 696	104 663	12 746	125 105

1 For purposes of all fair value disclosures, interest in SBG companies includes associates and joint ventures.

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):

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Interest in SBG companies Rm	Total Rm
GROUP					
Balance at 1 January 2016	2 457	8 942	2 627	42	14 068
Total gains/(losses) included in profit or loss	960	(469)	(23)		468
Interest income			30		30
Trading revenue	960	(469)	(47)		444
Other revenue			(6)		(6)
Total gains included in OCI			43		43
Originations and purchases	23	393	658	9	1 083
Sales and settlements	(1 574)	(3 846)	(677)	(42)	(6 139)
Reclassifications[1]		(112)			(112)
Transfers into level 3[2]	249	359	13		621
Transfers out of level 3[3]		(516)			(516)
Balance at 31 December 2016	2 115	4 751	2 641	9	9 516
Balance at 1 January 2017	**2 115**	**4 751**	**2 641**	**9**	**9 516**
Total gains included in profit or loss	**2 464**	**1 000**	**157**		**3 621**
Interest income			**71**		**71**
Trading revenue	**2 464**	**1 000**			**3 464**
Other revenue			**86**		**86**
Total gains included in OCI			**61**		**61**
Originations and purchases		**36**	**8**		**44**
Sales and settlements	**(185)**	**(74)**	**(243)**		**(502)**
Transfers into level 3[2]	**36**				**36**
Transfers out of level 3[3]	**(292)**	**(629)**		**(9)**	**(930)**
Balance at 31 December 2017	**4 138**	**5 084**	**2 624**		**11 846**

1 Level 3 financial assets were reclassified from held-for-trading to loans and receivables at amortised cost in terms of IFRS during the 2016 year.

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

3 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. 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 continued

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Interest in SBG companies Rm	Total Rm
COMPANY					
Balance at 1 January 2016	2 457	8 942	2 627	42	14 068
Total gains/(losses) included in profit or loss	960	(469)	(23)		468
Interest income			30		30
Trading revenue	960	(469)	(47)		444
Other revenue			(6)		(6)
Total gains included in OCI			43		43
Originations and purchases	23	393	654	9	1 079
Sales and settlements	(1 574)	(3 846)	(673)	(42)	(6 135)
Reclassifications[1]		(112)			(112)
Transfers into level 3[2]	249	359	13		621
Transfers out of level 3[3]		(516)			(516)
Balance at 31 December 2016	2 115	4 751	2 641	9	9 516
Balance at 1 January 2017	**2 115**	**4 751**	**2 641**	**9**	**9 516**
Total gains included in profit or loss	**2 464**	**1 000**	**157**		**3 621**
Interest income			**71**		**71**
Trading revenue	**2 464**	**1 000**			**3 464**
Other revenue			**86**		**86**
Total gains included in OCI			**61**		**61**
Originations and purchases		**36**	**8**		**44**
Sales and settlements	**(185)**	**(74)**	**(242)**		**(501)**
Transfers into level 3[2]	**36**				**36**
Transfers out of level 3[3]	**(292)**	**(629)**		**(9)**	**(930)**
Balance at 31 December 2017	**4 138**	**5 084**	**2 625**		**11 847**

1 Level 3 financial assets were reclassified from held-for-trading to loans and receivables at amortised cost in terms of IFRS during the 2016 year.

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

3 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. Assets and liabilities at fair value continued

19.1 Financial assets and liabilities measured at fair value continued

19.1.2 Reconciliation of level 3 financial liabilities measured 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):

	Derivative liabilities Rm	Trading liabilities Rm	Liabilities to SBG companies Rm	Total Rm
GROUP				
Balance at 1 January 2016	14 641	2 210	163	17 014
Total (profits)/losses included in profit or loss – trading revenue[1]	(4 895)	310		(4 585)
Issuances		1 803	11	1 814
Sales and settlements	(1 193)	(142)	(163)	(1 498)
Transfers into level 3[2]	1			1
Balance at 31 December 2016	8 554	4 181	11	12 746
Balance at 1 January 2017	**8 554**	**4 181**	**11**	**12 746**
Total losses/(profits) included in profit or loss – trading revenue	**220**	**(568)**		**(348)**
Issuances		**1 110**		**1 110**
Sales and settlements	**(3 212)**	**(1 684)**		**(4 896)**
Transfers out of level 3[3]	**(157)**		**(11)**	**(168)**
Balance at 31 December 2017	**5 405**	**3 039**		**8 444**

[1] The change in fair value in 2016 was materially offset by changes in the fair value of financial assets and liabilities classified as level 2 in the fair value hierarchy which hedge this position.
[2] The valuation inputs of certain financial liabilities became unobservable during the year. The fair value of these financial liabilities was transferred into level 3.
[3] 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.

	Derivative liabilities Rm	Trading liabilities Rm	Liabilities to SBG companies Rm	Total Rm
COMPANY				
Balance at 1 January 2016	14 641	2 210	165	17 016
Total (profits)/losses included in profit or loss – trading revenue[1]	(4 895)	310		(4 585)
Issuances		1 803	11	1 814
Sales and settlements	(1 193)	(142)	(165)	(1 500)
Transfers into level 3[2]	1			1
Balance at 31 December 2016	8 554	4 181	11	12 746
Balance at 1 January 2017	**8 554**	**4 181**	**11**	**12 746**
Total losses/(profits) included in profit or loss – trading revenue	**220**	**(568)**		**(348)**
Issuances		**1 110**		**1 110**
Sales and settlements	**(3 212)**	**(1 684)**		**(4 896)**
Transfers out of level 3[3]	**(157)**		**(11)**	**(168)**
Balance at 31 December 2017	**5 405**	**3 039**		**8 444**

[1] The change in fair value in 2016 was materially offset by changes in the fair value of financial assets and liabilities classified as level 2 in the fair value hierarchy which hedge this position.
[2] The valuation inputs of certain financial liabilities became unobservable during the year. The fair value of these financial liabilities was transferred into level 3.
[3] 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 Gains/(losses) for the year included in profit or loss for level 3 fair value measured financial assets held at the end of the year

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
GROUP AND COMPANY				
2017				
Trading revenue	**2 387**	**988**		**3 375**
Other revenue			**66**	**66**
Total	**2 387**	**988**	**66**	**3 441**
2016				
Trading revenue	1 043	(469)	(48)	526
Other revenue			15	15
Total	1 043	(469)	(33)	541

19.1.4 Losses/(gains) for the year included in profit or loss for level 3 fair value measured financial liabilities held at the end of the year

	Derivative liabilities Rm	Trading liabilities Rm	Total Rm
GROUP AND COMPANY			
2017			
Trading revenue	**63**	**(502)**	**(439)**
2016			
Trading revenue	(6 309)	26	(6 283)

19.1.5 Sensitivity and interrelationships of inputs

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

The table that follows indicates the 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 changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted.

	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	(Unfavourable) Rm
GROUP AND COMPANY			
2017			
Derivative assets and liabilities	**From (1%) to 1%**	**604**	**(608)**
Financial investments	**From (1%) to 1%**	**13**	**(13)**
Trading assets	**From (1%) to 1%**	**216**	**(216)**
Trading liabilities	**From (1%) to 1%**	**290**	**(290)**
Total		**1 123**	**(1 127)**
2016			
Derivative assets and liabilities	From (1%) to 1%	606	(605)
Financial investments	From (1%) to 1%	79	(77)
Trading assets	From (1%) to 1%	578	(578)
Trading liabilities	From (1%) to 1%	260	(260)
Total		1 523	(1 520)

AFS 59 189 Refer to key management assumptions and annexure F: Detailed accounting policies 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

19.2.1 Fair value hierarchy of items for which fair value is disclosed

	2017				2016			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
GROUP								
Assets								
Cash and balances with the central bank	**35 893**			**35 893**	33 947			33 947
Pledged assets			**353**	**353**			201	201
Financial investments	**14 126**	**57 965**	**5**	**72 096**	17 155	54 988	760	72 903
Loans and advances to banks	**5 580**	**85 960**	**2**	**91 542**	10 091	108 448	1 266	119 805
Loans and advances to customers	**2**	**31 898**	**775 307**	**807 207**		40 854	756 680	797 534
Interest in SBG companies	**2 035**	**22 480**	**13 490**	**38 005**	2 135	15 162	9 011	26 308
Total	**57 636**	**198 303**	**789 157**	**1 045 096**	63 328	219 452	767 918	1 050 698
Liabilities								
Deposits and debt funding from banks	**11 555**	**69 343**		**80 898**	38 956	65 966	687	105 609
Deposits and debt funding from customers	**549 552**	**320 997**	**550**	**871 099**	509 284	310 536	644	820 464
Subordinated debt		**17 607**		**17 607**		20 282		20 282
Liabilities to SBG companies	**3 749**	**60 901**	**4 725**	**69 375**	4 120	94 226	1 456	99 802
Total	**564 856**	**468 848**	**5 275**	**1 038 979**	552 360	491 010	2 787	1 046 157

19. Assets and liabilities at fair value continued

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

19.2.1 Fair value hierarchy of items for which fair value is disclosed continued

	2017				2016			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
COMPANY								
Assets								
Cash and balances with the central bank	**35 893**			**35 893**	33 947			33 947
Pledged assets			**353**	**353**			201	201
Financial investments	**14 126**	**57 474**	**5**	**71 605**	17 155	54 988	5	72 148
Loans and advances to banks	**5 036**	**85 960**	**2**	**90 998**	9 646	108 447	1 264	119 357
Loans and advances to customers		**31 898**	**760 028**	**791 926**		40 828	746 637	787 465
Interest in SBG companies	**3 378**	**44 890**	**2 953**	**51 221**	3 540	29 048	698	33 286
Total	**58 433**	**220 222**	**763 341**	**1 041 996**	64 288	233 311	748 805	1 046 404
Liabilities								
Deposits and debt funding from banks	**11 555**	**69 343**		**80 898**	38 970	65 967	687	105 624
Deposits and debt funding from customers	**547 983**	**320 995**	**69**	**869 047**	510 153	307 345	3	817 501
Subordinated debt		**17 607**		**17 607**		20 282		20 282
Liabilities to SBG companies	**4 558**	**65 287**	**41**	**69 886**	4 172	95 157		99 329
Total	**564 096**	**473 232**	**110**	**1 037 438**	553 295	488 751	690	1 042 736

19.3 Third-party credit announcements

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 liabilities designated at fair value through profit or loss

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Financial liabilities				
Current year loss on changes in fair value attributable to changes in credit risk	**(16)**	(23)	**(16)**	(23)
Cumulative gain on changes in fair value attributable to changes in credit risk	**21**	37	**21**	37
Contractual payment required at maturity	**15 593**	14 467	**15 593**	14 467
Carrying amount	**13 629**	12 434	**13 619**	12 420
Difference between carrying amount and contractual payment	**1 964**	2 033	**1 974**	2 047

The changes in 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.

21. Financial assets reclassified from held-for-trading to loans and receivables at amortised cost

In the current year, the group and company reclassified no financial assets from held-for-trading to loans and receivables (2016: R112 million) for which there was a clear change of intent to hold the assets for the foreseeable future rather than to exit or trade in the short term. This represents the estimated amounts of future cash flows expected to be recovered at the date of reclassification. No financial assets matured in the company in 2017 or 2016.

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Carrying value of reclassified financial assets at end of the year	**1 315**	1 233
Fair value of reclassified financial assets at end of the year	**1 204**	1 140

A fair value gain after tax of R37 million (2016: R88 million loss) for the group and R51 million (2016: R88 million loss) for the company would have been recognised in 2017 had these reclassifications not been affected.

The table below sets out the amounts actually recognised in profit or loss:

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Period before reclassification		
Trading income		10
Period after reclassification		
Net interest income[1]	**111**	163

[1] Included in this are items subject to fair value hedge accounting for interest rate risk only. The total fair value adjustment recognised in net interest income in respect of the hedged items amounted to a gain of R23 million (2016: R82 million loss).

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 has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no instances where the group and company have a current legally enforceable right to offset without the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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
2017					
Assets					
Derivative assets	41 925		41 925	(31 240)	10 685
Trading assets	20 483		20 483	(18 608)	1 875
Loans and advances[5]	50 545	(32 864)	17 681	(15 345)	2 336
Total	112 953	(32 864)	80 089	(65 193)	14 896

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
2017					
Liabilities					
Derivative liabilities	47 732		47 732	(30 185)	17 547
Trading liabilities	23 877		23 877	(23 877)	
Deposits and debt funding[5]	40 420	(32 864)	7 556		7 556
Total	112 029	(32 864)	79 165	(54 062)	25 103

Refer to footnotes on the following page.

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

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
2016					
Assets					
Derivative assets	43 225		43 225	(39 830)	3 395
Trading assets	49 026		49 026	(46 243)	2 783
Loans and advances[5]	111 072	(33 190)	77 882	(76 589)	1 293
Total	203 323	(33 190)	170 133	(162 662)	7 471

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
2016					
Liabilities					
Derivative liabilities	50 585		50 585	(42 359)	8 226
Trading liabilities	22 390		22 390	(22 390)	
Deposits and debt funding[5]	39 374	(33 190)	6 184		6 184
Total	112 349	(33 190)	79 159	(64 749)	14 410

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 offset in accordance with the criteria per IFRS.
3 Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement. This could include financial collateral (whether recognised or unrecognised) and cash collateral.
4 In most cases the group and company is allowed to sell or repledge collateral received.
5 The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of 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 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 offset 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 agreements	The agreement allows for offset in the event of default
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default
Loans and advances	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to the Banks Act requirements being met
Deposits and debt funding	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to the Banks Act requirements being met

23. Maturity analysis

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

	Note	On demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated Rm	Total Rm
GROUP							
2017							
Cash and balances with the central bank[1]	1	**12 606**				**23 287**	**35 893**
Trading assets	3	**3 971**	**22 959**	**25 818**	**48 897**	**24 638**	**126 283**
Pledged assets	4		**449**	**1 043**	**5 320**		**6 812**
Financial investments	5		**45 947**	**29 689**	**8 163**	**2 545**	**86 344**
Gross loans and advances	6	**96 261**	**201 835**	**330 315**	**291 046**		**919 457**
Net derivative liability	2		**3 408**	**(4 650)**	**(205)**		**(1 447)**
Trading liabilities	13	**(835)**	**(7 017)**	**(12 217)**	**(18 013)**	**(158)**	**(38 240)**
Deposits and debt funding	15	**(560 120)**	**(246 874)**	**(115 077)**	**(40 849)**		**(962 920)**
Subordinated debt[2]	16		**(3 537)**	**(13 750)**			**(17 287)**
2016							
Cash and balances with the central bank[1]	1	12 256				21 691	33 947
Trading assets	3	2 822	36 048	16 597	33 588	18 387	107 442
Pledged assets	4		730	290	1 061		2 081
Financial investments	5		78 762	3 531	6 907	2 351	91 551
Gross loans and advances	6	86 111	247 450	313 445	291 496		938 502
Net derivative liability	2		459	(6 898)	(591)		(7 030)
Trading liabilities	13	(409)	(13 430)	(7 957)	(5 031)	(149)	(26 976)
Deposits and debt funding	15	(548 240)	(273 221)	(83 708)	(31 869)		(937 038)
Subordinated debt[2]	16		(3 037)	(16 315)	(988)		(20 340)

1 On demand cash and balances with the central bank includes notes and coins.
2 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.

23. Maturity analysis continued

	Note	On demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated Rm	Total Rm
COMPANY							
2017							
Cash and balances with the central bank[1]	1	**12 606**				**23 287**	**35 893**
Trading assets	3	**3 971**	**22 959**	**25 818**	**48 897**	**24 638**	**126 283**
Pledged assets	4		**449**	**1 043**	**5 320**		**6 812**
Financial investments	5		**45 947**	**29 221**	**8 163**	**2 546**	**85 877**
Gross loans and advances	6	**95 420**	**198 987**	**319 000**	**289 684**		**903 091**
Net derivative liability	2		**3 408**	**(4 650)**	**(205)**		**(1 447)**
Trading liabilities	13	**(835)**	**(7 017)**	**(12 217)**	**(18 013)**	**(158)**	**(38 240)**
Deposits and debt funding	15	**(560 117)**	**(245 673)**	**(115 021)**	**(40 839)**		**(961 650)**
Subordinated debt[2]	16		**(3 537)**	**(13 750)**			**(17 287)**
2016							
Cash and balances with the central bank[1]	1	12 256				21 691	33 947
Trading assets	3	2 822	36 048	16 597	33 588	18 387	107 442
Pledged assets	4		730	290	1 061		2 081
Financial investments	5		78 651	2 916	6 907	2 350	90 824
Gross loans and advances	6	85 474	245 952	306 709	289 731		927 866
Net derivative liability	2		460	(6 899)	(591)		(7 030)
Trading liabilities	13	(409)	(13 431)	(7 957)	(5 031)	(148)	(26 976)
Deposits and debt funding	15	(549 123)	(270 397)	(83 561)	(31 863)		(934 944)
Subordinated debt[2]	16		(3 037)	(16 315)	(988)		(20 340)

1 On demand cash and balances with the central bank includes notes and coins.
2 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.

24. Contingent liabilities and commitments

24.1 Contingent liabilities

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Letters of credit	**8 940**	9 580
Guarantees	**43 466**	45 051
Total	**52 406**	54 631

Loan commitments of R71 899 million (2016: R64 164 million) in the 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 – Risk and capital management – IFRS disclosures. In the prior year, this amount was erroneously disclosed as R107 120 million for the group, which was inclusive of revocable facilities.

24.2 Commitments

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Property and equipment	**49**	107
Other intangible assets	**299**	399
Total	**348**	506

The expenditure will be funded from internal resources.

24. Contingent liabilities and commitments continued

24.3 Operating lease commitments

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

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Property and equipment				
Within one year	**1 080**	662	**1 074**	657
After one year but within five years	**2 081**	1 310	**2 078**	1 301
After five years	**38**	43	**38**	43
Total	**3 199**	2 015	**3 190**	2 001

The commitments comprise a number of separate operating leases, none of which is individually significant to the group or company.

24.4 Legal proceedings

In the ordinary course of business, the group and company are 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 and company are also the defendant in some legal cases for which the group and company are 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 and company should not have a material adverse effect on the group and company's consolidated financial position and the directors are satisfied that the group and company have 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

In April 2015, the South African Competition Commission announced that it had initiated a complaint against Standard New York Securities Inc. (SNYS) and 21 other institutions concerning possible contravention of the Competition Act in relation to USD/ZAR trading between 2007 and 2013. No mention was made of SBSA. On 15 February 2017, the Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against SBSA and two against SNYS, in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group and company only learned of the complaints at this time. The group and company have conducted their own internal investigations and found no evidence that supports the complaint. Both SBSA and SNYS have, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. A date for the hearing of those applications has yet to be set. The group and company consider these allegations in an extremely serious light and remain committed to maintaining the highest levels of control and compliance with all relevant regulations. The allegations are confined to USD/ZAR trading activities within SBSA.

Management is accordingly satisfied that the legal proceedings currently pending against the group and company should not have a material adverse effect on the group and company's consolidated financial position and the directors are satisfied that the group and company have adequate insurance programmes and provisions in place to meet claims that may succeed.

25. Interest income

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Interest on loans and advances and financial investments	**94 828**	83 161	**94 055**	82 490
Unwinding of discount element of credit impairments for loans and advances (note 6.3)	**784**	851	**777**	840
Fair value adjustments on debt financial instruments	**(50)**	22	**(50)**	22
Dividends on dated securities	**2 664**	2 267	**2 020**	1 924
Total	**98 226**	86 301	**96 802**	85 276
Comprising:				
Interest income on items measured on an amortised cost basis	**97 009**	85 799	**95 810**	84 776
Interest income on items measured at fair value through profit and loss	**1 217**	502	**992**	500
Total	**98 226**	86 301	**96 802**	85 276

26. Interest expense

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Interest on deposits and debt funding	**53 925**	43 799	**53 587**	43 452
Interest on subordinated debt	**2 781**	3 057	**2 781**	3 057
Total	**56 706**	46 856	**56 368**	46 509
Comprising:				
Interest expense on items measured on an amortised cost basis	**56 161**	46 534	**56 006**	46 188
Interest expense on items measured at fair value through profit and loss	**545**	322	**362**	321
Total	**56 706**	46 856	**56 368**	46 509

27. Fee and commission revenue

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Account transaction fees	**9 766**	9 405	**9 760**	9 397
Bancassurance revenue	**2 147**	2 084	**794**	818
Card-based commission	**5 568**	5 234	**5 217**	4 870
Documentation and administration fees	**1 319**	1 216	**1 296**	1 190
Electronic banking fees	**2 723**	2 553	**2 723**	2 553
Foreign currency service fees	**1 019**	1 058	**1 770**	1 729
Knowledge-based fees and commission	**756**	830	**756**	830
Other	**2 008**	2 067	**1 859**	1 944
Total	**25 306**	24 447	**24 175**	23 331

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	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Account transaction fees	**1 204**	1 042	**1 204**	1 042
Bancassurance fees	**511**	536	**488**	520
Card-based commission	**1 821**	1 703	**1 806**	1 691
Documentation and administration fees	**121**	117	**121**	117
Electronic banking fees	**624**	651	**624**	651
Other	**206**	256	**221**	256
Total	**4 487**	4 305	**4 464**	4 277

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	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Fixed income and currencies (FIC)	**3 800**	3 362	**3 800**	3 399
Equities	**1 523**	1 649	**1 523**	1 649
Commodities	**62**	64	**62**	64
Other	**(41)**	(131)	**(40)**	(127)
Total	**5 344**	4 944	**5 345**	4 985

30. Other revenue

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Banking and other[1]	**942**	665	**1 108**	713
Franchise and management fees (note 39.6)	**674**	505	**674**	505
Property-related revenue	**184**	177	**188**	181
Insurance – bancassurance income	**980**	996	**980**	996
Total	**2 780**	2 343	**2 950**	2 395

[1] Included in banking and other income for the company is dividend income from subsidiaries of R157 million (2016: R107 million).

31. Credit impairment charges

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Net credit impairments raised for loans and advances	**7 668**	7 679	**7 607**	7 561
Recoveries on loans and advances previously written off	**(523)**	(655)	**(515)**	(599)
Total	**7 145**	7 024	**7 092**	6 962
Comprising:				
Net specific credit impairment charges	**6 796**	6 656	**6 742**	6 620
Specific credit impairment charges (note 6.3)	**7 319**	7 311	**7 257**	7 219
Recoveries on loans and advances previously written off	**(523)**	(655)	**(515)**	(599)
Portfolio credit impairment charges (note 6.3)	**349**	368	**350**	342
Total	**7 145**	7 024	**7 092**	6 962

32. Operating expenses

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Amortisation – intangible assets (note 10)	**2 095**	1 849	**2 077**	1 845
Auditors' remuneration	**251**	174	**243**	167
Audit fees – current financial year	**189**	144	**181**	137
Audit fees – other financial years[1]	**30**		**30**	
Fees for other services[2]	**32**	30	**32**	30
Communication-related expenses	**737**	788	**698**	754
Depreciation (note 9)	**1 680**	1 849	**1 676**	1 832
Property	**378**	422	**378**	417
Equipment	**1 302**	1 427	**1 298**	1 415
Information technology	**5 149**	4 923	**5 115**	4 886
Operating lease charges	**1 559**	1 520	**1 542**	1 505
Premises	**1 249**	1 026	**1 246**	1 023
Professional fees	**1 073**	990	**1 049**	975
Staff costs	**22 039**	20 914	**21 550**	20 414
Salaries and wages	**18 678**	18 016	**18 189**	17 516
Current service cost (note 40.1)	**887**	847	**887**	847
Equity-linked transactions (annexure D)	**2 474**	2 051	**2 474**	2 051
Transfer pricing agreements (note 39.6)	**993**	1 205	**993**	1 205
Other expenses	**4 010**	3 586	**3 697**	3 304
Total	**40 835**	38 824	**39 886**	37 910

1 This relates to IFRS 9 audit services incurred during 2017 in relation to the 2018 financial year, being the financial year in which IFRS 9 becomes effective.
2 All fees for services paid to the group's auditors were considered and approved by the group's audit committee in terms of its non-audit services policy.

33. Non-trading and capital related items

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Impairment of intangible assets (note 10)	**283**	570	**281**	570
(Profit)/loss on sale of property and equipment	**(12)**	53	**(10)**	54
Profit on sale of intangible assets	**(80)**	(50)	**(80)**	(50)
Impairment of associates		10		10
Loss on disposal of business		3		3
Realised foreign currency profit on disposal of foreign operations		(62)		(62)
Total	**191**	524	**191**	525

34. Taxation

34.1 Indirect taxation

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Value added tax (VAT)[1]	**1 106**	1 199	**1 106**	1 199
Other indirect taxes and levies	**195**	182	**189**	174
Total	**1 301**	1 381	**1 295**	1 373

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.

34. Taxation continued

34.2 Direct taxation

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
South African normal tax	**3 924**	5 011	**3 759**	4 863
Current year	**4 145**	4 979	**3 980**	4 834
Prior year	**(221)**	32	**(221)**	29
Deferred taxation	**372**	(1 179)	**386**	(1 181)
Current year	**299**	(1 171)	**315**	(1 162)
Prior year	**73**	(8)	**71**	(19)
Capital gains, foreign and withholding tax	**51**	17	**53**	17
Total	**4 347**	3 849	**4 198**	3 699

The aggregate current and deferred tax relating to items charged or credited to OCI for the group and company amounted to a charge of R33 million (2016: R147 million credit) and R40 million (2016: R143 million credit) respectively.

Income tax recognised in OCI

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

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Net change in fair value of cash flow hedges	**(122)**	439	**(122)**	439
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**76**	(497)	**76**	(497)
Net change in fair value of available-for-sale financial assets	**(5)**	(18)	**(5)**	(19)
Defined benefit fund remeasurements	**75**	(65)	**75**	(65)
Other	**9**	(6)	**16**	(1)
Total	**33**	(147)	**40**	(143)

Future tax relief

The group and company have estimated tax losses of R50 million (2016: R73 million) and R39 million (2016: R57million) 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.

South African tax rate reconciliation

	GROUP		COMPANY	
	2017 %	2016 %	**2017 %**	2016 %
Direct tax charge for the year as a percentage of profit before tax	**21**	21	**22**	21
Tax charge for the year has been reduced as a consequence of the following permanent differences:	**7**	7	**6**	7
Dividends received	**6**	8	**6**	8
Other non-taxable income	**2**	1	**2**	1
Other permanent differences	**(1)**	(2)	**(2)**	(2)
Direct taxation – statutory rate	**28**	28	**28**	28

35. Earnings per share

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Earnings				
The calculations of basic earnings and headline earnings per ordinary share are as follows:				
Basic earnings (Rm)	**15 941**	14 235	**15 074**	13 696
Headline earnings (Rm) (note 36)	**16 078**	14 599	**15 211**	14 061
Weighted average number of ordinary shares in issue (thousands) (note 11)	**59 997**	59 997	**59 997**	59 997
Basic earnings per ordinary share (cents)	**26 570**	23 726	**25 125**	22 828
Headline earnings per ordinary share (cents)	**26 798**	24 332	**25 354**	23 436

Basic earnings and headline earnings per ordinary share equals diluted earnings and headline earnings per share as there are no potential dilutive ordinary shares in issue.

36. Headline earnings

	2017					2016			
	Gross Rm	**Tax Rm**	**Non-controlling interest Rm**	**Other equity instrument holders Rm**	**Net Rm**	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
GROUP									
Profit for the year	**20 452**	**(4 347)**	**1**	**(165)**	**15 941**	18 085	(3 849)	(1)	14 235
Headline earnings adjustable items added/(reversed)	**191**	**(54)**			**137**	524	(160)		364
Impairment of intangible assets – IAS 38	**283**	**(78)**			**205**	570	(160)		410
Realised foreign currency profit on foreign operations – IAS 21						(62)			(62)
Loss on disposal of business – IAS 27/IAS 28						3			3
Impairment of associates – IAS 28/IAS 36						10			10
Profit on disposal of intangible assets – IAS 38	**(80)**	**21**			**(59)**	(50)	14		(36)
(Profit)/loss on sale of property and equipment – IAS 16	**(12)**	**3**			**(9)**	53	(14)		39
Headline earnings	**20 643**	**(4 401)**	**1**	**(165)**	**16 078**	18 609	(4 009)	(1)	14 599

36. Headline earnings continued

	2017				2016		
	Gross Rm	Tax Rm	Other equity instrument holders Rm	Net Rm	Gross Rm	Tax Rm	Net Rm
COMPANY							
Profit for the year	**19 437**	**(4 198)**	**(165)**	**15 074**	17 395	(3 699)	13 696
Headline earnings adjustable items added/ (reversed)	**191**	**(54)**		**137**	525	(160)	365
Impairment of intangible assets – IAS 38	**281**	**(78)**		**203**	570	(160)	410
Realised foreign currency profit on foreign operations – IAS 21					(62)		(62)
Loss on disposal of business – IAS 27/IAS 28					3		3
Impairment of associates – IAS 28/IAS 36					10		10
Profit on disposal of intangible assets – IAS 38	**(80)**	**21**		**(59)**	(50)	14	(36)
(Profit)/loss on sale of property and equipment – IAS 16	**(10)**	**3**		**(7)**	54	(14)	40
Headline earnings	**19 628**	**(4 252)**	**(165)**	**15 211**	17 920	(3 859)	14 061

Headline earnings is calculated in accordance with the circular titled Headline Earnings issued by SAICA, at the request of the JSE, as amended from time-to-time. The circular allows for the inclusion in headline earnings for any gains or losses on the sale of ring-fenced private equity joint ventures or associates that are held by a banking institution.

37. Dividends

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Ordinary dividends	**13 700**	9 300
Dividend No. 144 of 9 167 cents per share paid on 18 April 2016 to the shareholder registered on 15 April 2016		5 500
Dividend No. 145 of 6 334 cents per share paid on 8 September 2016 to the shareholder registered on 1 September 2016		3 800
Dividend No. 146 of 13 334 cents per share paid on 20 March 2017 to the shareholder registered on 17 March 2017	**8 000**	
Dividend No. 147 of 9 500 cents per share paid on 8 September 2017 to the shareholder registered on 5 September 2017	**5 700**	
AT1 capital bonds	**165**	
31 December		
SBT101	**39**	
SBT102	**44**	
30 September		
SBT101	**41**	
30 June		
SBT101	**41**	
Total	**13 865**	9 300

On 8 March 2018, dividend No. 148 of 14 312 cents per share payable on 9 April 2018 was declared, to the shareholder registered on 6 April 2018, bringing the total dividends declared in respect of 2017 to 23 812 cents per share (2016: 19 668 cents per share).

38. Statement of cash flows notes

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

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Amortisation of intangible assets (note 10)	**2 095**	1 849	**2 077**	1 845
Depreciation of property and equipment (note 9)	**1 680**	1 849	**1 676**	1 832
Credit impairment charges on loans and advances (note 31)	**7 145**	7 024	**7 092**	6 962
Interest income[1]	**(97 492)**	(85 428)	**(96 075)**	(84 414)
Interest expense[1]	**56 706**	46 856	**56 368**	46 509
Equity-linked transactions (annexure D)	**2 474**	2 051	**2 474**	2 051
Indirect taxation (note 34.1)	**(1 301)**	(1 381)	**(1 295)**	(1 373)
Dividends included in trading revenue	**(1 523)**	(1 649)	**(1 523)**	(1 649)
Other adjustments[1]	**208**	13	**211**	21
Total	**(30 008)**	(28 816)	**(28 995)**	(28 216)

38.2 Increase in income-earning assets

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Financial investments	**5 242**	7 432	**4 982**	7 208
Trading assets	**(18 841)**	(44 160)	**(18 841)**	(44 162)
Pledged assets	**(4 731)**	5 798	**(4 731)**	5 798
Loans and advances	**13 100**	(29 213)	**18 896**	(33 731)
Net derivative assets	**(5 419)**	(13 264)	**(5 419)**	(13 265)
Interest in SBG companies, associates and joint ventures – banking activities[1]	**(11 015)**	6 413	**(17 085)**	8 418
Other assets[1]	**(2 189)**	881	**(2 217)**	853
Total	**(23 853)**	(66 113)	**(24 415)**	(68 881)

38.3 Increase in deposits, trading and other liabilities

	GROUP		COMPANY	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Deposit and debt funding	**25 882**	62 666	**26 706**	67 586
Trading liabilities	**11 264**	2 351	**11 264**	2 351
Liabilities to SBG companies	**(22 567)**	(9 202)	**(21 987)**	(10 754)
Other liabilities[1]	**(4 100)**	(901)	**(4 045)**	(907)
Total	**10 479**	54 914	**11 938**	58 276

38.4 Reconciliation of subordinated debt

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Balance at the beginning of the year	**20 340**	21 309
Subordinated debt issued		1 700
Subordinated debt redeemed	**(3 000)**	(2 750)
Accrued finance movements	**(53)**	81
Balance at the end of the year	**17 287**	20 340

1 The comparative figures for these line items have been restated to exclude certain non-cash flow related amounts. This restatement has no impact on the income statements of the statements of financial position.

39. Related party transactions

39.1 Parent

SBSA is a wholly-owned subsidiary of SBG.

39.2 Subsidiaries

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

39.3 Associates and joint ventures

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

39.4 Key management personnel

Key management personnel has been defined as SBSA board of directors and prescribed officers effective for 2017 and 2016. 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	2017 Rm	2016 Rm
Key management compensation		
Salaries and other short-term benefits paid	142	124
Post-employment benefits	5	4
IFRS 2 value of share options and rights expensed	243	212
Total	390	340
Loans and advances		
Loans outstanding at the beginning of the year	11	11
Change in key management structures	(1)	2
Net change in loans during the year	2	(2)
Loans outstanding at the end of the year	12	11
Interest income	1	1
Loans 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 or prior year. The mortgage loans and vehicle and asset finance are secured by the underlying assets. All other loans are unsecured.		
Deposit and debt funding[1]		
Deposits outstanding at the beginning of the year	26	32
Change in key management structures	(4)	(11)
Net change in deposits during the year	58	5
Deposits outstanding at the end of the year	80	26
Net interest expense	(2)	(5)
Investment products[2]		
Balance at the beginning of the year	382	355
Change in key management structures	(15)	241
Net change in investments during the year	(8)	(214)
Balance at the end of the year	359	382
Net investment return to key management personnel	105	52

39. Related party transactions continued

39.5 Holding company, subsidiaries and fellow subsidiaries

GROUP AND COMPANY	2017 Rm	2016 Rm
Third-party funds under management		
Fund value at the beginning of the year	**239**	299
Change in key management structures	**(64)**	(65)
Net change in deposits during the year	**49**	5
Fund value at the end of the year	**224**	239
Net investment return to key management personnel	**38**	2
Fee and commission revenue	**6**	9
Shares and share options held[3]		
Shares beneficially owned (number)	**1 578 046**	1 552 359
Share options held (number)	**3 288 492**	4 225 216

1 Deposits include cheque, current and savings accounts.
2 In 2016, investment products of R222 million by key management personnel were erroneously excluded from this disclosure; this consisted of a difference of R193 million in the opening balance and R29 million in relation to net changes in investments during the year. The comparatives have been restated accordingly.
3 Aggregate details of SBG shares and share options held by key management personnel.

	Holding company		Subsidiaries		Fellow banking subsidiaries	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Assets						
GROUP						
Assets outstanding at the beginning of the year	**94**	215			**34 046**	40 320
Net movement for the year	**56**	(121)			**10 940**	(6 274)
Assets outstanding at the end of the year (note 8.1)	**150**	94			**44 986**	34 046
Interest income					**697**	764
Non-interest revenue					**1 288**	1 112
COMPANY						
Assets outstanding at the beginning of the year	**94**	215	**7 042**	8 994	**34 141**	40 481
Net movement for the year	**56**	(121)	**6 061**	(1 952)	**10 958**	(6 340)
Assets outstanding at the end of the year (note 8.1)	**150**	94	**13 103**	7 042	**45 099**	34 141
Interest income			**499**	394	**707**	770
Non-interest revenue			**732**	671	**926**	788
Included in the above are loans issued to subsidiaries and fellow subsidiaries that are repayable on demand. Interest is charged based on the group's internal funding rate. The loans are unsecured.						

39. Related party transactions continued

39.5 Holding company, subsidiaries and fellow subsidiaries continued

	Holding company		Subsidiaries		Fellow banking subsidiaries	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Liabilities						
GROUP						
Liabilities outstanding at the beginning of the year	**176**	176			**117 807**	127 010
Net movement for the year	**(174)**				**(22 393)**	(9 203)
Liabilities outstanding at the end of the year (note 8.3)	**2**	176			**95 414**	117 807
Interest expense					**1 540**	2 171
COMPANY						
Liabilities outstanding at the beginning of the year	**176**	176	**147**	1 825	**117 591**	126 668
Net movement for the year	**(174)**		**1 053**	(1 678)	**(22 866)**	(9 077)
Liabilities outstanding at the end of the year (note 8.3)	**2**	176	**1 200**	147	**94 725**	117 591
Interest expense			**117**	148	**1 531**	2 151

Liberty Holdings Limited (Liberty) and its subsidiaries hold the following deposits and debt funding with the group and company:

	Deposit and debt funding		Fee and commission revenue		Interest expense	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Banking arrangements debt funding						
Liberty	**72**	137			**3**	3
Liberty subsidiaries	**5 102**	4 344	**53**	55	**80**	77
Total	**5 174**	4 481	**53**	55	**83**	80

39.6 Transactions with fellow subsidiaries

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

Royalty fees

Royalty fees are charged by SBSA to its fellow SBG subsidiaries in the Africa Regions in terms of a licensing agreement for the use of IT software owned by SBSA and the use of SBSA's core banking system. SBSA also earns fees relating to the development of new IT software. Fees charged for 2017 amounted to R153 million (2016: R178 million).

Core banking systems

SBSA disposed of certain core banking systems with a carrying value of R1 000 million (2016: R2 383 million) to fellow subsidiaries in SBG's Africa Regions for a consideration of R1 080 million (2016: R2 433 million). The profit on disposal of R80 million (2016: R50 million gain) has been excluded from headline earnings.

Systems development fees

SBSA develops new IT systems and enhances existing IT systems for its fellow SBG subsidiaries in its Africa Regions. In terms of the agreement, fees charged for 2017 amounted to R168 million (2016: R128 million).

Franchise and management fees

SBSA charges certain subsidiaries in SBG's Africa Regions franchise or management fees for the provision of related management services, granting the fellow subsidiaries the right to operate the licensed business and providing the use of SBSA provided business systems. The following table provides a summary of the franchise and management fees and fees written off that are included in the group and company's income statement, as well as the balances included in the statement of financial position.

39. Related party transactions continued

39.6 Transactions with fellow subsidiaries continued

GROUP AND COMPANY	2017 Rm	2016 Rm
Franchise and management fee income for the year included in other revenue	**674**	505
Net franchise and management fee balance owing to SBSA included in interests in SBG companies	**320**	415
Gross amounts owing to SBSA at the end of the year	**440**	989
Provisions	**(120)**	(574)
Provision raised on franchise and management fees during the year	**(294)**	(305)
Franchise and management fees written off during the year	**(748)**	(155)

Transfer pricing arrangements for 2017 and 2016

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 2017 and 2016 financial years.

The following amounts were recognised in the group and company income statements for the agreements:

GROUP AND COMPANY	2017 Rm	2016 Rm
Revenue sharing agreements	**726**	1 015
Other operating expenses (note 32)	**993**	1 205
Total	**1 719**	2 220

39.7 Transactions with Liberty

Information technology outsourcing arrangement

Liberty partially outsources its IT services to the company in terms of various agreements until 30 April 2021. Fees charged for 2017 amounted to R28 million (2016: R27 million).

Software development fees

Liberty developed a number of distribution systems on behalf of the company in prior years. For 2017, the annual maintenance fees paid by SBSA to Liberty were R10 million (2016: R7 million).

Operating leases

The company leases several properties from Liberty, including 50% of its head office at 5 Simmonds Street, Johannesburg, and various retail branches in shopping centres. These leases are governed by numerous separate lease agreements. Total lease payments for 2017 amounted to R86 million (2016: R79 million).

39. Related party transactions continued

39.7 Transactions with Liberty continued

Bancassurance

The Liberty group extended the bancassurance agreements with the company for the manufacture, sale and promotion of insurance, investment and health products through the company's African distribution capability. New business premium income in respect of this business in 2017 amounted to R9 129 million (2016: R7 973 million). In terms of the agreements, Liberty's group subsidiaries pay profit shares to the company's various operations. The amounts to be paid are, in most cases, dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts receivable by SBSA from Liberty for the year ended 31 December 2017 is R948 million (2016: R1 005 million).

The bancassurance agreements are evergreen agreements with a 24-month notice period for termination. As at the date of the approval of the financial statements, neither party had given notice.

A binder agreement has been entered into with Liberty effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance agreement, and shall remain in force for an indefinite period with a 90-day notice period for termination. Fees receivable for the year ended 31 December 2017 are R206 million (2016: R150 million).

Insurance

The SBG group's insurance programme includes cover for certain insured risks relating to Liberty. These include cover for crime, fraud and professional indemnity, directors' and officers' and asset all risks insurance. The proportionate share of premiums charged to SBSA by Liberty for 2017 is R46 million (2016: R13 million).

Asset management fees

Asset management fees of R9 million (2016: R9 million) were paid to STANLIB Asset Management Limited by the Standard Bank Group Retirement Fund (SBGRF).

Derivatives

Certain derivative transactions were entered into between the company and Liberty. Transactions were entered into on an arm's length basis. The group and company held the following derivative balances with Liberty at 31 December.

GROUP AND COMPANY	2017 Rm	2016 Rm
Fair value of derivative assets	**1 573**	1 159
Fair value of derivative liabilities	**(1 499)**	(910)
Net derivative asset	**74**	249

As at 31 December 2017, Liberty had collateral deposits receivable of R486 million (2016: R242 million) deposited with SBSA as collateral supporting South African Futures Exchange and over-the-counter traded derivatives. Collateral deposits payable amounted to R236 million (2016: R741 million).

Sale and repurchase agreements

The company entered into certain reverse repurchase agreements with Liberty during the year ended 31 December 2017. Open contracts totalled R520 million as at 31 December 2017 (2016: R5 million). Income recognised during the year in respect of these agreements was R101 million (2016: R132 million).

39. Related party transactions continued

39.7 Transactions with Liberty continued

Commission received from Liberty

The group received commission from Liberty for policies sold through the company and its subsidiaries' various distribution channels. Commission received for the year to 31 December 2017 was R1 009 million (2016: R1 100 million). STANLIB also paid commission of R169 million (2016: R157 million) to the group for the year to 31 December 2017 in relation to its management business.

Advisory fees received in respect of bond issue

During 2017, Liberty issued R2 billion (2016: R1 billion) in subordinated notes. An advisory fee of R11 million (2016: R5 million) was paid to the company for advisory fees in respect of the note issue.

39.8 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 group has assessed that it does not have control over these mutual funds, but has significant influence, it accounts for them as associates.

The following significant balances and transactions were entered into between SBSA and the mutual funds which Liberty has control or significant influence over:

GROUP AND COMPANY	2017 Rm	2016 Rm
Trading liabilities	**(785)**	(681)
Deposits and debt funding	**(19 946)**	(19 755)
Trading (losses)/gains	**(91)**	72
Interest expense	**(908)**	(1 290)

39.9 Balances and transactions with ICBC Standard Bank Plc

The following balances were in place as at 31 December with ICBC Standard Bank Plc (ICBCS), an entity which SBG has a 40% interest. The following amounts have been recognised in the group and company's financial statements. These transactions have been entered into on market-related terms.

GROUP AND COMPANY	2017 Rm	2016 Rm
Derivative assets	**2 164**	1 851
Trading assets		24
Loans and advances	**30 521**	27 020
Other assets	**34**	155
Derivative liabilities	**(2 309)**	(2 165)
Deposits and debt funding	**(328)**	(1 233)
Other liabilities	**(373)**	(193)

In 2017, R50 million (2016: R50 million) in service level agreement (SLA) revenue was recognised for services rendered to ICBCS relating to the support, licensing and maintenance of the financial systems used by ICBCS.

39. Related party transactions continued

39.10 Shareholder of the parent

The group has several business relationships with the Industrial and Commercial Bank of China (ICBC), a 20.1% shareholder of Standard Bank Group Limited. 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 collectibility or present other unfavourable features. There were no bad debt expenses and provisions for bad debts that related to balances and transactions with ICBC.

39.10.1 Balances and transactions with ICBC

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	**2017 Rm**	2016 Rm
Loans and advances	**1 839**	246
Other assets	**611**	656
Deposits and debt funding	**(60)**	(6 583)

Letters of credit

The group has off-balance sheet letters of credit exposure issued to ICBC as at 31 December 2017 of R165 million (2016: R349 million). The group received R3 million in fee and commission income relating to these transactions (2016: R1 million).

39.11 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	**2017 Rm**	2016 Rm
Fee and commission revenue	**5**	16
Deposits and debt funding	**(88)**	(42)
Interest expense	**(1)**	(2)
Financial investments in bonds and money market	**445**	489

In addition to the above, the group manages R8 621 million (2016: R8 938 million) of the post-employment benefit plans' assets.

40. Pensions and other post-employment benefits

40.1 Retirement funds

Membership of the principal fund, the SBGRF, comprises in excess of 95% (2016: 95%) of SBSA's permanent staff. The fund, one of the 10 largest in South Africa, is a defined contribution fund governed by the Pension Funds 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 2015 data during 2016. The previous full actuarial valuation was performed on 31 December 2012. 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 2018 data during 2019.

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

On 1 November 2009, the fund introduced individual member investment choice for defined contribution members and the pre-1995 members could choose to give up their guaranteed defined benefits and instead accept an offer of a 10% enhancement to their actuarial reserve values. Over 90% of the pre-1995 defined benefit members accepted the offer and converted to defined contribution plans.

40. Pensions and other post-employment benefits continued

40.1 Retirement funds continued

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 40.2) 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	
	2017 Rm	2016 Rm
The amounts recognised in the statement of financial position in respect of the retirement fund is as follows:		
Present value of funded obligations	**(33 464)**	(31 411)
Fair value of plan assets	**34 365**	32 694
Surplus (included in other assets in the statement of financial position)	**901**	1 283

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
Movement in the present value of funded obligations		
Balance at the beginning of the year	**31 411**	30 082
Current service cost	**991**	944
Interest cost	**3 092**	2 977
Contributions paid by employees	**798**	743
Actuarial losses/(gains)	**838**	(749)
Benefits paid	**(3 666)**	(2 586)
Balance at the end of the year	**33 464**	31 411
Movement in the fair value of plan assets		
Balance at the beginning of the year	**32 694**	31 242
Interest income	**3 196**	3 074
Contributions received	**1 606**	1 495
Actuarial gain/(loss)	**535**	(531)
Benefits paid	**(3 666)**	(2 586)
Balance at the end of the year	**34 365**	32 694
Plan assets consist of the following:		
Cash	**1 003**	573
Equities	**15 505**	14 940
Bonds	**8 804**	8 998
Property and other	**9 053**	8 183
Balance at the end of the year	**34 365**	32 694

40. Pensions and other post-employment benefits continued

40.1 Retirement funds continued

The group expects to pay R887 million in contributions to SBGRF in 2018 (2017: R847 million).

	GROUP AND COMPANY 2017 Rm	GROUP AND COMPANY 2016 Rm
The amounts recognised in profit or loss are determined as follows:		
Current service cost	**(991)**	(944)
Net interest income	**104**	97
Included in staff costs	**(887)**	(847)

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 2017 Rm	GROUP AND COMPANY 2016 Rm
Components of statement of OCI		
Actuarial gain/(loss) on assets	**535**	(531)
Actuarial (loss)/gain on liability	**(838)**	749
(Loss)/gain from changes in experience assumptions	**(1 385)**	501
Gain from changes in financial assumptions	**547**	248
(Decrease)/increase in remeasurements recognised in OCI	**(303)**	218
Reconciliation of net defined benefit asset		
Net defined benefit asset at the beginning of the year	**1 283**	1 160
Net expense recognised	**(887)**	(847)
Amounts recognised in OCI	**(303)**	218
Company contributions	**808**	752
Net defined benefit asset at the end of the year	**901**	1 283

Sensitivity analysis for post-retirement fund

	2017 1% increase Rm	2017 1% decrease Rm	2016 1% increase Rm	2016 1% decrease Rm
GROUP AND COMPANY				
Inflation rate				
Effect on the defined benefit obligation	**273**	**(224)**	307	(264)
Discount rate				
Effect on the defined benefit obligation	**(215)**	**267**	(506)	398
	+10% increase	**-10% decrease**	+10% increase	-10% decrease
Mortality improvements				
Effect on the defined benefit obligation	**(37)**	**53**	(54)	59
Mortality improvements	**+ 1 year**	**-1 year**	+ 1 year	-1 year
Effect on the defined benefit obligation	**(76)**	**11**	(53)	53

40.1 Retirement funds continued

	2017 Rm	2016 Rm
Historical information		
Experience adjustments arising on plan liabilities	**838**	(749)
Experience adjustments arising on plan assets	**535**	(531)

40.2 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 2017. The next actuarial valuation will be performed as at 31 December 2018.

	GROUP AND COMPANY	
	2017 Rm	2016 Rm
The amounts recognised in profit or loss are determined as follows:		
Present value of unfunded defined benefit obligation	**601**	641
Comprising:		
Post-employment medical aid	**601**	641
Movement in the present value of defined benefit obligations		
Balance at the beginning of the year	**641**	665
Interest cost	**56**	51
Actuarial gains	**(33)**	(15)
Benefit payments	**(63)**	(60)
Balance at the end of the year	**601**	641
The amounts recognised in profit or loss are determined as follows:		
Net interest cost	**(56)**	(51)
Components of statement of OCI		
Actuarial gains arising from changes in financial assumptions	**(21)**	(7)
Gains arising from experience adjustments	**(12)**	(8)
Increase in remeasurement recognised in OCI	**(33)**	(15)

Assumed medical inflation rates affect the amounts recognised in profit or loss. A one percentage point change in the medical inflation rate would have the following effects on amounts recognised in 2017 and 2016:

	2017		2016	
	1% increase Rm	**1% decrease Rm**	1% increase Rm	1% decrease Rm
Sensitivity analysis for post-employment medical aid fund				
GROUP AND COMPANY				
Effect on the aggregate of the current service cost and interest cost	**4**	**(3)**	4	(4)
Effect on the defined benefit obligation	**42**	**(37)**	48	(43)

	2017 Rm	2016 Rm
GROUP AND COMPANY		
Experience adjustments arising on plan liabilities	**(33)**	(15)

41. Segment reporting

The group is organised on the basis of products and services and the segments have been identified on this basis. The principal business units in the group are as follows:

Scope of operations

Business units and what we offer

Personal & Business Banking

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

Transactional products

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

Mortgage lending

Residential accommodation loans to mainly personal market customers.

Card products

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

Vehicle and asset finance

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

Lending products

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

Wealth

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

Business units and what we offer

Corporate & Investment Banking

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

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

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

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

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

Other services

Includes the results of support functions, which are either centralised or embedded in the business segments. The direct costs of support functions are recharged to the business segments. These functions include:

- legal & compliance
- human capital
- finance
- governance
- assurance
- IT
- procurement
- marketing
- real estate
- risk management
- group shared services
- corporate social investment.

The segment report includes only those business unit activities conducted within the group. No geographical segment information is disclosed due to the fact that business activities predominantly relate to South Africa. The consolidated results of each business unit, containing all the activities of the business units across SBG, are reflected in the segment report in SBG's annual financial statements.

41. Segment reporting continued

	Personal & Business Banking		Corporate & Investment Banking		Other services		Total	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
GROUP								
Net interest income	**32 317**	30 408	**10 485**	10 260	**(1 282)**	(1 223)	**41 520**	39 445
Interest income	**64 097**	59 674	**48 572**	44 410	**(14 443)**	(17 783)	**98 226**	86 301
Interest expense	**(31 780)**	(29 266)	**(38 087)**	(34 150)	**13 161**	16 560	**(56 706)**	(46 856)
Non-interest revenue	**20 080**	18 830	**9 546**	9 603	**(683)**	(1 004)	**28 943**	27 429
Net fee and commission revenue	**18 749**	17 690	**3 493**	3 580	**(1 423)**	(1 128)	**20 819**	20 142
Trading revenue			**5 365**	5 436	**(21)**	(492)	**5 344**	4 944
Other revenue	**1 331**	1 140	**688**	587	**761**	616	**2 780**	2 343
Total income	**52 397**	49 238	**20 031**	19 863	**(1 965)**	(2 227)	**70 463**	66 874
Credit impairment charges	**(6 307)**	(6 592)	**(838)**	(532)		100	**(7 145)**	(7 024)
Revenue sharing agreements			**(726)**	(1 015)			**(726)**	(1 015)
Net income before operating expenses	**46 090**	42 646	**18 467**	18 316	**(1 965)**	(2 127)	**62 592**	58 835
Operating expenses	**(28 842)**	(27 226)	**(12 405)**	(11 921)	**412**	323	**(40 835)**	(38 824)
Net income before capital items and equity accounted earnings	**17 248**	15 420	**6 062**	6 395	**(1 553)**	(1 804)	**21 757**	20 011
Non-trading and capital-related items	**(133)**	(293)	**(147)**	(138)	**89**	(93)	**(191)**	(524)
Share of profits/(losses) from associates and joint ventures	**28**	(23)	**159**	3		(1)	**187**	(21)
Net income/(loss) before indirect taxation	**17 143**	15 104	**6 074**	6 260	**(1 464)**	(1 898)	**21 753**	19 466
Indirect taxation	**(363)**	(350)	**(108)**	(107)	**(830)**	(924)	**(1 301)**	(1 381)
Profit/(loss) before direct taxation	**16 780**	14 754	**5 966**	6 153	**(2 294)**	(2 822)	**20 452**	18 085
Direct taxation	**(4 378)**	(3 878)	**(478)**	(689)	**509**	718	**(4 347)**	(3 849)
Profit/(loss) for the year	**12 402**	10 876	**5 488**	5 464	**(1 785)**	(2 104)	**16 105**	14 236
Attributable to non-controlling interest	**(1)**	1					**(1)**	1
Attributable to other equity instrument holders	**83**		**76**		**6**		**165**	
Attributable to the ordinary shareholder	**12 320**	10 875	**5 412**	5 464	**(1 791)**	(2 104)	**15 941**	14 235
Headline earnings	**12 416**	11 089	**5 517**	5 558	**(1 855)**	(2 048)	**16 078**	14 599
Operating information								
Total assets	**540 492**	524 235	**706 769**	705 927	**61 539**	55 459	**1 308 800**	1 285 621
Total liabilities	**487 655**	473 222	**670 789**	676 130	**46 018**	39 979	**1 204 462**	1 189 331
Other information								
Interest in associates and joint ventures	**318**	281	**546**	386			**864**	667
Depreciation and amortisation	**2 062**	1 831	**63**	55	**1 650**	1 812	**3 775**	3 698
Impairments of intangible assets	**135**	265	**148**	135		170	**283**	570

Where reporting responsibility for individual cost centres and divisions within business units change, the segmental analysis comparative figures have been reclassified accordingly.

ANNEXURE A – SUBSIDIARIES, CONSOLIDATED AND UNCONSOLIDATED STRUCTURED ENTITIES

Subsidiaries

	Nature of operation	Issued share capital Rm	Effective holding 2017 %	Effective holding 2016 %	Book value of shares 2017 Rm	Book value of shares 2016 Rm	Net indebtedness to/(by) SBSA company 2017 Rm	Net indebtedness to/(by) SBSA company 2016 Rm
Blue Managers Limited[1]	Participation mortgage bond finance	*	100	100	**	**		
Blue Granite Investments No.1 (RF) Limited[2]	Securitisation vehicle						391	425
Blue Granite Investments No.2 (RF) Proprietary Limited[2]	Securitisation vehicle						32	40
Blue Granite Investments No.3 (RF) Proprietary Limited[2]	Securitisation vehicle						357	386
Blue Granite Investments No.4 (RF) Proprietary Limited[2]	Securitisation vehicle						178	307
Blue Shield Investments 01 (RF) Limited	Securitisation vehicle						329	228
Blue Shield Investments 02 (RF) Limited	Securitisation vehicle						(75)	
Blue Titanium Conduit (RF) Limited[2]	Asset-backed commercial paper conduit						233	350
Diners Club (S.A.) Proprietary Limited	Travel and entertainment card	*	100	100	**	**	448	460
Out of The Blue Originator Proprietary Limited[2]	Securitisation vehicle						(5)	(4)
Rapvest Investments Proprietary Limited[3]	Financing company	*	100	100	***	***	10 055	3 961
Siyakha Fund (RF) Limited[2]	Securitisation vehicle						720	713
Standard Bank Insurance Brokers Proprietary Limited	Insurance broking	*	100	100	***	***	(352)	5
Miscellaneous	Finance companies		****	****	138	147	(408)	24
Total investment in subsidiaries					**138**	147	**11 903**	6 895

1 Previously known as Blue Bond Investments (RF) Limited.
2 SE, no shareholding.
3 Previously known as Rapitrade 584 Proprietary Limited.
* Issued share capital less than R1 million.
** Book value less than R1 million.
*** Held indirectly.
**** Various holdings.

All subsidiaries are incorporated within 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.

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.

Consolidated structured entities

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

		Amount of support provided as at[2,3]		Type of support[4]			
		2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**Terms of contractual arrangements that require the group to provide financial support to the SE**	**Events/circumstances that could expose the group to a loss as a result of the contractual arrangement**
Blue Granite Investments No.1 (RF) Limited (BG1)	Facilitates mortgage-backed securitisations. SBSA is the primary liquidity facility provider to BG1.	**1**	1	**Subordinated loan**	Subordinated loan	The loan does not have a fixed term or repayment date. The loan incurs interest at a rate of JIBAR plus 8% per annum and is only payable to the extent of available cash reserves.	Should BG1's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
		554	599	**Mortgage-backed notes**	Mortgage-backed notes	The group holds the class A4, A6, B, C, D, E and F notes. Interest for the different classes of notes accrues at the three-month JIBAR rate plus a margin ranging between 0.55% to 8%. Interest is payable quarterly. The notes' maturity date is 21 November 2032.	Should BG1's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
Blue Granite Investments No.2 (RF) Proprietary Limited (BG2)	Facilitates mortgage-backed securitisations. SBSA is the primary liquidity facility provider to BG2.	**27**	7	**Subordinated loan**	Subordinated loan	The loan does not have a fixed term or repayment date. The loan incurs interest at a rate of prime less 1.5% per annum and is only payable when BG2 has sufficient cash reserves.	Should BG2's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
Blue Granite Investments No.3 (RF) Proprietary Limited (BG3)	Facilitates mortgage-backed securitisations. The group is the primary liquidity facility provider to BG3.	**217**	204	**Subordinated loan**	Subordinated loan	The loan does not have a fixed term or repayment date. The loan incurs interest at a rate of prime less 1.5% per annum and is only payable when BG3 has sufficient cash reserves.	Should BG3's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
Blue Granite Investments No.4 (RF) Proprietary Limited (BG4)	Facilitates mortgage-backed securitisations. SBSA is the primary liquidity facility provider to BG4.	**16**	6	**Subordinated loan**	Subordinated loan	The loan does not have a fixed term or repayment date. The loan incurs interest at a rate of prime less 1.5% per annum and is only payable when BG4 has sufficient cash reserves.	Should BG4's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
Blue Shield Investments 01 (RF) Limited (Blue Shield 01)	Facilitates mortgage-backed securitisations. SBSA is the primary liquidity facility provider to Blue Shield 01.	**504**	505	**Subordinated loan**	Subordinated loan	The subordinated loan does not have a fixed term or repayment date. Interest is charged at the lower of prime plus 10% or net profit after tax or an amount equivalent to the 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 are classified as non-performing.
		16 163	16 168	**Mortgage-backed notes**	Mortgage-backed notes	The group holds class A1, A2, A3 and C notes. Interest for the different classes of notes accrues at the three-month JIBAR rate plus a margin ranging between 1.55% and 4.00%. Interest is payable quarterly. The notes' maturity date is 21 November 2019.	Should Blue Shield 01's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
Blue Shield Investments 02 (RF) Limited (Blue Shield 02)	Facilitates mortgage-backed securitisations. SBSA is the primary liquidity facility provider to Blue Shield 02.	**1 314**		**Subordinated loan**	Subordinated loan	The subordinated loan is provided by the group. Interest is charged at 11.25%.	Should Blue Shield 02's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
		30 722		**Mortgage-backed notes**	Mortgage-backed notes	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.	Should Blue Shield 02's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
Blue Titanium Conduit (RF) Limited (BTC)	Purchases eligible term assets and funds such investments through the issuance of commercial paper. SBSA is the primary liquidity facility provider to BTC.			**Liquidity facility – undrawn**	Liquidity facility – undrawn	The liquidity facility is limited to the value of the underlying assets in BTC. As at 31 December 2017, the liquidity facility limit was R1 961 million (2016: R1 961 million). BTC had not drawn down on the liquidity facility as at 31 December 2017.	In the event that the underlying assets are classified as non-performing loans.
		306	382	**Commercial paper**	Commercial paper	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 2017, the group held investments in commercial paper issued by BTC of R306 million nominal size.	In the event that the underlying assets are classified as non-performing loans.

Refer to footnotes on the following page.

Consolidated structured entities continued

		Amount of support provided as at[2,3]		Type of support[4]			
		2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**Terms of contractual arrangements that require the group to provide financial support to the SE**	**Events/circumstances that could expose the group to a loss as a result of the contractual arrangement**
Out of The Blue Originator Proprietary Limited (OTB)	OTB originates loans on behalf of BTC. BTC is consolidated by the group.			**Overdraft facility**	Overdraft facility	OTB applies for the necessary overdraft facility as and when it originates loans. The drawn amount is settled once the originated loan is sold to BTC. The terms are negotiated and agreed upon at the time of granting the overdraft facility. During the year, OTB did not apply for an overdraft facility. As at 31 December 2017, the outstanding balance on the loan was Rnil (2016: Rnil).	This SE does not expose the group to a risk of loss as it acts as a conduit between SBSA and BTC. OTB draws down on the overdraft facility as and when BTC originates loans and the facility is repaid on the same day of the draw down.
Rapvest Investments Proprietary Limited	Facilitates finance deals for other group companies and third parties through preference share investments and loans to clients.	**10 055**	3 961	**Loan**	Loan	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.
Siyakha Fund (RF) Limited (Siyakha)	Facilitates mortgage-backed securitisations. SBSA is the primary liquidity facility provider to Siyakha.	**45**	45	**Subordinated loan**	Subordinated loan	The loan does not have a fixed term or repayment date. Interest is charged at prime plus 5.50% and is only payable when Siyakha has sufficient cash reserves.	Should Siyakha' s customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
		836	836	**Mortgage-backed notes**	Mortgage-backed notes	The group holds class A1 notes for which interest accrues at the three-month JIBAR rate plus 1.10%. The group also holds class A2, B, C and D notes for which interest accrues at a rate from prime less 2.1% to prime plus 2%. Interest is payable quarterly. The notes' maturity date is 11 February 2045.	Should Siyakha' s customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.

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 2017.
3 This is the amount as reported on the company's statements of financial position as at 31 December 2017 and 2016 respectively. For credit facilities, the amount shown is the drawn balance as at the reporting date.
4 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business which include loans and advances, deposits and current accounts and derivatives.

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	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
Blue Diamond Investments No.1 (RF) Limited (BD) **Blue Diamond Investments No.2 (RF) Limited (BD)** **Blue Diamond Investments No.3 (RF) Limited (BD)**	The group purchases credit protection from Blue Diamond Investments No. 1, 2 and 3 (BD) in the form of credit-linked notes on single or multiple corporate names. BD then purchases credit protection from third-party investors on single or multiple corporate names. The group purchases high quality collateral with maturities that match BD's obligations in respect of its issued credit-linked notes. The group provides collateral to BD which is held as credit protection for the third-party investors. The collateral is ring-fenced such that it is linked to a particular series of notes and the relevant related contract(s) as part of a transaction. This structure has been designed to provide third-party investors indirect exposure to corporate names, and in doing so, reduces the group's exposure to credit risk.	Credit-linked notes issued to third-party investors.	Credit-linked notes issued by the group.	12 years	The group compensates BD for providing credit protection over single or multiple corporate names. The group also 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 and BD is unable to pay, the group would be exposed to a credit loss – this risk is considered remote given the collateral held by BD. The group is further 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.
Africa ETF Issuer Limited offering the following: **> Africa Palladium ETF (JSE code: ETFPLD)** **> Africa Platinum ETF (JSE code: ETFPLT)** **> Africa Gold ETF (JSE code: ETFGLD)**	The palladium, platinum and gold 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 and gold).	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.

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

Amounts recognised in the group and company's financial statements	2017 Rm	2016 Rm
Trading assets	**57**	37
Deposits and debt funding	**(1 770)**	(1 776)
Net carrying amount	**(1 713)**	(1 739)

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

ANNEXURE B – ASSOCIATES AND JOINT VENTURES

	Safika Holdings Proprietary Limited[1]	Other associates	Total associates
Ownership structure	Associate	Associate	Associate
Nature of business	Investment holding company	Various	Various
Principal place of business and country of incorporation	South Africa	South Africa	South Africa
Year end	February	Various	Various
Accounting treatment	Equity accounted	Equity accounted	Equity accounted
Date to which equity accounted	31 December 2017	31 December 2017	31 December 2017

	Safika 2017	Safika 2016	Other 2017	Other 2016	Total 2017	Total 2016
Effective holding (%)	**20**	20	**Various**	Various	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Income statement						
Total comprehensive income	**795**	13	**106**	(239)	**901**	(226)
Dividends received from associates		100	**9**		**9**	100
Statement of financial position[2]						
Non-current assets	**2 623**	1 939				
Current assets	**162**	187				
Current liabilities	**(56)**	(192)				
Net asset value attributed to the equity holders of the associate	**2 729**	1 934				
Proportion of net asset value based on effective holding	**546**	387				
Carrying value	**546**	387	**264**	234	**810**	621
Share of total comprehensive income from associates	**159**	3	**20**	(27)	**179**	(24)

1 This investment in associate was made by the group's private equity operations and has been ring-fenced for headline earnings purposes. On the disposal of this associate held by the private equity division of the group, the gain or loss on the disposal will be included in headline earnings in terms of the circular titled Headline Earnings issued by SAICA, at the request of the JSE, as amended from time-to-time.
2 Summarised financial information of the associates is provided based on the latest available management accounts received.

	Joint ventures	Total associates and joint ventures
Ownership structure	**Joint ventures**	**Various**
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 2017**	**31 December 2017**

	2017	2016	**2017**	2016
Effective holding (%)	**Various**	Various	**Various**	Various

	Rm	Rm	**Rm**	Rm
Income statement				
Total comprehensive income	**15**	6	**916**	(220)
Dividends received from associates and joint ventures		16	**9**	116
Statement of financial position[2]				
Non-current assets				
Current assets				
Current liabilities				
Net asset value attributed to the equity holders of the associate				
Proportion of net asset value based on effective holding				
Carrying value	**54**	46	**864**	667
Share of total comprehensive income from associates and joint ventures	**8**	3	**187**	(21)

ANNEXURE C – RISK AND CAPITAL MANAGEMENT – IFRS DISCLOSURES

Group[1]

Overview

Capital management

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

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

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

Risk management

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

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

Capital management

The group manages its capital levels to support business, growth, maintain depositor and creditors' 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 interest less impairments divided by total risk weighted assets (RWA).

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

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

[1] The group's IFRS risk disclosures that follow also materially represent that of the company.

BASEL III QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

	2017 Rm	2016 Rm
IFRS ordinary shareholders' equity#	43 698	41 198
Retained earnings#	56 294	54 140
Other reserves#	799	947
Less: regulatory adjustments	(17 929)	(19 419)
Goodwill	(42)	(42)
Other intangible assets	(15 346)	(16 634)
Shortfall of provisions to expected losses	(2 084)	(2 126)
Deferred tax asset	(14)	(20)
Other	(443)	(597)
Less: unappropriated profits	(11 010)	(8 769)
Common equity tier 1 capital	71 852	68 097
Qualifying other equity instruments#	3 544	
Tier 1 Capital	75 396	68 097
Tier II subordinated debt#	17 080	20 080
General allowance for credit impairments	461	314
Less regulatory adjustments – investment in tier II instruments in other banks	(2 341)	(2 901)
Tier 2 capital	15 200	17 493
Total regulatory capital	90 596	85 590
Total capital requirement	65 608	58 178
Total RWA	610 314	560 735

Audited.

Credit risk

Definition

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

Approach to managing and measuring credit risk

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

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

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

Credit risk is managed through:

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

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future 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 will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

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

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

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

Credit risk continued

Credit risk mitigation continued

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

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

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

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

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

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

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

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

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

Credit risk continued

Credit portfolio characteristics and metrics in terms of IFRS

Maximum exposure to credit risk

Loans and advances are analysed and categorised based on credit quality using the following definitions.

Default

The group defines a default as occurring at the earlier of:

- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as realisation of security; or
- when the counterparty is past due for more than 90 days. The overdue period may be measured using a 'days past due' or a 'number of missed payments or part thereof' approach.

Performing loans

Performing loans are classified into two categories, namely:

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

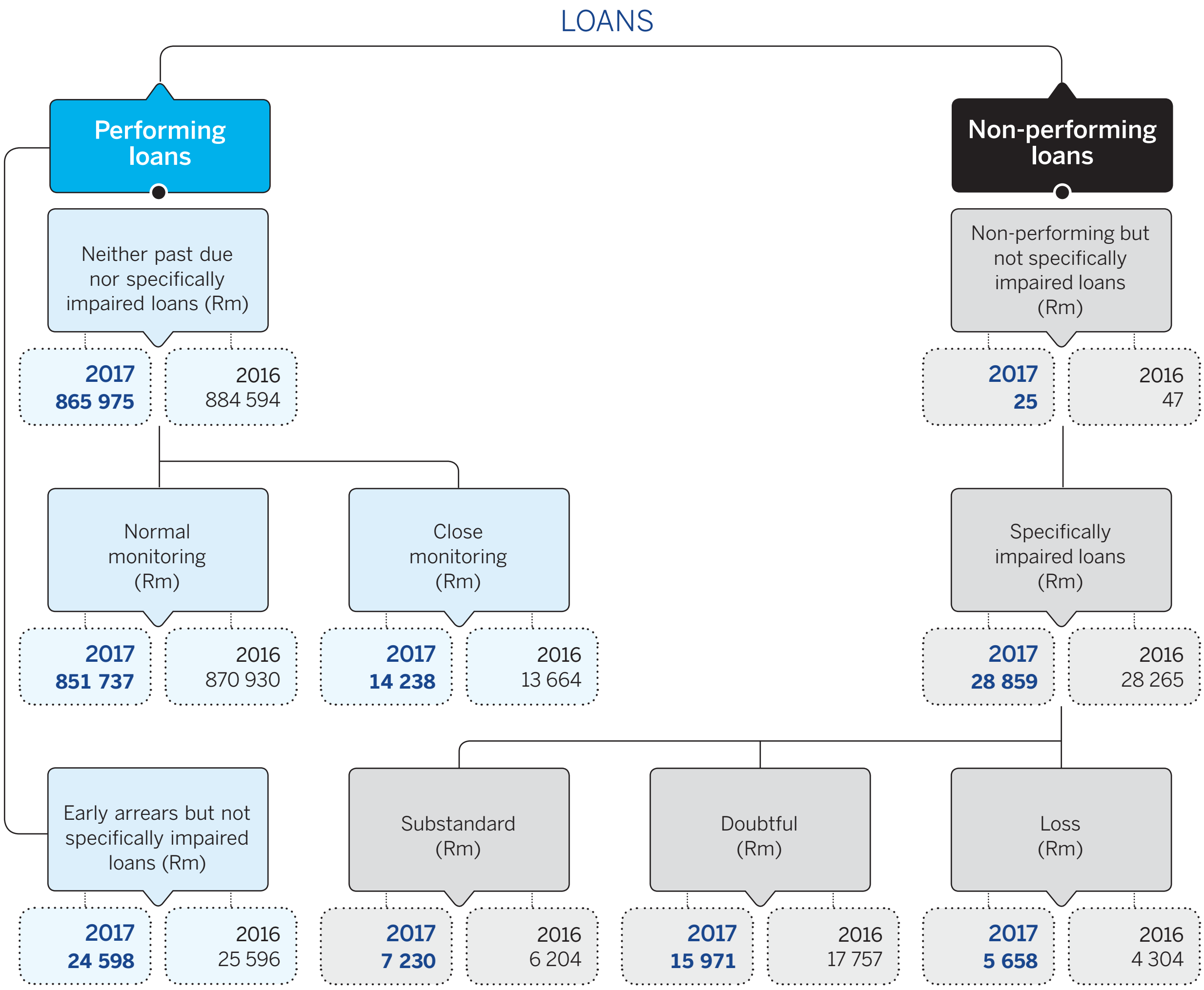
Non-performing loans

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

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

Specifically impaired loans are further analysed into the following categories:

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


LOANS
Performing loans
Neither past due nor specifically impaired loans (Rm)
2017 865 975
2016 884 594
Normal monitoring (Rm)
2017 851 737
2016 870 930
Close monitoring (Rm)
2017 14 238
2016 13 664
Early arrears but not specifically impaired loans (Rm)
2017 24 598
2016 25 596
Non-performing loans
Non-performing but not specifically impaired loans (Rm)
2017 25
2016 47
Specifically impaired loans (Rm)
2017 28 859
2016 28 265
Substandard (Rm)
2017 7 230
2016 6 204
Doubtful (Rm)
2017 15 971
2016 17 757
Loss (Rm)
2017 5 658
2016 4 304

Credit risk continued

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

		Performing loans			Non-performing loans										
		Neither past due nor specifically impaired		Not specifically impaired		Specifically impaired loans									
	Gross advances Total Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing[1] Rm	Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total non-performing loans Rm	Non-performing loans %
2017															
Personal & Business Banking	536 491	472 998	13 630	24 597		6 076	13 682	5 508	25 266	14 720	10 546	10 546	42	25 266	4.7
Mortgage loans	329 975	290 979	7 250	17 294		3 994	10 409	49	14 452	10 714	3 738	3 738	26	14 452	4.4
Instalment sale and finance leases	72 727	65 131	1 838	3 234		251	1 287	986	2 524	1 494	1 030	1 030	41	2 524	3.5
Card debtors	31 694	26 764	1 341	1 505		537	405	1 142	2 084	520	1 564	1 564	75	2 084	6.6
Other loans and advances	102 095	90 124	3 201	2 564		1 294	1 581	3 331	6 206	1 992	4 214	4 214	68	6 206	6.1
– Personal unsecured lending	36 649	30 040	1 676	1 616		235	1 158	1 924	3 317	874	2 443	2 443	74	3 317	9.1
– Business lending and other	65 446	60 084	1 525	948		1 059	423	1 407	2 889	1 118	1 771	1 771	61	2 889	4.4
Corporate & Investment Banking	356 523	352 296	608	1	25	1 154	2 289	150	3 593	1 132	2 461	2 461	69	3 618	1.0
Corporate loans	293 148	289 141	608			1 117	2 132	150	3 399	1 056	2 343	2 343	69	3 399	1.2
Commercial property finance	63 375	63 155		1	25	37	157	0	194	76	118	118	61	219	0.3
Other services	26 443	26 443													
Gross loans and advances	919 457	851 737	14 238	24 598	25	7 230	15 971	5 658	28 859	15 852	13 007	13 007	45	28 884	3.1
Less: Impairments for loans and advances	(18 562)														
Net loans and advances	900 895														
Add the following other banking activities exposures:															
Cash and balances with the central bank	35 893														
Derivative assets	71 542														
Financial investments	86 344														
Trading assets	126 283														
Pledged assets	6 812														
Other financial assets	6 678														
Interest in financial instruments of group companies	44 756														
Total on-balance sheet exposure	1 279 203														
Off-balance sheet exposure															
Letters of credit and bankers' acceptances	8 940														
Guarantees	43 466														
Irrevocable unutilised facilities	71 899														
Total exposure to credit risk	1 403 508														

[1] Included loans of R25 million that are past due but not specifically impaired.

Credit risk continued

		Performing loans				Non-performing loans									
		Neither past due nor specifically impaired		Not specifically impaired		Specifically impaired loans									
	Gross advances Total Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing[1] Rm	Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total non-performing loans Rm	Non-performing loans %
2016															
Personal & Business Banking	520 599	457 384	13 008	25 570		5 166	15 328	4 143	24 637	14 287	10 350	10 350	42	24 637	4.7
Mortgage loans	321 445	282 102	7 547	18 092		3 433	10 195	76	13 704	10 257	3 447	3 447	25	13 704	4.3
Instalment sale and finance leases	71 297	64 105	1 340	3 300		252	1 232	1 068	2 552	1 429	1 123	1 123	44	2 552	3.6
Card debtors	30 668	25 611	1 228	1 643		596	471	1 119	2 186	619	1 567	1 567	72	2 186	7.1
Other loans and advances	97 189	85 566	2 893	2 535		885	3 430	1 880	6 195	1 982	4 213	4 213	68	6 195	6.4
Personal unsecured lending	37 637	31 367	925	1 393		259	3 173	520	3 952	1 127	2 825	2 825	71	3 952	10.5
Business lending and other	59 552	54 199	1 968	1 142		626	257	1 360	2 243	855	1 388	1 388	62	2 243	3.8
Corporate & Investment Banking	396 149	391 794	656	26	47	1 038	2 429	159	3 626	1 216	2 410	2 410	66	3 673	0.9
Corporate loans	331 112	327 068	656		45	942	2 242	159	3 343	1 089	2 254	2 254	67	3 388	1.0
Commercial property finance	65 037	64 726		26	2	96	187		283	127	156	156	55	285	0.4
Other services	21 754	21 752						2	2		2	2	100	2	
Gross loans and advances	938 502	870 930	13 664	25 596	47	6 204	17 757	4 304	28 265	15 503	12 762	12 762	45	28 312	3.0

Less:	
Impairments for loans and advances	(18 096)
Net loans and advances	920 406
Add the following other banking activities exposures:	
Cash and balances with central banks	33 947
Derivative assets	60 074
Financial investments	91 551
Trading assets	107 442
Pledged assets	2 081
Other financial assets	5 524
Interest in financial instruments of the group companies	33 573
Total on-balance sheet exposure	1 254 598
Off-balance sheet exposure	
Letters of credit and bankers' acceptances	9 580
Guarantees	45 052
Irrevocable unutilised facilities[2]	64 164
Total exposure to credit risk	1 373 394

1 Included loans of R47 million that are past due but not specifically impaired.
2 The previous year's amount has been restated to exclude certain revocable facilities.

Credit risk continued

Credit impairment losses on loans and advances

Loans and advances are assessed for possible impairment at each reporting date. Before impairments are allocated to individual loans, consideration is first given to whether there is evidence of a decrease in expected cash flows from a portfolio of loans and advances. This will include estimations of the emergence period between the date of the occurrence of the loss event and the identification of that loss. Portfolio impairments are calculated for both performing and non-performing but not specifically impaired loans. Factors such as national- and industry-specific economic conditions, the extent of early arrears and any legislation that could affect recovery, are all considered when calculating the portfolio impairment charge.

For those non-performing loans (NPLs) where there is objective evidence of default, specific impairments are calculated using methodologies that include inputs such as segmentation, modelled expected loss (EL) and PD. Estimates of future cash flows on individually impaired loans are based on historical loss experience for similar loans.

IFRS: AGEING OF LOANS AND ADVANCES PAST DUE BUT NOT IMPAIRED

	Less than 31 days Rm	31 to 60 days Rm	61 to 90 days Rm	91 – 180 days Rm	Total Rm
2017					
Personal & Business Banking	**13 555**	**6 846**	**4 196**		**24 597**
Mortgage loans	**9 188**	**5 005**	**3 101**		**17 294**
Instalment sale and finance leases	**2 023**	**808**	**403**		**3 234**
Card debtors	**895**	**363**	**247**		**1 505**
Other loans and advances	**1 449**	**670**	**445**		**2 564**
Personal unsecured lending	**963**	**482**	**393**		**1 838**
Business term lending and other	**486**	**188**	**52**		**726**
Corporate & Investment Banking		**1**		**25**	**26**
Corporate loans					
Commercial property finance		**1**		**25**	**26**
Total	**13 555**	**6 847**	**4 196**	**25**	**24 623**
2016					
Personal & Business Banking	14 705	6 772	4 093		25 570
Mortgage loans	9 969	5 036	3 087		18 092
Instalment sale and finance leases	2 110	834	356		3 300
Card debtors	970	392	281		1 643
Other loans and advances	1 656	510	369		2 535
Personal unsecured lending	992	339	322		1 653
Business term lending and other	664	171	47		882
Corporate & Investment Banking[1]		6	20	47	73
Corporate loans				45	45
Commercial property finance		6	20	2	28
Total	14 705	6 778	4 113	47	25 643

1 Restated to include non-performing loans that are not specifically impaired.

Credit risk continued

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

	2017 Rm	2016 Rm
Agriculture	24 403	8 450
Construction	9 133	16 746
Electricity	14 702	12 771
Finance, real estate and other business services	256 491	299 346
Individuals	425 048	414 913
Manufacturing	40 500	44 200
Mining	20 688	24 683
Transport	94 219	80 082
Wholesale	19 041	19 910
Other services	15 232	17 401
Gross loans and advances	**919 457**	**938 502**

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2017		2016	
	%	Rm	%	Rm
South Africa	86	788 214	80	752 701
Sub-Saharan Africa	8	78 041	6	53 410
Other countries	6	53 202	14	132 391
Gross loans and advances	**100**	**919 457**	**100**	**938 502**

IFRS: INDUSTRY SEGMENTAL ANALYSIS SPECIFIC CREDIT IMPAIRMENTS

	2017 Rm	2016 Rm
Agriculture	505	67
Construction	199	233
Electricity	232	139
Finance, real estate and other business services	986	1 041
Individuals	8 703	8 410
Manufacturing	113	300
Mining	1 485	592
Transport	272	39
Wholesale	79	270
Other services	435	1 671
Gross loans and advances	**13 009**	**12 762**

Credit risk continued

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 NPLs, have been included.

Collateral includes:

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

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In the retail portfolio, 61% (2016: 60%) is fully collateralised. The R362 million (2016: R417 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. The total average collateral coverage for all retail mortgage exposures in the 50% to 100% collateral coverage category is 95% (2016: 95%).

Of the group's total exposure, 52% (2016:46%) 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[1]

	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agree-ments (c) Rm	Secured exposure after netting (b-c) Rm	Collateral coverage – Total collateral		
						1% to 50 % Rm	50% to 100% Rm	Greater than 100% Rm
2017								
Corporate	476 577	348 612	127 965	8 660	119 305	9 560	93 479	16 266
Sovereign	144 192	134 503	9 689	6 327	3 362	2 812	510	40
Bank	236 992	138 319	98 673	54 211	44 462	32 909	5 498	6 055
Retail	497 241	89 910	407 331		407 331	362	101 182	305 787
Retail mortgage	330 852		330 852		330 852	362	29 342	301 148
Other retail	166 389	89 910	76 479		76 479		71 840	4 639
Total	1 355 002	711 344	643 658	69 198	574 460	45 643	200 669	328 148
Add: Financial assets not exposed to credit risk	22 312							
Add: Interest in financial instruments of group companies	44 756							
Less: Impairments for loans and advances	(18 562)							
Less: Unrecognised off-balance sheet items	(124 305)							
Total exposure	1 279 203							
Cash and balances with central banks	35 893							
Derivative assets	71 542							
Trading assets	126 283							
Pledged assets	6 812							
Financial investments	86 344							
Loans and advances	900 895							
Other financial assets	6 678							
Interest in financial instrument of group companies	44 756							
Total	1 279 203							

[1] Security firms in the prior year have been treated as corporates whereas in the current year and in future years, they will be treated as banks.

Collateral continued

	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agree-ments (c) Rm	Secured exposure after netting (b-c) Rm	Collateral coverage – Total collateral: 1% to 50 % Rm	50% to 100% Rm	Greater than 100% Rm
2016								
Corporate	562 596	369 950	192 646	16 216	176 430	5 511	127 813	43 106
Sovereign	98 583	84 224	14 359	4 037	10 322		5 172	5 150
Bank	165 189	33 142	132 047	39 093	92 954	1 157	18 797	73 000
Retail	488 548	91 782	396 766		396 766	417	102 314	294 035
Retail mortgage	322 571		322 571		322 571	417	32 277	289 877
Other retail	165 977	91 782	74 195		74 195		70 037	4 158
Total	1 314 916	579 098	735 818	59 346	676 472	7 085	254 096	415 291

Add: Financial assets not exposed to credit risk	43 000
Add: Interest in financial instruments of group companies	33 573
Less: Impairments for loans and advances	(18 096)
Less: Unrecognised off-balance sheet items[1]	(118 795)
Total exposure	1 254 598
Cash and balances with central banks	33 947
Derivative assets	60 074
Trading assets	107 442
Pledged assets	2 081
Financial investments	91 551
Loans and advances	920 406
Other financial assets	5 524
Interest in financial instruments of the group companies	33 573
Total	1 254 598

1 Previous year the amount has been restated to exclude certain revocable facilities.

Funding and liquidity risk

Definition

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

Approach to managing liquidity risk

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

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

Maturity analysis of financial liabilities by contractual maturity

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

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

Funding and liquidity risk continued

Maturity analysis of financial liabilities by contractual maturity continued

The table below 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 1 month Rm	Maturing between 1 – 6 months Rm	Maturing between 6 – 12 months Rm	Maturing after 12 months Rm	Total Rm
2017						
Financial liabilities						
Derivative financial instruments	**71 425**		**(38)**	**(115)**	**(256)**	**71 016**
Instruments settled on a net basis	**45 742**		**3**	**(2)**		**45 743**
Instruments settled on a gross basis	**25 683**		**(41)**	**(113)**	**(256)**	**25 273**
Trading liabilities	**38 240**					**38 240**
Deposits from customers and banks	**560 120**	**210**	**2 537**	**250 543**	**162 690**	**976 100**
Subordinated debt			**134**	**344**	**18 040**	**18 518**
Other		**13 060**				**13 060**
Total	**669 785**	**13 270**	**2 633**	**250 772**	**180 474**	**1 116 934**
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	**8 940**					**8 940**
Guarantees	**43 466**					**43 466**
Irrevocable unutilised facilities	**71 899**					**71 899**
Total	**124 305**					**124 305**
2016						
Financial liabilities						
Derivative financial instruments	65 399	191	37	222	264	66 113
Instruments settled on a net basis	39 828	191	1	119	2	40 141
Instruments settled on a gross basis	25 571		36	103	262	25 972
Trading liabilities	26 976					26 976
Deposits from customers and banks	548 240	85 421	99 085	96 547	117 427	946 720
Subordinated debt		65	534	838	22 161	23 598
Other		10 355				10 355
Total	640 615	96 032	99 656	97 607	139 852	1 073 762
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	9 580					9 580
Guarantees	45 051					45 051
Irrevocable unutilised facilities[1]	64 164					64 164
Total	118 795					118 795

1 Previous year the amount has been restated to exclude certain revocable facilities.

Market risk

Definition

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

The group's key market risks are:

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

Trading book market risk

Definition

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

Approach to managing market risk in the trading book

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

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

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

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 value-at-risk (VaR) and stressed value-at-risk (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.

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 similar levels of market risk throughout the year when compared to 2016 aggregate normal VaR, and reduced levels when compared to aggregate SVaR.

TRADING BOOK NORMAL VaR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2017				
Commodities risk	**2.1**	**0.05**	**0.3**	**0.7**
Foreign exchange risk	**37**	**10**	**21**	**11**
Equity position risk	**12**	**3**	**6**	**5**
Debt securities	**20**	**9**	**13**	**10**
Diversification benefits[2]			**(12)**	**(10)**
Aggregate	**45**	**13**	**29**	**17**
2016				
Commodities risk	0.8		0.2	0.1
Foreign exchange risk	34.8	15.5	21.0	34.8
Equity position risk	18.7	3.8	9.5	9.0
Debt securities	21.2	9.4	13.4	11.7
Diversification benefits[2]			(14.1)	(18.9)
Aggregate	47.6	18.5	29.9	36.6

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 n SVaR ANALYSIS BY MARKET VARIABLE

	SVaR			
	Maximum Rm	Minimum Rm	Average Rm	Closing Rm
2017				
Commodities risk	**69.1**	**0.31**	**9.2**	**27.6**
Foreign exchange risk	**303**	**94**	**188**	**159**
Equity position risk	**394**	**58**	**185**	**167**
Debt securities	**294**	**104**	**200**	**136**
Diversification benefits[1]			**(307)**	**(154)**
Aggregate	**503**	**117**	**275**	**335**
2016				
Commodities risk	18.5	0.20	3.8	0.3
Foreign exchange risk	242	85	147	179
Equity position risk	301	42	108	162
Debt securities	308	85	156	153
Diversification benefits[1]			(169)	(280)
Aggregate	418	162	245	286

1 Diversification benefit is the benefit of measuring the SVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual 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 group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO.

Measurement

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

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

INTEREST RATE SENSITIVITY ANALYSIS[1]

		ZAR	USD	GBP	Euro	Other	Total
2017							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**2 294**	**(20)**	**(4)**	**(15)**	**0**	**2 255**
Sensitivity of OCI	Rm	**8**	**(6)**	**(1)**	**0**	**7**	**8**
Decrease in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(2 324)**	**20**	**2**	**0**	**0**	**(2 302)**
Sensitivity of OCI	Rm	**(8)**	**6**	**1**	**0**	**(7)**	**(8)**
2016							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 202	(32)	(9)	(15)		2 146
Sensitivity of OCI	Rm	11	(2)	(5)	0	2	6
Decrease in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 297)	32	3	0		(2 262)
Sensitivity of OCI	Rm	(11)	2	2	0	(2)	(9)

1 Before tax.

Equity risk in the banking book

Definition

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

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

Approach to managing equity risk in the banking book

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

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

Market risk continued

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair Value Rm	10% increase in fair value Rm
2017			
Equity securities listed and unlisted	**2 724**	**3 027**	**3 330**
Listed		**467**	
Unlisted		**2 560**	
Impact on profit and loss	**(297)**		**297**
Impact on equity	**(6)**		**6**
2016			
Equity securities listed and unlisted	3 176	3 529	3 882
Listed		784	
Unlisted		2 745	
Impact on profit and loss	(349)		349
Impact on equity	(4)		4

Foreign currency risk

Definition

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

Approach to managing foreign currency risk

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

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in rand equivalent, resulting from a 10% shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on foreign-denominated cash balances and accruals and intragroup foreign-denominated debt. The sensitivity analysis reflects the sensitivity to OCI and profit or loss on the group's foreign-denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS

		USD	Euro	GBP	Naira	Other	Total
2017							
Total net long/(short) position	Rm	**57**	**6**	**14**	**2**	**(1)**	**78**
Sensitivity (ZAR depreciation)	%	**10**	**10**	**10**	**10**	**10**	
Impact on OCI	Rm						
Impact on profit or loss	Rm	**(6)**	**(1)**	**(1)**		**18**	**10**
2016							
Total net long/(short) position	Rm	**638**	**15**	**1**		**(4)**	**650**
Sensitivity (ZAR depreciation)	%	**10**	**10**	**10**	**10**	**10**	
Impact on OCI	Rm						
Impact on profit or loss	Rm	**(64)**	**(2)**			**23**	**(43)**

Market risk continued

Equity-linked transactions

Definition

The group has exposure to changes in the SBG 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 SBG'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 external market participants. The share scheme is, however, accounted for as a cash-settled share scheme at an SBSA level. Increases in SBG'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 SBG'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 external market participants. 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 group's equity.	No, given the current number of awards that have been issued to date. The number of awards are, however, monitored to evaluate for future hedging considerations.	N/A

1 The group partially hedges these exposures.

ANNEXURE D – EQUITY-LINKED TRANSACTIONS

GROUP AND COMPANY	2017 Rm	2016 Rm
Expenses recognised in staff cost:		
Equity growth scheme (EGS)	**459**	602
Share appreciation rights scheme (SARP)	**11**	
Deferred bonus scheme (DBS)[1]	**1 396**	1 098
Performance reward plan (PRP)	**538**	333
Cash-settled deferred bonus scheme (CSDBS)[1]	**59**	6
Other share schemes	**11**	12
Total expenses recognised in staff costs[2]	**2 474**	2 051
Summary of liabilities recognised in other liabilities:		
Equity growth scheme (EGS)	**848**	809
Share appreciation rights scheme (SARP)	**11**	
Deferred bonus scheme (DBS)[1]	**1218**	836
Performance reward plan (PRP)	**770**	493
Cash-settled deferred bonus scheme (CSDBS)[1]	**61**	6
Other share schemes	**4**	11
Total liability recognised in other liabilities	**2 912**	2 155

1 In the prior year, CSDBS expenses and liabilities were included in DBS. These have been expanded for a better analysis.
2 Excluding gains and losses from hedges in terms of IFRS.

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, in terms of IFRS, as a cash-settled share scheme from an SBSA group and company perspective. The scheme has five different subtypes of vesting categories as follows:

	Year	% vesting	Expiry
Vesting categories			
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years
Type D	2, 3, 4	33, 67, 100	10 years
Type E	3, 4, 5	33, 67, 100	10 years

A reconciliation of the movement of the appreciation rights is detailed below:

	Average price range (rand)	Number of rights	
	2017	**2017**	2016
EGS			
Rights outstanding at beginning of the year		**17 707 281**	22 010 759
Granted[1]			1 515 774
Exercised	**62.39 – 156.96**	**(6 510 390)**	(5 967 445)
Lapsed	**90.50 – 156.96**	**(230 767)**	(211 266)
Transfers (to)/from other group companies	**62.39 – 156.96**	**(1 079 695)**	359 459
Rights outstanding at the end of the year		**9 886 429**	17 707 281

1 The SARP replaced the EGS during 2017 and hence no further EGS awards were granted.

During the year, 1 945 375 (2016: 1 439 353) SBG shares were issued to settle the appreciated rights value. At the end of the year, SBG would need to issue 9 217 449 (2016: 5 169 971) 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 on a 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[1] SBG shares were issued or sold to settle the employees' tax due during the year (2016: 456 604). This reduces the liability to the employee in respect of the outstanding appreciated rights value.

Share options were exercised regularly throughout the year. The weighted average share price for the year was R157.29 (2016: R151.63).

1 Following the adoption by the group of the amendment to IFRS 2 on 1 January 2017, the employees' tax obligations are now settled directly in cash as opposed to the issuance of shares and subsequent sale to settle these taxes.

Equity growth scheme continued

The following rights granted to employees, including executive directors, had not been exercised at year end:

Number of ordinary shares	**Option price range (rand)**	**Weighted average price (rand)**	**Option expiry period**
60 800	**83.10 – 92.00**	**90.91**	**Year to 31 December 2018**
1 108 741	**62.39 – 95.50**	**63.37**	**Year to 31 December 2019**
2 161 851	**102.00 – 114.69**	**111.81**	**Year to 31 December 2020**
2 607 266	**92.79 – 107.55**	**98.72**	**Year to 31 December 2021**
217 026	**98.75 – 108.90**	**107.36**	**Year to 31 December 2022**
481 593	**115.51**	**115.51**	**Year to 31 December 2023**
668 607	**126.87**	**126.87**	**Year to 31 December 2024**
1 177 632	**156.96**	**156.96**	**Year to 31 December 2025**
1 402 913	**122.24**	**122.24**	**Year to 31 December 2026**
9 886 429			

The following rights granted to employees, including executive directors, had not been exercised at the 31 December 2016 year end:

Number of ordinary shares	Option price range (rand)	Weighted average price (rand)	Option expiry period
511 603	98.00 – 106.80	98.02	Year to 31 December 2017
1 852 249	83.10 – 92.00	91.94	Year to 31 December 2018
1 771 297	62.39 – 98.20	64.10	Year to 31 December 2019
3 679 776	102.00 – 116.80	111.80	Year to 31 December 2020
4 130 891	90.50 – 107.55	98.74	Year to 31 December 2021
701 661	98.75 – 108.90	108.42	Year to 31 December 2022
883 205	115.51	115.51	Year to 31 December 2023
1 298 937	126.87	126.87	Year to 31 December 2024
1 361 888	156.96	156.96	Year to 31 December 2025
1 515 774	122.24	122.24	Year to 31 December 2026
17 707 281			

Shares appreciation rights scheme

The SARP, which was introduced in 2017, is a long-term equity-settled share scheme and represents appreciation rights allocated to employees 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, in terms of IFRS, as a cash-settled share scheme from an SBSA group and company perspective. The vesting and expiry dates 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 share options is detailed below:

	Average price range (rand) 2017	**Number of rights 2017**
Granted	**155.95**	**677 317**
Lapsed	**155.95**	**(50 399)**
Rights outstanding at the end of the year		**626 918**

At the end of the year, the group would need to purchase 136 370 SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised as at 31 December 2017:

Number of rights	**Option price range (rand)**	**Weighted average price (rand)**	**Option expiry period**
208 966	155.95	155.95	Year to 31 December 2021
208 966	155.95	155.95	Year to 31 December 2022
208 986	155.95	155.95	Year to 31 December 2023
626 918			

Shares appreciation rights scheme continued

The SARP rights granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting date and the assumptions utilised are illustrated below:

	2017		
	Tranche 1	Tranche 2	Tranche 3
Number of appreciation rights granted	208 966	208 966	208 986
Weighted average fair value at grant date (rand)	35.32	39.44	43.06
The principal inputs are as follows:			
Weighted average share price (rand)	155.95	155.95	155.95
Weighted average exercise price (rand)	155.95	155.95	155.95
Expected life (years)	3.67	4.67	5.67
Expected volatility (%)	27.93	27.93	27.93
Risk-free interest rate (%)	8.13	8.34	8.51
Dividend yield (%)	4.46	4.41	4.32

Deferred bonus scheme

All employees granted an annual performance award over a 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 accrue 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, in terms of IFRS, as cash-settled awards from an SBSA group and company perspective, and have been partially hedged through the use of equity forwards.

	Units	
	2017	2016
Reconciliation		
Units outstanding at the beginning of the year	**13 672 693**	9 819 235
Granted	**6 907 216**	7 803 319
Exercised	**(5 543 947)**	(4 627 639)
Lapsed	**(598 188)**	(438 385)
Transfers (to)/from other group companies	**(1 072 555)**	1 116 163
Units outstanding at end of the year	**13 365 219**	13 672 693
Weighted average fair value at grant date (R)	**155.86**	122.25
Expected life (years)	**2.51**	2.51

Performance reward plan

The performance reward plan is settled in SBG's shares, that are purchased from external market participants, 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 being SBG's ROE and headline earnings. These awards are classified, in terms of IFRS, as cash-settled awards at an SBSA group and company perspective, and have been partially hedged through the use of equity forwards.

	Units	
	2017	2016
Reconciliation		
Units outstanding at the beginning of the year	**6 753 333**	4 070 933
Granted	**2 207 100**	2 768 300
Exercised	**(1 437 364)**	
Lapsed	**(879 930)**	(318 400)
Transfers (to)/from other group companies	**(539 300)**	232 500
Units outstanding at the end of the year	**6 103 839**	6 753 333
Weighted average fair value at grant date (R)	**155.95**	122.24
Expected life (years)	**3**	3

Cash-settled deferred bonus scheme

Effective for awards made in 2017, employees granted an annual performance award over a threshold and who are in employment in South Africa and meet other specific criteria have part of their award deferred. 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 accrue notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18, 30 and 42 months from the date of the award. The maturity value is determined with reference to the SBG share price on the vesting date and is settled in cash. These awards are classified, in terms of IFRS, 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				
	GBP	**HKD**	**NGN**	**UGX**	**ZAR**
CSDBS					
Granted	**757**	**5 136**	**720 551**	**298 821**	**810 282**
Exercised	**(224)**				
Transfers	**672**				
Outstanding at the end of the year	**1 205**	**5 136**	**720 551**	**298 821**	**810 282**
Weighted average fair value at grant date	**£155.95**	**$167.43**	**N155.95**	**USh155.95**	**R155.95**
Expected life at grant date (years)	**2.51**	**2.51**	**2.51**	**2.51**	**2.51**

Other share schemes

SCHEME	DESCRIPTION	CLASSIFICATION	STOCK SYMBOL	2017 Outstanding units	2016 Outstanding units
Quanto awards (Quanto)[1]	Since 2007, the group's international operations have operated a deferred incentive arrangement in the form of the quanto stock unit plan. All employees granted an annual performance award over a threshold, have a part of their award deferred. The award units are denominated in USD, the value of which moves in parallel to the change in the SBG share price. These awards relate to employees who have transferred employment from SBG's International operations to SBSA. These awards have been partially hedged by equity forwards.	Cash-settled scheme	SBK	**2 169**	6 302
Group share incentive scheme (GSIS)	GSIS confers rights to employees to acquire shares at the value of the SBG share price at the date the option was granted. The share scheme has various vesting periods, and expires ten years after grant date. Since the GSIS is settled by means of the issue of SBG shares, the share scheme is not hedged.	Equity-settled scheme	SBK	**400 159**	1 026 139

ANNEXURE E – EMOLUMENTS AND SHARE INCENTIVES OF DIRECTORS AND PRESCRIBED OFFICERS

Executive directors' and prescribed officers' emoluments

	SK Tshabalala*		BJ Kruger*		A Daehnke[1,]*		A Fihla[2]	M Nienaber[3]	PL Schlebusch	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000	**2017 R'000**	**2017 R'000**	**2017 R'000**	2016 R'000
Cost to company package	**9 103**	9 198	**9 079**	9 105	**5 697**	3 363	**4 015**	**5 517**	**6 950**	6 852
Cash package paid during the year	**7 899**	7 850	**7 847**	7 809	**5 084**	2 986	**3 507**	**4 829**	**5 951**	5 834
Retirement contributions paid during the year	**1 076**	1 106	**1 076**	1 106	**610**	375	**444**	**542**	**704**	812
Other allowances	**128**	242	**156**	190	**3**	2	**64**	**146**	**295**	206
Short-term incentive	**25 400**	22 880	**24 950**	22 880	**16 750**	15 500	**20 000**	**14 000**	**27 000**	25 000
Short-term incentive (cash)[4]	**11 350**	10 090	**11 125**	10 090	**8 025**	7 400	**9 150**	**6 650**	**12 150**	11 150
Short-term incentive (share-linked deferral)[5]	**14 050**	12 790	**13 825**	12 790	**8 725**	8 100	**10 850**	**7 350**	**14 850**	13 850
Total reward (excluding conditional long-term incentive awards)	**34 503**	32 078	**34 029**	31 985	**22 447**	18 863	**24 015**	**19 517**	**33 950**	31 852
EGS awards vesting[6]	**4 312**	3 459	**3 934**	3 661					**2 723**	1 741
PRP awards vesting[7]	**14 658**	10 219	**14 658**	10 219	**8 790**	4 907	**10 263**	**4 395**	**14 658**	8 176
PRP notional dividend[8]	**1 643**	1 288	**1 643**	1 288	**985**	618	**1 150**	**493**	**1 643**	1 030
Total reward (including conditional long-term incentive awards)	**55 116**	47 044	**54 264**	47 153	**32 222**	24 388	**35 428**	**24 405**	**52 974**	42 799

Former prescribed officer's emoluments

	2017 R'000	2016 R'000
DC Munro[9]		
Cost to company package	**2 844**	6 792
Cash package paid during the year	**2 399**	5 802
Retirement contributions paid during the year	**334**	847
Other allowances	**111**	143
Short-term incentive	**13 100**	28 500
Short-term incentive (cash)[4]	**7 700**	12 900
Short-term incentive (share-linked deferral)[5]	**5 400**	15 600
Total reward (excluding conditional long-term incentive awards)	**15 944**	35 292
EGS conditional reflecting[6]	**3 101**	2 175
PRP reflecting[7]	**20 526**	8 176
PRP notional dividend reflecting[8]	**2 301**	1 030
Total reward (including conditional long-term incentive awards)	**41 872**	46 673
Five-year long-term incentive[10]	**20 000**	
Total reward	**61 872**	46 673

1 A Daehnke was appointed as the group financial director on 1 May 2016. His fixed remuneration is shown from that date.
2 AKL Fihla was appointed as a prescribed officer on 1 June 2017. His fixed remuneration is shown from that date.
3 M Nienaber was appointed as a prescribed officer on 1 January 2017. Her fixed remuneration is shown from that date.
4 These are performance related short-term incentive payments in respect of the financial year under review.
5 These are the deferred bonus scheme awards issued in March of each year (relates to the previous performance year) which are subject to choice. The deferred award is the total award relating to the respective performance year. Deferred bonus amounts are subject to choice. Participants can elect to have the value of the deferred award, or a part thereof, invested in the SARP (prior to the 2015 performance year to EGS), rather than the default DBS. To the extent that SARP is selected, a 10% premium of the value of the award is added. Deferred bonus amounts that were not invested in either the EGS or the SARP are unitised with respect to the group's closing share price on the date on which the group's year end financial results are communicated publicly. The award will be updated in the group's 2018 financial reporting suite to reflect the choices made and units/rights awarded.
6 EGS vesting on March 2018 were awarded in March 2011 and 2013. Relevant performance conditions were met.
7 PRP units vesting were awarded in March 2014 (disclosed for the performance year 2016) and 2015 (disclosed for the 2017 performance year). The PRP value delivered is calculated based on the group's closing share price of R195.66 as at 31 December 2017 (R151.75 for 2016) after calculating the delivery percentage based on the three-year performance conditions (117.61% delivery on the 2015 awards and 68.37% delivery on the 2014 awards). The amount included in the single figure will not be updated in the 2018 remuneration report but rather included at payment value in the settlement schedule.
8 PRP notional dividend is calculated by multiplying the vesting PRP units by the cumulative notional dividend incurred between the grant date and vesting date. The amount included in the single figure will not be updated in the 2018 remuneration report but rather included at payment value in the settlement schedule.
9 DC Munro transferred to Liberty on 1 June 2017 and was a prescribed officer of the group until that date. Therefore, his cost to company package and short-term incentive has been pro-rated based on the period up to transfer, however, all long-term incentives reflect for the full year.
10 The group awarded David Munro a five-year long-term incentive award, 50% of which will be delivered on completion of three years at Liberty and 50% which will be delivered after five years at Liberty. The award is linked to the performance of selected Melville Douglas funds.
* All executive directors were also prescribed officers of the group.

Non-executive directors 2017

		Fixed remuneration				
		Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compensation for the year R'000
TS Gcabashe	**2017**	**6 306**			**503[1]**	**6 809**
	2016	5 978			538	6 516
RMW Dunne	**2017**	**263**	**1 280**	**263**		**1 806**
	2016	248	1 208	248		1 704
GJ Fraser-Moleketi	**2017**	**263**	**644**	**263**		**1 170**
	2016	28		28		56
S Gu[2]	**2017**	**365**	**248**	**110**		**723**
	2016	991	562	28		1 581
H Hu[3]	**2017**	**511**	**347**	**511**		**1 369**
	2016					
GMB Kennealy	**2017**	**263**	**904**	**263**		**1 430**
	2016	28		28		56
JH Maree	**2017**	**263**	**921**	**3 023[4]**		**4 207**
	2016	28		2 627		2 655
NNA Matyumza	**2017**	**263**	**639**	**263**		**1 165**
	2016	28		28		56
Adv KD Moroka	**2017**	**263**	**818**	**263**		**1 344**
	2016	248	772	248		1 268
Dr ML Oduor-Otieno	**2017**	**876**	**526**	**876**		**2 278**
	2016	991	293	991		2 275
AC Parker	**2017**	**263**	**676**	**263**		**1 202**
	2016	248	401	372		1 021
ANA Peterside CON	**2017**	**876**	**655**	**1 483[5]**		**3 014**
	2016	991	450	991		2 432
MJD Ruck	**2017**	**263**	**1 393**	**1 722[6]**		**3 378**
	2016	248	870	2 298		3 416
PD Sullivan	**2017**	**876**	**1 381**	**876**		**3 133**
	2016	991	1 405	1 146		3 542
BS Tshabalala[7]	**2017**	**226**	**690**	**226**		**1 142**
	2016	248	681	356		1 285
JM Vice	**2017**	**263**	**1 274**	**263**		**1 800**
	2016	28	237	28		293
L Wang[3]	**2017**	**154**	**157**	**154**		**465**
	2016					
W Wang[2]	**2017**	**110**	**52**	**110**		**272**
	2016	248	296	28		572
EM Woods[8]	**2017**	**106**	**316**	**106**		**528**
	2016	248	973	273		1 494
Total	**2017**	**12 773**	**12 921**	**11 038**	**503**	**37 235**
Total	**2016**	11 818	8 148	9 718	538	30 222

1 Use of motor vehicle.
2 Resigned at 1 June 2017.
3 Appointed on 1 June 2017.
4 Paid by Liberty Holdings Limited.
5 Paid by Stanbic IBTC.
6 Paid by Industrial and Commercial Bank of China (Argentina) S.A.
7 Resigned at 10 November 2017.
8 Retired at 26 May 2017.

Fees are excluding VAT.

Share incentives

Standard Bank equity growth scheme

The EGS represents participation rights in the future growth of the Standard Bank Group share price. The eventual value of the right is settled by the receipt of Standard Bank Group shares equivalent to the full value of the participation rights. Certain EGS awards issued prior to March 2014 included performance conditions.

Deferred bonus scheme

Employees are awarded a deferred bonus, as a mandatory deferral of their short-term incentive or as discretionary award, into the Deferred Bonus Scheme. The deferred bonus is unitised into a number of units with respect to the group's share price on the date of award. The shares are delivered to the employee on the vesting date for equity-settled share incentives. The cash-settled deferred bonus scheme awards are settled in cash on the vesting date. Notional dividends on the units are paid to the employees on the vesting date.

Performance reward plan

The group's PRP, effective from March 2014, is an equity-settled share scheme with a three-year vesting period and is designed to incentivise the group's senior executives whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic long-term objectives and to align the interests of those executives with overall group performance in both earnings growth and ROE. These are the most important financial metrics to create shareholder value and, therefore aligns the interests of management and shareholders. The awards are subject to the achievement of performance conditions set at award date and that determine the number of shares that ultimately vest. The awards will only vest in future in terms of the rules of the PRP. The shares, subject to meeting the pre-specified conditions, are delivered to the employee on vesting date. Notional dividends accrue during the vesting period and will be payable on vesting date.

Wealth and investment medium term investment scheme

Selected employees are awarded an incentive award into the Wealth and investment medium term investment scheme. The incentive awards are unitised into a number of units with respect to the selected Melville Douglas funds. The incentive awards are settled in cash or units at the election of the employee.

Share incentives continued

SK Tshabalala[5]						**Units**						**Value on settlement**		**Fair value at year end**	
Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date	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 2017	Exercise date share price	Award[1] (R'000)	Notional dividend[2] (R'000)	Award[3] (R'000)	Notional dividend[4] (R'000)
Deferred bonus scheme															
2013	2014/03/06	126.87	3 700	2017/09/30		29 164		(29 164)			157.81	4 602	803		
2014	2015/03/05	156.96	2 679	2017/09/30		17 069		(17 069)			157.81	2 694	374		
2014	2015/03/05	156.96	2 679	2018/09/30		17 070				17 070				3 340	374
2015	2016/03/03	122.24	3 950	2017/09/30		32 313		(32 313)			157.81	5 099	501		
2015	2016/03/03	122.24	3 950	2018/09/30		32 313				32 313				6 322	501
2015	2016/03/03	122.24	3 950	2019/09/30		32 315				32 315				6 323	501
2016	**2017/03/02**	**155.95**	**1 667**	**2018/09/30**			10 687			10 687				2 091	90
2016	**2017/03/02**	**155.95**	**1 667**	**2019/09/30**			10 687			10 687				2 091	90
2016	**2017/03/02**	**155.95**	**1 667**	**2020/09/30**			10 688			10 688				2 091	90
2016*	**2017/03/02**	**155.95**	**2 597**	**2018/09/30**			16 650			16 650				3 258	140
2016*	**2017/03/02**	**155.95**	**2 597**	**2019/09/30**			16 650			16 650				3 258	140
2016*	**2017/03/02**	**155.95**	**2 597**	**2020/09/30**			16 652			16 652				3 258	140
Performance reward plan[8]															
2013	2014/03/06	126.87	12 500	2017/03/31		98 500		(67 344)	(31 156)		153.70	10 351	1 584		
2014	2015/03/05	156.96	10 000	2018/03/31		63 700	11 216			74 916				14 658	1 643
2015	2016/03/03	122.24	12 500	2019/03/31		102 300				102 300				20 016	1 587
2016	**2017/03/02**	**155.95**	**12 500**	**2020/03/31**			80 200			80 200				15 692	674
Equity growth scheme															
Vested															
2007	2008/03/06	92.00		B	2018/03/06	100 000		(100 000)			158.50	6 650			
2008	2009/03/06	62.39		B	2019/03/06	37 500		(37 500)			158.50	3 604			
2009	2010/03/05	111.94		A	2020/03/05	62 500		(62 500)			162.79	3 178			
2009	2010/03/05	111.94		B	2020/03/05	62 500		(62 500)			162.79	3 178			
2010	2011/03/04	98.80		A	2021/03/04	100 000		(100 000)			158.50	5 970			
2010	2011/03/04	98.80		B	2021/03/04	75 000		(75 000)			158.50	4 478			
2011	2012/03/08	108.90		A	2022/03/08	61 471		(61 471)			159.57	3 115			
2011	2012/03/08	108.90		D	2022/03/08	212 834		(212 834)			162.79	11 470			
2012	2013/03/07	115.51		E	2023/03/07	47 161		(11 790)		35 371	162.79	557			
2012	2013/03/07	115.51		D	2023/03/07	231 367				231 367					
Unvested rights															
2010[8]	2011/03/04	98.80	864	2018/03/04	2021/03/04	25 000				25 000				2 422	
2012[8]	2013/03/07	115.51	833	2018/03/07	2023/03/07	23 581				23 581				1 890	
Total			82 897									64 946	3 262	86 710	5 970

Refer to footnotes on page 172.

Share incentives continued

BJ Kruger						Units						Value on settlement		Fair value at year end	
Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date	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 2017	Exercise date share price	Award[1] (R'000)	Notional dividend[2] (R'000)	Award[3] (R'000)	Notional dividend[4] (R'000)
Deferred bonus scheme															
2014	2015/03/05	156.96	1 658	2017/09/30		10 565		(10 565)			157.81	1 667	232		
2014	2015/03/05	156.96	1 658	2018/09/30		10 566				10 566				2 067	232
2015	2016/03/03	122.24	3 950	2017/09/30		32 313		(32 313)			157.81	5 099	501		
2015	2016/03/03	122.24	3 950	2018/09/30		32 313				32 313				6 322	501
2015	2016/03/03	122.24	3 950	2019/09/30		32 315				32 315				6 323	501
2016	**2017/03/02**	**155.95**	**1 667**	**2018/09/30**			10 687			10 687				2 091	90
2016	**2017/03/02**	**155.95**	**1 667**	**2019/09/30**			10 687			10 687				2 091	90
2016	**2017/03/02**	**155.95**	**1 667**	**2020/09/30**			10 688			10 688				2 091	90
2016*	**2017/03/02**	**155.95**	**2 597**	**2018/09/30**			16 650			16 650				3 258	140
2016*	**2017/03/02**	**155.95**	**2 597**	**2019/09/30**			16 650			16 650				3 258	140
2016*	**2017/03/02**	**155.95**	**2 597**	**2020/09/30**			16 652			16 652				3 258	140
Performance reward plan[8]															
2013	2014/03/06	126.87	12 500	2017/03/31		98 500		(67 344)	(31 156)		153.70	10 351	1 584		
2014	2015/03/05	156.96	10 000	2018/03/31		63 700	11 216			74 916				14 658	1 643
2015	2016/03/03	122.24	12 500	2019/03/31		102 300				102 300				20 016	1 745
2016	**2017/03/02**	**155.95**	**12 500**	**2020/03/31**			80 200			80 200				15 692	741
Equity growth scheme															
Vested															
2009	2010/03/05	111.94		B	2020/03/05	100 000		(100 000)			157.90	4 596			
2010	2011/03/04	98.80		B	2021/03/04	25 000		(25 000)			157.90	1 478			
2011	2012/03/07	108.90		A	2022/03/07	61 471		(61 471)			157.90	3 012			
2012	2013/03/07	115.51		E	2023/03/07	37 729		(37 729)			157.90	1 599			
2013	2016/03/06	126.87		D	2026/03/06	210 880		(210 880)			162.79	7 575			
Unvested rights															
2010[8]	2011/03/04	98.80	864	2018/03/04	2021/03/04	25 000				25 000				2 422	
2012[8]	2013/03/07	115.51	667	2018/03/07	2023/03/07	18 865				18 865				1 512	
2013	2014/03/06	126.87	4 070	2018/03/06	2024/03/06	105 442				105 442				7 253	
Total			81 059									35 377	2 317	92 312	6 053

Refer to footnotes on page 172.

Share incentives continued

A Daehnke						Units						Value on settlement		Fair value at year end	
Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date	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 2017	Exercise date share price	Award[1] (R'000)	Notional dividend[2] (R'000)	Award[3] (R'000)	Notional dividend[4] (R'000)
Deferred bonus scheme															
2013	2014/03/06	126.87	804	2017/09/30		6 340		(6 340)			157.81	1 001	174		
2014	2015/03/05	156.96	1 800	2017/09/30		11 468		(11 468)			157.81	1 810	251		
2014	2015/03/05	156.96	1 800	2018/09/30		11 468				11 468				2 244	251
2015	2016/03/03	122.24	2 072	2017/09/30		16 954		(16 954)			157.81	2 676	263		
2015	2016/03/03	122.24	2 072	2018/09/30		16 954				16 954				3 317	263
2015	2016/03/03	122.24	2 073	2019/09/30		16 956				16 956				3 318	263
2016	**2017/03/02**	**155.95**	**1 000**	**2018/09/30**			6 412			6 412				1 255	54
2016	**2017/03/02**	**155.95**	**1 000**	**2019/09/30**			6 412			6 412				1 255	54
2016	**2017/03/02**	**155.95**	**1 000**	**2020/09/30**			6 413			6 413				1 255	54
2016*	**2017/03/02**	**155.95**	**1 700**	**2018/09/30**			10 901			10 901				2 133	92
2016*	**2017/03/02**	**155.95**	**1 700**	**2019/09/30**			10 901			10 901				2 133	92
2016*	**2017/03/02**	**155.95**	**1 700**	**2020/09/30**			10 901			10 901				2 133	92
Performance reward plan[8]															
2013	2014/03/06	126.87	6 001	2017/03/31		47 300		(32 339)	(14 961)		153.70	4 971	761		
2014	2015/03/05	156.96	5 996	2018/03/31		38 200	6 726			44 926				8 790	985
2015	2016/03/03	122.24	7 004	2019/03/31		57 300				57 300				11 211	889
2016	**2017/03/02**	**155.95**	**7 002**	**2020/03/31**			44 900			44 900				8 785	337
Equity growth scheme															
Vested															
2006	2007/03/08	98.00		A	2017/03/08	4 100		(4 100)			158.50	248			
2006	2007/03/08	98.00		B	2017/03/08	4 100		(4 100)			158.50	248			
2007	2008/03/06	92.00		A	2018/03/06	7 500		(7 500)			173.17	609			
2007	2008/03/06	92.00		B	2018/03/06	7 500		(7 500)			173.17	609			
2007	2008/03/06	92.00		B	2018/03/06	20 000		(20 000)			173.17	1 623			
2008	2009/03/06	62.39		A	2019/03/06	12 500				12 500					
2008	2009/03/06	62.39		B	2019/03/06	12 500				12 500					
2009	2010/03/05	111.94		A	2020/03/05	12 500				12 500					
2009	2010/03/05	111.94		B	2020/03/05	12 500				12 500					
2010	2011/03/04	98.80		A	2021/03/04	12 500				12 500					
2010	2011/03/04	98.80		B	2021/03/04	9 375				9 375					
2013	2014/03/06	126.87		D	2024/03/06	45 832				45 832					
Unvested rights															
2010	2011/03/04	98.80	109	2018/03/04	2021/03/04	3 125				3 125				303	
2013	2014/03/06	126.87	742	2018/03/06	2024/03/06	22 918				22 918				1 577	
Total			45 575									13 795	1 449	49 709	3 426

Refer to footnotes on page 172.

Share incentives continued

AKL Fihla[6]						Units						Value on settlement		Fair value at year end	
Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date	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 2017	Exercise date share price	Award[1] (R'000)	Notional dividend[2] (R'000)	Award[3] (R'000)	Notional dividend[4] (R'000)
Deferred bonus scheme															
2013	2014/03/06	126.87	1 784	2017/09/30		14 058		(14 058)			157.81	2 218	387		
2014	2015/03/05	156.96	1 617	2017/09/30		10 300		(10 300)			157.81	1 625	226		
2014	2015/03/05	156.96	1 617	2018/09/30		10 300				10 300				2 015	226
2015	2016/03/03	122.24	2 450	2017/09/30		20 042		(20 042)			157.81	3 163	311		
2015	2016/03/03	122.24	2 450	2018/09/30		20 042				20 042				3 921	304
2015	2016/03/03	122.24	2 450	2019/09/30		20 044				20 044				3 922	304
2016	**2017/03/02**	**155.95**	**833**	**2018/09/30**		5 343				5 343				1 045	45
2016	**2017/03/02**	**155.95**	**833**	**2019/09/30**		5 343				5 343				1 045	45
2016	**2017/03/02**	**155.95**	**834**	**2020/09/30**		5 345				5 345				1 046	45
2016*	**2017/03/02**	**155.95**	**2 033**	**2018/09/30**		13 038				13 038				2 551	110
2016*	**2017/03/02**	**155.95**	**2 033**	**2019/09/30**		13 038				13 038				2 551	110
2016*	**2017/03/02**	**155.95**	**2 034**	**2020/09/30**		13 040				13 040				2 551	110
Performance reward plan[8]															
2014	2015/03/05	156.96	7 000	2018/03/31		44 600	7 852			52 452				10 263	1 150
2015	2016/03/03	122.24	6 002	2019/03/31		49 100				49 100				9 607	762
2016	**2017/03/02**	**155.95**	**6 004**	**2020/03/31**			38 500			38 500				7 533	323
Equity growth scheme															
Vested															
2007	2008/03/06	92.00		B	2018/03/06	7 500		(7 500)			173.17	609			
2007	2008/03/06	92.00		B	2018/03/06	7 500		(7 500)			173.17	609			
2007	2008/03/06	92.00		B	2018/03/06	90 000		(90 000)			173.17	7 305			
2008	2009/03/06	62.39		B	2019/03/06	10 000				10 000					
2008	2009/03/06	62.39		B	2019/03/06	10 000				10 000					
2009	2010/03/05	111.94		A	2020/03/05	12 500				12 500					
2009	2010/03/05	111.94		B	2020/03/05	12 500				12 500					
2010	2011/03/04	98.80		A	2021/03/04	13 750				13 750					
2010	2011/03/04	98.80		B	2021/03/04	10 312				10 312					
Unvested rights															
2010	2011/03/04	98.80	120	2018/03/04	2021/03/04	3 438				3 438				333	
Total			40 094									15 529	924	48 383	3 534

Refer to footnotes on page 172.

Share incentives continued

M Nienaber						**Units**						**Value on settlement**		**Fair value at year end**	
Performance year	**Issue date**	**Award price**	**Value at grant date (R'000)**	**Vesting date/ vesting category**	**Expiry date/ final vesting date**	**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 2017**	**Exercise date share price**	**Award[1] (R'000)**	**Notional dividend[2] (R'000)**	**Award[3] (R'000)**	**Notional dividend[4] (R'000)**
Deferred bonus schemes															
2013	2014/03/06	126.87	1 033	2017/09/30		8 145		(8 145)			157.81	1 285	224		
2014	2015/03/05	156.96	1 283	2017/09/30		8 176		(8 176)			157.81	1 290	179		
2014	2015/03/05	156.96	1 283	2018/09/30		8 177				8 177				1 600	179
2015	2016/03/03	122.24	1 267	2017/09/30		10 362		(10 362)			157.81	1 635	161		
2015	2016/03/03	122.24	1 267	2018/09/30		10 362				10 362				2 027	157
2015	2016/03/03	122.24	1 267	2019/09/30		10 363				10 363				2 028	157
2016	**2017/03/02**	**155.95**	**1 000**	**2018/09/30**			6 412			6 412				1 255	54
2016	**2017/03/02**	**155.95**	**1 000**	**2019/09/30**			6 412			6 412				1 255	54
2016	**2017/03/02**	**155.95**	**1 000**	**2020/09/30**			6 413			6 413				1 255	54
2016*	**2017/03/02**	**155.95**	**1 283**	**2018/09/30**			8 229			8 229				1 610	69
2016*	**2017/03/02**	**155.95**	**1 283**	**2019/09/30**			8 229			8 229				1 610	69
2016*	**2017/03/02**	**155.95**	**1 283**	**2020/09/30**			8 230			8 230				1 610	69
Performance reward plan[8]															
2013	2014/03/06	126.87	2 994	2017/03/31		23 600		(16 136)	(7 464)		153.70	2 480	380		
2014	2015/03/05	156.96	2 998	2018/03/31		19 100	3 363			22 462				4 395	493
2015	2016/03/03	122.24	3 496	2019/03/31		28 600				28 600				5 596	444
2016	**2017/03/02**	**155.95**	**9 996**	**2020/03/31**			64 100			64 100				12 542	538
Equity growth scheme															
Vested															
2009	2010/05/03	114.69		A	2020/05/03	1 625		(1 625)			157.37	69			
2009	2010/05/03	114.69		B	2020/05/03	3 125		(3 125)			163.47	152			
2010	2011/03/04	98.80		A	2021/03/04	3 125		(3 125)			157.28	183			
Unvested rights															
2010	2011/03/04	98.80	109	2018/03/04	2021/03/04	3 125				3 125				303	
Total			33 842									7 094	944	37 086	2 337

Refer to footnotes on page 172.

Share incentives continued

PL Schlebusch						Units						Value on settlement		Fair value at year end	
Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date	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 2017	Exercise date share price	Award[1] (R'000)	Notional dividend[2] (R'000)	Award[3] (R'000)	Notional dividend[4] (R'000)
Deferred bonus scheme															
2013	2014/03/06	126.87	3 617	2017/09/30		28 507		(28 507)			157.81	4 499	785		
2014	2015/03/05	156.96	2 883	2017/09/30		18 370		(18 370)			157.81	2 899	403		
2014	2015/03/05	156.96	2 883	2018/09/30		18 370				18 370				3 594	403
2015	2016/03/03	122.24	4 117	2017/09/30		33 677		(33 677)			157.81	5 315	522		
2015	2016/03/03	122.24	4 117	2018/09/30		33 677				33 677				6 589	522
2015	2016/03/03	122.24	4 117	2019/09/30		33 677				33 677				6 589	522
2016	**2017/03/02**	**155.95**	**1 667**	**2018/09/30**			10 687			10 687				2 091	90
2016	**2017/03/02**	**155.95**	**1 667**	**2019/09/30**			10 687			10 687				2 091	90
2016	**2017/03/02**	**155.95**	**1 667**	**2020/09/30**			10 688			10 688				2 091	90
2016*	**2017/03/02**	**155.95**	**2 950**	**2018/09/30**			18 916			18 916				3 701	159
2016*	**2017/03/02**	**155.95**	**2 950**	**2019/09/30**			18 916			18 916				3 701	159
2016*	**2017/03/02**	**155.95**	**2 950**	**2020/09/30**			18 917			18 917				3 701	159
Performance reward plan[8]															
2013	2014/03/06	126.87	9 997	2017/03/31		78 800		(53 876)	(24 924)		153.70	8 281	1 267		
2014	2015/03/05	156.96	9 998	2018/03/31		63 700	11 216			74 916				14 658	1 643
2015	2016/03/03	122.24	9 999	2019/03/31		81 800				81 800				16 005	1 269
2016	**2017/03/02**	**155.95**	**9 996**	**2020/03/31**			64 100			64 100				12 542	538
Equity growth scheme															
Vested															
2009	2010/03/05	111.94		B	2020/03/05	12 500		(12 500)			157.54	570			
2010	2011/03/04	98.80		B	2021/03/04	12 500		(12 500)			157.52	734			
2011	2012/03/08	108.90		A	2022/03/08	18 442		(18 442)			156.83	884			
2012	2013/03/07	115.51		E	2023/03/07	37 729		(37 729)			158.00	1 603			
Unvested rights[8]															
2010	2011/03/04	98.80	355	2018/03/04	2021/03/04	12 500				12 500				1 211	
2012	2013/03/07	115.51	658	2018/03/07	2023/03/07	18 865				18 865				1 512	
Total			76 588									24 785	2 977	80 076	5 644

JH Maree						Units						Value on settlement		Fair value at year end	
Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date	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 2017	Exercise date share price	Award[1] (R'000)	Notional dividend[2] (R'000)	Award[3] (R'000)	Notional dividend[4] (R'000)
Deferred bonus scheme															
2013	2014/03/06	126.87	1 314	2017/09/30		10 354		(10 354)			157.81	1 634	285		
Equity growth scheme															
Vested															
2008	2009/03/06	62.39		A	2019/03/06	62 500				62 500					
2009	2010/03/05	111.94		A	2020/03/05	500 000				500 000					
2011	2012/03/08	108.90		A	2022/03/08	61 471				61 471					
2012	2013/03/07	115.51		A	2023/03/07	37 729				37 729					
2014	2015/03/05	156.96		D	2025/03/05	26 148				26 148					
Unvested rights															
2012	2013/03/07	115.51	535	2018/03/07	2023/03/07	18 865				18 865				1 512	
2014	2015/03/05	156.96	241	2018/03/05	2025/03/05	26 148				26 148				1 012	
2014	2015/03/05	156.96	241	2019/03/05	2025/03/05	26 149				26 149				1 012	
Total			2 331									1 634	285	3 536	

Refer to footnotes on page 172.

Share incentives continued

DC Munro

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/ vesting category	Expiry date/ final vesting date	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 May 2017	Exercise date share price	Value on settlement: Award[1] (R'000)	Value on settlement: Notional dividend[2] (R'000)	Fair value at year end: Award[3] (R'000)	Fair value at year end: Notional dividend[4] (R'000)
Deferred bonus scheme															
2013	2014/03/06	126.87	3 713	2017/09/30[7]		29 263				29 263				4 288	688
2014	2015/03/05	156.96	1 950	2017/09/30[7]		12 423				12 423				1 820	223
2014	2015/03/05	156.96	1 950	2018/09/30		12 425				12 425				1 821	223
2015	2016/03/03	122.24	4 617	2017/09/30[7]		37 767				37 767				5 534	421
2015	2016/03/03	122.24	4 617	2018/09/30		37 767				37 767				5 534	421
2015	2016/03/03	122.24	4 617	2019/09/30		37 768				37 768				5 535	421
2016	**2017/03/02**	**155.95**	**1 667**	**2018/09/30**			10 687			10 687				1 566	47
2016	**2017/03/02**	**155.95**	**1 667**	**2019/09/30**			10 687			10 687				1 566	47
2016	**2017/03/02**	**155.95**	**1 667**	**2020/09/30**			10 688			10 688				1 566	47
2016*	**2017/03/02**	**155.95**	**3 533**	**2018/09/30**			22 657			22 657				3 320	100
2016*	**2017/03/02**	**155.95**	**3 533**	**2019/09/30**			22 657			22 657				3 320	100
2016*	**2017/03/02**	**155.95**	**3 533**	**2020/09/30**			22 657			22 657				3 320	100
Performance reward plan[8]															
2013	2014/03/06	126.87	10 000	2017/03/31		78 800		(53 876)	(24 924)		153.70	8 281	1 267		
2014	2015/03/05	156.96	14 000	2018/03/31		89 200	15 704			104 904				20 526	2 301
2015	2016/03/03	122.24	10 000	2019/03/31		81 800				81 800				11 987	942
2016	**2017/03/02**	**155.95**	**10 000**	**2020/03/31**			64 100			64 100				9 393	282
Wealth & investment medium term incentive scheme															
2017	**2017/05/31**	**2.20**	**5 000**	**2020/05/31**			2 268 191			2 268 191				4 974	
2017	**2017/05/31**	**2.20**	**5 000**	**2022/05/31**			2 268 191			2 268 191				4 974	
2017	**2017/05/31**	**4.88**	**5 000**	**2020/05/31**			1 024 548			1 024 548				4 984	
2017	**2017/05/31**	**4.88**	**5 000**	**2022/05/31**			1 024 548			1 024 548				4 984	
Equity growth scheme															
Vested															
2007	2008/03/06	92.00		B	2018/03/06	50 000		(50 000)			155.00	3 150			
2008	2009/03/06	62.39		B	2019/03/06	25 000		(25 000)			158.50	2 403			
2009	2010/03/05	111.94		A	2020/03/05	50 000				50 000					
2009	2010/03/05	111.94		B	2020/03/05	50 000				50 000					
2010	2011/03/04	98.80		A	2021/03/04	50 000				50 000					
2010	2011/03/04	98.80		B	2021/03/04	37 500				37 500					
2011	2012/03/08	108.90		A	2022/03/08	61 471				61 471					
2012	2013/03/07	115.51		E	2023/03/07	47 161				47 161					
2012	2013/03/07	115.51		D	2023/03/07	60 948				60 948					
2013	2014/03/06	126.87		D	2024/03/06	70 530				70 530					
Unvested rights															
2010[8]	2011/03/04	98.80	432	2018/03/04	2021/03/04	12 500				12 500				1 211	
2012[8]	2013/03/07	115.51	959	2018/03/07	2023/03/07	23 581				23 581				1 890	
2013	2014/03/06	126.87	1 246	2018/03/06	2024/03/06	35 267				35 267				2 426	
Total			**103 701**									**13 834**	**1 267**	**106 539**	**6 363**

* These awards will be settled in cash.

1 Value on settlement is calculated by multiplying the vesting share price by the total units vesting and applying performance conditions (where applicable). Performance conditions applied to the 2013 PRP award that vested in 2017 was 68.37%, against the performance conditions as explained in the remuneration structure section of the group's remuneration report within the governance and remuneration report.

2 Value is calculated by multiplying the notional dividend per unit with the total vesting units and applying performance conditions (where applicable).

3 Value is calculated by multiplying the year end SBK share price of R195.66 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 As at 31 December 2017, SK Tshabalala has a right to 418 814 (2016: 418 814) shares as a beneficiary of Tutuwa Managers' Trust. At 31 December 2017 the debt per share was R54.62 (2016: R56.82).

6 As at 31 December 2017, AK Fihla has a right to 134 232 shares as a beneficiary of Tutuwa Managers' Trust. At 31 December 2017 the debt per share was R54.62.

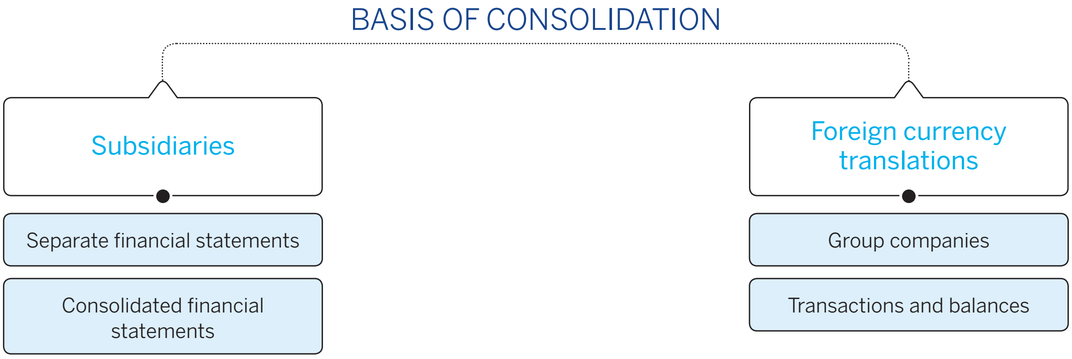
7 In October 2017 the settlement value of these units were R14.2 million.

8 These awards are subjected to performance conditions. The fair value of awards vesting in 2018 are included in the single figure.

ANNEXURE F – DETAILED ACCOUNTING POLICIES

The following accounting policies were applied in the preparation of the group and company financial statements. A copy of the full set of accounting policies is available at the company's registered office.

1. Basis of consolidation



Subsidiaries

Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains (losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interest are determined on the basis of the group's present ownership interest in the subsidiary.

Subsidiaries are consolidated from the date on which the group acquires control up to the date that control is lost. Control is assessed on a continuous basis. For mutual funds the group further assesses its control by considering the existence of either voting rights or significant economic power.

1. Basis of consolidation continued

Subsidiaries continued

Foreign currency translations

Group companies

The results and financial position of foreign operations that have a functional currency that is different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rates
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

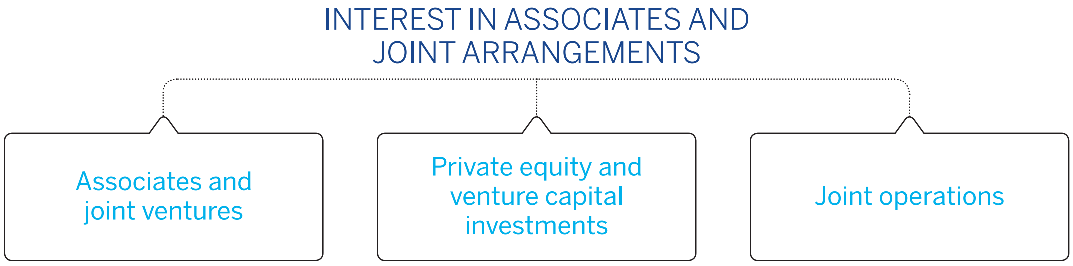
Transactions and balances

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 transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI (interest income) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (interest income).

2. Interest in associates and joint arrangements



Associates and joint ventures

Associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the group's share of the net assets of the associate or joint venture (including goodwill).

Equity accounting is applied from the date on which the entity becomes an associate or joint venture up to the date on which the group ceases to have significant influence or joint control.

Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associate or joint ventures.

Unrealised profits from transactions are eliminated in determining the group's share of equity accounted profits. Unrealised losses are eliminated in the same way as unrealised gains (but only to the extent that there is no evidence of impairment).

Where there is an indicator of impairment the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying amount.

Impairment losses are recognised through non-trading and capital related items. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined, net of equity accounted losses, if no impairment loss had been recognised.

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.

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

These associates are either designated on initial recognition at fair value through profit or loss, or are equity accounted.

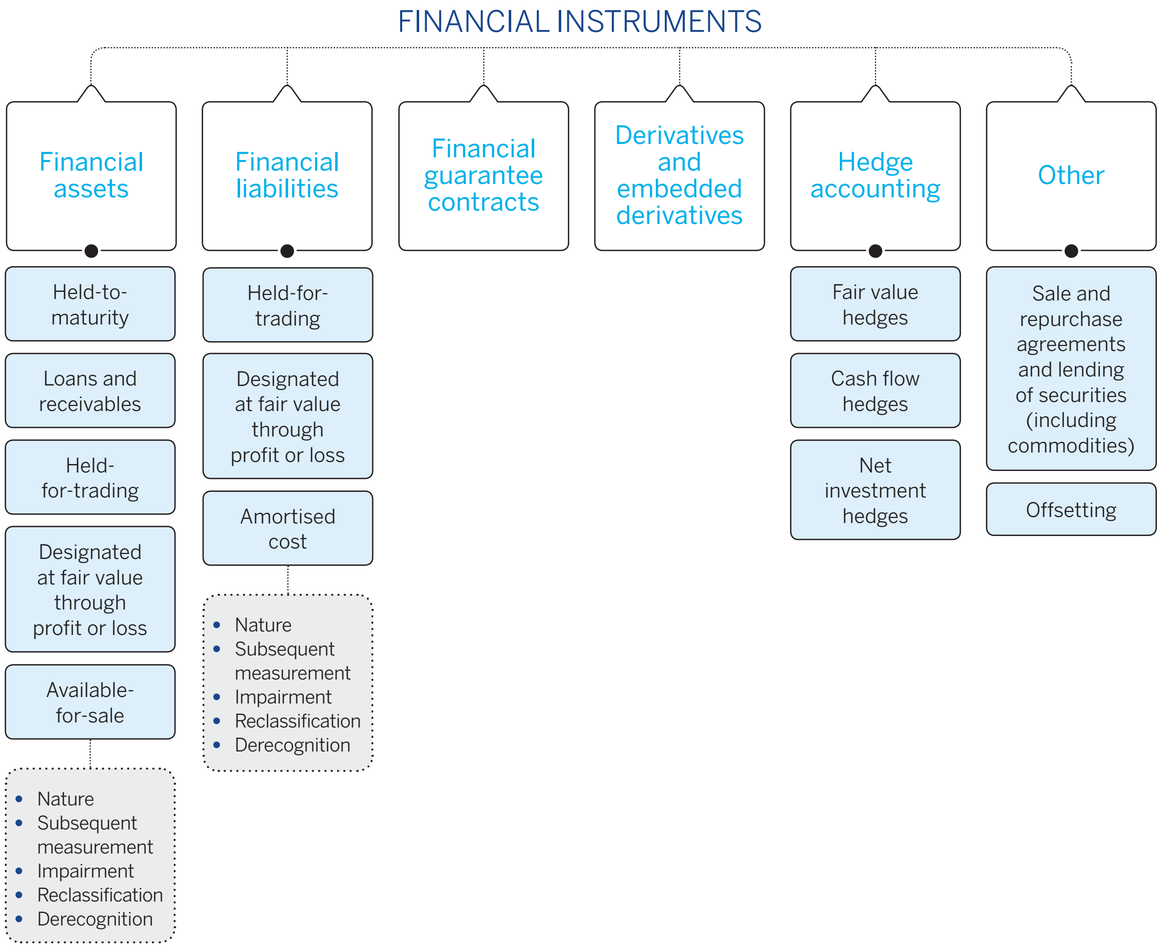
Joint operations

The following is recognised for joint operations:

- assets it controls, including its share of assets jointly controlled
- liabilities, including its share of liabilities incurred jointly
- revenue from the sale of its share of output and from the sale of the output by a joint operation
- expenses, including the share of expenses incurred jointly.

Individual assets are individually assessed for impairment and, where applicable, are impaired to the higher of the fair value less cost to sell and the asset's value in use.

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 assets

Nature

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold-to-maturity.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale.

3. Financial instruments continued

Financial assets continued

Held-for-trading

Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets), those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-traders' margin.

Designated at fair value through profit or loss

Financial assets are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise
- where the financial assets are managed and their performance evaluated and reported on a fair value basis
- where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cash flows.

Available-for-sale

Financial assets that are not classified into one of the abovementioned financial asset categories.

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-to-maturity and loans and receivables

Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

Available-for-sale

Fair value, with gains and losses recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired.

Interest income on debt financial assets is recognised in interest income in terms of the effective interest rate method. Dividends received on debt/(equity) available-for-sale financial assets are recognised in interest income/(other revenue) within profit or loss.

When debt/(equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income/(other revenue).

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss

Fair value, with gains and losses recognised in interest income/(other revenue) for all debt/(equity) financial assets.

Impairment

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the financial asset that can be estimated reliably. The group assesses at each reporting date whether there is objective evidence that a financial asset which is either carried at amortised cost or classified as available-for-sale is impaired as follows:

Held-to-maturity and loans and receivables ('amortised cost')

The following criteria are used in determining whether there is objective evidence of impairment for loans or groups of loans:

- known cash flow difficulties experienced by the borrower
- a breach of contract, such as default or delinquency in interest and/or principal payments
- breaches of loan covenants or conditions
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

3. Financial instruments continued

Financial assets continued

The group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which there is identified objective evidence of impairment, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss. Subsequent to impairment, the effects of discounting unwind over time as interest income.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment for impairment.

Impairment of groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss event and the date on which the group identifies the losses). Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss

Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

Available-for-sale

Available-for-sale debt instruments are impaired when there has been a significant or prolonged decline in the fair value of the instrument below its cost and for equity instruments where there is information about significant changes with an adverse effect on the environment in which the issuer operates that indicates that the cost of the investment in the equity instrument may not be recovered.

When an available-for-sale asset has been identified as impaired, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss, within interest income /(other revenue) for debt/(equity) instruments. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through interest income for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

3. Financial instruments continued

Financial assets continued

Reclassification of financial assets are permitted only in the following instances:

Held-to-maturity

Where the group is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.

Available-for-sale

The group may choose to reclassify financial assets that would meet the definition of loans and receivables if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Held-for-trading

The group may elect to reclassify non-derivative financial assets out of held-for-trading category in the following instances:

- if the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would not otherwise have met the definition of loans and receivables, it is permitted to be reclassified only in rare circumstances
- if the financial asset is no longer held for the purpose of selling it in the near team and the financial asset would have met the definition of loans and receivables, it is permitted to be reclassified if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent changes in estimates of cash flows (other than credit impairment changes) adjust the financial asset's effective interest rates prospectively. On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Financial liabilities

Nature

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise
- where the financial liabilities are managed and their performance evaluated and reported on a fair value basis
- where the financial liability contains one or more embedded derivatives that significantly modify the financial asset's cash flows.

At amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in interest expense.

Amortised cost

Amortised cost using the effective interest method with interest recognised in interest expense.

3. Financial instruments continued

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	DERECOGNITION	MODIFICATION
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability, with the difference in the respective carrying amounts being recognised in profit or loss. In all other instances, the renegotiated asset or liability's effective interest rate is redetermined at the date of modification taking into account the renegotiated terms.
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts are subsequently measured at the higher of the:

- present value of any expected payment, when a payment under the guarantee has become probable
- unamortised premium.

3. Financial instruments continued

Derivatives and embedded derivatives

In the normal course of business, the group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Hedge accounting

Derivatives are designated by the group into the following relationships:

TYPE OF HEDGE	NATURE	TREATMENT
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised immediately in trading revenue. 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 as trading revenue. 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 and classified as trading revenue.

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 deposit and current accounts or trading liabilities, as appropriate.

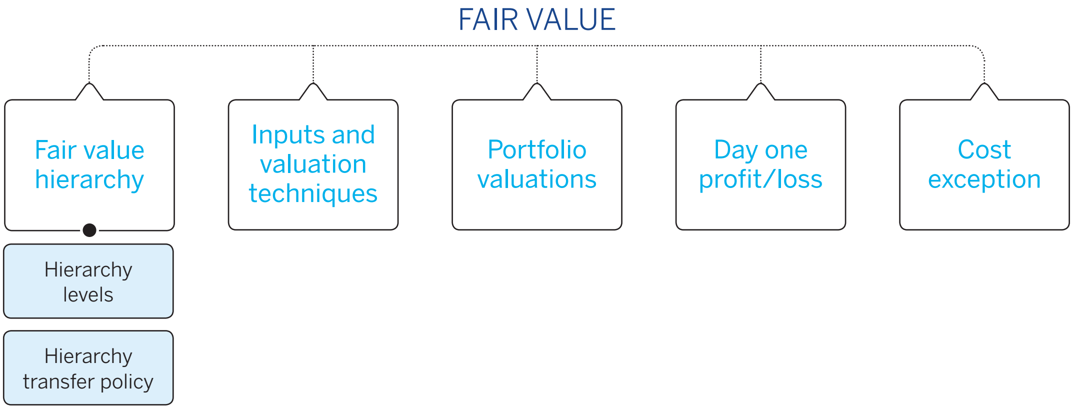
Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements 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.

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 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.

4. Fair value continued

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

ITEM AND DESCRIPTION	VALUATION TECHNIQUE	MAIN INPUTS AND ASSUMPTIONS
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • discounted cash flow model • Black-Scholes model • combination technique models.	For level 2 and 3 fair value hierarchy items: • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • earnings yield • valuation multiples.
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Pledged assets Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.		
Financial investments Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.		

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

4. Fair value continued

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 and debt funding comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items: • discount rate*.

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

4. Fair value continued

Portfolio valuations

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

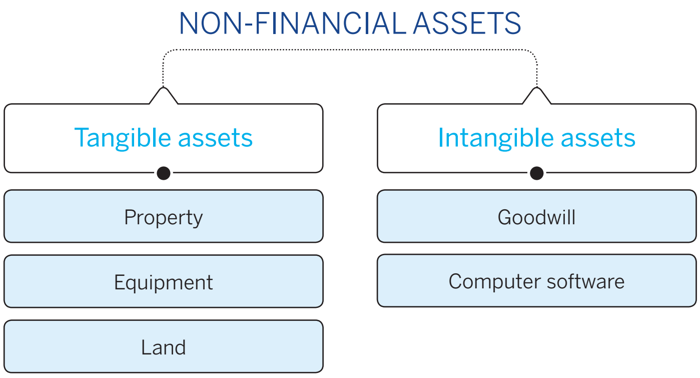
Cost exception

Where the fair value of investments in equity instruments or identical instruments do not have a quoted price in an active market, and derivatives that are linked to and must be settled by delivery of such equity instruments, are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets are not reversed.

5. Employee benefits

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	STATEMENT OF OTHER COMPREHENSIVE INCOME	INCOME STATEMENT
Defined contribution plans The group operates a number of defined contribution plans. See note 40 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 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 40 for more information.	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/(expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability). Other expenses related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets



TYPE AND INITIAL AND SUBSEQUENT MEASUREMENT

Tangible assets (property, equipment and land)
Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment losses.

Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred.

Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.

USEFUL LIVES, DEPRECIATION/ AMORTISATION METHOD OR FAIR VALUE BASIS

Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated.

Buildings	40 years
Computer equipment	3 – 5 years
Motor vehicles	4 – 5 years
Office equipment	5 – 10 years
Furniture	5 – 13 years
Leased assets	Shorter of useful life or lease term

The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.

IMPAIRMENT

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

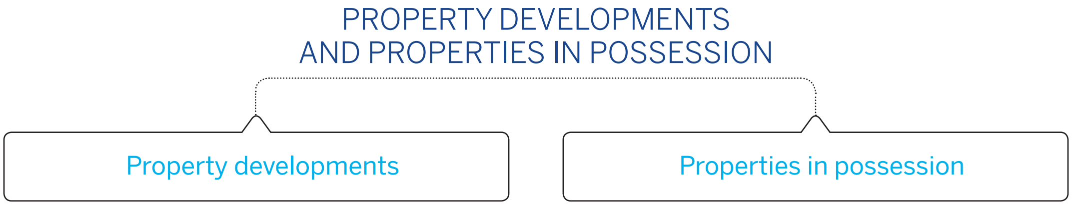
TYPE AND INITIAL AND SUBSEQUENT MEASUREMENT	USEFUL LIVES, DEPRECIATION/ AMORTISATION METHOD OR FAIR VALUE BASIS	IMPAIRMENT
Goodwill Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the 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.

6. Non-financial assets continued

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



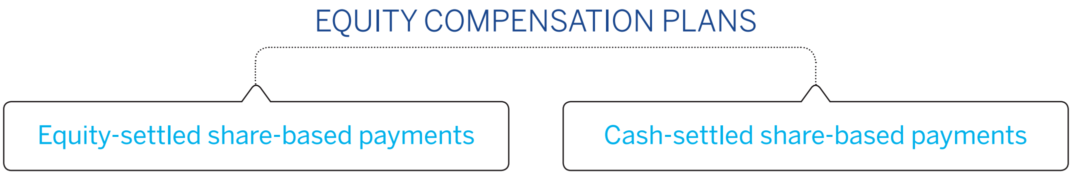
Property developments

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development.

Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

8. Equity-linked transactions



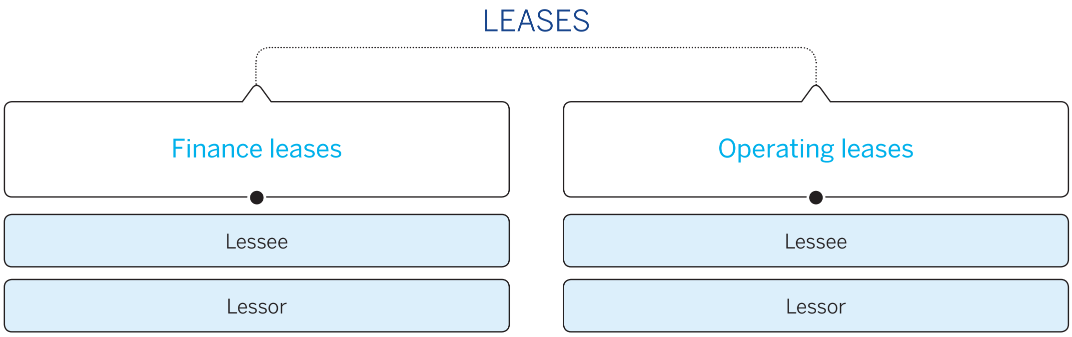
Equity-settled share-based payments

The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses – staff costs over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period. On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to share capital and premium.

Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses.

9. Leases



TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
Finance leases – lessee Leases, where the group assumes substantially all the risks and rewards incidental to ownership, are classified as finance leases.	The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Refer to non-financial assets accounting policy for the treatment of the leased asset. Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the group's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.	A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
Finance leases – lessor Leases, where the group transfers substantially all the risks and rewards incidental to ownership, are classified as finance leases.	Finance lease 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.

9. Leases continued

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
Operating leases – lessee All leases that do not meet the criteria of a finance lease are classified as operating leases.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under operating leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Operating leases – lessor All leases that do not meet the criteria of a finance lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis or a more representative basis where applicable over the lease term and is recognised as income. When an operating lease is terminated before the lease period has expired, any payment required by the group by way of a penalty is recognised as income in the period in which termination takes place.

10. Equity

EQUITY

Share issue costs

Dividends

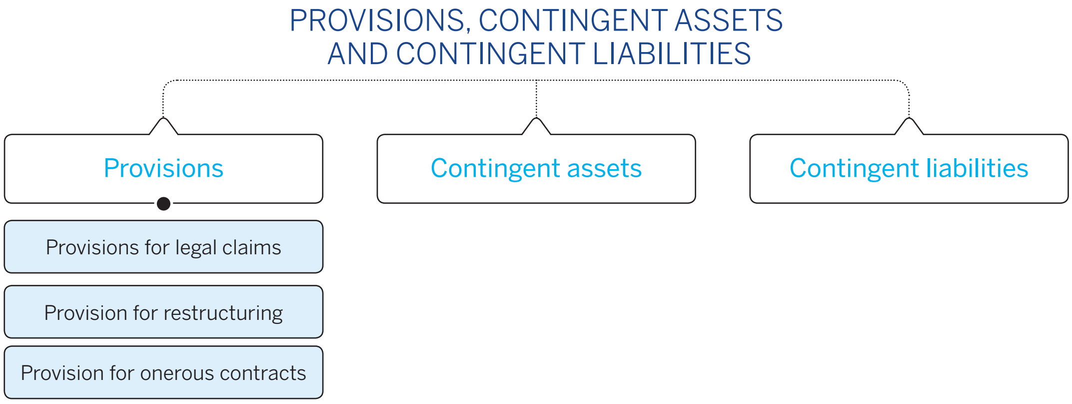
Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the annual financial statements.

11. Provisions, contingent assets and contingent liabilities



Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically (when applicable) include the following:

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

Provision for restructuring

A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

Provision for onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

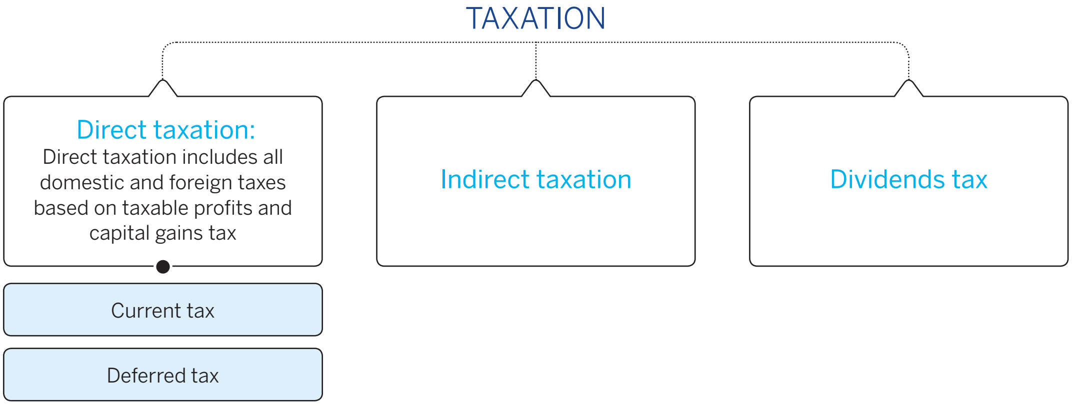
Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

12. Taxation



TYPE	DESCRIPTION, RECOGNITION AND MEASUREMENT	OFFSETTING
Direct taxation: current tax	Current tax is recognised in the direct taxation line in the income statement or directly in equity or in OCI as appropriate. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.	Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
Direct taxation: deferred tax	Deferred tax is recognised in direct taxation in equity or in OCI as appropriate. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences: • the initial recognition of goodwill • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses • investments in subsidiaries, associates and jointly controlled arrangements-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.	

12. Taxation continued

TYPE	DESCRIPTION, RECOGNITION AND MEASUREMENT	OFFSETTING
	The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	
Indirect taxation	Indirect taxes, including non-recoverable value added taxation, 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 'Other liabilities' in the statement of financial position.	Not applicable

13. Revenue and expenditure

TYPE	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 (except those that have been reclassified from held-for-trading) 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. Where financial assets have been impaired, interest income continues to be recognised on the impaired value (gross carrying value less specific impairment) based on the original effective interest rate. Fair value gains and losses on realised debt financial instruments, including amounts reclassified from OCI in respect of available-for-sale debt financial assets are included in net interest income. 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 transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

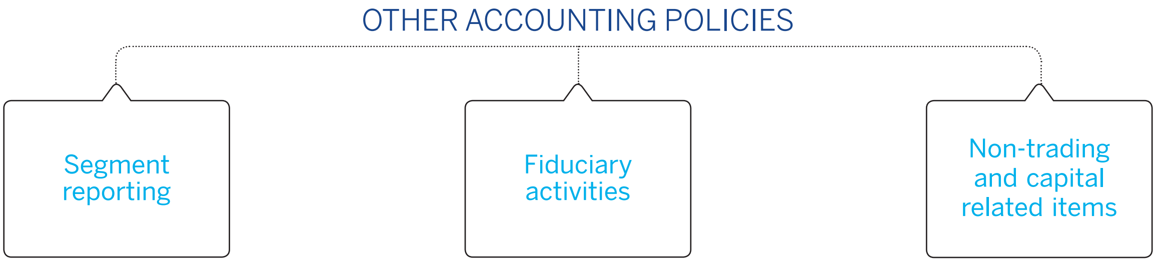
13. Revenue and expenditure continued

TYPE	DESCRIPTION, RECOGNITION AND MEASUREMENT
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.
Other revenue	Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, dividends relating to those financial instruments, underwriting profit from the group's short-term insurance operations and related insurance activities and remeasurement gains and losses from contingent consideration on disposals and purchases. Gains and losses on equity available-for-sale financial assets are reclassified from OCI to other revenue on derecognition or impairment of the investments. Dividends on these instruments are also recognised in other revenue.
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.
Revenue sharing agreements	Revenue sharing agreements with group companies include the allocation of revenue from transfer pricing agreements between the group'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 with group companies. 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 with group companies. 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.
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 operating expenses as and when they are incurred.

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. Other accounting policies



Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision maker, being the group's executive committee.

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 and reversal of impairments of investments in subsidiaries, associates and joint ventures, property and equipment, and intangible assets
- other items of a capital related nature.

15. New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2017 and have not been applied in preparing these annual financial statements.

Title: Insurance contracts (amendment) (IFRS 4)

Effective date: 1 January 2018 earlier application permitted

The amendment to applying IFRS 9 Financial Instruments with IFRS 4 *Insurance Contracts* introduce two approaches: an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility.

The amendments will be applied retrospectively. This amendment impacts the classification and measurement changes in Liberty, refer to the detailed IFRS 9 section above for the impact on the annual financial statements, as the group will not be applying the optional temporary exemption from applying IFRS 9 until 2021. Refer to the IFRS 9 section below for further information.

15. New standards and interpretations not yet adopted continued

Title: IFRS 9 Financial instruments (IFRS 9)

Effective date: 1 January 2018

Background

IFRS 9 *Financial Instruments* (IFRS 9) will replace the IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) that deals with the accounting treatment for financial instruments from 1 January 2018.

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:

- revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in OCI as opposed to the income statement
- an expected credit loss (ECL) impairment model
- revised requirements and simplifications for hedge accounting.

Comparative financial results and elections

IFRS 9 is required to be adopted retrospectively from 1 January 2018, with the exception of IFRS 9's hedge accounting requirements where the standard permits an entity to choose as its accounting policy to continue to apply with IAS 39's hedge accounting requirements instead of the requirements in IFRS 9.

The group has elected not to restate its comparative financial statements. Accordingly, the difference between the previous IAS 39 and new IFRS 9 carrying values will be recognised in the group's opening retained earnings as at 1 January 2018.

The group's date of adoption of the IFRS 9 revised hedge accounting requirements will be based on further IFRS developments with respect to the IASB's macro hedge accounting project or on the group deeming it opportune to adopt the revised requirements. The group has elected to continue with IAS 39's hedge accounting requirements, but will implement IFRS 9's revised hedge accounting disclosures.

Project governance

The group structured its IFRS 9 implementation project in such a way as to effectively enable the delivery of the IFRS 9 requirements across the group. The IFRS 9 implementation project board provided strategic direction to the project, monitored the project's progress, and identified required interventions and project interdependencies with other group initiatives. In addition, an overall project steering committee was established.

In order to ensure appropriate board oversight, the IFRS 9 project reported on its activities, status and outcomes to the GAC.

The group's IFRS 9 implementation project included a September 2017 hard close process (hard close) which was used to test the group's readiness for the transition to IFRS 9. The results of the hard close were assessed by external audit to assist management in determining the group's readiness and the results and findings were communicated to both the GAC and the group's board.

IFRS 9 requirements

A summary of IFRS 9's key requirements and the estimated impact on the group is explained below. It should be noted that the group's final transition impact was, at the time of the preparation of these financial statements, being finalised and will be more fully explained as part of the group's first quarter's Stock Exchange News Service (SENS) announcement.

Classification of financial assets and liabilities

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and its contractual cash flow characteristics. The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.

All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised in OCI with no subsequent recognition in the income statement.

While IFRS 9's classification and measurement requirements are expected to have a negligible net impact on the group's reserves as at 1 January 2018, there were instances in which the classification and measurement of financial assets and liabilities changed from amortised cost to fair value and vice versa.

15. New standards and interpretations not yet adopted continued

Title: IFRS 9 financial instruments (IFRS 9) continued

Effective date: 1 January 2018 continued

Expected credit loss (ECL) impairment model

IFRS 9's ECL impairment model's requirements will represent the most material IFRS 9 impact for the group.

The IASB developed the IFRS 9 ECL impairment model with the objective of transitioning from an incurred loss approach to an expected loss model which will require entities to recognise impairment losses in advance of an exposure having objective evidence of impairment. The ECL model will apply to financial assets measured at either amortised cost or at fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss).

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either a 12-month expected credit losses or full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is recognised for a financial asset where the credit risk of that financial asset has increased significantly since initial recognition (unless the credit risk of the financial asset is low), as well as for certain contract assets and trade receivables or where the exposure is classified as in default. For all other financial instruments, expected credit losses are measured at an amount equal to the expected lifetime loss associated with the probability of default over the next 12 months.

Significant increase in credit risk or low credit risk

The assessment of significant increase in credit risk for the group's PBB exposures will be based on changes in a customer's credit score and for the group's CIB exposures on changes in internal credit ratings, together with the expected outlook for the specific sector and industry and other relevant available information. For both the group's PBB and CIB exposures, the determination will be set to identify significant deterioration in credit risk before the exposure reaches a past due status of 30 days. Exposures for which there is a significant increase in credit risk but for which the credit risk is low remain in stage one. 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 are unlikely to reduce the exposure's ability to fulfil its contractual obligations.

Forward-looking information

In determining whether there has been a significant increase in credit risk and in determining the expected credit loss calculation, IFRS 9 requires the consideration of forward-looking information. The determination of significant increase in credit risk is required to include consideration of all reasonable and supportable information that is available without undue cost or effort. This information will typically include forward-looking information based on expected macro-economic conditions and specific factors that are expected to impact individual portfolios.

The incorporation of forward-looking information represents a significant change from existing accounting requirements which are based on observable events. The forward-looking information will be based on the group's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement. The use of such information will incorporate management judgement and is hence, expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations.

Default

While default is not specifically defined by IFRS 9, the group has aligned the determination of default with its existing internal credit risk management definitions and approaches. Default is determined as occurring at the earlier of:

- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts on the due date or shortly thereafter without recourse to actions such as 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).

In some cases, additional specific criteria are set according to the nature of the lending product.

Impact assessment

The ECL impairment requirements, which comprise IFRS 9's most material impact for the group, is expected to result in an increase of approximately R6.6 billion in balance sheet impairments; an increase of 30% on IAS 39 balance sheet impairments (including interest in suspense). While IFRS 9's classification and measurement requirements are expected to have a negligible net impact on the group's reserves as at 1 January 2018, there were instances in which the measurement of certain financial assets and liabilities changed from amortised cost to fair value or vice versa due to the application of IFRS9 to the underlying business portfolios.

14. Other significant accounting policies continued

Title: IFRS 9 financial instruments (IFRS 9) continued

Effective date: 1 January 2018 continued

Impact assessment continued

The following table outlines the key drivers of the estimated impact:

IFRS 9 DRIVER	REASON
Minimum of a 12-month expected credit loss for performing exposures	The existing emergence period is between three to six months for PBB exposures and 12 months for CIB exposures. The change to a 12-month expected loss requirement will result in an increase in impairments for PBB.
Lifetime credit losses for exposures that exhibit a significant increase in credit risk	IFRS 9 requires a lifetime loss to be recognised for exposures for which there has been a significant increase in credit risk. This requirement will affect both PBB and CIB.
ECL held for unutilised client exposures, letters of credit and guarantees	The IFRS 9 requirement for impairments for unutilised client facilities and guarantees results in additional balance sheet impairments for both PBB and CIB.
Lifetime workout period	In terms of determining the ECL, the exposure's full lifetime is considered. This includes the probability of recovery or cure post default and subsequent future defaults.
Forward-looking economic expectations for ECL	The inclusion of forward-looking economic information is expected to increase the level of provisions as a result of the nature and timing of both current and forecasted economic assumptions as at 1 January 2018.

Hedge accounting

The revised general hedge accounting requirements are better aligned with an entity's risk management activities and provide both additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The group's date of adoption of IFRS 9's revised hedge accounting requirements will be based on further IFRS developments with respect to the IASB's macro hedge accounting project or on the group deeming it opportune to adopt the revised requirements. The group has elected to continue with IAS 39's hedge accounting requirements, but will implement IFRS 9's revised hedge accounting disclosures.

Tax implications

Within South Africa, National Treasury released a Taxation Laws Amendment Bill which contained requirements for the deductibility of impairments in accordance with IFRS 9 being a 25% allowance for impairment provisions for all performing exposures that have not demonstrated a significant increase in credit risk (stage 1), a 40% allowance for performing exposures that have demonstrated a significant increase in credit risk (stage 2) and an 85% allowance for impairment provisions for exposures that are in default (stage 3). The change in the timing of the deductibility of the impairments for tax purposes will result in a higher deferred tax asset balance which will have a negative impact on the group's capital ratios.

Capital implications

IFRS 9 (including the related tax consequences) will have consequential impacts on the group's regulatory capital adequacy. The expected increase in impairment provisions, together with the increase in the group's deferred tax asset carrying value and changes in the level of the threshold deduction for investments in financial entities, will reduce qualifying CET1 capital. This reduction in qualifying CET1 capital will, however, be partially offset by the release of the existing deduction against qualifying CET1 for the excess of regulatory expected losses over the IAS 39 impairments (R2.1 billion). IFRS 9's ECL requirements are expected to reduce the group's CET1 ratio by approximately 60 bps and will be phased in over three years.

Communication of transition impact

The group will, together with its Q1:2018 SENS announcement regarding the group's quarterly statement of changes in equity, release a transition report which will outline the impact of the transition to IFRS 9 on the group's financial results.

Title: IFRS 9 Financial instruments (IFRS 9) amendment

Effective date: 1 January 2019 with earlier application permitted

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The amendment is not expected to have a material impact on the group.

14. Other significant accounting policies continued

Title: Sale or contribution of assets between an investor and its associate or joint venture

Effective date: 1 January 2019 earlier application permitted (IFRS 10 and IAS 28)

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: Revenue from contracts with customers (IFRS 15)

Effective date: 1 January 2018

This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer.

The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The standard will be applied retrospectively. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the majority of the group's revenue. The group has identified and reviewed the contracts with customers that are within the scope of this standard which indicate that IFRS 15 will not materially impact the group on transition.

Title: Leases (IFRS 16)

Effective date: 1 January 2019 earlier application permitted

This standard will replace IAS 17 *Leases* as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.

The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as is currently done in terms of IAS 17. In addition, the standard requires a lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. However, the group has formed an IFRS 16 working group and detailed project plan, identifying key responsibilities and milestones. The group is in the process of determining the estimated impact, as well as discussing the system requirements to accommodate IFRS 16's principles.

Title: Insurance contracts (IFRS 17)

Effective date: 1 January 2021 earlier application permitted

This standard replaces the existing accounting standard IFRS 4 *Insurance Contracts* which gave entities 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.

14. Other significant accounting policies continued

Title: Insurance contracts (IFRS 17) continued

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 as underlying items 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 requirement will provide transparent reporting about an entities' financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17.

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: Employee benefits (IAS 19)

Effective date: 1 January 2019 earlier application permitted

The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: Interest in associates and joint ventures (amendment) (IAS 28)

Effective date: 1 January 2019 earlier application permitted

This amendment clarifies that an entity should apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The amendments will be applied retrospectively. The impact on the annual financial statements is not expected to have a significant impact on the annual financial statements.

Annual improvements 2015-2017 cycle

Effective date: 1 January 2019 earlier application permitted

The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the group's annual financial statements.

Title: Foreign currency transactions and advance consideration (IFRIC 22)

Effective date: 1 January 2018 earlier application permitted

The IFRIC provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The IFRIC will be applied retrospectively or prospectively. The group has identified and reviewed the contracts and transaction that are within the scope of this interpretation which indicate that this IFRIC will not materially impact the annual financial statements.

Title: Uncertainty over income tax treatments (IFRIC 23)

Effective date: 1 January 2019; earlier application permitted

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

CONTACT AND OTHER DETAILS

THE STANDARD BANK OF SOUTH AFRICA LIMITED
Registration No. 1962/000738/06
Incorporated in the Republic of South Africa

HEAD: INVESTOR RELATIONS
Sarah Rivett-Carnac
Tel: +27 11 631 6897

CHIEF FINANCIAL OFFICER
Libby King
Tel: +27 11 636 1167

GROUP SECRETARY
Zola Stephen
Tel: +27 11 631 9106

REGISTERED ADDRESS
9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg 2001
PO Box 7725
Johannesburg 2000

www.standardbank.com

Please direct all annual report queries and comments to:
Annual.Report@standardbank.co.za

Please direct all customer-related queries and comments to:
Information@standardbank.co.za

Please direct all investor relations queries and comments to:
InvestorRelations@standardbank.co.za

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

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

60

Respecta 60, the FSC® Mix* certified high quality recycled coated fine paper for prestigious printing, with a 60% recycled fibre content. A choice that gives a natural brilliance to creativity.

STUDIO 5

standardbank.com