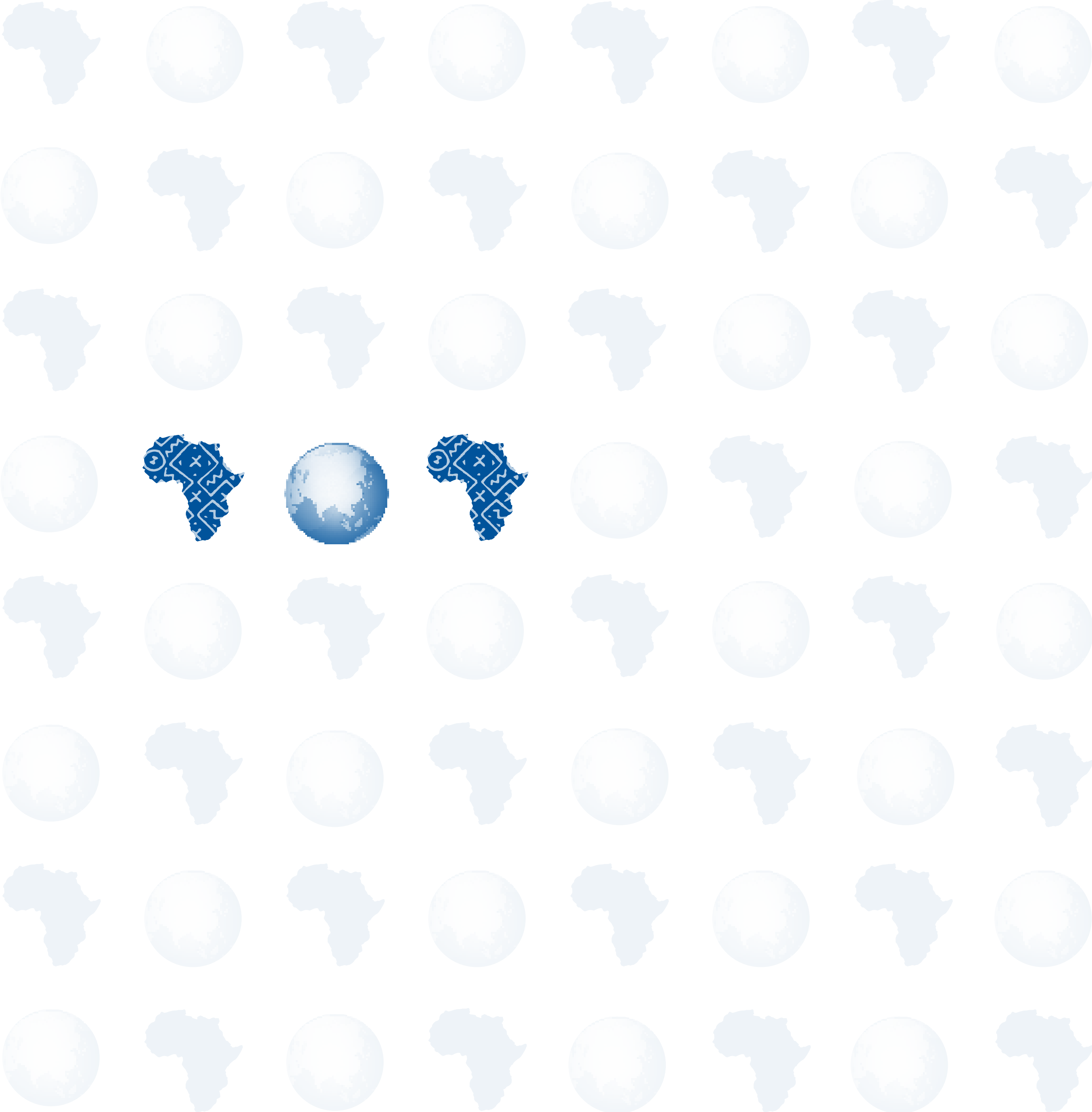

The Standard Bank of South Africa

Annual Report 2009

Standard Bank

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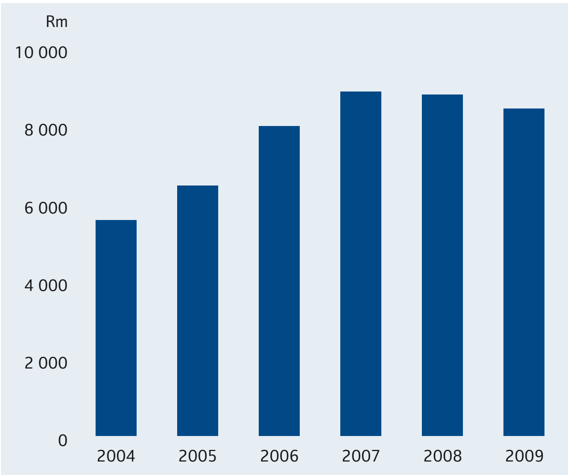
Financial highlights

	2009	2008	change %	2009 USD equivalent USDm
Group[1]				
Income statement (Rm)				
Total income	**39 127**	38 342	2	4 647
Headline earnings	**8 441**	8 792	(4)	1 002
Profit attributable to the ordinary shareholder	**8 180**	8 783	(7)	971
Statement of financial position (Rm)				
Ordinary shareholder's equity	**44 159**	39 074	13	5 992
Total assets	**837 215**	909 318	(8)	113 598
Loans and advances	**525 700**	527 452	(0)	71 330
Financial performance				
Return on equity (ROE) (%)	**20,3**	24,4		
Gearing ratio (times)	**20,3**	24,5		
Loan-to-deposits ratio (%)	**91,0**	86,7		
Credit loss ratio (%)	**1,87**	2,02		
Non-interest revenue to total income (%)	**45,1**	43,0		
Cost-to-income ratio (%)	**46,9**	44,5		
Company[1]				
Headline earnings (Rm)	**8 121**	8 728	(7)	964
Total assets (Rm)	**819 245**	886 261	(8)	111 159
ROE (%)	**19,9**	24,7		
Capital adequacy				
Risk-weighted assets (Rm)	**367 839**	358 752	3	49 910
Tier I capital (Rm)	**38 946**	33 344	17	5 284
Total capital (Rm)	**51 853**	43 826	18	7 036
Tier I capital adequacy ratio (%)	**10,6**	9,3		
Total capital adequacy ratio (%)	**14,1**	12,2		

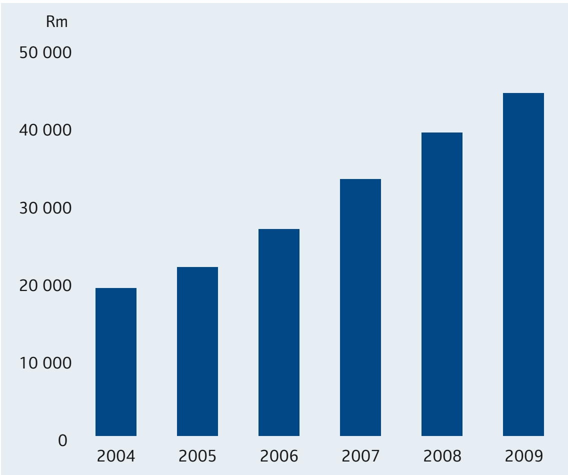
[1] *The Standard Bank of South Africa (the company or SBSA) and its subsidiaries (the group).*

The 2009 rand/US dollar exchange rates:
Closing rate – R7,37 (2008: R9,31)
Average rate – R8,42 (2008: R8,24)

Headline earnings – group



Ordinary shareholder's equity – group



Six-year review

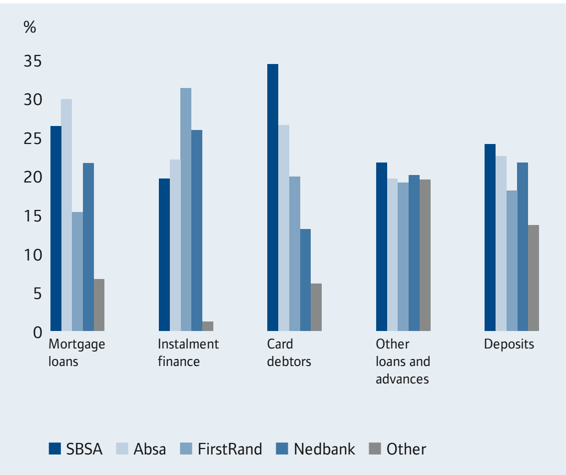
Statement of financial position[1]

	CAGR[2] %	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm
Group							
Assets							
Cash and balances with the central bank	15	**14 470**	13 547	14 286	11 058	8 149	7 327
Trading assets	10	**22 644**	24 019	29 456	17 826	16 391	13 805
Pledged assets	(17)	**1 057**	2 243	1 750	2 914	4 204	2 613
Financial investments	15	**62 008**	60 079	40 608	36 683	37 975	30 861
Loans and advances	21	**525 700**	527 452	445 535	370 066	293 964	201 864
Derivative and other assets	4	**127 180**	172 903	73 463	70 077	73 296	104 563
Interest in group companies, associates and joint ventures	22	**76 099**	102 794	88 779	47 296	19 775	27 627
Intangible assets	70	**2 913**	1 997	1 450	592	196	205
Property and equipment	18	**5 144**	4 284	3 577	2 829	2 605	2 287
Total assets	16	**837 215**	909 318	698 904	559 341	456 555	391 152
Equity and liabilities							
Equity	18	**44 159**	39 074	33 066	26 655	21 724	19 019
Liabilities	16	**793 056**	870 244	665 838	532 686	434 831	372 133
Deposit and current accounts	18	**577 860**	608 168	527 118	401 603	320 531	254 024
Derivative, trading and other liabilities	7	**148 944**	207 352	112 238	98 411	102 221	107 562
Subordinated debt	15	**15 814**	11 809	12 985	10 862	7 832	8 014
Liabilities to group companies	82	**50 438**	42 915	13 497	21 810	4 247	2 533
Total equity and liabilities	16	**837 215**	909 318	698 904	559 341	456 555	391 152

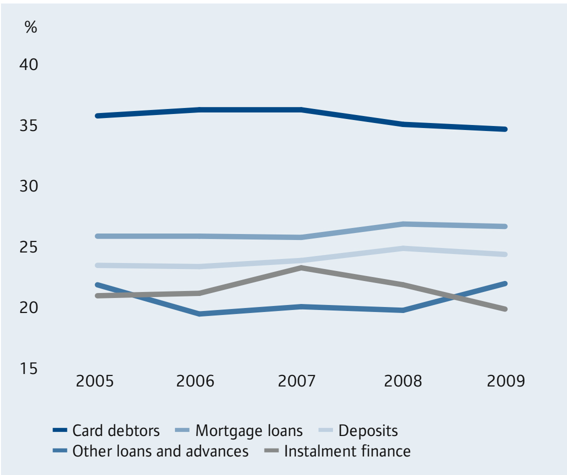
[1] *Figures included in the six-year review have been restated where applicable to provide a comparable base for analysing performance over the years.*

[2] *CAGR refers to compound annual growth rate for the period 2004 to 2009.*

South African market share analysis



SBSA's market share movement

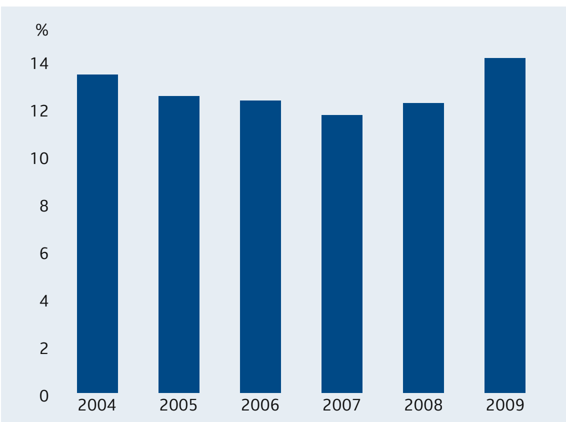


Income statement[1]

	CAGR[2] %	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm
Group							
Net interest income	18	**21 500**	21 855	17 134	12 817	10 414	9 273
Interest income	21	**67 453**	83 881	53 701	39 550	29 088	26 435
Interest expense	22	**45 953**	62 026	36 567	26 733	18 674	17 162
Non-interest revenue	12	**17 627**	16 487	15 430	13 818	11 473	10 138
Total income	15	**39 127**	38 342	32 564	26 635	21 887	19 411
Credit impairment charges	63	**9 831**	10 015	4 196	2 414	1 256	859
Income after credit impairment charges	10	**29 296**	28 327	28 368	24 221	20 631	18 552
Operating expenses	11	**18 286**	17 120	15 998	13 273	12 078	10 876
Net income before goodwill	7	**11 010**	11 207	12 370	10 948	8 553	7 676
Goodwill impairment						13	
Net income	7	**11 010**	11 207	12 370	10 948	8 540	7 676
Share of (losses)/profits from associates and joint ventures		**(104)**	165	267	221	206	101
Net income before indirect taxation	7	**10 906**	11 372	12 637	11 169	8 746	7 777
Indirect taxation	13	**582**	600	610	476	461	320
Profit before direct taxation	7	**10 324**	10 772	12 027	10 693	8 285	7 457
Direct taxation	3	**2 144**	1 989	2 696	2 546	1 737	1 871
Profit attributable to the ordinary shareholder	8	**8 180**	8 783	9 331	8 147	6 548	5 586

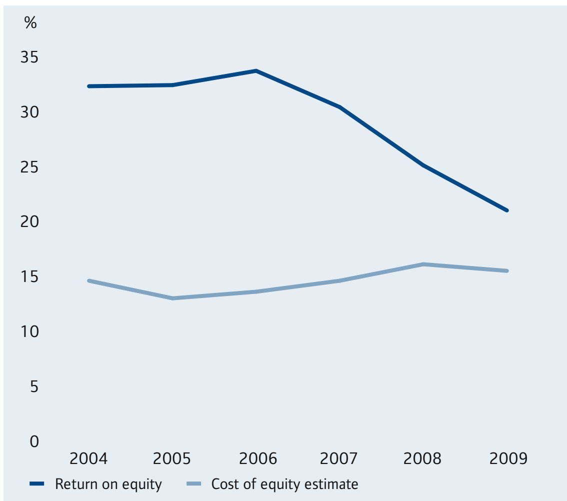
[1] Figures included in the six-year review have been restated where applicable to provide a comparable base for analysing performance over the years.
[2] CAGR refers to compound annual growth rate for the period 2004 to 2009.

Total capital to risk-weighted assets – SBSA company[1]



[1] Basel II was implemented 1 January 2008, 2008 and 2009 ratios are on a Basel II basis. All other historical comparatives are on a Basel I basis.

Financial performance – group



Statistics, returns and capital adequacy[1]

	CAGR[2] %	2009	2008	2007	2006	2005	2004
Group							
Headline earnings (Rm)	9	**8 441**	8 792	8 879	7 980	6 453	5 560
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	8	**13 634**	14 639	15 552	13 579	10 914	9 310
Headline earnings	9	**14 069**	14 654	14 799	13 301	10 756	9 267
Dividends	(2)	**9 167**	6 000	17 084	12 834	9 583	9 998
Net asset value	18	**73 602**	65 127	55 113	44 427	36 208	31 700
Selected returns and ratios							
ROE (%)		**20,3**	24,4	29,7	33,0	31,7	31,6
Non-interest revenue to total income (%)		**45,1**	43,0	47,4	51,9	52,4	52,2
Average ordinary shareholder's equity to average total assets (%)		**4,8**	4,5	4,7	4,8	4,8	4,9
Gearing ratio (times)		**20,3**	24,5	22,1	21,5	21,2	20,8
Loan-to-deposit ratio (%)		**91,0**	86,7	84,5	92,1	91,7	79,5
Cost-to-income ratio (%)		**46,9**	44,5	48,7	49,4	54,7	55,7
Credit loss ratio (%)		**1,87**	2,02	1,02	0,72	0,50	0,48
Effective tax rate (%)		**25,0**	22,8	26,2	27,1	25,1	28,2
Headline earnings per employee (rand)	7	**286 359**	296 396	287 328	264 378	233 711	204 307
Number of employees	2	**29 477**	29 663	30 902	30 184	27 611	27 214
Company							
Capital adequacy[3]							
Risk-weighted assets (Rm)	13	**367 839**	358 752	340 929	306 620	235 540	201 232
Tier I capital (Rm)	16	**38 946**	33 344	28 922	25 620	20 218	18 224
Total capital (Rm)	14	**51 853**	43 826	40 042	37 752	29 400	26 935
Tier I capital adequacy ratio (%)		**10,6**	9,3	8,5	8,4	8,6	9,1
Total capital adequacy ratio (%)		**14,1**	12,2	11,7	12,3	12,5	13,4
Headline earnings (Rm)	9	**8 121**	8 728	8 885	7 911	5 948	5 325
Return on average risk-weighted assets (%)		**2,2**	2,5	2,7	2,9	2,7	2,8
Rand exchange rates at 31 December							
US dollar	6	**7,37**	9,31	6,81	7,05	6,36	5,63
Sterling	2	**11,88**	13,64	13,64	13,80	10,95	10,82
Euro	7	**10,61**	13,02	10,00	9,29	7,52	7,66
Market indicators at 31 December							
SA prime overdraft rate (%)		**10,50**	15,00	14,50	12,50	10,50	11,00
JSE All Share Index	17	**27 666**	21 509	28 958	24 915	18 097	12 657
JSE Banks Index	10	**36 675**	30 566	35 876	36 121	29 234	22 975

[1] *Figures included in the six-year review have been restated where applicable to provide a comparable base for analysing performance over the years.*

[2] *CAGR refers to compound annual growth rate for the period 2004 to 2009.*

[3] *Basel II was implemented on 1 January 2008. Capital adequacy numbers relating to 2008 and 2009 are on a Basel II basis, all other comparative numbers are on a Basel I basis.*

Chief executive's review

Sim Tshabalala
Chief executive

"The year 2010 offers an important opportunity for South Africa to capitalise not only on the positive attention we will receive during the FIFA World Cup, but also on our reputation as a relatively stable investment destination in a currently fragile global economy,"

Sim Tshabalala, chief executive, The Standard Bank of South Africa.

Overview

South Africa weathered the worst effects of the global financial crisis in 2008 but could not avoid the impact of the economic decline that followed in its wake. In the fourth quarter of 2008, the country entered its first recession in 17 years, which continued for much of 2009, with a consequent rise in job losses and credit impairment charges. Tentative signs of an upturn began to emerge in the second half of the year, but household consumption expenditure and gross fixed capital formation remained subdued, and a resurgence in credit demand is not likely to occur until there is more tangible evidence of an upturn.

In this tough environment the group's headline earnings reduced by 4% to R8 441 million and the group's ROE was lower at 20,3% (2008: 24,4%) following a marginal reduction in net interest income while credit impairment charges remained high.

Personal & Business Banking produced headline earnings of R3 126 million, down 18% on 2008, in an exceptionally tough environment. Margins were adversely impacted by lower interest rates while the lag effect of high interest rates in the prior period continued to put upward pressure on non-performing loans. ROE was 17,4%, down from 20,7% the year before.

Corporate & Investment Banking delivered a robust performance in the challenging economic conditions. The business unit experienced good growth in revenues but absorbed significantly higher credit losses. The trading business benefited from volatile market conditions and increased client trading activity with a notable performance from the interest rate trading desk. Headline earnings were down 7% to R4 690 million and an ROE of 37,3% (2008: 46,3%) was achieved.

The group continued to demonstrate its ability to generate capital internally, ending 2009 with a total capital adequacy ratio of 14,1% and a tier I capital adequacy ratio of 10,6%. The availability of term funding improved gradually during the second half of 2009. Over this period the group continued to manage its liquidity risk exposures proactively within prudent risk parameters. A sound structural liquidity mismatch profile, an adequately diversified funding base and unencumbered surplus liquidity totalling R65,2 billion at 31 December 2009, were maintained.

The short-term response of our South African operations to the economic recession was to focus defensively on revenue preservation and customer retention, while maintaining our strategic investments in information technology and the core banking system. Cost containment initiatives in Personal & Business Banking helped to offset some of the effects of declining interest rates and stubbornly high credit impairments. Solid revenue growth was achieved by Corporate & Investment Banking but the division absorbed significantly higher credit losses as the impact of the recession on the retail sector shifted to corporate customers. In spite of extreme short-term financial constraints, the division prioritised the capital raising needs of existing clients in sectors critical to the maintenance of economic growth in South Africa.

During the year, we actively sought solutions for individual, business and corporate customers who were unable to repay loans on the original terms. We have assisted approximately 30 000 customers to keep their homes in the past year without fear of legal action or repossession. The financial position of corporate clients has been closely monitored through rigorous industry-specific analysis and review, and proactive steps have been taken to support clients in financial distress, including recapitalisation, renegotiation of lending facilities and bridging finance.

The group has maintained its reputation as a stable and trustworthy organisation in a challenged global banking environment and was recognised as Bank of the Year South Africa in The Banker Awards of 2009. We were able to conclude a number of loan facilities with Asian banks in 2009. The largest of these was a USD1 billion loan facility provided by four major Chinese banks which is believed to be the first transaction of its kind for a South African borrower in the Asian market. We also concluded a USD150 million loan agreement with Japan Bank for International Cooperation and an oversubscribed USD130 million loan facility with 11 leading Taiwanese banks. The group also received a USD400 million line of credit from the International Finance Corporation, a member of the World Bank Group. All of these facilities will be used for general corporate purposes.

Corporate & Investment Banking's leading position in its selected product lines was recognised by numerous awards during the year. Key awards include:

- Global Finance Magazine – Best Foreign Exchange Provider in South Africa, Best Investment Bank in South Africa
- Markinor – Top Corporate and Merchant Bank Brand in South Africa
- DealMakers – The Mergers and Acquisitions Division was ranked first in the category Investment Adviser
- Environmental Finance Magazine – Carbon Finance Deal of the Year for Camco-Standard Bank Structured Carbon Credits Transaction

Strategy

Standard Bank of South Africa has been strongly positioned in recent years to take up the opportunities of a growing and transforming South African marketplace. Our strategy is to serve the full value chain of customers in our domestic operation – from the most basic to the most sophisticated of financial services needs – and to maintain high standards of customer service and cost-effective delivery channels.

High standards of customer service must rank as the ultimate differentiator in the banking sector and we applied ourselves with great commitment to this important task in 2009. A range of initiatives was applied to ensure that customer-facing staff were adequately prepared for their roles and rewarded for the achievement of milestones. The consequent improvement in our customer service was recognised by internal and independent measures of service quality. We were rated the Best Bank for Customer Service by the independent Ask Afrika Orange Index and the independent Outlook survey, while our internal evaluation of branch customer service produced the highest score ever recorded. An important contributing factor to service improvement is staff morale and our staff demonstrated very high levels of resilience and commitment in spite of the extremely challenging market conditions which included a decline, by natural attrition, in staff numbers.

The group remains committed to providing access to finance and financial services to the low income market, while continuing to focus on prudent risk, capital and liquidity management.

High standards of customer service must rank as the ultimate differentiator in the banking sector and we applied ourselves with great commitment to this important task in 2009. The record improvement in our customer service was recognised by internal and independent measures of service quality.

Our community banking division in South Africa has in the past been active in the development of an affordable transactional account for low-income earners and a lending offering for the informal sector. After three years of in-field testing, we have launched a new banking model to extend affordable and accessible financial services to under-serviced markets. Through a combination of cellphone banking, community retailers and community bankers, the model offers banking services without the need for physical branch and ATM infrastructure. We are also reviewing our approach to lending to the informal market which requires mechanisms to assess the ability of people to repay and efficient collection strategies. The industry-wide Mzansi initiative offers a basic savings and transactional product to underbanked and unbanked people. The number of Standard Bank Mzansi Blue account holders increased by 27% to over 913 000 accounts in 2009.

In 2010 we will introduce initiatives to facilitate further reductions in banking costs in the low income market. We have relaxed certain credit criteria in mortgage lending in line with the improvement of the economy in the third quarter of 2009. However, customer demand is not expected to recover significantly in the medium term as households remain focused on repaying existing debt.

The group has accepted tender proposals for mortgage origination business from BetterBond, Bond Choice and Multinet, all three of which started submitting home loan applications from August 2009. We believe the new rates negotiated with mortgage originators will allow for a sustainable long-term business model.

Corporate & Investment Banking remains focused on maintaining and growing its leading position as a full-service corporate and investment bank. The group strives to be the preferred bank when our South African clients are transacting in emerging markets. We want to facilitate trade and originate financial transactions between South Africa, Africa and other emerging markets. The group also aims to be the bank of choice for Chinese customers based in China and a preferred bank to Chinese customers based in South Africa.

To enhance our South African franchise, we will be focusing on developing additional product capabilities based on client centricity, especially in the transactional products and services business.

Regulatory environment

We continue to engage with all stakeholders to find common ground and resolve the impasse that has developed in the financial sector charter process. As a consequence of the failure to agree on the requirements of a financial sector code, we have measured the transformation progress in 2009 against the Department: Trade and Industry's (dti) generic codes. We continue, however, to set internal targets for our contribution to charter-specific requirements not reflected in the generic codes, such as empowerment finance. During the year, accredited black economic empowerment (BEE) verification agencies conducted independent assessments of SBSA's BEE performance in terms of the generic codes. SBSA's verified overall score was 77,62%, qualifying as a level three contributor in a nine-level model.

SBSA supports the debt review initiative recently implemented under the auspices of the National Credit Act and our debt review department, created to address the needs of our customers availing themselves of debt counselling, has seen volumes increase substantially since June 2007. The way in which this process has been implemented, with many interpretations of the act yet to be clarified, has created bottlenecks in the system, resulting in lengthy delays. During the debt counselling process, banks are unable to engage with customers to reschedule payment terms or, where deemed necessary, foreclose on assets to redeem unpaid debts. We continue to work closely with the authorities to improve the efficacy of the process for the good of our customers, the bank and the hitherto strong South African culture of debt repayment.

In December, the Bank for International Settlements put forward its proposals for what will effectively be Basel III. It remains unclear as to how the proposals will be handled by the South African regulators, but it appears that capital requirements will increase. Also, the Volcker rule which proposes separation of banking and trading activities in the United States of America, could change the landscape for banking activities in proprietary trading, private equity and hedge fund investing. While none of these are a big part of the group's earnings – we actually have no investment in hedge funds – we are watching these new developments with caution.

Prospects

We believe that the economic recovery will be slow but we see medium-term improvement among households as lower interest rates facilitate an improvement in affordability. We have taken proactive steps to capitalise on this improvement. While we anticipate a normalisation of our risk profile in the corporate sector, we will maintain our focus on fragile economic sectors that tend to lag an economic recovery.

The year 2010 offers an important opportunity for South Africa to capitalise not only on the positive attention we will receive during the FIFA World Cup, but also on our reputation as a relatively stable investment destination in a currently fragile global economy. This is corroborated in the World Economic Forum's 2009/10 World Competitiveness Report which ranks South Africa's financial system as fifth out of 133 countries, ahead of the United Kingdom and the United States of America. Our regulation of securities exchanges and strength of auditing and reporting standards are rated second, the efficacy of our corporate boards, third, the soundness of our banking system, fifth and the sophistication of our financial market, sixth.

Whilst South Africa's financial system is highly rated, the country ranked 129th out of 182 countries in the Human Development Index as a result of South Africa having poor life expectancy at birth combined with relatively high levels of adult illiteracy and a low enrolment rate in all levels of education. As a responsible corporate citizen, we are committed to help improve the country's standard of living. We will work actively to find solutions for individual, business and corporate customers unable to repay loans according to the original terms.

We believe South Africa will recover sustainably from the global recession. We are also confident that the group's resilient performance in a challenging environment, together with the strategic advancements it has made and the firm commitment of its people, will position the group to participate in the future growth of the domestic economy.

Sim Tshabalala
Chief executive

Abridged sustainability report

www.standardbank.com/sustainability




This summary sets out some of the group's non-financial performance. For a complete view of our sustainability performance, we refer stakeholders to the 2009 sustainability report which can be accessed on our website at www.standardbank.com/sustainability which also contains information from previously published reports, and is structured according to stakeholder groups for ease of reference.

Managing sustainable development

Building sustainability thinking into the way the group does business is less about drastic changes in what we do and more about understanding the linkages between our own operations, the communities in which we operate and global pressures.

In 2009, we formalised our sustainable development performance by creating a Group Sustainability Management Department headed by an experienced director, to lead the development of our sustainability strategy and to guide the group in dealing with pressing global challenges such as climate change, dwindling water resources and the need for higher economic and environmental efficiency. The department is responsible for facilitating and managing sustainability policy and reporting to stakeholders on sustainability issues such as:

- sustainable development;
- occupational health and safety;
- environmental management; and
- black economic empowerment.

Highlights during 2009

R90,6 million spent on corporate social responsibility creating long-term social value for the communities in which we operate.

30 000 South African customers who have kept their homes through debt rehabilitation initiatives.

R1 638 million invested in affordable housing projects in South Africa in 2009.

R21 million spent on consumer education imparting the knowledge and skills required to make informed financial decisions. This helps us extend our reach to the unbanked market.

R2,3 million contributed to the project of restoring the former home of Nelson Mandela to its original state, including exhibitions and information.

29 477 people employed by the group – for each person employed, we sustain two jobs in the broader South African economy.

Being accountable

As sustainability is a continuous journey, it is important to be accountable when reporting on objectives set in prior sustainability reports. The table below shows our progress made against objectives set in our 2008 sustainability report.

Key issues	Our 2009 objectives were to:	Progress
Connecting with our stakeholders	Develop key stakeholder mapping exercises for business units and improve our engagement with government.	✓
	Investigate and respond to the results of Heartbeat, our bank-wide employee perceptions survey.	➜
Liquidity and capital	Maintain a conservative stance on managing market, credit and liquidity risks.	✓
	Continue developing scenarios to assess the impact of potential stress conditions on capital adequacy across portfolios.	✓
Our customers:		
Indebtedness	Continue to implement rehabilitation measures and manage customers' debt through periods of financial distress.	✓
Customer satisfaction	*Personal & Business Banking:* Refine programmes to measure customer satisfaction and experience, and centralise all escalated complaints into a single unit.	✓
Responsive products	Launch new products and services that meet customers' needs and are tailored to specific market segments.	✓
Information technology	Continue to replace dated systems with appropriate technology and develop an environment in which we can provide a consistent and uninterrupted level of service.	✓
Agriculture	Make financial services more accessible to small-scale farmers.	✓
Infrastructure funding	Continue to advise on and fund infrastructure projects and to work with development finance institutions to find solutions to the shortage of capital during the financial crisis.	✓
Our people:		
Compensation and benefits	Allow retirement fund members in South Africa to choose their own investment portfolios.	✓
Employee wellness	Implement the telephonic managerial consultancy programme for managers who want to increase their effectiveness in supporting their direct reports.	✓
Occupational health and safety	Introduce e-learning for occupational health and safety officials in all business units in South Africa.	✓
Code of ethics	Develop and roll out electronic awareness sessions focused on the code of ethics.	✓
	Implement ethics and fraud hotline incident reporting.	✓
Our communities	Formally adopt schools under the Department of Basic Education's Dinaledi Schools Programme.	✓
	Complete the delivery of learning kits to schools.	✗ Postponed due to focus on more pressing issues required by schools
Employee community involvement	Increase the uptake of the employee community involvement programme, including developing volunteering programmes to involve our employees in our support of the Dinaledi Schools Programme.	➜

✓ *Achieved* ➜ *Still in progress* ✗ *Not achieved in 2009*

Key issues	Our 2009 objectives were to:	Progress
Our environmental impacts	Participate in developing an industry code of conduct for environmental risk management.	✓
	Ensure our credit processes cater for the provisions of the National Environmental Management Waste Act in South Africa.	✓
	Undertake audits to ascertain our water consumption.	✗
	Enhance our waste management practices and address vendor compliance with associated regulatory requirements where applicable.	✓
Equator principles	Complete the implementation of procedures to support the Equator Principles.	✓
	Align our environmental policy with the requirements of the principles.	✗ To be completed in 2010
Carbon finance	Develop and implement new products and structures to facilitate the financing of projects that reduce carbon emissions.	✓

✓ *Achieved* ➜ *Still in progress* ✗ *Not achieved in 2009*

Benchmarking our sustainability performance

Standard Bank Group (SBG) was included in the JSE's Socially Responsible Investment (SRI) Index in 2009. Of the 109 companies assessed, 67 were included in the index. For the third consecutive year, SBG was identified as a best performer in the low environmental impact category.

SBG recorded an overall score of 64% in the Dow Jones Sustainability Index. While our overall score was above the global banking industry average of 51%, we did not meet the threshold for inclusion on the index. We have improved our environmental performance compared to previous years, scoring 40% compared to the industry average of 37%. Our scores for economic and social performance have decreased marginally, mainly due to the increase in weightings of certain governance, risk management and talent attraction and retention questions, in which we achieved lower scores in 2009. However, our scores remain above industry averages.

Socio-economic impact

Financial institutions play a central role in socio-economic development by providing finance to customers through lending which serves to enhance individual welfare and drive growth in the broader economy.

Responsible borrowing allows individuals to improve their quality of life and enhance their financial security and economic productivity, for example, by purchasing a home or car, starting a business or paying for their children's education. This in turn has a positive impact on economic capacity and growth. Other areas of activity which have a social or developmental bearing include an emphasis on small and medium enterprises as well as agriculture sector financing, special procurement policies and corporate social investment.

Black economic empowerment

2009 was the first year our transformation progress has been measured against the Codes of Good Practice for broad-based black economic empowerment (BBBEE) in terms of the BBBEE Act (generic codes). An accredited external BEE verification agent conducted an independent assessment of the group's performance in terms of the generic codes. We achieved an overall score of 77,62, qualifying as a level three contributor in a nine-level model. The scores per the individual categories are shown in the table below.

The generic codes provide a framework and balanced scorecard to measure transformation progress. However, they exclude two elements specific to transformation in the financial sector: access to financial services and empowerment financing. Given our belief that these elements are important drivers of economic transformation, the group has committed to continue delivering on the charter provisions in respect of these elements by establishing internal targets.

Category	Target	Audited results 2009
Ownership	20	13,98
Control	10	8,30
Employment equity	15	9,43
Skills development	15	8,54
Preferential procurement	20	17,37
Enterprise development	15	15,00
Socio-economic development	5	5,00
Total score	100	77,62

Our people

We recognise that our long-term sustainability is dependent on meeting our employees' expectations around leadership, remuneration, stimulating work, career development, fair employment practices, wellness and lifestyle support. Meeting these expectations are conditions of being an employer of choice, which we believe is necessary to improve employee retention and ensure the depth of skill and talent required to meet the needs of our customers and achieve our strategic goals.

The group continues to ensure that our leaders are equipped with the required skills and capabilities to manage teams of people. The Global Leadership Centre was established to train and develop managers in all areas of leadership and there are currently four leadership development programmes offered which include our executives, senior and junior managers and team leaders. Elective short courses covering a variety of leadership topics are also offered. Numerous graduate programmes are run across the group, with a view to develop young leaders for the future.

The competence of our people is critical to the group's success, particularly in the face of global competition for skills. To meet our skills requirements we invest in a wide range of education, training and skills development interventions for all our employees. Our performance management process identifies the areas in which an employee needs to develop, and tracks progress against development objectives.

We continue to support skills development under the auspices of Business Leadership South Africa. More detail on the group's commitment to this initiative, which focuses on human capital development in South Africa, can be found in SBG's 2009 sustainability report under "Our people".

Diversity management allows us to tap into the value to be found in differences among our people and is achieved by developing work environments where employees from diverse backgrounds and perspectives feel valued, respected and able to contribute to their full potential. During 2009 we aligned our transformation targets with those of the dti's Codes of Good Practice and annual transformation plans were developed which clearly define targets and actions for each level of management. Our key transformation objectives are:

- increasing the number of black people at all managerial levels;
- focusing on the progression of black women into senior leadership positions;
- integrating people living with disabilities; and
- creating a diverse culture that supports and sustains transformation.

In 2009, structural changes were made to the Standard Bank Group Retirement Fund to allow individual members the flexibility to choose from a range of structured portfolios with differing risk and return profiles. The fund provides the ability to view current share values online at any time, and new risk benefits for death and incapacity while in service have been implemented.

During the year we introduced an integrated Health and Wellness programme. Wellness needs are now closely aligned to our business needs, focusing on engaging more regularly with employees, and developing more efficient and effective teams. We have an internationally acclaimed HIV/Aids Workplace programme which provides education, support, and treatment to staff infected or affected by HIV.

Employee engagement survey

We commissioned the Heartbeat employee engagement survey in 2009 to provide employees with the opportunity to help shape the future direction of the group and to highlight any concerns that might hinder the delivery of our business strategy. Heartbeat attracted responses from 67% of SBG's global workforce. The results from different business units and geographic regions showed that, despite diverse business challenges, employees share similar concerns and issues. They also indicated that employees are proud to work for the group, that they celebrate our diversity, connect in teams and hold colleagues in high regard.

Concerns raised by employees included lenient treatment of poor performance, difficulty in openly expressing views to management, the need to update information technology systems and processes, as well as how pay and benefits link to performance. Work-life balance and work schedules were also areas of concern.

Based on the feedback, the executive team has identified six enterprise-wide workstreams: leadership, business architecture, process and systems, competitiveness and innovation, people management and remuneration, and communications. Each workstream is being championed by an executive and progress will be regularly communicated to employees.

Our environmental impact

Environmental management system

The group is in the process of implementing an environmental management system (EMS) which will enable us to track and manage environment-related aspects of our operations such as energy, water, carbon emissions and waste in South Africa.

This system will be expanded to include other sustainability-related areas such as the Equator Principles, occupational health and safety, and black economic empowerment. In 2009, 16 workshops were held with business units including facilities management, project finance and occupational health and safety to discuss the key aspects to be tracked and managed. We aim to have this system in place during 2010 and will ensure that it aligns to the requirements of ISO 14001. This will enable the group to comply with ISO 14001 in future.

Equator Principles

SBSA has implemented relevant standards and procedures to support Equator Principles. All new project finance deals undertaken in 2009 were screened according to the Equator Principles. We trained selected employees as part of the Equator Principles implementation process and provided a detailed procedures manual. General awareness training sessions were also provided across relevant departments. Training sessions are planned for 2010 to raise the profile of the Equator Principles within credit and to introduce changes and improvements to current procedures.

Environmental initiatives

Earth Hour

SBSA supported Earth Hour by switching off the lights at our head office in Johannesburg, three provincial offices around South Africa, the Constantia Valley Office Park and the Global Leadership Centre between 20:30 and 21:30 on 28 March 2009. The exercise helped us identify potential areas for energy saving and the need to improve energy measurement and monitoring. We also encouraged our employees to do the same at home.

Green Building Council

SBSA has joined the Green Building Council of South Africa as a standard corporate member. This will help ensure that all our new buildings are designed, built and operated in an environmentally sustainable way. When designing new buildings, we consider the Green Star SA, a building rating system that assesses the environmental impact of buildings. This system takes into account energy and water consumption, materials used and site emissions. The Green Star SA rating system has been used as a guideline in the construction of our new building in Rosebank, Johannesburg, and new computer centre in Midrand, near Pretoria. We are putting in place a green building policy which will specify five requirements for our buildings – natural light, indoor air quality, sustainable finishes, location and waste management.

Case studies

Inclusive housing projects in South Africa

Leo Mews housing project

In 2006, SBSA together with other national banks entered into a co-operation agreement with the City of Cape Town. The City undertook to provide land for affordable housing while banks would provide the finance and expertise for the housing developments. The programme aims to deliver affordable housing to people who do not qualify for subsidised housing but earn too little to enter the conventional housing market. SBSA's Leo Mews housing project in Elsies River in the Western Cape was the first project to be completed in the area and won The Housing Project of the Year in the National Housing Foundation's awards.

The cost of the units ranges from R237 000 to R254 000, and are accessible to households with a combined monthly income as low as R7 200. The units have been constructed with features such as solar water heating systems and the ability to re-use grey water, run-off from showers and baths, in the gardens and toilet system. To build a strong sense of community between new residents in Leo Mews and established residents in the area, the developer assisted existing residents with maintenance and improvements to the entire area.

Willows/Nellmapius integrated residential development

SBSA has concluded a R3,5 billion deal with the Gauteng Department of Local Government and Housing for the Willows/Nellmapius integrated residential development. This development will comprise some 10 000 residential units ranging from fully subsidised to high-income housing opportunities, with a variety of housing types from low-density free-standing units to high-density buildings. Consideration is being given to the inclusion of a range of environmentally friendly interventions in this development. Over 200 000 square metres have been allocated for light industrial purposes, with another 200 000 for retail and other commercial purposes. Social amenities such as schools, crèches, clinics, churches and community centres have been provided for. The first houses should be available from the first half of 2011. Skills training and enterprise development opportunities will be created and these are currently being explored.

Community Banking

SBSA's Community Banking division in South Africa is developing sustainable micro-banking capabilities suitable for the informal market in South Africa. Community Banking has been involved in three activities since its inception: the development of an affordable transactional account for low-income earners, a lending offering for informal businesses, and consumer education programmes.

After three years of development and in-field testing the division has launched a new banking model aimed at extending financial services to under-serviced markets.

The model delivers banking that is affordable and accessible to the lower end of the market. Through a combination of cellphone banking, community retailers and community bankers, the model extends banking without building branches or installing ATMs. The business involves contracting small community retailers such as spaza shops and butchers to be the group's agents in communities. Customers can open bank accounts, access basic account information and perform transactions such as withdrawing and depositing cash, paying utility bills and buying airtime, without visiting a branch.

Directorate

DE Cooper
Chairman and independent non-executive director

SK Tshabalala
Chief executive

DDB Band
Independent non-executive director

RMW Dunne[1]
Independent non-executive director

TS Gcabashe
Independent non-executive director

SE Jonah KBE[2]
Independent non-executive director

Sir Paul Judge[1]
Independent non-executive director

KP Kalyan
Independent non-executive director

SJ Macozoma
Non-executive director

JH Maree
Executive director

[1] British
[2] Ghanaian

Directorate continued

RP Menell
Independent
non-executive director

KD Moroka
Independent
non-executive director

AC Nissen
Independent
non-executive director

TMF Phaswana
Independent
non-executive director

MC Ramaphosa
Non-executive director

SP Ridley
Executive director

MJD Ruck
Independent
non-executive director

MJ Shaw
Independent
non-executive director

Lord Smith of Kelvin, Kt[1]
Independent
non-executive director

EM Woods
Independent
non-executive director

[1] *British*

Corporate governance

→ Action programme in 2009

- Director education continued with the implementation of a revised programme.
- Ongoing group-wide rollout of our revised code of ethics and training of personnel.
- Chairman elect appointed to board and key risk committees.
- New management committee introduced to focus on the implications of evolving regulation and legislation for the organisation.

→ Looking ahead to 2010

- Implement the requirements of King III.
- Continue to review regulatory and legislative developments to ensure the group is prepared to respond appropriately.
- Prepare to implement the new corporate law regime, together with new or amended legislation relating to competition, privacy of information and consumer protection.
- Review internal governance structures to ensure new regulatory requirements are met.

Introduction

This corporate governance statement sets out the governance framework adopted by the board of the company and highlights the key activities during the year.

In its approach to governance, the board embraces best practice principles based on the understanding that sound governance practices are fundamental to earning the trust of our stakeholders. This is critical to sustaining the group's success and preserving shareholder value.

In the year under review, the group complied with the King Code of Corporate Practices and Conduct (King II). The principles of King II provide the standards for SBG's governance framework and practices, to which the group aligns its governance practices. The governance framework enables the board to fulfil its role of providing oversight and strategic counsel in balance with its responsibility to ensure conformance with regulatory requirements and risk tolerance. It also provides the parameters for delegating its authority.

Codes and regulations

Complying with all applicable legislation, regulations, standards and codes is an essential characteristic of the group's culture. The board monitors compliance by means of management reports, which include information on any significant interaction with key stakeholders including various regulators.

The group welcomes the publication of King III. A management steering committee has been established to analyse its requirements and ensure that the group's structures are appropriately adjusted for implementation in the coming months.

The Banking Association of South Africa has drawn up a Code of Banking Practice (the code), endorsed by all its members, to provide safeguards for consumers. Educational material on the code, published by Bankseta, has been adapted to be specific to the group.

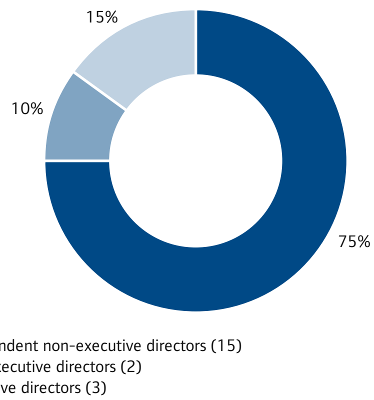
SBSA has recently established a management committee to consider the implications for the group of potential and new legislation and regulations and ensure oversight of implementation where relevant.

Board and directors

Board structure and composition, including independence classification

The board of directors, elected by shareholders, is the company's highest decision making body and is ultimately responsible for governance. The company has a unitary board structure and the roles of chairman and chief executive are separate and distinct. The chairman is an independent non-executive director. The majority of directors on the board are independent non-executive directors. The number and calibre of independent non-executive directors on the board ensures that board decision making is sufficiently informed by independent perspectives. The independence of the board is evaluated by the directors' affairs committee which classifies the independence of directors in terms of the definition in King II. The committee is also guided by the requirements for independence set out in the Companies Act of 1973 in relation to members of the audit committee.

Board composition



Retirement and *ex gratia* payment

Elisabeth Bradley retired as an independent non-executive director after the annual general meeting (AGM) on 27 May 2009. Martin Shaw will retire on 26 May 2010. He was appointed to the board in July 2004.

Derek Cooper will retire on 26 May 2010. He has served as a director on group entities since April 1983. He was originally appointed to the board of SBSA in 1986.

Derek Cooper has made an extraordinary contribution during his almost ten years as chairman of The Standard Bank of South Africa Limited (Standard Bank), which was a virtually full-time role. The board wishes to recognise this, and in particular the unique role he played in leading the board in resisting the Nedcor bid in 1999/2000 and in strengthening the leadership and structures of the bank thereafter.

With the clarity of hindsight, Derek Cooper's wisdom, courage and perseverance at the time have been vindicated, and have enabled significant subsequent value creation for Standard Bank. In terms of good corporate governance, he was not eligible for share incentives or bonuses during his tenure.

Given the enduring value created for Standard Bank by Derek Cooper's leadership, the board of Standard Bank unanimously decided that it would be wholly appropriate to award him an *ex gratia* payment of R7,5 million at the conclusion of his tenure. This decision has been made subject to approval by ordinary resolution of the shareholders of Standard Bank Group Limited.

Succession planning

Succession planning is a key focus of the directors' affairs committee which, on an ongoing basis, considers the composition of the board and its committees to ensure continued effectiveness. During the year, significant focus was given to the succession of both the board chairman and the chairman of the audit and risk and capital management committees. Successors for all three of these positions were duly recommended by the directors' affairs committee and considered by the board.

Fred Phaswana was appointed as chairman elect to assume the role of chairman when Derek Cooper retires. Richard Dunne was appointed as a director and will become the chairman of the audit committee when Martin Shaw retires. Myles Ruck will assume the role of chairman of the risk and capital management committee on the retirement of Martin Shaw.

As part of the board's responsibility to ensure that effective management is in place to implement group strategy, management succession planning is an ongoing consideration. The board is satisfied that the current pool of talent available within the group and the work being done to strengthen the talent pool provides adequate succession depth in both the short and long term.

Skills, knowledge, experience and attributes of directors

Directors possess the skills, knowledge and experience necessary to fulfil their duties and bring a balanced mix of attributes to the board, including:

- domestic and international experience;
- operational experience;
- knowledge and understanding of both macroeconomic and microeconomic factors affecting the group; and
- financial, legal, entrepreneurial and banking skills.

The credentials and demographic profile of the board are regularly reviewed by the directors' affairs committee to ensure the board's composition remains strategically and operationally appropriate.

Access to information and resources

Regular interaction between the board and executive management is encouraged and the executive committee attends all board meetings. The full board, including the executive directors, meets without other management in closed sessions at each board meeting. Employees are invited, when required, to make presentations on proposals for consideration by the board.

Directors are provided with unrestricted access to management and group information, as well as the resources required to carry out their roles and responsibilities. This includes external legal and other professional advice at the group's expense.

Board committees facilitate the discharge of board responsibilities. The committees each have a mandate that is regularly reviewed and approved by the board.

Strategy

The board has overall responsibility for setting strategy, which is considered and approved at an annual meeting with the executive, and for monitoring performance against agreed objectives on an ongoing basis.

Delegation of authority

The board retains effective control through a well-developed governance structure that provides the framework for delegation. Board committees provide in-depth focus on specific areas of board responsibility. The board delegates authority to the chief executive and executive directors to manage the business and affairs of the company. Board-delegated authorities are monitored by the governance office.

Board meetings

The board meets once a quarter with an additional annual meeting to consider group strategy. Ad hoc meetings are held when necessary.

Board of directors – meeting attendance

Member	Mar	May	Aug	Oct	Dec
DE Cooper (chairman)[1]	√	√	√	√	√
DDB Band[1]	√	√	√	√	√
E Bradley[1, 2]	√	√	–	–	–
TS Gcabashe[1]	√	√	√	√	√
SE Jonah KBE[1]	√	√	√	A	√
Sir Paul Judge[1]	√	A	√	√	√
KP Kalyan[1]	√	√	A	√	√
SJ Macozoma[3]	√	√	√	√	√
JH Maree[4]	√	√	√	√	√
RP Menell[1]	√	√	√	√	√
KD Moroka[1]	√	√	√	√	√
AC Nissen[1]	A	√	√	√	√
MC Ramaphosa[3]	√	√	A	√	√
SP Ridley[4]	√	√	√	√	√
MJD Ruck[1]	√	√	√	√	√
MJ Shaw[1]	√	√	√	√	√
Lord Smith[1]	√	√	√	√	√
SK Tshabalala[4]	√	√	√	√	√
EM Woods[1]	√	√	√	√	√

√ = Attendance A = Apology – = Not applicable

[1] Independent non-executive director.
[2] Retired 27 May 2009.
[3] Non-executive director.
[4] Executive director.

Board effectiveness and evaluation

The board measures its effectiveness in a number of ways. Its performance and that of its committees is assessed annually against their respective mandates. The findings of this assessment are reported to the directors' affairs committee, and reviewed by the external auditors.

The directors' affairs committee considers methods of evaluating performance and makes recommendations to the board on how best to determine the efficacy of the board and its committees. The aim of these evaluations is to assist the board and committees to constantly improve their effectiveness by addressing areas needing improvement and providing directors with the necessary training. The performance of the chairman and chief executive is assessed annually.

The board assessed the performance of its committees in 2009. Each committee considered the findings reported to the board by the chairman at the board meeting held on 3 March 2010. The evaluations assessed performance in terms of structure, process and effectiveness. Individual questionnaires were completed, the results tabulated, and feedback discussed by each committee. No major areas of concern were highlighted other than the board's increasing information needs. In 2010, focus will be given to meeting this need through an extensive ongoing board education programme.

The directors' affairs committee reviews corporate governance and risk objectives for the year ahead and makes recommendations to the board in this regard. The board performs an annual assessment of its corporate governance and risk management performance which is measured against its objectives for the year, in line with banking regulations. The assessment for the period under review found that the group had materially achieved its corporate governance and risk management objectives.

Education and induction

Ongoing board education remains a focus. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments which could potentially impact the group and its operations. During the year, the structure and content of the education programme for directors was reviewed and a new programme was implemented. Additional time has been scheduled outside of board meetings to run dedicated sessions highlighting key issues for the board and its committees. This programme is supplemented by external courses, where necessary.

On appointment, each new director receives a governance manual that includes all relevant governance information such as mandates, management structures, significant reports, important legislation and policies. In addition, one-on-one meetings are scheduled with management to introduce new directors to the group and its operations. The group secretary is responsible for the induction and ongoing education of directors.

Board committees

As indicated, board committees operate in terms of mandates reviewed and approved by the board on an annual basis. A mandate sets out the role, responsibilities, scope of authority, composition and procedures for reporting to the board to be followed by a board committee. All board committee mandates have been reviewed to take into account amendments to relevant legislation. These mandates will be amended again in 2010 to take into account the requirements of King III, where applicable.

Audit committee

Member	Feb	Mar	May	Aug	Dec
MJ Shaw (chairman)	√	√	√	√	√
E Bradley[1]	√	√	√	–	–
TC Gcabashe	√	√	√	√	√
Lord Smith[2]	√	√	√	√	√
EM Woods	√	√	√	√	√

√ = Attendance – = Not applicable
[1] Retired 27 May 2009.
[2] Appointed 1 January 2009.

The role of this committee is to review the group's financial position and make recommendations to the board on all financial matters, risks, internal financial controls, fraud, and information technology risks relevant to financial reporting. This includes assessing the integrity and effectiveness of accounting, financial, compliance, sustainability and other control systems. The committee also ensures effective communication between the board, management, internal auditors, external auditors and regulators. The committee's terms of reference set out various categories of responsibilities which include:

- reviewing and approving the external audit plan with the joint auditors, with specific reference to the proposed audit scope, approach to risk activities and the audit fee;
- assessing annually the work done by external auditors to ensure their independence and effectiveness;
- meeting with external auditors to discuss audit findings and consider detailed internal audit reports with the internal auditors;
- overseeing the appointment of external auditors, their terms of engagement and fees;
- evaluating annually the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system;
- considering the appointment or dismissal of the head of internal audit and compliance;
- reviewing the accounting policies adopted by the group and all proposed changes in accounting policies and practices;
- reviewing the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management;

- reviewing significant differences of opinion between management and the internal audit function and reporting such differences;
- reviewing the compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the group, as well as ensuring that the group's policy complies with relevant regulatory and legal requirements;
- ensuring compliance with all legal, regulatory and accounting standards;
- monitoring ethical conduct;
- monitoring the relationship between external auditors and the group;
- remaining up to date with regulations and new developments in reporting; and
- reviewing and making recommendations on any potential conflicts of interest which are of a material nature.

The committee is comprised solely of independent non-executive directors. Richard Dunne was appointed to the committee on 3 December 2009.

The group has a formal policy on non-audit fees. The purpose of this policy is to ensure that the independence and objectivity of the auditors is not impaired in conducting the audit. Non-audit services are approved by the audit committee in terms of the policy and reported to the committee on a quarterly basis.

Risk and capital management committee

Member	Mar	May	Aug	Nov
MJ Shaw (chairman)	√	√	√	√
DDB Band	√	√	√	√
DE Cooper	√	√	√	√
SJ Macozoma	√	√	√	√
RP Menell	√	√	√	√
MJD Ruck	√	√	√	√

√ = Attendance

The board is ultimately responsible for risk management. The main purpose of the risk and capital management committee is to provide independent and objective oversight of risk management within the group. The committee is assisted in fulfilling its mandate by a number of management committees.

To achieve oversight, the committee reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are managed effectively and contribute to the culture of discipline and control that reduces the opportunity for fraud.

Richard Dunne and Fred Phaswana were appointed to the committee with effect from 3 December 2009.

The risk and capital management committee complied with its mandate for the year under review.

The risk management report which sets out the framework for risk and capital management in the group can be found on page 24.

Credit risk is discussed in the risk management section by business unit credit committees who report into the SBG credit committee. The large exposures credit committee is a committee of the SBSA board which approves credit facilities in accordance with regulatory requirements for SBSA. The committee's composition is based on guidance received from the regulator and includes three non-executive directors as well as SBSA's chief executive, chief financial officer, chief risk officer and head of credit risk.

Directors' affairs committee

Member	Mar	May	Aug	Sept	Nov
DE Cooper (chairman)	√	√	√	√	√
DDB Band	√	√	√	√	√
E Bradley[1]	√	√	–	–	–
SJ Macozoma	√	√	√	√	√
MC Ramaphosa[2]	–	–	–	√	√

√ = Attendance – = Not applicable

[1] Resigned 27 May 2009.
[2] Appointed 1 September 2009.

This committee assists the board in determining and evaluating the adequacy, efficiency and appropriateness of corporate governance structures and practices within the group. The directors' affairs committee also functions as the nominations committee for directors and its role is to identify, evaluate and recommend nominees to the board and board committees to ensure the board is able to fulfil its mandated obligations. The committee considers the appropriate size, skills, experience, diversity and demographics of the board when making new appointments. The committee assesses the effectiveness of the board by evaluating its performance and that of its committees against the committee's respective mandates.

The committee oversees the induction, ongoing development and training of directors.

The directors' affairs committee is responsible for considering and approving share awards to black managers in terms of SBG's Tutuwa initiative.

Cyril Ramaphosa was appointed to the committee with effect from 1 September 2009. Fred Phaswana was appointed to the committee with effect from 3 December 2009.

The directors' affairs committee complied with its mandate for the year under review.

Group secretary

The role of the group secretary is to ensure the board remains cognisant of its duties and responsibilities. In addition to guiding the board on discharging its responsibilities, the group secretary keeps the board abreast of relevant changes in legislation and governance best practices. The group secretary oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors. All directors have access to the services of the group secretary.

Going concern

On the recommendation of the audit committee, the board annually considers and assesses the going concern basis preparation of financial statements at year end. At the interim reporting period, a similar process is followed to enable the board to consider whether or not there is sufficient reason for this conclusion to be affirmed.

Connecting with our stakeholders

Our relevance to the markets and societies in which we operate depends on continued engagement with all our stakeholders.

Stakeholder management at the group involves the optimal employment of the organisation's resources to build and maintain good relationships with our stakeholders. This helps us to manage the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

The Stakeholder Relations Management unit focuses on promoting good corporate citizenship, building trust and positioning group leadership appropriately. Numerous stakeholder engagement initiatives took place during the year.

Sustainability

SBG's 2009 Sustainability Report (sustainability report) aims to present a balanced analysis of our sustainability performance in relation to issues that are relevant and material to SBG, including SBSA, and to our stakeholders. The report is also guided by the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines and we have reported against the indicators of the GRI Financial Services Sector Supplement. We have reported at a B+ level in terms of the GRI G3 guidelines. The report provides:

- an overview of SBG's sustainability performance in 2009;
- an overview of stakeholder interaction during the year;
- material issues pertaining to business units and issues affecting the organisation as a whole; and
- performance indicators per the GRI Sustainability Reporting Guidelines and relevant statistical information.

The sustainability report was assured by an external assurance provider and internally by internal audit.

In the 2009 annual report, we have provided certain sustainability information in the relevant sections of the annual report as well as provided a brief summary of the group's sustainability performance for 2009, which can be found on page 9.

Ethics and organisational integrity

The group's code of ethics is designed to empower employees and enable effective decision making at all levels of our business according to defined ethical principles. It also aims to ensure that as a significant organisation in the financial services industry, we adhere to the highest standards of responsible business practice. The code interprets and defines the group's values in greater detail and provides value-based decision making principles to guide our conduct. It is aligned with other group policies and procedures, and supports the relevant industry regulations and laws.

The SBG chief executive and group ethics officer are the formal custodians of the code of ethics and are ultimately responsible for its implementation. In 2009, we participated in the South African Corporate Ethics Indicator survey which involved an assessment of our ethics practices and progress. The survey allows us to benchmark our ethics approach and performance and identify our strengths and weaknesses, providing guidance on areas of focus for future action. Ethics incidents are reported via the ethics and fraud hotline, human resources department, risk department and business unit ethics officers.

Reported incidents include fraud, human resources-related issues such as harassment, and ethical dilemmas in procurement and interpersonal relationships.

Transformation

Codes

From 2003 until the end of 2008 the framework for advancing transformation and equitable growth in the South African financial sector was the financial sector charter (the charter). Although widely endorsed, the charter was a voluntary framework in terms of section 12 of the Broad-based Black Economic Empowerment Act (BBBEE Act) for general information, but not legislated.

The process envisaged to convert the voluntary status of the charter to that of a sector code has been unsuccessful to date as certain issues remained unresolved among industry stakeholders, specifically around ownership provisions. While SBSA and other charter participants have remained committed to resolving these issues, little progress had been made by the end of the transitional period. Despite renewed efforts during the year by the departments of finance and trade and industry, no resolution has been reached. Nonetheless, we will continue to engage with all relevant stakeholders to find common cause and resolve the impasse.

The dti codes provide a generic framework and balanced scorecard to measure transformation progress. However, they exclude two financial sector-specific elements: access to financial services and empowerment financing. Given our belief that these elements are important drivers of economic transformation, we will continue to deliver on the charter provisions in respect of these elements by setting internal targets.

Tutuwa Schemes

The group is firmly committed to black economic empowerment in South Africa and believes that the most effective way to achieve BBBEE ownership is to empower our black staff. In 2004 the group implemented a BBBEE transaction and created a platform for current and future black directors, managers and employees to participate in an empowerment initiative through the following trusts:

Tutuwa Managers' Trusts

To participate in the Tutuwa Managers' Trusts, beneficiaries have to satisfy the following criteria:

- be black South Africans as defined by legislation covering BBBEE;
- be permanent employees of SBG; and
- earnings must meet the management threshold set by the charter.

The number of shares awarded to qualifying beneficiaries is determined using a formula set out by the allocations committee and approved by the directors' affairs committee.

There are currently 5 945 black managers participating in the Managers' Trusts.

The Standard Bank Group General Staff Share Trust

Employees who were permanent employees of SBG at 1 October 2004 and did not at the time participate in the Tutuwa Managers' Trusts or other group share schemes, were awarded a once-off allocation of 100 SBG shares. These shares have a lock-in of five years and could only be released from the Trust on 22 November 2009.

In 2008, employees had to sell 11 of every 100 shares as a result of the Industrial and Commercial Bank of China transaction and beneficiaries were paid out for these shares. In November 2009, the lock-in period for the remaining 89 SBG shares came to an end and staff were provided with an opportunity of selling their shares or taking delivery of them.

Political contributions

As part of our commitment to support South Africa's democratic processes, the group makes financial contributions to political parties. In terms of the group's policy agreed in 2005, funds are distributed based on the Independent Electoral Commission's (IEC) funding formula. In line with this formula, the group makes donations to political parties in proportion to their representation in the National Assembly on an annual basis. In 2009, South Africa held national elections and the group disbursed a total of R5 million with some R1,8 million disbursed prior to the elections, based on the IEC's formula, and R3,2 million after the elections, based on the results of the national election. The total amount approved by the board has now been distributed, although it is envisaged that a similar five year commitment will be approved in 2010.

Risk management

Overview

Introduction

Effective risk management is fundamental to the business activities of SBSA and the group. While we remain committed to increasing shareholder value by developing and growing our business within our board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

Risk management is at the core of the operating structure of the group. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimising undue concentrations of exposure, limiting potential losses from stress events, and the prudent management of liquidity.

Our risk management processes have proven effective throughout 2009, despite a tough economic environment. Executive management has remained closely involved with important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital and clearly managing the risk portfolios.

Responsibility and accountability for risk management resides at all levels within the group, from the board down through the organisation to each business manager and risk specialist. The group uses the three lines of defence model:

First line of defence	**Business unit management**	Primarily responsible for risk management. Assessment, evaluation and measurement of risk is an ongoing process that is integrated into the day-to-day activities of the business. This process includes implementing the group's risk management framework, identifying issues and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the group.
Second line of defence	**Group and business unit risk management functions which are appropriately independent of business management**	The group risk management function is primarily accountable for setting the group's risk management framework and policy, providing oversight and independent reporting to executive management through the SBG risk oversight committee, and to the board through the SBG credit committee and the risk and capital management committee. The business unit risk management functions implement the group's risk management framework and policy in the business units, approve risks within specific mandates and provide an independent overview of the effectiveness of risk management by the first line of defence.
Third line of defence	**Internal audit function**	Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the board through the audit committee.

External audit has a statutory duty to report its independent opinion on the group's financial statements to shareholders.

Risks are controlled at the level of individual exposures and at portfolio level, as well as in aggregate across all businesses and risk types.

Specific capital and risk management information within the following sections of this risk management report form an integral part of the financial statements and have been audited:

- risk categories, pages 26 and 27;
- capital management, pages 27 to 28;
- credit risk, pages 31 to 34;
- liquidity risk, pages 37 to 41; and
- market risk, pages 41 to 43 and 45 to 46.

All tables, diagrams and quantitative information in this report are unaudited unless specified otherwise.

Restatements

During the year, the group definitions used for international financial reporting standards (IFRS) credit risk were aligned across the group. This resulted in the restatements of several comparative figures.

In regulatory capital, methodology was refined, resulting in the restatements of comparative figures.

During the year the group refined its policy on the disclosure of renegotiated loans for the purposes of IFRS 7. This required the restatement of comparative information.

Furthermore, irrevocable facilities were restated for 2008 as the internal definition was expanded to encompass those facilities that mature within one year.

Other liabilities, included in the contractual maturity analysis of financial liabilities, was revised to only include financial liabilities as defined in terms of IFRS.

Risk management framework

Risk governance standards, policies and procedures

The group has developed a set of risk governance standards for each major risk type to which it is exposed. The standards set out and ensure alignment and consistency in the manner in which the major risk types across the group are dealt with, from identification to reporting.

All standards are applied consistently across the group and are approved by the SBG credit committee or the risk and capital management committee (RCMC). It is the responsibility of executive management in each business unit to ensure risk governance standards, policies and procedures are implemented and independently monitored by the risk management team in that business unit.

Each standard is supported by group and business unit policies and procedural documents. Compliance with risk standards, policies and procedures is controlled through annual self-assessments by the business units and group risk, supported by the internal auditors.

Risk appetite is an expression of the maximum level of residual risk that the group is prepared to accept to deliver its business objectives. The group has developed a robust framework used to articulate appetite throughout the group and to external stakeholders.

The board establishes the group's parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts, under normal and stressed conditions, for the group and each division; and
- regularly reviewing and monitoring the group's performance in relation to risk through quarterly board reports.

The board delegates the determination of risk appetite to the RCMC and ensures that risk appetite is in line with the group strategy and the desired balance between risk and reward for the group. The SBG risk oversight committee (GROC) recommends to both the RCMC and the board the level of risk appetite for the group.

The group's risk appetite statements are defined by five broad metrics:

- headline earnings;
- liquidity;
- regulatory capital;
- economic capital; and
- target debt rating.

These metrics are then converted into tolerance levels and limits through an analysis of the risks that impact on them.

Stress testing

Stress tests are used in proactively managing the group's risk profile, capital planning and management, strategic business planning and setting capital buffers. Stress tests are regularly discussed with regulators.

The group's overall stress testing programme is a key management tool within the organisation and facilitates a forward-looking perspective in risk management. Stress testing involves identifying possible events or future changes in economic conditions that could have an impact on the group.

Stress testing is used to assess and manage the adequacy of regulatory and economic capital and is therefore an integral component of the group's internal capital adequacy assessment process (ICAAP). The group's stress testing framework guides the regular execution of stress tests at the portfolio, business unit, legal entity and group levels.

Management reviews the outcomes of stress tests and selects appropriate mitigating actions to minimise and manage the risks to the group at the various levels. The appropriateness of the group-wide stress scenarios and the severity of the relevant scenarios are approved by the RCMC based on SBG GROC's recommendations, and are reviewed on at least an annual basis.

The outcomes of stress scenarios are ultimately assessed against earnings, capital adequacy and liquidity on a consolidated basis across all risk types and compared with the group's set risk appetite.

During the year, the group performed group-wide stress tests across all major risk types based on a number of macroeconomic scenarios, each with different levels of severity. The outcome of these stress tests indicated that the group was well within its risk tolerance levels in all of the scenarios. Over the last 12 months, the group-wide macroeconomic stress testing process was performed on a bi-annual basis in line with changing economic conditions.

Portfolio-specific stress tests are conducted more frequently within business units with many executed on a monthly basis. This enables early and proactive management of the potential impact of economic conditions.

The group has also developed a number of reverse stress tests to complement the stress testing programme, whereby scenarios or a range of events are determined that could possibly lead to the group's business plan becoming unachievable. These tests are a useful tool in risk management as they assist in testing the assumptions made about the business strategy, capital planning and contingency planning.

King III

The group has completed a gap analysis to identify differences between current risk governance and management and the recommendations of the King III report. No material gaps are present which require substantial changes to current procedures and governance practices.

The key risk work streams that have been set out by King III are boards of directors (which are covered in the corporate governance section of this report), combined assurance and internal financial controls, and integrated reporting and disclosure. Our internal audit division and various reporting stakeholders in the group have drafted project plans to ensure the application of King III.

Risk categories

Credit risk

Credit risk is the risk of loss to the group as a result of the failure by a client or counterparty to meet its contractual obligations to the group.

Country risk

Cross-border transfer risk, herein referred to as country risk, is the uncertainty that a client or counterparty, including the relevant sovereign, may not be able to fulfil its obligations to the group outside the host country because of political or economic conditions in the host country.

Liquidity risk

Liquidity risk arises when the group, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This may be caused when counterparties who provide the group with funding withdraw or do not roll over that funding, or as a result of a generalised disruption in asset markets that make normally liquid assets illiquid.

Market risk

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

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes information and legal risk but excludes reputational and strategic risk.

Business risk

Business risk relates to the potential revenue shortfall compared to the cost base due to strategic and/or reputational reasons. From an economic capital perspective, business risk capital requirements are calculated as the potential loss arising over a one-year timeframe within a certain level of confidence as implied by the group's chosen target rating.

The group's ability to generate revenue is impacted by, among others, the external macroeconomic environment, its chosen strategy and reputation in the markets in which it operates.

Reputational risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

Capital management

The group's capital management framework is designed to ensure the group and its principal subsidiaries are capitalised in line with the group's risk profile, regulatory standards, economic capital standards and target ratios approved by the board. The group capital management objectives are to:

- maintain sufficient capital resources to meet minimum regulatory capital requirements set by the South African Reserve Bank (SARB) in accordance with Basel II requirements;
- maintain sufficient capital resources to support the group's risk appetite and economic capital requirements;
- support the group's credit rating;
- allocate capital to businesses to support the group's strategic objectives, including optimising returns on economic and regulatory capital; and
- ensure the group holds capital in excess of minimum requirements in order to achieve the target capital adequacy ratios set by management, to achieve debt rating objectives and to withstand the impact of potential stress events.

The RCMC ensures compliance with the group's capital management objectives. The committee reviews actual and forecast capital adequacy on a quarterly basis. The processes in place for delivering the group's capital management objectives are:

- establishing internal targets for capital adequacy;
- ensuring regulatory capital adequacy requirements are met;
- allocating capital to support the group's strategic plans;
- applying stress tests to assess the group's capital adequacy under stress scenarios;
- developing, reviewing and approving ICAAP;
- capital planning and forecasting to ensure that target capital ratios will not be exceeded; and
- capital raising on a timely basis.

In addition to these processes, SBG GROC and the board, through the RCMC, annually review and set risk appetite and analyse the impacts of stress scenarios to understand and manage the group's projected capital adequacy.

Capital adequacy

The group manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders.

The capital management process ensures that each group entity maintains sufficient capital levels for legal and regulatory compliance purposes. The group ensures that its actions do not compromise sound governance and appropriate business practices.

Regulatory capital

During the period under review, the group complied with all externally imposed capital requirements to which its banking activities and insurance operations are subject, mainly, but not limited to, the relevant requirements of the Banks Act and Regulations Relating to Banks which are broadly consistent with the Basel II guidelines issued by the Bank for International Settlements, as well as those of the Financial Services Board in South Africa and other insurance regulatory bodies.

SBSA complies with the capital adequacy requirements of South African banking regulations. Regulatory capital adequacy is measured via two risk-based ratios, tier I and total capital adequacy ratios. Both measures of capital are stated as a percentage of risk-weighted assets.

Tier I represents the permanent forms of capital such as share capital, share premium, retained earnings and perpetual, non-cumulative preference shares whilst total capital also includes other items such as subordinated debt, impairments for performing loans and revaluation reserves.

Risk-weighted assets are determined on a granular basis by using risk weights calculated from internally derived risk parameters. Both on- and off-balance sheet exposures are included in the overall credit risk-weighted assets of the group. Notional risk-weighted assets for the market and operational risk components are determined using the risk drivers that impact on regulatory capital as inputs.

Tier I capital for SBSA was R38,9 billion in 2009 (2008: R33,3 billion) and total capital for the company amounted to R51,8 billion in 2009 (2008: R43,8 billion). The increase in the company's qualifying regulatory capital was primarily due to an increase in retained earnings in addition to capital raising in the form of tier II subordinated debt of R4,6 billion in 2009.

SBSA maintained a well-capitalised position for tier I and total capital ratios as set out below and on the following page.

Basel II regulatory capital

	2009 Rm	2008 Rm
Tier I		
Issued primary capital and unimpaired reserve funds	**43 207**	38 288
Ordinary share capital and premium	**24 290**	22 790
Ordinary shareholders' reserves[1]	**18 917**	15 498
Less: regulatory deductions	**(3 508)**	(3 303)
Intangible assets	**(2 913)**	(1 997)
Investment in regulated non-banking entities	**(99)**	(99)
Other – 50% deducted from tier I	**(496)**	(1 207)
Expected loss exceeding eligible provisions (50%)	**(212)**	(976)
Loans to SPEs (first loss credit enhancement) (50%)	**(284)**	(231)
Less: regulatory exclusions	**(753)**	(1 641)
Foreign currency translation reserves	**(37)**	(177)
Other reserves[2]	**(716)**	(1 464)
	38 946	33 344
Tier II		
Issued secondary capital	**15 321**	11 389
Subordinated debt	**15 098**	10 548
Impairments for performing loans	**223**	659
Revaluation reserve		182
Less: regulatory deductions	**(2 714)**	(1 207)
Investment in tier II instruments in banks	**(2 218)**	
Other – 50% deducted from tier II	**(496)**	(1 207)
Expected loss exceeding eligible provision (50%)	**(212)**	(976)
Loans to SPEs (first loss credit enhancement) (50%)	**(284)**	(231)
	12 607	10 182
Tier III		
Issued tertiary capital		
Subordinated debt	**300**	300
Total eligible capital	**51 853**	43 826

Audited.

[1] *Unappropriated profits have been included in tier I capital.*

[2] *Mainly the share-based payment reserve, cash flow hedging reserve and available-for-sale revaluation reserve.*

Basel II risk-weighted assets

	2009 Rm	2008 Rm
Credit risk	**283 653**	290 645
Portfolios subject to the standardised approach	**29 035**	30 076
Corporate	**16 692**	19 515
Banks	**43**	103
Retail mortgages	**10 601**	8 736
Retail – other [1]	**1 506**	1 528
Securitisation exposure	**193**	194
Portfolios subject to the foundation-internal ratings based approach	**13 339**	17 270
Corporate	**13 281**	16 725
Sovereign	**58**	169
Banks		376
Portfolios subject to the advanced-internal ratings based approach	**231 127**	231 060
Corporate	**94 961**	87 317
Sovereign	**5 497**	6 234
Banks	**10 368**	10 637
Retail mortgages	**56 478**	61 000
Qualifying retail revolving exposure	**39 103**	37 991
Retail – other[1]	**22 302**	26 342
Securitisation exposure	**2 418**	1 539
Other assets	**10 152**	12 239
Equity risk in the banking book	**13 189**	12 950
Portfolios subject to the market-based approach	**4 077**	4 991
Listed	**51**	428
Unlisted	**4 026**	4 563
Portfolios subject to the probability of default/loss given default approach	**9 112**	7 959
Market risk	**5 745**	6 403
Portfolios subject to the standardised approach	**1 846**	2 534
Portfolios subject to the internal models approach	**3 899**	3 869
Operational risk		
Portfolios subject to the standardised approach	**65 252**	48 754
Total risk-weighted assets	**367 839**	358 752

[1] Retail – other includes retail small and medium enterprises (SME), vehicle and asset finance, and term lending exposures.

Capital adequacy ratios

	Minimum regulatory requirement %	Target ratio %	2009	2008
Total capital requirement (Rm)			**35 864**	34 978
Total risk-weighted assets (Rm)			**367 839**	358 752
Total capital adequacy ratio (%)	9,75	11 – 12	**14,1**	12,2
Tier I capital adequacy ratio (%)	7	9	**10,6**	9,3
Core tier I capital adequacy ratio (%)	5,25		**10,6**	9,3

Economic capital

Economic capital is the basis for measuring and reporting quantifiable economic risks faced by the group. The group assesses its economic capital requirements by measuring the group's risk profile using both internally and externally developed models. Economic capital is used for risk management, capital management, capital planning, capital allocation, evaluation of new business and performance measurement.

The group has refined its ICAAP over the period under review to incorporate the impact of residual risk, risk concentrations, correlation of risk, diversification impacts and stress tests to ensure that the group is adequately capitalised on an economic basis.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital. ICAAP was approved by the board, through the RCMC, and formed the basis for discussion with SARB on the group's risk profile and capital adequacy.

The group's economic capital management framework provides for the governance and the methodology for the quantification of economic capital, and assigns roles and responsibilities for the management and allocation of economic capital across the group. Economic capital underpins the group's disciplined approach to risk and return decisions.

The methodologies used to govern the quantification of economic capital have evolved rapidly over the past two years. These methodologies are subject to regular reviews to ensure that the economic capital results are a true reflection of the underlying portfolios and risk drivers that impact the group.

Economic capital is the amount of permanent capital that a transaction, business unit or risk type must hold to support the economic risk. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst case loss commensurate with the group's targeted financial strength.

Economic capital is calculated for each of the following quantifiable risk types:

- credit risk;
- equity risk;
- market risk;
- operational risk;
- business risk; and
- interest rate risk in the banking book.

The board, through the RCMC, and senior executive management review economic capital results regularly, which facilitates improved risk management across the group.

Economic capital by risk type

	2009 Rm	2008 Rm
Credit risk	**19 238**	21 336
Equity risk	**924**	599
Market risk	**541**	621
Operational risk	**4 137**	2 834
Business risk	**1 074**	1 161
Interest rate risk in the banking book	**1 344**	1 840
Banking activities – economic capital	**27 258**	28 391
Available financial resources	**39 788**	36 119
Capital coverage ratio	**1,46**	1,27

Credit risk economic capital of R19,2 billion for 2009 (2008: R21,3 billion) represents the largest source of risk to which the banking entities in the group are exposed and accounts for the majority of total economic capital. Credit risk reduced due to lower credit exposures across all portfolios and a reduction in the average maturity of the portfolio. This was offset by an increase in capital arising from downgrades of counterparties.

Operational risk economic capital of R4,1 billion (2008: R2,8 billion) increased due to the inclusion of the 2009 income figures in the calculation of the standardised approach (TSA) capital for operational risk.

Capital in respect of interest rate risk in the banking book reduced from R1,8 billion to R1,3 billion due to the limited likelihood of further material reductions in interest rates.

The minimum economic capital requirement of R27,3 billion in 2009 (2008: R28,4 billion) is reflective of the capital requirement to cover the risk profile of the group.

Available financial resources is the capital supply defined on an economic basis, which essentially comprises permanent capital, and is broadly equivalent to equity capital. The available financial resources of R39,8 billion (2008: R36,1 billion) covers the minimum economic capital requirement of R27,3 billion by a factor of 1,46 times, indicating a substantially higher capital position relative to risks assumed on banking activities.

Credit risk

Framework

Credit risk is the group's most material risk. It is managed in accordance with the group's comprehensive risk management control framework. A group credit standard sets out the principles under which the group is prepared to assume credit risk. Responsibility for credit risk resides within the group's business units supported by the group risk function and with oversight, as with other risks, by the risk committees and ultimately the board.

Exposure to credit risk

The following table presents group exposures in terms of creditworthiness as determined by the internal models and as defined in terms of the master rating scale.

- → Neither past due nor impaired exposures are exposures that are current. Normal and close monitoring exposures within this category are exposures rated 1 to 21 and 22 to 25 respectively using the master rating scale.
- → Past due but not impaired exposures are exposures where the counterparty has failed to make its contractual payment, but are not yet considered impaired and where ultimate loss is not expected but could occur if the adverse condition persists. Where such exposures are less than 31 days in arrears, they are categorised as current. Where such exposures are between 31 and 180 days in arrears and/or evidence exists that the borrower is experiencing difficulties, they are categorised as early arrears.
- → Impaired exposures are those exposures that are due and unpaid for 180 days or more or where there is objective evidence that an impairment loss has been incurred. The criteria used by the group to determine that there is such objective evidence of impairment include:
  - known cash flow difficulties experienced by the borrower;
  - overdue contractual payments of either principal or interest;
  - breach of loan covenants or conditions;
  - the probability that the borrower will enter bankruptcy or other financial realisation; and
  - a significant downgrading in credit rating by an external credit rating agency, where, owing to the borrower's financial difficulties, concessions are granted to the counterparty.
- → Impaired advances consist of:
  - Sub-standard items are items that show underlying well-defined weaknesses that could lead to probable loss if not corrected. The risk that these items may be impaired is probable and the group relies to a large extent on the available security.
  - Doubtful items are items that are considered to be impaired, but are not yet considered final losses because of some pending factors that may strengthen the quality of the items.
  - Loss items are items that are considered to be uncollectible. The group provides fully for its anticipated loss, after taking securities into account.

	Gross advances	Performing loans				
		Neither past due nor impaired		Past due but not impaired		
	Total Rm	Normal monitoring Rm	Close monitoring Rm	Current Rm	Early arrears Rm	Total
2009						
Personal & Business Banking	357 535	287 371	14 041	15 623	6 599	323 634
Mortgage loans	249 520	202 692	9 513	7 135	4 454	223 794
Instalment sale and finance leases	47 299	39 577	875	2 530	1 137	44 119
Card debtors	20 316	15 435	2 721		442	18 598
Other loans and advances	40 400	29 667	932	5 958	566	37 123
Corporate & Investment Banking	185 520	181 110	1 837	214	223	183 384
Corporate loans	155 685	153 783	1 129			154 912
Commercial property finance	29 835	27 327	708	214	223	28 472
Other services	(1 905)	(1 905)				(1 905)
Gross loans and advances	541 150	466 576	15 878	15 837	6 822	505 113
Less:						
Impairments for loans and advances	(15 450)					
Total loans and advances	525 700					
Add:						
Cash and balances with the central bank	14 470					
Derivative assets	122 462					
Trading assets	22 644					
Pledged assets	1 057					
Financial investments	62 008					
Other assets	2 581					
Interest in financial instruments of group companies	74 483					
Total exposure	825 405					
2008[1]						
Personal & Business Banking	361 824	302 477	10 450	15 996	11 819	340 742
Mortgage loans	244 158	205 729	4 135	9 715	8 525	228 104
Instalment sale and finance leases	56 493	47 736	1 143	3 466	1 818	54 163
Card debtors	21 230	17 326	1 245	1 121	635	20 327
Other loans and advances	39 943	31 686	3 927	1 694	841	38 148
Corporate & Investment Banking	177 471	174 936	2 050	135	29	177 150
Corporate loans	147 160	144 951	2 050	7		147 008
Commercial property finance	30 311	29 985		128	29	30 142
Other services	(492)	(492)				(492)
Gross loans and advances	538 803	476 921	12 500	16 131	11 848	517 400
Less:						
Impairments for loans and advances	(11 351)					
Total loans and advances	527 452					
Add:						
Cash and balances with the central bank	13 547					
Derivative assets	164 542					
Trading assets	24 019					
Pledged assets	2 243					
Financial investments	60 079					
Other assets	4 130					
Interest in financial instruments of group companies	100 204					
Total exposure	896 216					

Audited.

[1] Restated.

Other assets of R4 211 million (2008: R7 955 million) include financial assets of R2 581 million (2008: R4 130 million). These financial assets included in other assets are not reflected in the above tables. The credit exposures mainly relate to trading settlement accounts, items that are in the course of collection, accruals and other operating receivables. No allowance for impairment accounts has been recognised nor have any impairments been recognised on these items during the course of either 2009 or 2008.

	Impaired loans							
	Sub-standard Rm	**Doubtful Rm**	**Loss Rm**	**Total Rm**	**Securities and expected recoveries Rm**	**Net after securities and expected recoveries Rm**	**Impairments for non-performing loans Rm**	**Gross impairment coverage %**
	15 598	**14 160**	**4 143**	**33 901**	**24 044**	**9 857**	**9 857**	**29**
	14 577	**10 328**	**821**	**25 726**	**21 087**	**4 639**	**4 639**	**18**
	324	**1 036**	**1 820**	**3 180**	**1 483**	**1 697**	**1 697**	**53**
	244	**409**	**1 065**	**1 718**	**443**	**1 275**	**1 275**	**74**
	453	**2 387**	**437**	**3 277**	**1 031**	**2 246**	**2 246**	**69**
	431	**1 605**	**100**	**2 136**	**1 354**	**782**	**782**	**37**
	169	**504**	**100**	**773**	**356**	**417**	**417**	**54**
	262	**1 101**		**1 363**	**998**	**365**	**365**	**27**
	16 029	**15 765**	**4 243**	**36 037**	**25 398**	**10 639**	**10 639**	**30**
	13 841	5 855	1 386	21 082	14 507	6 575	6 575	31
	13 050	2 812	192	16 054	12 917	3 137	3 137	20
	384	994	952	2 330	914	1 416	1 416	61
	280	440	183	903	195	708	708	78
	127	1 609	59	1 795	481	1 314	1 314	73
	266	20	35	321	196	125	125	39
	97	20	35	152	64	88	88	58
	169			169	132	37	37	22
					9	(9)	(9)	
	14 107	5 875	1 421	21 403	14 712	6 691	6 691	31

Ageing of group loans and advances past due but not impaired

	Less than 31 days Rm	31-60 days Rm	61-90 days Rm	91-180 days Rm	More than 180 days Rm	Total Rm
2009						
Personal & Business Banking	**15 623**	**4 243**	**2 356**			**22 222**
Mortgage loans	**7 135**	**2 787**	**1 667**			**11 589**
Instalment sale and finance leases	**2 530**	**793**	**344**			**3 667**
Card debtors		**293**	**149**			**442**
Other loans and advances	**5 958**	**370**	**196**			**6 524**
Corporate & Investment Banking	**214**	**113**	**3**	**107**		**437**
Corporate loans						
Commercial property finance	**214**	**113**	**3**	**107**		**437**
Total	**15 837**	**4 356**	**2 359**	**107**		**22 659**
2008						
Personal & Business Banking	15 996	7 624	4 195			27 815
Mortgage loans	9 715	5 387	3 138			18 240
Instalment sale and finance leases	3 466	1 302	516			5 284
Card debtors	1 121	400	235			1 756
Other loans and advances	1 694	535	306			2 535
Corporate & Investment Banking	135	2		1	26	164
Corporate loans	7					7
Commercial property finance	128	2		1	26	157
Total	16 131	7 626	4 195	1	26	27 979

Audited.

Renegotiated loans and advances (Audited)

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified because of weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired totalled R7,3 billion in 2009 (2008: R5,8 billion). Renegotiated loans that have arisen from secured lending totalled 69% (2008: 71%) and predominantly related to mortgage advances.

During the year the group refined its policy on the disclosure of renegotiated loans for the purposes of IFRS 7. Under the previous policy all loans and advances renegotiated during the financial year were included in this category. In terms of the revised group policy, a previously impaired or past due loan and advance that has been renegotiated is reset to performing loan status after an internally predefined rehabilitation period. In terms of the new policy, those loans and advances are both regarded and monitored as renegotiated during these internally predefined periods in order to determine whether the customer is able to make payments when due in accordance with its renegotiated terms.

The periods, which are subject to regular review, are based on criteria which indicate that payment is expected to occur when due in terms of the renegotiated terms. Management believes that this interpretation reflects a better understanding of the requirements of IFRS and the application in the industry. The revised interpretation resulted in a restatement of renegotiated loans disclosed in 2008 from R21,6 billion to R5,8 billion.

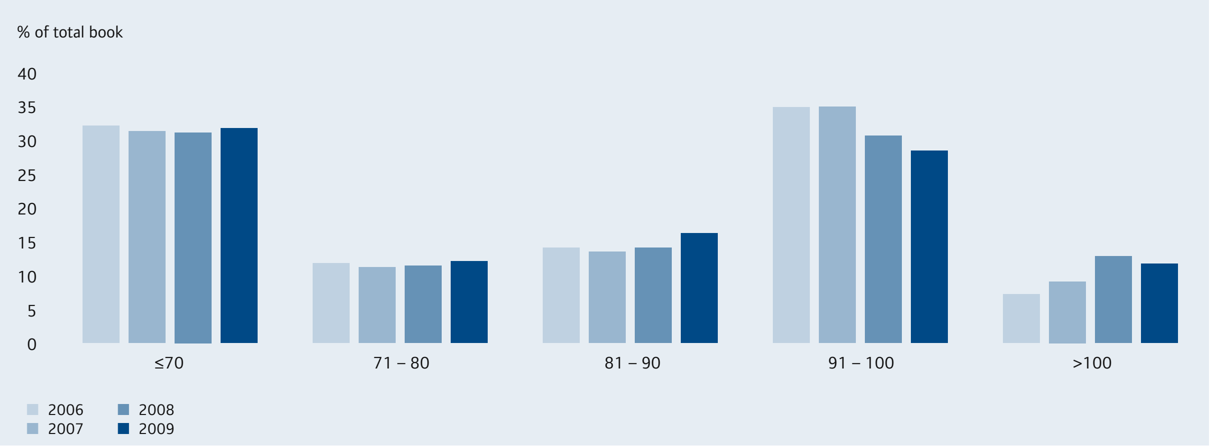
Collateral obtained by the group (Audited)

It is the group's policy to dispose of repossessed assets in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. Generally, the group does not use repossessed assets for business purposes. The collateral obtained by the group for 2009 amounted to R460 million (2008: R131 million) and predominantly related to properties in possession.

Analysis of the group's residential mortgage portfolio loan-to-value (LTV) ratios

The loan-to-value ratios of the group's residential mortgage advances portfolio are set out in the charts below. The distributions are based on the loan balance as a function of the property value.

Average portfolio LTV

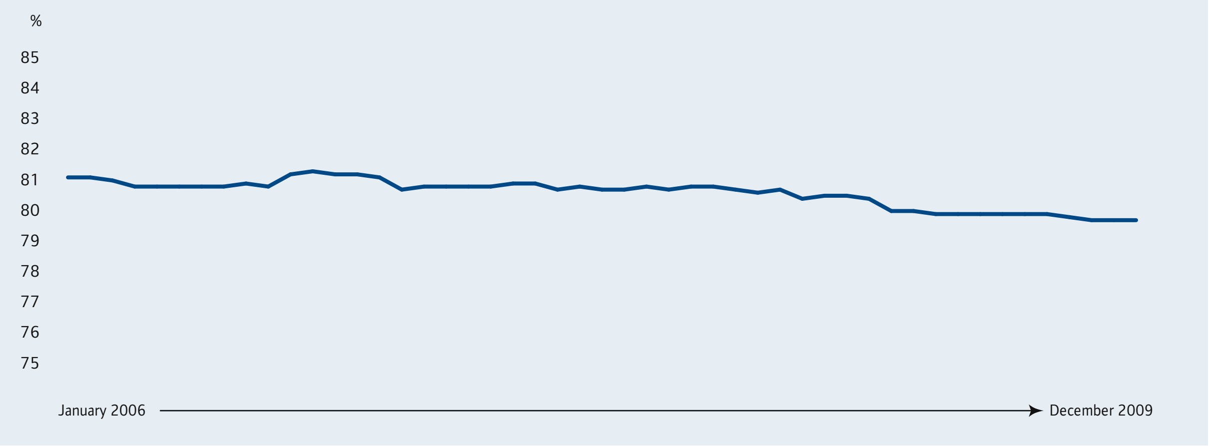


The major factor contributing to the shift in the BTV (balance/last assessed value) distribution towards the lower levels was the impact of a maturing portfolio. As a result of the slowing down in new business being written, the average age of the portfolio increased. This in turn resulted in an increase in equity and thus lower average portfolio BTVs. There was a definite consumer trend to minimise debt exposure and this carried to the home loan portfolio.

2009 saw a greater proportion of business being written with substantial deposits being required. This was common practice among banks to mitigate risk in the tough economic environment.

As the economy improves, there will be a shift to more business being written with lower or no deposits, although the approach will be cautious. In addition to new business, the demand for further loans against equity is likely to increase. This will in turn result in a shift to the higher BTV and LTV levels.

Average portfolio LTV



Corporate governance and risk management

Securitisation

The group has used securitisation primarily as part of its funding strategy for its South African operations to provide added flexibility in mitigating structural liquidity risk and diversifying the funding base. Credit risk transfer and capital relief are factored in when deciding the economic merits of each new securitisation issue.

The group has entered into securitisation transactions in the normal course of business in which it transferred recognised financial assets directly to third parties or special purpose entities. The group complies with IFRS in recognising and accounting for securitisation transactions. Special purpose entities (SPEs) are consolidated into the group when required by IFRS.

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, no gain or loss on sale is recognised as these assets are sold at carrying value. Securitised assets are derecognised when required to reflect the element of risk and reward transfer.

For local securitisations in South Africa, Moody's Investor Services and/or Fitch were appointed as ratings agencies.

The group fulfils a number of roles in the process of securitising assets including, among others, sponsor, hedge counterparty, commercial paper dealer, liquidity facility provider of asset-backed commercial paper conduits (special purpose legal entities), subordinated lender and calculating agent.

The credit granting, monitoring and debt management processes followed for securitised assets are the same as for similar assets in the group. Performing loans, non-performing loans and related provisions are included in the group results.

The contraction in the local and international securitisation markets experienced in 2008 continued during 2009. As a result the group did not use new securitisations as an alternative source of funding in this period.

During 2009, Blue Granite Investments No. 1, Blue Granite Investments No. 2, Blue Granite Investments No. 3 and Blue Granite Investments No. 4 exceeded a number of arrears-related triggers; however, all existing mortgage advance securitisations were maintained within covenant levels. The breach of certain arrears-related triggers resulted from the deterioration in the underlying asset performance. Accordingly, these SPEs are required to trap cash in arrears reserves and have started repayment to noteholders earlier than expected. An impairment of R60 million (2008: Rnil) on subordinated loans provided to SPEs was recognised during the year, however, on a consolidated basis this is Rnil.

In respect of instalment sale securitisation vehicles, Accelerator Fund 1 exercised its clean up call option during April 2009 in accordance with the transaction documents and the Securitisation Regulations promulgated under the Banks Act, 1990. All noteholders and the subordinated lender were repaid in full.

Country risk

The management of country risk limits is delegated to the SBG country risk management committee. The SBG country risk management committee, a subcommittee of SBG GROC, sets the maximum country risk appetite for each country and ensures the effective approval, measurement, monitoring and control of country risk.

An internal rating model is used to determine the ranking of each country. In determining ratings, extensive use is made of the group's network of operations, country visits and external sources of information. The model inputs are continuously updated to reflect economic and political changes in countries. The country risk model output provides us with an internal risk grade of 1 to 25 on the rating scale. For all countries, there is a formal review process.

Countries rated 7 and higher, referred to as high and medium risk, are subject to increased central monitoring. Countries with an internal risk grade of 6 and better, referred to as low risk, only require limited degree of analysis to the extent warranted by the expected lower level of country risk to the group of such countries.

Country concentration risk is managed and monitored by geographic region and country.

Liquidity risk

Framework and governance

The nature of banking and trading results in continuous exposure to liquidity risk. The group's liquidity management framework, which is largely unchanged from the previous financial reporting period, is designed to measure and manage liquidity positions ensuring that payment obligations can be met at all times, under both normal and considerably stressed conditions. SBG GROC and the board review and set liquidity risk standards annually in accordance with regulatory requirements and international best practice. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the group. SBG has an asset and liability management committee (ALCO) responsible for ensuring compliance with liquidity risk policies, chaired by a deputy group chief executive of SBG.

Liquidity and funding management

The group manages liquidity in accordance with applicable regulations and international best practice.

As part of a cohesive liquidity management process the group is required to:

- maintain a sufficiently large liquidity buffer;
- ensure a structurally sound statement of financial position;
- manage short- and long-term cash flow;
- manage foreign currency liquidity;
- preserve a diversified funding base;
- undertake regular liquidity stress testing and scenario analysis; and
- maintain adequate contingency funding plans.

The cumulative impact of these elements is monitored by Africa ALCO, which reports to the SBG ALCO, and the process is underpinned by a system of extensive controls. These include the application of purpose-built technology, documented processes and procedures, independent oversight and regular independent reviews and evaluations of system effectiveness.

In periods of stable market conditions, the group's consolidated liquidity risk position is monitored on at least a monthly basis by Africa ALCO. In periods of increased volatility, the frequency of meetings is increased significantly to facilitate appropriate management action.

Liquidity buffer

Portfolios of highly marketable securities over and above prudential requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO-defined limits on the basis of diversification and liquidity.

The table below shows the group's surplus marketable securities and foreign currency placements in 2009 compared to 2008. These portfolios are highly liquid and can be readily sold to meet liquidity requirements. Consequently, a maturity analysis for these assets is not disclosed as it is not considered necessary to enable users to evaluate the nature and extent of liquidity risk.

Unencumbered surplus liquidity

	2009 Rbn	2008 Rbn
Marketable assets	**19,7**	15,1
Short-term foreign currency placements	**39,3**	13,4
Total unencumbered marketable assets	**59,0**	28,5
Other readily accessible liquidity	**6,2**	13,4
Total group unencumbered surplus liquidity	**65,2**	41,9

Audited.

Corporate governance and risk management

The large increase in the unencumbered surplus liquidity is attributable mainly to SBSA reducing its foreign currency placements with Standard Bank Plc, which are treated as encumbered.

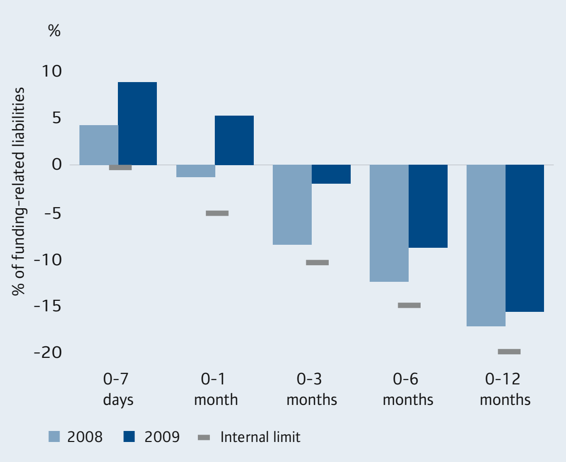
Structural requirements

Behavioural profiling assigns probable maturities based on actual customer behaviour. With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets.

This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts that exhibit stable behaviour although these are repayable on demand or at short notice.

The graph below shows the group's cumulative maturity mismatch between assets and liabilities for the 0 to 12 months bucket, after applying behavioural profiling. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced. Comparing the 2008 to the 2009 position, it is evident that the structural mismatch has reduced and is comfortably within the stated mismatch risk appetite.

Behaviourally adjusted cumulative liquidity mismatch



One of the mechanisms employed to ensure adherence to the liquidity mismatch limits is the active management of the long-term funding ratio. The long-term funding ratio is defined as those funding-related liabilities with a remaining maturity of greater than six months as a percentage of total funding-related liabilities.

The chart below illustrates SBSA's long-term funding ratio for the period January 2008 to December 2009. The increase in the ratio is attributed to the increased percentage of term funding raised to support term lending.

Long-term funding ratio

The maturity analysis provides the basis for effective management of exposure to structural liquidity risk.

The table on the following page 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 trading derivatives, and will therefore not agree directly to the balances disclosed in the consolidated statement of financial position.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management only consider 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 are treated as trading and are included at fair value in the "redeemable on demand" bucket since these positions are typically held for short periods of time. The same approach was followed in the previous financial period on the basis of industry practice.

The table also includes contractual cash flows with respect to off-balance sheet items which have not yet been recorded on-balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

Maturity analysis of financial liabilities by contractual maturity

	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
2009						
Financial liabilities						
Derivative financial instruments	**121 157**					**121 157**
Instruments settled on a net basis	**60 662**					**60 662**
Instruments settled on a gross basis	**60 495**					**60 495**
Trading liabilities	**16 707**					**16 707**
Deposits from customers and banks	**283 511**	**36 428**	**102 082**	**67 271**	**115 982**	**605 274**
Subordinated debt			**639**	**639**	**20 588**	**21 866**
Other		**6 036**				**6 036**
Total	**421 375**	**42 464**	**102 721**	**67 910**	**136 570**	**771 040**
Unrecognised financial instruments						
Letters of credit and bankers' acceptances	**4 052**					**4 052**
Financial guarantees	**23 977**					**23 977**
Irrevocable unutilised facilities	**44 714**					**44 714**
Total	**72 743**					**72 743**
2008[1]						
Financial liabilities						
Derivative financial instruments	172 105	62	58	55	895	173 175
Instruments settled on a net basis	80 885	62	58	55	895	81 955
Instruments settled on a gross basis	91 220					91 220
Trading liabilities	23 524					23 524
Deposits from customers and banks	295 915	54 789	98 226	57 168	122 760	628 858
Subordinated debt			383	383	14 926	15 692
Other		5 114				5 114
Total	491 544	59 965	98 667	57 606	138 581	846 363
Unrecognised financial instruments						
Letters of credit and bankers' acceptances	4 823					4 823
Financial guarantees	26 400					26 400
Irrevocable unutilised facilities	27 972					27 972
Total	59 195					59 195

Audited.
[1] Restated.

Cash flow management

Active liquidity and funding management is an integrated effort across a number of functional areas. Short-term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

The group's wholesale funding strategy is derived from the projected net asset growth which includes consideration of Personal & Business Banking and Corporate & Investment Banking asset classes, capital requirements, the maturity profile of existing wholesale funding and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenor and currency exposure as well as the availability and pricing of alternative liquidity sources. An active presence is maintained in professional markets, supported by relationship management efforts among corporate and institutional clients.

Foreign currency liquidity management

A number of parameters are observed to monitor changes in either market liquidity or exchange rates. Key to this is the restriction of foreign currency loans and advances in relation to foreign currency deposits.

Diversified funding base

The group employs a diversified funding strategy, sourcing liquidity in domestic and offshore markets.

Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties. In terms of the latter, limits are set internally to restrict single and top ten depositor exposures within the sight to three-month tenors to below 10% for a single depositor and 20% for top ten depositors of total funding-related liabilities respectively.

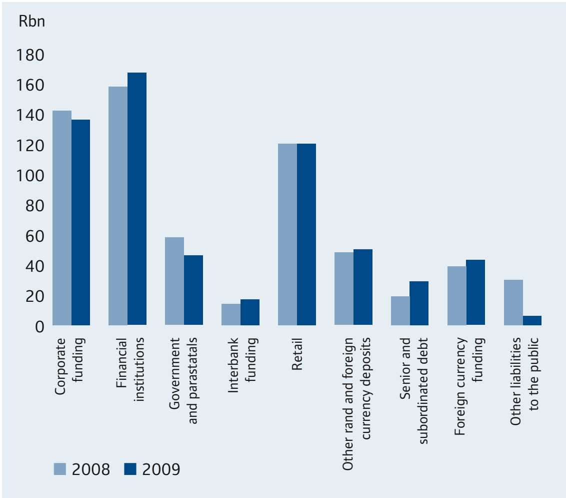
Depositor concentration – South Africa

	2009 %	2008 %
Single depositor	**1,8**	2,4
Top ten depositors	**8,5**	12,9

Primary sources of funding are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital market funding. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when favourable to meet its evolving funding requirements.

The following chart shows the composition of SBSA's funding-related liabilities which totalled R613 billion in 2009 (2008: R626 billion).

Funding-related liabilities composition



Liquidity stress testing and scenario analysis

Stress testing and scenario analysis forms an important part of the group's liquidity management process. Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. Stresses and scenarios are based on hypothetical events as well as historical events.

This analysis is fully integrated into the group's existing liquidity risk management framework. It provides assurance as to the group's ability to generate sufficient liquidity under adverse conditions and provides meaningful input in defining target liquidity risk positions.

Contingency funding plans

Contingency funding plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence to ensure a positive outcome in the event of a liquidity crisis. The plans incorporate an extensive early warning indicator methodology supported by clear and decisive crisis response strategies.

Early warning indicators cover bank specific and systemic crises and are monitored according to assigned frequencies and tolerance levels. Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications, liquidity generation and operations, as well as heightened and supplementary information requirements.

Conduits

The group provides standby liquidity facilities to two conduits, namely Blue Titanium Conduit and Thekwini Warehouse Conduit. These facilities, which totalled R8,4 billion in 2009 (2008: R11,0 billion), have not been drawn on. The liquidity risk associated with these facilities is included in the stress testing for the group.

The liquidity risk associated with these facilities is managed in accordance with the group's overall liquidity position and represents less than 2% of SBSA's total funding. The liquidity facilities are included in both the group's static structural liquidity mismatch, which is managed against ALCO-imposed limits and guidelines, as well as in dynamic stress testing.

Liquidity risk is also mitigated by the reduction in the size of the conduits, with Blue Titanium Conduit reducing from R7,9 billion in 2008 to R5,6 billion in 2009 and Thekwini Warehouse Conduit reducing from R3,1 billion in 2008 to R2,8 billion in 2009.

Market risk

The identification, management, control, measurement and reporting of market risk, which is consistent with the previous financial reporting period, has been categorised as follows:

Interest rate risk in the banking book

These risks arise in trading activities where the group acts as a principal for clients in the market. The group's policy is that all trading activities are contained in the group's trading operations.

Interest rate risk in the banking book

These risks arise from the structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

Equity investments

These risks arise from equity price changes in listed and unlisted investments, which are approved by the appropriate equity governance committees across the group.

Foreign currency risk

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

Framework and governance

The techniques used to measure and control market risk include:

- value-at-risk (VaR);
- stress tests;
- other market risk measures;
- annual net interest income at risk;
- economic value of equity; and
- economic capital.

Daily value-at-risk

The group generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal conditions. Normal VaR is based on a holding period of one day and a confidence interval of 95%. Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

The use of historic VaR has limitations as it is based on historical correlations and volatilities in market prices and assumes that future prices will follow the observed historical distribution.

The group back-tests its VaR models to verify the predictive ability of the VaR calculations and ensures the appropriateness of the models. Back-testing compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's VaR. Where the group has received internal model approval, a VaR using a confidence level of 99% is used to determine market risk regulatory capital.

Although VaR is a valuable guide to risk, it should always be viewed in the context of its limitations. These limitations can 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 may 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 99% 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; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Stress tests

Stress testing provides an indication of the potential losses that could occur in extreme market conditions. The stress tests carried out by the group include individual market risk factor testing and combinations of market factors per trading desk and combinations of trading desks. Stress tests include a combination of historical, hypothetical and Monte Carlo type simulations.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers. In addition, most approved products that can be independently priced and properly processed are permitted to be traded. All VaR limits require prior approval from the Africa ALCO.

The market risk departments independently validate and document new pricing models and perform an annual review of existing models to ensure they are still relevant and behaving within expectations.

Annual net interest income at risk

A dynamic forward-looking annual net interest income forecast is used to quantify the group's anticipated interest rate exposure. This approach involves forecasting changes to the statement of financial position structures and interest rate scenarios, to determine the effect that these changes may have on future earnings. The analysis is completed under normal and stressed market conditions.

Economic value of equity

By capturing all expected future cash flows, economic value of equity is the preferred measure for determining long-term sensitivity to interest rate changes. However, the cash flows of certain asset and liability classes, in particular those associated with ambiguous maturity behaviour, are highly dependent on the underlying assumptions.

To reduce the margin for error, the sensitivity of equity is calculated as the expected change in net interest income over a five-year horizon, given a considered rate shock, and is stated in present value terms.

Economic capital

Economic capital methodologies are used to calculate all categories of market risk sensitive capital allocations and are used to determine each business's capital charge.

Trading book market risk positions

In line with the strategy and structure of the group, trading book market risk exposures arise mainly from client transactions with limited trading for the group's own account. The table on the following page shows the aggregated historical VaR for the group's trading positions. The maximum and minimum VaR amounts show the bands in which the values at risk fluctuated during the periods specified.

VaR models have been approved by the regulators for all South African trading units except exotics and specific risk on interest rates.

Trading book VaR analysis

Market variable	Normal VaR Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2009				
Commodities	**8,8**	**2,4**	**4,4**	**2,8**
Forex	**17,0**	**1,3**	**7,0**	**8,8**
Equities	**15,8**	**0,1**	**4,1**	**3,9**
Debt securities	**58,9**	**26,7**	**40,8**	**37,9**
Diversification benefits[2]			**(16,5)**	**(13,5)**
Aggregate	**65,5**	**22,1**	**39,8**	**39,9**
2008				
Commodities	7,1	2,2	4,6	5,7
Forex	9,4	0,4	4,1	3,9
Equities	21,3	1,3	6,3	2,6
Debt securities	80,6	16,5	27,9	38,5
Diversification benefits[2]			(13,1)	(17,6)
Aggregate	78,6	13,9	29,8	33,1

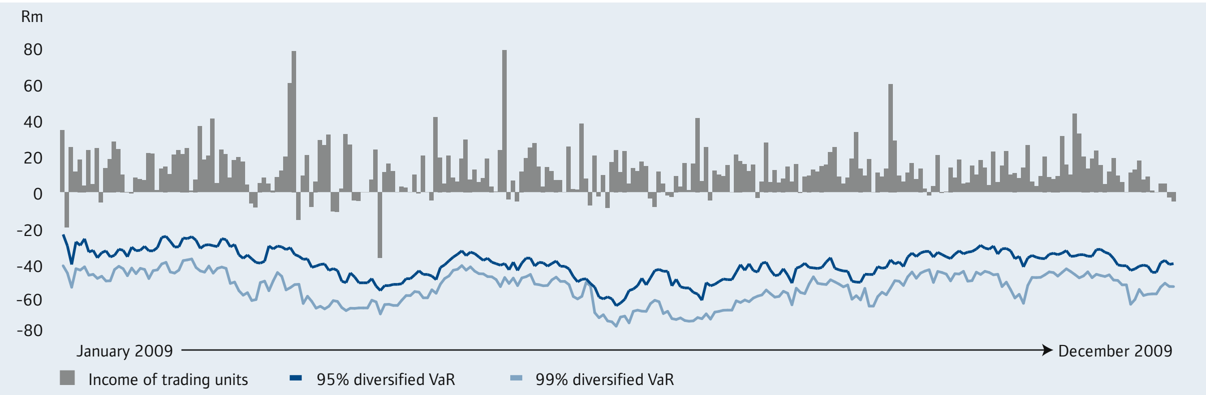
Audited.

[1] *The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same days. 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 dates.*

[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.*

The graph below shows the VaR analysis and actual income of the trading units throughout the year.

Income of trading units and value-at-risk

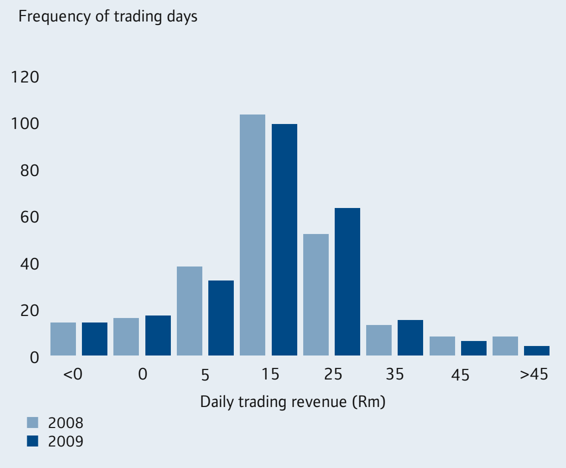


Analysis of trading revenue

The graph on the following page shows the distribution of daily income and losses in 2009 and 2008. It captures trading volatility and shows the number of days in which the group's trading-related revenues fell within particular ranges. The distribution is skewed favourably to the profit side. In 2009, the trading profit or loss was positive for 250 out of 259 days, whereas in 2008, the trading profit or loss was positive for 234 days out of 250.

Corporate governance and risk management

Distribution of daily trading units



Interest rate risk in the banking book

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on net interest income and the economic value of equity.

Framework and governance

The group's approach to managing interest rate risk is governed by the applicable laws and regulations, and is guided by international best practice and the competitive environment in which the group operates.

Banking book interest rate risk is managed centrally by the group's treasury operations under supervision of the Africa ALCO. The group manages this risk on a stand-alone basis and also calculates and maintains economic capital in support thereof.

Interest rate risk measurement

The analytical techniques used to quantify banking book interest rate risk include both earnings and valuation-based measures. Results are monitored on at least a monthly basis by the Africa ALCO. The analysis takes cognisance of embedded optionality such as loan prepayments and in respect of other accounts where the 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. Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing and/or maturity profiles and, where appropriate, the use of derivative instruments.

Interest rate risk limits

Interest rate risk limits are set in respect of changes in forecasted net interest income and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

Economic capital

Earnings at risk forms the basis for calculating the economic capital required to absorb an unexpected reduction in earnings as a result of interest rate changes.

Repricing gap

The repricing gaps for the group's non-trading portfolios before tax are shown on the following page.

All assets, liabilities and derivative instruments are sited in gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are profiled in gap intervals based on management's judgement and statistical analysis.

Interest rate sensitivity gap

		0-3 months	3-6 months	6-12 months	>12 months
2009					
Interest rate sensitivity gap	Rm	**32 784**	**560**	**7 520**	**(40 864)**
Cumulative interest rate sensitivity gap	Rm	**32 784**	**33 344**	**40 864**	
Cumulative interest rate sensitivity gap as a percentage of total assets	%	**3,9**	**4,0**	**4,9**	
2008					
Interest rate sensitivity gap	Rm	55 266	3 137	2 126	(60 529)
Cumulative interest rate sensitivity gap	Rm	55 266	58 403	60 529	
Cumulative interest rate sensitivity gap as a percentage of total assets	%	6,1	6,4	6,7	

Hedging of the endowment risk

The endowment risk emanating from the anticipated turn in the economic cycle is hedged as and when it is considered opportune using derivative instruments such as swaps and interest rate swaptions.

Analysis of banking book interest rate sensitivity

The table below indicates the rand equivalent sensitivity of the group's net interest income and equity in response to a parallel yield curve shock, before tax. Hedging transactions are taken into account while other variables are kept constant.

Interest rate sensitivity analysis

		Rand	US dollar	Sterling	Euro	Other	Total
2009							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**1 463**	**5**	**(1)**	**2**		**1 469**
Sensitivity of equity	Rm	**159**	**(65)**				**94**
Decrease in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(1 532)**	**(5)**	**1**	**(2)**		**(1 538)**
Sensitivity of equity	Rm	**(159)**	**65**				**(94)**
2008							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	1 466	(39)		(11)		1 416
Sensitivity of equity	Rm	141	(88)				53
Decrease in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(1 814)	39		11		(1 764)
Sensitivity of equity	Rm	(141)	88				(53)

Audited.

Assuming no management intervention, a downward 100 basis points parallel interest rate shock across all yield curves would decrease the forecasted 12-month net interest income by R0,8 billion (2008: R0,9 billion).

Equity investments

Market risk on equity investments

Corporate & Investment Banking's equity investment committees and Personal & Business Banking's strategic investment and alliance committee approve investments in listed and unlisted entities, in accordance with delegated authority limits. Periodic reviews and reassessments are undertaken on the performance of the investments.

Equity price risk sensitivity analysis

The table below illustrates the market risk sensitivity for all non-trading equity investments assuming a 10% shift in the share price. The analysis is shown before tax.

Market risk sensitivity of non-trading equity investments

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2009			
Equity securities listed and unlisted	**2 568**	**2 853**	**3 138**
Impact on profit or loss	**(282)**		**282**
Impact on equity	**(3)**		**3**
2008			
Equity securities listed and unlisted	2 113	2 348	2 583
Impact on profit or loss	(217)		217
Impact on equity	(18)		18

Audited.

Foreign currency risk

Foreign currency risk sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact in rand equivalent, resulting from a 5% shock to foreign currency risk exposures, with respect to designated net investment hedges and other derivative financial instruments as well as foreign denominated cash balances. The sensitivity analysis reflects the sensitivity to equity and profit or loss on the group's foreign denominated exposures other than those trading positions whose sensitivity has been included in the trading book VaR analysis.

The table below reflects the impact of a 5% change in foreign currency rates on the equity and/or profit or loss of the group before tax, resulting in R50 million (2008: R102 million) of gains. Offsets to this sensitivity include changes in foreign currency rates as applied to the group's net assets in foreign operations.

Foreign currency risk sensitivity analysis

ZAR equivalents		US dollar	Euro	Sterling	Total
2009					
Sensitivity	%	**5**	**5**	**5**	**5**
Total net long position	Rm	**890**	**22**	**74**	**986**
Impact on equity	Rm	**24**			**24**
Impact on profit or loss	Rm	**21**	**1**	**4**	**26**
Total gains	Rm	**45**	**1**	**4**	**50**
2008					
Sensitivity		5		5	5
Total net long position	Rm	2 028		29	2 057
Impact on equity	Rm	42			42
Impact on profit or loss	Rm	59		1	60
Total gains	Rm	101		1	102

Audited.

Operational risk

Responsibility and approach to operational risk management

Operational risk is recognised as a distinct risk category which the group strives to manage within acceptable levels through sound operational risk management practices. The group's approach to managing operational risk is to adopt practices to suit the organisational maturity and particular business environments.

Executive management defines the operational risk appetite at a business unit and group level. This operational risk appetite supports effective decision making and is central to embedding risk management in business decisions and reporting.

The objective in managing operational risk is to increase the efficiency and effectiveness of the group's resources, minimise losses and utilise opportunities. The group continues to manage operational risk using the TSA in accordance with SARB approval granted in 2008. In addition to TSA, the group has implemented certain advanced practices ensuring they are in line with risk management leading practice. The intention is to migrate to the advanced measurement approach (AMA) and a project to make the transition from TSA to the AMA was formalised at the beginning of 2009.

In accordance with leading practice, our comprehensive risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with our operations. The group framework defines the minimum requirements for operational risk management and is supported by specific policies and procedures. Business units implement the group framework, policies and procedures but may customise these to better suit their unique environments.

Both centralised and decentralised operational risk management functions are independent from business line management and work in partnership as the second line of defence. Their role is to monitor, manage and report on risks to ensure operational risk exposure remains within the stated risk appetite as mandated by senior management and the board. These independent functions are also responsible for developing and implementing the operational risk management framework and for promoting sound risk management practices across the group. Business unit line management, as the first line of defence, is ultimately responsible for managing risks that arise.

The primary oversight body for operational risk is the SBG operational risk committee which reports to SBG GROC, the RCMC and ultimately the board. The SBG operational risk committee is chaired by the chief risk officer and includes representation from group functions and business unit levels. The SBG operational risk committee is also responsible for the approval of the group level operational risk policies and methodologies.

Internal audit is the group's third line of defence and performs an independent review of the operational risk management framework, policies and practices to ensure that operational risk practices are implemented consistently across the group as operational risk management matures.

Managing operational risk

Independent monitoring of operational risk occurs through a number of functions within the group's risk divisions, including business continuity management, legal, information risk services, forensic services and operational risk governance.

Operational risk management forms part of the day-to-day responsibilities of management at all levels. Qualitative and quantitative methodologies and tools are applied to identify and assess operational risks and to provide management with information for determining appropriate mitigating measures. These tools include:

- a loss database of operational risk events categorised according to the Basel II business lines and operational risk event types;
- a risk and control self-assessment process to analyse business activities and identify operational risks that could affect the achievement of business objectives. An effective risk and control self-assessment process is a key component of developing a risk profile and understanding the residual risk; and
- key risk indicators which are used to manage operational risk on an ongoing basis. Key risk indicators contribute to the development of a risk profile. The main purpose is to assist management by providing an early warning indicator of potential risk exposures and/or a potential breakdown of controls.

Our insurance process and requirements are the responsibility of the insurance committee. An insurance framework guides the organisation on the optimal use of insurance as a risk transfer mechanism.

Business continuity management is an integral component of the group's risk management framework. The various business units are continually exposed to deployment of updated methodologies as well as testing and training to ensure increased capability to deal with interruptions to business. This is achieved through active assessment of the changing business environment, reference to and incorporation of updated and emerging best practice standards world-wide, preplanned simulation and desktop assessments and interrogation of identified risks and threats to operational continuity of the group.

Contingency and recovery plans for core services, key systems and priority business processes have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant.

The group's business continuity strategy is structured to ensure strong central monitoring and reporting and decentralised execution and is supported by an entrenched governance process.

The group continues to ensure that business continuity is managed in an effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

In 2009, the H1N1 influenza pandemic presented a new risk to the group, which warranted a swift response in mitigating exposure to threats posed by the pandemic. This focus will continue well into 2010 as the risk remains relevant due to the anticipated influx of visitors to the country. Business units have now incorporated the effects of pandemic spread into their respective continuity plans.

Awareness campaigns remain a critical tool in driving a business continuity culture across the group. The group will continue to enhance and develop operational resilience to meet evolving business priorities.

Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, resulting in compromised confidentiality, integrity or availability of information. Information risk management deals with all aspects of information in its physical and electronic forms. It focuses on the creation, use, transmission, storage, disposal and destruction of information.

The growing dependence on information and the systems that carry it, coupled with the risks, benefits and opportunities these resources present, have made information risk an increasingly critical facet of overall risk management for the group.

Group information risk management proactively scans the regulatory landscape for developments that warrant specific initiatives to meet minimum legal requirements.

A number of projects executed during 2009 assisted in ensuring information risk practices were embedded in the group and information-related risks mitigated. Some of the information risk-related initiatives conducted in 2009 include:

- developing a comprehensive group-aligned strategy and tactical plan to drive the information risk management programme throughout the group;
- establishing metrics and processes to ensure compliance and provide feedback on the effectiveness of information risk management programmes;
- business impact analysis of the impending Protection of Personal Information Bill;
- information risk management and, in particular, information security awareness, education, and training programmes; and
- developing and reviewing information risk management policies, standards and procedures.

Fraud risk management

The group has a set of values that embraces honesty, integrity and ethics and in this regard, has a "zero tolerance" approach to fraud and corruption. During 2009, a strong focus was maintained on anti-fraud campaigns which included reviewing and redesigning our internal processes and engaging of external stakeholders in the ongoing fight against fraud.

Legal risk

Legal risk arises where:

- the group's businesses or functions may not be conducted in accordance with applicable laws in the countries in which it operates;
- incorrect application of regulatory requirements takes place;
- the group may be liable for damages to third parties; and
- contractual obligations may be enforced against the group in an adverse way, resulting from legal proceedings being instituted against it.

Although the group has processes and controls in place to manage its legal risk, failure to manage risks effectively could result in legal proceedings impacting the group adversely, both financially and reputationally.

Environmental risk

Environmental risk falls within the group sustainability management programme, which aims to create a consistent approach to environmental and social management within the group's operations and indirectly through responsible lending. Many of our environmental risks and opportunities arise from lending and transaction processes.

Environmental risk is governed by the safety, health and environmental risk oversight committees which comprise executive representation from various divisions across the group. Group sustainability management sets the strategic direction, oversees implementation and reviews and assesses performance and compliance.

The group formally adopted and integrated the Equator Principles in 2009 into its project finance deal assessment processes and staff training across the investment bank. The Equator Principles are based on the International Finance Corporation performance standards on social and environmental sustainability, and on the World Bank Group's environmental, health and safety general guidelines. The group applies the Equator Principles' screening, assessment and monitoring procedures to all new project finance deals above USD10 million. Over time, environmental and social risk management approaches will be applied across a wider set of financial transactions.

Raising awareness and training will be an ongoing element of managing environmental risk and identifying opportunities and business solutions to global environmental and social problems.

Taxation risk

Taxation risk is the possibility of suffering unexpected loss, financial or otherwise, as a result of the application of tax systems, whether in legislative systems, rulings or practices, applicable to the entire spectrum of taxes and other fiscal imposts to which the group is subject.

In terms of the tax policy the group will fulfil its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the group may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that the group:

- pays neither more nor less tax than tax law requires, in the context of the group's operations;
- continually reviews its existing operations and planned operations in this context; and
- ensures that, where clients participate in group products, these clients are either aware of the probable tax consequences, or are advised to consult with independent professionals to assess these consequences, or both.

The framework to achieve compliance with the tax policy comprises four elements:

- tax risk – identification and management of tax risk;
- human resources – an optimal mix of staffing and outsourcing;
- skills development – methods to maintain and improve managerial and technical competency; and
- communication – communication of information affecting tax within the group.

Good corporate governance in the tax context requires that each of these framework elements be in place. The absence of any one of these elements would seriously undermine the others. Identifying and managing tax risk is the primary objective of the tax function, and this objective is achieved through the application of a tax risk matrix approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the group is exposed, in the context of the various types of activity the group conducts.

Occupational health and safety

The health and safety of employees, customers and other stakeholders is a priority and the group aims to identify and reduce the potential for accidents or injuries in all its operations. Training of health and safety officers and staff awareness is an ongoing endeavour. Standards that support uniform health and safety requirements across all group operations are being developed.

Comprehensive information on the group's initiatives in this regard is available in the sustainability report available on the SBG website.

Compliance risk

Definition

Compliance risk is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the group may suffer as a result of its failure to comply with all laws, regulations, and codes of conduct and standards of good practice applicable to its financial services activities.

Approach to compliance risk management

The group's approach to managing compliance risk is proactive and premised on internationally accepted principles of risk management. It is also aligned with the methodologies used by the group's other risk assurance functions.

Compliance provides leadership on complying with money laundering and terrorist financing control and emerging legislative developments, through specialist support units. In line with international best practice, responsibility for compliance remains with executive management. To support the group's approach to compliance risk management, ongoing monitoring takes place to ensure adherence to the compliance policy and standards.

Framework and governance

Compliance risk management is an independent core risk management activity overseen by the chief compliance officer. The chief compliance officer has unrestricted access to the chief executive of the group, and to the chairman of the audit committee, and also engages with the Bank Supervision Department of SARB on a regular basis. The chief compliance officer reports independently to the audit committee.

The group's compliance framework is based on the principles of effective compliance risk management stated in the Banks Act, 1990, as amended.

The compliance function is responsible for assisting the group in mitigating compliance risk by maintaining an effective compliance risk management framework. Business unit compliance functions are responsible for assisting senior management in effectively managing the compliance risks faced by the respective business units. Business unit compliance heads have a reporting line to the chief compliance officer.

Heads of compliance are responsible for reporting compliance issues to the SBG risk compliance committee, which is chaired by the chief compliance officer. Issues reported are escalated to the audit committee, SBG GROC and the RCMC.

To support the group's approach to compliance risk management, ongoing monitoring takes place to ensure adherence to the compliance policy and standards.

Regulation and supervision

The group operates in a highly regulated industry and supervision is undertaken by various regulatory bodies in South Africa.

The group's primary regulator is the Bank Supervision Department of SARB which supervises the group on a consolidated basis.

The National Credit Regulator was established as the regulator under the National Credit Act, 2005, and is responsible for the regulation of the South African credit industry. The Financial Intelligence Centre provides financial information for use in the fight against crime, money laundering and terrorist financing in South Africa.

Regulatory developments are key to our business planning processes. To support open and positive engagement with regulators, a specialist unit comprising senior executives was established to provide oversight and ensure a co-ordinated strategic approach and positioning to the regulatory and legal environment including regulators, industry bodies, policy and law makers and other relevant stakeholders.

Key regulatory developments during 2009 included those relating to consumer protection and the fair treatment of customers. The effective implementation date of the Consumer Protection Act, 2008, is scheduled for the second quarter of 2010.

In line with market practice the compliance function focuses on market conduct issues including, but not limited to, market abuse, personal account trading and conflicts of interest.

The group continues to enhance its policies and processes in this regard, including the development of automated systems, as appropriate.

Money laundering control

Legislation across the group pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer identification, record keeping and training, as well as obligations to detect, prevent and report money laundering and terrorist financing. The group is committed to continually improving its control measures. The group's money laundering and terrorist financing control policy is being amended to accommodate Financial Action Task Force and other best practice requirements.

Global financial crime remains a concern for financial regulators. As a member of the Financial Action Task Force, South Africa underwent a mutual evaluation in 2008 to assess the effectiveness of its money laundering and terrorist financing control framework. The Financial Action Task Force's final report was issued in April 2009 and while there was general approval of the legal enforcement framework a number of opportunities for improvement were noted. The group attended, upon invitation, the annual Wolfsberg forum in Switzerland. The Wolfsberg Group is an association of 11 global banks that aims to develop financial services industry standards, and related products, for know your customer, anti-money laundering and counter terrorist financing policies.

Compliance risk management training

Through ongoing training and internal publications, staff are made aware of their responsibilities in terms of legislative and regulatory requirements and developments. These cover topics as diverse as treating customers fairly, money laundering and terrorist financing, market conduct and health and safety requirements, among others.

Business risk

Business risk relates to the potential revenue shortfall compared to the cost base due to strategic and/or reputational reasons. From an economic capital perspective, business risk capital requirements are calculated as the potential loss arising over a one year timeframe within a certain level of confidence as implied by the group's chosen target rating. The group's ability to generate revenue is impacted by, among others, the external macro-economic environment, its chosen strategy and its reputation in the markets in which it operates.

The approach followed by the group in quantifying business risk is to estimate a net revenue or loss distribution for each business unit using historical management accounting data. This is based on a Monte Carlo simulation with the objective of deriving a net revenue or loss distribution from which economic capital may be determined at the 99,925% confidence level. Business units have a clear understanding of their value drivers that impact on their profitability. These are modelled as part of the planning and forecasting processes to assess sensitivity of changes in these value drivers on their business performance.

Business risk is governed by the SBG executive committee which is ultimately responsible for managing the costs and revenues of the group. In addition, mitigation of business risk is undertaken in a number of ways including:

- comprehensive due diligence during the investment appraisal process (in particular new acquisitions);
- stakeholder engagement to ensure positive outcomes from external factors beyond the group's control;
- consistently monitoring the profitability of product lines and customer segments;
- maintaining tight control over the cost base of the group, including the management of its cost-to-income ratio. This allows for early intervention and management action to reduce costs where necessary; and
- being alert and responsive to changes in market forces.

Reputational risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

Each business unit, legal entity or support function executive is responsible for identifying, assessing and determining all reputational risks that may arise within their respective areas of business. Risks to reputation can be evaluated by considering the likelihood of the risk occurring and the likely impact. The impact of such risks is considered explicitly alongside financial or other impacts. Matters identified as a reputational risk to the group will be reported to the chief risk officer, who if required, will escalate these matters to SBG GROC.

Independent assurance

The internal audit function reports to and operates under a mandate from the audit committee and has the authority to independently determine the scope and extent of work to be performed. Internal audit's primary objective is the provision of assurance to the audit committee.

It assists executive management teams in meeting their business objectives by examining the group's activities, including risk management, control and governance processes, assessing the risks involved and evaluating the adequacy and effectiveness of processes, systems and controls to manage these risks. A risk-based audit approach has been adopted. Material or significant control weaknesses and planned management remedial actions are reported to the audit committee. These issues are tracked to ensure that agreed remedial actions have been implemented. Overdue issues are reported to the audit committee on a quarterly basis. In terms of a five-year review programme the internal audit function was subjected to an independent review by an external firm.

The results of the last review conducted in 2007 were positive.

Annual financial statements

Directors’ responsibility for financial reporting

In accordance with Companies Act requirements, the directors are responsible for the preparation of the annual financial statements which conform with International Financial Reporting Standards (IFRS) and which, in accordance with those standards, fairly present the state of affairs of the company and the group as at the end of the financial year, and the net income and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for group assets. Accounting policies supported by judgements, estimates and assumptions which comply with IFRS are applied on a consistent and going-concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the group. Greater detail of such, including the operation of the internal audit function, is provided in the corporate governance section starting on page 17 and the risk management section of the report starting on page 24.

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

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the financial statements.

The company and group financial statements prepared in accordance with IFRS which appear on pages 57 to 151 and specified sections of the risk management report contained within pages 24 to 52, were approved by the board of directors on 3 March 2010 and signed on its behalf by:

Derek Cooper
Chairman

Sim Tshabalala
Chief executive

Group secretary's certification

Compliance with the Companies Act, 61 of 1973

In terms of the Companies Act (the Act), and for the year ended 31 December 2009, I certify that The Standard Bank of South Africa Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.

Loren Wulfsohn

Group secretary

3 March 2010

Audit committee report

The audit committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of the company. Five audit committee meetings were held during the year during which the members fulfilled all their functions as prescribed by the Act. A detailed report on the activities of the audit committee is contained on page 20 of this report. The audit committee has satisfied itself that the auditors are independent of the company and are thereby able to conduct their audit functions without any influence from the company.

Martin Shaw

Chairman, audit committee

3 March 2010

Independent auditors’ report

To the member of The Standard Bank of South Africa Limited

We have audited the group annual financial statements and the annual financial statements of The Standard Bank of South Africa Limited, which comprise the statements of financial position at 31 December 2009, the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 57 to 151 and specified sections of the risk management report contained within pages 24 to 52.

Directors’ responsibility for the financial statements

The company’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of The Standard Bank of South Africa Limited at 31 December 2009, its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per Heather Berrange
Chartered Accountant (SA)
Registered Auditor

Director

3 March 2010

85 Empire Road
Parktown
2193

PricewaterhouseCoopers Inc.
Registered Auditor

Per John Bennett
Chartered Accountant (SA)
Registered Auditor

Director

3 March 2010

2 Eglin Road
Sunninghill
2157

Statements of financial position

at 31 December 2009

		Group		Company	
	Note	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Assets					
Cash and balances with the central bank	3	**14 470**	13 547	**14 470**	13 547
Derivative assets	4.3	**122 462**	164 542	**122 410**	164 518
Trading assets	5	**22 644**	24 019	**22 219**	19 660
Pledged assets	6.1	**1 057**	2 243	**1 057**	2 243
Financial investments	7	**62 008**	60 079	**61 623**	58 787
Loans and advances	8	**525 700**	527 452	**505 006**	506 651
Loans and advances to banks	8	**59 472**	51 026	**59 276**	50 785
Loans and advances to customers	8	**466 228**	476 426	**445 730**	455 866
Current taxation asset		**142**	86	**140**	75
Deferred taxation asset	17	**365**	320	**297**	216
Other assets	9	**4 211**	7 955	**4 197**	7 922
Interest in group companies, associates and joint ventures	10	**76 099**	102 794	**79 791**	106 383
Intangible assets	11	**2 913**	1 997	**2 913**	1 997
Property and equipment	12	**5 144**	4 284	**5 122**	4 262
Total assets		**837 215**	909 318	**819 245**	886 261
Equity and liabilities					
Equity		**44 159**	39 074	**43 207**	38 288
Ordinary share capital	13	**60**	60	**60**	60
Ordinary share premium	14	**24 230**	22 730	**24 230**	22 730
Reserves		**19 869**	16 284	**18 917**	15 498
Liabilities		**793 056**	870 244	**776 038**	847 973
Derivative liabilities	4.3	**121 157**	172 744	**121 157**	172 672
Trading liabilities	15	**16 707**	23 524	**15 744**	18 604
Deposit and current accounts	16	**577 860**	608 168	**559 904**	588 826
Deposits from banks	16	**57 833**	65 582	**57 857**	65 582
Deposits from customers	16	**520 027**	542 586	**502 047**	523 244
Current taxation liability	17	**2 069**	489	**2 105**	484
Deferred taxation liability	17	**946**	3 067	**939**	3 065
Other liabilities	18	**8 065**	7 528	**7 715**	7 458
Subordinated debt	19	**15 814**	11 809	**15 814**	11 809
Liabilities to group companies	10.3	**50 438**	42 915	**52 660**	45 055
Total equity and liabilities		**837 215**	909 318	**819 245**	886 261

Income statements

for the year ended 31 December 2009

		Group		Company	
	Note	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Net interest income		**21 500**	21 855	**21 257**	21 625
Interest income	24.1	**67 453**	83 881	**65 578**	81 458
Interest expense	24.2	**45 953**	62 026	**44 321**	59 833
Non-interest revenue		**17 627**	16 487	**17 112**	16 127
Net fee and commission revenue		**13 280**	12 478	**12 541**	11 691
Fee and commission revenue	24.3	**15 318**	14 381	**14 545**	13 577
Fee and commission expense	24.4	**2 038**	1 903	**2 004**	1 886
Trading revenue	24.5	**2 961**	2 687	**2 982**	2 896
Other revenue	24.6	**1 386**	1 322	**1 589**	1 540
Total income		**39 127**	38 342	**38 369**	37 752
Credit impairment charges	24.7	**9 831**	10 015	**9 744**	9 770
Income after credit impairment charges		**29 296**	28 327	**28 625**	27 982
Operating expenses		**18 286**	17 120	**18 006**	16 648
Staff costs	24.8	**9 674**	9 365	**9 485**	9 173
Other operating expenses	24.9	**8 612**	7 755	**8 521**	7 475
Net income		**11 010**	11 207	**10 619**	11 334
Share of (losses)/profits from associates and joint ventures	10.2	**(104)**	165		
Net income before indirect taxation		**10 906**	11 372	**10 619**	11 334
Indirect taxation	26.1	**582**	600	**581**	598
Profit before direct taxation		**10 324**	10 772	**10 038**	10 736
Direct taxation	26.2	**2 144**	1 989	**2 011**	1 964
Profit attributable to the ordinary shareholder		**8 180**	8 783	**8 027**	8 772
Basic earnings per share (cents)	28	**13 634**	14 639	**13 379**	14 621

Statements of comprehensive income

for the year ended 31 December 2009

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Profit for the year	**8 180**	8 783	**8 027**	8 772
Other comprehensive (loss)/income after tax for the year[1]	**(359)**	619	**(337)**	588
Exchange differences on translating foreign operations	**(162)**	213	**(140)**	182
Net change in fair value on cash flow hedges	**(128)**	205	**(128)**	205
Realised fair value adjustments on cash flow hedges transferred to the income statement	**(9)**	149	**(9)**	149
Net change in fair value of available-for-sale financial assets	**58**	159	**58**	159
Realised fair value adjustments of available-for-sale financial assets transferred to the income statement	**(118)**	(107)	**(118)**	(107)
Total comprehensive income attributable to the ordinary shareholder	**7 821**	9 402	**7 690**	9 360

[1] *The income tax relating to each component of other comprehensive income is disclosed in note 26.2.*

Annual financial statements

Statements of changes in equity

for the year ended 31 December 2009

	Note	Ordinary share capital and premium Rm
Group		
Balance at 1 January 2008		21 290
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income after tax for the year		
Transactions with the owner, recorded directly in equity		1 500
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Net acquisition of shares in subsidiaries and other movements		
Issue of share capital and share premium	14	1 500
Dividends paid	29	
Balance at 31 December 2008		22 790
Balance at 1 January 2009		**22 790**
Total comprehensive (loss)/income for the year		
Profit for the year		
Other comprehensive (loss)/income after tax for the year		
Transactions with the owner, recorded directly in equity		**1 500**
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Net acquisition of shares in subsidiaries and other movements		
Issue of share capital and share premium	14	**1 500**
Dividends paid	29	
Balance at 31 December 2009		**24 290**

Details relating to each reserve are provided in the accounting policy and notes described below:

[1] Foreign currency translation reserve: refer to accounting policy 3 – Foreign currency translations.
[2] Cash flow hedging reserve: refer to the cash flow hedges section in accounting policy 5 – Financial instruments.
[3] Available-for-sale reserve: refer to the available-for-sale section in accounting policy 5 – Financial instruments.
[4] Share-based payment reserve: refer to accounting policy 17 – Equity-linked transactions.
[5] Ordinary shareholder's equity: group has no minority shareholders.
All balances are stated net of applicable tax.

Foreign currency translation reserve[1] Rm	Cash flow hedging reserve[2] Rm	Available-for-sale reserve[3] Rm	Share-based payment reserve[4] Rm	Retained earnings Rm	Ordinary shareholder's equity[5] Rm
17	(122)	243	368	11 270	33 066
213	354	52		8 783	9 402
				8 783	8 783
213	354	52			619
			(8)	(4 886)	(3 394)
			78		78
			(86)	86	
				(22)	(22)
					1 500
				(4 950)	(4 950)
230	232	295	360	15 167	39 074
230	**232**	**295**	**360**	**15 167**	**39 074**
(162)	**(137)**	**(60)**		**8 180**	**7 821**
				8 180	**8 180**
(162)	**(137)**	**(60)**			**(359)**
			(59)	**(4 177)**	**(2 736)**
			29		**29**
			(88)	**88**	
				35	**35**
					1 500
				(4 300)	**(4 300)**
68	**95**	**235**	**301**	**19 170**	**44 159**

Annual financial statements

Statements of changes in equity continued

for the year ended 31 December 2009

	Note	Ordinary share capital and premium Rm
Company		
Balance at 1 January 2008		21 290
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income after tax for the year		
Transactions with the owner, recorded directly in equity		1 500
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Issue of share capital and share premium	14	1 500
Dividends paid	29	
Balance at 31 December 2008		22 790
Balance at 1 January 2009		**22 790**
Total comprehensive (loss)/income for the year		
Profit for the year		
Other comprehensive (loss)/income after tax for the year		
Transactions with the owner, recorded directly in equity		**1 500**
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Issue of share capital and share premium	14	**1 500**
Dividends paid	29	
Balance at 31 December 2009		**24 290**

Details relating to each reserve are provided in the accounting policy and notes described below:

[1] Foreign currency translation reserve: refer to accounting policy 3 – Foreign currency translations.
[2] Cash flow hedging reserve: refer to the cash flow hedges section in accounting policy 5 – Financial instruments.
[3] Available-for-sale reserve: refer to the available-for-sale section in accounting policy 5 – Financial instruments.
[4] Share-based payment reserve: refer to accounting policy 17 – Equity-linked transactions.
All balances are stated net of applicable tax.

Foreign currency translation reserve[1] Rm	Cash flow hedging reserve[2] Rm	Available-for-sale reserve[3] Rm	Share-based payment reserve[4] Rm	Retained earnings Rm	Ordinary shareholder's equity Rm
(5)	(122)	243	364	10 530	32 300
182	354	52		8 772	9 360
				8 772	8 772
182	354	52			588
			(8)	(4 864)	(3 372)
			78		78
			(86)	86	
					1 500
				(4 950)	(4 950)
177	232	295	356	14 438	38 288
177	**232**	**295**	**356**	**14 438**	**38 288**
(140)	**(137)**	**(60)**		**8 027**	**7 690**
				8 027	**8 027**
(140)	**(137)**	**(60)**			**(337)**
			(59)	**(4 212)**	**(2 771)**
			29		**29**
			(88)	**88**	
					1 500
				(4 300)	**(4 300)**
37	**95**	**235**	**297**	**18 253**	**43 207**

Statements of cash flows

for the year ended 31 December 2009

		Group		Company	
	Note	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Net cash flows from operating activities		**2 477**	6 868	**2 449**	6 998
Cash flows used in operations		**(15 651)**	(11 027)	**(15 302)**	(10 568)
Income before share of profit from associates and joint ventures		**11 010**	11 207	**10 619**	11 334
Adjusted for:		**(11 520)**	(11 605)	**(11 054)**	(11 546)
Amortisation and impairment of intangible assets	24.9	**246**	213	**246**	213
Credit impairment charges on loans and advances	24.7	**9 831**	10 015	**9 744**	9 770
Depreciation and impairment of property and equipment	24.9	**1 015**	937	**1 007**	930
Discount element recognised from credit impairment for loans and advances	24.1	**(1 655)**	(958)	**(1 632)**	(945)
Dividends included in trading revenue	24.5	**(189)**	(267)	**(189)**	(267)
Equity-settled share-based payments	24.8	**29**	78	**29**	78
Fair value adjustments on dated financial instruments	24.1	**933**	(1 833)	**914**	(1 896)
Impairments of associates	10.2		68	**198**	68
Indirect taxation	26.1	**(582)**	(600)	**(581)**	(598)
Interest expense		**46 333**	61 294	**44 701**	59 101
Interest income		**(66 848)**	(81 170)	**(64 860)**	(78 617)
Net provision released for post-employment benefits	18.2	**(194)**	(76)	**(194)**	(76)
Non-cash flow movements on bonds		**(380)**	732	**(380)**	732
Profit on sale of property and equipment	24.9	**(36)**	(13)	**(35)**	(13)
Recoveries on motor vehicle disposals	24.9	**(23)**	(25)	**(22)**	(26)
Reduction/(increase) in income-earning assets	30.1	**13 730**	(115 336)	**8 859**	(119 647)
(Reduction)/increase in deposits and other liabilities	30.2	**(28 871)**	104 707	**(23 726)**	109 291
Dividends received		**1 958**	1 940	**1 841**	1 860
Interest paid		**(46 333)**	(61 294)	**(44 701)**	(59 101)
Interest received		**65 196**	79 577	**63 208**	77 024
Direct taxation paid	30.3	**(2 693)**	(2 328)	**(2 597)**	(2 217)
Net cash flows used in investing activities		**(2 977)**	(2 462)	**(2 971)**	(2 561)
Capital expenditure on – property	12	**(411)**	(281)	**(412)**	(280)
– equipment, furniture and vehicles	12	**(1 502)**	(1 411)	**(1 492)**	(1 399)
– intangible assets	11	**(1 266)**	(1 132)	**(1 266)**	(1 132)
Proceeds from sales of – property and equipment		**47**	27	**46**	25
– vehicles		**50**	59	**48**	59
– intangible assets		**104**	372	**104**	279
Net reduction/(increase) in investment in associates		**1**	(96)	**1**	(113)
Net cash flows from/(used in) financing activities		**1 585**	(5 358)	**1 585**	(5 358)
Proceeds from issue of share capital to the shareholder	30.4	**1 500**	1 500	**1 500**	1 500
Net increase/(decrease) in subordinated debt		**4 385**	(1 908)	**4 385**	(1 908)
Dividends paid	30.5	**(4 300)**	(4 950)	**(4 300)**	(4 950)
Effects of exchange rate changes		**(162)**	213	**(140)**	182
Net increase/(decrease) in cash and cash equivalents		**923**	(739)	**923**	(739)
Cash and cash equivalents at beginning of the year		**13 547**	14 286	**13 547**	14 286
Cash and cash equivalents at end of the year	3	**14 470**	13 547	**14 470**	13 547

Accounting policies

The principal accounting policies applied in the presentation of the financial statements are set out below.

1. Basis of preparation

The consolidated and company financial statements (financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act. The 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 at fair value through profit or loss and liabilities for cash-settled share-based payment arrangements, are measured at fair value; and
- post-employment benefit obligations are measured in terms of the projected unit credit method.

The group[1] has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- transactions with minority shareholders are treated as transactions with equity holders and accounted for directly in equity (accounting policy 2);
- regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 5);
- cumulative gains and losses recognised in other comprehensive income in terms of a cash flow hedge relationship are transferred from other comprehensive income and included in the initial measurement of the non-financial asset or liability (accounting policy 5);
- jointly controlled entities are accounted for using the equity method (accounting policy 6);
- property and equipment are accounted for using the cost model (accounting policy 8); and
- unrecognised actuarial gains or losses on post-employment benefits are recognised in profit or loss over a period not exceeding the expected average remaining working life of active employees (accounting policy 13).

Changes in accounting policies

The accounting policies are consistent with those adopted in the previous year, except for the following:

[1] *All references to group hereafter include the company financial statements, where applicable.*

Adoption of new standards and interpretations effective for the current financial year

The group has adopted the following new and amended IFRSs as of 1 January 2009 that have had an effect on the group's financial statements:

- *Revised IAS 1 Presentation of Financial Statements*

  As a result of adopting this revised standard, the group presents all owner changes in equity in the statement of changes in equity. All non-owner changes in equity are presented in the income statement and the statement of comprehensive income.

Comparative information has been re-presented to conform with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- Amendments to IFRS 7 *Improving Disclosures about Financial Instruments*

  The amendments require enhanced fair value measurement and liquidity risk disclosures. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy (refer to note 21).

  In accordance with the relevant transitional provisions, comparative disclosures for 2008 have not been presented. This has resulted only in additional disclosures being provided in 2009 and there is no impact on earnings per share.

The group has also adopted all other effective new and amended IFRSs (not previously early adopted) as of 1 January 2009, with no material impact on the group's accounting policies or results and no restatement of prior period results.

Early adoption of new standards and interpretations

The group has early adopted the following new and amended IFRSs as of 1 January 2009, with no material impact on the group's accounting policies or results and no restatement of prior period results:

- *Improvements to IFRSs 2009* (with the exception of those listed under new standards and interpretations not yet adopted);
- Revised IFRS 1 *First-Time Adoption of International Financial Reporting Standards;*
- Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;*

- Amendments to IFRS 1 *Additional Exemptions for First-time Adopters;*
- Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions;*
- Amendments to IAS 39 *Eligible Hedged Items*;
- Amendments to IAS 32 *Classification of Rights Issues;*
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement;*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*; and
- AC 504 IAS 19 (AC 116) *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment*.

2. Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are consolidated from the date on which the group acquires control, up to the date that control ceases. For this purpose, subsidiaries are entities over which the group, directly or indirectly, has the power to govern the financial and operating policies to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of an acquisition over the group's share of the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy 7 – *Intangible assets*. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference, referred to as negative goodwill, is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains and 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.

Accounting policies of subsidiaries conform to the policies adopted by the group.

Investments in subsidiaries are accounted for at cost less impairment losses in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary.

Special purpose entities

Special purpose entities are entities created to accomplish a narrow and well-defined objective such as the securitisation of financial assets. These entities may take different legal forms. A special purpose entity, including a securitisation vehicle, is consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group controls the entity.

3. Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated and company financial statements are presented in rand, which is the functional currency of The Standard Bank of South Africa Limited. All amounts are stated in millions of rand (Rm), unless indicated otherwise.

Group companies

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

- assets and liabilities (including goodwill and fair value adjustments arising on acquisition) are translated at the closing rate on the reporting date;
- income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate actual rates; and
- all resulting foreign exchange differences are accounted for directly in a separate component of other comprehensive income, being the foreign currency translation reserve.

On the partial disposal of a foreign operation, where control is not lost, a proportionate share of the balance of the foreign currency translation reserve is transferred to the same reserve in which the profit or loss on partial disposal is recognised. On disposal of a foreign operation, the relevant amount in the foreign currency translation reserve is transferred to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of group entities at exchange rates prevailing at the date of the transactions. 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 other comprehensive income as qualifying cash flow hedges and qualifying 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 differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign exchange gains and losses on equities classified as available-for-sale financial assets are included in the available-for-sale reserve in other comprehensive income whereas the exchange differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in the group's foreign currency translation reserve. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or when the foreign operation is disposed. In the company financial statements, these gains and losses are recognised in profit or loss.

4. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows consist of cash and balances with central banks. Cash and balances with central banks comprise coins and bank notes and balances with central banks.

5. Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

Held-to-maturity

Held-to-maturity investments are 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. Were the group to sell more than an insignificant amount of held-to-maturity assets, 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 other comprehensive income.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any impairment losses.

Trading assets and liabilities

Trading assets and liabilities are either those financial assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term, or those forming 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. Derivatives are also categorised as held-for-trading, unless they are designated as hedging instruments.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes in fair value are recognised in profit or loss as trading revenue under non-interest revenue.

Interest earned and dividends received on trading assets are included in trading revenue.

Financial assets and liabilities designated at fair value through profit or loss

The group designates certain financial assets and liabilities, other than those held for trading, as at fair value through profit or loss when:

- this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. Under this criterion, the main classes of financial instruments designated by the group are loans and advances to customers and debt securities in issue. The designation significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortised cost; or
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and reported to the group's key management personnel on a fair value basis. Under this criterion, certain private equity and other investment portfolios have been designated at fair value through profit or loss; or
- financial instruments contain one or more embedded derivatives that significantly modify the instruments' cash flows.

The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are remeasured at each reporting date. Gains and losses arising from changes in fair value are recognised in interest income (expense) for all dated financial assets (financial liabilities) and in other revenue within non-interest revenue for all undated financial assets.

Private equity and property equity investments designated at fair value through profit or loss, in terms of the scope exemption in IAS 28 *Investments in Associates,* are accounted for in the designated at fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the group as at fair value through profit or loss or available-for-sale. This category includes purchased loans.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the group's advances are included in the loans and receivables category.

Available-for-sale

Financial assets classified by the group as available-for-sale are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not designated as another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When dated (undated) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in other comprehensive income are transferred to interest income or other revenue.

Interest income, calculated using the effective interest method, is recognised in profit or loss. Dividends received on available-for-sale instruments are recognised in profit or loss when the group's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt instruments are recognised in profit or loss.

Reclassification of financial assets

The group may choose to reclassify non-derivative trading assets out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date with prospective effect. 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 increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, such as the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

When such valuation models, with only observable market data as inputs, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. 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, depending on the nature of the instrument and availability of market observable inputs.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined using applicable valuation techniques. These include the use of recent arm's-length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for a financial asset with similar terms and conditions.

Where the fair value of investments in unquoted equity instruments and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are unable to be reliably determined, those instruments are measured at cost less impairment losses.

Impairment losses on financial assets measured at cost are not reversed.

Impairment of financial assets

Assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that loss event had a negative effect on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. The impairment of non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to the present value of 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 asset is reduced through the use of an allowance account and the loss is recognised as a credit impairment in profit or loss.

If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Impairment of performing loans is only recognised if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset but before the reporting date. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods. Loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss.

Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent recoveries of previously written off advances are recognised in profit or loss.

Subsequent to impairment, the effects of discounting unwind over time as interest income.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant, and whose terms have been renegotiated and exhibit the characteristics of a performing loan are no longer considered to be past due but are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered impaired or past due.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, 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 transferred from other comprehensive income to profit or loss.

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 in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. An impairment loss in respect of an available-for-sale equity instrument is not reversed through profit or loss but accounted for directly in other comprehensive income.

Offsetting financial instruments

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 on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to an underlying variable, requires little or no initial net investment and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the heading "Fair value" on page 69.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described under the heading "Offsetting financial instruments".

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 financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

The method of recognising fair value gains and losses depends on whether derivatives are held-for-trading or are designated as hedging instruments, and if so, the nature of the hedge relationship. All gains and losses from changes in the fair value of derivatives that are classified as held-for-trading are recognised in profit or loss as trading revenue. When derivatives are designated in a hedge relationship, the group designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- hedges of net investments in a foreign operation (net investment hedge).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The group documents, at the inception of the hedge relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships.

The group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

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 also recognised in the same line item in profit or loss as the related hedged item.

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 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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve. The ineffective part of any gain or loss is recognised immediately in profit or loss as trading revenue.

Amounts recognised in other comprehensive income 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 other comprehensive income are transferred and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, then the cumulative gains or losses recognised in other comprehensive income remain in other comprehensive income 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 or losses recognised in other comprehensive income are immediately transferred to profit or loss and classified as trading revenue.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as trading revenue.

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date, at the occurrence of a contingent future event, at the option of the shareholder or if dividend payments are not discretionary, are classified as financial liabilities or compound financial instruments. All other preference shares are classified as equity.

Dividends on preference shares classified as financial liabilities are accounted for as interest on an amortised cost basis using the effective interest method.

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 liabilities are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

Derecognition of financial instruments

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 transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Financial liabilities are derecognised when they are extinguished, such as when the obligation is discharged, cancelled or expires.

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 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, it derecognises the asset 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.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked 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.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed are not recognised in the 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 on an accrual basis over the period of the transactions.

6. Interest in associates and joint ventures

Associates and jointly controlled entities

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence generally accompanies, but is not limited to, a shareholding of between 20% and 50% of the voting rights.

A jointly controlled entity is one where a contractual arrangement establishes joint control over the economic activity of the entity.

Interests in associates and jointly controlled entities are accounted for using the equity method and are measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the associate or jointly controlled entity (including goodwill).

Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the group's share of the associates' and jointly controlled entities' income and expenses and other comprehensive income. Equity accounting of losses in associates and jointly controlled entities 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 jointly controlled entity. Unrealised intra-group profits 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.

Equity accounting is applied from the date on which the entity becomes an associate or jointly controlled entity, up to the date on which it ceases to be an associate or jointly controlled entity. The financial results of associates and joint ventures are changed where accounting policies differ to ensure consistency with the policies of the group.

Private equity and property equity investments, which are associates, are either designated on initial recognition at fair value through profit or loss, or equity accounted.

Investments in associates and jointly controlled entities are accounted for at cost less impairment losses in the company financial statements.

Jointly controlled operations

Jointly controlled operations exist where two or more venturers combine their operations, resources or expertise to market or distribute jointly a particular product. Each venturer recognises the assets it controls, the liabilities and expenses that it incurs, and its share of the gains and losses in respect of its interest in the joint venture.

7. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Acquisition costs include any directly attributable transaction costs.

Goodwill is not amortised, but allocated to cash-generating units and tested annually for impairment. Negative goodwill is recognised as income in profit or loss in the period in which it arises. Gains or losses on the disposal of an entity are determined after taking into account the carrying amount of goodwill, if any, relating to the entity sold.

Computer software

Generally, costs associated with developing or maintaining computer software programmes and the acquisition of software licences are 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. Capitalisation is further limited to development costs where the group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to 10 years), and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Other intangible assets

The group recognises the costs incurred on internally generated intangible assets, such as brands, customer lists, customer contracts and similar rights and assets, in profit or loss as incurred. Prepayment assets are recognised for advertising or promotional expenditure until the group has obtained the right to access the goods purchased or received the services.

The group capitalises brands, customer lists, customer contracts and similar rights acquired in business combinations.

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, not exceeding 20 years, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

8. Property and equipment

Equipment and owner-occupied properties

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs are either included in the asset's carrying amount or 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 profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in profit or loss.

Owner-occupied properties are held for use in the supply of services or for administrative purposes. Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold buildings are depreciated over the period of the lease or over a lesser period, as is considered appropriate.

The assets' residual values and useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.

The estimated useful lives of tangible assets for the current financial year are as follows:

Property	– 40 years
Computer equipment	– 3 to 5 years
Motor vehicles	– 5 years
Office equipment	– 5 to 10 years
Furniture and fittings	– 5 to 13 years
Capitalised leased assets	– over the shorter of the lease term or its useful life

There has been no change to the estimated useful lives from those applied in the previous financial year.

9. Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, such as assets that necessarily take a substantial period of time to get ready for their intended use or sale and are neither measured at fair value nor inventories that are produced in large quantities on a repetitive basis, are capitalised. All other borrowing costs are recognised in profit or loss.

10. Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are tested annually for impairment. Intangible assets that are subject to amortisation and other non-financial 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 profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is 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 levels for which there are separately identifiable cash inflows from continuing use (cash-generating units).

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, 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 profit or loss 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.

11. Leases

Group as lessee

Leases, where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are 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. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Lease and instalment sale contracts are primarily financing transactions, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances in the statement of financial position.

Finance charges earned are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return. The benefits arising from investment allowances on assets leased to clients are accounted for in tax.

Leases of assets under which the group retains a significant portion of the risks and rewards of ownership are classified as operating leases.

When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of a penalty is recognised as income in the period in which termination takes place.

12. Provisions and contingent liabilities

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.

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.

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 liabilities include certain guarantees, other than financial guarantees, and letters of credit pledged as collateral security. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

13. Employee benefits

Post-employment benefits

Defined contribution plan

The group operates a defined contribution plan, based on a percentage of pensionable earnings funded by both the employer companies and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to this plan are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plan

The group also operates a defined benefit plan, with membership generally limited to employees who were in employment of the various companies at a specified date. This fund is governed by the Pension Funds Act of 1956. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. A statutory actuarial valuation is required every three years using the projected unit credit method. An interim valuation is also performed annually at the financial year end.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is measured at the present value of the estimated future cash outflows, using interest rates of government bonds with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs.

The group's current service costs are recognised as expenses in the current year. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised in profit or loss in the current year to the extent that they relate to vested benefits of retired employees or past service. For active employees, these items are recognised in profit or loss systematically over a period not exceeding the expected remaining service period of employees.

The group operates an unfunded post-employment medical aid scheme, with membership limited to employees who were retired or in the employment of the various companies at a specified date and complying with specific criteria. For past service, the group recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions using the projected unit credit method. Independent qualified actuaries carry out annual valuations of these obligations. Unrecognised actuarial gains or losses are accounted for over a period not exceeding the remaining working life of active employees.

Actuarial gains or losses in respect of vested benefits of retired employees are recognised immediately in profit or loss.

Termination benefits

Termination benefits are recognised as an expense when the group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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.

14. Tax

Normal tax

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and jointly controlled entities where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred 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.

Secondary tax on companies (STC)

To the extent that it is probable that dividends will be declared against which unused STC credits can be utilised, a deferred tax asset is recognised for STC credits.

The STC effect of dividends paid on equity instruments is recognised in the period in which the company declares the dividend. For financial instruments, such as redeemable preference shares that are classified as liabilities, the STC relating to any contractual payments is accrued in the same period as the interest accrual.

Indirect tax

Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties are disclosed separately in the income statement.

15. Non-current assets held-for-sale and disposal groups

Non-current assets or disposal groups, comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use, are classified as held-for-sale.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the group's accounting policies. Thereafter, the assets, or components of a disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

16. Equity

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends on ordinary shares

Dividends are recognised in equity in the period in which they are declared. Dividends declared after the reporting date are disclosed in the dividends note.

17. Equity-linked transactions

Equity compensation plans

The group operates both equity-settled and cash-settled share-based compensation plans. All share options issued after 7 November 2002 that had not vested by 31 December 2004 are accounted for as share-based payment transactions.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions 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 income and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

Equity participation plans

Equity participation rights issued in terms of the group's Tutuwa initiative to black managers had not vested by 31 December 2004 and are accounted for as equity-settled share-based payment transactions as described under equity compensation plans above.

18. Revenue and expenditure

Revenue comprises interest income, fee and commission revenue and other non-interest revenue.

Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 9 – *Capitalisation of borrowing costs*) are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. 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 or receipts on financial assets (except those that have been reclassified – refer to accounting policy 5 – *Financial instruments*) are subsequently revised, the carrying amount of the financial asset is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset's original effective interest rate. Any adjustment to the carrying value is recognised in interest income.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate. Gains and losses on the disposal of dated financial instruments, including amounts removed from other comprehensive income in respect of available-for-sale financial assets, and excluding those classified as held-for-trading, are included in net interest income.

Dividends received on preference share investments form part of the group's lending activities and are included in interest income.

Non-interest revenue

Net fee and commission revenue

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commission, placement fees and syndication 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 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 expense 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.

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, gains and losses on realised undated available-for-sale financial assets and dividends relating to those financial instruments.

Net income from financial instruments designated at fair value includes all gains and losses from changes in the fair value of undated financial assets and liabilities designated at fair value through profit or loss, including dividend income arising on these financial instruments.

Gains and losses on undated available-for-sale financial assets are transferred from other comprehensive income to profit or loss on realisation of the investments. Dividends on these instruments are recognised in profit or loss.

Gains and losses on all other undated financial instruments that are not held-for-trading, are recognised in other revenue.

Dividend income

Dividends are recognised in profit or loss when the right to receipt is established. Scrip dividends are recognised as dividends received to the extent that they compare to cash dividends.

19. 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 management. Transactions between segments are priced at market-related rates.

20. Fiduciary activities

The group commonly acts as trustees and in other fiduciary capacities 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 thereon are excluded from these financial statements as they are not assets of the group.

21. Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation, in the current year. Refer to note 1 *Segment reporting*.

New standards and interpretations not yet adopted

The following new/revised standards and amendments are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these financial statements:

Pronouncement	Title	Effective date[1]
IFRS 3 (revised)	*Business Combinations* The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through profit or loss. There is a choice, on an acquisition-by-acquisition basis to measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets. All acquisition-related costs will be recognised in profit or loss immediately. The revised IFRS 3 will be applied prospectively to all business combinations from 1 January 2010. The effect on the financial statements will be a function of the number and value of any business combinations transacted from this date.	Annual periods beginning on or after 1 July 2009
IAS 27 (amendments)	*Consolidated and Separate Financial Statements* The amendments require changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity. This is consistent with the group's current accounting policy for such transactions. The amendments also specify that when control is lost, any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. These requirements will be applied prospectively to transactions with non-controlling interests from 1 January 2010.	Annual periods beginning on or after 1 July 2009
IAS 24 (revised)	*Related Party Disclosures* The revised standard contains an amended definition of related parties and includes disclosure requirements for commitments between related parties. The revised standard will be applied retrospectively and may result in additional related party disclosures.	Annual periods beginning on or after 1 January 2011
IFRS 9	*Financial Instruments* This standard forms part of the IASB's project to replace the existing standard on the recognition and measurement of financial instruments. The standard defines two measurement categories for financial assets: amortised cost and fair value. A financial asset may only be measured at amortised cost if it has basic loan features and is managed on a contractual yield basis. The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income. The standard will be applied retrospectively, subject to the standard's transitional provisions. The impact on the financial statements has not yet been estimated.	Annual periods beginning on or after 1 January 2013

[1] *It is expected that the group and company, where applicable, will adopt these requirements only when effective.*

The following interpretation and amendments are also not yet effective for the year ended 31 December 2009 and have not been applied in preparing these financial statements. None of these is expected to have a significant impact on the financial statements when adopted:

Pronouncement	Title	Effective date
IFRIC 17	*Distributions of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs 2008	Amendments to the following standard: → IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs 2009	Amendments to the following pronouncements:	
	→ IFRS 2 *Share-based Payment* and the revised IFRS 3 *Business Combinations*;	Annual periods beginning on or after 1 July 2009
	→ IAS 17 *Leases*;	Annual periods beginning on or after 1 January 2010
	→ IAS 38 *Intangible Assets* (additional consequential amendments arising from the revised IFRS 3);	Annual periods beginning on or after 1 July 2009
	→ IAS 39 *Financial Instruments: Recognition and Measurement* (scope exemption for business contracts); and	Annual periods beginning on or after 1 January 2010
	→ IFRIC 9 *Reassessment of Embedded Derivatives*.	Annual periods beginning on or after 1 July 2009

1. Segment reporting

The principle business units for the group are as follows:

Business unit	Scope of operations
Personal & Business Banking	Banking and other financial services to individual customers and small- to medium-sized enterprises. Mortgage lending – residential accommodation loans mainly to personal market customers. Instalment sale and finance leases – instalment finance to personal market customers. Finance of vehicles and equipment in the business market. Card products – credit card facilities to individuals and businesses (credit card issuing) and merchant transaction acquiring services (card acquiring). Transactional and lending products – transactions in products associated with the various point of contact channels such as ATMs, internet, telephone banking and branches. This includes deposit-taking activities, electronic banking, cheque accounts and other lending products, coupled with debit card facilities to both personal and business market customers. Bancassurance – short-term and long-term insurance products and financial planning services.
Corporate & Investment Banking	Corporate and investment banking services to larger corporates, financial institutions and international counterparties. Global markets – includes foreign exchange, commodities, credit and interest rates, and equities trading. Transactional products and services – includes transactional banking and investor services. Investment banking – equity investment, advisory, project finance, structured finance, structured trade finance, corporate lending, primary markets, acquisition and black economic empowerment finance, property finance and the asset and wealth management units.
Other services	Support functions to business units and advisory services, including Global Leadership Centre, activities and taxes not allocated to business segments and inter-segment eliminations.

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

Where reporting responsibility for individual divisions within business units changes, the segmental analysis is reclassified accordingly.

	Personal & Business Banking	
	2009 Rm	2008 Rm
1. Segment reporting continued		
Group		
Net interest income	**15 877**	16 307
Non-interest revenue	**11 464**	10 778
Net fee and commission revenue	**11 071**	10 216
Trading revenue		
Other revenue	**393**	562
Total income	**27 341**	27 085
Credit impairment charges	**9 418**	9 056
Income after credit impairment charges	**17 923**	18 029
Operating expenses	**13 252**	12 404
Staff costs	**6 556**	6 244
Other operating expenses	**6 696**	6 160
Net income	**4 671**	5 625
Share of (losses)/profits from associates and joint ventures	**(256)**	19
Net income before indirect taxation	**4 415**	5 644
Indirect taxation	**447**	452
Profit before direct taxation	**3 968**	5 192
Direct taxation	**1 224**	1 521
Profit attributable to the ordinary shareholder	**2 744**	3 671
Headline earnings	**3 126**	3 796
Operating information		
Total assets	**357 851**	365 157
Total liabilities	**340 034**	346 984
Other information		
Interest in associates and joint ventures	**644**	984
Depreciation and amortisation	**989**	840
Impairments of intangible assets	**84**	104

Corporate & Investment Banking		Other services		Total	
2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
5 064	5 089	**559**	459	**21 500**	21 855
5 827	5 350	**336**	359	**17 627**	16 487
2 323	2 348	**(114)**	(86)	**13 280**	12 478
2 905	2 645	**56**	42	**2 961**	2 687
599	357	**394**	403	**1 386**	1 322
10 891	10 439	**895**	818	**39 127**	38 342
906	459	**(493)**	500	**9 831**	10 015
9 985	9 980	**1 388**	318	**29 296**	28 327
4 553	4 016	**481**	700	**18 286**	17 120
2 517	2 245	**601**	876	**9 674**	9 365
2 036	1 771	**(120)**	(176)	**8 612**	7 755
5 432	5 964	**907**	(382)	**11 010**	11 207
151	146	**1**		**(104)**	165
5 583	6 110	**908**	(382)	**10 906**	11 372
84	78	**51**	70	**582**	600
5 499	6 032	**857**	(452)	**10 324**	10 772
732	964	**188**	(496)	**2 144**	1 989
4 767	5 068	**669**	44	**8 180**	8 783
4 690	5 068	**625**	(72)	**8 441**	8 792
475 468	546 979	**3 896**	(2 818)	**837 215**	909 318
461 810	535 483	**(8 788)**	(12 223)	**793 056**	870 244
635	549	**15**	11	**1 294**	1 544
98	99	**79**	107	**1 166**	1 046
		11		**95**	104

2. Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could 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.

2.1 Credit impairment losses on loans and advances

Performing loans

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. At year end, the group applied the following loss emergence periods:

	Average loss emergence period		Sensitivity[1]	
	2009 Months	2008 Months	**2009 Rm**	2008 Rm
Personal & Business Banking	**3**	3	**308**	300
Mortgage lending	**3**	3	**70**	27
Instalment sale and finance leases	**3**	3	**88**	50
Card debtors[2]	**3**	3	**67**	141
Other lending	**3**	3	**83**	82
Corporate & Investment Banking	**12**	12	**77**	100
			385	400

[1] Sensitivity is based on the effect of a change of one month in the emergence period on the value of the impairment.
[2] The decrease in the sensitivity in card debtors is due to a decline in the average loss given default (LGD) applied for impairment purposes, principally as a result of an increase in the expected recovery period.

Non-performing loans

Retail loans are individually impaired if the amounts are due and unpaid for three or more months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individual 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 security and recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

	Expected time to recovery		Expected recoveries as a percentage of impaired loans		Impairment loss sensitivity[1]	
	2009 Months	2008 Months	**2009 %**	2008 %	**2009 Rm**	2008 Rm
Personal & Business Banking	**5 – 15**	0 – 16	**71**	69	**240**	145
Mortgage lending	**10**	12	**82**	80	**211**	129
Instalment sale and finance leases	**5**	6	**47**	39	**15**	9
Card debtors	**15**	0	**26**	22	**4**	2
Other lending	**14**	16	**31**	27	**10**	5
Corporate & Investment Banking	**12**	12	**63**	61	**14**	2
			70	69	**254**	147

[1] Sensitivity is based on the effect of a change of one percentage point in the value of the estimated recovery on the value of the impairment.

2. Key management assumptions continued

2.2 Fair value of financial instruments

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, that are not quoted in active markets are determined by using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

The total amount of the change in fair value estimated using a valuation technique not based on observable market data that was recognised in profit or loss for the year ended 31 December 2009 was a profit of R81 million (2008: R395 million loss) for the group and a profit of R81 million (2008: R302 million loss) for the company.

Amendments to IFRS 7, issued in March 2009, require enhanced disclosures about fair value measurements of financial instruments. The additional disclosures are set out in note 21.

2.3 Impairment of available-for-sale equity investments

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

Had the declines of financial instruments with fair values below cost been considered significant or prolonged, the group and company would suffer an additional loss of R23 million (2008: R23 million) in its financial statements, being the transfer of the negative revaluations within available-for-sale reserves to the statement of comprehensive income.

2.4 Securitisations and special purpose entities

The group sponsors the formation of special purpose entities (SPEs) primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying or selling credit protection. The group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the group controls an SPE, it makes judgements about its exposure to the risks and rewards, as well as its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately.

The group consolidated SPEs with assets of R21 821 million (2008: R28 150 million) and R96 million profit (2008: R139 million loss). Further details regarding these SPEs can be found in annexure A on page 144. The group has not consolidated SPEs with assets of R3 143 million (2008: R3 345 million) and no profit (2008: Rnil) as these entities were not considered to be controlled by the group.

2.5 Held-to-maturity investments

The group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement of the group's ability to hold such investments to maturity. If the group fails to keep these investments to maturity other than for specific defined circumstances, it will be required to classify the entire category as available-for-sale. The investment would be measured at fair value and not amortised cost. If the entire category of held-to-maturity investments were tainted, the carrying value would increase by R46 million (2008: Rnil), for the group and company with a corresponding entry in the available-for-sale reserve in shareholder's equity.

2.6 Income taxes

The group is subject to direct and indirect taxation in a number of jurisdictions. There are many transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum 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 expense in the period in which such determination is made.

		Group		Company	
		2009 **Rm**	2008 Rm	**2009** **Rm**	2008 Rm
3.	**Cash and balances with the central bank**				
	Coins and bank notes	**4 779**	4 469	**4 778**	4 469
	Balances with the central bank	**9 691**	9 078	**9 692**	9 078
		14 470	13 547	**14 470**	13 547

Deposits are placed with the central bank for the purpose of reserve requirements and are therefore not available for use.

4. Derivative instruments

All derivatives are classified as either derivatives held-for-trading or derivatives held-for-hedging.

4.1 Fair values

The fair value of a derivative financial instrument represents, for quoted instruments, the quoted market price and for unquoted instruments, the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly marketplace transaction at year end.

4.2 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the group's participation in derivative contracts.

4. Derivative instruments continued

4.3 Derivative assets and liabilities

	Maturity analysis of net fair value						
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2009							
Group							
Derivatives held-for-trading							
Foreign exchange derivatives	1 551	1 059	55	2 665	20 432	(17 767)	355 095
Forwards	5 443	2 099	55	7 597	20 014	(12 417)	318 166
Futures	(12)	(1)		(13)	36	(49)	6 645
Options	(3 880)	(1 039)		(4 919)	382	(5 301)	30 284
Interest rate derivatives	1 171	(2 014)	(1 105)	(1 948)	94 383	(96 331)	3 576 339
Bond options	52	(664)	(1)	(613)	1 376	(1 989)	28 525
Caps and floors	1	2	36	39	149	(110)	55 305
Forwards	36	12		48	1 015	(967)	991 538
Swaps	1 064	(1 419)	(1 161)	(1 516)	91 645	(93 161)	2 488 682
Swaptions	18	55	21	94	198	(104)	12 289
Commodity derivatives	(134)	(412)	691	145	3 382	(3 237)	41 984
Forwards	(289)	(997)	691	(595)	1 789	(2 384)	22 350
Futures	1			1	6	(5)	1 962
Options	154	585		739	1 587	(848)	17 672
Credit derivatives							
Credit default swaps	68	52	16	136	707	(571)	18 861
Equity derivatives	(235)	(226)		(461)	2 761	(3 222)	296 250
Forwards	(64)	(37)		(101)	97	(198)	1 894
Futures	81	(8)		73	132	(59)	17 634
Index options	(216)	(147)		(363)	2 282	(2 645)	258 823
Options	(63)	(67)		(130)	155	(285)	12 502
Swaps	2	9		11	26	(15)	1 105
Other	25	24		49	69	(20)	4 292
Total derivative assets/ (liabilities) held-for-trading	2 421	(1 541)	(343)	537	121 665	(121 128)	4 288 529
Derivatives held-for-hedging							
Derivatives designated as fair value hedges	1 395	111	(918)	588	617	(29)	100 972
Currency futures	1	1		2	2		2 280
Interest rate swaps	1 394	110	(918)	586	615	(29)	98 692
Derivatives designated as cash flow hedges	(11)	149	42	180	180		2 544
Currency swaps	(11)	120	42	151	151		2 489
Forwards		29		29	29		55
Total derivative assets/ (liabilities) held-for-hedging	1 384	260	(876)	768	797	(29)	103 516
Total derivative assets/ (liabilities)	3 805	(1 281)	(1 219)	1 305	122 462	(121 157)	4 392 045

4. Derivative instruments continued

4.3 Derivative assets and liabilities continued

	Maturity analysis of net fair value						
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2008							
Group							
Derivatives held-for-trading							
Foreign exchange derivatives	(2 661)	(1 425)	(9)	(4 095)	26 879	(30 974)	513 383
Forwards	588	(12)	(5)	571	25 192	(24 621)	474 952
Futures	51	(38)	(4)	9	9		22
Options	(3 300)	(1 375)		(4 675)	1 678	(6 353)	38 409
Interest rate derivatives	1 197	(2 369)	(1 546)	(2 718)	127 308	(130 026)	4 119 208
Bond options	(25)	(656)	22	(659)	2 631	(3 290)	114 168
Caps and floors	(19)	(3)	38	16	183	(167)	40 676
Forwards	(245)	(77)		(322)	2 808	(3 130)	1 337 316
Future options					37	(37)	
Swaps	1 436	(1 682)	(1 482)	(1 728)	121 293	(123 021)	2 606 476
Swaptions	50	49	(124)	(25)	356	(381)	20 572
Commodity derivatives	(1 560)	(604)	116	(2 048)	4 337	(6 385)	14 884
Forwards	(1 427)	(877)	(11)	(2 315)	2 198	(4 513)	13 984
Options	(133)	273	127	267	2 139	(1 872)	900
Credit derivatives	(145)	(525)	(6)	(676)	466	(1 142)	7 225
Credit default swaps	(145)	(525)	(6)	(676)	464	(1 140)	7 205
Total return swaps					2	(2)	20
Equity derivatives	(478)	(759)		(1 237)	2 619	(3 856)	426 893
Forwards	91	141		232	245	(13)	1 572
Futures	5	(3)		2	276	(274)	52 486
Index options	(335)	(302)		(637)	1 868	(2 505)	362 274
Options	(240)	(499)		(739)	170	(909)	9 317
Swaps	4	(39)		(35)	10	(45)	1 244
Other	(3)	(57)		(60)	50	(110)	
Total derivative (liabilities)/ assets held-for-trading	(3 647)	(5 682)	(1 445)	(10 774)	161 609	(172 383)	5 081 593
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	913	577	(184)	1 306	1 306		95 658
Derivatives designated as cash flow hedges	76	1 243	(53)	1 266	1 627	(361)	4 321
Currency swaps		1 092		1 092	1 092		2 548
Forwards	76	74		150	150		
Interest rate swaps		77	(53)	24	385	(361)	1 773
Total derivative assets/ (liabilities) held-for-hedging	989	1 820	(237)	2 572	2 933	(361)	99 979
Total derivative (liabilities)/ assets	(2 658)	(3 862)	(1 682)	(8 202)	164 542	(172 744)	5 181 572

4. Derivative instruments continued

4.3 Derivative assets and liabilities continued

	Maturity analysis of net fair value						
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2009							
Company							
Derivatives held-for-trading							
Foreign exchange derivatives	1 551	1 059	55	2 665	20 432	(17 767)	355 095
Forwards	5 443	2 099	55	7 597	20 014	(12 417)	318 166
Futures	(12)	(1)		(13)	36	(49)	6 645
Options	(3 880)	(1 039)		(4 919)	382	(5 301)	30 284
Interest rate derivatives	1 171	(2 014)	(1 105)	(1 948)	94 383	(96 331)	3 576 339
Bond options	52	(664)	(1)	(613)	1 376	(1 989)	28 525
Caps and floors	1	2	36	39	149	(110)	55 305
Forwards	36	12		48	1 015	(967)	991 538
Swaps	1 064	(1 419)	(1 161)	(1 516)	91 645	(93 161)	2 488 682
Swaptions	18	55	21	94	198	(104)	12 289
Commodity derivatives	(134)	(412)	691	145	3 382	(3 237)	41 984
Forwards	(289)	(997)	691	(595)	1 789	(2 384)	22 350
Futures	1			1	6	(5)	1 962
Options	154	585		739	1 587	(848)	17 672
Credit derivatives							
Credit default swaps	68	52	16	136	707	(571)	18 861
Equity derivatives	(235)	(226)		(461)	2 761	(3 222)	296 250
Forwards	(64)	(37)		(101)	97	(198)	1 894
Futures	81	(8)		73	132	(59)	17 634
Index options	(216)	(147)		(363)	2 282	(2 645)	258 823
Options	(63)	(67)		(130)	155	(285)	12 502
Swaps	2	9		11	26	(15)	1 105
Other	25	24		49	69	(20)	4 292
Total derivative assets/ (liabilities) held-for-trading	2 421	(1 541)	(343)	537	121 665	(121 128)	4 288 529
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	1 358	96	(918)	536	565	(29)	85 978
Derivatives designated as cash flow hedges	(11)	149	42	180	180		2 544
Currency swaps	(11)	120	42	151	151		2 489
Forwards		29		29	29		55
Total derivative assets/ (liabilities) held-for-hedging	1 347	245	(876)	716	745	(29)	88 522
Total derivative assets/ (liabilities)	3 768	(1 296)	(1 219)	1 253	122 410	(121 157)	4 377 051

4. Derivative instruments continued

4.3 Derivative assets and liabilities continued

	Maturity analysis of net fair value						
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2008							
Company							
Derivatives held-for-trading							
Foreign exchange derivatives	(2 662)	(1 425)	(8)	(4 095)	26 879	(30 974)	513 383
Forwards	587	(12)	(4)	571	25 192	(24 621)	474 952
Futures	51	(38)	(4)	9	9		22
Options	(3 300)	(1 375)		(4 675)	1 678	(6 353)	38 409
Interest rate derivatives	1 235	(2 335)	(1 546)	(2 646)	127 307	(129 953)	4 119 208
Bond options	(24)	(623)	22	(625)	2 632	(3 257)	114 168
Caps and floors	(20)	(3)	39	16	183	(167)	40 676
Forwards	(245)	(77)		(322)	2 808	(3 130)	1 337 316
Future options					37	(37)	
Swaps	1 474	(1 681)	(1 483)	(1 690)	121 291	(122 981)	2 606 476
Swaptions	50	49	(124)	(25)	356	(381)	20 572
Commodity derivatives	(1 561)	(604)	116	(2 049)	4 337	(6 386)	14 884
Forwards	(1 427)	(877)	(11)	(2 315)	2 198	(4 513)	13 984
Options	(134)	273	127	266	2 139	(1 873)	900
Credit derivatives	(145)	(525)	(6)	(676)	466	(1 142)	7 225
Credit default swaps	(145)	(525)	(6)	(676)	464	(1 140)	7 205
Total return swaps					2	(2)	20
Equity derivatives	(479)	(758)		(1 237)	2 619	(3 856)	426 893
Forwards	91	141		232	245	(13)	1 572
Futures	4	(4)			274	(274)	52 486
Index options	(335)	(301)		(636)	1 869	(2 505)	362 274
Options	(240)	(499)		(739)	170	(909)	9 317
Swaps	4	(38)		(34)	11	(45)	1 244
Other	(3)	(57)		(60)	50	(110)	
Total derivative (liabilities)/ assets held-for-trading	(3 612)	(5 647)	(1 444)	(10 703)	161 608	(172 311)	5 081 593
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	923	544	(184)	1 283	1 283		80 336
Derivatives designated as cash flow hedges	76	1 243	(53)	1 266	1 627	(361)	4 321
Currency swaps		1 092		1 092	1 092		2 548
Forwards	76	74		150	150		
Interest rate swaps		77	(53)	24	385	(361)	1 773
Total derivative assets/ (liabilities) held-for-hedging	999	1 787	(237)	2 549	2 910	(361)	84 657
Total derivative (liabilities)/ assets	(2 613)	(3 860)	(1 681)	(8 154)	164 518	(172 672)	5 166 250

4. Derivative instruments continued

4.4 Use and measurement of derivative instruments

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 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, interest rates, credit risk 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.

The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Swaps are transactions in which two parties exchange cash flows of a specified notional amount for a predetermined period. The major types of swap transactions undertaken by the group are as follows:

- interest rate swap contracts which generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate;
- credit default swaps which are the most common form of credit derivatives, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third party reference asset; and
- total return swaps which are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is effected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded over-the-counter or on a regulated exchange.

Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over-the-counter market, whereas futures are standardised contracts transacted on regulated exchanges.

4.5 Derivatives held-for-trading

The group trades derivative instruments on behalf of customers and for its own positions. The group transacts derivative contracts to address customer demand both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The group also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

4.5.1 Foreign exchange derivatives

Foreign exchange derivatives are used to hedge foreign currency risks on behalf of customers and for the group's own positions. Foreign exchange derivatives primarily consist of forward exchange contracts, foreign exchange futures and foreign exchange options.

4.5.2 Interest rate derivatives

Interest rate derivatives are used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the group's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, future options, forward rate agreements, swaps and swaptions.

4.5.3 Commodity derivatives

Commodity derivatives are used to address customer commodity demands and to take proprietary positions for the group's own account. Commodity derivatives primarily consist of commodity forwards, commodity futures and commodity options.

4.5.4 Credit derivatives

Credit derivatives are used to hedge the credit risk from one counterparty to another and manage the credit exposure to selected counterparties on behalf of customers and for the group's own positions. Credit derivatives primarily consist of credit default swaps and total return swaps.

4. Derivative instruments continued

4.5 Derivatives held-for-trading continued

4.5.5 Equity derivatives

Equity derivatives are used to address customer equity demands and to take proprietary positions for the group's own account. Equity derivatives primarily consist of forwards, futures, index options, options, swaps and other equity-related financial derivative instruments.

4.6 Derivatives held-for-hedging

The group 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:

4.6.1 Derivatives designated as fair value hedges

The group's fair value hedges principally consist of interest rate swaps that are used to mitigate the risk of changes in market interest rates. Refer to accounting policy 5 – *Financial instruments.*

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Gains/(losses) arising from fair value hedges				
– on hedging instruments	**494**	508	**494**	478
– on the hedged items attributable to the hedged risk	**(438)**	(526)	**(438)**	(526)

4.6.2 Derivatives designated as cash flow hedges

The group uses currency swaps, forwards, exchange traded currency options and interest rate swaps to mitigate against changes in cash flows of certain variable rate debt issues. The group applies hedge accounting for its non-trading interest rate risk in major currencies by analysing expected cash flows on a group basis. The objective is to mitigate against changes in future interest cash flows resulting from the impact of changes in market interest rates, and reinvestment or reborrowing of current balances.

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

The forecast timing of the release of net cash flows from the cash flow hedging reserve into profit or loss at 31 December for the group and company is as follows:

	3 months or less Rm	**More than 3 months but less than 1 year Rm**	**More than 1 year but less than 5 years Rm**	**More than 5 years Rm**
2009				
Net cash inflow	**1**	**3**	**130**	
2008				
Net cash inflow		65	257	

4. Derivative instruments continued

4.6 Derivatives held-for-hedging continued

4.6.2 Derivatives designated as cash flow hedges continued

The fair value gains/(losses) removed from the cash flow hedging reserve and transferred to the income statement, have been included in the following line items in the income statement:

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Net interest income	**(41)**	(207)	**(41)**	(207)
Other operating expenses	**54**		**54**	
Total fair value gains/(losses)	**13**	(207)	**13**	(207)

No hedge ineffectiveness was recognised in the income statement for the group or company in 2009 or 2008.

There were no transactions for the group or company for which cash flow hedge accounting had to be discontinued in 2009 or 2008 as a result of highly probable cash flows that are no longer expected to occur.

4.7 Day one profit or loss – derivative instruments

The table below sets out the aggregate day one profits yet 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		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Unamortised profit at beginning of the year	**95**	32	**95**	32
Additional profit on new transactions	**3**	65	**3**	65
Recognised in the income statement during the year	**(17)**	(2)	**(17)**	(2)
Unamortised profit at end of the year	**81**	95	**81**	95

5. Trading assets

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Listed	**5 404**	8 280	**4 979**	3 922
Unlisted	**17 240**	15 739	**17 240**	15 738
	22 644	24 019	**22 219**	19 660
Comprising:				
Government, municipality and utility bonds	**3 056**	3 930	**2 876**	2 183
Corporate bonds	**385**	4 349	**138**	1 737
Commodities	**2 152**	277	**2 152**	277
Collateral	**7 149**	5 055	**7 151**	5 055
Reverse repurchase agreements	**9 902**	10 406	**9 902**	10 406
Other instruments		2		2
	22 644	24 019	**22 219**	19 660
Maturity analysis:				
The maturities represent periods to contractual redemption of the trading assets recorded.				
Redeemable on demand	**7 610**	3 189	**7 612**	1 177
Maturing within 1 month	**9 902**	10 472	**9 902**	10 472
Maturing after 1 month but within 6 months	**580**	441	**580**	2 394
Maturing after 6 months but within 12 months	**407**	150	**344**	100
Maturing after 12 months	**3 952**	9 488	**3 588**	5 238
Undated assets	**193**	279	**193**	279
	22 644	24 019	**22 219**	19 660

Directors' valuation

The directors' valuation of unlisted investments is equal to the carrying value which approximates fair value. All unlisted investments were valued at 31 December 2009.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
6. Pledged assets and assets not derecognised				
6.1 Pledged assets				
Financial assets that may be repledged or resold by counterparties				
Government, municipality and utility bonds	**1 057**	2 243	**1 057**	2 243
Maturity analysis				
The maturities represent periods to contractual redemption of the pledged assets recorded.				
Maturing after 1 month but within 6 months	**132**	132	**132**	132
Maturing after 6 months but within 12 months	**127**	126	**127**	126
Maturing after 12 months	**798**	1 985	**798**	1 985
	1 057	2 243	**1 057**	2 243

6.2 Total assets pledged

The carrying amount of financial assets that have been pledged as collateral for liabilities (including amounts reflected in 6.1 above) at 31 December 2009 is R13 471 million (2008: R14 262 million) for the group and company.

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

6.3 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R15 865 million (2008: R21 016 million) for the group and company.

The fair value of financial assets accepted as collateral that have been sold or repledged is R790 million (2008: R4 194 million) for the group and company. The group is obliged to return equivalent securities.

These transactions are conducted under terms that are customary to standard securities borrowing and lending activities.

6.4 Assets transferred not derecognised

Securitisations and other structured transactions

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

Full derecognition occurs when the group transfers its contractual right to receive cash flows from the financial assets and substantially all the risks and rewards of ownership. The risks transferred include interest rate, currency, prepayment and other price risks.

Where the group has retained substantially all of the credit risk associated with the transferred assets, it continues to recognise these assets.

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

	Carrying amount of transferred assets 2009 Rm	**Carrying amount of associated liabilities 2009 Rm**	Carrying amount of transferred assets 2008 Rm	Carrying amount of associated liabilities 2008 Rm
Group				
Securitisation				
Mortgage lending	**15 879**	**15 829**	17 312	17 299
Instalment sale and finance leases	**365**	**349**	1 156	1 208
	16 244	**16 178**	18 468	18 507

6. Pledged assets and assets not derecognised continued

6.4 Assets transferred not derecognised continued

Other assets transferred not derecognised

The majority of other financial assets that do not qualify for derecognition are debt securities held by counterparties as collateral under repurchase agreements. Risks to which the group remains exposed include credit and interest rate risk.

Details of other financial assets which have been sold or otherwise transferred, but which have not been derecognised, and their associated liabilities, are:

	Carrying amount of transferred assets 2009 Rm	Carrying amount of associated liabilities 2009 Rm	Carrying amount of transferred assets 2008 Rm	Carrying amount of associated liabilities 2008 Rm
Group and company				
Repurchase agreements	**1 057**	**774**	2 243	1 867

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
7. Financial investments				
Short-term negotiable securities	**48 755**	47 429	**48 755**	47 197
Listed	**4 057**	4 276	**4 057**	4 276
Unlisted[1]	**44 698**	43 153	**44 698**	42 921
Other financial investments	**13 253**	12 650	**12 868**	11 590
Listed	**10 791**	10 597	**10 791**	9 598
Unlisted	**2 462**	2 053	**2 077**	1 992
	62 008	60 079	**61 623**	58 787

[1] *Included in unlisted short-term negotiable securities are SARB debentures and negotiable certificates of deposits.*

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Comprising:				
Government, municipality and utility bonds	**45 614**	44 431	**45 614**	44 426
Corporate bonds	**13 053**	12 131	**13 053**	11 292
Listed equities	**1 264**	1 133	**879**	1 133
Unlisted equities	**1 561**	1 215	**1 561**	1 215
Other instruments	**516**	1 169	**516**	721
	62 008	60 079	**61 623**	58 787
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investments recorded.				
Redeemable on demand		5		5
Maturing within 1 month	**18 102**	15 768	**18 102**	15 937
Maturing after 1 month but within 6 months	**25 624**	29 435	**25 390**	29 857
Maturing after 6 months but within 12 months	**7 381**	2 804	**7 230**	2 292
Maturing after 12 months	**8 166**	9 307	**8 166**	7 936
Undated investments	**2 735**	2 760	**2 735**	2 760
	62 008	60 079	**61 623**	58 787

Directors' valuation

The directors' valuation of unlisted investments is equal to the carrying value which approximates fair value. All unlisted investments were valued at 31 December 2009.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
8. Loans and advances				
8.1 Loans and advances net of impairment				
Loans and advances to banks	**59 472**	51 026	**59 276**	50 785
Call loans	**3 073**	6 525	**3 074**	6 525
Balances with banks	**56 399**	44 501	**56 202**	44 260
Loans and advances to customers	**466 228**	476 426	**445 730**	455 866
Gross loans and advances to customers	**481 678**	487 777	**460 997**	467 010
Mortgage lending	**250 479**	245 131	**234 629**	227 863
Instalment sale and finance leases (note 8.2)	**47 973**	57 299	**47 606**	56 133
Card debtors	**20 319**	21 242	**19 160**	19 949
Overdrafts and other demand lending	**37 036**	42 192	**37 090**	42 176
Term lending	**89 136**	83 777	**86 068**	83 058
Loans granted under resale agreements	**1 907**	1 934	**1 907**	1 934
Commercial property finance	**29 839**	30 333	**29 548**	30 028
Foreign currency lending	**4 989**	5 869	**4 989**	5 869
Credit impairments for loans and advances (note 8.3)	**(15 450)**	(11 351)	**(15 267)**	(11 144)
Impairments for non-performing loans	**(10 639)**	(6 691)	**(10 522)**	(6 563)
Impairments for performing loans	**(4 811)**	(4 660)	**(4 745)**	(4 581)
Net loans and advances	**525 700**	527 452	**505 006**	506 651
Comprising:				
Gross loans and advances	**541 150**	538 803	**520 273**	517 795
Less: credit impairments	**(15 450)**	(11 351)	**(15 267)**	(11 144)
Net loans and advances	**525 700**	527 452	**505 006**	506 651

The carrying value of loans and advances in the company and group was reduced by R635 million (2008: increased by R1 821 million) for fair value adjustments arising from risks subject to fair value hedging relationships.

Maturity analysis

The maturities represent periods to contractual redemption of the loans and advances recorded.

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Redeemable on demand	**66 505**	58 326	**65 856**	57 924
Maturing within 1 month	**57 083**	56 252	**56 279**	55 593
Maturing after 1 month but within 6 months	**40 179**	48 510	**39 001**	47 705
Maturing after 6 months but within 12 months	**43 942**	38 684	**43 222**	38 470
Maturing after 12 months	**333 441**	337 031	**315 915**	318 103
Gross loans and advances	**541 150**	538 803	**520 273**	517 795

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
8. Loans and advances continued				
8.1 Loans and advances net of impairment continued				
Segmental analysis – industry				
Agriculture	**5 885**	9 821	**5 868**	9 790
Construction	**15 918**	4 428	**15 897**	4 395
Electricity	**1 696**	900	**1 690**	889
Finance, real estate and other business services	**117 207**	92 770	**113 857**	91 895
Individuals	**299 118**	299 199	**282 303**	280 368
Manufacturing	**17 147**	25 127	**17 057**	24 958
Mining	**14 835**	12 156	**14 821**	12 107
Other services	**39 456**	58 176	**39 189**	57 499
Transport	**6 021**	7 435	**5 950**	7 346
Wholesale	**23 867**	28 791	**23 641**	28 548
Gross loans and advances	**541 150**	538 803	**520 273**	517 795
Segmental analysis – geographic area				
The following table sets out the distribution of the loans and advances by geographic area where the loans are recorded.				
Eastern Cape	**18 035**	18 311	**17 077**	17 286
Free State	**8 545**	9 743	**8 034**	9 137
Gauteng	**277 314**	288 266	**266 001**	277 221
KwaZulu-Natal	**59 385**	58 982	**56 513**	56 189
Limpopo	**7 356**	9 180	**7 022**	8 590
Mpumalanga	**14 289**	15 567	**13 529**	14 860
North West	**10 007**	11 078	**9 509**	10 744
Northern Cape	**3 838**	4 349	**3 627**	4 052
Western Cape	**76 189**	76 688	**72 774**	73 083
International	**66 192**	46 639	**66 187**	46 633
Gross loans and advances	**541 150**	538 803	**520 273**	517 795
8.2 Instalment sale and finance leases				
Gross investment in instalment sale and finance leases	**56 337**	71 698	**55 951**	70 385
Receivable within 1 year	**21 122**	26 728	**20 735**	26 479
Receivable after 1 year but within 5 years	**34 895**	44 792	**34 896**	43 728
Receivable after 5 years	**320**	178	**320**	178
Unearned finance charges	**(8 364)**	(14 399)	**(8 345)**	(14 252)
Net investment in instalment sale and finance leases	**47 973**	57 299	**47 606**	56 133
Receivable within 1 year	**17 319**	20 833	**16 950**	20 091
Receivable after 1 year but within 5 years	**30 352**	36 288	**30 354**	35 864
Receivable after 5 years	**302**	178	**302**	178

Annual financial statements

8. Loans and advances continued

8.3 Credit impairments for loans and advances

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

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2009							
Group							
Non-performing loans							
Balance at beginning of the year	**3 137**	**1 416**	**708**	**1 305**	**88**	**37**	**6 691**
Impaired accounts written off	**(922)**	**(1 361)**	**(1 053)**	**(1 126)**	**(55)**	**(4)**	**(4 521)**
Discount element recognised in interest income	**(1 351)**	**(144)**	**(43)**	**(116)**		**(1)**	**(1 655)**
Net impairments raised[1]	**3 775**	**1 786**	**1 663**	**2 183**	**394**	**339**	**10 140**
Exchange and other movements					**(10)**	**(6)**	**(16)**
Balance at end of the year	**4 639**	**1 697**	**1 275**	**2 246**	**417**	**365**	**10 639**
Performing loans							
Balance at beginning of the year	**775**	**479**	**817**	**1 256**	**1 160**	**173**	**4 660**
Net impairments raised/(released)[1]	**247**	**261**	**(199)**	**(323)**	**173**		**159**
Exchange and other movements				**(1)**	**(7)**		**(8)**
Balance at end of the year	**1 022**	**740**	**618**	**932**	**1 326**	**173**	**4 811**
Total	**5 661**	**2 437**	**1 893**	**3 178**	**1 743**	**538**	**15 450**
2008							
Group							
Non-performing loans							
Balance at beginning of the year	1 097	514	412	700	87	12	2 822
Impaired accounts written off	(265)	(660)	(1 987)	(959)	(2)		(3 873)
Discount element recognised in interest income	(795)	(97)		(63)	(3)		(958)
Net impairments raised[1]	3 084	1 659	2 284	1 629	6	27	8 689
Exchange and other movements	16		(1)	(2)		(2)	11
Balance at end of the year	3 137	1 416	708	1 305	88	37	6 691
Performing loans							
Balance at beginning of the year	331	499	739	556	658	169	2 952
Net impairments raised/(released)[1]	440	(19)	78	706	494	1	1 700
Exchange and other movements	4	(1)		(6)	8	3	8
Balance at end of the year	775	479	817	1 256	1 160	173	4 660
Total	3 912	1 895	1 525	2 561	1 248	210	11 351

[1] *Net provisions raised less recoveries of amounts written off in previous years equals income statement impairment charges (note 24.7).*

8. Loans and advances continued

8.3 Credit impairments for loans and advances continued

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

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2009							
Company							
Non-performing loans							
Balance at beginning of the year	**3 081**	**1 371**	**681**	**1 305**	**89**	**36**	**6 563**
Impaired accounts written off	**(907)**	**(1 328)**	**(993)**	**(1 126)**	**(55)**	**(4)**	**(4 413)**
Discount element recognised in interest income	**(1 331)**	**(141)**	**(43)**	**(116)**		**(1)**	**(1 632)**
Net impairments raised[1]	**3 730**	**1 763**	**1 611**	**2 183**	**394**	**339**	**10 020**
Exchange and other movements					**(10)**	**(6)**	**(16)**
Balance at end of the year	**4 573**	**1 665**	**1 256**	**2 246**	**418**	**364**	**10 522**
Performing loans							
Balance at beginning of the year	**733**	**465**	**796**	**1 256**	**1 160**	**171**	**4 581**
Net impairments raised/ (released)[1]	**251**	**268**	**(198)**	**(323)**	**173**		**171**
Exchange and other movements					**(7)**		**(7)**
Balance at end of the year	**984**	**733**	**598**	**933**	**1 326**	**171**	**4 745**
Total	**5 557**	**2 398**	**1 854**	**3 179**	**1 744**	**535**	**15 267**
2008							
Company							
Non-performing loans							
Balance at beginning of the year	1 075	488	397	700	87	12	2 759
Impaired accounts written off	(208)	(622)	(1 930)	(959)	(1)		(3 720)
Discount element recognised in interest income	(782)	(97)		(63)	(3)		(945)
Net impairments raised[1]	2 978	1 602	2 215	1 629	6	24	8 454
Exchange and other movements	18		(1)	(2)			15
Balance at end of the year	3 081	1 371	681	1 305	89	36	6 563
Performing loans							
Balance at beginning of the year	313	479	720	554	658	169	2 893
Net impairments raised/ (released)[1]	420	(14)	75	706	494	1	1 682
Exchange and other movements			1	(4)	8	1	6
Balance at end of the year	733	465	796	1 256	1 160	171	4 581
Total	3 814	1 836	1 477	2 561	1 249	207	11 144

[1] Net provisions raised less recoveries of amounts written off in previous years equals income statement impairment charges (note 24.7).

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
8. Loans and advances continued				
8.3 Credit impairments for loans and advances continued				
Segmental analysis of impairments for non-performing loans – industry				
Agriculture	**109**	207	**109**	206
Construction	**589**	79	**588**	78
Electricity	**7**	4	**7**	4
Finance, real estate and other business services	**1 236**	274	**1 252**	272
Individuals	**7 014**	4 795	**6 891**	4 697
Manufacturing	**306**	165	**305**	161
Mining	**118**	41	**118**	40
Other services	**707**	699	**702**	682
Transport	**126**	64	**124**	61
Wholesale	**427**	363	**426**	362
	10 639	6 691	**10 522**	6 563
9. Other assets				
Trading settlement assets	**1 245**	1 788	**1 232**	1 766
Items in the course of collection	**327**	433	**327**	433
Other debtors	**2 639**	5 734	**2 638**	5 723
	4 211	7 955	**4 197**	7 922
10. Interest in group companies, associates and joint ventures				
Interest in group companies (note 10.1)	**74 805**	101 250	**78 856**	105 249
Interest in associates and joint ventures (note 10.2)	**1 294**	1 544	**935**	1 134
	76 099	102 794	**79 791**	106 383
10.1 Interest in group companies				
Holding company				
Indebtedness to the group/company	**51**	51	**51**	51
Interest in subsidiary companies			**3 605**	3 580
Shares at cost			**25**	25
Indebtedness to the company			**3 580**	3 555
Interest in fellow banking subsidiary companies				
Indebtedness to the group/company	**74 754**	101 199	**75 200**	101 618
	74 805	101 250	**78 856**	105 249
Comprising:				
Share at cost			**25**	25
Derivative assets	**18 726**	15 775	**18 766**	15 775
Trading assets	**7 666**	8 643	**7 666**	8 643
Loans and advances	**45 602**	76 045	**48 120**	78 345
Other	**2 811**	787	**4 279**	2 461
	74 805	101 250	**78 856**	105 249

Subsidiaries are listed in annexure A on page 144.

10. Interest in group companies, associates and joint ventures continued

10.2 Interest in associates and joint ventures

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Carrying value at beginning of the year	**1 544**	1 431	**1 134**	1 089
Share of profits	**234**	218		
Impairments of associates	**(366)**	(53)	**(198)**	
Impairments of private equity associates included in non-interest revenue		(68)		(68)
Acquisitions	**8**	113	**8**	113
Disposals	**(9)**	(17)	**(9)**	
Distribution of profit	**(117)**	(80)		
Carrying value at end of the year	**1 294**	1 544	**935**	1 134
Share of profits	**234**	218		
Impairments of associates	**(366)**	(53)		
Deferred capital gains tax on impairment	**28**			
Share of (losses)/profits from associates and joint ventures	**(104)**	165		
Comprising:				
Cost of investments	**1 201**	1 202	**1 201**	1 202
Share of reserves	**580**	463		
Impairments	**(487)**	(121)	**(266)**	(68)
Carrying value at end of the year	**1 294**	1 544	**935**	1 134

Directors' valuation

The directors' valuation of the interest in associates and joint ventures is R1 466 million (2008: R1 649 million) for the group and company.

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

Associates and joint ventures are listed in annexure B on pages 145 to 147.

10.3 Liabilities to group companies

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Indebtedness by the group/company to:				
Holding company	**4 107**	3 335	**4 107**	3 335
Subsidiaries			**2 658**	2 163
Fellow banking subsidiaries	**46 331**	39 580	**45 895**	39 557
	50 438	42 915	**52 660**	45 055
Comprising:				
Derivative liabilities	**12 754**	10 004	**12 754**	10 004
Deposit and current accounts	**37 684**	32 152	**39 831**	34 161
Other		759	**75**	890
	50 438	42 915	**52 660**	45 055

11. Intangible assets

11.1 Group

	2009 Cost Rm	2009 Accumulated amortisation and impairment Rm	2009 Net book value Rm	2008 Cost Rm	2008 Accumulated amortisation and impairment Rm	2008 Net book value Rm
Summary						
Computer software	**3 661**	**748**	**2 913**	2 499	502	1 997
Other intangible assets[1]						
Total	**3 661**	**748**	**2 913**	2 499	502	1 997

	2008 Net book value Rm	Additions[2] Rm	Disposals Rm	Amorti-sation Rm	Impair-ments Rm	2009 Net book value[3] Rm
Movement						
Computer software	1 997	**1 266**	**(104)**	**(151)**	**(95)**	**2 913**
Other intangible assets						
Total	1 997	**1 266**	**(104)**	**(151)**	**(95)**	**2 913**

	2007 Net book value Rm	Additions[2] Rm	Disposals Rm	Amortisation Rm	Impairments Rm	2008 Net book value[3] Rm
Movement						
Computer software	1 078	1 132		(109)	(104)	1 997
Other intangible assets	372		(372)			
Total	1 450	1 132	(372)	(109)	(104)	1 997

[1] *On 31 May 2007 the group acquired the remaining 76% of Fountainhead Property Trust, a property trust entity, to bring the ownership to 100%. Its only significant asset is a right to an indefinite stream of management revenues created by the trust deed of the property trust. During 2008 the entity was sold at its book value to Standard Bank Properties (Pty) Limited and Liberty Group Limited, both fellow subsidiaries.*

[2] *During 2009, R47 million (2008: Rnil) of interest was capitalised.*

[3] *Includes work in progress of R1 829 million (2008: R1 225 million) for which amortisation has not yet commenced.*

11. Intangible assets continued

11.2 Company

	2009 Cost Rm	2009 Accumulated amortisation and impairment Rm	2009 Net book value Rm	2008 Cost Rm	2008 Accumulated amortisation and impairment Rm	2008 Net book value Rm
Summary						
Computer software	**3 661**	**748**	**2 913**	2 499	502	1 997
Other intangible assets[1]						
Total	**3 661**	**748**	**2 913**	2 499	502	1 997

	2008 Net book value Rm	Additions[2] Rm	Disposals Rm	Amorti-sation Rm	Impair-ments Rm	2009 Net book value[3] Rm
Movement						
Computer software	1 997	**1 266**	**(104)**	**(151)**	**(95)**	**2 913**
Other intangible assets						
Total	1 997	**1 266**	**(104)**	**(151)**	**(95)**	**2 913**

	2007 Net book value Rm	Additions[2] Rm	Disposals Rm	Amortisation Rm	Impairments Rm	2008 Net book value[3] Rm
Movement						
Computer software	1 078	1 132		(109)	(104)	1 997
Other intangible assets	279		(279)			
Total	1 357	1 132	(279)	(109)	(104)	1 997

[1] On 31 May 2007 the company acquired the remaining 76% of Fountainhead Property Trust, a property trust entity, to bring the ownership to 100%. Its only significant asset is a right to an indefinite stream of management revenues created by the trust deed of the property trust. During 2008 the entity was sold at its book value to Standard Bank Properties (Pty) Limited and Liberty Group Limited, both fellow subsidiaries.

[2] During 2009, R47 million (2008: Rnil) of interest was capitalised.

[3] Includes work in progress of R1 829 million (2008: R1 225 million) for which amortisation has not yet commenced.

There are no significant intangible assets to which title is restricted or which are pledged as security for liabilities.

12. Property and equipment

12.1 Group

	2009 Cost Rm	2009 Accumulated depreciation Rm	2009 Net book value Rm	2008 Cost Rm	2008 Accumulated depreciation Rm	2008 Net book value Rm
Summary						
Property						
Freehold	**956**	**289**	**667**	957	272	685
Leasehold	**640**	**103**	**537**	223	40	183
	1 596	**392**	**1 204**	1 180	312	868
Equipment						
Computer equipment	**5 660**	**3 741**	**1 919**	4 864	3 215	1 649
Motor vehicles	**467**	**242**	**225**	470	245	225
Office equipment	**396**	**175**	**221**	338	137	201
Furniture and fittings	**2 405**	**830**	**1 575**	2 030	689	1 341
	8 928	**4 988**	**3 940**	7 702	4 286	3 416
Total	**10 524**	**5 380**	**5 144**	8 882	4 598	4 284

	2008 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2009 Net book value[2] Rm
Movement					
Property					
Freehold	685	**1**	**(1)**	**(18)**	**667**
Leasehold	183	**410**		**(56)**	**537**
	868	**411**	**(1)**	**(74)**	**1 204**
Equipment					
Computer equipment	1 649	**907**	**(6)**	**(631)**	**1 919**
Motor vehicles	225	**99**	**(27)**	**(72)**	**225**
Office equipment	201	**60**		**(40)**	**221**
Furniture and fittings	1 341	**436**	**(4)**	**(198)**	**1 575**
	3 416	**1 502**	**(37)**	**(941)**	**3 940**
Total	4 284	**1 913**	**(38)**	**(1 015)**	**5 144**

[1] *During 2009, R5 million of interest was capitalised (2008: R6 million).*

[2] *Includes work in progress of R238 million (2008: R373 million) for which depreciation has not yet commenced.*

12. **Property and equipment** continued

12.1 **Group** continued

	2007 Net book value Rm	Additions Rm	Disposals Rm	Depreciation Rm	2008 Net book value Rm
Movement					
Property					
Freehold	588	118	(3)	(18)	685
Leasehold	33	163		(13)	183
	621	281	(3)	(31)	868
Equipment					
Computer equipment	1 685	634	(8)	(662)	1 649
Motor vehicles	239	97	(34)	(77)	225
Office equipment	161	74	(1)	(33)	201
Furniture and fittings	871	606	(2)	(134)	1 341
	2 956	1 411	(45)	(906)	3 416
Total	3 577	1 692	(48)	(937)	4 284

12.2 **Company**

	2009 Cost Rm	**Accumulated depreciation Rm**	**Net book value Rm**	2008 Cost Rm	Accumulated depreciation Rm	Net book value Rm
Summary						
Property						
Freehold	**954**	**288**	**666**	955	272	683
Leasehold	**640**	**104**	**536**	222	40	182
	1 594	**392**	**1 202**	1 177	312	865
Equipment						
Computer equipment	**5 626**	**3 715**	**1 911**	4 831	3 189	1 642
Motor vehicles	**447**	**231**	**216**	450	233	217
Office equipment	**392**	**172**	**220**	334	134	200
Furniture and fittings	**2 399**	**826**	**1 573**	2 023	685	1 338
	8 864	**4 944**	**3 920**	7 638	4 241	3 397
Total	**10 458**	**5 336**	**5 122**	8 815	4 553	4 262

12. Property and equipment continued

12.2 Company continued

	2008 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2009 Net book value[2] Rm
Movement					
Property					
Freehold	683	**2**	**(1)**	**(18)**	**666**
Leasehold	182	**410**		**(56)**	**536**
	865	**412**	**(1)**	**(74)**	**1 202**
Equipment					
Computer equipment	1 642	**903**	**(6)**	**(628)**	**1 911**
Motor vehicles	217	**93**	**(26)**	**(68)**	**216**
Office equipment	200	**60**		**(40)**	**220**
Furniture and fittings	1 338	**436**	**(4)**	**(197)**	**1 573**
	3 397	**1 492**	**(36)**	**(933)**	**3 920**
Total	4 262	**1 904**	**(37)**	**(1 007)**	**5 122**

	2007 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2008 Net book value[2] Rm
Movement					
Property					
Freehold	586	118	(3)	(18)	683
Leasehold	33	162		(13)	182
	619	280	(3)	(31)	865
Equipment					
Computer equipment	1 681	627	(6)	(660)	1 642
Motor vehicles	230	94	(33)	(74)	217
Office equipment	160	73	(1)	(32)	200
Furniture and fittings	868	605	(2)	(133)	1 338
	2 939	1 399	(42)	(899)	3 397
Total	3 558	1 679	(45)	(930)	4 262

[1] *During 2009, R5 million of interest was capitalised (2008: R6 million).*

[2] *Includes work in progress of R238 million (2008: R373 million) for which depreciation has not yet commenced.*

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

There is no significant property or equipment to which title is restricted or which is pledged as security for liabilities.

12.3 Valuation

The fair value of freehold property, based on valuations undertaken during 2009 by valuers registered under the Valuers Act 1982, was estimated at R1 055 million (2008: R1 083 million) for the group and R1 043 million (2008: R1 071 million) for the company.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
13. Ordinary share capital				
13.1 Authorised				
80 000 000 (2008: 80 000 000) ordinary shares of R1 each	**80**	80	**80**	80
1 000 000 000 (2008: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,01 each	**10**	10	**10**	10
	90	90	**90**	90
13.2 Issued				
59 997 120 (2008: 59 997 119) ordinary shares of R1 each	**60**	60	**60**	60
During the year, one (2008: one) ordinary share of R1 was issued at a premium of R1 500 million (2008: R1 500 million) per ordinary share.				
	60	60	**60**	60
13.3 Unissued shares				
20 002 880 (2008: 20 002 881) ordinary shares of R1 each are under the general authority of the directors, whose authority expires at the annual general meeting to be held on 26 May 2010	**20**	20	**20**	20
1 000 000 000 (2008: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,01 each are under the general authority of the directors, whose authority expires at the annual general meeting to be held on 26 May 2010	**10**	10	**10**	10
	30	30	**30**	30
14. Ordinary share premium				
Share premium on issue of shares	**24 230**	22 730	**24 230**	22 730

One share (2008: one share) issued at a premium of R1 500 million (2008: R1 500 million).

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
15. Trading liabilities				
Listed	**754**	615	**754**	2 174
Unlisted	**15 953**	22 909	**14 990**	16 430
	16 707	23 524	**15 744**	18 604
Comprising:				
Government, municipality and utility bonds	**772**	2 182	**772**	2 182
Corporate bonds		6		6
Mutual funds	**3**	9	**3**	9
Collateral	**1 428**	1 839	**1 428**	1 839
Repurchase agreements	**13 512**	14 568	**13 512**	14 568
Other instruments	**992**	4 920	**29**	
	16 707	23 524	**15 744**	18 604
Maturity analysis				
The maturities represent periods to contractual redemption of the trading liabilities recorded.				
Repayable on demand	**24**		**24**	
Maturing within 1 month	**10 433**	13 005	**10 433**	11 207
Maturing after 1 month but within 6 months	**2 310**	5 382	**1 347**	2 268
Maturing after 6 months but within 12 months	**1 742**	1 188	**1 742**	1 180
Maturing after 12 months	**2 195**	3 940	**2 195**	3 940
Undated liabilities	**3**	9	**3**	9
	16 707	23 524	**15 744**	18 604
16. Deposit and current accounts				
Deposits from banks	**57 833**	65 582	**57 857**	65 582
Deposits from banks and central banks	**57 335**	64 861	**57 359**	64 860
Deposits from banks under repurchase agreements	**498**	721	**498**	722
Deposits from customers	**520 027**	542 586	**502 047**	523 244
Current accounts	**52 539**	51 334	**52 539**	51 334
Cash management deposits	**72 970**	70 102	**72 970**	70 102
Card creditors	**1 233**	1 196	**1 233**	1 196
Call deposits	**111 035**	116 871	**111 035**	116 873
Savings accounts	**18 293**	18 204	**18 293**	18 204
Term deposits	**140 198**	153 337	**136 179**	150 569
Negotiable certificates of deposit	**98 489**	99 274	**98 489**	99 274
Securitisation issuances	**13 960**	16 575		
Other funding	**11 310**	15 693	**11 309**	15 692
Deposit and current accounts	**577 860**	608 168	**559 904**	588 826

The carrying value of deposit and current accounts in the company and group was increased by R214 million (2008: increased by R2 067 million) for fair value adjustments arising from risks subject to fair value hedging relationships.

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
16. Deposit and current accounts continued				
Maturity analysis				
The maturities represent periods to contractual redemption of the deposit and current accounts recorded.				
Repayable on demand	**285 273**	295 915	**283 924**	296 845
Maturing within 1 month	**35 898**	53 548	**35 754**	53 407
Maturing after 1 month but within 6 months	**98 268**	94 747	**92 794**	91 204
Maturing after 6 months but within 12 months	**61 559**	53 884	**58 818**	53 700
Maturing after 12 months	**96 862**	110 074	**88 614**	93 670
	577 860	608 168	**559 904**	588 826
17. Current and deferred tax liabilities				
Current taxation liability	**2 069**	489	**2 105**	484
Deferred taxation liability	**946**	3 067	**939**	3 065
	3 015	3 556	**3 044**	3 549
17.1 Deferred tax analysis				
Accrued interest	**(4)**	(19)		
Assessed losses	**(1)**			
Assets on lease	**397**	260	**397**	262
Depreciation	**54**	21	**53**	20
Derivatives	**3 084**	4 862	**3 084**	4 862
Fair value adjustments on financial instruments	**(44)**	15	**(19)**	76
Impairment charges on loans and advances	**(1 554)**	(1 330)	**(1 526)**	(1 301)
Post-employment benefits	**(283)**	(408)	**(277)**	(408)
STC	**(297)**	(216)	**(297)**	(216)
Share-based payments	**(206)**	(96)	**(206)**	(96)
Other differences	**(565)**	(342)	**(567)**	(350)
Deferred tax closing balance	**581**	2 747	**642**	2 849
Deferred taxation liability	**946**	3 067	**939**	3 065
Deferred taxation asset	**(365)**	(320)	**(297)**	(216)

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
17. Current and deferred tax liabilities continued				
17.2 Deferred tax reconciliation				
Deferred tax balance at beginning of the year	**2 747**	2 770	**2 849**	2 800
Change in company tax rate		(99)		(100)
Various categories of (reversing)/originating temporary differences for the year:	**(2 166)**	76	**(2 207)**	149
Accrued interest	**15**	(19)		
Assessed losses	**(1)**			
Assets on lease	**137**	132	**135**	134
Depreciation	**33**	16	**33**	15
Derivatives	**(1 778)**	1 274	**(1 778)**	1 274
Fair value adjustments on financial instruments[1]	**(59)**	(109)	**(95)**	(46)
Impairment charges on loans and advances	**(224)**	(535)	**(225)**	(506)
Post-employment benefits	**125**	5	**131**	5
STC	**(81)**	(128)	**(81)**	(128)
Share-based payments	**(110)**	(17)	**(110)**	(17)
Other differences	**(223)**	(543)	**(217)**	(582)
Deferred tax balance at end of the year	**581**	2 747	**642**	2 849
Temporary differences for the year comprise:				
Recognised in other comprehensive income	**65**	(147)	**65**	(147)
Recognised in profit and loss	**2 101**	170	**2 142**	98
	2 166	23	**2 207**	(49)

[1] *Included in the fair value adjustments on financial instruments is an amount of R65 million relating to other comprehensive income. The R65 million is made up of R54 million relating to fair value adjustments on cash flow hedging and R11 million relating to fair value adjustments on available-for-sale investments.*

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
18. Other liabilities				
18.1 Summary				
Trading settlement liabilities	**18**	40	**18**	40
Items in the course of transmission	**120**	59	**180**	296
Provision for post-employment benefits (note 18.2)	**775**	969	**775**	969
Cash-settled share-based payment liability (annexure C)	**735**	341	**735**	341
Deferred bonus scheme (annexure C)	**21**		**21**	
Staff-related accruals	**1 645**	1 690	**1 640**	1 685
Other liabilities and accruals	**4 751**	4 429	**4 346**	4 127
	8 065	7 528	**7 715**	7 458
18.2 Provision for post-employment benefits				
Balance at beginning of the year	**969**	1 045	**969**	1 045
Net provision released	**(194)**	(76)	**(194)**	(76)
Balance at end of the year	**775**	969	**775**	969

Details on post-employment benefits are provided in note 32 on page 139.

	Date issued	Rate %	Callable date	Rate after call date %	**Notional value LCm**	**Carrying value[1] 2009 Rm**	**Notional value 2009 Rm**	Carrying value[1] 2008 Rm	Notional value 2008 Rm
19. Subordinated debt									
Unsecured, subordinated, redeemable bonds[2]									
Group and company									
Redeemable in 2012 (SBK 10) (Tier III)	2007/11/19	JIBAR[3] + 0,675			**ZAR300**	**303**	**300**	305	300
Redeemable in 2016 (SBK 5)	2004/11/17	9,50[4]	2011/11/17[5]	JIBAR[3] + 1,62	**ZAR2 000**	**2 046**	**2 000**	2 058	2 000
Redeemable in 2017	2007/07/31[6]	LIBOR[7] + 0,88 and 6,44[6]	2012/07/31	LIBOR[7] + 1,88	**USD355**	**2 663**	**2 548**	3 352	2 548
Redeemable in 2018 (SBK 8)	2006/04/10	8,20[8]	2013/04/10[5]	JIBAR[3] + 1,50	**ZAR1 500**	**1 528**	**1 500**	1 528	1 500
Redeemable in 2019[9] (SBK 11)	2009/04/09	CPI indexed[10]	2014/04/10[5]	RY[11] of 7,25	**ZAR1 800**	**1 930**	**1 800**		
Redeemable in 2020 (SBK 7)	2005/05/24	9,63[8]	2015/05/24[5]	JIBAR[3]	**ZAR3 000**	**3 036**	**3 000**	3 037	3 000
Redeemable in 2021[9] (SBK 12)	2009/11/24	10,82	2016/11/24[5]	JIBAR[3] + 3,90	**ZAR1 600**	**1 618**	**1 600**		
Redeemable in 2021[9] (SBK 13)	2009/11/24	JIBAR[3] + 2,20	2016/11/24[5]	JIBAR[3] + 4,20	**ZAR1 150**	**1 161**	**1 150**		
Redeemable in 2023 (SBK 9)	2006/04/10	8,40[8]	2018/04/10[5]	JIBAR[3] + 1,68	**ZAR1 500**	**1 529**	**1 500**	1 529	1 500
Total subordinated debt						**15 814**	**15 398**	11 809	10 848

[1] The difference between the carrying and notional value represents transaction costs included in the initial carrying amounts, accrued interest together with the unamortised fair value adjustments relating to bonds hedged for interest rate risk.
[2] Tier II, unless otherwise stated.
[3] JIBAR is the three-month floating Johannesburg interbank agreed rate.
[4] Fixed annual coupon.
[5] The issuer may redeem on this date, or any subsequent interest payment date.
[6] Bonds issued in US dollars (USD355 million) redeemable on 31 July 2017, divided into two categories:
Category A – USD230 million bearing interest at 6,44% compounding semi-annually, switching to LIBOR plus 1,88% on 31 July 2012.
Category B – USD125 million at LIBOR plus 0,88%, switching to LIBOR plus 1,88% on 31 July 2012.
[7] LIBOR is the London interbank offered rate for three-month USD deposits.
[8] Fixed semi-annual coupon.
[9] These bonds were issued during 2009.
[10] The interest rate is calculated in terms of the pricing supplement using the base rate as defined adjusted for changes in the Consumer Price Index (CPI) as published by Statistics South Africa.
[11] RY is the real yield, which is the return from an investment adjusted for the effects of inflation, compounded semi-annually.

20. Classification of assets and liabilities

Accounting classifications and fair values

The table below sets out the group's classification of financial assets and liabilities, and their fair values.

	Note	Held-for-trading[1] Rm	Designated at fair value Rm
Group			
2009			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.3	**122 462**	
Trading assets	5	**22 644**	
Pledged assets	6.1	**558**	**499**
Financial investments	7	**4 057**	**55 452**
Loans and advances to banks	8	**5**	**1 189**
Loans and advances to customers	8	**276**	**1 120**
Interest in group companies, associates and joint ventures	10	**26 392**	
Other financial assets			
Other non-financial assets			
		176 394	**58 260**
Liabilities			
Derivative liabilities	4.3	**121 157**	
Trading liabilities	15	**16 707**	
Deposits from banks	16	**3 452**	**2 682**
Deposits from customers	16	**4 636**	**44 404**
Subordinated debt	19		
Liabilities to group companies	10.3	**12 754**	
Other financial liabilities			
Other non-financial liabilities			
		158 706	**47 086**

[1] Includes derivative assets or liabilities held-for-hedging. Refer to note 4.3.

[2] Carrying value has been used where it closely approximates fair values. Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters. The fair value is a theoretical value applicable at the given reporting date, and hence can only be used as an indicator of the value realisable in a future sale.

All valuation models are validated before they are used as a basis for financial reporting by qualified personnel independent of the area that created the model. Wherever possible, the group compares valuations derived from models with quoted prices of similar financial instruments, and with actual values when realised, in order to further validate and calibrate the models. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and may not be realised in an immediate sale of the instruments.

Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	14 470				14 470	14 470
					122 462	122 462
					22 644	22 644
					1 057	1 057
2 151		348			62 008	62 054
	58 278				59 472	59 486
	464 832				466 228	465 989
	48 091			1 616	76 099	76 271
	2 581				2 581	2 581
				10 194	10 194	
2 151	588 252	348		11 810	837 215	
					121 157	121 157
					16 707	16 707
			51 699		57 833	57 833
			470 987		520 027	520 068
			15 814		15 814	15 837
			37 684		50 438	50 438
			6 036		6 036	6 036
				5 044	5 044	
			582 220	5 044	793 056	

20. Classification of assets and liabilities continued

Accounting classifications and fair values continued

The table below sets out the group's classification of financial assets and liabilities, and their fair values.

	Note	Held-for-trading Rm	Designated at fair value Rm
Group			
2008			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.3	164 542	
Trading assets	5	24 019	
Pledged assets	6.1	1 525	718
Financial investments	7	4 327	55 279
Loans and advances to banks	8	1 887	2 135
Loans and advances to customers	8	2 239	1 538
Interest in group companies, associates and joint ventures	10	24 418	
Other financial assets			
Other non-financial assets			
		222 957	59 670
Liabilities			
Derivative liabilities	4.3	172 744	
Trading liabilities	15	23 524	
Deposits from banks	16	3 542	1 578
Deposits from customers	16	4 324	36 430
Subordinated debt	19		
Liabilities to group companies	10.3	10 004	
Other financial liabilities			
Other non-financial liabilities			
		214 138	38 008

Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value Rm
	13 547				13 547	13 547
					164 542	164 542
					24 019	24 019
					2 243	2 243
	84	389			60 079	60 079
	47 004				51 026	51 026
9	472 640				476 426	469 724
	75 786			2 590	102 794	102 899
	4 130				4 130	4 130
				10 512	10 512	
9	613 191	389		13 102	909 318	
					172 744	172 744
					23 524	23 524
			60 462		65 582	66 022
			501 832		542 586	540 545
			11 809		11 809	11 799
			32 152	759	42 915	42 915
			5 114		5 114	5 114
				5 970	5 970	
			611 369	6 729	870 244	

20. Classification of assets and liabilities continued

Accounting classifications and fair values continued

The table below sets out the company's classification of financial assets and liabilities, and their fair values.

	Note	Held-for-trading[1] Rm	Designated at fair value Rm
Company			
2009			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.3	122 410	
Trading assets	5	22 219	
Pledged assets	6.1	558	499
Financial investments	7	4 057	55 067
Loans and advances to banks	8	5	1 189
Loans and advances to customers	8	276	1 120
Interest in group companies, associates and joint ventures	10	26 432	
Other financial assets			
Other non-financial assets			
		175 957	57 875
Liabilities			
Derivative liabilities	4.3	121 157	
Trading liabilities	15	15 744	
Deposits from banks	16	3 452	2 682
Deposits from customers	16	4 636	42 130
Subordinated debt	19		
Liabilities to group companies	10.3	12 754	
Other financial liabilities			
Other non-financial liabilities			
		157 743	44 812

[1] *Includes derivative assets or liabilities held-for-hedging. Refer to note 4.3.*

[2] *Carrying value has been used where it closely approximates fair values. Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters. The fair value is a theoretical value applicable at the given reporting date, and hence can only be used as an indicator of the value realisable in a future sale.*

All valuation models are validated before they are used as a basis for financial reporting by qualified personnel independent of the area that created the model. Wherever possible, the group compares valuations derived from models with quoted prices of similar financial instruments, and with actual values when realised, in order to further validate and calibrate the models. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and may not be realised in an immediate sale of the instruments.

Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	14 470				14 470	14 470
					122 410	122 410
					22 219	22 219
					1 057	1 057
2 151		348			61 623	61 669
	58 082				59 276	59 276
	444 334				445 730	445 514
	52 072			1 287	79 791	80 322
	2 576				2 576	2 576
				10 093	10 093	
2 151	**571 534**	**348**		**11 380**	**819 245**	
					121 157	121 157
					15 744	15 744
			51 723		57 857	57 857
			455 281		502 047	502 094
			15 814		15 814	15 837
			39 831	75	52 660	52 660
			5 749		5 749	5 749
				5 010	5 010	
			568 398	**5 085**	**776 038**	

20. Classification of assets and liabilities continued

Accounting classifications and fair values continued

The table below sets out the company's classification of financial assets and liabilities, and their fair values.

	Note	Held-for-trading Rm	Designated at fair value Rm
Company			
2008			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.3	164 518	
Trading assets	5	19 660	
Pledged assets	6.1	1 525	718
Financial investments	7	4 327	53 987
Loans and advances to banks	8	1 887	2 135
Loans and advances to customers	8	2 239	1 538
Interest in group companies, associates and joint ventures	10	24 418	
Other financial assets			
Other non-financial assets			
		218 574	58 378
Liabilities			
Derivative liabilities	4.3	172 672	
Trading liabilities	15	18 604	
Deposits from banks	16	3 542	1 578
Deposits from customers	16	4 324	35 773
Subordinated debt	19		
Liabilities to group companies	10.3	10 004	
Other financial liabilities			
Other non-financial liabilities			
		209 146	37 351

Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value Rm
	13 547				13 547	13 547
					164 518	164 518
					19 660	19 660
					2 243	2 243
	84	389			58 787	58 787
	46 763				50 785	50 785
	452 089				455 866	449 107
	79 516			2 449	106 383	106 898
	4 104				4 104	4 104
				10 368	10 368	
	596 103	389		12 817	886 261	
					172 672	172 672
					18 604	18 604
			60 462		65 582	66 022
			483 147		523 244	521 203
			11 809		11 809	11 799
			34 161	890	45 055	45 055
			5 098		5 098	5 098
				5 909	5 909	
			594 677	6 799	847 973	

21. Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as prices, or indirectly, such as derived from 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 instruments.

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2009				
Group				
Assets				
Derivative assets	68	122 001	393	122 462
Trading assets	9 973	12 671		22 644
Pledged assets	1 057			1 057
Financial investments	12 698	45 221	1 938	59 857
Loans and advances to banks	5	1 189		1 194
Loans and advances to customers		1 217	179	1 396
Interest in group companies	5 403	20 989		26 392
	29 204	203 288	2 510	235 002
Comprising:				
Held-for-trading				176 394
Designated at fair value				58 260
Available-for-sale				348
				235 002
Liabilities				
Derivative liabilities	82	120 722	353	121 157
Trading liabilities	803	15 904		16 707
Deposits from banks	3 531	2 603		6 134
Deposits from customers	778	48 262		49 040
Liabilities to group companies		12 754		12 754
	5 194	200 245	353	205 792
Comprising:				
Held-for-trading				158 706
Designated at fair value				47 086
				205 792

21. Financial instruments measured at fair value continued

Reconciliation of level 3 financial assets

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	Financial investments Rm	Loans and advances to customers Rm	Total Rm
2009				
Group				
Balance at beginning of the year	336	1 864	286	2 486
Total gains/(losses) included in profit or loss:	57	23	(107)	(27)
Interest income		(1)	(107)	(108)
Trading revenue	57			57
Other revenue		24		24
Other comprehensive income		(4)		(4)
Purchases		63		63
Sales		(8)		(8)
Balance at end of the year	393	1 938	179	2 510
Gains/(losses) for the year included in profit or loss for level 3 financial assets held at the end of the year				
2009				
Group				
Interest income		(1)	(107)	(108)
Trading revenue	57			57
Other revenue		36		36
Total	57	35	(107)	(15)

Reconciliation of level 3 financial liabilities

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

	Derivative liabilities Rm	Total Rm
2009		
Group		
Balance at beginning of the year	461	461
Total gains included in profit or loss:		
Trading revenue	(108)	(108)
Balance at end of the year	353	353
Gains for the year included in profit or loss for level 3 financial liabilities held at the end of the year		
2009		
Group		
Trading revenue	(108)	(108)
Total	(108)	(108)

21. Financial instruments measured at fair value continued

Sensitivity of fair value of level 3 financial instruments

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 financial instruments. The table further indicates the effect that a change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss and other comprehensive income at the reporting date, where the change in the input would change the fair value of the financial instrument significantly. The changes in the inputs that have been used in the analysis below have been determined taking into account several considerations such as the nature of the instrument and the market within which the instrument is transacted.

			Effect on profit or loss		Effect on other comprehensive income	
	Valuation basis/ technique	Main assumptions	Favourable Rm	(Un-favourable) Rm	Favourable Rm	(Un-favourable) Rm
2009						
Group						
Derivative instruments	Discounted cash flow; Black-Scholes models	Discount; liquidity discount; risk free; and volatility rates	42	(42)		
Financial investments	Discounted cash flow model; Earnings multiple; Sustainable earnings; Combination techniques	Discount and liquidity discount rates; earnings multiple	196	(172)	1	(1)
Loans and advances to customers	Discounted cash flow model	Discount rate	9	(9)		
Total			247	(223)	1	(1)

Fair value hierarchy of instruments measured at fair value

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2009				
Company				
Assets				
Derivative assets	68	121 949	393	122 410
Trading assets	9 546	12 673		22 219
Pledged assets	1 057			1 057
Financial investments	12 698	44 836	1 938	59 472
Loans and advances to banks	5	1 189		1 194
Loans and advances to customers		1 217	179	1 396
Interest in group companies	5 403	21 029		26 432
	28 777	202 893	2 510	234 180
Comprising:				
Held-for-trading				175 957
Designated at fair value				57 875
Available-for-sale				348
				234 180

21. Financial instruments measured at fair value continued

Fair value hierarchy of instruments measured at fair value continued

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2009				
Company				
Liabilities				
Derivative liabilities	82	120 722	353	121 157
Trading liabilities	803	14 941		15 744
Deposits from banks	3 531	2 603		6 134
Deposits from customers	777	45 989		46 766
Liabilities to group companies		12 754		12 754
	5 193	197 009	353	202 555
Comprising:				
Held-for-trading				157 743
Designated at fair value				44 812
				202 555

Reconciliation of level 3 financial assets

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	Financial investments Rm	Loans and advances to customers Rm	Total Rm
2009				
Company				
Balance at beginning of the year	336	1 864	286	2 486
Total gains/(losses) included in profit or loss:	57	23	(107)	(27)
Interest income		(1)	(107)	(108)
Trading revenue	57			57
Other revenue		24		24
Other comprehensive income		(4)		(4)
Purchases		63		63
Sales		(8)		(8)
Balance at end of the year	393	1 938	179	2 510
Gains/(losses) for the year included in profit or loss for level 3 financial assets held at the end of the year				
2009				
Company				
Interest income		(1)	(107)	(108)
Trading revenue	57			57
Other revenue		36		36
Total	57	35	(107)	(15)

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21. Financial instruments measured at fair value continued

Reconciliation of level 3 financial liabilities

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

	Derivative liabilities Rm	Total Rm
2009		
Company		
Balance at the beginning of the year	461	461
Total gains included in profit or loss:		
Trading revenue	(108)	(108)
Balance at end of the year	**353**	**353**
Gains for the year included in profit or loss for level 3 financial liabilities held at the end of the year		
2009		
Company		
Trading revenue	(108)	(108)
Total	**(108)**	**(108)**

Sensitivity of fair value of level 3 financial instruments

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 financial instruments. The table further indicates the effect that a change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss and other comprehensive income at the reporting date, where the change in the input would change the fair value of the financial instrument significantly. The changes in the inputs that have been used in the analysis below have been determined taking into account several considerations such as the nature of the instrument and the market within which the instrument is transacted.

			Effect on profit or loss		Effect on other comprehensive income	
	Valuation basis/ technique	Main assumptions	Favourable Rm	(Un-favourable) Rm	Favourable Rm	(Un-favourable) Rm
2009						
Company						
Derivative instruments	Discounted cash flow; Black-Scholes models	Discount; liquidity discount; risk free; and volatility rates	42	(42)		
Financial investments	Discounted cash flow model; Earnings multiple; Sustainable earnings; Combination techniques	Discount and liquidity discount rates; earnings multiple	196	(172)	1	(1)
Loans and advances to customers	Discounted cash flow model	Discount rate	9	(9)		
Total			**247**	**(223)**	**1**	**(1)**

22. Financial assets and financial liabilities designated at fair value through profit or loss

22.1 Loans and advances

The maximum exposure to credit risk for loans and advances designated at fair value through profit or loss for the group and company is R2 309 million (2008: R3 673 million). No credit derivatives were used to mitigate credit risk on these instruments.

There are no cumulative gains or losses due to credit risk. The change in fair value of the designated loans and advances that is attributable to changes in credit risk is determined as the amount of change in fair value that is not attributable to changes in market conditions.

22.2 Financial liabilities

The fair value movement of financial liabilities attributable to changes in credit risk cumulative to date is negligible (2008: negligible) for the group and company.

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

The amount that would contractually be paid at maturity for financial liabilities designated at fair value through profit or loss for the group is R49 039 million (2008: R45 514 million) and for the company is R46 805 million (2008: R44 838 million), R1 953 million (2008: R7 506 million) for the group and R1 993 million (2008: R7 487 million) for the company higher than the carrying amount.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
23. Contingent liabilities and commitments				
23.1 Contingent liabilities				
Letters of credit	**4 052**	4 823	**4 052**	4 823
Guarantees	**23 977**	26 400	**23 977**	26 400
	28 029	31 223	**28 029**	31 223
23.2 Capital commitments				
Contracted capital expenditure	**361**	292	**361**	292
Capital expenditure authorised but not yet contracted	**6 025**	4 584	**6 025**	4 584
	6 386	4 876	**6 386**	4 876
The expenditure will be funded from internal resources.				
23.3 Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are:				
Properties				
Within 1 year	**651**	398	**651**	398
After 1 year but within 5 years	**1 567**	895	**1 567**	895
After 5 years	**341**	22	**341**	22
	2 559	1 315	**2 559**	1 315
Equipment				
Within 1 year	**56**	17	**56**	17
After 1 year but within 5 years	**132**	20	**132**	20
After 5 years				
	188	37	**188**	37

These commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the group and company.

23.4 Legal proceedings

In the conduct of its ordinary course of business, the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the group has adequate insurance programmes and provisions in place to meet such claims.

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
24. Income statement information				
24.1 Interest income				
Interest on loans and advances and investments	**65 079**	79 497	**63 208**	77 024
Unwinding of discount element of credit impairments for loans and advances (note 8.3)	**1 655**	958	**1 632**	945
Fair value adjustments on dated financial instruments	**(933)**	1 833	**(914)**	1 896
Dividends on unlisted financial investments	**1 652**	1 593	**1 652**	1 593
	67 453	83 881	**65 578**	81 458
Interest income reported above relates to financial assets or liabilities not carried at fair value through profit or loss, except for R620 million loss (2008: R2 939 million profit) for the group and R700 million loss (2008: R2 590 million profit) for the company on financial assets that are at fair value through profit or loss.				
24.2 Interest expense				
Current accounts	**212**	392	**210**	392
Savings and deposit accounts	**10 606**	7 998	**10 617**	7 997
Foreign finance creditors	**569**	1 540	**569**	1 540
Subordinated debt	**1 609**	1 215	**1 609**	1 215
Other interest-bearing liabilities	**32 957**	50 881	**31 316**	48 689
	45 953	62 026	**44 321**	59 833
Interest expense reported above relates to financial liabilities not carried at fair value through profit or loss, except for R2 480 million (2008: R7 174 million) for the group and R2 343 million (2008: R6 944 million) for the company on financial liabilities that are at fair value through profit or loss.				
24.3 Fee and commission revenue				
Account transaction fees	**7 142**	6 155	**7 137**	6 155
Card-based commission	**3 009**	2 983	**2 575**	2 505
Knowledge-based fees and commission	**349**	496	**337**	485
Electronic banking fees	**1 529**	1 458	**1 529**	1 458
Insurance – fees and commission	**1 021**	1 068	**430**	502
Foreign currency service fees	**637**	708	**637**	708
Documentation and administration fees	**626**	548	**581**	499
Other	**1 005**	965	**1 319**	1 265
	15 318	14 381	**14 545**	13 577

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.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
24. Income statement information continued				
24.4 Fee and commission expenses				
Account transaction fees	**445**	380	**445**	380
Card-based commission	**734**	653	**700**	636
Electronic banking fees	**445**	465	**445**	465
Insurance – fees and commission	**292**	326	**292**	326
Documentation and administration fees	**78**	33	**78**	33
Other	**44**	46	**44**	46
	2 038	1 903	**2 004**	1 886
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.				
24.5 Trading revenue				
Commodities	**157**	138	**157**	138
Foreign exchange	**1 961**	2 221	**1 960**	2 221
Credit	**(195)**	(52)	**(195)**	(52)
Interest rates	**589**	(40)	**644**	168
Equities	**365**	396	**330**	396
Other	**84**	24	**86**	25
	2 961	2 687	**2 982**	2 896
Interest and dividend income included in trading revenue:				
Net interest income	**642**	509	**673**	468
Dividend income – listed	**189**	267	**189**	267
	831	776	**862**	735
24.6 Other revenue				
Banking and other[1]	**597**	525	**800**	613
Property-related revenue	**98**	105	**98**	97
Insurance – bancassurance income	**307**	432	**307**	432
Profit on realisation of available-for-sale financial assets[2]	**136**	123	**136**	123
Net gains on financial instruments designated at fair value through profit or loss	**248**	146	**248**	284
Net losses on disposal of financial liabilities held at amortised cost		(11)		(11)
Net gains on disposal of financial liabilities held-to-maturity		2		2
	1 386	1 322	**1 589**	1 540

[1] Included in banking and other for the company is dividend income from subsidiaries of R105 million (2008: R144 million).

[2] Profit of R51 million (2008: R123 million) on realisation of Visa shares is included in profit on realisation of available-for-sale financial assets.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
24. Income statement information continued				
24.7 Credit impairment charges				
Net credit impairments raised for loans and advances	**10 299**	10 389	**10 191**	10 136
Recoveries on loans and advances previously written off	**(468)**	(374)	**(447)**	(366)
	9 831	10 015	**9 744**	9 770
Comprising:				
Net credit impairment charges for non-performing loans	**9 672**	8 315	**9 573**	8 088
Credit impairment charges for non-performing loans (note 8.3)	**10 140**	8 689	**10 020**	8 454
Recoveries on loans and advances previously written off	**(468)**	(374)	**(447)**	(366)
Credit impairment charges on performing loans (note 8.3)	**159**	1 700	**171**	1 682
	9 831	10 015	**9 744**	9 770
24.8 Staff costs				
Salaries and allowances	**9 237**	9 229	**9 048**	9 037
Equity-linked transactions	**437**	136	**437**	136
Equity-settled share-based payments		17		17
Cash-settled share-based payments	**394**	58	**394**	58
Equity participation plans (Tutuwa)	**29**	61	**29**	61
Deferred bonus scheme	**14**		**14**	
	9 674	9 365	**9 485**	9 173
24.9 Other operating expenses				
Amortisation – intangible assets (note 11)	**151**	109	**151**	109
Auditors' remuneration	**68**	58	**64**	54
Audit fees – current year	**49**	48	**45**	45
Audit fees – prior year		2		2
Fees for other services	**19**	8	**19**	7
Communication expense	**721**	755	**707**	724
Depreciation (note 12)	**1 015**	937	**1 007**	930
Property				
– Freehold	**18**	18	**18**	18
– Leasehold	**56**	13	**56**	13
Equipment				
– Computer equipment	**631**	662	**628**	660
– Motor vehicles	**72**	77	**68**	74
– Office equipment	**40**	33	**40**	32
– Furniture and fittings	**198**	134	**197**	133
Impairments – intangible assets (note 11)	**95**	104	**95**	104
Information technology	**2 285**	2 003	**2 295**	1 988
Operating lease charges – premises	**1 031**	831	**1 021**	823
Premises	**551**	633	**553**	632
Professional fees	**851**	632	**833**	622
Profit on sale of property and equipment	**(36)**	(13)	**(35)**	(13)
Recoveries on motor vehicles	**(23)**	(25)	**(22)**	(26)
Other expenses	**1 903**	1 731	**1 852**	1 528
	8 612	7 755	**8 521**	7 475

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
25. Directors' emoluments				
Executive directors				
Emoluments of directors in respect of services rendered[1]:				
As directors of the company[2]	**23**	21	**23**	21
While directors of the company				
– as directors of subsidiary companies				
– otherwise in connection with the affairs of the company or its subsidiaries[2]				
Non-executive directors				
Emoluments of directors in respect of services rendered:				
As directors of the company	**3**	3	**3**	3
While directors of the company				
– as directors of subsidiary companies				
– otherwise in connection with the affairs of the company or its subsidiaries	**2**	3	**2**	3
	28	27	**28**	27

[1] In order to align emoluments with the performance to which they relate, emoluments reflect the amounts accrued in respect of each year and not the amounts paid.
[2] Including gains on exercise of options and other related payments.

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
26. Taxation				
Indirect taxation (note 26.1)	**582**	600	**581**	598
Direct taxation (note 26.2)	**2 144**	1 989	**2 011**	1 964
	2 726	2 589	**2 592**	2 562
26.1 Indirect taxation				
Value added tax	**496**	511	**496**	510
Duties and other	**8**	8	**7**	7
Skills development levy (net of recoveries)	**78**	81	**78**	81
	582	600	**581**	598
26.2 Direct taxation				
Current year	**2 145**	1 990	**2 011**	1 964
South African normal tax	**4 210**	1 995	**4 117**	1 898
South African deferred tax	**(2 020)**	57	**(2 061)**	130
Normal STC		125		124
Deferred STC	**(81)**	(128)	**(81)**	(128)
Foreign normal and withholding tax	**16**	20	**16**	20
South African deferred tax – rate change		(99)		(100)
Capital gains tax	**20**	20	**20**	20
Prior years	**(1)**	(1)		
South African normal tax	**(1)**			
South African deferred tax		(1)		
	2 144	1 989	**2 011**	1 964

The aggregate current and deferred tax relating to items charged or credited to other comprehensive income amounted to a charge of R65 million (2008: R147 million credit).

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26. Taxation continued

26.2 Direct taxation continued

Income tax recognised in other comprehensive income

The table below sets out the amount of income tax relating to each component in other comprehensive income:

	Group			Company		
	Before tax Rm	Tax benefit/ (expense) Rm	Net of tax Rm	Before tax Rm	Tax benefit/ (expense) Rm	Net of tax Rm
2009						
Exchange differences on translating foreign operations	**(162)**		**(162)**	**(140)**		**(140)**
Net change in fair value on cash flow hedges	**(178)**	**50**	**(128)**	**(178)**	**50**	**(128)**
Realised fair value adjustments on cash flow hedges transferred to the income statement	**(13)**	**4**	**(9)**	**(13)**	**4**	**(9)**
Net change in fair value of available-for-sale financial assets	**65**	**(7)**	**58**	**65**	**(7)**	**58**
Realised fair value adjustments of available-for-sale financial assets transferred to the income statement	**(136)**	**18**	**(118)**	**(136)**	**18**	**(118)**
	(424)	**65**	**(359)**	**(402)**	**65**	**(337)**
2008						
Exchange differences on translating foreign operations	213		213	182		182
Net change in fair value on cash flow hedges	285	(80)	205	285	(80)	205
Realised fair value adjustments on cash flow hedges transferred to the income statement	207	(58)	149	207	(58)	149
Net change in fair value of available-for-sale financial assets	184	(25)	159	184	(25)	159
Realised fair value adjustments of available-for-sale financial assets transferred to the income statement	(123)	16	(107)	(123)	16	(107)
	766	(147)	619	735	(147)	588

South African tax rate reconciliation (%)

	Group		Company	
	2009	2008	**2009**	2008
Total taxation charge for the year as a percentage of net income before indirect taxation	**25**	23	**24**	23
Value added tax, duties and skills development levy	**(5)**	(5)	**(5)**	(5)
STC	**(1)**	(1)	**(1)**	(1)
Direct taxation charge for the year as a percentage of profit before indirect taxation	**19**	17	**18**	17
The charge for the year has been reduced as a consequence of:				
Dividends received	**7**	6	**7**	7
Other non-taxable income	**2**	2	**2**	2
Other permanent differences		2	**1**	1
Change in the company tax rate		1		1
Standard rate of South African tax	**28**	28	**28**	28

	2009 Gross Rm	2009 Tax Rm	2009 Net Rm	2008 Gross Rm	2008 Tax Rm	2008 Net Rm
27. Headline earnings						
Group						
Profit attributable to the ordinary shareholder for the year	**10 324**	**(2 144)**	**8 180**	10 772	(1 989)	8 783
Headline earnings adjustable items added/(reversed)	**289**	**(28)**	**261**	21	(12)	9
Profit on sale of property and equipment – IAS 16	**(36)**	**8**	**(28)**	(13)	1	(12)
Impairment of associates – IAS 28	**366**	**(28)**	**338**	53		53
Impairment of intangible assets – IAS 38	**95**	**(26)**	**69**	104	(29)	75
Fair value gains on available-for-sale assets – IAS 39	**(136)**	**18**	**(118)**	(123)	16	(107)
Headline earnings	**10 613**	**(2 172)**	**8 441**	10 793	(2 001)	8 792
Company						
Profit attributable to the ordinary shareholder for the year	**10 038**	**(2 011)**	**8 027**	10 736	(1 964)	8 772
Headline earnings adjustable items added/(reversed)	**122**	**(28)**	**94**	(32)	(12)	(44)
Profit on sale of property and equipment – IAS 16	**(35)**	**8**	**(27)**	(13)	1	(12)
Impairment of associates – IAS 28	**198**	**(28)**	**170**			
Impairment of intangible assets – IAS 38	**95**	**(26)**	**69**	104	(29)	75
Fair value gains on available-for-sale assets – IAS 39	**(136)**	**18**	**(118)**	(123)	16	(107)
Headline earnings	**10 160**	**(2 039)**	**8 121**	10 704	(1 976)	8 728

Headline earnings is calculated in accordance with Circular 3/2009 issued by the South African Institute of Chartered Accountants. The circular allows for the inclusion in headline earnings of any gains or losses on any sale of private equity joint ventures or associates held by a banking institution. These associates are to be ringfenced, refer to annexure B on page 147 for the required disclosure in terms of the circular.

	Group 2009	Group 2008	Company 2009	Company 2008
28. Earnings per share				
The calculations of basic earnings and headline earnings per share are as follows[1]:				
Earnings				
Basic earnings (Rm)	**8 180**	8 783	**8 027**	8 772
Headline earnings (Rm) (note 27)	**8 441**	8 792	**8 121**	8 728
Weighted average number of ordinary shares in issue (thousands)	**59 997**	59 997	**59 997**	59 997
Basic earnings per share (cents)	**13 634**	14 639	**13 379**	14 621
Headline earnings per share (cents)	**14 069**	14 654	**13 536**	14 547
Reconciliation of weighted average number of ordinary shares in issue (thousands)				
Shares in issue at beginning of the year	**59 997**	59 997	**59 997**	59 997
Effect of shares issued during the year				
Weighted average number of ordinary shares in issue (thousands)	**59 997**	59 997	**59 997**	59 997

[1] Basic earnings per share equals diluted earnings per share as there are no potential dilutive ordinary shares in issue.

	Group 2009	Group 2008	Company 2009	Company 2008
29. Dividends				
Ordinary dividends				
Dividend no. 120 of 5 250 cents per share paid on 4 March 2008 to the shareholder registered on 4 March 2008		3 150		3 150
Dividend no. 121 of 3 000 cents per share paid on 18 September 2008 to the shareholder registered on 17 September 2008		1 800		1 800
Dividend no. 122 of 1 667 cents per share paid on 2 April 2009 to the shareholder registered on 31 March 2009	**1 000**		**1 000**	
Dividend no. 123 of 1 333 cents per share paid on 2 April 2009 to the shareholder registered on 31 March 2009	**800**		**800**	
Dividend no. 124 of 2 500 cents per share paid on 2 April 2009 to the shareholder registered on 31 March 2009	**1 500**		**1 500**	
Dividend no. 125 of 1 667 cents per share paid on 17 September 2009 to the shareholder registered on 16 September 2009	**1 000**		**1 000**	
	4 300	4 950	**4 300**	4 950

On 3 March 2010 the following dividend was declared:

Dividend no. 126 of 5 000 cents per share payable on 1 April 2010, to the shareholder registered on 31 March 2010, bringing the total dividends declared in respect of 2009 to 9 167 cents per share (2008: 6 000 cents per share).

	Group		Company	
	2009 **Rm**	2008 Rm	**2009** **Rm**	2008 Rm
30. Net cash flows from operating activities				
30.1 Reduction/(increase) in income-earning assets				
Financial investments	**(2 000)**	(19 410)	**(2 907)**	(18 912)
Trading assets	**1 375**	5 437	**(2 559)**	3 101
Pledged assets	**1 186**	(493)	**1 186**	(493)
Loans and advances	**(7 322)**	(89 141)	**(7 381)**	(90 777)
Net derivative assets	**(9 698)**	6 295	**(9 598)**	6 378
Interest in group companies	**26 445**	(13 924)	**26 393**	(14 875)
Other assets	**3 744**	(4 100)	**3 725**	(4 069)
	13 730	(115 336)	**8 859**	(119 647)
30.2 (Reduction)/increase in deposits and other liabilities				
Deposits and current accounts	**(30 308)**	81 050	**(28 922)**	82 308
Trading liabilities	**(6 817)**	(6 388)	**(2 860)**	(3 378)
Liabilities to group companies	**7 523**	29 418	**7 605**	29 549
Other liabilities	**731**	627	**451**	812
	(28 871)	104 707	**(23 726)**	109 291
30.3 Direct taxation paid				
Current and deferred tax at beginning of the year	**(3 150)**	(3 342)	**(3 258)**	(3 364)
Income statement charge	**(2 144)**	(1 989)	**(2 011)**	(1 964)
Deferred capital gains tax on impairment of an associate	**28**			
Deferred capital gains tax recognised in comprehensive income	**65**	(147)	**65**	(147)
Current and deferred tax at end of the year	**2 508**	3 150	**2 607**	3 258
	(2 693)	(2 328)	**(2 597)**	(2 217)
30.4 Proceeds from issue of share capital to shareholder				
Ordinary share capital and share premium	**1 500**	1 500	**1 500**	1 500
	1 500	1 500	**1 500**	1 500
30.5 Dividends paid				
Dividends to ordinary shareholder	**4 300**	4 950	**4 300**	4 950
	4 300	4 950	**4 300**	4 950

31. Related party transactions

31.1 Parent
The Standard Bank of South Africa Limited is a wholly owned subsidiary of Standard Bank Group Limited.

31.2 Subsidiaries
Details of effective interest, investments and loans to subsidiaries are disclosed in annexure A on page 144.

31.3 Associates and joint ventures
Details of effective interest, investments and loans to associates and joint ventures are disclosed in annexure B on pages 145 to 147.

31.4 Key management personnel
Key management personnel for the group and company has been defined as: The Standard Bank of South Africa Limited board of directors and the Standard Bank Group Limited executive committee. The definition of key management includes the close members of family of key management personnel and any entity over which key management personnel exercise control. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with The Standard Bank of South Africa Limited. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependants of the individual or the individual's domestic partner.

31. Related party transactions continued

	2009 Rm	2008 Rm
Key management personnel compensation		
Salaries and other short-term benefits	112	106
Post-employment benefits	4	3
Other long-term benefits	8	8
IFRS 2 value of share options and rights expensed	53	24
	177	141
Loans and advances		
Loans outstanding at beginning of the year	26	25
Loans granted during the year	392	44
Loans repaid during the year	(399)	(43)
Loans outstanding at end of the year	19	26
Net interest earned	2	3

Loans include mortgage loans, instalment sale and finance leases and credit cards. The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with customers. No impairment has been recognised in respect of loans granted to key management (2008: Rnil). The mortgage loans and instalment sale and finance leases are secured by the underlying assets and other loans are unsecured.

	2009 Rm	2008 Rm
Deposit and current accounts		
Deposits outstanding at beginning of the year	102	61
Net deposits received during the year	162	41
Deposits outstanding at end of the year	264	102
Net interest expense	11	2

Deposits include cheque, current and savings accounts. The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with customers.

	2009 Rm	2008 Rm
Insurance		
Premiums received	1	2

The premiums received relate to life, disability and other insurance.

	2009 Rm	2008 Rm
Investment products		
Deposits outstanding at beginning of the year	816	723
Deposits received during the year	314	374
Deposits repaid during the year	(195)	(281)
Deposits outstanding at end of the year	935	816
Net investment return	159	(31)
Third party funds under management		
Fund value balance at beginning of the year	586	869
Net deposits including commission and other transaction fees	3	(283)
Fund value balance at end of the year	589	586

Shares and share options held

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

	2009	2008
Shares beneficially owned (number)	10 982 526	11 227 769
Share options held (number)	10 769 150	9 736 250

	Holding company		Subsidiaries		Fellow subsidiaries	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
31. Related party transactions continued						
31.5 Holding company, subsidiaries and fellow subsidiaries						
Assets						
Group						
Assets outstanding at beginning of the year	**51**				**101 199**	87 348
Net movement for the year		51			**(26 425)**	13 851
Assets outstanding at end of the year	**51**	51			**74 774**	101 199
Interest income earned for the group					**1 953**	4 031
Non-interest revenue earned for the group		22			**635**	460
Company						
Assets outstanding at beginning of the year	**51**		**3 555**	5 289	**101 618**	84 988
Net movement for the year		51	**25**	(1 734)	**(26 398)**	16 630
Assets outstanding at end of the year	**51**	51	**3 580**	3 555	**75 220**	101 618
Interest income earned for the company			**237**	515	**2 214**	4 143
Non-interest revenue earned for the company		22	**324**	333	**566**	460
The loans issued to subsidiaries, joint ventures and associates are repayable on demand. Interest is charged based on the group's internal calculated funding rate and loans are unsecured.						
Liabilities						
Group						
Liabilities outstanding at beginning of the year	**3 335**				**50 799**	24 216
Net movement for the year	**772**	3 335			**3 793**	26 583
Liabilities outstanding at end of the year	**4 107**	3 335			**54 592**	50 799
Interest expense for the group	**364**	640			**668**	448
Company						
Liabilities outstanding at beginning of the year	**3 335**		**2 163**	1 996	**50 776**	24 229
Net movement for the year	**772**	3 335	**495**	167	**3 380**	26 547
Liabilities outstanding at end of the year	**4 107**	3 335	**2 658**	2 163	**54 156**	50 776
Interest expense for the company	**364**	640	**136**	181	**632**	448
	Cash balances		**Interest earned**		**Fees charged**	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Banking arrangements						
Liberty and its subsidiaries make use of banking facilities provided by the company.						
Cash and cash equivalents						
– Liberty	**120**	221	**12**	12		
– Liberty subsidiaries	**1 767**	2 472	**71**	110	**29**	11
	1 887	2 693	**83**	122	**29**	11

Information technology outsourcing arrangement

With effect from 1 October 2004, Liberty partially outsourced its information technology services to the company in terms of an agreement that will run until 31 March 2010. Fees charged for the year amounted to R20 million (2008: R24 million).

31. Related party transactions continued

31.5 Holding company, subsidiaries and fellow subsidiaries continued

Software development

The company has contracted Liberty to develop a commission and specific customer information system for Standard Bank Financial Consultancy, a division of SBSA. Fees associated with this development have been charged over five years with the expected completion date in 2010. Fees charged for the year amounted to R4 million (2008: R4 million).

Operating leases

Lease income
Liberty leases a Pretoria property from the company in terms of a lease entered into on 22 December 1999 for a period of 13,5 years terminating on 31 May 2013. Lease escalations are fixed at 12% per annum. Total lease receipts for the year amounted to R80 million (2008: R71 million).

Lease expense
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 the year amounted to R59 million (2008: R58 million).

Bancassurance

Liberty has entered into a profit share agreement (renegotiated on 25 April 2002 for a period until 31 December 2010) with the company for the sale and promotion of Liberty's insurance products. New business premium income received in respect of this business in 2009 amounted to R4 812 million (2008: R5 091 million). In terms of the agreement Liberty pays 90% of profits on simple products and 50% of profits on complex products through a preference dividend to the company. Income recognised for the year amounted to R366 million (2008: R308 million).

Insurance
Certain insured risks of Liberty are negotiated and/or included in the SBG insurance policy underwritten through Lloyds. These include R3 billion (2008: R3 billion) cover for crime, fraud and professional indemnity, R2 billion plus £100 million (2008: R2 billion plus £100 million) directors' and officers' cover and R760 million (2008: R760 million) assets all risks cover. The assets all risks premiums include South African Special Risks Insurance Association (SASRIA) cover of R500 million (2008: R500 million). The proportionate share of premiums charged to Liberty by SBG for the year amounted to R10 million (2008: R9 million).

Asset management fees
Asset management fees of R7 million (2008: R19 million) were paid to Stanlib Asset Management Limited by The Standard Bank Group Retirement Fund.

Dividend purchase agreement
In May 2007, Liberty entered into a dividend purchase agreement with Standard Bank. In terms of the agreement, the rights to dividend income from certain share investments were acquired by Standard Bank. The cost of the rights to dividends was R1 004 million (2008: R1 110 million).

31.6 Transactions with a shareholder of the parent

The following transactions took place between SBSA and Industrial and Commercial Bank of China, a 20% shareholder of SBG, with effect from 2008.

	2009 Rm	2008 Rm
Revenue		
Trading revenue		10
Interest revenue	**5**	15
Total revenue earned	**5**	25
Deposits		
Deposits received	**1 150**	622
Total deposits received	**1 150**	622

31.7 Other contracts

Saki Macozoma, a director of the group, has a shareholding of 23% in Safika, which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds 2,15% of Liberty Holdings through Lexshell 620 Investments (Proprietary) Limited, 55% of Andisa Capital and 1,38% of SBG. The group has an effective interest of 17,25% in Safika and SBG's total effective holding in Safika is 20,33%.

Cyril Ramaphosa, a director of the group, has a 29,8% shareholding in Shanduka, which is a member of the Tutuwa consortium. Shanduka holds 1,44% through Lexshell 621 Investments (Proprietary) Limited in Liberty Holdings and 0,92% in SBG. SBG holds an effective interest of 12,2% in Shanduka.

31. **Related party transactions** continued

31.7 **Other contracts** continued

In February 2007 SBG acquired 33% of the issued share capital of Sankofa Trust (Proprietary) Limited. The balance of the shares in this company is held by trusts controlled by Sam Jonah, a director of the group, the Jonah family and the company management.

Doug Band, a director of SBSA, has a 33% shareholding in Gymnogene Investments, a company that provided consulting and certain management services to the capital investment division of SBSA for a five-year period until 31 December 2004. In terms of the agreement, he is due a percentage of the proceeds from the sale of equity-related investments undertaken during the term of the management services agreement described above. In 2009, R1 480 million (2008: R2 600 million) was payable to Doug Band in terms of the agreement.

31.8 **Post-employment benefit plans**

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

	2009 Rm	2008 Rm
Fee income	**35**	36
Deposits held with the bank	**309**	198
Interest paid	**183**	433
Value of assets under management	**9 658**	12 464
Deposits held in bonds and money market	**67**	213
Number of SBG shares held (thousands)	**6 558**	5 278

	Group		**Company**	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
32. Post-employment benefits				
Amounts recognised as a liability in the statement of financial position (note 18.2)				
Retirement fund (note 32.1)	**294**	448	**294**	448
Post-retirement healthcare benefits (note 32.2)	**481**	521	**481**	521
Provider fund	**(178)**	(108)	**(178)**	(108)
Other	**659**	629	**659**	629
	775	969	**775**	969

The total amount recognised as an expense for the defined contribution plan operated by the group amounted to R484 million (2008: R386 million).

32.1 **Retirement fund**

Membership of the principal fund, the Standard Bank Group Retirement Fund exceeds 95% of the Standard Bank of South Africa's permanent staff. The fund, one of the ten largest in South Africa, is a trustee-administered defined contribution fund governed by the Pension Funds Act, 1956. Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently of the company's assets.

The fund is subject to statutory financial review by actuaries at an interval of not more than three years. The latest full actuarial valuation was performed on 31 December 2009 and, in the opinion of the actuary, the fund is considered to be financially sound. There have been no alterations to the contribution rate recommended by the actuary during the year. The next actuarial valuation is to be performed on 31 December 2010.

At 31 December 2009, the determination of the fund's financial position in relation to any shortfall or surplus position and any utilisation of unrecognised actuarial gains was uncertain pending the approval of the fund's surplus apportionment scheme by the Registrar of Pension Funds in terms of the Pension Funds Second Amendment Act, 39 of 2001.

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. 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.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
32. Post-employment benefits continued				
32.1 Retirement fund continued				
The amounts recognised in the statement of financial position in respect of the retirement fund are determined as follows:				
Present value of defined benefit obligations	**19 378**	19 349	**19 378**	19 349
Fair value of plan assets	**(21 110)**	(19 349)	**(21 110)**	(19 349)
Surplus	**(1 732)**		**(1 732)**	
Unrecognised actuarial gains	**2 026**	448	**2 026**	448
Included in other liabilities and provisions in the statement of financial position	**294**	448	**294**	448
Unrecognised actuarial gains or losses are deferred and fully recognised in the income statement over a period not exceeding the estimated service lives of the employees.				
Movement in the present value of defined benefit obligation				
Balance at beginning of the year	**19 349**	22 486	**19 349**	22 486
Current service cost and interest cost	**2 395**	2 568	**2 395**	2 568
Contributions paid by employees	**405**	374	**405**	374
Actuarial gains	**(1 596)**	(4 916)	**(1 596)**	(4 916)
Benefits paid	**(1 175)**	(1 163)	**(1 175)**	(1 163)
Balance at end of the year	**19 378**	19 349	**19 378**	19 349
Movement in the fair value of plan assets				
Balance at beginning of the year	**19 349**	22 486	**19 349**	22 486
Expected return on plan assets	**2 050**	2 186	**2 050**	2 186
Contributions received	**808**	748	**808**	748
Actuarial gains/(losses)	**78**	(4 908)	**78**	(4 908)
Benefits paid	**(1 175)**	(1 163)	**(1 175)**	(1 163)
Balance at end of the year	**21 110**	19 349	**21 110**	19 349
Plan assets consist of the following:				
Cash	**2 778**	89	**2 778**	89
Equities	**11 982**	10 023	**11 982**	10 023
Government bonds	**2 772**	4 671	**2 772**	4 671
Property and other	**3 578**	4 566	**3 578**	4 566
	21 110	19 349	**21 110**	19 349
Plan assets include R11 million (2008: R8 million) of property held by the group.				
The group expects to pay R535 million in contributions to defined benefit plans in 2010 (2009: R400 million).				
The amounts recognised in the income statement are determined as follows:				
Current service cost	**558**	630	**558**	630
Interest cost	**1 837**	1 938	**1 837**	1 938
Expected return on plan assets	**(2 050)**	(2 186)	**(2 050)**	(2 186)
Net actuarial gain recognised in the year	**(27)**	(33)	**(27)**	(33)
Curtailment cost	**(69)**		**(69)**	
Included in staff costs	**249**	349	**249**	349
Actual return on plan assets	**2 128**	(2 722)	**2 128**	(2 722)

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

32. Post-employment benefits continued

32.1 Retirement fund continued

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Historical information					
Group and company					
Present value of defined benefit obligation	**19 378**	19 349	22 486	20 049	16 877
Fair value of plan assets	**(21 110)**	(19 349)	(22 486)	(20 049)	(16 877)
Surplus	**(1 732)**				
Experience adjustments arising on plan liabilities	**(1 596)**	4 959	(1 592)	(2 278)	(2 509)
Experience adjustments arising on plan assets	**78**	(4 908)	1 049	2 205	2 477

32.2 Post-employment healthcare benefits

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

Provider fund

A post-employment healthcare benefit fund provides eligible employees, who were employed in South Africa on 1 March 2000, with a lump sum benefit on retirement enabling them to purchase an annuity to be applied towards their post-retirement healthcare costs. This benefit is prefunded in a provident fund. 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 last statutory actuarial valuation was performed on 1 March 2007 and reflected an excess in the fund. The company previously received approval from the Financial Services Board to transfer the excess to an employer reserve.

Post-employment medical aid

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 on 31 December 2009. The next actuarial valuation is to be performed on 31 December 2010.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
The amounts recognised in the statement of financial position in respect of post-employment healthcare benefits are determined as follows:				
Present value of unfunded defined benefit obligation	**659**	629	**659**	629
Present value of funded defined benefit obligation	**554**	471	**554**	471
Total present value of defined benefit obligations	**1 213**	1 100	**1 213**	1 100
Fair value of plan assets	**(1 237)**	(1 103)	**(1 237)**	(1 103)
Surplus	**(24)**	(3)	**(24)**	(3)
Unrecognised actuarial gains	**505**	524	**505**	524
Included in other liabilities and provisions in the statement of financial position	**481**	521	**481**	521
Movement in the present value of defined benefit obligations				
Balance at beginning of the year	**1 100**	1 177	**1 100**	1 177
Current service cost and interest cost	**130**	128	**130**	128
Actuarial losses/(gains)	**97**	(89)	**97**	(89)
Benefits paid	**(114)**	(116)	**(114)**	(116)
Balance at end of the year	**1 213**	1 100	**1 213**	1 100
Movement in the fair value of plan assets				
Balance at beginning of the year	**1 103**	1 332	**1 103**	1 332
Expected return on plan assets	**107**	120	**107**	120
Actuarial gains/(losses)	**91**	(276)	**91**	(276)
Benefits paid	**(64)**	(73)	**(64)**	(73)
Balance at end of the year	**1 237**	1 103	**1 237**	1 103

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
32. Post-employment benefits continued				
32.2 Post-employment healthcare benefits continued				
Plan assets consist of the following:				
Cash	**42**	97	**42**	97
Equities	**871**	749	**871**	749
Government bonds	**174**	156	**174**	156
Property and other	**150**	101	**150**	101
Balance at end of the year	**1 237**	1 103	**1 237**	1 103
Plan assets include R19 million (2008: R30 million) of investments in own equity by the group.				
The group expects to pay R52 million in contributions to post-retirement healthcare benefit plans in 2010 (2009: R49 million).				
The amounts recognised in the income statement are determined as follows:				
Current service cost	**30**	30	**30**	30
Interest cost	**100**	98	**100**	98
Expected return on plan assets	**(107)**	(120)	**(107)**	(120)
Net actuarial gains recognised in the year	**(13)**	(17)	**(13)**	(17)
Included in staff costs	**10**	(9)	**10**	(9)
Actual return on plan assets	**198**	(156)	**198**	(156)

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in the medical inflation rate would have the following effects on amounts recognised in 2009 and 2008:

	2009		2008	
	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	**6**	**(5)**	6	(5)
Effect on the defined benefit obligation	**62**	**(54)**	62	(53)

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Historical information					
Group and company					
Present value of defined benefit obligations	**1 213**	1 100	1 177	1 434	1 232
Fair value of plan assets	**(1 237)**	(1 103)	(1 332)	(1 167)	(991)
(Surplus)/unfunded obligations	**(24)**	(3)	(155)	267	241
Experience adjustments arising on plan liabilities	**(112)**	89	285	(191)	(152)
Experience adjustments arising on plan assets	**91**	(276)	136	168	152

32. Post-employment benefits continued

32.2 Post-employment healthcare benefits continued

The principal actuarial assumptions used for accounting purposes were:

	Retirement fund %	Provider fund %	Post-employment medical aid %
2009			
Discount rate	**9,50**	**9,50**	**9,50**
Return on investments	**10,50**	**9,75**	
Salary/benefit inflation	**7,00**	**8,00**	
CPI inflation	**6,00**	**6,00**	**6,00**
Medical inflation			**8,00**
Remaining service life of employees (years)	**15,00**	**15,00**	
2008			
Discount rate	9,25	9,25	9,25
Return on investments	10,50	9,75	
Salary/benefit inflation	7,00	8,00	
CPI inflation	6,00	6,00	6,00
Medical inflation			8,00
Remaining service life of employees (years)	14,15	16,00	

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm

33. Reclassification of financial assets

Amount reclassified from held-for-trading to loans and receivables at amortised cost

Following the amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets,* the group and company reclassified assets to the value of R2 917 million and R875 million respectively from held-for-trading to loans and receivables 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.

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Carrying value of reclassified financial assets at end of the year	**2 775**		**869**	
Fair value of reclassified financial assets at end of the year	**2 718**		**850**	

At the date of reclassification within the company, the weighted average effective interest rate on the reclassified assets was 8,85% with expected recoverable cash flows of R2 628 million forecasted to be received over a weighted average period of 11,3 years. A fair value loss of R18 million after tax would have been recognised in 2009 had this reclassification not been done.

At the date of reclassification within the group, the weighted average effective interest rate on the reclassified assets was 8,55% with expected recoverable cash flows of R4 707 million forecasted to be received over a weighted average period of 4,3 years. A fair value loss of R17 million after tax would have been recognised in 2009 had this reclassification not been done.

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

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Period before reclassification				
Trading income	**(29)**		**(111)**	
Period after reclassification				
Net interest income	**179**		**31**	

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Annexure A – subsidiaries

Subsidiaries	Nature of operation	Issued share capital Rm	Effective holding 2009 %	Effective holding 2008 %	Book value of shares 2009 Rm	Book value of shares 2008 Rm	Net indebtedness 2009 Rm	Net indebtedness 2008 Rm
Accelerator Fund 1 (Pty) Limited[1]	Securitisation vehicle							(77)
Accelerator Fund 2 (Pty) Limited[1]	Securitisation vehicle						**(121)**	(88)
Blue Bond Investments Limited	Participation mortgage bond finance	*	**100**	100	**	**	**259**	319
Blue Granite Investments No. 1 (Pty) Limited[1]	Securitisation vehicle						**434**	(6)
Blue Granite Investments No. 2 (Pty) Limited[1]	Securitisation vehicle						**8**	6
Blue Granite Investments No. 3 (Pty) Limited[1]	Securitisation vehicle						**(169)**	(177)
Blue Granite Investments No. 4 (Pty) Limited[1]	Securitisation vehicle						**267**	96
Blue Titanium Conduit Limited[1]	Asset-backed commercial paper conduit						**(5)**	(63)
Diners Club (SA) (Pty) Limited	Travel and entertainment card	*	**100**	100	**	**	**608**	789
Out of the Blue Originator (Pty) Limited	Bond originators	*	**100**	100	**	**	**7**	831
Siyakha Fund (Pty) Limited[1]	Securitisation vehicle						**(198)**	(183)
Standard Bank Insurance Brokers (Pty) Limited	Insurance broking	*	**100**	100	***	***	**(257)**	(241)
Miscellaneous	Finance companies		**100**	100	**25**	25	**89**	186
Total investment in subsidiaries					**25**	25	**922**	1 392

The detailed information is only given in respect of subsidiaries which are material to the financial position of the group.

All subsidiaries are incorporated within South Africa.

[1] Special purpose entity, no shareholding.
** Issued share capital less than R1 million.*
*** Book value less than R1 million.*
**** Held indirectly.*

Annexure B – associates and joint ventures

	Edu-Loan (Proprietary) Limited		Safika Holdings (Proprietary) Limited		RCS Investment Holdings (Proprietary) Limited	
Ownership structure	Associate		Associate		Associate	
Nature of business	Student loans		Investment holding company		Finance	
Year end	December		February		March	
Date to which equity accounted	31 December 2009		31 December 2009		31 December 2009	
	2009	2008	**2009**	2008	**2009**	2008
Effective holding	**29%**	27%	**17%**	17%	**45%**	45%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**35**	27	**282**	219	**570**	869
Statement of financial position						
Non-current assets	**11**	30	**4 291**	3 149	**89**	123
Current assets	**315**	287	**286**	212	**2 750**	2 492
Non-current liabilities	**(55)**	(21)	**(2 297)**	(1 728)	**(1 633)**	(1 610)
Current liabilities	**(164)**	(218)	**(385)**	(180)	**(312)**	(233)
Loans to entities	**51**	21			**630**	719
Income statement						
Total income	**111**	123	**1 309**	317	**398**	630
Total expense	**(79)**	(93)	**(715)**	(86)	**(257)**	(487)
Total profit and loss	**19**	46	**594**	231	**146**	143
Attributable income before impairment	**11**	4	**68**	55	**74**	62

	Dairy Belle (Proprietary) Limited		Defy (Proprietary) Limited		Other associates	
Ownership structure	Associate		Associate		Associate	
Nature of business	Dairy products		Manufacturing		Various	
Year end	September		March		Various	
Date to which equity accounted	31 December 2009		31 December 2009		31 December 2009	
	2009	2008	**2009**	2008	**2009**	2008
Effective holding	**50%**	50%	**43%**	43%	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**38**	51			**145**	130
Statement of financial position						
Non-current assets	**414**	377			**855**	1 344
Current assets	**434**	397		123	**551**	821
Non-current liabilities	**(435)**	(307)			**(709)**	(906)
Current liabilities	**(277)**	(278)		(123)	**(384)**	(640)
Loans to entities	**346**	290			**86**	429
Income statement						
Total income	**1 582**	1 395			**2 387**	2 195
Total expense	**(1 607)**	(1 421)			**(2 346)**	(2 081)
Total profit and loss	**(25)**	(26)			**41**	109
Attributable income before impairment	**(12)**	(16)	**45**	42	**26**	35

Annexure B – associates and joint ventures continued

	Credit Suisse Standard Securities (Proprietary) Limited		The Standard Bank African Bank partnership		Other joint ventures	
Ownership structure	Joint venture		Joint venture		Joint ventures	
Nature of business	Stockbroker		Banking		Various	
Year end	February		September		Various	
Date to which equity accounted	31 December 2009		31 December 2009		31 December 2009	
	2009	2008	**2009**	2008	**2009**	2008
Effective holding	**50%**	50%	**60%**	60%	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**185**	160		56	**39**	32
Statement of financial position						
Non-current assets	**29**	25	**109**	75	**20**	22
Current assets	**726**	475	**162**	130	**81**	49
Non-current liabilities		(2)	**(6)**	(5)		(22)
Current liabilities	**(532)**	(325)	**(1)**	(1)	**(32)**	(13)
Loans to entities				101		
Income statement						
Total income	**262**	262	**138**	86	**276**	296
Total expense	**(203)**	(211)	**(149)**	(90)	**(257)**	(273)
Total profit and loss	**59**	51	**(25)**	(14)	**20**	16
Attributable income before impairment	**25**	30	**(9)**	(10)	**6**	16

	Total associates and joint ventures		Private equity/venture capital associates and joint ventures[1,2]	
Ownership structure	Various		Various	
Nature of business	Various		Various	
Year end	Various		Various	
Date to which equity accounted	31 December 2009		31 December 2009	
	2009	2008	**2009**	2008
Effective holding	**Various**	Various	**Various**	Various
	Rm	Rm	**Rm**	Rm
Carrying value	**1 294**	1 544	**449**	388
Statement of financial position				
Non-current assets	**5 818**	5 145	**5 561**	4 675
Current assets	**5 305**	4 986	**1 271**	1 539
Non-current liabilities	**(5 135)**	(4 601)	**(3 441)**	(2 770)
Current liabilities	**(2 087)**	(2 011)	**(1 046)**	(1 204)
Loans to entities	**1 113**	1 560	**432**	719
Income statement				
Total income	**6 463**	5 304	**5 279**	3 904
Total expense	**(5 613)**	(4 742)	**(4 668)**	(3 590)
Total profit and loss	**829**	556	**611**	313
Attributable income before impairment	**234**	218	**130**	116
Share of (losses)/profits from associates and joint ventures	**(104)**	165		
Share of profits	**234**	218		
Impairments of associates	**(366)**	(53)		
Deferred capital gains tax on impairment	**28**			

[1] *Fair value for 2009: R609 million (2008: R493 million).*
[2] *Included in total associates and joint ventures.*

All investments in associates and joint ventures, other than those recognised at fair value through profit or loss in accordance with IAS 39, made by a private equity organisation are ringfenced for headline earnings purposes. On the disposal of these associates and joint ventures held by the private equity division of the group, profit or loss on the disposal will be included in headline earnings in terms of Circular 3/2009 *Headline Earnings,* issued by the South African Institute of Chartered Accountants.

Annexure C – equity-linked transactions

Share-based payments

Summary of the group and company's share incentive schemes and expenses recognised in staff costs:

	2009 Rm	2008 Rm
Equity-settled share-based payments		17
Cash-settled share-based payments	394	58
Equity participation plans (Tutuwa)	29	61
Deferred bonus scheme	14	
Total expenses recognised in staff costs	**437**	136
Summary of the liability recognised in other liabilities:		
Cash-settled share-based payment liability	735	341
Deferred bonus scheme	21	
Total liability recognised in other liabilities	**756**	341

Equity compensation plans

Equity-settled share-based payments

The group's share incentive schemes enable key management personnel and senior employees of SBSA to benefit from the performance of SBG shares.

SBG has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights.

The two schemes have three different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
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

A reconciliation of the movement of share options and appreciation rights is detailed below:

	Option price range (rand)	Number of options	
	2009	2009	2008
Group Share Incentive Scheme			
Options outstanding at beginning of the year		19 036 650	24 396 550
Transfers		(1 640 000)	
Granted			56 400
Exercised	17,15 - 92,00	(5 275 968)	(4 979 000)
Lapsed			(437 300)
Options outstanding at end of the year		**12 120 682**	19 036 650

Share options were exercised regularly throughout the year. The weighted average share price for the year was R86,14 (2008: R85,15).

The following options granted to employees, including executive directors, had not been exercised at 31 December 2009:

Number of ordinary shares	**Option price range (rand)**	**Weighted average price (rand)**	**Option expiry period**
464 000	**25,00 – 28,15**	**25,64**	**Year to 31 December 2010**
2 594 732	**30,90 – 35,90**	**31,90**	**Year to 31 December 2011**
1 142 900	**27,80 – 35,70**	**28,09**	**Year to 31 December 2012**
2 270 200	**27,70 – 32,19**	**27,94**	**Year to 31 December 2013**
3 449 450	**39,90 – 62,00**	**40,94**	**Year to 31 December 2014**
413 200	**59,90 – 65,60**	**65,06**	**Year to 31 December 2015**
944 900	**76,40 – 85,80**	**79,53**	**Year to 31 December 2016**
784 900	**97,95 – 107,91**	**98,38**	**Year to 31 December 2017**
56 400	**91,72**	**91,72**	**Year to 31 December 2018**
12 120 682			

The following options granted to employees, including executive directors, had not been exercised at 31 December 2008:

Number of ordinary shares	Option price range (rand)	Weighted average price (rand)	Option expiry period
1 006 500	17,15 – 26,40	18,68	Year to 31 December 2009
1 021 900	25,00 – 28,15	25,34	Year to 31 December 2010
3 203 100	27,70 – 35,90	31,87	Year to 31 December 2011
1 950 000	27,30 – 35,70	28,10	Year to 31 December 2012
3 671 700	27,70 – 33,45	27,94	Year to 31 December 2013
5 477 250	39,90 – 62,00	41,05	Year to 31 December 2014
542 100	59,90 – 65,60	64,97	Year to 31 December 2015
1 082 800	76,40 – 85,80	79,53	Year to 31 December 2016
1 024 900	92,05 – 107,91	98,33	Year to 31 December 2017
56 400	91,72	91,72	Year to 31 December 2018
19 036 650			

The share options 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 type and the assumptions utilised are illustrated below:

	Type A
	2008
Number of options granted	56 400
Weighted average fair value at grant date (rand)	33,03
The principal inputs are as follows:	
Weighted average share price (rand)	92,00
Weighted average exercise price (rand)	92,00
Expected life (years)	6,1
Expected volatility (%)	31,63
Risk-free interest rate (%)	9,9
Dividend yield (%)	3,5

No share options were granted during the year, options which were granted during 2008 and were expected to vest had an estimated fair value of R1 million.

Cash-settled share-based payments

	Average price range (rand)	Number	
	2009	**2009**	2008
Equity Growth Scheme			
Reconciliation			
Rights outstanding at beginning of the year		**30 621 030**	20 213 642
Transfers		**(1 166 600)**	
Granted	**62,39 – 100,00**	**12 605 000**	12 802 450
Exercised[1]	**69,75 – 104,00**	**(553 337)**	(321 597)
Lapsed	**60,35 – 99,52**	**(2 031 241)**	(2 073 465)
Rights outstanding at end of the year[2]		**39 474 852**	30 621 030

[1] During the year 105 173 (2008: 45 797) SBG shares were issued to settle the appreciated rights value.
[2] At the end of the year the group would need to issue 8 624 672 (2008: 1 405 059) SBG shares to settle the outstanding appreciated rights value.

The Equity Growth Scheme rights are only awarded to individuals in employment of a group entity domiciled within South Africa. The group is required to ensure that employees' tax arising from benefits due in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act of South Africa. Where employees have elected not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme. 5 095 (2008: 116 815) SBG shares were issued and sold to settle the employees' tax due during the year. This amount settled reduces the liability due in respect of the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2009:

Number of rights	**Option price range (rand)**	**Weighted average price (rand)**	**Option expiry period**
4 385 600	**60,35 – 70,00**	**65,61**	**Year to 31 December 2015**
6 132 202	**74,00 – 87,00**	**79,58**	**Year to 31 December 2016**
5 467 500	**94,50 – 117,30**	**98,45**	**Year to 31 December 2017**
11 289 950	**69,99 – 100,08**	**91,77**	**Year to 31 December 2018**
12 199 600	**62,39 – 100,00**	**64,50**	**Year to 31 December 2019**
39 474 852			

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2008:

Number of rights	Option price range (rand)	Weighted average price (rand)	Option expiry period
5 274 280	61,93 – 70,00	65,67	Year to 31 December 2015
7 029 055	74,00 – 87,00	79,58	Year to 31 December 2016
6 108 845	94,50 – 117,30	98,42	Year to 31 December 2017
12 208 850	69,99 – 100,08	91,79	Year to 31 December 2018
30 621 030			

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

	Type A		Type B	
	2009	2008	**2009**	2008
Number of appreciation rights granted	**8 211 500**	7 376 025	**4 393 500**	5 426 425
Weighted average fair value at grant date (rand)	**22,50**	32,99	**23,81**	36,52
The principal inputs are as follows:				
Weighted average share price (rand)	**64,02**	91,85	**65,06**	91,74
Weighted average exercise price (rand)	**64,02**	91,85	**65,06**	91,74
Expected life (years)	**6,1**	6,1	**7,0**	7,0
Expected volatility (%)	**35,5 – 38,8**	31,4 – 39,1	**35,5 – 38,8**	36,0 – 39,0
Risk-free interest rate (%)	**7,7 – 9,0**	8,7 – 11,2	**7,7 – 9,0**	8,6 – 10,6
Dividend yield (%)	**3,7**	3,5	**3,7**	3,5

The appreciation rights granted during the year which are estimated to vest have a fair value of R217 million (2008: R329 million) at grant date.

Equity participation plans

Tutuwa initiative

The group entered into a black economic empowerment (BEE) transaction during 2004 which included black managers. This resulted in the recognition of a share-based payment expense. The resultant equity instrument was valued using a number of valuation techniques including the Black-Scholes model and discounted cash flow methods. Due to the uniqueness of the instrument, the mid-point of the range of valuations was used arriving at a value of R8,50 per SBG instrument granted to black managers. This value is expensed over the vesting period ending 31 December 2010. SBSA has recognised a total expense of R29 million (2008: R61 million) relating to this initiative.

Deferred bonus scheme (DBS)

It is essential for the group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

The group has implemented a scheme to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

All employees who are awarded short-term incentives over a certain threshold, will now be subject to a mandatory deferral of a percentage of their cash incentive into the DBS. Vesting of the deferred bonus occurs after three years, conditional on continued employment at that time. The final payment of the deferred bonus is calculated with reference to the SBG share price at payment date. To enhance the retention component of the scheme, additional increments on the deferred bonus become payable at vesting and one year thereafter. Variables on thresholds and additional increments in the DBS are subject to annual review by the remuneration committee, and may differ from one performance year to the next.

The provision in respect of liabilities under the scheme amounts to R21 million at 31 December 2009, and the amount charged for the year is R14 million, after hedging activities.

	2009
Reconciliation	
Units outstanding at beginning of the year	
Granted	**1 162 261**
Lapsed	**(8 017)**
Units outstanding at end of the year	**1 154 244**
Number of appreciation rights granted	**1 162 261**
Weighted average fair value at grant date (rand)	**62,39**
Expected life (years)	**3,00**
Risk-free interest rate (%)	**7,89**
Dividend yield (%)	**4,42**

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Annexure D – segmental statement of financial position

	Personal & Business Banking	
	2009	2008
	Rm	Rm
Assets		
Cash and balances with the central bank	**4 400**	3 905
Derivative assets	**25**	172
Trading assets		
Pledged assets		
Financial investments	**15**	26
Loans and advances	**344 650**	352 707
Loans and advances to banks	**410**	731
Loans and advances to customers	**344 240**	351 976
Current and deferred taxation	**(60)**	(80)
Other assets	**2 506**	2 911
Interest in group companies, associates and joint ventures	**411**	1 078
Intangible assets	**1 889**	1 191
Property and equipment	**4 015**	3 247
Total assets	**357 851**	365 157
Equity and liabilities		
Equity	**17 817**	18 173
Ordinary share capital		
Ordinary share premium	**4**	4
Reserves	**17 813**	18 169
Liabilities	**340 034**	346 984
Derivative liabilities		
Trading liabilities		
Deposit and current accounts	**330 706**	337 085
Deposits from banks		
Deposits from customers	**330 706**	337 085
Current and deferred taxation	**(274)**	746
Other liabilities	**2 606**	2 263
Subordinated debt	**7 171**	6 656
Liabilities to group companies	**(175)**	234
Total equity and liabilities	**357 851**	365 157

	Corporate & Investment Banking		Other services		Total	
	2009	2008	**2009**	2008	**2009**	2008
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
	10 070	9 642			**14 470**	13 547
	122 246	163 469	**191**	901	**122 462**	164 542
	22 900	26 042	**(256)**	(2 023)	**22 644**	24 019
	1 057	2 243			**1 057**	2 243
	59 837	61 238	**2 156**	(1 185)	**62 008**	60 079
	183 239	176 013	**(2 189)**	(1 268)	**525 700**	527 452
	59 059	50 871	**3**	(576)	**59 472**	51 026
	124 180	125 142	**(2 192)**	(692)	**466 228**	476 426
	255	359	**312**	127	**507**	406
	1 489	5 127	**216**	(83)	**4 211**	7 955
	73 116	101 850	**2 572**	(134)	**76 099**	102 794
	879	707	**145**	99	**2 913**	1 997
	380	289	**749**	748	**5 144**	4 284
	475 468	546 979	**3 896**	(2 818)	**837 215**	909 318
	13 658	11 496	**12 684**	9 405	**44 159**	39 074
	21	21	**39**	39	**60**	60
			24 226	22 726	**24 230**	22 730
	13 637	11 475	**(11 581)**	(13 360)	**19 869**	16 284
	461 810	535 483	**(8 788)**	(12 223)	**793 056**	870 244
	121 115	172 888	**42**	(144)	**121 157**	172 744
	16 707	25 084		(1 560)	**16 707**	23 524
	259 203	279 113	**(12 049)**	(8 030)	**577 860**	608 168
	57 785	65 755	**48**	(173)	**57 833**	65 582
	201 418	213 358	**(12 097)**	(7 857)	**520 027**	542 586
	5 077	7 674	**(1 788)**	(4 864)	**3 015**	3 556
	3 760	3 310	**1 699**	1 955	**8 065**	7 528
	5 470	4 654	**3 173**	499	**15 814**	11 809
	50 478	42 760	**135**	(79)	**50 438**	42 915
	475 468	546 979	**3 896**	(2 818)	**837 215**	909 318

Credit ratings

	Short term	Long term	Outlook
Ratings as at 3 March 2010 for the company are detailed below:			
The Standard Bank of South Africa			
Fitch Ratings			
Issuer default rating	F2	BBB+	Stable
Local currency issuer default rating		BBB+	Stable
National rating	F1+ (ZAF)	AA (ZAF)	Stable
RSA Sovereign ratings			
Foreign currency issuer default rating		BBB+	Negative
Local currency issuer default rating		A	Negative
Moody's Investor Services			
Foreign currency deposit rating	P-2	A3	Stable
Local currency deposit rating	P-1	A1	Stable
RSA Sovereign ratings: Foreign currency		A3	Stable
RSA Sovereign ratings: Local currency		A3	Stable
Standard & Poor's			
Local currency		BBBpi	
RSA Sovereign ratings: Foreign currency	A-2	BBB+	Negative
RSA Sovereign ratings: Local currency	A-1	A+	Negative

Financial and other definitions

Basic earnings per share (cents)	Earnings attributable to the ordinary shareholder divided by the weighted average number of ordinary shares in issue.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Cost-to-income ratio (%)	Operating expenses as a percentage of total income including share of (losses)/profits from associates and joint ventures.
Credit loss ratio (%)	Total impairment charges on loans and advances per the income statement as a percentage of average gross loans and advances.
Effective taxation rate (%)	Direct and indirect taxation as a percentage of income before taxation.
Gearing ratio (%)	Total assets divided by tangible net asset value.
Headline earnings (Rm)	Earnings attributable to the ordinary shareholder excluding goodwill gain or impairment, capital profits and losses, and profits and losses on available-for-sale financial instruments transferred to the income statement.
Headline earnings per share (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Impairment of non-performing loans (Rm)	Impairment for specific identified credit losses, net of the present value of estimated recoveries.
Impairment of performing loans (Rm)	Impairment for incurred credit losses inherent in the performing loan book.
International Financial Reporting Standards (IFRS)	International accounting standards issued by the International Accounting Standards Board.
Loan-to-deposits ratio (%)	Loans and advances as a percentage of deposit and current accounts.
Loss given default (LGD)	Amount of a counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the exposure at default.
Net asset value (Rm)	Equity attributable to the ordinary shareholder.
Non-interest revenue to total income (%)	Non-interest revenue as a percentage of total income.
Probability of default (PD)	Probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon.
Profit attributable to the ordinary shareholder (Rm)	Profit for the year attributable to the ordinary shareholder.
Return on average risk-weighted assets (%)	Headline earnings as a percentage of average risk-weighted assets.
Return on equity (ROE) (%)	Headline earnings as a percentage of average ordinary shareholder's funds.
Risk-weighted assets (Rm)	Determined by applying prescribed risk weightings to on- and off balance sheet exposures according to the relative credit risk of the counterparty.
Special Purpose Entity (SPE)	An entity created to accomplish a narrow and well-defined objective.
Tutuwa	Tutuwa is SBG's black economic empowerment ownership initiative entered into in terms of the Financial Sector Charter.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the year.

Acronyms and abbreviations

ALCO	Asset and liability committee
ATM	Automated teller machine
Basel II	Basel II Capital Adequacy Framework
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BTV	Balance to value
CAGR	Compound annual growth rate
CPI	Consumer price index
DBS	Deferred bonus scheme
dti	Department: Trade and Industry
GRI	Global reporting initiative
GROC	Group risk oversight committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal capital adequacy assessment process
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISO	International organisation for standardisation
JIBAR	Johannesburg interbank agreed rate
JSE	Securities exchange in Johannesburg
King II	King Code of Corporate Practices and Conduct
LCm	Millions of local currency
LIBOR	London interbank offered rate
LTV	Loan to value
RCMC	Risk and capital management committee
Rm	Millions of rand
ROE	Return on equity
SA	South Africa
SARB	South African Reserve Bank
SBG	Standard Bank Group
SBSA	The Standard Bank of South Africa Limited
SPE	Special purpose entity
STC	Secondary tax on companies
Tier I	Primary capital
Tier II	Secondary capital
Tier III	Tertiary capital
the charter	The Financial Sector Charter
the code	Code of Banking Practice
the company	The Standard Bank of South Africa Limited
the group	The Standard Bank of South Africa Limited and its subsidiaries
TSA	The standardised approach
Tutuwa	Black economic empowerment ownership
VaR	Value-at-risk
ZAR	South African rand

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