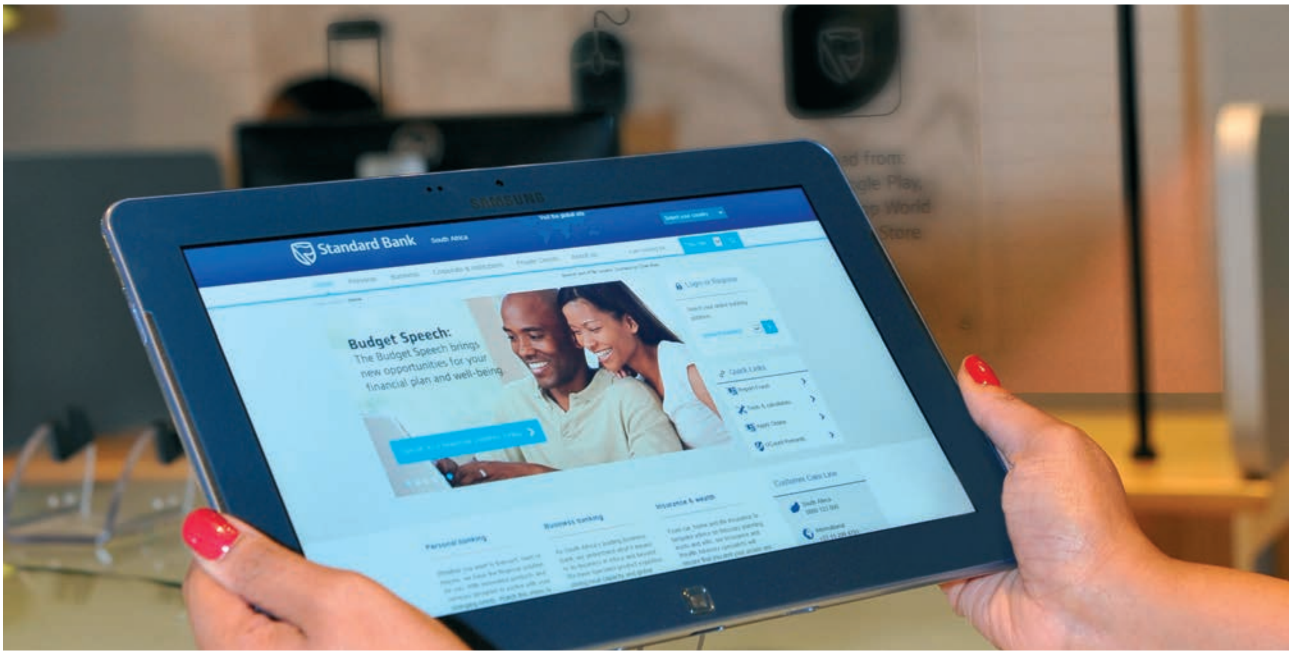
Standard Bank

Annual report **2014**



The Standard Bank of South Africa

About Standard Bank

Established in 1862, the Standard Bank of South Africa is one of South Africa's oldest companies. Our original vision was to understand our customers better, have people with strong knowledge of local business conditions and to connect borrowers with lenders. This vision created the platform for the kind of bank we have become and the qualities on which our customers and clients rely. Over our history, we have grown and extended our roots deep into the fabric of South African society.

We have evolved and adapted along with our customers and clients, growing a rich heritage while nurturing and protecting our reputation. We uphold high standards of corporate governance, are committed to advancing the principles and practices of sustainable development, and are inspired to advance national development objectives. Our success and growth over the long term is built on making a difference in the communities in which we operate.

Contents

		2014	2013
Group headline earnings	Rm	**12 024**	10 709
Return on equity (ROE)	%	**15.1**	14.4
Tier I capital adequacy ratio	%	**12.3**	12.8
Total assets	Rb	**1 131**	1 016
UCount users: Approximately		**553 000**	300 000
ATMs		**7 259**	7 141
Access points		**2 915**	2 778

Reporting suite

The financial results and commentary describe the consolidated results of The Standard Bank of South Africa group (the group or Standard Bank) unless otherwise indicated as relating to The Standard Bank of South Africa Limited (the company or SBSA). SBSA is a wholly-owned subsidiary of Standard Bank Group Limited (SBG) and is incorporated in South Africa.

Cross-referencing

The Standard Bank of South Africa annual report
(this report)

This report is the SBSA annual report and includes risk and capital management and financial information.

www.standardbank.com/reporting

In addition to this report, SBG produces a full suite of reporting publications tailored to readers with specific information requirements.

SBG annual integrated report

As SBG's primary report, the annual integrated report (AIR) aims to provide an integrated assessment of the SBG group's ability to create value over time.

www.standardbank.com/reporting

AIR

SBG risk and capital management report

Provides a detailed discussion of the management of strategic risks related to SBG's banking and insurance operations, including capital and liquidity management and regulatory developments.

www.standardbank.com/reporting

SBG annual financial statements

Sets out the full audited financial statements for SBG, including the report of the group audit committee (GAC).

www.standardbank.com/reporting

RCM
AFS

Sustainability report

Presents a balanced and comprehensive analysis of the SBG and SBSA's sustainability performance in relation to issues material to the group and its stakeholders.

www.standardbank.com/sustainability

SR

For the latest financial information, refer to our investor relations page at **www.standardbank.com/reporting** or scan the QR code to be taken there directly.

Indicates that additional information is available online.

Denotes text in the risk and capital management report that forms part of the group's audited annual financial statements.

The above icons refer readers to information elsewhere in this report, or in other reports that form part of the group's suite of reporting publications.

Feedback

We welcome the views of our stakeholders on the annual report and the way we approach our strategic priorities. Please contact us at **Annual.Report@standardbank.co.za** with your feedback.

About this report

As a South African financial services group we have a fundamental role to play in the development of the society in which we operate. The success of our customers and stakeholders underpins our commercial sustainability and our ability to deliver returns to our stakeholders over the long term.


Our values
1
Serving our customers
2
Growing our people
3
Working in teams
4
Being proactive
5
Delivering to our shareholders
6
Living the highest levels of integrity
7
Constantly raising the bar
8
Respecting each other

How we create value

For more detail refer to page: 14 Business activity · 18 Income statement impact · 38 Principal risks arising from this activity

Income after credit impairments

Business activity	Income statement impact	Principal risks arising from this activity
We **lend money** to our customers and clients within the constraints of available capital and within our risk appetite and the prescribed regulatory environments. This creates assets for the group, from which we derive interest income over time.	Interest income and credit impairment charges	Credit risk; Interest rate risk; Liquidity risk; Operational risk, including compliance, environmental and/or social risk; Business and reputational risk
We **source funding** from deposits placed by customers and other funders to enable lending. This creates liabilities, which generate future interest expenses.	Interest expense	Interest rate risk; Liquidity risk; Operational risk, including compliance, environmental and/or social risk; Business and reputational risk
We provide **transactional banking facilities** and **knowledge-based services** to our customers and clients.	Net fee and commission revenue	Operational risk, including compliance, environmental and/or social risk; Business and reputational risk
We offer **market access and risk mitigation products** to our clients to support their business requirements, including foreign exchange, commodity, credit, interest rate and equity instruments.	Trading revenue	Credit risk; Market risk; Operational risk, including compliance, environmental and/or social risk; Business and reputational risk
We earn **revenue from other sources** linked to our core business, including short- and long-term insurance operations and gains on property, private equity and strategic investment activities.	Other revenue	Credit risk; Market risk; Insurance risk; Operational risk, including compliance, environmental and/or social risk; Business and reputational risk

−

Expenses

Business activity	Income statement impact	Principal risks arising from this activity
We invest in **developing and retaining our people** in order to execute our strategy and deliver to our customers and clients.	Staff costs	Operational risk, including compliance, environmental and/or social risk; Business and reputational risk
We **invest in our operations**, which includes information technology (IT) systems and infrastructure, to improve efficiency and deliver excellent products and services to our customers and clients.	Other operating costs	Operational risk, including compliance, environmental and/or social risk; Business and reputational risk

=

Net profit − **Dividends to our shareholder as our primary provider of capital** = **Retained equity which is reinvested to sustain and further grow our business**

Linking our profitability to socially beneficial outcomes

Lending enables our individual customers to **create wealth** by acquiring assets which either grow in value over time or which **support their ability to generate income**. For our small- and medium-sized enterprise (SME) clients, lending enables them to manage working capital constraints and cash flow, which **supports their commercial sustainability** and their role in driving employment and economic growth. For corporate clients, lending **supports the continuity and growth of their businesses**, contributing to job creation, sustainable supply of goods and services and the corporate tax base. **We employ responsible lending practices** and have mechanisms in place to assist distressed customers and clients, and we **apply global best practice** in mitigating social and environmental risks in projects that we finance.

Customer deposits earn interest at rates depending on the type of savings or investment product and the size of the deposit placed, which **mitigates against the erosion of capital** due to inflation. We participate in equity and debt capital markets to **source funding,** which **contribute to the continued functioning of the broader financial system**. Our capital and liquidity management framework ensures that we are able to meet our funding requirements and payment obligations under both normal and stressed conditions, **protect our depositors' funds** and **reduce systemic risk in the domestic banking system**.

We facilitate the movement of money, enabling customers and clients to **access their funds in a manner most convenient to them**, by enabling electronic forms of payment and providing cash management services. Our knowledge-based services, which include corporate advisory and loan structuring services, allow our customers and clients to benefit from **our experience and track record**. We also **facilitate payments to national revenue collection agencies** via self-service electronic channels.

Providing customers and clients with **market access,** for example, through listings on equity exchanges to raise capital, **enables them to grow their businesses**, positively impacting on employment and the tax base. We position local equities to an international equity investor base, which **creates a conduit for investment into Africa**. To help our clients weather market fluctuations and volatilities, we offer risk mitigation products which enable **financial protection and diversification through risk transfer**. These risks are inherent in trading activities and can be more pronounced when operating in developing markets such as Africa. Supporting trading activities provides **greater opportunities to monetise resources and diversify economies**.

By **investing in activities** other than in the ordinary course of normal business operations, such as property, private equity and strategic investment activities, we **invest in non-core opportunities that support the economy** and create additional value.

We are a significant employer of the country. Through our training and development programmes **we enhance the level of financial services and related skills**.
As active consumers and taxpayers, **our employees make a significant contribution to their local economies**.

Our ongoing **investment in our business** ensures that we remain competitive and sustainable, and thus able to **continue to make a positive contribution to our country**. Our substantial investments in transforming our core banking platforms position us to serve our customers and clients more effectively and to innovate, strengthening our competitive position. We are a **significant procurer of goods and services** in the markets in which we operate. In South Africa, we focus on increasing our procurement spend with black suppliers. Our suppliers in turn create and sustain employment and form part of the corporate tax base in the countries in which they operate.

Personal & Business Banking (PBB)

provides banking and other financial services to individual customers and small- to medium-sized enterprises.

Corporate & Investment Banking (CIB)

provides corporate and investment banking services to clients including governments, parastatals, larger corporates, financial institutions and international counterparties.

Central and other

Key socioeconomic impact metrics

South Africa

Our research indicates that the local financial and insurance sector has a formal employment multiplier of approximately	With 27 154 employees in SBSA, we directly and indirectly sustain around	Assuming that each of these jobs supports	Our activities could be seen to support around
3.2	**86 893** jobs in the broader economy	**4** people	**347 572** individuals

(2013: 87 366 jobs in the broader economy supporting 349 466 individuals)

Black economic empowerment (BEE)

94.25

BEE transformation score out of 107
(2013: 94.52 out of 107)

SBG's dividend payouts amounted to approximately

R164 million

(2013: R139 million) to Tutuwa Managers' Trusts beneficiaries and R50 million (2013: R43 million) to black SMEs participating in the Tutuwa Community Trust

Based on our BEE scorecard, we ranked third in the Empowerdex Top 100 Empowered Companies in 2014. Our prior-year ranking was ninth.

Procurement/supply chain

R22,9 billion

total procurement spend in South Africa during 2014 (2013: R26,8 billion)

During 2014, we **met our targets for preferential procurement** in South Africa, scoring **16 points** out of a possible 16. As a level 2 BEE contributor we are classified as a value adding supplier

In 2014, our **addressable** procurement spend, which refers to supplier spend (which we are able to influence through negotiation or other mechanisms) amounted to approximately **R16,7 billion** (2013: R17,2 billion)

Our weighted **procurement spend with BEE suppliers amounted to R19,2 billion** (2013: R16,1 billion). Some 77% of our total procurement spend in South Africa is spent with our top 100 suppliers, 82% of whom have a level 4 BEE rating or better.

Corporate social investment (CSI)

R69,6 million

spent on CSI initiatives in 2014
(2013: R57,6 million)

Our flagship programmes in South Africa

National Education Collaboration Trust

An action-based and outcomes-oriented programme that takes a **holistic approach to improving educational outcomes**

- Our investment in 2014: **R5,0 million**
- Programme reach: around **2 million** learners

National Benchmarking Test

Assesses the academic readiness of first year university students and **provides foundation courses and other forms of academic support for students** who are less well prepared for tertiary education

- Our investment in 2014: **R5,7 million**
- Programme reach: around **70 000** learners

High School Curriculum Delivery and Teacher Support Programme

Aims to **increase the number of learners attaining matriculation exemption** and to upskill teachers to effectively teach Grade R to Grade 7 learners

- Our investment in 2014: **R1,8 million**.
- Programme reach: around **1 040** learners and **42** teachers in Gauteng and Limpopo

209 students

were assisted with bursaries through our CSI initiatives. A total of 133 students were assisted through the 150 Bursaries and Scholarships Fund and a further 20 through the Standard Bank CSI Bursary Programme. The remainder are students from our prior commitment to the Adopt a School Programme which we have continued to support despite exiting the Adopt a School Programme in 2013.

Infrastructure financing

R3,4 billion
weighted transformational infrastructure lending
(2013: R1,1 billion)

- We are the sole lead arranger and underwriter for the **R650 million BUSAMed Private Hospital deal**. This 250-bed private hospital facility is situated in Gauteng and is the second private hospital development in South Africa financed by a commercial bank, both of which were structured and led by Standard Bank
- We are a **co-mandated lead arranger** for the financing and development of the City of Tshwane's new head office complex procured as a public private partnership.

SMEs

R26 million
enterprise development spend
(2013: R27 million),
0.22% of SBSA's net profit after tax (2013: 0.26%)

>750 000 small, micro and start-up businesses banked (2013: >722 000)

R8,6 billion in new advances to small, micro and start-up businesses (2013: R5,4 billion)

R14,3 billion total lending to small, micro and start-up businesses (2013: R14,5 billion)

R3,8 billion exposure to black SMEs (2013: R2,6 billion)

682 SMEs received non-financial development support, of which **99%** were black-owned businesses
(2013: 277 SMEs, of which 94% were black)

We received the 2014 South Africa Frost & Sullivan **Award for Customer Value Leadership**. This was awarded for the value we deliver to our SME customers by constantly innovating across a variety of platforms

Standard Bank Centre for Agribusiness Leadership and Development – we have **invested R5,1 million** in the centre, which through academic training, research and leadership development support, focuses on transformation strategies in the agriculture sector within the Africa context.

Inclusive banking

6,7 million
inclusive banking customers
(2013: 6,8 million)

Inclusive banking customers represent **69% of our personal banking customer base** (2013: 71%)

74% active AccessBanking transactional accounts (2013: 69%)

65% of our AccessLoan customers hold an AccessAccount with us (2013: 73%)

R18,4 million spent on consumer education (2013: R20,2 million)

31,7 million
people estimated to have been reached through the **WalletWise consumer education** drive

The value of stokvels held at December 2014 was **R1,4 billion** (2013: R1,3 billion).

Affordable housing

We hold a 34% share of the affordable housing mortgage lending market in South Africa

R23,7 billion affordable housing home loan book value (2013: R17,9 billion)

R4,5 billion affordable home loan finance granted (2013: R4,0 billion) of which around 80% was disbursed to first-time home buyers (2013: 81%)

R184 million pension-backed loans financed (2013: R370 million)

R1,3 million spent on providing borrower education to 2 937 first time home buyers.

AIR RCM AFS SR

For more comprehensive detail please see "Our contribution to socioeconomic development" in the 2014 SBG sustainability report at **www.standardbank.com/sustainability**

Chief executive's **review**

SIM TSHABALALA

Chief executive, The Standard Bank of South Africa

"We are building a company that we believe will drive the growth of the South African economy, and will be the bank to beat in our chosen markets, whilst delivering superior returns to shareholders."

Overview

The Standard Bank of South Africa delivered a robust performance in 2014, as our operations maintained their positions in challenging conditions and pursued opportunities to grow market share. We maintained our reputation as a stable and trustworthy organisation in the global banking and investment communities. Revenues grew 11% as a result of our continued focus on customers and clients in our franchise and as a result of a good credit performance and well-contained operating expenses, including the amortisation of IT development programmes as these move into production. Headline earnings increased 12% to R12,0 billion from R10,7 billion. SBSA improved ROE to 15.1% (2013: 14.4%). As the largest subsidiary and earnings contributor in SBG, the capital SBSA generates continues to underpin the group's investment in its future competitiveness.

Labour disruption and infrastructure constraints, particularly in electricity supply, weighed on South Africa's economic growth, and policy uncertainty continued to have a negative impact on foreign investment. High wage demands and increasing overhead costs impacted the performances of domestic businesses, while interest rate increases and the higher costs of food and basic services placed further strain on households. Unemployment remained high at 24.5%.

Encouragingly, the country's fiscal management remains sound, with the National Treasury resolute in its commitment to reduce the budget deficit. There is also a clearer understanding in the private sector that the resolution of these challenges cannot be the responsibility of government alone, and that partnership is critical if the country is to increase its growth rate.

Since the 2008 global financial crisis, the financial services industry has faced constant regulatory change intended to ensure the stability of our industry and protect consumers. We continue to adapt our systems and processes accordingly and to prepare for the adoption of additional regulations in the pipeline. We have made significant progress in strengthening our tier 1 capital ratio in compliance with the Basel III requirements and remain actively involved in processes to facilitate our adoption or ongoing compliance with other regulations, including the Treating Customers Fairly (TCF) regime, the Financial Markets Act, the Protection of Personal Information Act (PoPI) and the National Credit Amendment Act.

The digital revolution is profoundly affecting the way financial services organisations operate. We continue to make significant progress in the comprehensive overhaul of our core banking systems, building a robust new architecture that will allow our group to deliver its strategy as a fully digital financial services company. The scale and reach of this programme is extensive and has elevated the role of IT from a support function to a critical enabler of our strategy. The programme involves major projects to replace decades-old systems with new IT architecture capable of meeting customer needs for more agility, higher levels of flexibility and increased availability.

Headline earnings	Return on equity
R12 024 million +12%	**15.1%**
2013: R10 709 million	2013: 14.4%

We are enhancing both our front-end customer engagement interfaces and our back-end systems to ensure that our IT infrastructure continues to provide stability, resilience and appropriate risk management as we adapt the organisation to remain competitive in a changing business environment. Innovations and opportunities that are being enabled as we transform our core banking systems are already delivering significant value, most notably continuous improvement in the quality of service to our customers. We launched SnapScan and MasterPass and refreshed our internet banking, and we released the new mobile application and tablet application, which includes the ability to originate accounts.

CIB also focused on enhancing its online capabilities across its markets and products in 2014. The franchise continued to invest in its signature IT programmes and is developing on-boarding functionality for South African clients to new online business channels.

The excellence of our operations was recognised in a number of awards. SBSA was recognised as the leading brand in consumer banking by the 2014 Sunday Times/TNS Top Brands survey for the second consecutive year and we were chosen as the most valuable bank brand by Brand Finance South Africa.

Strategy

SBSA continues to maintain a strong position in the domestic market and is able to leverage its size and scope to compete for opportunities in a transforming South African marketplace. Our strategy is to serve the full value chain of customers in our domestic operation – from the basic to the most sophisticated of financial services needs – and to maintain high standards of customer service and cost-effective delivery channels. We are building a company that we believe will drive the growth of the South African economy, and will be the bank to beat in our chosen markets, whilst delivering superior returns to shareholders.

SBSA is fully integrated with the rest of the SBG and plays a key role in positioning SBG to capitalise on growth in the rest of the continent. As the SBG's largest business entity, SBSA holds the bulk of the capital resources required to execute SBG's strategy in Africa. The South African operation also provides support to our operations in the rest of Africa through its deep universal banking knowledge and experience. SBSA, therefore, cannot be viewed as self-standing or directly comparable to some of its domestic competitors as it carries assets from entities outside South Africa on its balance sheet and bears costs on its income statement that emerge from SBG.

The commitment of our people and ongoing investment in our systems in support of our strategy has enabled us to remain competitive and maintain our solid growth trend. Our people remain the critical success factor in our efforts to strengthen and maintain excellent customer service. We offer rewarding careers to our people and are dedicated to their ongoing development. In return, we expect their commitment to a culture of high performance, honesty, transparency, teamwork and collaboration. The training and development expenditure on South African staff in 2014 was R534 million.

Our business model, which is to operate three integrated business units, also allows us to adapt valuable lessons learnt in other markets to the domestic market and apply specialist knowledge within the group to international capital raising transactions and other major deals in Africa. These are all key elements of our competitive advantage.

To ensure that we leverage the collective strength of our integrated financial services business, we continue to dismantle silo mentalities and find opportunities for collaboration across the business units. There are a number of examples to demonstrate this, including CIB's dependence on PBB's branch network and presence, and PBB's reliance on CIB's foreign exchange capacity; the symbiosis between CIB and Private Clients; or the aggregation of savings by our wealth businesses and PBB's distribution of wealth products. We intend to deepen these synergies to capture scope economies and to present a seamless service to customers.

In this regard, SBG has established Standard Bank Wealth (SBW), to focus on its non-banking financial services across its existing operating segments. SBW will be responsible for aligning the strategies of these businesses to best leverage SBG's existing competitive advantages in the wealth markets of South Africa and the rest of Africa. SBW will enhance SBG's service offerings to the PBB client base and drive additional penetration and will

Chief executive's review | continued

attempt to realise the potential that exists between CIB and the wealth businesses. SBW will also be responsible for high net worth wealth management, which is a business serving a segment across all of Standard Bank's geographies. A small central team of highly skilled executives has been established to strengthen SBG's focus on developing the wealth franchise in partnership with PBB, CIB and Liberty.

Being a bank which drives the South African economy

PBB SA has recorded steady growth in earnings and improvement in customer service in recent years, and the franchise maintained this trend in 2014. This was despite challenging economic conditions impacting personal banking customers. We maintained our focus on acquiring primary transaction and deposit accounts and saw an acceleration in retail customers' use of digital platforms. Our approach to inclusive banking is to maintain our position without significant further investment by leveraging the investment made in prior years and moving to a lower-cost model that encourages customers to use mobile platforms, ATMs and point of sales devices in combination with third-party infrastructure.

We are deepening our focus on business banking as this segment is a key driver of job creation and economic development. The franchise maintained its strength in the public sector and an increased drive to secure more customers in the medium to large business sector resulted in some significant new corporate accounts in collaboration with CIB. Progress was also achieved in developing interregional relationships between our business banking teams in South Africa and the rest of Africa, to facilitate the entry of South African businesses into the rest of Africa and vice versa.

More direct engagement with our customers enables us to achieve two important objectives: a more effective response to customer needs and more efficient management of credit risk. Our strategy to target primary transaction accounts facilitates the responsible extension of credit by providing detailed insight into customers' cash flows and risk profiles. Unsecured credit extension was sensibly managed given the pressures on customers. In the middle market, unsecured revolving credit plan account balances grew by 10% while personal overdraft facilities remained at a similar level to 2013, compared with 22% and 24% growth, respectively, in the prior year. We continued to be very selective in our credit extension to the inclusive banking market and the book continued to decline to approximately R2 billion (2013: R2,7 billion).

We are responding decisively to our customers' changing needs by building a digital bank for the future, capable of providing a consistent and efficient banking experience. We currently have 8,6 million customers on our core banking platform and processed almost 450 million transactions on the platform in 2014. During 2014, we successfully delivered the first phase of a new customer relationship management solution that provides a much improved view of each customer's relationship with us. We also implemented new leads and service request management functionality.

The customer service application has **enhanced customer experience** with 2,6 million service requests, a more than a 100% increase over legacy processes, and 140 000 leads, being logged for the six months since implementation

The customer service application has enhanced customer experience with 2,6 million service requests, a more than a 100% increase over legacy processes, and 140 000 leads, being logged for the six months since implementation. In addition, as mentioned earlier, good progress was made during the year in rolling out innovative digital channels and making use of mobile.

Unfortunately, our customers and frontline staff were adversely impacted by a systems failure on 1 September when a technical malfunction triggered a shutdown – intended to protect against data corruption – of the mainframe. We were able to respond decisively based on the scenario planning we undertake as part of our risk management processes, which included near-immediate communication with stakeholders through the media and other channels. We restored critical services to customers within 90 minutes without compromising data, and no such outages have occurred since then.

Our CIB operations in South Africa also demonstrated their resilience, and continued to benefit from having a deep understanding of client needs, to provide them with the solutions they require to meet their own objectives. CIB also continued to leverage the value of collaboration across the group's business units. CIB's loan book showed good growth and the pipeline in the investment banking franchise is healthy.

A number of hallmark transactions concluded in 2014 highlighted the capacity of our South African franchise to conclude major transactions for its domestic clients. CIB's participation in the acquisition by Woolworths in South Africa of David Jones in Australia and its success in securing the sole cash management mandate for Shoprite – the largest cash management mandate in South Africa – in collaboration with PBB, are good examples of this. Another highlight was the franchise's participation in the R1,46 billion green bond raised by the City of Johannesburg to fund environmental and social sustainability projects. This was the first green bond to be listed on South African debt capital markets.

CIB is active in advising, arranging finance for and funding renewable energy projects under the South African government's renewable energy independent power producer procurement programme (REIPPP), and has been instrumental in funding renewable energy for Eskom as part of this programme. Three of these projects are connected to the Eskom grid – the 27MW MetroWind Van Stadens wind farm project in the Eastern Cape, and the 22MW Herbert and 72,5MW Kalkbault photovoltaic projects in the Northern Cape – and are delivering enough power for over 65 000 homes, as well as providing social upliftment to the areas in which they have been built.

Managing transformation

Our targets are set out annually and approved by the social and ethics committee. Independent external auditors accredited to conduct BEE verification processes conduct independent assessments of SBSA's BEE performance against the Financial Sector Codes. SBSA qualifies favourably as a level 2 BEE contributor in a nine-level model.

In the employment equity pillar, we experience challenges in meeting our targets for black people with disabilities and black people in senior management positions. Our employment equity plan was signed off in December 2014, setting out our employment equity strategy, targets and action plans to December 2016 to address these challenges. A further challenge we are addressing is complexities in our skills development management and reporting systems which have made it difficult to effectively track and reports skills spend.

The group concluded its BEE ownership transaction, Tutuwa, in October 2004, resulting in 10% direct ownership of our South African operations by the Tutuwa BEE consortium. The Tutuwa initiative encompassed Tutuwa Managers' Trusts for current and former black managers of SBSA, the Tutuwa Community Trust which focuses on black SMEs and community development, and empowerment partners Safika and Shanduka.

The initiative's ten-year lock in period ended on 31 December 2014. We introduced beneficiary engagement programmes ahead of this during 2014, to inform beneficiaries of their options in terms of selling their shares and to provide them with financial education so that they are empowered to make sound financial decisions. Tutuwa Plus was implemented to ensure the sustainability of the black SME beneficiaries in our Tutuwa share scheme initiative beyond the vesting of their shares. The programme assists these businesses in making sound investment choices and will provide for ongoing business advisory support following the SMEs' exit from the initiative.

Standard Bank believes that the Tutuwa initiative has successfully fulfilled a substantial part of Standard Bank's commitments under the Financial Sector Charter, by proactively supporting economic transformation in our country, and making a real difference to the lives of those who were disadvantaged by apartheid. The initiative has created R10,7 billion in value for approximately 6 100 current and former Standard Bank employees, 261 black-owned small businesses, and two empowerment partners, while also enabling the establishment of a philanthropic foundation to support education and youth initiatives. Each of the small business beneficiaries will receive a direct benefit of between R2 million and R3 million, allowing them to invest in and grow their businesses, employ more people and contribute to the overall prosperity of South Africa. Dividend payouts in 2014 amounted to approximately R164 million (2013: R139 million) to Tutuwa Managers' Trusts beneficiaries and R50 million (2013: R43 million) to black SMEs participating in the Tutuwa Community Trust.

The year ahead

Standard Bank's ongoing commitment to South Africa is central to our identity. We believe that the country will resume a stronger growth trend in the longer term. This will depend on greater stability in the global economic environment and the country's ability to leverage its considerable economic potential and address the challenges in infrastructure and labour that are constraining growth. In the year ahead, we anticipate that the prevailing economic conditions will persist, placing sustained pressure on the financial services industry.

However, our banking operations have demonstrated their resilience and we continue to reposition them in response to the forces that are reshaping our industry. Our significant investment in building an efficient and competitive financial services organisation, which will include the integration of our non-banking operations, will provide our group with a distinct advantage into the future. We will continue to underpin the sustainable growth of the group by fulfilling our role as a real economy bank that facilitates socioeconomic development in South Africa, and by providing a strong capital base for SBG's Africa strategy.

Executive committee

as at 31 December 2014

Sim Tshabalala (47)

BA LLB (Rhodes), LLM (University of Notre Dame, USA), HDip Tax (Wits), AMP (Harvard)

Sim is group chief executive of SBG, chief executive of SBSA, chairman of Stanbic Africa Holdings, a director of Tutuwa Community Holdings and Stanbic IBTC Bank and a director of the Banking Association of South Africa (BASA).

Sim joined the group in 2000 in the project finance division of Standard Corporate Merchant Bank (SCMB). From 2001 to 2006, he was managing director of Stanbic Africa, and from 2003, he served concurrently as deputy chief executive of PBB. He was appointed chief executive of PBB in 2006. In June 2008, he was appointed chief executive of SBSA. In 2009, he was appointed deputy chief executive of SBG. In 2013, he was appointed group chief executive of SBG.

Bruce Hemphill (51)

BA (Cape Town), CPE (London), Solicitor of England and Wales

Chief executive, SBW

Bruce has been appointed as chief executive of SBW, effective 28 February 2014. Prior to this role, Bruce was chief executive of the Liberty Group since 2006. In 1993, he joined Standard Merchant Bank's corporate finance division. In 1997, he was appointed head of investment banking and managing director of SCMB Securities in 2000. In 2004, he was appointed as STANLIB's chief executive. In 2014, Bruce was appointed chief executive of SBW.

Libby King (50)

BAcc (Wits), BCom (Wits), CA(SA)

Chief financial officer

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

Isabel Lawrence (46)

BA LLB (RAU), BA (Hons) (RAU), LLM in Banking Law (RAU)

Chief compliance officer

Isabel Lawrence joined the group's legal division in 1998, where she was responsible for legal risk and transacting for PBB. She was appointed as head, group legal division in 2003. In January 2012, Isabel was appointed group chief compliance officer (GCCO). In 2014, Isabel was appointed as a director on Standard Advisory London Limited.

Funeka Montjane (36)

BCom (Accounting) (Wits), BCom (Hons) (Wits), CA(SA), Masters of Commerce (University of Johannesburg)

Chief executive, PBB SA

Funeka Montjane joined SBSA in 2008 and was appointed chief financial officer of PBB South Africa. In 2010, she was appointed head of credit, PBB South Africa. In 2012, Funeka was appointed chief executive, PBB South Africa.

David Munro (43)

BCom PDGA (UCT), CA(SA), AMP (Harvard)

Chief executive, CIB

David is the chief executive officer CIB, SBG and SBSA.

In 2003, he was appointed deputy chief executive officer of CIB, South Africa and in 2006 was appointed chief executive, CIB South Africa. He was appointed global head, investment banking in 2009 and chief executive, global CIB in 2011. David served on the group executive committee from 2003 to 2011. In 2014, he was appointed director, Standard Bank London Holdings Limited.

Paul Smith (60)

BCom (Natal), CA(SA), AMP (Wharton)

Chief risk officer

Paul Smith was appointed as chief risk officer (CRO) for SBG and SBSA in November 1999. He reports to the chief executive and is a member of the group management committee.

He was previously CRO of the CIB division of Standard Bank, a position he held from June 1997.

Sharon Taylor (46)

BCom (Natal), BCom (Hons) (Unisa)

Head, Human Capital

Sharon Taylor joined the group's education and training division in 1991. In 2002, she was appointed as head, human resources for business banking. In 2005, she assumed responsibility for the human resource partnership in South Africa. In 2011, her responsibilities increased to include human resources for global investment banking. She was appointed as head, human capital for South Africa in 2012.

Finance review

LIBBY KING, group financial director

"Our banking operations have demonstrated their resilience and we continue to position them in response to the forces that are reshaping our industry."

Results overview

In an increasingly challenging economic and regulatory environment, the group has delivered a strong set of results in 2014, demonstrating our strength and resilience.

THIS REVIEW PROVIDES

- An analysis of the impact of the economic environment on key financial ratios
- An overview of the key features of the 2014 financial results
- An analysis of the group's financial performance and financial position.

Headline earnings +12%

R12 024 million

2013: R10 709 million

Net asset value per share +4%

137 360 cents

2013: 132 008 cents

Financial results and ratios

		Change %	**2014**	2013
Headline earnings	Rm	12	**12 024**	10 709
Headline earnings per ordinary share	cents	12	**20 041**	17 849
ROE	%		**15.1**	14.4
Tier I capital adequacy ratio[1]	%		**12.3**	12.8
Net asset value per share	cents	4	**137 360**	132 008
Non-interest revenue to total income	%		**43.2**	44.2
Credit loss ratio	%		**1.04**	1.11
Cost-to-income ratio	%		**57.0**	56.0

[1] Tier 1 capital adequacy for SBSA company.

Impact of the economic environment on key financial ratios

The measures of our financial performance are influenced by external economic factors, set out below, together with their expected influence on the group's performance in 2014 and impact in 2015, assuming no management action.

Key measurement metric	Economic factors that impact metrics	**Economic factor in 2014**	**Impact of economic factor in 2014**	Expected economic factor in 2015	Expected impact of economic factor in 2015
Growth in loans and advances	GDP growth[1]	↓	↓	↑	↑
	Debt-to-disposable income level	↓	↑	↓	↑
	Interest rates	↑	↓	↔	↑
Net interest margin	Interest rates	↑	↑	↔	↑
Credit loss ratio	Debt-to-disposable income level	↓	↑	↓	↑
	Number of insolvencies and liquidations	↓	↑	↓	↑
	Collateral values	↑	↑	↑	↑
Growth in fee and commission revenue	GDP growth	↓	↓	↑	↑
	Inflation (CPI)	↑	↑	↓	↓
Growth in trading revenue	Market trading volumes	↑	↑	↑	↑
	Market price volatility	↑	↓	↑	↓
Growth in operating expenses	Average rand exchange rate against the USD	↑	↓	↑	↓
	Inflation (CPI)	↑	↓	↓	↑
Effective tax rate	Corporate tax rates	↔	↔	↔	↔

↑ Increase in economic factor/positive impact on group's performance.
↓ Decrease in economic factor/negative impact on group's performance.
↔ Neutral.
1 Although GDP growth was positive in 2014, growth decelerated during the year.

Finance review | continued

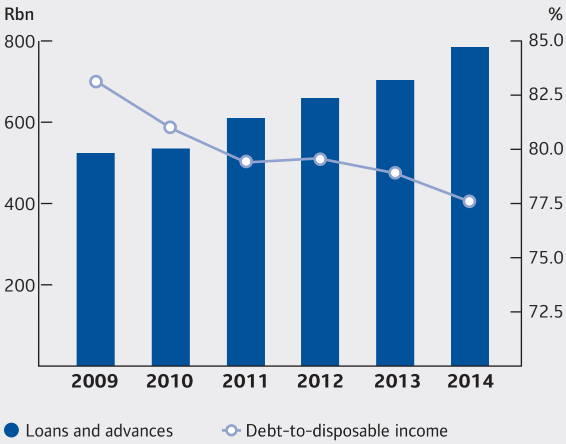
Growth in loans and advances

Loans and advances represent the largest asset category on the group's balance sheet. They provide the group's biggest source of revenue in the form of interest income and create cross-selling opportunities to earn transactional fees and insurance-related revenues. Growing loans and advances within the group's accepted risk levels is therefore essential to increasing revenue.

Growth in loans and advances in the personal market in particular is dependent on our customers' ability to repay debt. The debt-to-disposable income ratio measures the ability of households to service existing loans and assume further debt.

The graph below illustrates the decline in debt-to-disposable income levels from 2009 and then the gradual increase in this ratio up to 2014, which drove growth in loans and advances.

Loans and advances and debt-to-disposable income



Since 2009, customers have been rebuilding their balance sheets, evident from the gradual reduction in the debt-to-disposable income levels. The 0.75% increase in the prime lending rate during 2014 has put customers under pressure and increased the debt-to-disposable income levels from 2013.

Net interest margin

The net interest margin represents the profit margin between the interest rate earned on lending products and investments, and the interest rate paid on deposits and other funding. The movement in benchmark lending rates, such as the prime interest rate, is a key factor that causes the net interest margin to vary.

When prime interest rates decline, banks charge lower rates on prime-linked lending products such as home loans, vehicle and asset finance and card products. However, the interest rate paid on deposits in transactional accounts is not prime-linked and does not decline as much as the reduction in the interest rate earned on prime-linked lending products. This mismatch, referred to as a negative endowment impact, reduces the net interest margin.

When interest rates increase, the increase in the interest rate earned on the prime-linked lending products is greater than the increase in the interest rate paid on deposit balances in transactional accounts. This results in an increase in the net interest margin and is referred to as a positive endowment impact.

Equity invested by ordinary shareholders is a second form of funding that gives rise to an endowment impact. As equity bears no interest cost, and equity funding is used to partially finance lending products that are prime-linked, the margin between the interest earned on lending products and the 'free' or equity funding will increase when interest rates increase and reduce when interest rates decline.

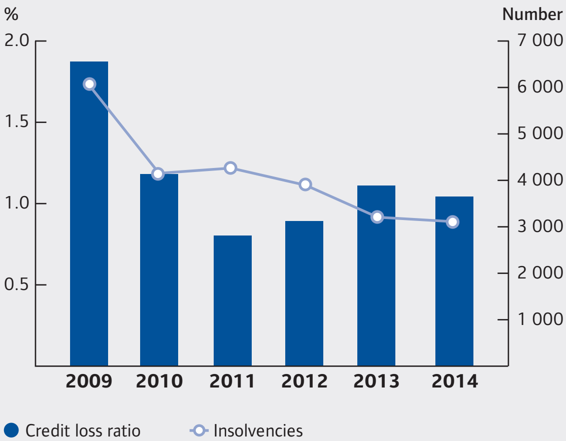
During 2014, interest rates in South Africa increased resulting in a positive endowment impact. The endowment risk is partially hedged as and when appropriate, using derivative instruments such as swaps and interest rate swaptions. Hedging strategies also factor in the partial offset of the endowment impact by a reduction in credit impairments due to lower interest rates.

Credit loss ratio

The credit loss ratio is the credit impairment charge expressed as a percentage of the average group loans and advances balance and indicates the loss to the group resulting from the inability of customers to repay loans during the year. For every rand owed by customers, the group on average incurred a loss of 1,04 cents (2013: 1,11 cents).

Insolvencies and defaults recorded in the economy, as well as debt-to-disposable income levels described earlier, provide an indication of the stress that our customers and clients experience. The graph opposite illustrates the correlation between insolvencies and credit losses.

Credit loss ratio and number of South African insolvencies



Growth in non-interest revenue

Non-interest revenue consists mainly of fee and commission revenue and trading revenue.

Growth in fee and commission revenue depends on transactional banking volumes, which are a function of economic activity and competitive banking services. Inflationary increases in the cost base are also considered in determining increases in fee and commission tariffs. Modest increases in GDP and inflation should support growth in non-interest revenue for the future.

Growth in trading revenue depends largely on trading volumes and how volatility affects trading spreads. The group's trading revenue is substantially a function of client trading volumes and the margin between bid and offer prices. The group trades products in a wide range of markets which may or may not have quoted statistics on market volumes, and no single indicator can serve as a reasonable proxy for such activity levels.

Growth in operating expenses

Inflation is one of the key external indicators that pushes up operating expenses. Many internal factors also affect the growth in operating expenses, such as the rand exchange rate, growth in staff numbers, the attraction and retention of high quality staff and investments in branch and IT infrastructure and business volumes. Average CPI inflation increased from 5.8% in 2013 to 6.1% in 2014, lifting operating expenditure.

The expected increase in the inflation rate will contribute to a focus on operational excellence to keep cost growth within acceptable levels.

The group will continue its focus on operational excellence to manage cost growth within acceptable levels. Ensuring continuing investment for growth, while controlling costs has been, and will continue to be, a priority.

Business unit performance

PBB delivered a strong set of results with headline earnings up 9% to R8,8 billion, attributable to the positive endowment impact of the 0.75% increase in the prime lending rate during 2014, coupled with balance sheet growth and improved concession management and risk-based pricing.

CIB reported headline earnings of R4,2 billion, up 14% on the prior year, driven mainly by an increase in net interest income that benefited from loan book growth and the positive endowment impact of higher average interest rates. Non-interest revenue also contributed to the increase in headline earnings with strong fixed income and currencies (FIC) income growth due to favourable market positioning and increased revenues from cash equities and structured solutions following significant deals with Eskom and Woolworths.

The headline loss for other services decreased when compared to the prior year, this is mainly due to an increase in other revenue of 26%.

Business unit performance[1]

		Headline earnings		ROE	
	Change %	**2014 Rm**	2013 Rm	**2014 %**	2013 %
PBB	9	**8 816**	8 072	**21.6**	22.6
CIB	14	**4 150**	3 655	**15.2**	13.9
Other services	(7)	**(942)**	(1 018)	**(8.2)**	(8.4)
Total		**12 024**	10 709	**15.1**	14.4

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

Finance review | continued

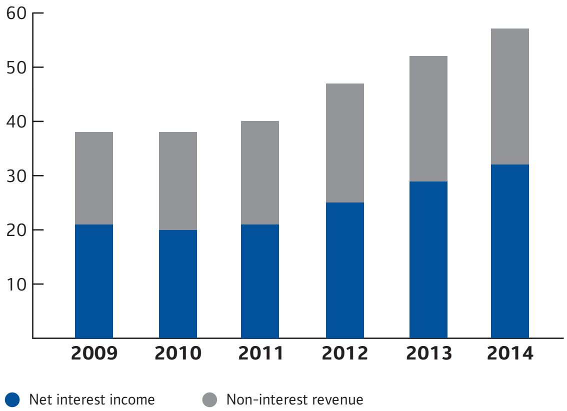
Income statement analysis

The income statement or statement of financial performance reflects the revenue generation by the group and costs incurred in generating that revenue for the year ended 31 December 2014.

Income statement
for the year ended 31 December 2014

	Change %	2014 Rm	2013 Rm
Net interest income	12	**32 492**	28 888
Interest income	15	**66 749**	58 069
Interest expense	17	**34 257**	29 181
Non-interest revenue	8	**24 725**	22 848
Net fee and commission revenue	11	**18 815**	16 976
Trading revenue	(2)	**3 453**	3 521
Other revenue	5	**2 457**	2 351
Total income	11	**57 217**	51 736
Credit impairment charges	1	**7 876**	7 815
Income after credit impairment charges	12	**49 341**	43 921
Revenue sharing agreements	7	**1 759**	1 646
Income after revenue sharing agreements	13	**47 582**	42 275
Operating expenses	12	**31 701**	28 243
Staff costs	8	**16 039**	14 796
Other operating expenses	16	**15 662**	13 447
Net income before goodwill impairment	13	**15 881**	14 032
Goodwill impairment	100	**4**	
Net income before equity accounted earnings	13	**15 877**	14 032
Share of profit from associates and joint ventures	(54)	**140**	303
Net income before indirect taxation	12	**16 017**	14 335
Indirect taxation	15	**1 398**	1 211
Net income before direct taxation	11	**14 619**	13 124
Direct taxation	13	**2 942**	2 608
Profit for the year	11	**11 677**	10 516
Attributable to non-controlling interests	(>100)	**3**	(21)
Attributable to ordinary shareholder	11	**11 674**	10 537
Basic earnings per ordinary share (cents)	11	**19 458**	17 563

Income contribution (Rbn)



Net interest income

Net interest income benefited from the positive endowment effect of the 0.75% increase in the South African lending rate in 2014, higher asset balances and improved lending margins from better concession management and risk-based pricing.

Non-interest revenue

Non-interest revenue increased by R1,9 billion during the year with net fee and commission revenue up 11%. Trading revenue decreased by 2% and other revenue increased by 5%.

The good growth in fee and commission revenue of 11% was mainly due to strong card-based commission revenue, electronic banking fees and account transaction fees, coupled with higher advisory, arrangement and structuring fees on key deals during the year in CIB.

We expect changes to South African regulations to be finalised during March 2015 which will reduce the fees that we charge on card transactions (known as interchange fees). Once the new regulations become effective, we expect that the group's interchange fee income will be impacted by an annualised reduction of approximately R400 million.

Trading revenue decreased due to the non-recurrence of a once-off gain in an equity provision release and equity dividends received. This was partly offset by strong FIC income gains following favourable curve movement.

Other revenue growth of 5% was as a result of increased insurance related income in PBB, and increased franchise fee accrual in the Africa head office.

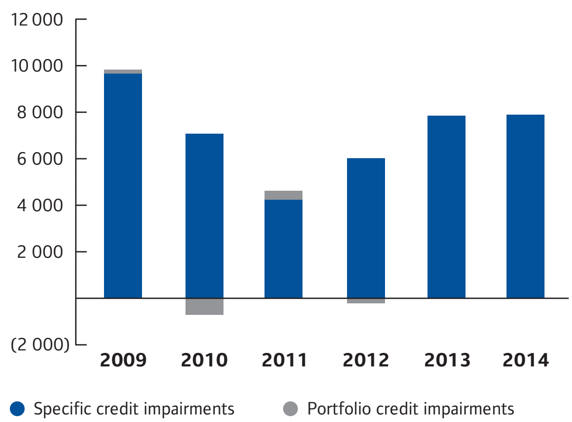
Credit impairment charges

During the year, credit impairments remained relatively flat at R7,9 billion, a 1% increase on the prior year. This resulted in the group credit loss ratio decreasing to 1.04%, from 1.11% in 2013.

Specific impairment charges were raised against several large exposures in CIB, which was partly offset by a net portfolio release of R300 million following an improvement in risk grades and model enhancements. This was coupled with lower credit provisioning in the access lending portfolio due to improved quality of the loan book and better collections.

A detailed analysis of performing and non-performing loans is provided in the risk and capital management report on **page 58**.

Credit impairment charges (Rm)



Finance review | continued

Operating expenses

The group continues to invest in both staff and infrastructure to provide improving customer service and deliver on our strategic priorities. We maintain a tight control on costs while investing for long-term growth.

Operating expenses

	Change %	**2014 Rm**	2013 Rm
Staff costs	8	**16 039**	14 796
Other operating expenses	16	**15 662**	13 447
Total operating expenses	12	**31 701**	28 243
Cost-to-income ratio (%)		**57.0**	56.0

Other operating expenses increased largely as a result of higher IT spend (mainly core banking and payment systems going live), increased premises' expenses due to the occupation of the Rosebank offices, as well as impairments of IT intangible assets. The sale of the global markets outside Africa business by SBG had an adverse impact on costs as a portion of the separation cost was borne by SBSA. These have been included in the discontinued operations at a SBG level.

Staff costs increased by 8% due to an increase in fixed remuneration following annual inflationary increases, coupled with increased incentive provisioning in line with business earnings. A higher cash-settled share option scheme charge following an increase in the SBG share price also contributed to the increase in staff costs.

Share of profit from associates and joint ventures

Share of profit from associates and joint ventures decreased by 54% largely due to the equity accounted earnings of RCS Investment Holdings Proprietary Limited (RCS) no longer being recognised following its sale in August 2014. Lower equity accounted earnings from other associates also contributed to the decrease.

Balance sheet analysis

The balance sheet or statement of financial position (SOFP) reflects what the group owns, owes and the equity that is attributable to the shareholder at 31 December 2014.

Statement of financial position
for the year ended 31 December 2014

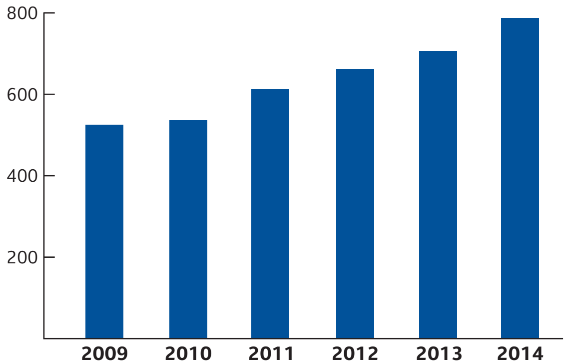
	Change %	2014 Rm	2013 Rm
Assets			
Cash and balances with central banks	8	**32 218**	29 934
Derivative assets	(10)	**54 062**	59 974
Trading assets	45	**51 436**	35 574
Pledged assets	20	**5 281**	4 394
Financial investments	38	**101 856**	73 604
Loans and advances	11	**785 483**	704 919
Current and deferred tax assets	9	**353**	324
Other assets	(36)	**7 470**	11 623
Interest in group companies, associates and joint ventures – banking operations	(8)	**66 907**	72 757
Goodwill and other intangible assets	23	**16 999**	13 785
Property and equipment	1	**9 085**	8 989
Total assets	11	**1 131 150**	1 015 877
Equity and liabilities			
Equity	4	**82 418**	79 204
Equity attributable to the ordinary shareholder	4	**82 412**	79 201
Ordinary share capital		**60**	60
Ordinary share premium		**36 296**	36 296
Reserves	7	**46 056**	42 845
Non-controlling interests	100	**6**	3
Liabilities	12	**1 048 732**	936 673
Derivative liabilities	1	**66 298**	65 813
Trading liabilities	11	**22 709**	20 424
Deposit and current accounts	11	**799 936**	721 350
Current and deferred tax liabilities	2	**3 570**	3 499
Provisions and other liabilities	(17)	**11 691**	14 084
Subordinated debt	–	**20 734**	20 815
Liabilities to group companies	37	**123 794**	90 688
Total equity and liabilities	11	**1 131 150**	1 015 877

Finance review | continued

Loans and advances

Net loans and advances increased by 11% to R785,5 billion, with both CIB and PBB reporting growth of 22% and 4%, respectively.

Loans and advances (Rbn)



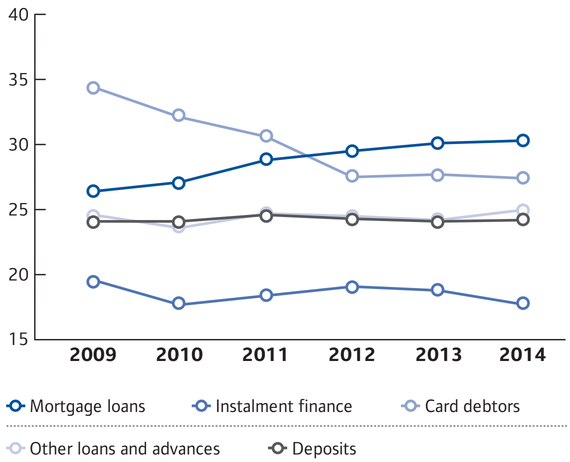
Contributing to the increase in loans and advances in PBB was a 2% increase in mortgage loans in spite of tough conditions brought about by high levels of household debt and the increased cost of living limiting affordability of mortgage bonds. New business generated amounted to R31,7 billion, while registrations in affordable housing rose to R4,3 billion.

The year-to-date prepayment rate on personal home loans rose from 7.7% in 2013 to 8.12% in 2014. Instalment sale and finance leases increased by R0,4 billion. Vehicle and asset finance (VAF) has adopted a stricter scorecard to promote portfolio quality and manage concessions leading to a slowdown in the personal segment, as well as the lower end of the business segment.

Commercial property finance increased by R2,8 billion following a migration of assets from CIB to PBB as these clients, who have contractual loan obligations of less than R2 billion, could be better served in PBB. The growth was supported by R0,9 billion new business written. Card debtors reflected an increase of 9%, the growth being supported by limit increases in the personal market and increased utilisation leading to a 13.9% increase in the average balance per account. This was partly offset by a 3.7% decline in the number of accounts. Other personal term loans increased by 7% mainly as a result of the increase of R2 billion in revolving credit accounts, as a result of a 9.3% increase in the average balance held per customer, offset by a decline in the number of personal accounts with 1.2%.

The 22% increase in loans and advances in CIB was mainly due to higher local currency corporate term lending to clients of R23,5 billion. Loans granted under resale agreements, mostly for foreign banks, also increased by R24,5 billion. These collateralised loans are a more capital efficient way of placing liquidity compared to the interbank market. These placements form part of SBSA's marketable asset portfolio to ensure compliance with Basel III liquidity requirements.

SBSA's market share movement (%)



Deposits and current accounts

Deposit and current accounts increased 11% or R78,5 billion, to R799,9 billion (2013: R721,4 billion). PBB deposits increased by R11 billion, mainly due to growth in the number of call deposit accounts and growth in current accounts in the business sector. Deposits and current accounts in CIB increased by R55 billion. The increase in the deposit book was largely attributable to higher balances with banks and call deposits.

Financial investments

Financial investments increased by 38% to R101,9 billion, due to higher assets held for liquidity purposes in anticipation for Basel III implementation. The increase was due to higher bond and treasury bill positions and government stock (mainly SARB), as well as increased unlisted stock mainly in the form of cash collateral.

Cash and balances with banks

Cash and balances with central banks increased by 8% mainly due to the SARB interest-free deposits held for reserving purposes, due to an increase in the adjusted liability base.

Derivative assets

Derivative assets decreased by 10%, mainly as a result of a reduction in interest rate derivatives and unfavourable mark-to-market adjustments, mainly on forex derivatives.

Interest in group companies, associates and joint ventures – banking operations

Interest in group companies, associates and joint ventures decreased by 8% mainly due to the disposal of RCS in August 2014.

Liabilities to group companies

Liabilities to group companies increased by 37%, due to the increased funding utilised from SBG's regional and international subsidiaries.

Liquidity and capital management

The group maintained strong Basel III capital ratios during the year under review, attributable to internal capital generation and a disciplined use of risk-weighted assets. At 31 December 2014, SBSA's common equity tier I (CET I) and tier I capital ratios declined slightly to 12.3%, and the total capital ratio declined to 15.8%. These ratios are both well above the regulatory requirements and within the internal targets.

The group's overall liquidity risk appetite has remained unchanged during the course of 2014 with continued active management of financial resources within SBSA's stated risk tolerance.

The group's liquidity position remains strong with total liquidity of R221,6 billion at 31 December 2014 (2013: R167,2 billion). These significant levels of liquidity are appropriately conservative given the group's liquidity stress testing philosophy and in view of potential changes in regulatory requirements.

The group's long-term funding ratio (which measures funding-related liabilities with a remaining maturity of six months or more as a percentage of total funding-related liabilities) declined to 18% during 2014 (2013: 19.4%). This is in alignment with reduced long-dated asset positions, particularly in CIB, and adopting a more active term asset distribution strategy. This strategy has been adopted to better utilise scarce and expensive capital and term funding resources.

Over the past year, the Basel Committee on Banking Supervision (BCBS) has substantially completed the remaining components of Basel III. It has agreed on a globally consistent definition of the leverage ratio, issued the final standard for the net stable funding ratio (NSFR) and has set out its plan to address excessive variability in risk-weighted asset calculations.

As from 1 January 2015, the group will be required to comply with the liquidity coverage ratio (LCR), a metric introduced by the BCBS to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. Significant effort was expended in 2014 in the run-up to the implementation of the LCR, and SBSA is on track to meet the minimum phased-in Basel III LCR standards.

A detailed analysis of capital management is provided in the risk and capital management report starting on **page 42**.

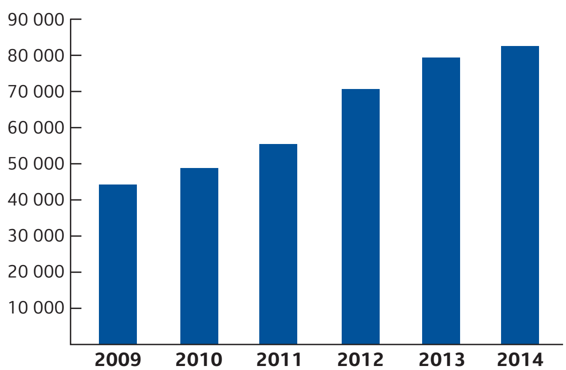
Six-year review

Statement of financial position

	CAGR[1] %	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Group							
Assets							
Cash and balances with central banks	17	**32 218**	29 934	25 926	20 865	18 181	14 470
Financial investments, pledged and trading assets	14	**158 573**	113 572	118 070	108 172	95 248	83 867
Non-current asset held for sale				960			
Loans and advances	8	**785 483**	704 919	659 500	611 165	536 188	525 500
Derivative, tax and other assets	(5)	**61 885**	71 921	98 021	105 237	111 370	81 212
Interest in group companies, associates and joint ventures	(3)	**66 907**	72 757	58 430	62 099	63 013	77 998
Goodwill and intangible assets	42	**16 999**	13 785	10 350	6 469	4 410	2 913
Property and equipment	12	**9 085**	8 989	8 895	8 430	7 906	5 141
Total assets	7	**1 131 150**	1 015 877	980 152	922 437	836 316	791 101
Equity and liabilities							
Equity	13	**82 418**	79 204	70 625	55 385	48 704	44 027
Equity attributable to the ordinary shareholder	13	**82 412**	79 201	70 562	55 333	48 662	44 027
Non-controlling interests	(32)	**6**	3	63	52	42	
Liabilities	7	**1 048 732**	936 673	909 527	867 052	787 612	747 074
Deposit and current accounts	7	**799 936**	721 350	712 676	681 043	601 612	569 838
Derivative, trading, tax and other liabilities	(1)	**104 268**	103 820	124 250	134 907	130 429	110 991
Subordinated debt	6	**20 734**	20 815	22 400	16 095	15 683	15 814
Liabilities to group companies	20	**123 794**	90 688	50 201	35 007	39 888	50 431
Total equity and liabilities	7	**1 131 150**	1 015 877	980 152	922 437	836 316	791 101

1 CAGR refers to compound annual growth rate for the period 2009 to 2014.

Ordinary shareholders' equity – group (Rm)

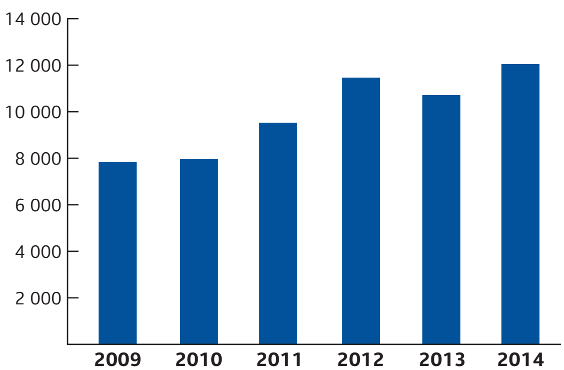


Income statement

	CAGR[1] %	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Group							
Net interest income	9	**32 492**	28 888	25 249	21 348	20 185	21 474
Interest income		**66 749**	58 069	55 677	49 714	51 601	67 420
Interest expense	(3)	**34 257**	29 181	30 428	28 366	31 416	45 946
Non-interest revenue	7	**24 725**	22 848	22 032	18 804	18 329	17 489
Total income	8	**57 217**	51 736	47 281	40 152	38 514	38 963
Credit impairment charges	(4)	**7 876**	7 815	5 785	4 623	6 352	9 831
Income after credit impairment charges	11	**49 341**	43 921	41 496	35 529	32 162	29 132
Revenue sharing agreements		**1 759**	1 646	1 642	230		
Income after revenue sharing agreements	10	**47 582**	42 275	39 854	35 299	32 162	29 132
Operating expenses	12	**31 701**	28 243	25 161	21 904	21 375	18 214
Net income before goodwill impairment	8	**15 881**	14 032	14 693	13 395	10 787	10 918
Goodwill impairment		**4**			46		
Net income before equity accounted earnings	8	**15 877**	14 032	14 693	13 349	10 787	10 918
Share of profit/(loss) from associates and joint ventures		**140**	303	523	83	124	(104)
Net income before indirect taxation	8	**16 017**	14 335	15 216	13 432	10 911	10 814
Indirect taxation	19	**1 398**	1 211	974	745	856	582
Net income before direct taxation	7	**14 619**	13 124	14 242	12 687	10 055	10 232
Direct taxation	7	**2 942**	2 608	2 347	3 167	2 147	2 120
Profit for the year	8	**11 677**	10 516	11 895	9 520	7 908	8 112
Attributable to non-controlling interests		**3**	(21)	11	10	50	
Attributable to the ordinary shareholder	8	**11 674**	10 537	11 884	9 510	7 858	8 112

[1] CAGR refers to compound annual growth rate for the period 2009 to 2014.

Headline earnings – group (Rm)



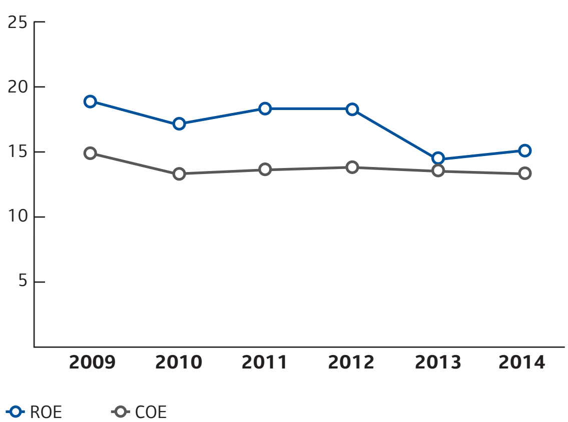
Six-year review | continued

Statistics, returns and capital adequacy

	CAGR[1] %	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Group							
Headline earnings (Rm)	9	**12 024**	10 709	11 461	9 530	7 954	7 858
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	**19 458**	17 563	19 808	15 851	13 097	13 521
Headline earnings	9	**20 041**	17 849	19 103	15 884	13 257	13 097
Dividends	9	**14 334**	10 667	4 163	12 335	4 167	9 167
Net asset value	13	**137 360**	132 008	117 609	92 227	81 108	73 382
Selected returns and ratios							
ROE (%)		**15.1**	14.4	18.3	18.3	17.1	18.9
Non-interest revenue to total income (%)		**43.2**	44.2	46.6	46.8	47.6	44.9
Average ordinary shareholder's equity to average total assets (%)		**7.4**	7.5	6.6	6.0	5.7	5.0
Loan-to-deposit ratio (%)		**98.2**	97.7	92.5	89.7	89.1	92.2
Cost-to-income ratio (%)		**57.0**	56.0	54.5	54.8	55.3	46.9
Credit loss ratio (%)		**1.04**	1.11	0.89	0.80	1.18	1.87
Effective tax rate (%)		**27.1**	26.6	21.8	29.1	27.5	25.0
Headline earnings per employee (Rand)	11	**442 808**	392 242	406 880	335 304	261 679	266 427
Number of employees	(2)	**27 154**	27 302	28 168	28 422	30 396	29 494

1 CAGR refers to compound annual growth rate for the period 2009 to 2014.

Financial performance – group (%)

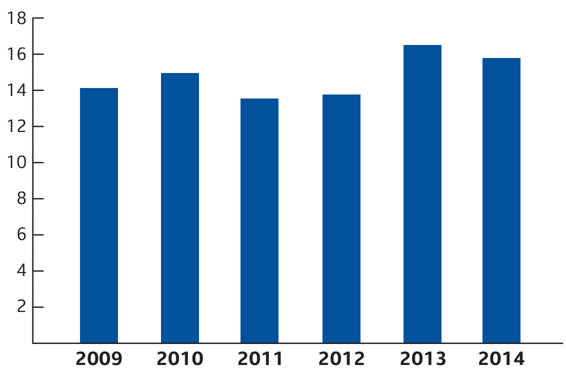


Statistics, returns and capital adequacy continued

	CAGR[1] %	**2014 Rm**	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Company							
Capital adequacy[2]							
Risk-weighted assets (Rm)	7	**513 856**	489 045	528 266	430 484	368 262	367 839
Tier I capital (Rm)	10	**63 312**	62 379	55 988	46 214	42 172	38 946
Total capital (Rm)	9	**81 027**	80 680	72 694	58 284	54 965	51 853
Tier I capital adequacy ratio (%)		**12.3**	12.8	10.6	10.7	11.5	10.6
Total capital adequacy ratio (%)		**15.8**	16.5	13.8	13.5	14.9	14.1
Headline earnings (Rm)	8	**11 738**	10 279	11 140	9 489	7 697	8 121
Return on average risk-weighted assets (%)		**2.3**	2.0	2.3	2.4	2.1	2.2
Rand exchange rates at 31 December							
US dollar		**11,57**	10,49	8,48	8,09	6,64	7,37
Sterling		**18,02**	17,36	13,71	12,48	10,29	11,88
Euro		**14,01**	14,44	11,18	10,46	8,87	10,61
Market indicators at 31 December							
SA prime overdraft rate (%)		**9.1**	8.5	8.5	9.0	9.0	10.5
JSE[3] All Share index	12	**49 771**	46 256	39 250	31 986	32 119	27 666
JSE[3] Banks index	15	**72 998**	57 745	53 362	41 178	40 985	36 675

1 CAGR refers to compound annual growth rate for the period 2009 to 2014.
2 Capital adequacy for 2009 to 2011 are on a Basel II basis. Basel III was implemented 1 January 2013. 2012 is on a pro forma Basel III basis.
3 JSE Limited, the licensed securities exchange in Johannesburg.

Total capital adequacy ratio – company (%)



Human capital review

Our people

SBSA aims to ensure that we employ people that are the right fit for the organisation and that we create an environment and culture that allows our people to thrive. We strive to attract individuals who share our vision and, in turn, we take cognisance of and support their individual aspirations.

In this section we have included some key metrics and a high level overview. We follow a group approach to managing our people – for more comprehensive detail please refer to the 2014 SBG sustainability report at **www.standardbank.com/sustainability**

Employee engagement

We expect consistently high customer-focused performance from our employees through driving a culture of high employee engagement. We use employee surveys to keep abreast of employee sentiment and the organisational climate, supplemented with focus groups, employee interviews and other engagement methods. In South Africa, 14 763 employees participated in a survey undertaken to understand employment equity barriers, inform the development of our employment equity plan and to gather information on broader engagement aspects.

Our workforce

Employee turnover

A level of turnover is healthy in any organisation as it creates opportunities to attract new talent and provide for career advancement. SBSA's overall turnover rate in 2014 is within industry norms at 10.7% for 2014.

The impact of digital banking

While the move towards digital banking is expected to reduce the number of branch staff required in the future, transforming our customer offering requires new skills and capabilities to meet these changes.

Key SBSA workforce indicators

		2014	2013
Employee headcount		**27 154**	27 302
Women employees	%	**61**	61
Employee turnover	%	**10.7**	12.2

Talent resourcing

Our talent resourcing function sources and redeploys talent internally and, where required, recruits externally to address identified skills gaps. We develop robust and pragmatic workforce planning scenarios to anticipate skills needs proactively. Each business unit has certain skills gaps which could range from sales skills to general management experience.

Graduates

Our graduate programmes provide on-the-job experience, assisting graduates to transition into the work environment. Graduate programmes are critical to our resourcing strategy as they allow us to proactively develop the required technical capabilities and act as an important source of future leaders. Programmes range from between 18 to 24 months and each graduate is assigned a mentor and exposed to networking opportunities. Graduates are placed in roles within various areas of the bank and where broader skills and understanding of bank processes is required, training interventions include secondments to locations outside South Africa.

In 2014, there were 104 (2013: 125) participants on our graduate development programmes, of which 52% (2013: 47%) were women and 68% (2013: 80%) were black people.

Diversity and inclusion

We promote and value diversity as a strategic imperative and strive to eliminate employment practices and processes which may result in unfair discrimination. Our diversity and inclusion statement of intent and guiding principles guide us in this approach, with a number of initiatives in place to assist line managers in managing diverse teams.

Employment equity

We are committed to creating a workforce that better reflects South Africa's demographics in respect of race and gender. Our new employment equity plan, approved in 2014, sets out strategies and numerical targets for the representation of black (African, Indian and Coloured) people, women and people with disabilities at all occupational levels for 2015 and 2016.

Gender equity

We strive to improve the representation of women in areas where they are under-represented and our initiatives to achieve this include development programmes and networking forums.

Disability management

We actively work to recruit and retain people with disabilities by incorporating disability considerations across our human capital processes. In South Africa, our disability forum helps us identify and remedy barriers that employees with a disability may face and we run disability awareness training programmes. We also have a helpline to assist employees with any queries they may have in this regard.

At December 2014, 1.2% (2013: 1.2%) of our SBSA workforce had declared a disability, verified through our internal processes. Measured as a percentage of our SBSA workforce, 0.8% (2013: 0.8%) were black employees. Our targets for the total representation of people with disabilities and black people with disabilities are 1.5% and 1.0% of SBSA's workforce, respectively.

Human capital development

The components of our human capital development strategy are made up of:

Performance management

Effective performance management is critical to delivering our business strategy and helping each individual add value

All

permanent employees participate in the formal performance management process

Talent management and leadership development

Ensuring our competitive advantage by having strong capability in strategically and operationally important areas

1 645

SBSA participants in leadership development programmes (2013: 2 067)

Learning and development

Effectively upskilling and reskilling our workforce is vital to managing a changing business environment and motivating our employees

27 640

employees received training (2013: 27 535)

Business planning
+
Performance management
+
Individual development
=
a high performance culture

Learning and development metrics

		2014	2013
Training spend	Rm	**534**	424
Training spend as a percentage of staff costs	%	**3,3**	2.9
Bursary spend	Rm	**12,2**	8,4

In South Africa, 60% (2013: 78%) of our training spend was on black employees and 34% (2013: 50%) on black women employees. Of the 27 640 (2013: 27 535) employees trained in South Africa, 74% (2013: 70%) were black employees. We also invest in learnerships for unemployed matriculants and university graduates as part of our contribution to alleviating youth unemployment in South Africa. Of the 391 learners who started a Standard Bank learnership in 2013, 317 successfully completed their respective programmes in 2014 and 267 were offered employment at Standard Bank (2012 intake: 523 with 479 successful completions and 306 job offers in 2013). We also continued to support the BANKSETA Letsema and Kuyasa learnerships, and in 2014, we offered 120 learners a place on one of these learnerships. From the 2013 intake of learners, we employed 28 of the 105 learners and graduates that successfully completed the programmes with the balance of participants having been supported in obtaining a nationally recognised qualification.

Remuneration and benefits

Remuneration

We work to ensure that our remuneration philosophy and practices adequately motivate and reward performance, and meet developing regulatory requirements and stakeholder expectations, while maintaining market competitiveness and guarding against excessive risk-taking. We do not tolerate any form of unfair discrimination. We monitor income differentials within and across job bands and levels to ensure that our remuneration practices do not discriminate on the basis of race, gender or disability.

AIR RCM AFS SR Refer to the remuneration report for details of our remuneration strategy in SBG's AIR.

Minimum salary

South Africa does not have an established national minimum wage; however, there is debate on setting a national minimum living level of around R5 500 a month. Our minimum salary across all employee levels is an annual guaranteed package of R124 740 at 1 March 2015 (up from R115 930 at 1 March 2014), which at around R10 395 a month is comfortably above the debated national minimum wage.

Recognition programmes

Beyond Excellence is a discretionary programme implemented in line with international best practice. It competitively rewards individuals and teams who make a consistent, sustainable and balanced contribution to customers, employees and shareholders.

Human capital review | continued

Employee benefits

We provide a range of market competitive benefits to assist in the attraction, motivation and retention of employees. We provide core benefits such as retirement benefits, medical aid and insurance benefits and parental leave.

Employee wellness

Our holistic approach to the wellness of our people enables us to manage workplace health risks and to build the resilience of our people by optimising physical health, as well as mental and social wellbeing, so that our employees remain sustainably engaged and productive. Our health and wellness framework is aligned to local and international best practice and aims to balance the rights and needs of the individual with those of the business.

Our priority is to provide access to appropriate health and wellness services for all employees, ensuring that our solutions are relevant in different business areas and countries. We encourage our employees to take responsibility for their health and support them through partnerships with service providers that give employees access to health screenings, nurse consultations, health-related information while travelling, executive medical assessments, counselling, managerial support and consultation, as well as financial and legal advice.

WELLNESS METRICS

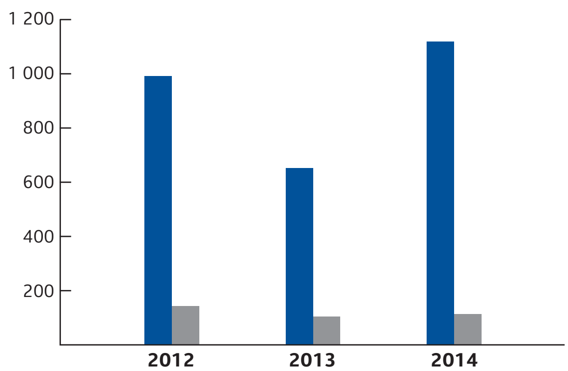
2.1% absenteeism rate (2013: 2.2%)	**134 534** work days were lost due to sick absence (2013: 141 389 work days)
5 879 health screenings were undertaken, 2 579 of which were HIV counselling and testing	**72%** of employees screened elected to undergo confidential HIV counselling and testing (2013: 70%)
775 executives and senior managers underwent health screens (2013: 852)	**1 252** employees and their dependants registered on the Bankmed Special Care HIV Programme, of which 917 were women (2013: 1 180 of which 880 were women)

Creating a safe place to work

We value and protect the health and safety of our employees and people who may be affected by our business activities. Our management systems and procedures are effective at preventing safety hazards, ill health and occupational diseases and incidents.

Guidelines, risk management plans and procedures have been developed for high risks and we maintain a risk register. Our occupational health and safety (OHS) management system extends beyond regulatory requirements and is aligned to the principles of the international OHSAS 18001 standard. No fines were incurred due to OHS infringements during 2014.

Number of days lost due to OHS injuries



SAFETY METRICS

27 339	hours spent training OHS officials (2013: 24 926 hours)
23 612	employees successfully completed our OHS e-learning programme (2013: 17 467)
R1,4m	spent training OHS officials (2013: R1,9 million)
166	injuries reported (2013: 162), with 114 resulting in lost time (2013: 102). Our injury severity rating is low with no injury resulting in a permanent disability

Employee relations

Our employee relations philosophy takes its lead from our values and codes of ethics. Our groupwide employee relations framework provides the governing mechanism for consistent and sound employee relations in compliance with relevant legislation and codes of good practice. It covers collective agreements and fostering constructive relationships with employees and labour organisations to ensure fair outcomes and practices.

Non-permanent employees

Recent amendments to the Labour Relations Act in South Africa relate to our non-permanent employees earning below the Basic Conditions of Employment Act threshold, currently set at R205 433 per annum, and who have been engaged by the bank for more than three months. The amendments require that non-permanent employees are not treated on the whole less favourably than comparable permanent employees unless there are justifiable reasons for differentiation such as seniority, experience, length of service, merit or the quality or quantity of work.

The Amendment Act was implemented on 1 January 2015 and we are required to comply with these new provisions by 1 April 2015. In preparation for this, we have reviewed our workforce plans and have identified the optimal resourcing mix in line with business requirements and the associated costs to meet the Act's requirements. We have developed and communicated an operating model, policy and procedures relating to this category of employee to ensure good governance, consistent practice and regulatory compliance. We have also established a framework for dialogue with SASBO, the finance union, to develop a common understanding of the amendments which will serve the mutual interests of all parties concerned and enable a sustainable transition to the new dispensation.

Disciplinary and grievance incidents (South Africa only)

	2014	2013	2012
Disciplinary incidents			
Dismissals	**410**	405	313
Warnings issued	**1 668**	865	647
Total disciplinary incidents	**2 078**	1 270	960
Cases referred to the CCMA			
Unfavourable decision for the bank	**6**	1	5
Cases that were settled	**38**	61	59
Cases withdrawn	**29**	29	23
Cases ruled in favour of the bank	**25**	41	25
Cases still outstanding	**4**	3	2
Total cases referred to the CCMA*	**102**	135	114

* Commission for Conciliation Mediation and Arbitration.

Freedom of association

In 2014, changing regulations and structural re-organisation within the organised labour movement in South Africa led to protracted and at times violent disputes in the broader labour market, particularly around remuneration and the issue of labour broking. We subscribe to the principle of freedom of association in line with the International Labour Organisation's Conventions and we believe in building respectful and mutually beneficial relationships with worker representative organisations across all our operations. We strive to balance the legitimate demands and expectations of our staff with fair and effective business solutions. We did not experience any incidents of strike action in any of our operations in 2014.

In South Africa, SASBO, as the majority recognised union, bargains for non-managerial staff at the bank. At 31 December 2014, 48% of our workforce were members of SASBO (2013: 51.6%).

Human capital review | continued

Summary of employment equity progress report 2014

Occupational Levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	11		5	60	7	2	5	17	18	3	128
Senior management	178	95	268	902	139	73	170	438	119	46	2 428
Professionally qualified and experienced specialists and mid-management	1 322	478	786	1 357	1 231	613	897	1 303	158	104	8 249
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2 106	827	563	476	4 486	2 334	1 362	1 843	33	105	14 135
Semi-skilled and discretionary decision-making	638	169	76	37	1 281	431	179	260	3	10	3 084
Unskilled and defined decision-making											
Total permanent	4 255	1 569	1 698	2 832	7 144	3 453	2 613	3 861	331	268	28 024
Temporary employees	391	42	79	400	449	69	49	224	142	3 939	1 884
Grand total	4 646	1 611	1 777	3 232	7 593	3 522	2 662	4 085	473	307	29 908[1]

A = African
C = Coloured
I = Indian
W = White
[1] Includes temporary staff and all Africa personnel located in South Africa as measured at 30 September 2014.

Environmental report

2014 HIGHLIGHTS

Committed **R2,1 billion** for one concentrated solar power project and one photovoltaic project with an installed renewable energy capacity of 175 megawatts in the third phase of the REIPPP programme

Acted as co-arranger on the City of Johannesburg's green bond, the first listed green bond in the South African debt capital markets

The Green Building Council of South Africa (GBCSA) awarded 30 Baker street an 'as built' **5-star Green Star** rating

Scored 80% (2013: 71%) in the Carbon Disclosure Project (CDP) and we were one of only nine companies in South Africa that were included on the CDP's Climate Performance Leadership Index A-list

In South Africa, 16,8 million electronic statements delivered, 27% of the total volume of statements covering transaction products, VAT statements, vehicle and asset finance, home loans and card statements.

Our indirect impact

Given that the financial services industry generally has a low direct impact on the environment, our greatest opportunity for managing environmental risk lies in mitigating the potential impacts related to our financing activities. We are proactive in our approach to environmental and social risk management and go beyond minimum compliance.

AIR RCM AFS SR

For more comprehensive information refer to our sustainability report at **www.standardbank.com/sustainability**

Lending responsibly

Environmental and social risk management evaluates a transaction's potential risks to the environment and society, and its impacts in its area of influence. All CIB transactions go through the pre-credit committee, which is responsible for ensuring that environmental and social risks are correctly identified in the application phase. During the credit approval stage, the environmental unit works with the credit teams where a social or environmental concern has been identified and facilitates the requisite due diligence process. Environmental and social risk analysis in PBB is less advanced and we are reviewing various tools to improve the business unit's analysis of environmental and social risks.

We use two approaches to screen and evaluate transactions; the Equator Principles and a transaction-specific process to assess transactions with no known use of proceeds and where the loan is not required to physically develop or expand a project. The Equator Principles are a set of standards for managing social and environmental risk and is applied to all new project finance loans of USD10 million (R108 million) or more, across all industry sectors. It is also applicable to any advisory services we provide on project finance loans. During 2014, we financed one Equator Principle deal in South Africa.

Environmental products and services

Clean energy and energy efficiency

In South Africa, we remain active in the REIPPP Programme, which is aimed at securing a total of 17 800 megawatts of renewable energy by 2030. Local manufacturing requirements are structured into the construction and operation of the projects, creating opportunities for job and wealth creation. It is compulsory for the project deals to include local communities as equity participants, funded by local development finance institutions. In the third phase of the programme, we were awarded two bids with an underwriting value of R2,1 billion.

We have a R20 billion funding support agreement with Industrial and Commercial Bank of China Limited (ICBC) for renewable energy projects in South Africa. Under the agreement ICBC will co-lend into renewable energy projects with Standard Bank, where we are mandated as the lead arranger, through to 2025.

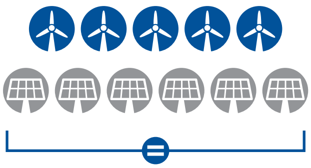
ICBC's involvement will help to reduce liquidity and capital pressure and will provide further diversification of our sources of funding, in addition to domestic asset managers who are keen to invest in such projects.

Environmental report | Our indirect impact continued

Bid submission round 1

28 projects to produce
1 416 MW

Standard Bank underwrote
R9,5 billion
for this round, having been awarded **11 out of the 28** projects



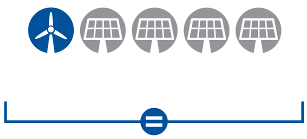
607 MW

(closed: now in construction phase)

Bid submission round 2

19 projects to produce
1 044 MW

Standard Bank underwrote
R5,3 billion
for this round, having been awarded **5 out of the 19** projects



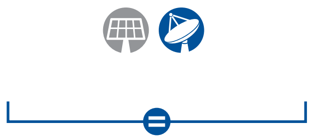
258 MW

(closed: now in construction phase)

Bid submission round 3

17 projects to produce
1 365 MW

Standard Bank has committed
R2,1 billion
for this round, having been awarded **2 out of the 17** projects



175 MW

(announced but not yet closed)

Our direct impact

Our direct impact arises out of our operational activities in which we consume natural resources and generate waste. Given the large number of premises we occupy and manage, our focus and investment in energy efficiency projects is making a difference to our natural resource consumption.

Resource consumption and emissions

We have systems in place to track and manage our direct impact on the environment resulting from our day-to-day business activities, and processes are in place to reduce our environmental footprint. We track and manage energy, water, carbon emissions and waste.

We continue to focus on improving the integrity of our data for all environmental indicators, with energy being our primary focus. In 2015, we will work to improve the scope and accuracy of our water consumption in South Africa.

Energy

Managing and reducing our energy consumption reduces our direct environmental impact and lowers operational costs, as well as mitigates the impact of rising electricity costs, pending carbon tax costs and energy supply concerns. Our three biggest energy consumers are heating, ventilation and air-conditioning systems; lighting and information technology. We participated in the Private Sector Energy Efficiency project, which aims to assist with implementation of energy management strategies with achievable targets. Through this project we have developed an Energy Management System for South Africa aligned to ISO 50001.

During 2014, we spent approximately R8,7 million on energy efficiency initiatives and alternative energy sources in South Africa, amounting to a total forecasted annual saving of 3 367 606 kilowatt hours (2013: 3 796 593 kilowatt hours). Our alternative energy solutions provided 9 218 146 kilowatt hours of alternative energy during 2014, reducing carbon emissions.

AIR RCM AFS SR For more detailed information on our energy programmes, refer to our sustainability report.

Carbon footprint

Our carbon footprint has been calculated according to the International Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard. We use the operational control approach to determine what is included in our scope of reporting. SBSA's CO_2 equivalent for 2014 was 5% lower than 2013 due to a refined carbon footprint calculation following the assurance process, the improved data integrity with regards to our energy consumption and changes in line with our approach to follow the operational control method of reporting. In 2014, we expanded our scope 1 calculation further to include natural gas for our tri-generation power plant and refrigerant gases, increasing our scope 1 emissions.

AIR RCM AFS SR For more information, refer to our sustainability report.

Key indicators – SBSA

		2014	2013
Carbon equivalent	metric tons	**319 784**	335 475[1]
Equator Principles			
Number of projects financed		**1**	5
Number of advisory services on project finance deals			2
Total energy consumption of premises	kilowatt hours	**307 149 817**	321 639 144
Diesel to operate generators	kilowatt hours	**5 608 551**	3 682 739[2]
Electricity purchased: buildings	kilowatt hours	**220 352 899**	248 428 258[3]
Electricity purchased: ATMs	kilowatt hours	**5 447 900**	5 245 725
Electricity purchased: data centres	kilowatt hours	**49 261 142**	49 658 033
Natural gas purchased	kilowatt hours	**26 218 167**	14 380 800
Renewable energy generated	kilowatt hours	**261 158**	243 589
Water consumption[4]	kilolitres	**980 117**	319 085[5]
Paper consumed and recycled			
Paper consumed	tons	**2 502**	2 842
Paper recycled	tons	**1 496**	1 574
Waste generated	tons	**2 108**	2 071
Reused waste (non-hazardous and hazardous)	tons	**92**	61
Recycled waste (non-hazardous and hazardous)	tons	**1 203**	1 247
Waste to landfill (non-hazardous)	tons	**812**	762
Waste to landfill (hazardous)	tons	**1**	1

1 Restated to align to GHG Protocol.
2 Diesel restated to include diesel from data centres and due to conversion factor correction.
3 Restated due to double metering of Standard Bank Centre.
4 Water consumption is estimated across all premises using data from 25 meters.
5 Data collected from 11 regional and head office buildings.

Environmental report | continued

Water, waste and paper

Water consumption

During 2014, we installed 25 meters at key sites in South Africa and gathered historic consumption patterns. Using this data, we have developed a methodology similar to that used to measure electricity and this has enabled us to extrapolate water consumption for all our premises in the country. We have implemented some water saving initiatives in this operation, including the retrofit of water-cooled equipment with air-cooled equipment and the installation of low flush toilets, timers for bathroom taps, rain water harvesting systems for irrigation and monitoring equipment that eliminates the need for garden sprinklers during the rainy season.

Waste generated

In South Africa, we prioritise waste practices such as minimisation, reuse, recycling and responsible disposal. We receive disposal, reuse and recycling certificates from our service providers. We undertake campaigns to raise employee awareness around minimising and sorting waste and specific interventions such as the reuse of stationery and the use of recycling bins are in place. As our branches are generally located in multi-tenanted buildings, we engage with our landlords on waste management services and recycling systems.

As employees were relocated into the Rosebank building, they were encouraged to clear their work areas in preparation for the move, resulting in an increase in office paper recycled during 2013. As expected the volume of office paper recycled started to decrease in 2014 given that the Rosebank building nears full occupation. The vacating of buildings also resulted in an increase in old IT equipment needing to be reused or recycled, further contributing to the recycled waste in 2013 and 2014. As such, we have marginally missed our target to maintain our 2013 ratio of 3% reuse, 60% recycling and 37% waste to landfill for 2014.

Paper consumption and recycling

We completed our programme to make electronic statements available across all products and introduced digital imaging into the application process for new customers. During 2014, 16,8 million electronic statements were delivered to our customers that requested this service, 27% of the volume of statements distributed for the year. The 12% reduction in paper consumed in 2014 is mostly as a result of transitioning to electronic statements and the more controlled printing environment within offices. The consumption of office paper alone amounted to 1 282 tons (2013: 1 433 tons).

Green buildings

Standard Bank Properties is a member of the GBCSA and when designing new buildings, we consider the Green Star SA building rating system that measures the environmental impact of buildings, taking into account factors such as building management, indoor environmental quality, the building's energy and water consumption, users' transportation needs, materials used, land use and site emissions. Our effort to green our buildings is implemented throughout our property portfolio, including offices and branches, as well as cash and data centres. Buildings are certified at the design stage and once the building is complete. Ratings range from four stars for best practice to six stars for world leadership. Completed in 2013, our office building in Rosebank, Johannesburg, achieved a 5-star design rating by the GBCSA and a 5-star Green Star rating upon completion. The 65 000 m^2 Rosebank building also achieved a 5-star 'as built' rating in 2014, one of seven buildings in South Africa to have achieved this rating. The building cost R2,7 billion to build and it is estimated that attaining a Green Star 5-star rating has added about 3% to the overall cost.

Completed in 2013, our office building in Rosebank, Johannesburg, **achieved a 5-star design rating** by the GBCSA and a 5-star Green Star rating upon completion.

We have also worked with the GBCSA to develop the Green Star SA Interiors Tool which addresses interior fittings across a broad range of tenancies and assesses the environmental attributes of the design, construction and refurbishment of the interior spaces in existing and new buildings. The tool encourages users and tenants of buildings to take cognisance of this additional element in their environmental sustainability initiatives. The Interiors Tool was jointly sponsored by the bank and Saint-Gobain Construction Products and was formally launched at the Green Build Council Convention held in September 2014. During the pilot phase, which ran from December 2013 to the launch date, we submitted two branches and one head office building for accreditation. We expect all submissions to achieve a minimum four-star rating, following which a rollout plan will be developed to use the tool for other office and retail spaces. Our revamped branches are fitted with the latest energy efficiency technologies such as light emitting diode (LED) lighting and air-conditioning systems with inverter technology. Motion sensors are installed in meeting rooms and offices to optimise energy use in these areas and the branches are fitted with key switches which optimise the use of energy when the facility in not operational. To date, we have revamped 368 branches and in 2015 we hope to revamp a further 58 to the new look design and latest energy efficient technology.

Doing our bit in the fight against rhino poaching

In 2014, philanthropist Howard G Buffett provided the South African National Parks with a multi-million rand donation towards rhino conservation. We will provide preferential banking fees and interest on the funds.
In addition, we also launched a donation campaign through social media and pledged to contribute R10 for every retweet on Twitter and 'share' on Facebook.
We achieved 9 034 retweets and 24 458 unique Facebook shares, resulting in a total of

R334 920 donated to the initiative.

Risk and capital management report

Overview

Board responsibility

The group's board of directors (board) has the ultimate responsibility for the oversight of risk.

For the period under review, the board is satisfied that the group's risk, compliance, treasury, capital management and group internal audit (GIA) processes generally operated effectively, that the group's business activities have been managed within the board-approved risk appetite, and that the group is adequately funded and capitalised to support the execution of the group's strategy.

In the instance where the group incurred losses or was fined by its regulators, the board is satisfied that management has taken appropriate remedial action.

Risk types

The group's activities give rise to various risks. These are:

- credit risk (starting on page 53)
- compliance risk (starting on page 68)
- country risk (starting on page 70)
- funding and liquidity risk (starting on page 73)
- market risk (starting on page 80)
- operational risk (starting on page 89)
- business risk (starting on page 93)
- reputational risk (starting on page 94)

Risk and capital management report | Risk types continued

Each risk is defined within the relevant section, together with an explanation of the application of the group's risk, compliance and capital management (RCCM) governance framework to the specific risk, the approved regulatory treatment for capital requirements to be held against the specific risk in terms of Basel, and a description of the relevant portfolio characteristics both in terms of prescribed disclosure and the group's business model.

Governance framework

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

- governance committees
- governance documents such as standards, frameworks and policies.

Governance committees

Governance committees within the RCCM governance framework are in place at both a board and management level. They have mandates and delegated authorities that are reviewed regularly.

Board committees

Board committees responsible for oversight of the RCCM comprise the group audit committee (GAC), the GRCMC, the group IT committee, and the group model approval committee. Key roles and responsibilities of these committees, as they relate to the RCCM, are summarised in the sections that follow. Detailed information relating to these committees can be found in the corporate governance report.

The group risk and capital management committee

The GRCMC provides independent oversight of risk, compliance and capital management across the group by:

- ensuring adequate and effective implementation of risk governance processes, standards, policies and frameworks
- ensuring that the risk strategy is executed by management in accordance with the board approved risk appetite and RCCM governance framework
- considering the quarterly risk management report which includes detailed updates on risk types, as well as the separate updates from legal, compliance, capital and liquidity risk
- reporting material risk and capital management matters to the board.

The group IT committee

The group IT committee's purpose is to assist the board in fulfilling its corporate governance responsibilities with respect to IT and reports to the board through its chairman. The committee has the authority to review and provide guidance on matters related to the group's IT strategy, budget, operations, policies and controls, as well as oversight of significant IT investments and expenditure.

The group audit committee

The GAC has oversight of the group's financial position and makes recommendations to the board on all financial matters, financial risks, internal financial controls, fraud, compliance and, to the extent they impact financial reporting, IT risks. In relation to RCCM, the GAC plays a role in assessing the adequacy and operating effectiveness of the group's internal financial controls.

Minutes of the GRCMC and group IT committee meetings are tabled at the GAC meetings. In order to ensure the independence of the second line of defence functions, the chairman of the GAC, who is also a member of the GRCMC, meets with the GCCO, the group CRO, the group financial director, the group chief audit officer and the head of integrated operational risk (IOR) who is responsible for financial crime control without management being present.

The Standard Bank of South Africa large exposure credit committee

The SBSA large exposure credit committee is designated by the SBSA board to discharge the regulatory responsibility of ensuring compliance with the South African Banks Act 94 of 1990 (Banks Act) regulations in respect of large exposures. It meets as required and reports quarterly to the SBSA board through its chairman on all large exposures as defined in the regulations.

The group model approval committee

The group model approval committee is designated by the board to discharge the regulatory responsibility of reviewing and approving the group's material risk models, as well as models used in the calculation of regulatory capital. This committee is supported by the PBB and CIB model approval subcommittees, with the models being assigned to these three committees for approval based on an assessment of the materiality of each model.

Management committees

Group risk oversight committee (GROC)

Executive management responsibility for all material risk types has been delegated by the group management committee to GROC which, in turn, assists the GRCMC in fulfilling its mandate.

As is the case with the GRCMC, GROC calls for and evaluates in-depth investigations and reports based on its assessment of the risk profile and external factors.

GROC delegates authority to various subcommittees which deal with specific risk types or oversight activities. Material matters are escalated to GROC through reports or feedback from each subcommittee chairman.

The GROC subcommittees are as follows:

- CIB credit governance committee, chaired by the CIB CRO
- group asset and liability committee (ALCO), chaired by the group financial director
- group compliance committee, chaired by the group chief compliance officer
- group country risk management committee, chaired by the group CRO
- group equity risk committee (ERC), chaired by the CIB CRO
- group internal financial control governance committee, chaired by the group financial director
- group operational risk committee, chaired by the group head of IOR
- group regulatory and legislative oversight committee, chaired by the group chief executive
- group sanctions review committee, chaired by the group chief executive
- group stress testing and risk appetite committee (GSTRAC), chaired by the group CRO
- intragroup exposure committee, chaired by the group financial director
- PBB credit governance committee, chaired by the PBB CRO.

Group IT steering committee

The purpose of the committee is to provide assurance to the group management committee and the board, through the group IT committee, that management has implemented an efficient IT governance framework that supports the effective management of resources, optimisation of costs and the mitigation of risk in a secure and sustainable manner.

Governance documents

Governance documents within the RCCM governance framework comprise standards, frameworks and policies which set out the requirements for the identification, assessment, measurement, monitoring, managing and reporting of risks and effective management of capital.

Governance standards and frameworks are approved by the relevant board committee.

Group policies are approved by the group management committee or subcommittee, relevant GROC subcommittee, GROC itself or, where regulations require board approval, by the board or relevant board committee.

Business line and legal entity policies are aligned to these group policies, and are applied within their governance structures.

Three lines of defence model

The group uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of roles.

The first line of defence is made up of the management of business lines and legal entities.

The second line of defence functions provide independent oversight of risks. They have resources at the centre and embedded within the business lines. Central resources provide groupwide oversight of risks, while resources embedded within the business lines support management in ensuring that their specific risks are effectively managed as close to the source as possible. Central and embedded resources jointly oversee risks at a legal entity level.

The second line of defence's functions develop and implement governance standards, frameworks and policies for each material risk type to which the group is exposed. This ensures consistency in approach across the group's business lines and legal entities. Compliance with the standards and frameworks is ensured through annual self-assessments by the second line of defence and reviews by GIA.

Internal Audit is the third line of defence and reports to and operates under a mandate from the GAC. In terms of its mandate, the GIA role is to provide independent and objective assurance. GIA has the authority to independently determine the scope and extent of work to be performed. All GIA employees in the group report functionally to the group chief audit officer and operationally to management of their legal entity.

Capital management

Objectives

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

The capital management division within treasury and capital management (TCM) comprises:

- **Strategic capital management function:** Key responsibilities include raising capital to enable growth opportunities and to provide an optimal capital structure, advising on the dividend policy, facilitating capital allocation and risk-adjusted performance measurement (RAPM), and managing the internal capital adequacy assessment process (ICAAP) and capital planning process, including stress testing of capital supply and demand.
- **Portfolio analysis and reporting function:** Key responsibilities include the measurement and analysis of regulatory and economic capital, internal and external reporting and implementation of new regulatory requirements.
- **CIB and PBB capital management functions:** Key responsibilities include providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.
- **Regional capital management function:** Key responsibilities include supporting the group's operations in the rest of Africa and outside Africa.

Governance

The primary management level subcommittees that oversee the risks associated with capital management are the group ALCO and its subcommittee, the group capital management committee.

The principal governance documents are the capital management governance framework and the model risk governance standard.

Capital transferability

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

Basel III capital requirements

The SARB adopted the Basel III framework introduced by the BCBS from 1 January 2013. The group has been compliant with the minimum requirements from that date.

The group is well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

Basel III aims to improve the quality of capital, increase capital levels and remove inconsistencies in the definition of capital across jurisdictions as explained in the table below.

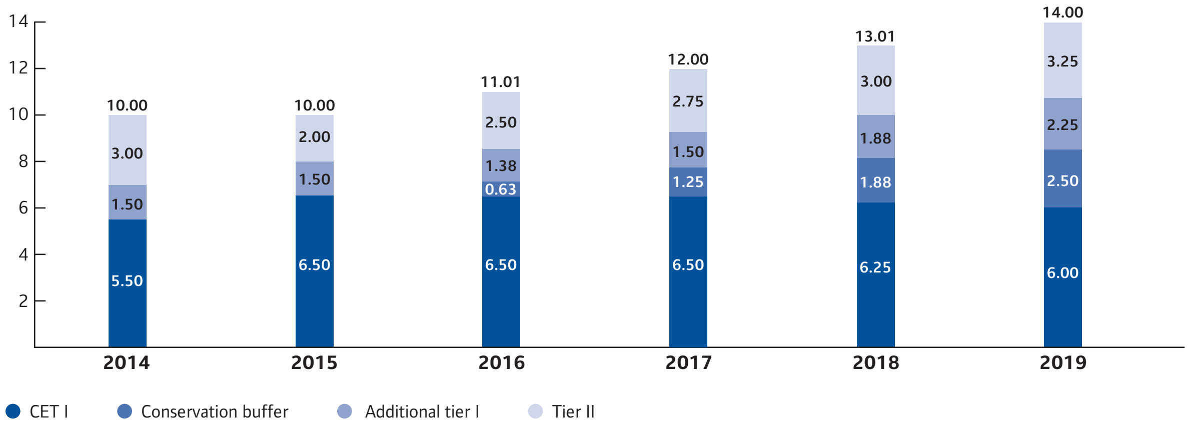
Objectives of Basel III

Increased quality, quantity and consistency of capital	› increased focus on CET 1 › increased capital levels.
Increased risk coverage	› credit valuation adjustment for over-the-counter (OTC) derivatives, being the capital charge for potential mark-to-market losses associated with deterioration in counterparty creditworthiness › asset value correlation, being the increased capital charge on exposures to financial institutions › strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	› 2.5% CET I capital buffer by 2019 to decrease pro-cyclicality › build up capital during favourable economic conditions that can be drawn on during times of stress.
Pillar 2a and domestic systemically important bank (D-SIB) buffer	› up to 2% of pillar 2a buffer prescribed by the SARB to be held against systemic risk requirements › 0 – 2.5% D-SIB buffer required for banks deemed by the SARB to be systemically important › the sum of the two requirements is limited to 3.5% and is split over all three tiers of capital.
Countercyclical buffer	› 0 – 2.5% CET I capital buffer deployed by national jurisdictions when system-wide risk builds up › ensures capital adequacy takes macro-financial environment into account.
Leverage ratio	› constrain build-up of leverage in the banking sector › the ratio is calculated as tier I qualifying capital/on- and off-balance sheet exposures, as defined by the BCBS, and is measured against the SARB prescribed minimum ratio of 4%.

Capital management | Basel III capital requirements continued

The graph below reflects the capital requirements and phase-in periods applicable to South Africa.

SARB ratios (capital as a % of risk-weighted assets)[1] effective 1 January each year (%)



1 Excludes counter cyclical buffer and confidential bank specific pillar 2b capital requirement, but includes maximum potential D-SIB requirement which is also bank specific and therefore confidential.

The South African D-SIB framework assesses the systemic importance of banks, controlling companies and branches of foreign banks licensed to operate in South Africa. While the D-SIB loss-absorbency requirement imposed on banks will only become effective on 1 January 2016, the SARB has advised banks of their bank-specific loss-absorbency requirements in advance of the implementation date to allow banks sufficient time to account for this requirement in their capital planning and management processes.

Regulatory capital

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

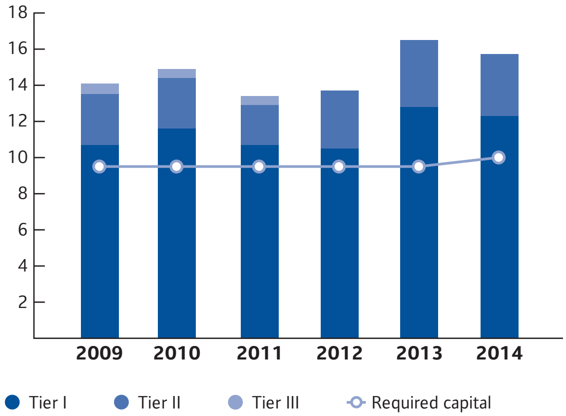
The main regulatory requirements to be complied with are those specified in the Banks Act and related regulations, which are aligned with Basel III.

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

- **CET I:** ordinary share capital, share premium and retained earnings less impairments divided by total risk-weighted assets.
- **Tier I:** CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements over a 10-year period, effective from 1 January 2013.
- **Total capital adequacy:** Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II is included in total capital but is subject to regulatory phase-out requirements, over a 10-year period effective from 1 January 2013.

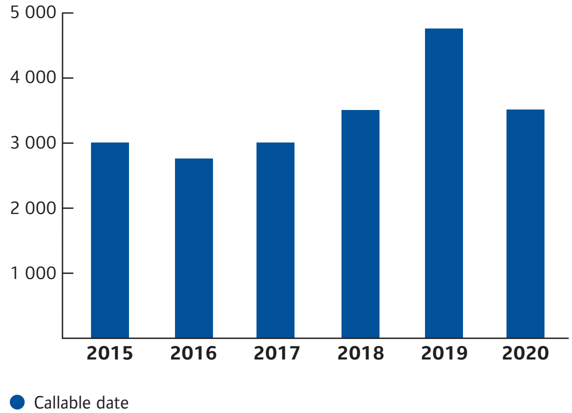
The ratios are measured against internal targets and regulatory minimum requirements.

Capital adequacy[1] (%)



1 Basel III implemented 1 January 2013. Capital adequacy for 2012 is on a pro forma Basel III basis and 2009 to 2011 on a Basel II basis.

Tier II instrument maturity profile (Rm)



Risk-weighted assets are calculated in terms of the Banks Act and related regulations, which are aligned with Basel III.

The group complied with all externally imposed capital requirements during the current and prior year.

The group's tier I capital, including unappropriated profit, is R63,3 billion as at 31 December 2014 (2013: R62,4 billion) and total capital, including unappropriated profit is R81 billion as at 31 December 2014 (2013: R80,7 billion).

The group has a balanced tier II subordinated debt maturity profile.

During 2014 the group issued its debut Basel III compliant tier II issue of R2,25 billion.

The SARB adopted the leverage framework that was issued by the BCBS in January 2014, with final calibrations expected by 2017. Formal disclosure requirements are commencing from 1 January 2015 and the ratio is expected to transition to a pillar I requirement by 2018.

The non-risk-based leverage measure is designed to complement the Basel III risk-based capital framework. The group's leverage ratio inclusive of unappropriated profit was 5.2% as at 31 December 2014 (December 2013: 6.1%, including unappropriated profit), in excess of the minimum SARB requirement of 4%.

Capital management | Regulatory capital continued

Basel III qualifying capital excluding unappropriated profits

	2014 Rm	2013 Rm
Share capital and premium	**36 356**	36 356
Retained earnings	**45 367**	42 303
Other reserves	**689**	542
Less: regulatory adjustments	**(19 100)**	(16 822)
Goodwill	**(36)**	(40)
Other intangible assets	**(15 486)**	(12 815)
Deferred tax assets	**(183)**	(35)
Shortfall of provisions to expected losses	**(2 750)**	(2 714)
Other adjustments	**(645)**	(1 218)
Less: regulatory exclusions – unappropriated profit	**(6 156)**	(5 082)
Tier I capital	**57 156**	57 297
Qualifying tier II subordinated debt	**19 490**	19 395
General allowance for credit impairments	**189**	186
Less: regulatory adjustments – investment in other bank's tier II instruments	**(1 964)**	(1 280)
Tier II capital	**17 715**	18 301
Total regulatory capital	**74 871**	75 598
Total capital requirement	**51 386**	46 459
Total risk-weighted assets	**513 856**	489 045

Basel III risk-weighted assets and associated capital requirements

	2014		2013	
	Risk-weighted assets Rm	**Capital requirement[1] Rm**	Risk-weighted assets Rm	Capital requirement[1] Rm
Credit risk	**396 231**	**39 624**	376 950	35 810
Portfolios subject to the standardised approach[2]	**23 780**	**2 379**	17 760	1 687
Corporate	**19 021**	**1 902**	13 847	1 315
Banks	**155**	**16**	343	33
Retail mortgages	**1 061**	**106**	326	31
Retail other[3]	**3 278**	**328**	2 970	282
Securitisation exposure	**265**	**27**	274	26
Portfolios subject to the advanced internal ratings-based (AIRB) approach	**357 457**	**35 746**	344 821	32 758
Corporate	**143 862**	**14 386**	144 947	13 771
Sovereign	**19 456**	**1 946**	8 044	764
Banks	**19 352**	**1 935**	18 570	1 764
Retail mortgages	**83 907**	**8 391**	81 978	7 788
Qualifying retail revolving exposure (QRRE)	**46 918**	**4 692**	47 163	4 480
Retail other[3]	**41 834**	**4 183**	41 527	3 945
Securitisation exposure	**2 128**	**213**	2 592	246
Other assets	**14 994**	**1 499**	14 369	1 365
Counterparty credit risk	**10 930**	**1 093**	14 951	1 420
Portfolios subject to the standardised approach[2]	**694**	**69**	1 678	159
Corporate	**692**	**69**	1 677	159
Banks	**2**		1	
Portfolios subject to the AIRB approach	**10 236**	**1 024**	13 273	1 261
Corporate	**6 317**	**632**	6 299	599
Sovereign	**971**	**97**	171	16
Banks	**2 948**	**295**	6 803	646

Footnotes on the following page.

Capital management | Regulatory capital continued

Basel III risk-weighted assets and associated capital requirements continued

	2014		2013	
	Risk-weighted assets Rm	**Capital requirement[1] Rm**	Risk-weighted assets Rm	Capital requirement[1] Rm
Equity risk in the banking book	**12 135**	**1 213**	12 094	1 149
Portfolios subject to the market-based approach	**5 315**	**531**	5 612	533
Listed	**282**	**28**	222	21
Unlisted	**5 033**	**503**	5 390	512
Portfolios subject to the probability of default (PD)/loss given default (LGD) approach	**6 820**	**682**	6 482	616
Market risk	**18 912**	**1 891**	15 885	1 509
Portfolios subject to the standardised approach[2]	**7 497**	**750**	7 148	680
Interest rate risk	**6 976**	**698**	6 523	620
Equity position risk	**78**	**8**	38	4
Foreign exchange risk	**372**	**37**	554	53
Commodities risk	**71**	**7**	33	3
Portfolios subject to the internal models approach	**11 415**	**1 141**	8 737	829
Value-at-risk (VaR) based approach	**11 415**	**1 141**	8 737	829
Interest rate risk	**6 734**	**673**	6 769	643
Equity position risk	**7 921**	**792**	7 647	726
Foreign exchange risk	**5 087**	**509**	3 214	305
Commodities risk	**41**	**4**	25	2
Diversification benefit	**(8 368)**	**(837)**	(8 918)	(847)
Operational risk	**75 359**	**7 536**	65 243	6 198
Portfolios subject to the standardised approach[2]	**26 831**	**2 683**	15 158	1 440
Portfolios subject to the advanced measurement approach (AMA)	**48 528**	**4 853**	50 085	4 758
Risk weighted assets for investments in financial entities	**289**	**29**	3 922	373
Total risk-weighted assets/capital requirement	**513 856**	**51 386**	489 045	46 459

1 Capital requirement at 10% (2013: 9.5%) excludes confidential bank-specific add-ons.
2 Portfolios on the standardised approach relate to portfolios for which application to adopt the internal models approach has not been submitted, or for which an application has been submitted but approval has not been granted.
3 Retail other includes retail SMEs, vehicle and asset finance, and term lending exposures.

Capital adequacy ratios

	2014 SARB minimum regulatory requirement %	Internal target ratio %	Including unappropriated profits 2014 %	Including unappropriated profits 2013 %	Excluding unappropriated profits 2014 %	Excluding unappropriated profits 2013 %
Total capital adequacy ratio	10.0	12.5 – 15.0	**15.8**	16.5	**14.6**	15.5
Tier I capital adequacy ratio	7.0	10.5 – 12.5	**12.3**	12.8	**11.1**	11.7
CET I capital adequacy ratio	5.5	9.0 – 10.5	**12.3**	12.8	**11.1**	11.7

Economic capital

Economic capital adequacy is the internal basis for measuring and reporting all quantifiable risks on a consistent risk-adjusted basis. The group assesses its economic capital adequacy by measuring its risk profile under both normal and stress conditions.

ICAAP considers the qualitative capital management processes within the organisation and includes the organisation's governance, risk management, capital management and financial planning standards and frameworks. Furthermore, the quantitative internal assessments of the organisation's business models are used to assess capital requirements to be held against all risks the group is or may become exposed to, in order to meet current and future needs as well as to assess the group's resilience under stressed conditions.

Economic capital by risk type at end of the year

	2014 Rm	2013[1] Rm
Credit risk	**39 726**	35 651
Equity risk	**3 072**	3 535
Market risk	**737**	619
Operational risk	**4 511**	4 676
Business risk	**3 606**	3 808
Interest rate risk in the banking book (IRRBB)	**1 366**	1 299
Economic capital required	**53 018**	49 588
Available financial resources	**78 112**	74 901
Capital coverage ratio (times)	**1,47**	1,51

1 Restatement. Refer to page 95.

Economic capital of R53 billion (2013: R50 billion) is the amount of permanent capital that is required to support the group's banking operations' economic risk profile. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst-case loss commensurate with a confidence level of 99.92%.

Available financial resources refers to capital supply as defined by the group for economic capital purposes. It represents permanent capital (ordinary shareholders' equity and perpetual preference shares) adjusted for items such as future dividend payments.

The available financial resources exceed the minimum economic capital requirement.

Risk-adjusted performance measurement

RAPM supports the maximisation of shareholder value by optimally managing financial resources within the board-approved risk appetite.

Capital is centrally monitored and allocated, based on usage and performance, in a manner that enhances overall group economic profit and return on equity. Business units are held accountable for achieving their RAPM targets.

RAPM is calculated on both regulatory and economic capital measures.

Risk appetite and stress testing

Risk appetite is set, and stress testing activities are undertaken, at a group level, in business lines and at a legal entity level within the risk appetite and stress testing governance frameworks.

Governance

The primary management level governance committee overseeing risk appetite and stress testing is the GSTRAC. It is chaired by the group CRO and is a subcommittee of GROC.

The principal governance documents are the risk appetite governance framework and the stress testing governance framework.

Risk appetite

Risk appetite governance framework

The risk appetite governance framework provides guidance on the following:

- setting and cascading of risk appetite by group, business line and legal entity
- measurement and methodology
- governance
- monitoring and reporting of risk profile.

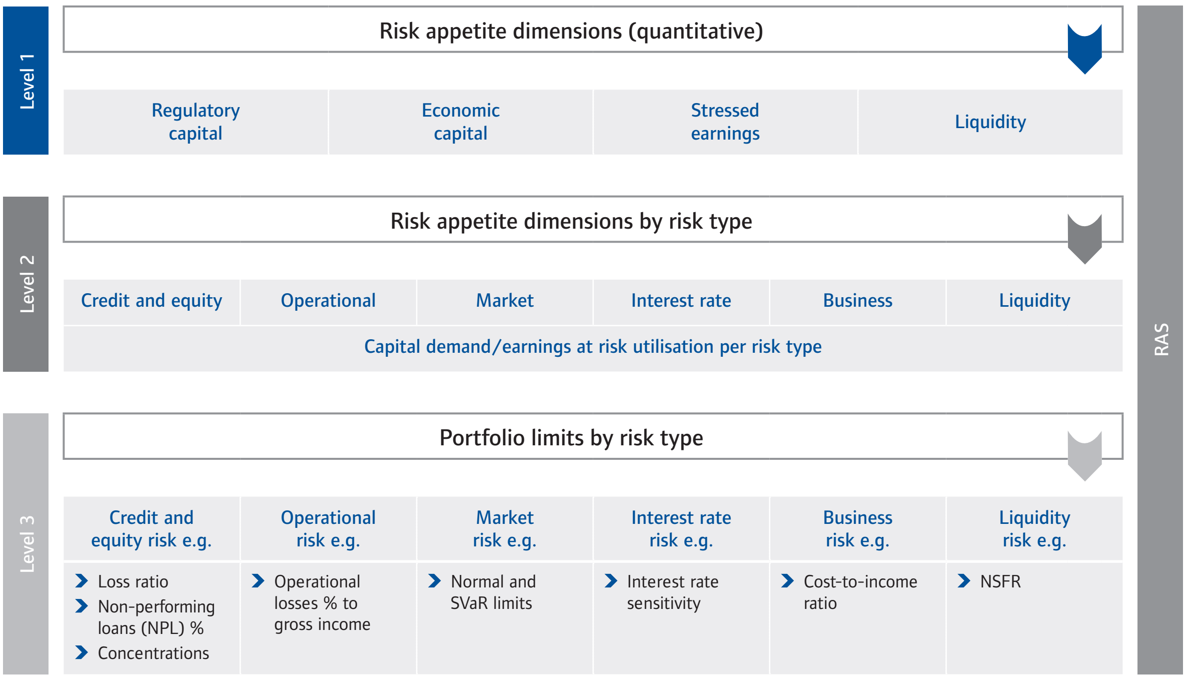
The group has adopted the following definitions, where entity refers to a business line or legal entity within the group, or the group itself:

- **Risk appetite:** An expression of the amount or type of risk an entity is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions. The metric is referred to as a risk appetite trigger.
- **Risk tolerance:** The maximum amount of risk an entity is prepared to tolerate above risk appetite. The metric is referred to as a risk tolerance limit.
- **Risk capacity:** The maximum amount of risk the entity is able to support within its available financial resources.
- **Risk appetite statement (RAS):** The documented expression of risk appetite and risk tolerance which have been approved by the entity's relevant governance committee. The RAS is reviewed and revised, if necessary, on an annual basis.
- **Risk profile:** The risk profile is defined in terms of three dimensions, namely:
  - current risk or forward risk profile
  - unstressed or stressed risk profile
  - pre- or post-management actions.

The current risk profile is the amount or type of risk the entity is currently exposed to. The unstressed forward risk profile is the forward-looking view of how the entity's risk profile is expected to evolve under expected conditions. The stressed forward risk profile is the forward looking view of how the entity's risk profile is expected to change under stressed economic conditions. The effectiveness of available management actions can be assessed through an analysis of pre- and post-management action risk profiles against risk appetite triggers and tolerance limits.

The diagram below provides a schematic view of the three levels of risk appetite and the integral role that risk types play in the process of cascading risk appetite from dimensions such as regulatory capital, economic capital, stressed earnings and liquidity to more granular portfolio limits.

Risk appetite



Risk appetite statement

Executive management is responsible for recommending the group's RAS, which is then approved by the GRCMC on behalf of the board. In developing the RAS, executive management considers the group's strategy and the desired balance between risk and return. The GRCMC reviews the group's current risk profile on a quarterly basis and forward risk profile (both stressed and unstressed) at a minimum on an annual basis.

Level 1 risk appetite dimensions can be either qualitative or quantitative. Quantitative level 1 risk appetite dimensions relate to available financial resources and earnings volatility. The standardised quantitative dimensions used by the group, as well as legal entities and business lines, are:

- stressed earnings
- economic capital
- regulatory capital
- liquidity (short term liquidity and term liquidity).

Level 2 risk appetite represents the allocation of level 1 risk appetite to risk types. Specifically the contribution of individual risk types to earnings volatility and overall capital demand (both economic and regulatory) is controlled through triggers and limits.

Level 3 consists of key metrics used to monitor the portfolio. Portfolio triggers and limits are required to be broadly congruent with level 1 and 2 triggers and limits. These metrics are regularly monitored at a risk type level and ensure proactive risk management.

Risk appetite and stress testing | continued

Stress testing

Stress testing governance framework

Stress testing is a key management tool within the group and is used to evaluate the sensitivity of the current and forward risk profiles relative to risk appetite. Stress testing supports a number of business processes including:

- strategic planning and financial budgeting
- the ICAAP, including capital planning and management and the setting of capital buffers
- liquidity planning and management
- informing the setting of risk appetite triggers and risk tolerance limits
- identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures and hedging
- facilitating the development of risk mitigation or contingency plans, including recovery plans, across a range of stressed conditions
- supporting communication with internal and external stakeholders.

Stress testing is subject to the group's stress testing governance framework which sets out the responsibilities for and approaches to stress testing activities. Stress tests are conducted at group, business line, material legal entity and risk type levels.

Stress testing programme

The group stress testing programme uses one or a combination of stress testing techniques, including scenario analysis, sensitivity analysis and reverse stress testing to perform stress testing for different purposes.

Routine groupwide macroeconomic stress testing

Routine macroeconomic stress testing is conducted across all major risk types, on an integrated basis, for a range of economic scenarios varying in severity from mild to very severe but plausible macroeconomic shocks. The impact, after consideration of mitigating actions, on the income statement, SOFP and capital demand and supply of the group is measured against risk appetite.

Groupwide macroeconomic stress testing is performed at least annually for selected scenarios that are specifically designed by a scenario working group targeting the group's risk profile, geographical presence and strategy.

The results of the groupwide macroeconomic stress testing are presented at board level in order to consider whether the group's risk profile is consistent with the group's risk appetite and to set the capital buffer. Groupwide macroeconomic stress testing results are submitted as part of the annual ICAAP.

Additional stress testing

Groupwide macroeconomic stress testing results are supplemented with additional ad hoc stress testing at the group, legal entity, business line, or risk type level that may be required from time to time for risk management or planning purposes. The purpose of this stress testing is to inform management of risks that may not yet form part of routine stress testing or where the focus is on a specific portfolio or business unit. Additional stress testing can take the form of either scenario or sensitivity analysis. This type of stress testing will be performed and governed at the appropriate group, legal entity, business line, or risk type level. Examples of additional stress tests for 2014 included an interest rate rise scenario as well as various commodities related stress tests.

Supervisory stress tests

Regulators may call for the group or a legal entity to run a supervisory stress test using a common scenario with prescribed assumptions and methodologies. The group participated in a stress testing exercise conducted by the International Monetary Fund as part of their South African financial stability assessment programme in May 2014.

Business model stress testing

Business model stress testing utilises the reverse stress testing technique to explore vulnerabilities in a particular strategy or business model. The outcome does not necessarily target business or bank failure, but rather seeks to inform what could have a severe impact, given a plausible but in most cases highly improbable event given a set of circumstances and assumptions.

The purpose of business model stress testing is to identify potential vulnerabilities by:

- assuming the business model is severely impacted
- identifying potential circumstances/scenarios that could have led to this impact
- identifying vulnerabilities in the business model, human capital, infrastructure and control framework highlighted by the failure
- reviewing the existing risk mitigants
- supplementing risk mitigants if considered necessary.

Stress testing for the recovery plan

As part of the annual review of the group recovery plan the group's procedures require the execution of stress tests in order to test the effectiveness of the recovery options proposed in the recovery plan, and to provide guidance on the selection of early warning indicators. The range of scenarios that are considered include both systemic, bank specific and combination events as well as fast moving and slow moving scenarios.

Risk type stress testing

Risk type stress tests apply to individual risk types. Risk type stress testing could take the form of scenario or sensitivity analysis.

Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk (including primary, pre-settlement, issuer and settlement risk) and concentration risk (single counterparty, industry, product, geographic and maturity).

Approach to managing credit risk

The group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative and securities financing contracts entered into with our clients and market counterparties.

The group manages credit risk through:

- maintaining a strong culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the group, from the level of individual facilities up to the total portfolio
- defining, implementing and continually re-evaluating our risk appetite under actual and stress conditions
- monitoring the group's credit risk relative to limits
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

Primary responsibility for credit risk management resides with the group's business lines. This is complemented with an independent credit risk function embedded within the business units, which is in turn supported by the group credit risk function.

Governance

The primary management level governance committees overseeing credit risk are the CIB and PBB credit governance committees, the group ERC and the intragroup exposure committee (all GROC subcommittees). These committees are responsible for credit risk and credit concentration risk decision-making, and delegation thereof to credit officers and committees within defined parameters.

The PBB, CIB and group model approval committees approve key aspects of rating systems and credit risk models. Regular model validation and reporting to these committees is undertaken by the central validation function that is independent of the credit risk function.

Credit risk | Governance continued

The principal governance documents are the credit risk governance standard, the model risk governance standard and the equity risk governance standard.

Approved regulatory capital approaches

The group has approval from the SARB to adopt the AIRB approach for its credit portfolios. The group has adopted the standardised approach for some of its less material subsidiaries and portfolios. The group has approval from the SARB to adopt the market-based and PD/LGD approaches for material equity portfolios.

Standardised approach

The calculation of regulatory capital is based on a risk weighting and the net counterparty exposures after recognising a limited set of qualifying collateral. The risk weighting is based on the exposure characteristics and, in the case of corporate, bank and sovereign exposures, the external agency credit rating of the counterparty. In the case of counterparties for which there are no credit ratings available, exposures are classified as unrated for determining regulatory capital requirements.

Internal ratings-based approach

Introduction

Under the internal ratings-based (IRB) regulatory capital approaches the calculation of regulatory capital is based on an estimate of exposure at default (EAD) and a risk weighting. The risk weighting is based on asset class, and estimates of PD, LGD, and maturity. Under the AIRB approaches all the parameters need to be estimated internally. All IRB models are managed under model development and validation policies that set out the requirements for model governance structures and processes, and the technical framework within which model performance and appropriateness is maintained. The models are developed using internal historical default and recovery data. In low-default portfolios, internal data is supplemented with external benchmarks and studies. Models are assessed frequently to ensure ongoing appropriateness as business environments and strategic objectives change, and are recalibrated annually using the most recent internal data.

IRB risk components

Probability of default

The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (retail asset classes), as illustrated in the table below. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairment against such credit exposures.

Relationship between the group master rating scale and external ratings

Group master rating scale	SARB risk bucket	Moody's Investor Services	Standard & Poor's	Fitch	Grading	Credit quality
1 – 4	AAA to AA-	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-	Investment grade	Normal monitoring
5 – 7	A+ to A-	A1, A2, A3	A+, A, A-	A+, A, A-		
8 – 12	BBB+ to BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-		
13 – 21	BB+ to B-	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-	Sub-investment grade	
22 – 25	Below B-	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-		Close monitoring
Default	Default	C	D	D	Default	Default

Loss given default

LGD measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGDs are estimated based on historic recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates in a downturn period.

Exposure at default

EAD captures the impact of potential draw-downs against unutilised facilities and potential changes in counterparty credit risk positions due to changes in market prices. By using historical data, it is possible to estimate an account's average utilisation of limits when default occurs, recognising that customers may use more of their facilities as they approach default.

Expected loss

The expected loss provides a measure of the value of the credit losses that may reasonably be expected to occur in the portfolio. Provisions must be sufficient to cover the expected losses in the credit portfolio. In its most basic form the expected loss can be represented as: expected losses = PD x EAD x LGD.

Portfolios

Corporate, sovereign and bank portfolios

Corporate entities include large companies as well as small and medium enterprises that are managed on a relationship basis or have a combined exposure to the group of more than R7,5 million. Corporates also include specialised lending (project, object and commodity finance as well as income-producing real estate) public sector entities and central counterparties.

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

Creditworthiness is assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, coupled with a detailed qualitative analysis of the entity together with expert judgement and external rating agency ratings, leads to an allocation of an internal rating to the entity.

Specialised lending portfolio

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

Equity portfolio

The market-based and PD/LGD approaches are used to model the capital requirement for equity exposures. The market-based approach includes portfolios subject to the simple risk-weighted method. For the PD/LGD approach, the group's approved credit risk grade models are used together with the regulatory prescribed LGD of 90% and maturity factor of five years.

Retail portfolio

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs.

QRRE relate to cheque accounts, credit cards and revolving personal loans and products, and include both drawn and undrawn exposures.

Retail other covers other branch lending and vehicle finance for retail, retail small and retail medium enterprise portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account. Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio-specific historical default experience.

The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

Use of internal estimates

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

- setting risk appetite
- setting limits for concentration risk and counterparty limits
- credit approval and monitoring
- pricing transactions
- determining portfolio impairment provisions
- calculating economic capital.

Credit risk | continued

Credit portfolio characteristics and metrics in terms of Basel

Credit portfolio analysis

Concentration risk

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

Credit risk mitigation

A

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

The main types of banking book collateral taken are:

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

Reverse repurchase agreements are underpinned by the assets being financed.

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

For derivative transactions, the group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure, where collateral support is considered necessary. Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises where there is a positive correlation between counterparty default and transaction exposure, and a negative correlation between transaction exposure and the value of collateral at the point of counterparty default. This risk is addressed by taking into consideration the high correlation between the default event and exposure to the counterparty when calculating the potential exposure and security margin requirements on these transactions. The group monitors and manages its concentrations to credit risk mitigation types, for example, residential property collateral.

A

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

Counterparty credit risk

The group is exposed to counterparty credit risk through movements in the fair value of securities financing and OTC derivative contracts. The risk amounts reflect the aggregate replacement costs that would be incurred by the group in the event of counterparties defaulting on their obligations.

The group's exposure to counterparty credit risk is affected by the nature of the trades, the creditworthiness of the counterparty, and netting and collateral arrangements. Counterparty credit risk is measured in potential future exposure terms and recognised on a net basis where netting agreements are in place and are legally recognised, or otherwise on a gross basis. Exposures are generally marked-to-market daily. Cash or near cash collateral is posted where contractually provided for.

Counterparty credit risk is subjected to explicit credit limits which are formulated and approved for each counterparty and economic group, with specific reference to its credit rating and other credit exposures.

Securitisation

Securitisation is a transaction whereby the credit risk associated with an exposure, or pool of exposures, is tranched and where payments to investors in the transaction are dependent upon the performance of the exposure or pool of exposures.

A traditional securitisation involves the transfer of the exposures being securitised to a structured entity (SE) which issues securities. In a synthetic securitisation, the tranching is achieved by the use of credit derivatives and the exposures are not removed from the SOFP.

The group uses SEs to securitise customer loans and advances that it has originated to diversify its sources of funding for asset origination, for capital efficiency purposes and to reduce risk. In addition, the group plays a secondary role as an investor in certain third party securitisation note issuance (SEs established by third parties).

The SEs established by the group are:

- Blue Granite Investments No. 1 (RF) Limited (BG 1)
- Blue Granite Investments No. 2 (RF) Limited (BG 2)
- Blue Granite Investments No. 3 (RF) Limited (BG 3)
- Blue Granite Investments No. 4 (RF) Limited (BG 4)
- Siyakha Fund (RF) Limited (Siyakha)
- Blue Titanium Conduit (RF) Limited (BTC).

Basel: Roles fulfilled in securitising assets

Securitisation transactions	Originator	Investor	Servicer	Liquidity provider	Credit enhancement provider	Swap counterparty
Traditional securitisations						
BG 1	✓	✓	✓		✓	
BG 2	✓	✓	✓		✓	✓
BG 3	✓	✓	✓		✓	✓
BG 4	✓	✓	✓		✓	✓
Siyakha	✓	✓	✓		✓	✓
Asset-backed commercial paper programme						
BTC		✓	✓	✓	✓	✓
Third party transactions		✓		✓	✓	✓

Basel: Securitisation transactions

	Asset type	Year initiated	Expected close	Assets securitised Rbn	Assets outstanding[1] 2014 Rbn	Assets outstanding 2013 Rbn	Notes outstanding[1] 2014 Rbn	Notes outstanding 2013 Rbn	Retained exposure[1,2] 2014 Rbn	Retained exposure 2013 Rbn
Traditional securitisations				17,9	**8,9**	10,0	**9,8**	11,0	**5,1**	5,5
BG 1[3,4]	Retail mortgages	2005	2032	4,6	**1,0**	1,3	**1,1**	1,4	**0,9**	1,1
BG 2[3]	Retail mortgages	2006	2041	2,8	**2,0**	2,1	**2,2**	2,3	**1,1**	1,1
BG 3[3]	Retail mortgages	2006	2032	3,0	**1,6**	1,8	**1,8**	2,0	**1,1**	1,1
BG 4[3]	Retail mortgages	2007	2037	5,1	**2,7**	3,0	**3,0**	3,4	**1,1**	1,3
Siyakha[4]	Retail mortgages	2007	2043	2,4	**1,6**	1,8	**1,7**	1,9	**0,9**	0,9
Asset-backed commercial paper programme										
BTC[4]	Various	2002	N/A	N/A	**4,1**	4,3	**4,1**	4,3	**0,7**	0,3
Total				17,9	**13,0**	14,3	**13,9**	15,3	**5,8**	5,8

1 Capital plus accrued interest.
2 Includes notes, first and second loss subordinated loans and notes held by BTC.
3 Rating agency: Moody's.
4 Rating agency: Fitch.

Credit risk | continued

Credit portfolio characteristics and metrics in terms of International Financial Reporting Standards (IFRS)

Analysis of loans and advances

The tables on the pages that follow analyse the credit quality of loans and advances measured in terms of IFRS.

Maximum exposure to credit risk

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

Performing loans

Performing loans are loans which are neither past due nor specifically impaired loans. These loans are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21, and close monitoring loans are generally rated 22 to 25 using the group's master rating scale.

Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

Non-performing loans

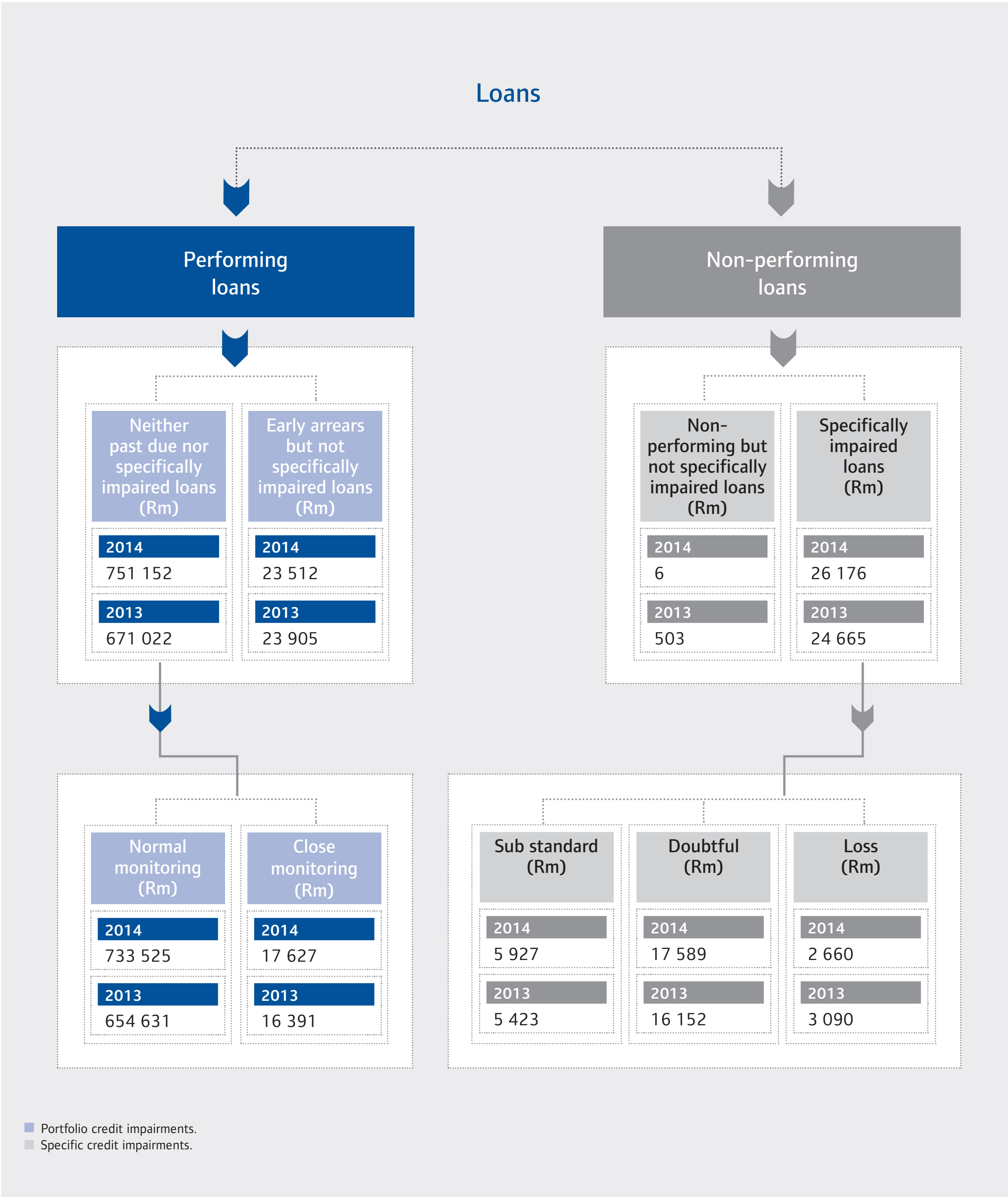
Non-performing loans are those loans for which:

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

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of future cash flows, including collateral.

Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. Specifically impaired loans are further analysed into the following categories:

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



Loans
Performing loans
Non-performing loans
Neither past due nor specifically impaired loans (Rm)
2014
751 152
2013
671 022
Early arrears but not specifically impaired loans (Rm)
2014
23 512
2013
23 905
Non-performing but not specifically impaired loans (Rm)
2014
6
2013
503
Specifically impaired loans (Rm)
2014
26 176
2013
24 665
Normal monitoring (Rm)
2014
733 525
2013
654 631
Close monitoring (Rm)
2014
17 627
2013
16 391
Sub standard (Rm)
2014
5 927
2013
5 423
Doubtful (Rm)
2014
17 589
2013
16 152
Loss (Rm)
2014
2 660
2013
3 090
Portfolio credit impairments.
Specific credit impairments.

Credit risk | Credit portfolio characteristics and metrics in terms of IFRS continued

IFRS: Maximum exposure to credit risk by credit quality

		Performing loans			
		Neither past due nor specifically impaired		Not specifically impaired	
	Gross advances total Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing Rm
2014					
Personal & Business Banking	477 399	414 959	17 627	22 924	
Mortgage loans	302 847	263 317	11 429	14 856	
Instalment sale and finance leases	63 299	57 130	1 412	2 581	
Card debtors	29 496	24 287	1 910	1 829	
Other loans and advances	81 757	70 225	2 876	3 658	
Personal unsecured lending	35 979	29 142	1 556	1 823	
Business lending and other	45 778	41 083	1 320	1 835	
Corporate & Investment Banking	320 465	315 584		588	6
Corporate loans	272 782	268 201		587	4
Commercial property finance	47 683	47 383		1	2
Other services	2 982	2 982			
Gross loans and advances	800 846	733 525	17 627	23 512	6
Less: impairments for loans and advances	(15 363)				
Net loans and advances	785 483				
Add the following other banking activities exposures:					
Cash and balances with central banks	32 218				
Derivative assets	54 062				
Financial investments	101 856				
Trading assets	51 436				
Pledged assets	5 281				
Other financial assets	5 462				
Interest in financial instruments of group companies	62 499				
Total on-balance sheet exposure	1 098 297				
Unrecognised financial assets – off-balance sheet exposures					
Letters of credit and bankers' acceptance	10 709				
Financial guarantees	44 851				
Irrevocable unutilised facilities	74 610				
Gross commodities and securities lending transactions	6 026				
Total exposure to credit risk	1 234 493				

Non-performing loans									
Specifically impaired loans									
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total non-performing loans Rm	Non-performing loans %
3 879	15 391	2 619	21 889	12 960	8 929	8 929	41	21 889	4.6
2 822	10 237	186	13 245	9 806	3 439	3 439	26	13 245	4.4
126	1 189	861	2 176	1 049	1 127	1 127	52	2 176	3.4
384	324	762	1 470	468	1 002	1 002	68	1 470	5.0
547	3 641	810	4 998	1 637	3 361	3 361	67	4 998	6.1
263	2 781	414	3 458	1 153	2 305	2 305	67	3 458	9.7
284	860	396	1 540	484	1 056	1 056	69	1 540	3.4
2 048	2 198	41	4 287	2 070	2 217	2 217	52	4 293	1.3
1 883	2 100	7	3 990	1 908	2 082	2 082	52	3 994	1.5
165	98	34	297	162	135	135	45	299	0.6
				(2)	2	2			
5 927	17 589	2 660	26 176	15 028	11 148	11 148	43	26 182	3.3

Credit risk | Credit portfolio characteristics and metrics in terms of IFRS continued

IFRS: Maximum exposure to credit risk by credit quality continued

		Performing loans			
		Neither past due nor specifically impaired		Not specifically impaired	
	Gross advances total Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing Rm
2013					
Personal & Business Banking	460 748	398 915	16 391	23 828	
Mortgage loans	295 933	256 594	10 463	15 328	
Instalment sale and finance leases	62 931	56 981	1 422	2 782	
Card debtors	27 106	21 962	1 882	2 018	
Other loans and advances	74 778	63 378	2 624	3 700	
Personal unsecured lending	34 443	27 652	1 489	2 005	
Business lending and other	40 335	35 726	1 135	1 695	
Corporate & Investment Banking	262 090	258 459		77	503
Corporate loans	219 877	216 908		53	443
Commercial property finance	42 213	41 551		24	60
Other services	(2 743)	(2 743)			
Gross loans and advances	720 095	654 631	16 391	23 905	503
Less: impairments for loans and advances	(15 176)				
Net loans and advances	704 919				
Add the following other credit exposures:					
Cash and balances with central banks	29 934				
Derivative assets	59 974				
Financial investments	73 604				
Trading assets	35 574				
Pledged assets	4 394				
Other financial assets	8 662				
Interest in financial instruments of group companies	68 936				
Total on-balance sheet exposure	985 997				
Unrecognised financial assets – off-balance sheet exposures					
Letters of credit and bankers' acceptances	9 082				
Financial guarantees	39 852				
Irrevocable unutilised facilities	72 964				
Gross commodities and securities lending transactions	3 896				
Total exposure to credit risk	1 111 791				

Non-performing loans									
Specifically impaired loans									
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total non-performing loans Rm	Non-performing loans %
4 678	14 158	2 778	21 614	12 500	9 114	9 114	42	21 614	4.7
3 671	9 496	381	13 548	9 696	3 852	3 852	28	13 548	4.6
134	995	617	1 746	851	895	895	51	1 746	2.8
219	329	696	1 244	371	873	873	70	1 244	4.6
654	3 338	1 084	5 076	1 582	3 494	3 494	69	5 076	6.8
411	2 228	658	3 297	1 061	2 236	2 236	68	3 297	9.6
243	1 110	426	1 779	521	1 258	1 258	71	1 779	4.4
745	1 994	312	3 051	1 235	1 816	1 816	60	3 554	1.4
446	1 779	248	2 473	817	1 656	1 656	67	2 916	1.3
299	215	64	578	418	160	160	28	638	1.5
				(2)	2	2			
5 423	16 152	3 090	24 665	13 733	10 932	10 932	44	25 168	3.5

Credit risk | Credit portfolio characteristics and metrics in terms of IFRS continued

IFRS: Ageing of loans and advances past due but not specifically impaired

	Less than 31 days Rm	31 – 60 days Rm	61 – 90 days Rm	Total Rm
2014				
Personal & Business Banking	**15 135**	**4 970**	**2 819**	**22 924**
Mortgage loans	**9 707**	**3 447**	**1 702**	**14 856**
Instalment sale and finance leases	**1 884**	**520**	**177**	**2 581**
Card debtors	**1 177**	**418**	**234**	**1 829**
Other loans and advances	**2 367**	**585**	**706**	**3 658**
Personal unsecured lending	**994**	**466**	**363**	**1 823**
Business lending	**1 373**	**119**	**343**	**1 835**
Corporate & Investment Banking		**102**	**486**	**588**
Total	**15 135**	**5 072**	**3 305**	**23 512**
2013				
Personal & Business Banking	15 447	5 443	2 938	23 828
Mortgage loans	9 584	3 764	1 980	15 328
Instalment sale and finance leases	1 978	566	238	2 782
Card debtors	1 229	495	294	2 018
Other loans and advances	2 656	618	426	3 700
Personal unsecured lending	1 138	494	373	2 005
Business lending	1 518	124	53	1 695
Corporate & Investment Banking	24	53		77
Total	15 471	5 496	2 938	23 905

Renegotiated loans and advances

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Loans renegotiated in 2014 that would otherwise be past due or impaired comprised R4,3 billion (2013: R6,4 billion).

Of this amount R3,4 billion (2013: R2,5 billion) of mortgage loans that would otherwise be past due or impaired were restructured during 2014.

Collateral

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

Collateral includes:

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

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In the retail portfolio, 61% (2013: 61%) is fully collateralised. The R561 million (2013: R813 million) of retail accounts that lie within the 0% to 50% range of collateral coverage mainly comprise accounts which are either in default or legal. The total average collateral coverage for all retail mortgage exposures in the 50% to 100% collateral coverage category is 90% (2013: 90%).

Of the group's total exposure, 33% (2013: 33%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

IFRS: Collateral

	Total exposure Rm	Unsecured exposure Rm	Secured exposure Rm	Netting agreements Rm	Secured exposure after netting Rm	Total collateral coverage ≤50% Rm	51% – 100% Rm	>100% Rm
2014								
Corporate	**428 053**	**160 169**	**267 884**	**13 536**	**254 348**	**71 205**	**155 842**	**27 301**
Sovereign	**118 445**	**102 087**	**16 358**	**3 200**	**13 158**		**3 241**	**9 917**
Bank	**153 590**	**33 050**	**120 540**	**41 258**	**79 282**	**4 333**	**3 473**	**71 476**
Retail exposure	**445 738**	**81 889**	**363 849**		**363 849**	**561**	**89 391**	**273 897**
Retail mortgage	**304 756**		**304 756**		**304 756**	**561**	**30 298**	**273 897**
Other retail	**140 982**	**81 889**	**59 093**		**59 093**		**59 093**	
Total	**1 145 826**	**377 195**	**768 631**	**57 994**	**710 637**	**76 099**	**251 947**	**382 591**
Add: financial assets not exposed to credit risk	**41 531**							
Add: interest in financial instruments of SBG companies	**62 499**							
Less: impairments for loans and advances	**(15 363)**							
Less: unrecognised off-balance sheet items	**(136 196)**							
Total exposure	**1 098 297**							
Reconciliation to SOFP								
Cash and balances with central banks	**32 218**							
Derivative assets	**54 062**							
Trading assets	**51 436**							
Pledged assets	**5 281**							
Financial investments	**101 856**							
Loans and advances	**785 483**							
Other financial assets	**5 462**							
Interest in financial instruments of SBG companies	**62 499**							
Total exposure	**1 098 297**							

Credit risk | Credit portfolio characteristics and metrics in terms of IFRS continued

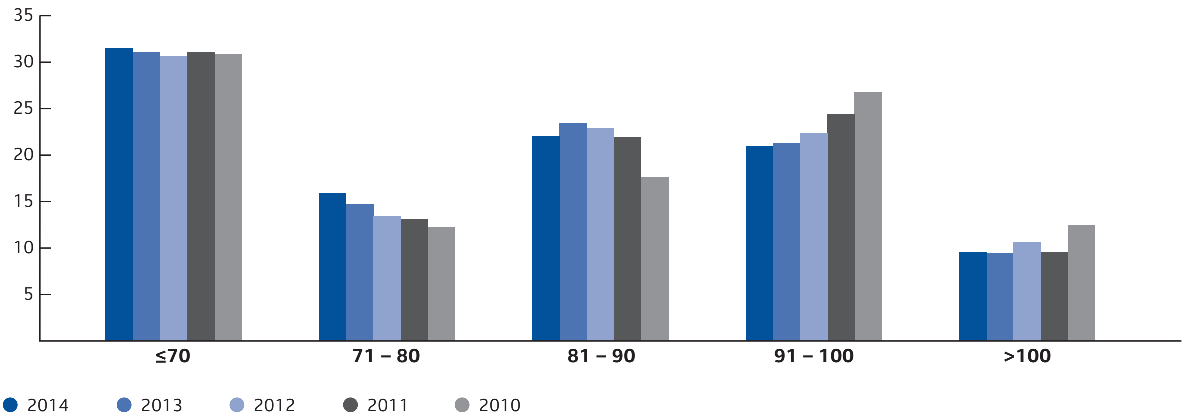
IFRS: Collateral continued

	Total exposure Rm	Unsecured Rm	Secured exposure Rm	Netting agreements Rm	Secured exposure after netting Rm	Total collateral coverage ≤50% Rm	51% – 100% Rm	>100% Rm
2013								
Corporate	376 837	166 397	210 440	15 684	194 756	64 713	102 991	27 052
Sovereign	66 331	62 692	3 639	575	3 064		2 176	888
Bank	135 483	28 119	107 364	35 576	71 788	4 589	22 862	44 337
Retail	436 100	76 917	359 183		359 183	813	91 412	266 958
Retail mortgage	298 295		298 295		298 295	813	30 524	266 958
Other retail	137 805	76 917	60 888		60 888		60 888	
Total	1 014 751	334 125	680 626	51 835	628 791	70 115	219 441	339 235
Add: financial assets not exposed to credit risk	43 280							
Add: interest in financial instruments of SBG companies	68 936							
Less: impairments for loans and advances	(15 176)							
Less: unrecognised off-balance sheet items	(125 794)							
Total exposure	985 997							
Reconciliation to SOFP								
Cash and balances with central banks	29 934							
Derivative assets	59 974							
Trading assets	35 574							
Pledged assets	4 394							
Financial investments	73 604							
Loans and advances	704 919							
Other financial assets	8 662							
Interest in financial instruments of SBG companies	68 936							
Total exposure	985 997							

Analysis of the group's residential mortgage portfolio balance to value ratios

The balance-to-value (BTV) ratios of the group's residential mortgage loans portfolio are set out in the graph below. The distributions are based on the loan balance as a function of the property value as at 31 December 2014.

Loan balance to initial property value (Rbn)



The BTV is based on original property valuation estimate as at initial origination and does not consider the latest valuation. The positive upward trajectory in 71 – 80% BTV and 81 – 90% BTV is predominantly due to business being originated in these bands, which is aligned to the group's current strategy. The 91 – 100% BTV is positively amortising in terms of its contractual payment requirements.

Compliance risk

Definition

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

This includes addressing new laws as well as amendments to existing laws by regulatory authorities.

Approach to managing compliance risk

General approach

The compliance function operates independently of business as a second line of defence in terms of its mandate. The mandate is approved annually by the GAC and is drawn primarily from Regulation 49 of the Banks Act. All compliance teams report through compliance executives to the GCCO.

The group's approach to managing compliance risk is proactive and premised on internationally accepted principles of compliance risk management and supervisory expectations.

Compliance risk management is a core risk management activity overseen by the GCCO. The GCCO has unrestricted access to the group chief executives and to the chairman of the GAC, thereby facilitating the function's independence.

A robust risk management reporting and escalation procedure requires business unit and functional area compliance heads to report on the status of compliance risk management in the group to the GCCO, who escalates significant matters to group management and both executive and independent board committees. There is a key focus on TCF and market conduct as the South African regulatory framework moves towards a Twin Peaks model of supervision. This model of regulation will create two regulators for the financial sector:

- a prudential regulator regulating the solvency and liquidity of the financial sector
- a market conduct regulator regulating how financial services institutions conduct their business and treat their customers.

The anti-money laundering and combating the financing of terrorism function includes the group sanctions desk and has expanded its human resourcing and technical surveillance capability extensively to meet the group's supervisory expectations.

Employees, including senior management, are made aware of their statutory compliance responsibilities through ongoing training and awareness initiatives.

Approach to market conduct

Conduct risk is defined by the group as the risk that detriment is caused to the group's clients, the markets or the group itself because of inappropriate execution of business activities.

We anticipate that market conduct supervision will intensify under Twin Peaks. The group has thus actively responded to TCF by assigning oversight accountability to the social and ethics committee. Responsibility for the delivery of the fairness outcomes has been delegated to executives to ensure that we drive a fairness culture from the top. Strategy and business models are being interrogated from a market conduct perspective and risk standards, policies and governance frameworks are being reviewed from a conduct risk perspective. TCF is also considered in decision-making, communication, performance, reward and recognition.

This outcomes-based approach to the conduct of business casts a fresh perspective on every stage in the product life cycle, raising the standards of how we do business to benefit consumers and increasing their confidence in the financial services industry.

Approach to managing money laundering and terrorist financing

Legislation pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer due diligence, record keeping, staff training and the obligation to detect, prevent and report suspected money laundering and terrorist financing. The group subscribes to the principles of the Financial Action Task Force, an inter-governmental body that develops and promotes policies to combat money laundering and terrorist financing. An integrated systems approach is being followed to support surveillance and reporting responsibilities.

The SARB imposed administrative sanctions and directives to implement remedial action on various South African banks, including SBSA. The sanction related to the failure by SBSA to ensure that appropriate measures were in place to comply fully with the relevant provisions of the Financial Intelligence Centre Act. A programme was initiated to address the SARB findings. The SARB noted that the "administrative sanctions are not an indication that the banks in question have in any way facilitated transactions involving money laundering and the financing of terrorism".

Approach to sanctions management

The group actively manages the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions which, or with clients who, are subject to embargoes or sanctions imposed by competent authorities. Sanctions surveillance capability has been enhanced to manage sanctions alerts and the staff complement has been increased to meet supervisory expectations. The group sanctions review committee, supported by a sanctions desk, is responsible for providing advice on all sanctions-related matters in a fluid sanctions environment.

Approach to managing regulatory change

The group operates in a highly regulated industry across multiple jurisdictions and is increasingly subject to international legislation with extra-territorial reach.

The group aims to embed regulatory best-practice in its operations in a way that balances the interests of various stakeholders, while supporting the long-term stability and growth in the markets where we have a presence.

The group's regulatory advocacy unit assesses the impact that emerging policy and regulation will have on the business. The group's approach to regulatory advocacy is to engage with government policymakers, legislators and regulators in a proactive and constructive manner.

The group regulatory and legislative oversight committee (a subcommittee of GROC) enhances regulatory risk management by proactively considering the impacts of regulatory developments on the group.

Approach to occupational health and safety

Any risks to the health and safety of employees resulting from hazards in the workplace or potential exposure to occupational illness are managed by the OHS team and are supported by executive management accountability structures. Training of health and safety officers and employee awareness is ongoing. Recent reporting periods have indicated a reduction in reportable incidents.

Governance

The primary management level governance committee overseeing compliance risk is the group compliance committee. It is chaired by the GCCO and is a subcommittee of GROC. Compliance is now also represented on the group management committee which facilitates a keen executive awareness of compliance risk-related matters.

The group compliance committee reports, through the GCCO, to both GAC and GRCMC.

The principal governance document is the compliance risk governance standard.

Country risk

Definition

Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and including the obligations of group branches and subsidiaries in a country) will be able to fulfil obligations to the group given political or economic conditions in the host country.

Approach to managing country risk

All countries to which the group is exposed are reviewed at least annually. Internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the group's network of operations, country visits and external information sources. These ratings are also a key input into the group's credit rating models, with credit loan conditions and covenants linked to country risk events.

The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a country risk grade (CR) from CR01 to CR25, as well as sovereign risk grade (SB) and transfer and convertibility risk grade SB from SB01 to SB25. Countries rated CR08 and higher, referred to as medium- and high-risk countries, are subject to increased analysis and monitoring.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance
- co-financing with multilateral institutions
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

Governance

The primary management level governance committee overseeing this risk type is the group country risk management committee. It is chaired by the group CRO and is a subcommittee of GROC.

The principal governance documents are the country risk governance standard and the model risk governance standard.

Approved regulatory capital approaches

There are no regulatory capital requirements for country risk. Country risk is, however, incorporated into regulatory capital for credit in the IRB approaches through the country risk and transfer and convertibility risk ratings' impact on credit grades.

Country risk portfolio characteristics and metrics

The risk distribution of cross-border country risk exposures is weighted towards European and North American low-risk countries, as well as sub-Saharan African medium- and high-risk countries.

Country risk exposure by region and risk grade

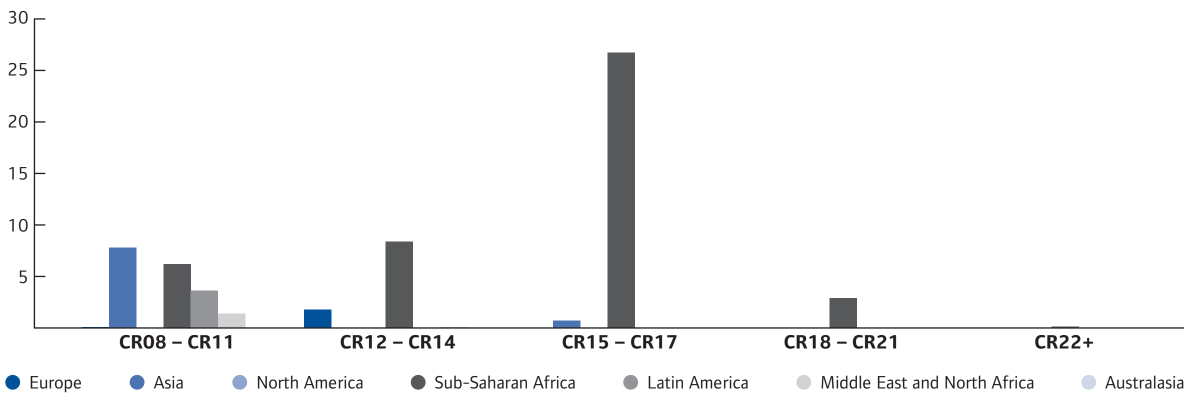
	Europe %	Asia %	North America %	Sub-Saharan Africa %	Latin America %	Middle East and North Africa %	Australasia %
2014							
Risk grade							
CR01-CR07	**27.7**	**2.7**	**7.1**		**0.2**	**0.2**	**2.3**
CR08-CR11	**0.1**	**7.8**		**6.2**	**3.6**	**1.4**	
CR12-CR14	**1.8**			**8.4**		**0.1**	
CR15-CR17		**0.7**		**26.7**			
CR18-CR21				**2.9**			
CR22+				**0.1**			
2013[1]							
Risk grade							
CR01-CR07	26.5	2.8	7.7		0.1		3.6
CR08-CR11	0.2	7.5		6.6	4.0	1.3	
CR12-CR14	4.3	0.1		11.5		0.4	
CR15-CR17		0.7		18.5		0.2	
CR18-CR21				3.4			
CR22+				1.0			

[1] Restated. Refer to page 95.

Total medium- and high-risk country risk exposures and total low-risk country risk exposures for the year ended 31 December 2014 amounted to USD9 billion and USD6 billion, respectively (2013: USD10 billion[1] and USD6 billion[1], respectively).

[1] Restated. Refer to page 95.

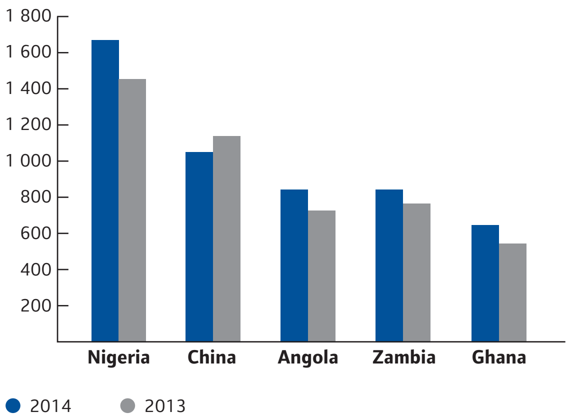
Medium- and high-risk country exposure by region (%)



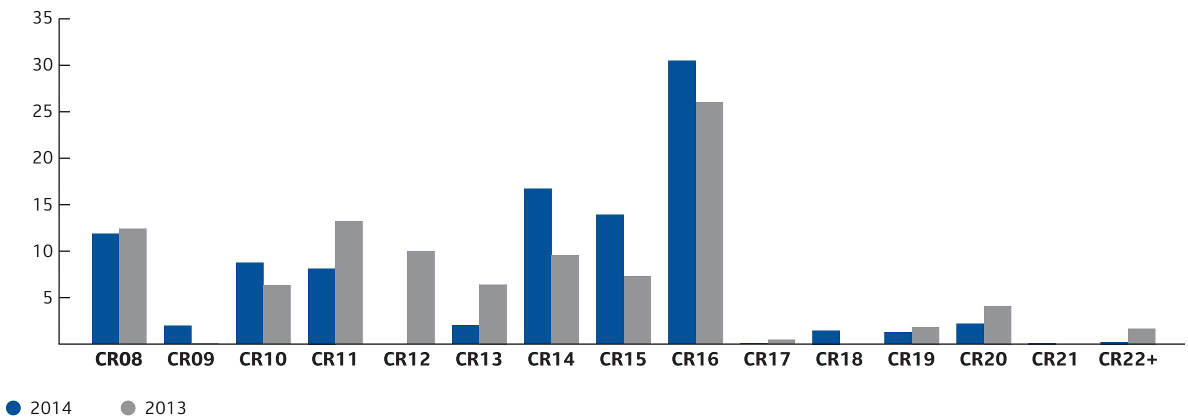
Country risk | Country risk portfolio characteristics and metrics continued

Exposure to the top five medium- and high-risk countries together with the comparative positions for the countries is shown in the graph that follows. These exposures are in line with the group's growth strategy focused on Africa and selected emerging markets.

Top five medium- and high-risk country EAD (USDm)



Medium- and high-risk country EAD concentration by country rating (%)



Funding and liquidity risk

Definition

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

The group’s liquidity risk framework is designed to ensure the comprehensive management of liquidity risks and that regulatory, prudential as well as internal minimum requirements are met at all times. This is achieved through a combination of maintaining adequate liquidity buffers to ensure that cash flow requirements can be met and ensuring that the SOFP is structurally sound and supportive of the group’s strategy.

Information relating to the year ended 31 December 2014 is based on Basel III principles, including behavioural profiling methods and assumptions, as well as phasing-in requirements where applicable. As a result, in preparation for the implementation of Basel III, liquidity policies and calculations were reviewed and updated accordingly.

Approach to managing liquidity risk

A

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

The group manages liquidity in accordance with applicable regulations and within the group’s risk appetite framework. The group’s liquidity risk management governance framework supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met under both normal and stressed conditions. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

Funding and liquidity risk | Approach to managing liquidity risk continued

The group manages liquidity risk as three interrelated pillars, which are aligned to Basel III liquidity requirements.

Liquidity management categories

Tactical (shorter-term) liquidity risk management	Structural (long-term) liquidity risk management	Contingency liquidity risk management
- manage intra-day liquidity positions - monitor interbank and repo shortage levels - monitor daily cash flow requirements - manage short-term cash flows - manage daily foreign currency liquidity - set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO.	- ensure a structurally sound balance sheet - identify and manage structural liquidity mismatches - determine and apply behavioural profiling - manage long-term cash flows - preserve a diversified funding base - inform term funding requirements - assess foreign currency liquidity exposures - establish liquidity risk appetite - ensure appropriate transfer pricing of liquidity costs - ensure Basel III NSFR readiness by 1 January 2018.	- monitor and manage early warning liquidity indicators - establish and maintain contingency funding plans - undertake regular liquidity stress testing and scenario analysis - convene liquidity crisis management committees, if needed - set liquidity buffer levels in accordance with anticipated stress events - advise diversification of liquidity buffer portfolios - ensure compliance with Basel III LCR from 1 January 2015.

As from 1 January 2015, the group will be required to comply with the LCR, a metric introduced by the BCBS to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking the group's high-quality liquid assets (HQLA) and dividing it by net cash outflows. The minimum regulatory LCR requirement effective 1 January 2015 is 60%, increasing by 10% annually to reach 100% in January 2019.

The group is on track to meet the minimum phased-in Basel III LCR standards and as at 31 December 2014, the group exceeded the 60% minimum requirement.

From 2018, the group will also be required to comply with the Basel III NSFR, a metric designed to ensure that the majority of term assets are funded by stable sources, such as capital, term borrowings or funds from stable sources. The final BCBS NSFR framework was issued in October 2014.

Basel III implementation timeline

Liquidity	2013	2014	2015	2016	2017	2018	2019
LCR	Bank disclosure starts		60% minimum standard	70% minimum standard	80% minimum standard	90% minimum standard	100%
NSFR	Bank disclosure starts					100%	100%

Governance

The primary management level governance committee overseeing liquidity risk is the group ALCO, which is chaired by the group financial director and is a subcommittee of SBG ALCO.

The principal governance documents are the liquidity risk governance standard and model risk governance standard.

Liquidity characteristics and metrics

Contingency liquidity risk management

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear 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 and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

The group submits its recovery plan to the SARB on an annual basis, in line with the SARB's requirement for banks to submit a recovery and resolution plan. The group's recovery plan incorporates the contingent liquidity funding plan in addition to the focus given to capital planning and business continuity planning.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the group's funding profiles and liquidity positions. The crisis impact is typically measured over a 30 calendar day period as this is considered the most crucial time horizon for a liquidity event. This measurement period is also consistent with the Basel III LCR requirements.

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. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the group's ability to maintain sufficient liquidity under adverse conditions.

Internal stress testing metrics are supplemented with the regulatory Basel III LCR in monitoring the group's ability to survive severe stress scenarios.

Liquidity buffer

Portfolios of highly marketable liquid securities to meet prudential, regulatory and internal stress testing 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 provides a breakdown of the group's liquid and marketable securities as at 31 December 2014 and 31 December 2013. Eligible Basel III HQLA are defined according to the BCBS January 2013 LCR and liquidity risk monitoring tools framework. Management liquidity represents unencumbered marketable securities other than eligible Basel III LCR HQLA (excluding trading assets) which would be able to provide significant sources of liquidity in a stress scenario.

Total liquidity

	2014 Rbn	2013 Rbn
Eligible LCR HQLA comprising:	**102,5**	74,7
Notes and coins	**12,7**	9,0
Cash and deposits with central banks	**19,5**	16,7
Government bonds and bills	**70,3**	49,0
Management liquidity	**119,1**	92,6
Total liquidity	**221,6**	167,2
Total liquidity as a % of funding-related liabilities	**23.7%**	20.2%

Liquid assets held remain adequate to meet all internal stress testing, prudential and regulatory requirements.

Structural liquidity mismatch

Maturity analysis of financial liabilities using behavioural profiling

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of SOFP items, in order to highlight potential risks within the group's defined liquidity risk thresholds.

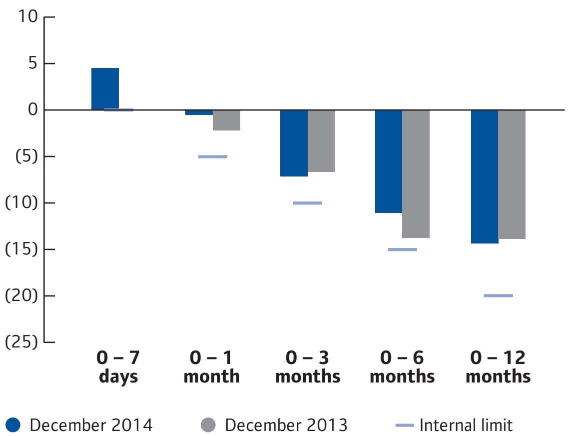
Funding and liquidity risk | Liquidity characteristics and metrics continued

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. The cumulative maturity is expressed as a percentage of the group's total funding-related liabilities.

Expected aggregate cash outflows are subtracted from expected aggregate cash inflows. 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. The behaviourally adjusted cumulative liquidity mismatch remains within the group's liquidity risk appetite.

Whilst following a consistent approach to liquidity risk management in respect of the foreign currency component of the SOFP, specific indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates.

Behaviourally adjusted cumulative liquidity mismatch (%)



Maturity analysis of financial liabilities by contractual maturity

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

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

The table also includes contractual cash flows with respect to off-balance sheet items 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
2014						
Financial liabilities						
Derivative financial instruments	**66 298**	**132**	**3**	**8**	**336**	**66 777**
Instruments settled on a net basis	**42 153**	**132**	**3**	**3**	**322**	**42 613**
Instruments settled on a gross basis	**24 145**			**5**	**14**	**24 164**
Trading liabilities	**22 709**					**22 709**
Deposits from customers and banks	**478 485**	**66 015**	**89 365**	**52 908**	**139 817**	**826 590**
Subordinated debt		**40**	**3 613**	**738**	**23 445**	**27 836**
Other		**9 329**				**9 329**
Total	**567 492**	**75 516**	**92 981**	**53 654**	**163 598**	**953 241**
Unrecognised financial instruments						
Letters of credit and bankers' acceptances	**10 709**					**10 709**
Financial guarantees	**44 851**					**44 851**
Irrevocable unutilised facilities	**74 610**					**74 610**
Commodities and securities borrowing transactions	**5 757**					**5 757**
Total	**135 927**					**135 927**
2013						
Financial liabilities						
Derivative financial instruments	65 813	301	(5)	91	56	66 256
Instruments settled on a net basis	45 728	301		87	62	46 178
Instruments settled on a gross basis	20 085		(5)	4	(6)	20 078
Trading liabilities	20 424					20 424
Deposits from customers and banks	422 174	56 226	110 273	37 407	121 072	747 152
Subordinated debt			2 483		18 458	20 941
Other		9 843				9 843
Total	508 411	66 370	112 751	37 498	139 586	864 616
Unrecognised financial instruments						
Letters of credit and bankers' acceptances	9 082					9 082
Financial guarantees	39 852					39 852
Irrevocable unutilised facilities	72 964					72 964
Commodities and securities borrowing transactions	5 635					5 635
Total	127 533					127 533

Funding and liquidity risk | Liquidity characteristics and metrics continued

Funding activities

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment. The group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets and incorporates a coordinated approach to accessing loan and debt capital markets across the group.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as loan and debt capital markets across the group. Total funding-related liabilities grew from R827 billion in 2013 to R935 billion in 2014.

Growth and composition of funding-related liabilities are reflected in the graph below:

Funding diversification by product (%)

- **18** Term deposits (2013: 20)
- **18** Call deposits (2013: 18)
- **15** Deposits from banks and central banks (2013: 11)
- **14** Cash management deposits (2013: 15)
- **13** Current accounts (2013: 14)
- **10** Negotiable certificates of deposits (2013: 11)
- **7** Senior and subordinated debt (2013: 6)
- **3** Other funding (2013: 3)
- **2** Savings accounts (2013: 2)

Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

Depositor concentrations – South Africa

	2014 %	2013[1] %
Single depositor	**2.4**	2.6
Top 10 depositors	**9.3**	10.7

[1] Restated, refer to page 95.

Funding-related liabilities composition

	2014 Rbn	2013[1] Rbn
Institutional funding	**230**	203
Corporate funding	**218**	204
Retail deposits	**187**	174
Deposits from banks	**183**	122
Government and parastatals	**55**	74
Senior debt	**41**	29
Subordinated debt	**21**	21
Total funding-related liabilities	**935**	827

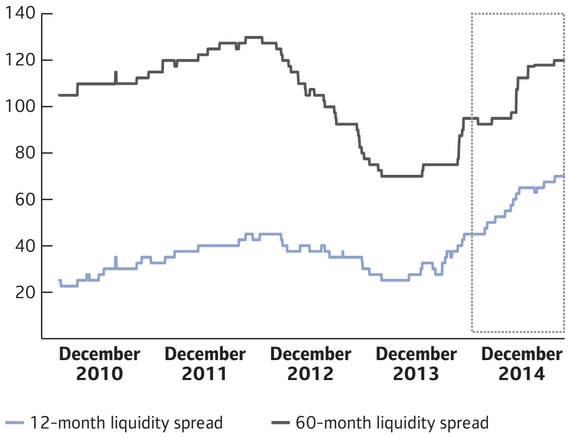
[1] Restated. Refer to page 95.

A component of the group's funding strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch tolerance limits and appetite guidelines.

The group successfully accessed the longer term funding market during 2014, raising R15,5 billion through a combination of senior and subordinated debt and syndicated loans. Notably, SBSA issued R2,25 billion of the SBG's first Basel III compliant tier II instruments.

The graph below is a representation of the market cost of liquidity, which is measured as the spread paid on negotiable certificates of deposits (NCDs) relative to the prevailing swap curve for that tenor. The graph is based on actively-issued money market instruments by banks, namely 12- and 60-month NCDs. During the year under review, long-term funding spreads increased due to the increased supply of bank issuance in money markets and debt capital markets and lower demand for term bank credit given the African Bank Limited curatorship.

12- and 60-month liquidity spread (bps)



The group's credit ratings

The group's ability to access funding at cost-effective levels is dependent on maintaining or improving the borrowing entity's credit rating.

The following table provides a summary of the group's major credit ratings.

Credit ratings

	Fitch
Long-term	
SBSA foreign currency issuer default rating	BBB
RSA sovereign foreign currency issuer rating	BBB
	Moody's
SBSA foreign currency deposit rating	Baa2
RSA sovereign foreign currency rating	Baa2

Credit ratings for SBSA are dependent on multiple factors, including the sovereign rating, capital adequacy levels, quality of earnings, credit exposure, the credit risk governance framework and funding diversification. These parameters and their possible impact on the borrowing entity's credit rating are monitored closely and incorporated into the group's liquidity risk management and contingency planning considerations.

A reduction in these ratings could have an adverse effect on the group's access to liquidity sources and funding costs, may trigger collateral calls or lead to the activation of downgrade clauses and early termination associated with certain structured deposits.

Rating downgrades will reduce thresholds above which collateral must be posted with counterparties to cover the group's negative mark-to-market on derivative contracts. These are managed within the liquidity management pillar.

Conduits

The group provides standby liquidity facilities to two conduits, namely BTC (a consolidated SE) and Thekwini Warehouse Conduit. These facilities, which totalled R4,7 billion as at 31 December 2014 (2013: R6,8 billion), have not been drawn on.

The liquidity risk associated with these facilities is managed in accordance with the group's overall liquidity position and represents less than 2% of the group's total funding (2013: 2%). The liquidity facilities are included in both the group's structural liquidity mismatch as well as in liquidity risk stress testing.

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Market risk

Definition

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

The group's key market risks are:

- trading book market risk
- IRRBB
- equity risk in the banking book
- foreign currency risk
- SBG equity-linked share incentive schemes.

Governance

The management level governance committees overseeing market risk are group ALCO, which is chaired by the group financial director, and the group ERC, which is chaired by the CIB CRO. Both are subcommittees of GROC.

The principal governance documents are the market risk governance standard and the model risk governance.

Approved regulatory capital approaches

The group has approval from the SARB to adopt the internal models approach for most asset classes and across most market variables.

For material equity portfolios, the group has approval from the SARB to adopt either the market-based or PD/LGD approach.

There are no regulatory capital requirements for IRRBB, structural foreign exchange exposures or SBG equity-linked transactions.

Trading book market risk

Description and context

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

Approach to managing market risk in the trading book

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

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

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

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

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

Measurement

The techniques used to measure and control trading book market risk and trading volatility include VaR and SVaR, stop-loss triggers, stress tests, backtesting and specific business unit and product controls.

VaR and SVaR

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

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

- Calculate 250 daily market price movements based on 251 days' historical data.
- Calculate hypothetical daily profit or loss for each day using these daily market price movements.
- Aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days.
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

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

SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10-day holding period and a 99% confidence interval.

Where the group has received internal model approval, the market risk regulatory capital requirement is based on VaR and SVaR, both of which use a confidence level of 99% and a 10-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This 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 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intraday exposures.
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Trading book credit risk

Credit issuer risk is assumed in the trading book by virtue of normal trading activity, and managed according to the market risk governance standard. These exposures arise from, inter alia, trading in debt securities issued by corporate and government entities as well as trading derivative transactions with other banks and corporate clients. The credit spread risk is incorporated into the daily price movements used to compute VaR and SVaR mentioned above. The VaR models used for credit risk are only intended to capture the risk presented by historical day-to-day market movements, and therefore do not take into account instantaneous or jump to default risk. Issuer risk is incorporated in the standardised approach interest rate risk charge. The largest issuer risk exposure is to the SA sovereign with an EAD of R12 751 million (2013: R8 933 million).

Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks, and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a review or close-out positions.

Market risk | Trading book market risk continued

Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical, hypothetical and Monte Carlo simulations. Daily losses experienced during the year ended 31 December 2014 did not exceed the maximum tolerable losses as represented by the group's stress scenario limits.

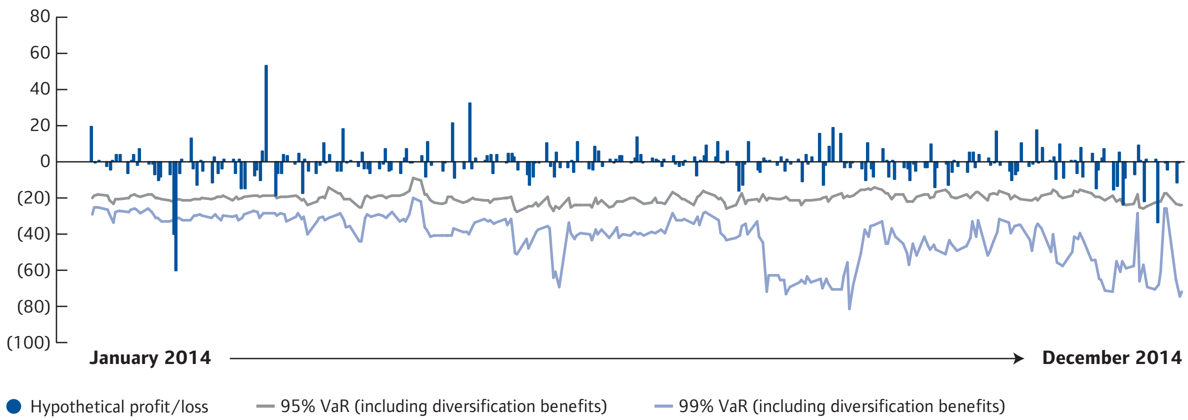
Backtesting

The group back tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR. Backtesting compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's calculated VaR. In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of hedges and risk-mitigation instruments.

Refer to the graph below for the results of the group's backtesting for the year ended 31 December 2014.

Regulators categorise a VaR model as green, amber or red and assign regulatory capital multipliers based on this categorisation. A green model is consistent with a satisfactory VaR model and is achieved for models that have four or less backtesting exceptions in a 12-month period. All the group's approved models were assigned green status for the year ended 31 December 2014 (2013: green).

Hypothetical profit/loss and VaR (Rm)



Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

Trading book portfolio characteristics

VaR for the period under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run similar levels of market risk when compared to the year ended 31 December 2013.

Trading book normal VaR analysis

	Normal VaR			
	Maximum[1] Rm	Maximum[1] Rm	Average Rm	Closing Rm
2014				
Commodities risk	**2,9**	**0,1**	**0,2**	**0,1**
Foreign exchange risk	**16,8**	**1,5**	**6,1**	**16,1**
Equities position risk	**17,1**	**1,4**	**7,1**	**5,3**
Debt securities risk	**30,3**	**15,5**	**21,0**	**19,4**
Diversification benefits[2]			**(14,0)**	**(17,0)**
Aggregate	**27,7**	**14,1**	**20,3**	**23,9**
2013				
Commodities risk	2,1	0,1	1,1	0,1
Foreign exchange risk	10,1	1,7	5,0	2,1
Equities position risk	20,5	3,2	13,6	4,1
Debt securities risk	23,4	12,5	18,0	17,7
Diversification benefits[2]			(14,9)	(7,2)
Aggregate	34,3	15,6	22,7	16,8

1 The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different 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.

Trading book stressed VaR analysis

	Stressed VaR			
	Maximum Rm	Minimum Rm	Average Rm	Closing Rm
2014				
Commodities risk	**27,0**	**0,8**	**3,1**	**1,4**
Foreign exchange risk	**130,8**	**15,2**	**64,1**	**91,6**
Equities position risk	**281,0**	**61,6**	**119,6**	**96,5**
Debt securities risk	**253,4**	**123,4**	**169,5**	**178,3**
Diversification benefits[1]			**(135,3)**	**(145,3)**
Aggregate	**340,9**	**149,9**	**221,0**	**222,5**
2013				
Commodities risk	49,6	0,7	8,7	1,4
Foreign exchange risk	155,5	16,9	58,3	39,8
Equities position risk	331,1	41,8	120,3	100,2
Debt securities risk	288,2	124,5	188,6	208,3
Diversification benefits[1]			(137,6)	(115,1)
Aggregate	391,3	173,4	238,4	234,6

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

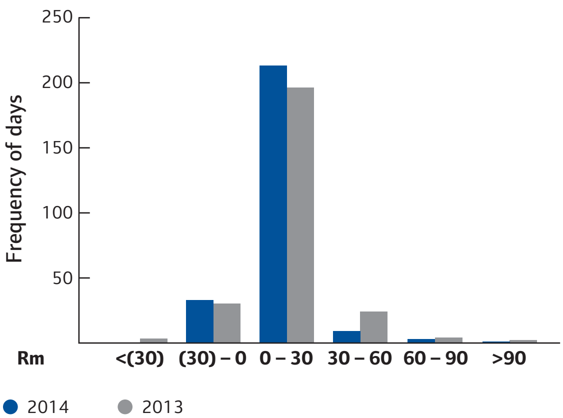
Market risk | Trading book market risk continued

Analysis of trading profit

The graph below shows the distribution of daily profit and losses for the period. 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.

For the year ended 31 December 2014, trading profit was positive for 227 out of 260 days (2013: 217 out of 260 days).

Distribution of daily trading profit or loss



Interest rate risk in the banking book

Definition

This risk results from the different repricing characteristics of banking book assets and liabilities.

IRRBB is further divided into the following sub-risk types:

- **Repricing risk:** timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- **Yield curve risk:** shifts in the yield curve that have adverse effects on the group's income or underlying economic value.
- **Basis risk:** hedge price not moving in line with the price of the hedged position. Examples include bonds/swap basis, futures/underlying basis and prime/Johannesburg Interbank Agreed Rate (JIBAR) basis.
- **Optionality risk:** options embedded in bank asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
- **Endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-earning assets and interest rate insensitive liabilities such as non-paying liabilities and equity.

Approach to managing IRRBB

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

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

Measurement

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

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

Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles, or through derivative overlays.

Limits

Interest rate risk limits are set in relation to changes in forecast banking book earnings and the economic value of equity. The 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.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity.

The endowment risk is hedged using liquid instruments as and when it is considered opportune. Where permissible, hedge accounting is adopted using the derivatives designated as hedging instruments. Following meetings of the monetary policy committees, or notable market developments, the interest rate view is formulated through ALCO processes.

Non-endowment IRRBB (repricing, yield curve, basis and optionality) is managed within the treasury and the global market's portfolios.

Banking book interest rate exposure characteristics

The table below indicates the rand equivalent sensitivity of the group's banking book earnings (net interest income and banking book mark-to-market profit or loss) and other comprehensive income (OCI) given a parallel yield curve shock. A floor of 0% is applied to all interest rates under the decreasing interest rate scenario, resulting in asymmetric rate shocks in low rate environments. Hedging transactions are taken into account while other variables are kept constant.

Assuming no management intervention, a downward 100 basis point parallel interest rate shock across all foreign currency yield curves and a 200 basis point parallel interest rate shock across rand yield curves, would decrease the forecast 12-month net interest income on 31 December 2014 by R2,2 billion (2013: R2,1 billion).

Interest rate sensitivity analysis

		ZAR	USD	GBP	Euro	Other	Total
2014							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**1 975**	**14**	**(11)**	**(13)**	**1**	**1 966**
Sensitivity of OCI	Rm	**24**	**(62)**			**53**	**15**
Decrease in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(2 170)**	**(4)**	**6**	**1**		**(2 167)**
Sensitivity of OCI	Rm	**(24)**	**16**			**(53)**	**(61)**
2013							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	1 969	(22)	(5)	(3)		1 939
Sensitivity of OCI	Rm	(10)					(10)
Decrease in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 136)	22	5	3		(2 106)
Sensitivity of OCI	Rm	10					10

Equity risk in the banking book

Definition

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

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

Approach to managing equity risk in the banking book

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

Equity risk excludes strategic investments by the group in subsidiaries, associates and joint ventures (other than those originated by the strategic investments and alliances business unit) deployed in delivering the group's business and service offerings unless the group financial director and group CRO deem such investments to be subject to the consideration and approval by the ERC.

Governance committees

The ERC is constituted as a subcommittee of GROC and operates under delegated authority from that committee, with additional reporting accountability to the CIB equity governance committee closed session.

GROC grants the ERC authority to approve equity risk transactions to be held on the banking book and to manage such equity risk in accordance with the provisions of the group equity risk governance standard and associated policies. This includes the authority to:

Market risk | Trading book market risk continued

- exercise such powers as are necessary to discharge its responsibilities in terms of this mandate
- seek independent advice at the group's expense, and investigate matters within its mandate
- delegate authority to a combination of ERC voting members based on the investment size.

Equity banking book price risk sensitivity analysis

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

Market risk sensitivity of non-trading equity investments

	10% reduction Rm	Fair value Rm	10% increase Rm
2014			
Equity securities – listed and unlisted	**1 765**	**1 961**	**2 157**
Impact on profit or loss	**(183)**		**183**
Impact on OCI	**(13)**		**13**
2013			
Equity securities – listed and unlisted	1 783	1 981	2 179
Impact on profit or loss	(189)		189
Impact on OCI	(9)		9

Foreign currency risk

Definition

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

Approach to managing foreign currency risk

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

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

The repositioning of the currency profile, which is coordinated at group-level, is a controlled process based on underlying economic views of the relative strength of currencies. The group does not ordinarily hold open exposures of any significance with respect to the banking book.

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

Foreign currency risk sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in rand equivalent, resulting from a 10% (2013: 10%) shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposes arising from designated net investment hedges, other derivative financial instruments, foreign-denominated cash balances and accruals.

The sensitivity analysis reflects the sensitivity to equity and profit or loss on the group's foreign-denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

As indicated below, the impact of a 10% (2013: 10%) depreciation in foreign currency rates on profit or loss of the group before tax is a R20 million gain (2013: R101 million gain).

Foreign currency risk sensitivity in ZAR equivalents

		USD	Euro	GBP	Naira	Other	Total
2014							
Total net long/(short) position	Rm	**197**	**(11)**	**5**	**6**	**(1)**	**196**
Sensitivity	%	**10**	**10**	**10**	**10**	**10**	**10**
Impact on profit or loss	Rm	**(20)**	**1**		**(1)**		**(20)**
2013							
Total net long/(short) position	Rm	1 058	2	(10)		(41)	1 009
Sensitivity	%	10	10	10	10	10	10
Impact on profit or loss	Rm	(106)		1		4	(101)

SBG equity-linked share incentive schemes

Definition

The group has exposure to SBG's share price as a result of its equity-linked remuneration transactions.

AIR RCM AFS SR

Details of SBG's equity-linked share incentive schemes have been set out in annexure C of SBG annual financial statements.

AIR RCM AFS SR

SBG's remuneration report can be found in SBG's annual integrated report.

AIR RCM AFS SR

SBG's accounting policies for the accounting for the equity-linked share incentive schemes has been set out in annexure D of the annual financial statements.

With the exception of the group share incentive scheme (GSIS), the group's equity-linked share schemes are accounted for as cash-settled share schemes and expose the group to income statement risk from losses being recognised in the income statement due to increases in the price of SBG's share price above the award price.

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

Share scheme	Risk to the group	Explanation	Hedged
GSIS	N/A	The GSIS is an equity-settled share scheme in both the group and SBG's financial statements. The GSIS is settled through the issuance of new shares. Accordingly, the group is not required to incur any cash flow in settling the share scheme and hence it is not exposed to any risk as a result of changes in its own share price.	No
Equity growth scheme (EGS)	Income statement risk	EGS is a cash-settled share scheme. At an SBG level the EGS is an equity-settled share scheme that is settled through the issuance of new shares. Since at an SBG level there is no cash flow to settle the scheme, there is no exposure to any risk as a result of changes in its own share price.	No
Quanto stock unit scheme (Quanto)	Income statement risk	The Quantos are a cash-settled share scheme in both the group and SBG's financial statements.	Yes
Deferred bonus scheme (DBS) and performance reward plan (PRP)	Income statement risk	The DBS and PRP are cash-settled share schemes. At an SBG level the DBS is a cash-settled share scheme and DBS (2012) and PRP are equity-settled share schemes settled through the purchase of shares from the external market – increases in SBG's share price above the grant price will therefore result in the losses being recognised in equity.	Yes

AIR RCM AFS SR

Refer to annexure C in SBG's annual financial statements for details regarding the number of units outstanding at the end of the year.

Market risk | SBG equity-linked share incentive schemes continued

Approach to managing equity-linked remuneration transactions

The ALCOs of the respective SBG entities that issue the equity-linked transactions approve hedges of the group's share price risk with quarterly reporting to group ALCO which is chaired by the group financial director. Hedging is undertaken taking into account a number of considerations which include expected share price levels based on investment analyst reports; the value of the issued share scheme awards; the cost of hedging; and the ability to hedge taking into account the nature of the share scheme and applicable legislative requirements. Hedging instruments typically include equity forwards and equity options. Hedge accounting in terms of IFRS is applied to the extent that the hedge accounting requirements are complied with.

Hedges are only transacted outside of the group's closed periods which are in effect from 1 June until the publication of the group's interim results; 1 December until the publication of the group's year end results; and any period where the group is trading under a cautionary announcement.

Operational risk

Definition

Operational risk is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and/or systems or from external events.

Operational risk subtypes are managed and overseen by specialist functions. These subtypes include:

- model risk
- tax risk
- legal risk
- environmental and social risk
- information technology and change risk
- information risk
- cyber risk
- compliance risk (dealt with on page 68)
- financial crime risk.

Approach to managing operational risk

Operational risk exists in the natural course of business activity. The group operational risk governance standard sets out the minimum standards for operational risk management to be adopted across the group. The governance standard seeks to ensure adequate and consistent governance, identification, assessment, monitoring, managing and reporting of operational risk to support the group's business operations. In addition, it ensures that the relevant regulatory criteria can be met by those banking entities adopting the AMA and those adopting the basic indicator approach or the standardised approach for regulatory capital purposes.

It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The IOR management function is independent from business line management and is part of the second line of defence reporting to the group CRO. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business's adoption of the framework, oversight and reporting, as well as for challenging the risk profile. The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best-practice solutions.

Operational risk | Approach to managing operational risk continued

Individual teams are dedicated to each business line and report to the business unit CRO. IOR also provides dedicated teams to enabling functions such as finance, IT and human capital. These teams work alongside their business areas and facilitate the adoption of the operational risk governance framework. As part of the second line of defence, they also monitor and challenge the business units' and enabling functions' management in respect of their operational risk profile.

A central function, based at a group-level, provides groupwide oversight and reporting. It is also responsible for developing and maintaining the operational risk governance framework.

Business continuity management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of the group and its stakeholders. The group's BCM framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. The group's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

In April 2014, a crisis management simulation was utilised to test the group crisis management leadership team and plan. The simulation proved to be an effective mechanism to validate the group's crisis management capability and confirmed the embedding of this capability in the group's overall integrated recovery planning process.

The group is fully cognisant of the risks which the prevailing electricity shortages in South Africa pose to the continuity of its SBSA services and operations and to the group through services provided out of South Africa. The group has completed a high-level assessment of its readiness to withstand both routine load-shedding and a national grid interruption to ensure the risks are mitigated proactively.

Insurance cover

The group buys insurance to mitigate operational risk. This cover is reviewed on an annual basis. The group insurance committee oversees a substantial insurance programme designed to protect the group against loss resulting from its business activities.

The principal insurance policies in place are the group crime, professional indemnity, and group directors' and officers' liability policies. In addition, the group has fixed assets and liabilities coverage in respect of office premises and business contents; third party liability for visitors to the group's premises, and employer's liability. The group's business travel policy provides cover for group staff, whilst travelling on behalf of the group.

Management level governance committees

The primary management level governance committees overseeing operational risk, including the various subtypes, are:

Governance committee	Governance document
Group internal financial control governance committee	N/A
Group operational risk committee	Information risk governance standard. Operational risk governance standard. Operational risk governance framework. Business resilience governance framework. IT risk and IT change risk governance standard
Group regulatory and legislative oversight committee	N/A
Group and business line model approval committees	Model risk governance standard
Group IT steering committee	N/A
IT architecture governance committee	N/A
Legal executive committee	Legal risk governance standard
Tax risk committee	Tax risk governance standard

Approved regulatory capital approach

The group has approval from the SARB to adopt the AMA for SBSA and the standardised approach for all other legal entities.

The group does not include insurance as a mitigant in the calculation of regulatory capital.

Operational risk subtypes

Operational risk subtype: Model risk

Model risk arises from potential weaknesses in a model that is used in the measurement, pricing and management of risk. These weaknesses include incorrect assumptions, incomplete information, inaccurate implementation, limited model understanding, inappropriate use or inappropriate methodologies leading to incorrect conclusions by the user.

The group's approach to managing model risk is based on the following principles:

- Fit-for-purpose governance, which includes:
  - an approved model risk governance framework
  - a three lines of defence governance structure comprising independent model development, model validation and internal audit oversight functions
  - model approval committees with board and executive management membership based on model materiality and regulatory requirements
  - policies that define minimum standards, materiality, validation criteria, approval criteria, and roles and responsibilities.
- A skilled and experienced pool of technically competent staff is maintained in the development, validation and audit functions
- Robust model-related processes, including:
  - the application of best practice modelling methodologies
  - independent model validation in accordance with both regulatory and internal materiality assessments
  - adequate model documentation, including the coverage of model use and limitations
  - controlled implementation of approved models into production systems
  - ongoing monitoring of model performance
  - review and governance of data used as model inputs
  - peer challenge in technical forums.

Credit IRB models and operational risk AMA models are validated at initial development and at least annually thereafter by the validation function. Other models are validated at initial development and reviewed at intervals determined by materiality and performance criteria. Validation techniques test the appropriateness and effectiveness of the models, and indicate if the model is fit-for-purpose.

Models are recommended by the relevant technical committee for approval or ongoing use to the relevant model approval committee.

Operational risk subtype: Tax risk

Tax risk is defined as any event, action or inaction in tax strategy, operations, financial reporting, or compliance that either adversely affects the group's tax or business objectives or results in an unanticipated or unacceptable level of monetary, financial statement or reputational exposure.

The group's approach to tax risk is governed by the GAC-approved tax risk control framework which, in turn, is supported by policies dealing with specific aspects of tax risk such as, for example, transfer pricing, indirect taxes, withholding taxes and remuneration taxes.

Operational risk subtype: Legal risk

Legal risk is defined as the exposure to the adverse consequences resulting from inaccurately drafted contracts, their execution, the absence of written agreements or inadequate agreements. This includes exceeding authority as contained in the contract. It applies to the full scope of group activities and may also include the activities of third parties acting on behalf of the group. The adverse consequences are the financial losses arising from judgements or private settlements, including punitive damages.

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

Operational risk subtype: Environmental and social risk

Environmental risk is described as a measure of the potential threats to the environment. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of such degradation. Environmental risk includes risks related to or resulting from climate change, human activities or from natural processes that are disturbed by changes in natural cycles.

Social risk is described as risks to people, their livelihoods, health and welfare, socioeconomic development, social cohesion and the ability to adapt to changing circumstances.

Environmental and social risk assessment and management deals with two aspects:

- Risks over which the group does not have control but which have potential to impact on the group's operations and its clients.
- Risks over which the group has direct control. These include our immediate direct impact, such as our waste management and the use of energy and water as well as our broader impact, including risks that occur as a result of our lending or financial services activities.

The group sustainability management unit develops the strategy, policy and management frameworks that enable the identification, management, monitoring and reporting of both aspects.

Operational risk | Operational risk subtypes continued

The group has an environmental and social risk management policy and subscribes to a number of international norms and codes, such as those of the United Nations Environment Programme Finance Initiative, the Equator Principles and the BASA's code of conduct for banks. In support of these policy commitments, it has developed guidance to bankers, screening tools to assist in categorising environmental and social risk and various training programmes to assist credit evaluators, deal makers and other key individuals.

Operational risk subtype: Information technology and change risk

Information technology risk encompasses both IT risk and IT change risk. The group's IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the group. It consists of IT-related events and conditions that could potentially impact the business. IT change risk refers to risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability. The group relies heavily on technology to support complex business processes and handle large volumes of critical information. As a result, a technology failure can have a crippling impact on the group's brand and reputation.

The IOR IT risk function oversees compliance with the IT risk and IT change risk governance standard.

Operational risk subtype: Information risk

Information risk encompasses the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information and which would potentially be harmful to the group's business. Additionally, it comprises of all the challenges that result from the need to control and protect the group's information.

The group has adopted a risk-based approach to managing information risks. The IOR management function oversees the information risk management system, policies and practices across the group.

The execution of these policies and practices is driven through a network of embedded representatives within the business lines. The head of group information risk oversees the execution in conjunction with the heads of embedded operations risk per business area.

The Promotion of Access to Information Act 2 of 2000 gives effect to the constitutional right of access to information that is held by a private or public body. The following information was disclosed in terms of applicable regulations:

- From January 2014 to December 2014, the group processed six (January 2013 to December 2013: 16) requests for access to information, of which two were granted, three were denied, and one is still in progress.
- The reason for the denial of access was that the owners of the personal information declined to give consent for access to be given to the requestor.

Operational risk subtype: Cyber risk

Cyber risk is the risk associated with injury, damage or loss from electronic exposure that can result in an adverse impact on the group's business. This risk may arise due to the disclosure, modification, destruction or theft of information, or from the unavailability of the transaction site, systems or networks. The cyber security operations centre, within IOR, manages this risk by proactively identifying malicious activity that poses a risk to the confidentiality, integrity and availability of the group's information assets. Identification and mitigation of cyber threats includes services to deliver both the proactive immobilisation of threats that are active in the group and the identification, investigation, resolution and reporting of threats that have materialised into cyber incidents.

Operational risk subtype: Financial crime risk

Financial crime risk includes fraud, bribery, corruption, theft and integrity misconduct by staff, customers, suppliers, business partners and stakeholders. The group financial crime control (GFCC) function combats financial crime risk through the prevention and detection of, and response to, all financial crime incidents to mitigate economic loss, reputational risk and regulatory sanction. As is the case with the other functions within operational risk, GFCC maintains close working relationships with other risk functions, specifically compliance, legal risk and credit risk, and with other group functions such as IT, human capital, and finance.

Operational risk subtype: Physical commodities

A physical commodities specialist function based in Johannesburg, London, Singapore and Shanghai manages physical commodities transactions where the group takes ownership of the underlying commodity. The role of the team is to focus on the risks embedded in each trade, on a pre- and post-trade basis, and to ensure they are understood, tracked, controlled and escalated if appropriate. The team works with approved third parties who play a key role in the process and the provision of related control functions such as shipbrokers, insurers, warehouse providers and security companies.

Business risk

Business risk is the risk of loss due to operating revenues not covering operating costs.

Business risk is usually caused by the following:

- inflexible cost structures
- market-driven pressures, such as decreased demand, increased competition or cost increases
- group-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

The group mitigates business risk in a number of ways, including:

- performing extensive due diligence during the investment appraisal process, in particular for new acquisitions and joint ventures
- detailed analysis of the business case for, and financial, operational and reputational risk associated with, disposals
- the application of new product processes per business line through which the risks and mitigating controls for new and amended products and services are evaluated
- stakeholder management to ensure favourable outcomes from external factors beyond the group's control
- monitoring the profitability of product lines and customer segments
- maintaining tight control over the group's cost base, including the management of its cost-to-income ratio, which allows for early intervention and management action to reduce costs
- being alert and responsive to changes in market forces
- a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth; contingency plans are built into the budget that allow for costs to be significantly reduced in the event that expected revenues do not materialise
- increasing the ratio of variable costs to fixed costs which creates flexibility to reduce costs during an economic downturn.

Business risk includes strategic risk and post-employment obligation risk as follows:

- Strategic risk is the risk that the group's future business plans and strategies may be inadequate to prevent financial loss or protect the group's competitive position and shareholder returns. The group's business plans and strategies are discussed and approved by executive management and the board and, where appropriate, subjected to stress tests.
- Post-employment obligation risk arises from the requirement to contribute as an employer to an under-funded defined benefit plan. The group operates both defined contribution plans and defined benefit plans, with the majority of its employees participating in defined contribution plans. The group's defined benefit pension and healthcare provider schemes for past and certain current employees create post-employment obligations.

The group mitigates these risks through independent asset managers and independent asset and liability management advisors for material funds. Potential residual risks which may impact the group are managed within the group asset and liability management process.

The primary governance committee for overseeing this risk is the group ALCO which is chaired by the group financial director.

Reputational risk

Reputational risk is the risk of potential or actual damage to the group's image which may impair the profitability and/or sustainability of its business.

Such damage may result from a breakdown of trust, confidence or business relationships on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect the group's ability to maintain existing business or generate new business relationships and continued access to sources of funding. The breakdown may arise from a number of factors or incidents such as a poor business model, continued losses and failures in risk management.

Safeguarding the group's reputation is of paramount importance. There is growing emphasis on reputational risks arising from compliance breaches, as well as from ethical considerations linked to countries, clients and sectors, and environmental considerations.

The breakdown may be triggered by an event or may occur gradually over time. The group's crisis management processes are designed to minimise the reputational impact of such events or developments. Crisis management teams are in place both at executive and business line level. This includes ensuring that the group's perspective is fairly represented in the media.

The principal governance document is the reputational risk governance standard.

The group's code of ethics is an important reference point for all staff. The group ethics officer and group chief executives are the formal custodians of the code of ethics.

For more information on the group's code of ethics go to **www.standardbank.com**.

Restatements

Economic capital

Credit risk economic capital has been restated to reflect certain positions that were previously not modelled for economic capital purposes.

Refer to **page 49**.

Country risk

The calculation of total medium- and high-risk country risk and low-risk country risk comparative exposures was erroneously based on limits as opposed to exposures. The comparative results have accordingly been restated.

Refer to **page 71**.

Depositor concentration

The depositor concentration position was previously disclosed on a company level and has been restated to reflect the group position.

Refer to **page 78**.

Funding-related liabilities composition

Funding-related liabilities composition was previously disclosed for the group on a company level and has been restated to reflect the group's funding related liabilities.

Refer to **page 78**.

Annexure A

Regulatory and legislative developments impacting the group

Global

Basel III

Over the past year, the BCBS has substantially completed the remaining components of Basel III. It has agreed on a globally consistent definition of the leverage ratio, issued the final standard for the NSFR and has set out its plan to address excessive variability in risk-weighted asset calculations.

More details on some of the topics finalised during the past year follow below:

- **NSFR:** The final NSFR retains the structure of the January 2014 consultative proposal. The key changes introduced in the final standard published cover the required stable funding for short-term exposures to banks and other financial institutions, derivative exposures and assets posted as initial margin for derivative contracts.
- **Framework for measuring and controlling banks' large exposures:** The new framework is intended to be a common minimum standard to apply from 1 January 2019. Global systemically important banks' (G-SIBs) exposures to other G-SIBs will be capped at 15% of tier I capital, while other individual exposures to single counterparties or groups of connected counterparties will be capped at 25%. Reporting of large exposures will be required for any exposure above 10% eligible capital.
- **The standardised approach for measuring counterparty credit risk exposures:** The new standardised approach (SA-CCR) calculation introduces significant changes to the methodology from the current non-internal model method approaches. From 1 January 2017, the SA-CCR will be used to calculate the counterparty credit risk exposure associated with OTC derivatives, exchange traded derivatives and long settlement transactions instead of the standardised method, current exposure method, or internal model method shortcut.
- **Capital requirements for banks' equity investments in funds:** The revised framework will take effect on 1 January 2017 and will apply to investments in all types of funds (for example hedge funds, managed funds and investment funds).
- **Leverage ratio:** The revised framework will be effective on 1 January 2017. The SARB requires banks' leverage ratio to be above a 4% minimum requirement, where the leverage ratio is calculated as tier I capital divided by the sum of on-balance and off-balance sheet exposures, securities financing transactions and derivatives.
- **Securitisation:** The revisions to the securitisation framework, which will come into effect in January 2018, aims to address shortcomings in the Basel II securitisation framework and to strengthen the capital standards for securitisation exposures held in the banking book.

The BCBS and Group of Twenty (G20) Financial Stability Board (FSB) also released a number of consultative papers on key topics for comment during the past year. The group participated in quantitative impact studies and on industry forums to inform authorities on the potential impact of proposed regulatory guidance. The following consultation papers received focus during the past year:

- trading book capital requirements
- the revised standardised approach for measuring operational risk capital
- a capital requirement for interest rate risk in the banking book
- pillar 3 disclosure requirements
- adequacy of loss-absorbing capacity of G-SIBs in resolution.

OTC derivatives

Globally there has been a focus on increasing the transparency and regulation of OTC derivatives and to reduce the systemic risk posed by OTC derivative transactions, markets and practices. The G20's reform programme and subsequent agreements resulted in various principles being defined for use of exchanges or electronic platforms, clearing through central counterparties, reporting to trade repositories and higher capital and margin requirements for derivatives that are not cleared centrally.

Many of the G20 jurisdictions are already making good progress in implementation of the G20 agreed commitments, with most of the EU and US regulatory frameworks already effective. South African financial market participants are largely impacted only indirectly by these regulatory developments, which translates into only a reciprocating responsibility to assist our cross-border counterparts in complying with their regulatory obligations. Once the South African OTC derivatives reform regulations are finalised, the impact will be direct.

The South African OTC derivatives reform framework is expected to be finalised over the course of 2015/2016.

Recovery and resolution planning

South Africa is in the process of adopting the global FSB standards for the effective management of institutions under severe circumstances that could affect the stability of the financial system. These guidelines require the development of recovery and resolution plans. The recovery plans for systemically important institutions proactively identifies management actions which can be adopted during periods of severe stress to ensure the survival of the entity and the sustainability of the economy within which it operates. In the event that these actions prove unsuccessful, the resolution plan sets out the approach for unwinding the entity in an orderly manner minimising the impact on its stakeholders.

The group submitted its first comprehensive integrated recovery plan (IRP) in July 2013 and is now maintaining and annually submitting this plan to ensure that it remains relevant with the most current view of the group's strategy, legal entity structure and financial and risk positions. The group IRP was developed to provide a valuable tool to management and the board to manage the implications of severe stress and proactively addresses potential hurdles in effecting these actions. The group is obtaining similar benefits from planning for the stability of its subsidiaries under severe conditions.

The National Treasury (NT) and regulatory authorities are in the process of defining the Resolution Framework for South Africa. It will address the globally requisite topics of resolution authority mandate, tools available under resolution such as bail-in and sale of business, and approach for cross-border cooperation with other regulators. It is anticipated that the resolution framework will be adopted in 2016.

IFRS

The International Accounting Standards Board (IASB) has finalised and issued a number of new accounting requirements as well as issued a number of proposed accounting changes. The most significant of these being as follows:

IFRS 9 *Financial Instruments*

The IASB has issued IFRS 9 *Financial Instruments* (IFRS 9) which is the replacement for IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). The effective date of IFRS 9 will be 1 January 2018. The replacement of IAS 39 was achieved through the following phases:

- **Classification and measurement of financial assets:** IFRS 9 requires financial assets to be categorised based on the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The financial assets will be measured at either amortised cost or fair value according to its classification.
- **Credit risk in financial liability measurement:** IFRS 9 requires changes in the fair value of financial liabilities (that are designated at fair value) due to changes in own credit risk to be recognised in OCI as opposed to the income statement.
- **Expected loss impairment model proposals:** IFRS 9 replaces IAS 39's incurred loss impairment requirements with an expected loss impairment model requirement. This new expected-loss impairment model will require more timely recognition of expected credit losses and will be applied to financial assets measured at either amortised cost or fair value through OCI, as well as defined loan commitments.

  With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses.

  A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition as well as for certain contract assets or trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses.

- **Hedge accounting requirements:** IFRS 9 simplifies the existing hedge accounting requirements and will allow the group to better reflect its risk management activities in its financial statements and will provide more opportunities to apply hedge accounting.

Revenue

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) replaces the existing revenue standards and their related interpretations. IFRS 15 sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The standard will be applied retrospectively with an effective date of 1 January 2017.

Leases

IFRS currently requires an entity to classify its lease arrangements as either finance or operating leases based on the terms of the underlying contract and the risks and rewards incidental to ownership of the leased assets. The IASB has released proposed changes to the accounting for leases. The proposals include changes in the manner in which leases are identified and classified. The core principle of the proposed requirements is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant proposed change pertaining to the accounting treatment of operating leases is from the lessees' perspective where a right of use (ROU) asset together with a liability for the future payments is to be recognised. From a South African regulatory perspective, the increase in both assets and liabilities will have an impact on the group's prudential requirements as follows:

- The ROU assets will attract a risk weighting of 100% for purposes of determining capital requirements in support of these assets.
- Given the long-term nature of the ROU assets, the ROU assets are expected to be categorised under Basel III as 'other assets' and will attract a 100% stable funding requirement.
- Liabilities arising from the lease agreement will increase the group's total liabilities, resulting in a reserving requirement of 2.5% of the balance, as well as a liquid asset requirement of 5% of the balance. The liability does not contribute to the stable funding Basel III requirement.

With respect to all of the above mentioned accounting developments, the group continues to participate in industry body discussions on the new and proposed changes. The group is currently developing its adoption framework to ensure that it is positioned to adopt the requirements of the new standards on their respective effective dates in line with the standards' required transition requirements.

South Africa

Twin Peaks regulatory framework

The second draft of the Financial Sector Regulation Bill was released by the NT on 12 December 2014 following public comments and engagement with stakeholders. It is expected to be tabled in Parliament in 2015. Its aim is to make the financial sector safer and better serve South Africa by providing the legislative framework for

Annexure A | continued

the adoption of a 'Twin Peaks system' of regulating the financial sector. The Twin Peaks system will comprise a Prudential Authority focused on the safety and soundness of financial institutions, and a Financial Sector Conduct Authority focused on the manner in which financial institutions conduct their business and the fair treatment of financial customers. The Bill also takes steps to strengthen financial stability and crisis resolution. Once enacted, the Bill will be adopted in two phases:

- to establish the two regulatory authorities
- to harmonise the various sub-sectoral legislation and align prudential and/or market conduct standards across the sector.

Financial Markets Act

The Financial Markets Act 19 of 2012 impacts a number of activities of corporate and investment banking. This Act regulates the functioning of the stock exchange, as well as market abuse such as insider trading and price manipulation. Draft regulations were released by the NT for OTC derivatives with specific requirements in terms of reporting, clearing, and OTC product providers. Following public comment and stakeholder engagement, the regulatory framework for OTC derivatives is expected to be finalised in 2015.

Treating customers fairly

The South African Financial Services Board published a roadmap for the programme TCF which outlines a framework on aspects of market conduct of financial services firms. TCF comprises six fairness outcomes and seeks to ensure that the fair treatment of customers is embedded within the culture of financial services firms.

In order to meet the outcomes, the group has initiated a TCF programme, put governance structures in place and is developing suitable measures and implementing control mechanisms. While the various boards of directors of affected group entities will ensure that TCF is central to the entities' ethics, values, culture and strategy, senior management owns TCF.

Protection of Personal Information Act

The PoPI Act provides for conditions of privacy and protection of personal information. PoPI has an extensive impact on the group, particularly in relation to the manner in which it uses information, both within South Africa and internationally. The group takes care to protect the personal information of customers and will be strengthening our controls to align to PoPI's requirements. A group data privacy officer has been appointed and the group's PoPI project is progressing satisfactorily. BASA is drafting a banking code on PoPI which, if approved by the new information regulator (when established), will govern the banking industry.

Consumer credit

The National Credit Amendment Act includes changes in the regulation of consumer credit which have implications for several of the group's models, systems and processes. These changes include amendments to the conditions of registration to empower the Minister of Trade and Industry to prescribe codes of conduct and verify, review or remove consumer credit information.

The credit information amnesty came into effect 1 April 2014 and involved the removal of certain adverse credit information from credit records at the credit bureaus. The draft Affordability Assessment Regulations outline specific steps to assess customers' ability to afford credit. A programme has been initiated in PBB South Africa to ensure the continuation of sound credit extension within its risk appetite.

Retail distribution review

The South African Financial Services Board has released the retail distribution review document for comment. The review centres on the insurance and investment value change, including the product providers, intermediaries and customers. It focuses on the financial advice and products sold to customers and makes proposals to address potential areas in the value chain which could result in conflicts of interest. The proposals would impact SBSA's insurance and investment business models. A process is in place to engage with stakeholders on the document.

Annexure B

Composition of capital[1]	Basel III Rm	Amounts subject to pre-Basel III treatment Rm	Reference[2]
2014			
CET I capital	**57 156**		
Instruments and reserves			
CET I capital before regulatory adjustments	**76 256**		
Directly issued qualifying common share capital plus related stock surplus	**36 356**		**(c)**
Retained earnings	**39 211**		**(d)**
Accumulated other comprehensive income (and other reserves)	**689**		**(d)**
Directly issued capital subject to phase out from CET I (only applicable to non-joint stock companies)			
Public sector capital injections grandfathered until 1 January 2018			
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET I)			
Regulatory adjustments			
Less: total regulatory adjustments to CET I	**(19 100)**		
Prudential valuation adjustments			
Goodwill (net of related tax liability)	**(36)**		**(b)**
Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(15 486)**		**(b)**
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	**(183)**		**(a)**
Cashflow hedge reserve	**(23)**		
Shortfall of provisions to expected losses	**(2 750)**		
Securitisation gain on sale			
Gains and losses due to changes in own credit risk on fair valued liabilities	**(106)**		
Defined benefit pension fund net assets	**(516)**		
Investments in own shares (if not already netted of paid-in capital on reported balance sheet)			
Reciprocal cross-holdings in common equity			
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
Mortgage servicing rights (amount above 10% threshold)			
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
Amount exceeding the 15% threshold, relating to:			
Significant investments in the capital of financials			
Mortgage servicing rights			
Deferred tax assets arising from temporary differences			
National specific regulatory adjustments			
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment			
Regulatory adjustments applied to CET I due to insufficient additional tier I and tier II to cover deductions			

1 Disclosure based on prescribed SARB template. All blank line items are not applicable as at 31 December 2014.
2 Refer to annexure C on page 103.

Annexure B | continued

Composition of capital[1] continued

	Basel III Rm	Amounts subject to pre-Basel III treatment Rm	Reference[2]
2014			
Additional tier I capital			
Instruments			
Additional tier I capital before regulatory adjustments			
Directly issued qualifying additional tier I instruments plus related stock surplus, classified as:			
Equity under applicable accounting standards			
Liabilities under applicable accounting standards			
Directly issued capital instruments subject to phase out from additional tier I			
Additional tier I instruments (and CET I instruments not included in common share capital) issued by subsidiaries and held by third parties (amount allowed in group additional tier I), including:			
Instruments issued by subsidiaries subject to phase out			
Regulatory adjustments			
Total regulatory adjustments to additional tier I capital			
Investments in own additional tier I instruments			
Reciprocal cross-holdings in additional tier I instruments			
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
National specific regulatory adjustments:			
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment			
Regulatory adjustments applied to additional tier I due to insufficient additional tier I due to insufficient tier II to cover deductions			
Tier I capital	**57 156**		
Capital and provisions			
Tier II capital before regulatory adjustments	**19 679**		
Directly issued qualifying tier II instruments plus related stock surplus	**19 490**		**(e)**
Directly issued capital instruments subject to phase out from tier II	**18 250**		
Tier II instruments (and CET I and additional tier I instruments not included in common share capital and additional tier I instruments) issued by subsidiaries and held by third parties (amount allowed in group tier II), including:			
Instruments issued by subsidiaries subject to phase out			
Provisions	**189**		

1 Disclosure based on prescribed SARB template. All blank line items are not applicable as at 31 December 2014.
2 Refer to annexure C on page 103.

Composition of capital[1] continued

		Basel III Rm	Amounts subject to pre-Basel III treatment Rm	Reference[2]
2014				
Regulatory adjustments				
Total regulatory adjustments to tier II capital		**(1 964)**		
Investments in own tier II instruments				
Reciprocal cross-holdings in tier II instruments				
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)				
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		**(1 964)**		
National specific regulatory adjustments				
Regulatory adjustments applied to tier II in respect of amounts subject to pre-Basel III treatment				
Tier II capital		**17 715**		
Total capital		**74 871**		
Total risk-weighted assets		**513 856**		
Risk-weighted assets in respect of amounts subject to pre-Basel III treatment				
Capital ratios and buffers				
CET I (as a percentage of risk-weighted assets)	%	**11.1**		
Tier I (as a percentage of risk-weighted assets)	%	**11.1**		
Total capital (as a percentage of risk-weighted assets)	%	**14.6**		
Institution-specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus countercyclical buffer requirements plus global systemically important banks (G-SIB) buffer requirement, expressed as a percentage of risk-weighted assets)	%	**7.0**		
Capital conservation buffer requirement	%	**2.5**		
Bank-specific countercyclical buffer requirement	%			
G-SIB buffer requirement	%			
Common equity tier I available to meet buffers (as a percentage of risk-weighted assets)	%	**11.1**		

1 Disclosure based on prescribed SARB template. All blank line items are not applicable as at 31 December 2014.
2 Refer to annexure C on page 103.

Annexure B | continued

Composition of capital[1] continued

		Basel III Rm	Amounts subject to pre-Basel III treatment Rm	Reference[2]
2014				
National minima (if different from Basel III)				
National CET I minimum ratio (if different from Basel III minimum) – excluding individual capital requirement (ICR) and domestic systemically important banks (D-SIB)	%	5.5		
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	%	7.0		
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	%	10.0		
Amounts below the threshold for deductions (before risk weighting)				
Non-significant investments in the capital of other financials		697		
Significant investments in the capital of financials		113		
Mortgage servicing rights (net of related tax liability)				
Deferred tax assets arising from temporary differences (net of related tax liability)		(3)		
Applicable caps on the inclusion of provisions in tier II				
Provisions eligible for inclusion in tier II in respect of exposures subject to standardised approach (prior to application of cap)		262		
Cap on inclusion of provisions in tier II under standardised approach		363		
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)				
Cap for inclusion of provisions in tier II under internal ratings-based approach		2 185		
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
Current cap on CET I instruments subject to phase-out arrangements				
Amount excluded from CET I due to cap (excess over cap after redemptions and maturities)				
Current cap on additional tier I instruments subject to phase-out arrangements				
Amount excluded from additional tier I due to cap (excess over cap after redemptions and maturities)				
Current cap on tier II instruments subject to phase-out arrangements		17 240		
Amount excluded from tier II due to cap (excess over cap after redemptions and maturities)		1 010		

1 Disclosure based on prescribed SARB template. All blank line items are not applicable as at 31 December 2014.
2 Refer to annexure C on page 103.

Annexure C

Reconciliation of audited statement of financial position and regulatory capital and reserves	Statement of financial position Rm	Under regulatory scope of consolidation Rm	Reference[1]
2014			
Assets			
Cash and balances with central banks	32 218		
Derivative assets and other assets	61 532		
Trading assets	51 436		
Pledged assets	5 281		
Financial investments	101 856		
Loans and advances	785 483		
Current tax assets	313		
Deferred tax assets	40	183	(a)
Interest in group companies, associates and joint ventures – banking operations	66 907		
Goodwill and other intangible assets	16 999	15 522	(b)
Property and equipment	9 085		
Total assets	1 131 150		
Equity and liabilities			
Equity	82 418	76 256	
Equity attributable to ordinary shareholders	82 412	76 256	
Ordinary share capital	60	60	(c)
Ordinary share premium	36 296	36 296	(c)
Reserves	46 056	39 900	(d)
Non-controlling interests	6		
Liabilities	1 048 732	19 490	
Derivative liabilities	66 298		
Trading liabilities	22 709		
Deposit and current accounts	799 936		
Other liabilities and taxation	15 261		
Liabilities to group companies	123 794		
Subordinated debt	20 734	19 490	(e)
Total equity and liabilities	1 131 150		

1 Reference to annexure B on preceding pages.

Annexure D

Main features disclosure template[1]

	Ordinary share capital (including share premium)	Subordinated bond – SBK7	Subordinated bond – SBK9	Subordinated bond – SBK12
December 2014				
Issuer	SBSA	SBSA	SBSA	SBSA
Unique identifier (for example, CUSIP, ISIN or Bloomberg identifier for private placement)		ZAG000024894	ZAG000029687	ZAG000073388
Governing law(s) of the instrument	SA	SA	SA	SA
Regulatory treatment				
Transitional Basel III rules	CET I	Tier II	Tier II	Tier II
Post-transitional Basel III rules	CET I	Tier II	Tier II	Tier II
Eligible at solo/group/group & solo	Solo	Group & solo	Group & solo	Group & solo
Instrument type (types to be specified by each jurisdiction)	Ordinary share capital and premium	Subordinated debt	Subordinated debt	Subordinated debt
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	ZAR36 356	ZAR3 000	ZAR1 500	ZAR1 600
Par value of instrument (currency in millions)	ZAR1	ZAR3 000	ZAR1 500	ZAR1 600
Accounting classification	Equity attributable to ordinary shareholders	Subordinated debt	Subordinated debt	Subordinated debt
Original date of issuance	Ongoing	2005/05/24	2006/04/10	2009/11/24
Perpetual or dated	Perpetual	Dated	Dated	Dated
Original maturity date	N/A	2020/05/24	2023/04/10	2021/11/24
Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount (currency in Rm)	N/A	2015/05/24 ZAR3 000	2018/04/10 ZAR1 500	2016/11/24 ZAR1 600
Subsequent call dates, if applicable	N/A	2015/05/24 or any interest payment date thereafter	2018/04/10 or any interest payment date thereafter	2016/11/24 or any interest payment date thereafter
Coupons/dividends				
Fixed or floating dividend/coupon	N/A	Fixed	Fixed	Fixed
Coupon rate and any related index	N/A	9.63% semi-annual	8.40% semi-annual	10.82% semi-annual
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Full discretionary	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	Yes	Yes	Yes
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down feature	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Most subordinated	Senior unsecured	Senior unsecured	Senior unsecured
Non-compliant transitioned features	No	Yes	Yes	Yes
If yes, specify non-compliant features	N/A	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(D) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(D) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(D) Regulation 38(14) (a)(iv)(H)(ii)

1 For related carrying values of subordinated debt, refer to note 20 in the annual financial statements.

Subordinated bond – SBK13	Subordinated bond – SBK14	Subordinated bond – SBK15	Subordinated bond – SBK16	Subordinated bond – SBK17	Subordinated bond – SBK18	Subordinated bond – SBK19	Subordinated bond – SBK20
SBSA	SBSA	SBSA	SBSA	SBSA	SBSA	SBSA	SBSA
ZAG000073396	ZAG000091018	ZAG000092339	ZAG000093741	ZAG000097619	ZAG000100827	ZAG000100835	NAG000121781
SA	SA	SA	SA	SA	SA	SA	SA
Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	N/A
Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II
Group & solo	Group & solo	Group & solo	Group & solo	Group & solo	Group & solo	Group & solo	Group & solo
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
ZAR1 150	ZAR1 780	ZAR1 220	ZAR2 000	ZAR2 000	ZAR3 500	ZAR500	ZAR2 250
ZAR1 150	ZAR1 780	ZAR1 220	ZAR2 000	ZAR2 000	ZAR3 500	ZAR500	ZAR2 250
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
2009/11/24	2011/12/01	2012/01/23	2012/03/15	2012/07/30	2012/10/24	2012/10/24	2014/12/02
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
2021/11/24	2022/12/01	2022/01/23	2023/03/15	2024/07/30	2025/10/24	2024/10/24	2024/12/02
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2016/11/24 ZAR1 150	2017/12/01 ZAR1 780	2017/01/23 ZAR1 220	2018/03/15 ZAR2 000	2019/07/30 ZAR2 000	2020/10/24 ZAR3 500	2019/10/24 ZAR500	2019/12/02 ZAR2 250
2016/11/24 or any interest payment date thereafter	2017/12/01 or any interest payment date thereafter	2017/01/23 or any interest payment date thereafter	2018/03/15 or any interest payment date thereafter	2019/07/30 or any interest payment date thereafter	2020/10/24 or any interest payment date thereafter	2019/10/24 or any interest payment date thereafter	2019/12/02 or any interest payment date thereafter
Floating	Fixed	Floating	Floating	Floating	Floating	Floating	Floating
JIBAR + 2.20	9.66% semi-annual	JIBAR + 2.00	JIBAR + 2.10	JIBAR + 2.20	JIBAR + 2.35	JIBAR + 2.20	JIBAR + 3.50
No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Yes	No	No	No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes
Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(D) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)	N/A

Corporate governance report

This statement sets out the governance framework adopted by the board of directors (the board) which is derived from the governance framework adopted by SBG. Good corporate governance remains integral to the way the group operates. We are committed to operating in a correct, principled and commercially astute manner and staying accountable to our stakeholders. We hold the view that transparency and accountability are essential for our group to remain successful and be sustainable.

THIS REPORT INCLUDES, AMONG OTHERS:

Our governance framework

The group operates within a clearly defined governance framework. Through this framework, the board balances its role of partnering with management in the setting of strategy, financial goals, resource allocation and risk appetite while providing oversight and holding management accountable and ensuring adherence to regulatory requirements and risk tolerance.

The governance framework provides for delegation of authority while enabling the board to retain effective control. The group has in place a delegation of authority framework, which is reviewed annually to ensure it remains appropriate taking into account the size of the group and specific operational context. The board has delegated the day-to-day management of the group in writing to the chief executive. The board also annually considers the composition of its committees, taking into the account the skills and experience required to perform the duties defined in each committee's written mandate. The board monitors the performance of all the governance structures it has put in place and retains accountability.

Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. The board reviews each committee's mandate at least once a year. Mandates set out the role, responsibilities, scope of authority, composition, terms of reference and procedures for each committee.

A summary of each committee's key terms of reference, as well as key focus areas for 2014 and the year ahead is set out on **pages 116 to 121**.

The committees report to the board through their respective chairmen and minutes of all committee meetings are submitted to the board.

The board mandate includes an annexure, which sets out the matters reserved for board decision. These include the determination of strategy for the group, the approval of annual budgets, the appointment and dismissal of the chief executive and all directors to the board.

The SBSA executive committee assists the chief executive in the day-to-day management of the affairs of the group, subject to statutory parameters and matters reserved for the board. The group governance office monitors board-delegated authorities. In the period under review, the board monitored progress in the implementation of the group's delegation of authority framework across the group.

The composition of the SBSA exco is set out on **pages 12 to 13**.

The board reviewed and approved the 2014 annual report on 4 March 2015.

OUR GOVERNANCE FRAMEWORK

Standard Bank of South Africa board

Board committees

- Directors' affairs committee
- Audit committee
- Risk and capital management committee
- SBSA large exposure credit committee

Corporate governance report | continued

Board of directors

Fred Phaswana (70)

Chairman of SBG and SBSA

BA (SA), BA (Hons) and MA (Unisa), BCom (Hons) (RAU), BA (Philosophy, Politics and Economics) (Unisa)

Appointed 2009

Fred Phaswana was previously regional president of BP Africa and chairman of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the advisory board of the Cape Town Graduate School of Business. He is former vice chairman of the World Wildlife Fund South Africa and Business Leadership South Africa, and was the honorary president of the Cape Town Press Club.

Board committee memberships

- directors' affairs committee (chairman)
- risk and capital management committee
- large exposure credit committee

External appointments

- South African Institute of International Affairs (chairman)
- Mondi Plc (joint chairman)
- Mondi Limited (joint chairman)
- Naspers

Richard Dunne (66)

Independent non-executive director of SBG and SBSA

CTA (Wits), CA(SA)

Appointed 2009

Richard Dunne was previously the chief operating officer of Deloitte, South Africa.

Board committee memberships

- audit committee (chairman)
- risk and capital management committee

External appointments

- Anglo American Platinum
- AECI
- Tiger Brands

Francine-Ann (Fran) du Plessis (60)

Independent non-executive director of SBG and SBSA

BCom (University of Stellenbosch), LLB (University of Stellenbosch), BCom (Hons) (University of Cape Town), CA(SA)

Appointed 2014

Fran du Plessis is an advocate of the High Court of South Africa and a chartered accountant.

Board committee memberships

- audit committee

External appointments

- ArcelorMittal South Africa
- KWV Holdings
- LDP Chartered Accountants and Auditors
- Naspers
- Royal Bafokeng Holdings

Thulani Gcabashe (57)

Independent non-executive director of SBG and SBSA

BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)

Appointed 2003

Previously, Thulani Gcabashe was chief executive of Eskom and a director of the National Research Foundation.

Board committee memberships

- directors' affairs committee
- audit committee

External appointments

- Imperial Holdings (chairman)
- Built Environment Africa Capital (executive chairman)
- MTN Zakhele (chairman)

Ben Kruger (55)

Group chief executive of SBG, and an executive director of SBSA

BCom (Hons) (Pretoria), CA(SA), AMP (Harvard)

Appointed 2013

Ben is the group chief executive of SBG, and an executive director of SBSA. He is a director of Stanbic Africa Holdings and previously served as chairman of Standard Bank Plc.

Board committee memberships

- large exposure credit committee

External appointments

- Standard Bank Plc
- Stanbic Africa Holdings
- Institute of International Finance (IIF)

Kgomotso Moroka (60)

Independent non-executive director of SBG and SBSA

BProc (University of the North), LLB (Wits)

Appointed 2003

Kgomotso Moroka is a senior advocate and for 15 years was a member of the Judicial Services Commission. She is currently a trustee of the Nelson Mandela Children's Fund, Project Literacy and the Apartheid Museum.

Board committee memberships

- directors' affairs committee
- risk and capital management committee

External appointments

- Gobodo Forensic and Investigative Accounting (chairman)
- Royal Bafokeng Platinum (chairman)
- South African Breweries
- Multichoice South Africa Holdings
- Netcare

André Parker (63)

Independent non-executive director of SBG and SBSA

BEcon, BEcon (Hons), MCom (University of Stellenbosch)

Appointed 2014

André Parker was previously managing director for Africa and Asia, SAB Miller Plc.

Board committee memberships

- large exposure credit committee

External appointments

- Tiger Brands (chairman)
- Distell

Atedo Peterside CON (59)

Independent non-executive director of SBG and SBSA

BSc (Economics) (The City University, London), MSc (Economics) (London School of Economics and Political Science)

Appointed 2014

Atedo Peterside CON was previously the chairman of the Committee on Corporate Governance of Public Companies in Nigeria. He is the founder of Stanbic IBTC Bank Plc, where he was the chief executive from inception of the bank in February 1989 at age 33 (then IBTC) until 2007 and chairman from 2007 until September 2014. He is the chairman of Stanbic IBTC Holdings Plc.

External appointments

- ANAP Holdings Limited (chairman)
- ANAP Business Jets Limited
- Cadbury Nigeria Plc
- Nigerian Breweries Plc
- Unilever Nigeria Plc

Corporate governance report | Board of directors continued

Simon Ridley (59)

SBG's financial director and executive director of SBG and SBSA

BCom (Natal), CA(SA), AMP (Oxford)

Appointed 2009

Simon Ridley is the group's financial director and an executive director of SBG and SBSA. He serves as a director of Stanbic Africa Holdings as well as Tutuwa Staff Holdings and Tutuwa Community Holdings. In 2014, he was appointed director and chairman of both Standard Bank London Holdings Limited and Standard Advisory London Limited.

Board committee memberships

- large exposure credit committee

External appointments

- Stanbic Africa Holdings
- Standard Bank London Holdings (chairman)
- Standard Bank Advisory London Limited (chairman)
- Tutuwa Staff Holdings
- Tutuwa Community Holdings

Myles Ruck (59)

Independent non-executive director of SBG and SBSA

BBusSc (Cape Town), PMD (Harvard)

Appointed 2002

Myles Ruck was previously chief executive of SCMB, deputy chief executive of SBG and chief executive of Liberty Group.

Board committee memberships

- risk and capital management committee (chairman)
- directors' affairs committee
- large exposure credit committee (chairman)

External appointments

- ICBC (Argentina) (vice chairman)
- Mr Price Group
- Thesele Group

Lord Smith of Kelvin, KT (70)

Independent non-executive director of SBG and SBSA

CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)

Appointed 2003

Lord Smith was formerly chairman of the Weir Group Plc, chairman and chief executive of Morgan Grenfell Private Equity, chief executive of Morgan Grenfell Asset Management, and vice chairman of Deutsche Asset Management. He is also past president of the Institute of Chartered Accountants of Scotland.

Board committee memberships

- audit committee

External appointments

- Scottish and Southern Energy (chairman)
- UK Green Investment Bank (chairman)

Peter Sullivan (66)

Independent non-executive director of SBG and SBSA

BSc (Physical Education) (University of NSW)

Appointed 2013

Peter Sullivan was previously chief executive of Standard Chartered Bank, Africa, and an executive director and chief executive of Standard Chartered Bank, Hong Kong. He previously served as a director on Standard Bank Plc.

Board committee memberships

- audit committee
- risk and capital management committee

External appointments

- Healthcare Locums Plc (chairman)
- Winton Capital Management Limited (chairman)
- Techtronic Industries
- AXA China Region
- AXA Asia

Sim Tshabalala (47)

Group chief executive director of SBG and chief executive of SBSA

BA LLB (Rhodes), LLM (University of Notre Dame, USA), HDip Tax (Wits), AMP (Harvard)

Appointed 2013

Sim is the group chief executive of SBG, chief executive of SBSA, a director of Tutuwa Community Holdings and the director of the Banking Association of South Africa.

Refer to exco on **page 12** for full CV.

Board committee memberships

- large exposure credit committee

External appointments

- Liberty Holdings
- Liberty Group
- Stanbic IBTC Bank (chairman)
- Stanbic Africa Holdings (chairman)

Swazi Tshabalala (49)

Independent non-executive director of SBG and SBSA

BA (Economics) (Lawrence University, USA), MBA (Babcock School of Management, Wake Forest University, USA)

Appointed 2014

Swazi Tshabalala was previously the chief executive officer of the Industrial Development Group. She is currently an executive director of Kupanua Investments since 2013.

Board committee memberships

- risk and capital management committee

External appointments

- Liberty Group
- Liberty Holdings

Ted Woods (68)

Independent non-executive director of SBG and SBSA

BCom (Wits), CA(SA), MBA (Cape Town), CFA

Appointed 2007

Ted Woods was previously chairman of Deutsche Securities, South Africa.

Board committee memberships

- audit committee
- risk and capital management committee

Changes to board composition

For changes to the board composition, refer to **page 112**.

Corporate governance report | continued

The role of the board

The board is accountable to shareholders for financial and operational performance and strives to balance the interests of the group and those of its various stakeholders.

The board is constituted in terms of SBSA's memorandum of incorporation (MOI). It is the highest decision-making body in the group and is responsible for its strategic direction. It ensures that strategy is aligned with the group's values and monitors strategy implementation and performance targets in relation to the group's risk profile. It is collectively responsible for the group's long-term success.

In line with banking regulations, the board decides on the group's corporate governance and risk management objectives for the year ahead. The directors' affairs committee and the relevant risk committees monitor performance against governance and risk objectives, respectively, and reports are submitted to the board. Self-assessment is conducted annually to establish whether the group has achieved these objectives.

The board's terms of reference are set out in the board mandate, which is reviewed at least annually and complies with the provisions of the Companies Act and Banks Act, as well as the company's MOI. It sets out processes for the:

- composition of the board
- term of office, including the requirement for at least one third of directors to retire at each annual general meeting (AGM)
- reporting responsibilities
- matters reserved for board decision.

The board's key terms of reference are set out on **page 116**.

Board meetings allow sufficient time for consideration of all items. Board meetings are normally scheduled for a full day. The chairman is responsible for setting the tone and style for board discussions to promote constructive debate and effective decision-making. Care is taken to ensure that the board attends to matters critical to the group's success, with sufficient attention to compliance and administrative matters. In line with the provisions of the board mandate, board papers are circulated a week before a board meeting.

Directors' attendance at board meetings is set out on **page 122**.

Composition of the board

The group has a unitary board structure with executive and non-executive directors.

The board functions effectively and efficiently and is considered to be of an appropriate size for the group, taking into account, among other considerations, the need to have a sufficient number of directors to structure board committees appropriately, regulatory requirements, as well as the need to adequately address the board's succession plans. Non-executive directors bring diverse perspectives to board deliberations, and are encouraged to constructively challenge the views of executive directors and management. A clear division of responsibilities at a board level ensures that no one director has unfettered powers in decision-making.

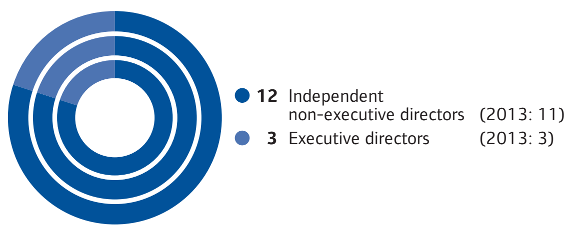
The board understands that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The board members' collective experience and expertise provide for a balanced mix of attributes to fulfil its duties and responsibilities. The breadth of experience on the board includes retail and investment banking; risk management; legal and regulatory; finance and accountancy; marketing; public sector; remuneration and overall business – with several directors having chief executive experience.

During the reporting period, four directors were appointed to the board, details of which are included in the board succession section of this report on page 113.

Koosum Kalyan resigned from the board on 3 March 2014 and Saki Macozoma resigned on 31 December 2014. Two directors, namely Doug Band and Chris Nissen (independent non-executive directors) retired from the board at the company's AGM on May 2014. The chairman and the board extend their appreciation to these directors for their invaluable contribution over the years.

In 2014, the group's unitary board structure comprised 16 directors, 12 (75%) of whom are independent non-executive directors, one (6.5%) of whom was a non-executive director and three (18.5%) of whom are executive directors (SBG chief executive, the SBSA chief executive and the group financial director). Following the resignation of Saki Macozoma on 31 December 2014, the board currently comprises 15 directors.

Mix of directors (%)



Independent non-executive directors

The directors' affairs committee establishes the process for the evaluation of director independence of board members for board approval. Independence is determined against the criteria set out in the King Code, which defines an independent director as one who, among others, is not a representative of a shareholder who has the ability to control or significantly influence management or the board; does not have a direct or indirect interest in the company which is less than 5% of the group's total number of shares in issue, but is material to his/her personal wealth; is free from any business or other relationship which could be seen by an objective outsider to interfere materially with an individual's capacity to act in an independent manner or does not receive remuneration contingent upon the performance of the company. An independent director should be independent in character and judgement and there should be no relationship or circumstances which are likely to affect, or could appear to affect, their independence.

Saki Macozoma was not considered independent as a result of his interest in the group's strategic empowerment partner, Safika.

The King Code further provides that any term beyond nine years for an independent non-executive director should be subject to a particularly rigorous review by the board, not only of their performance, but also the factors that may impair their independence. The assessment should show that the independent director's independence of character and judgement is not in any way affected or impaired by the length of service. Accordingly, an annual review is conducted of all directors, with particular emphasis on directors who have served for longer than nine years. The directors being assessed recuse themselves from the meeting.

In this respect, the board assessed and has concluded that Thulani Gcabashe, Kgomotso Moroka, Lord Smith and Myles Ruck continue to be independent both in character and judgement, notwithstanding tenure. The chairman and all other non-executive directors are independent.

Length of tenure of non-executive directors (years)

The board considers diversity of views and experience to be an essential part of ensuring that the board adds real value to the group. The board continues to work towards increasing its gender diversity.

Mix of non-executive directors' nationalities

Succession planning

Carefully managing the board succession process is vital to the board's successful evolution. As the body with primary responsibility for board succession plans, the directors' affairs committee holds the view that it must ensure that as directors retire, candidates with sufficient skills and experience have been identified to ensure that the board's competence and balance is either maintained or enhanced, taking into account the group's current and future needs.

Given that new non-executive directors need time to acquaint themselves with the business of the group and its strategy, the committee takes the view that it is preferable to appoint replacement independent non-executive directors before the directors being replaced vacate office. While this temporarily increases the number of directors on the board, this is rebalanced as the retiring directors reach the end of their term. At this point, the appointed directors are fully inducted in the business of the group and are able to ensure seamless continuation of the business of the board.

There were four directors appointed to the board in 2014, namely:

- Fran du Plessis (independent non-executive director)
- André Parker (independent non-executive director)
- Atedo Peterside CON (independent non-executive director)
- Swazi Tshabalala (independent non-executive director)

In line with the provisions of the company's MOI, directors appointed to the board since the previous AGM are required to retire at the AGM following their appointment and offer themselves for re-election.

In terms of the company's MOI when a director reaches the age of 70 they cease to be a director from the end of the AGM of the company following his birthday, unless the directors have resolved prior to the convening of the AGM in question that the director should not retire at that meeting and a statement to that effect is made in the notice convening that meeting.

Fred Phaswana and Lord Smith have reached the retirement age set in the group's MOI and will accordingly retire from the board at the group's AGM.

Corporate governance report | continued

In addition to managing non-executive director succession, the board considers the strength and development of the senior leadership team. The directors' affairs committee ensures that the group has adequate executive succession plans.

Board appointment process

Appointments to the board are done in a formal and transparent manner and are a matter for the board as a whole. Directors are nominated by the directors' affairs committee, which is composed of a majority of independent non-executive directors. A human resources placement agency supports the committee in identifying a broad pool of relevant candidates. In general, the attributes of prospective directors include individuals with capacity to think strategically and contribute to the company's ongoing evolution of strategy, ability to work collaboratively and integrity that is above reproach. Apart from a candidate's experience, availability and fit, the committee also considers the individual's other directorships and commitments to ensure that they will have sufficient capacity to discharge their roles properly. Candidates must also satisfactorily meet the fit and proper test, as required by the Banks Act. The committee also considers appropriate demographic and gender diversity in its assessment.

Suitable candidates are submitted to the board for consideration and appointment in terms of the company's MOI. A director appointed by the board holds office until the next AGM where they must retire and stand for election by shareholder.

The shareholder is provided with information on directors' qualifications, experience and other key directorships.

In terms of the nominations and appointments policy, management requires permission to accept external board appointments, which is only granted in exceptional circumstances. This reduces the potential for conflicts of interest and helps ensure that management devotes sufficient time and focus to the business of the group.

Induction and ongoing education

Induction of new directors and ongoing education of directors is the responsibility of the group secretary. The directors' affairs committee is responsible for monitoring the implementation of director induction and training plans.

On appointment, directors are provided with the group's governance manual containing all relevant governance information, including the company founding documents, mandates, governance structures, significant reports, relevant legislation and policies. One-on-one meetings and site visits are scheduled with management to introduce new directors to the company and its operations. The remainder of the induction programme is tailored to the new director's specific requirements.

To ensure maximum participation in ongoing director training, dates for training are scheduled in advance and form part of the board-approved annual calendar. The directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations. Ongoing director training topics covered in 2014 included an in-depth review of IT governance, SAP core banking, Twin Peaks, amendments to JSE Listings Requirements, cyber crime facilities, and IFRS 9 *Impairment Requirements*.

Board access to information and resources

There is ongoing engagement between executive management and the board. In addition to the executive directors, the company's prescribed officers, as defined in the Companies Act, attend all board meetings. External auditors are invited to attend audit committee and risk and capital management committee meetings. Directors have unrestricted access to group management and company information, as well as the resources to carry out their duties and responsibilities. This includes access to external specialist advice at the group's expense, in terms of the board-approved policy on independent professional advice.

Closed sessions

After every board meeting, non-executive directors meet without the executive directors present in closed sessions led by the chairman. The sessions commence with the chief executive present but without other executive directors and prescribed officers, to answer questions or raise any necessary matters.

The primary objective of these sessions is to provide non-executive directors with an opportunity to test thoughts and insights among peers. The chairman, as the primary link between the board and executive management, provides feedback from the closed sessions to the chief executive.

Conflicts of interest and other commitments

In terms of the Companies Act, if a director has a personal financial interest in respect of a matter to be considered at a meeting of the board or knows that a related person has a personal financial interest, the director is obliged to disclose the interest and its general nature, recuse themselves and not take part in the consideration of the matter.

The board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The group secretary maintains a register of directors' interests, which is tabled to the board annually and any changes are submitted to the board as they occur. The group complies with the provisions of the Companies Act in this regard.

Board evaluation

The chairman is responsible for ensuring that the group has an effective board. Supported by the directors' affairs committee and group secretary, he ensures that the board's effectiveness and execution of its mandate is reviewed annually.

The board and its committees' performance is assessed in a number of ways. A detailed assessment of each committee and the board's compliance with all the provisions of the respective mandates is done annually, with the findings reported to the directors' affairs committee. The group's external auditors conduct a limited assurance assessment on the review and express an opinion in this regard. During 2014, the board and its committees complied with their mandates.

In addition to this review, external, independent consultants conduct an annual board and committee evaluation focusing on matters that would not necessarily be apparent from an assessment of fulfilment of mandates.

In response to recommendations from the 2013 board evaluation process, the board developed and implemented action plans to address the gaps identified.

The chairman held one-on-one meetings with individual directors to provide feedback from the peer reviews held and generally discuss performance and development of the individual director.

An exercise was carried out, in consultation with the board, to restructure the board and committees' agendas, as well as reports presented to these governance structures. The objective was to enhance the flow of meetings and readability of board and committee papers.

Independent consultants were engaged to carry out the board and committee evaluation exercise for 2014. The focus of this review was on identifying areas of continuous improvement for the board and its committees. The report from this exercise will be presented to the board at its first scheduled meeting of the year in March 2015.

Separation of the roles of chairman and chief executive

The role of chairman is distinct and separate from that of the chief executives and there is a clear division of responsibilities. The chairman, Fred Phaswana, is an independent non-executive director charged with leading the board, ensuring its effective functioning and setting its agenda, in consultation with the group secretary, the chief executives and the directors. He ensures that the board observes the highest standard of integrity and good governance. His duties include facilitating dialogue at board meetings, ensuring proper functioning of the joint chief executive structure, setting the board's annual work plan, conveying feedback in a balanced and accurate manner between the board and chief executives, and assessing the individual performance of directors. The chairman has the respect and confidence of the board, which are vital to the effective performance of his role.

The chief executive, Sim Tshabalala, is responsible for fostering a corporate culture that promotes sustainable ethical practices, encourages individual integrity and fulfils social responsibility objectives and imperatives, while ensuring all employees maintain a commercial mind-set. The board holds the chief executive accountable and responsible for the operational and financial performance of the group. In the period under review, the chief executive acted within the authority delegated to him by the board.

IT governance

IT governance forms an integral part of the overall corporate governance of the group. In keeping with the King III requirements, the board of directors is responsible for ensuring that prudent and reasonable steps have been taken with respect to fulfilling its responsibilities for IT governance. To assist the board in fulfilling this obligation, a SBG IT committee was established and delegated the authority to ensure the implementation of the IT governance framework (this responsibility had previously been delegated to the GRCMC. The SBG IT committee, comprising non-executive directors and executive directors, is responsible for overseeing IT governance at a board level and reports to the board through its chairman.

The GRCMC ensures that all risks are adequately addressed through its risk management, monitoring and assurance processes. It considers IT risk as a crucial element of the effective oversight of risk management and places reliance on the SBG IT committee and integrated operational risk function to provide oversight of the first line of defence risk activities.

IT as it relates to controls, financial reporting and internal audit findings remains the responsibility of the audit committee.

The chief information officer is a member of the SBG management committee.

AIR RCM AFS SR

For the IT report, please refer to **page 52** of the SBG annual integrated report.

Board and committees

Summary of key terms of reference, focus areas and the year ahead

Board

Chairman
Fred Phaswana[1]

Members
Richard Dunne[1]
Thulani Gcabashe[1]
Fran du Plessis[1,2]
André Parker[1,2]
Ben Kruger[3]
Kgomotso Moroka[1]
Simon Ridley[3]
Myles Ruck[1]
Atedo Peterside CON[1,4]
Lord Smith of Kelvin, KT[1]
Peter Sullivan[1]
Sim Tshabalala[3]
Swazi Tshabalala[1,2]
Ted Woods[1]

1 Independent non-executive director.
2 Appointed 14 March 2014.
3 Executive director.
4 Appointed 22 August 2014.

Summary of key terms of reference

- provides effective leadership based on an ethical foundation
- approves the strategy and ensures that the group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders
- reviews the corporate governance and risk and capital management processes and ensures that there is an effective risk management process throughout the group
- delegates relevant authority to the chief executives and monitors their performance
- determines the terms of reference and procedures of all board committees, reviews the board and committees' performance annually, and reviews their reports and minutes
- ensures that the audit committee is effective and independent
- ensures consideration is given to succession planning for the board, chief executives and executive management
- ensures that an adequate budget and planning process exists, measures performance against budgets and plans, and approves annual budgets for the group
- considers and approves the audited annual financial statements results and dividend announcements
- monitors stakeholder relations
- approves significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances
- assumes ultimate responsibility for financial and IT governance, operational and internal systems of control, and ensures adequate reporting on these by the respective committees.

Summary of key focus areas in 2014

- considered and approved the refreshed strategy for the group
- considered the impact of regulatory changes, including the imminent implementation of the Twin Peaks model of financial regulation
- IT governance and strategic priorities, monitoring the implementation of the approved IT governance framework
- monitored financial performance against approved plans and budgets to ensure sustainable profitability
- implemented board succession plans taking into account diversity, current and future needs of the group
- monitored the implementation of the TCF framework.

The year ahead

- embed the board succession plans, ensuring effective functioning of the board as a cohesive unit
- continue to partner, support and guide the executive team as it embeds the operating model
- continue to monitor the implementation of the approved IT governance framework
- measure progress against strategic objectives and monitor the group's operational and financial performance
- continue to monitor the implementation of the TCF framework
- partner with management in ensuring that the culture of talent development is embedded across the group.

Summary of key terms of reference, focus areas and the year ahead continued

Directors' affairs committee

Chairman
Fred Phaswana[1]

Members
Thulani Gcabashe[1]
Kgomotso Moroka[1]
Myles Ruck[1,2]

1 Independent non-executive director.
2 Appointed 26 May 2014.

Summary of key terms of reference

To assist the board in:

- evaluating the adequacy, efficiency and appropriateness of the governance framework and practices across the group
- establishing director induction and training programmes
- approving the board evaluation methodology
- nominating directors as part of succession planning
- ensuring corporate governance best practice and statutory compliance
- reviewing and approving allocations in respect of the group's black ownership initiative, Tutuwa.

Summary of key focus areas in 2014

- considered the composition of the board and committees and proposed non-executive directors to the board for approval by the board
- considered and approved matters relating to the corporate governance structure and framework across the group
- implemented the succession plans for the chairman
- considered talent management and succession plans for the group
- monitored the implementation of the group's operating model
- led the annual board and committee evaluation process, as well as monitored the implementation of action plans from the previous year's process
- considered and approved the subsidiary governances' principles of engagement
- monitored and provided guidance in the preparation for the end of the lock-in period (10 years) in respect of Tutuwa.

The year ahead

- finalise the implementation of chairman succession plans
- monitor the adoption and implementation of subsidiary governance principles of engagement
- monitor and ensure successful implementation of the end of the lock-in period processes in respect of the group's Tutuwa initiative
- monitor the performance of directors
- ensure development of and implementation of action plans from the board evaluation process
- assist the board in ensuring that the composition of the board and committees is adequate and meets the group's requirements.

Corporate governance report | Board and committees continued

Summary of key terms of reference, focus areas and the year ahead continued

Audit committee

Chairman
Richard Dunne[1,2]

Members
Fran du Plessis[1,3]
Thulani Gcabashe[1,4]
Lord Smith of Kelvin, KT[1,5]
Peter Sullivan[1,6]
Ted Woods[1,7]

1 Independent non-executive director
2 Appointed 3 December 2009.
3 Appointed 28 May 2014
4 Appointed 1 May 2008.
5 Appointed 1 January 2009.
6 Appointed 6 March 2013.
7 Appointed 22 May 2008.

Summary of key terms of reference

Combined assurance model

- ensures that the group applies a combined assurance model to provide a coordinated approach to all assurance activities.

Financial reporting and financial control

- reviews the group's audited annual financial statements, interim financial results, summarised financial information, dividend announcements and all financial information in the annual report and recommends them to the board for approval
- evaluates the adequacy and effectiveness of the group's accounting policies and all proposed changes in accounting policies and practices
- satisfies itself as to the expertise, resources and experience of the group's finance function and the expertise of the group financial director
- reviews the basis for determination as a going concern
- reviews the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls
- reviews the impact of new financial systems, tax and litigation matters on financial reporting
- monitors the maintenance of proper and adequate accounting records and the overall financial and operational environment.

External audit

- reviews and approves the group's external audit plan
- assesses the independence and effectiveness of the external auditors on an annual basis
- oversees the appointment of external auditors, their terms of engagement and fees
- reviews significant differences of opinion between external auditors and management
- reviews the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensures that management takes appropriate action to satisfactorily resolve issues
- reviews and approves annually the policy setting out the nature and extent for using external auditors for non-audit work.

Internal audit and financial crime

- reviews, approves and monitors the internal audit plan
- reviews and approves the internal audit charter, as per the board's delegated authority
- considers and reviews the internal auditors' significant findings and management's response
- evaluates annually the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system
- reviews reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks.

Annual report

- recommends the annual report to the board for approval
- evaluates management's judgements and reporting decisions in relation to the annual report and ensures that all material disclosures are included
- reviews forward-looking statements, financial and sustainability information.

Compliance

- reviews, approves and monitors the group compliance plan
- monitors compliance with the Companies Act, Banks Act, the JSE Rules and Listings Requirements, and all other applicable legislations and governance codes.

Summary of key terms of reference

Risk management

- reviews the minutes of the GRCMC, noting all significant financial and non-financial risks that may have an impact on the annual report
- considers any significant matters raised at GRCMC meetings.

Information technology

- considers the auditors' use of relevant technology and techniques to improve audit coverage and audit efficiency
- oversees IT risk in relation to financial reporting
- considers the impact of IT on financial controls.

Summary of key focus areas in 2014

- reviewed the financial information published by the group, including the content of the annual report, and recommended the annual report to the board for approval
- evaluated financial accounting and reporting issues that affected the group
- reviewed, approved and monitored the external audit, internal audit and compliance plans
- considered tax matters, including current and upcoming tax legislation
- monitored the group's internal control framework and the results of activities of the group internal financial control governance committee
- considered reports from internal audit, compliance and financial crime control, and monitored responses from management where required
- considered the independent assessment of the effectiveness of the internal audit function conducted by Ernst and Young in accordance with the five-yearly requirement by the International Institute of Internal Auditors, the results of which confirmed that internal audit generally aligns to global and local leading internal audit standards
- considered the routine independent quality assurance review of audit execution conducted by Deloitte, the results of which confirmed the internal audit had complied with the International Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing
- considered Companies Act requirements in respect of assessing the independence of external auditors
- monitored compliance with relevant legislation, including Regulation 40(4) of the Banks Act requiring directors to report annually to the Registrar of Banks on the status of internal controls, any material malfunctions and the going concern determination
- approved the audit committee report for publication in the annual report
- reviewed and approved non-audit fees as per the policy on non-audit services.

The fees for audit and non-audit services are set out on **page 214** of the annual financial statements section.

- reviewed minutes of the GRCMC
- held closed sessions with external auditors, and meetings with the chief risk officer, the financial director, the chief audit officer, the chief compliance officer and the head of operational risk responsible for financial crime control.

Further details on the committee's fulfilment of its statutory obligations are set out on **pages 129 to 130**.

The year ahead

- continue to monitor the maturity of internal financial controls
- continue to monitor key financial accounting and reporting developments that are likely to impact the group
- continue to monitor the activities of external audit, internal audit, compliance and financial crime control as they pertain to the regulatory and internal control environment of the group
- continue to monitor regulatory developments, feedback from and the group's response to interaction with regulators
- review reports relating to financial crime, material incidents, mitigation strategies and remedial actions
- review reports from management and subsidiary audit committees.

Corporate governance report | Board and committees continued

Summary of key terms of reference, focus areas and the year ahead continued

Risk and capital management

Chairman
Myles Ruck[1]

Members
Richard Dunne[1]
Kgomotso Moroka[1]
Fred Phaswana[1]
Peter Sullivan[1]
Swazi Tshabalala[1,2]
Ted Woods[1]

1 Independent non-executive director.
2 Appointed 28 May 2014.

Summary of key terms of reference

- ensures the establishment of independent risk and capital management functions at a group level
- reviews and approves the RCCM governance framework, risk governance standards, governance frameworks, and relevant policies
- considers and approves the group's risk appetite as set out in the risk appetite framework and risk appetite statement
- monitors the risk profile to ensure that the group is managed within risk appetite
- ensures that the risk strategy is executed by management in accordance with the board-approved risk appetite and RCCM governance framework
- considers and approves the macroeconomic scenarios used for stress testing and evaluates the results of the stress testing
- reviews management reports on all risk types and ensures that management considers and implements appropriate risk responses
- approves risk and capital management disclosure in published reports
- reviews and recommends the ICAAP and internal capital target ratio ranges to the board for approval
- reviews the impact on capital of significant transactions entered into by the group.

Summary of key focus areas in 2014

- considered risk overviews from the group and business unit chief risk officers on events and risks that had occurred or were emerging, which were expected to have a direct or indirect impact on the group's risk profile
- considered reports from management that covered key risks, including credit, equity, compliance, country, capital and liquidity, market, operational, legal and insurance risk
- considered and approved the risk appetite statement for the group's banking operations
- approved relevant risk governance standards, frameworks and policies
- considered and approved the macroeconomic scenarios that would be used in the budget 2014 group stress testing
- recommended the ICAAP and internal capital target ratio ranges to the board for approval
- monitored capital and liquidity ratios for the group
- considered management's report on legal matters significant to the group
- approved risk and capital management disclosure in published reports
- reviewed minutes of GROC meetings and received regular summaries from the CRO on important points raised at GROC

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Further details on this committee and the chairman's overview of its activities are set out in the risk and capital management report starting on **page 38**.

The year ahead

- continue to monitor the current and future risk profile of the group to ensure that the group is managed within risk appetite relative to the strategy
- continue to monitor new and emerging risk trends and their potential impact on the group
- continue to monitor industry-wide operational risk trends and incidents to ensure proactive response by the group
- continue to monitor the capital adequacy of the group and review the impact of significant transactions on capital
- monitor and review the group's progress with its data aggregation and risk reporting programme.

Summary of key terms of reference, focus areas and the year ahead continued

Large exposure credit committee

Chairman
Myles Ruck[1]

Members
André Parker[1,2]
Suné Brugman
Carel Buitendag
Libby King
Ben Kruger[3]
David Munro
Fred Phaswana[1]
Simon Ridley[3]
Paul Smith
Sim Tshabalala[3]
Jeremy Walker

1 Independent non-executive.
2 Appointed 28 May 2014.
3 Executive director.

Summary of key terms of reference

- ensures compliance with the requirements of the Banks Act Regulations (Regulations) in respect of large exposures as defined to the extent and on the basis as set out in its mandate
- approves the counterparty and portfolio definitions of large exposures for the purpose of the committee and the methodology for the determination thereof
- approves all counterparty and non-bank large exposures as required in terms of the SARB's requirements which are subsequently ratified by the board at the next board meeting.

Summary of key focus areas in 2014

- considered management reports recommending the approval and annual renewals of large exposures as defined in the Regulations
- approved the committee's mandate.

The year ahead

- continue to discharge the board's responsibility in respect of large exposures
- continue to monitor and ensure compliance with the Regulations.

Corporate governance report | continued

Board and committee meetings

Five board meetings were held during 2014, with one meeting dedicated to reviewing the bank's strategy. The table provides details of the number of meetings held during the year and attendance at those meetings by the directors during their tenure as board and committee members.

	Board (including strategy)	Audit committee	Risk and capital management committee	Directors' affairs committee	SBSA large exposure committee
Number of meetings held	5	8	4	5	7
Attendance					
Chairman					
TMF Phaswana	5		4	5	6
Deputy chairman					
SJ Macozoma[1,2]	5		4	5	
Independent non-executive directors					
DDB Band[3]	2		2	2	2
RMW Dunne	5	8	4		
FA du Plessis[4]	4	4			
TS Gcabashe	5	8		5	
KP Kalyan[5]	1				
KD Moroka[6]	5		2	5	
AC Nissen[7]	0				
AC Parker[8]	4				5
ANA Peterside CON[9]	2				
MJD Ruck[10]	5		4	3	7
Lord Smith of Kelvin, KT	3	7			
PD Sullivan	5	8	4		
BS Tshabalala[11]	4		2		
EM Woods	5	8	4		
Executive directors					
BJ Kruger	5				5
SP Ridley	5				6
SK Tshabalala	5				5

1 Non-executive director.
2 Saki Macozoma resigned as deputy chairman and non-executive director on 31 December 2014.
3 Doug Band retired from the board on 28 May 2014.
4 Fran du Plessis appointed as director on 14 March 2014 and as member of the audit committee on 28 May 2014.
5 Koosum Kalyan resigned as director on 3 March 2014.
6 Kgomotso Moroka appointed to risk and capital management committee on 28 May 2014.
7 Chris Nissen retired from the board on 28 May 2014.
8 André Parker appointed as director on 14 March 2014 and as member of the SBSA large exposure committee on 28 May 2014.
9 Atedo Peterside CON appointed as director on 22 August 2014.
10 Myles Ruck appointed to directors' affairs committee on 26 May 2014.
11 Swazi Tshabalala appointed as director on 14 March 2014 and as member of the risk and capital management committee on 28 May 2014.

Prescribed officers

As set out in the Companies Act regulations, a person is a prescribed officer if such person exercises general executive control over and management of the whole, or a significant portion of, the business and activities of the company or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or significant portion, of the activities of the company. Accordingly, the group directors' affairs committee confirmed the classification of the group's prescribed officers as envisaged in the Companies Act. Besides the executive directors, namely Ben Kruger, group chief executive, Sim Tshabalala, group chief executive, and Simon Ridley, group financial director, the company's prescribed officers are:

- David Munro, the chief executive for CIB
- Peter Schlebusch, the chief executive for PBB
- Bruce Hemphill, the chief executive, SBW.

Disclosure of remuneration for the prescribed officers is contained on **page 274**.

Group secretary

The board is satisfied that an arm's length relationship exists between it and the group secretary, Zola Stephen, who is not a member of the board or a prescribed officer of the group. In addition to guiding the board on discharging its duties and responsibilities, the group secretary keeps the board abreast of relevant changes in legislation and governance best practice.

To enable the board to function effectively, all directors have full and timely access to information that may be relevant in the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments that may affect the group and its operations. All directors have access to the services of the group secretary.

In line with the JSE Listings Requirements, the board has assessed the competence, qualifications and experience of the group secretary and concluded that she is competent to carry out her duties.

The board remains responsible for the appointment and removal of the group secretary.

Ensuring the highest levels of compliance

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy. The board delegates responsibility for compliance to management, and monitors this through the compliance function. The regulatory and legislative oversight committee assesses the impact of proposed legislation and regulation, and any material regulatory issues are escalated to GROC and the GRCMC.

Oversight of compliance risk management is delegated to the GAC, which reviews and approves the mandate of the group chief compliance officer. The group chief compliance officer provides a quarterly report on the status of compliance risk management in the group and significant areas of non-compliance, as well as providing feedback on interaction with regulators. GIA reviews and audits the group compliance function, as well as the compliance policy and governance standards.

Code of banking practice

Standard Bank is a member of BASA. Endorsed by the members of BASA, the code of banking practice safeguards the interests of consumers. It is based on four key principles: fairness, transparency, accountability and reliability. These principles resonate with the group's values and ensure that the Financial Services Board's TCF framework is met. TCF seeks to create a more meaningful focus on the fair treatment of customers.

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An update on the work performed by the group to achieve TCF compliance can be found in the SBG sustainability report.

Codes of conduct

Standard Bank is regulated by various codes of conduct in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. This act regulates financial service providers who render advice and/or provide intermediary services to clients in relation to certain financial products.

Standard Bank has also adopted BASA's code for the selling of unsecured credit, which governs the relationship between banks and customers in respect of credit extension. Regular risk reviews are embedded in the credit function and provide the means to regulate credit risk appetite.

King Code

The group continues to apply the principles of the King Code which adopts an 'apply or explain' approach whereby a reasonable explanation for not applying a principle is required. Exceptions and differences to the application of the King Code are monitored and reviewed annually, and the board is satisfied with the group's compliance in this regard. Instances of non-compliance have been considered and explained below. These instances occurred throughout the reporting year.

Exceptions to the application of the King Code principles

- **Principle 2.19 (paragraph 88.7):** King III requires disclosure of actual or potential political connections or exposure for directors. The group does not discourage directors from being affiliated to political parties and the board believes this contributes to strengthening South Africa's democracy. Some of the group's directors are involved in political parties but are not office bearers of any political party in South Africa.
- **Principle 2.25 (paragraph 153):** The board has considered the King Code requirement that non-executive remuneration should comprise a base fee and an attendance fee per meeting, and has agreed that the current fee structure of a single comprehensive annual fee is more appropriate for the group board and committees. It is the group's view that the contribution of directors cannot only be judged by attendance at board and committee meetings.

Corporate governance report | continued

- **Principle 2.25 (paragraph 173):** The King Code requires that options or other conditional share awards should not vest or be exercisable within three years from the date of grant. However, the DBS, which is settled in Standard Bank equity shares, has an initial vesting period shorter than three years. The average vesting period for deferred bonuses is, however, approximately three years.

Further information on the DBS can be found in annexure D **on page 264**.

Statement of differences to the King Code

- **Principle 7.1 (paragraph 5):** The King Code recommends that the board approve the GIA charter. The board has delegated this responsibility to the GAC.

Connecting with our stakeholders

The group's relevance to the markets and societies in which it operates depends on continued and meaningful engagement with all stakeholders. Building and maintaining good stakeholder relationships help us manage and respond to expectations, minimise reputational risk and form strong partnerships, all of which support commercial sustainability.

Individual business units undertake stakeholder engagement activities appropriate to their particular areas. At group level, the stakeholder relations unit engages with key stakeholders in the public and private sectors. The stakeholder relations forum comprising business unit managers and executives meet every second month. It is responsible for facilitating a coordinated approach to stakeholder engagement activities across the group, and ensuring that the group communicates a consistent message based on our code, values and strategy.

Board meetings include oversight of stakeholder engagement activities as a standing item. The board receives a quarterly stakeholder engagement report that collates input from the group's business units and provides an overview of activities across the group.

The investor relations department facilitates regular and pertinent communication with shareholders.

Political party contributions

As part of its commitment to supporting democracy in South Africa, the group makes a financial donation to political parties represented in the National Assembly. In terms of the policy agreed by the board in 2005, the donations are distributed according to a funding formula based on that of the Independent Electoral Commission. In a year when there is a general election, the donation to parties is doubled, to take into account the increased political activity. Parties are required to submit a report to the group outlining how they have used the previous year's donation.

The policy is reviewed after every general election. In 2010, the board confirmed its commitment to the democracy support programme until 2014. The total allocation to political parties from 2010 to 2014 was R13,5 million, with R4,2 million donated in the last year.

Ethics and organisational integrity

Company values and ethics promote a healthy working environment and sustainably profitable organisation.

The board aims to provide effective and ethical leadership, and ensure that its conduct and that of management is aligned to the group's values and the code. The board subscribes to the group's values and the code. The code is designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles and values.

The code of ethics is available on the group's website at www.standardbank.com/ethics.aspx.

In ensuring that the group operates ethically, the board uses the inclusive stakeholder model of governance that considers the interests of all the group's stakeholders.

The group is a member of the Ethics Institute of South Africa, which advances the practice of ethics in South Africa and a number of other countries in Africa. The Ethics Institute has certified that the group's code meets the highest standards of international best practice. The code is aligned with and supported by other group policies and procedures, and supports compliance with the relevant industry regulations and laws.

Information on accessibility, anonymity, processes and the policy relating to the whistle-blowing service was published in all business units and geographical publications during the year. Overall, the group's financial crime control unit held over 1 589 awareness sessions and 567 disclosures were made to the hotline.

The ethics line contact details are:

Hotline SA only: 0800 113 443
Hotfax SA only: 0800 200 796
Hotline international:
+27 12 543 1547
Hotmail international:
fraud@kpmg.co.za

The PoPI Act was signed into law in 2013. While a commencement date for PoPI is yet to be decided, organisations will need to be compliant within one year of its commencement. A groupwide regulatory Privacy Programme is currently underway within Standard Bank to facilitate adherence to privacy requirements in the various jurisdictions in which the group does business, including the PoPI Act.

The group is focused on bringing positive change to the markets in which we operate. As a result, we have a supportive governance framework to enable the highest standards of responsible business practice in our interactions with all our stakeholders.

Management has set up an ethics management framework in which:

- the chief executive and ethics officer are the formal custodians of the code and are ultimately responsible for ensuring it is applied throughout the group
- each business unit has a senior executive (business unit ethics officer) who is responsible for driving awareness of the code and act as a final arbiter in cases where difficult decisions arise
- the ethics officer takes responsibility for the internal reporting of ethics-related incidents to management and the board through the group social and ethics committee and GAC
- the code is applicable in all countries in which the group has banking operations
- ethical incidents are reported through the ethics and fraud hotline, the group financial crime control unit, the human capital department, the ethics mailbox, business unit ethics officers and line managers
- an independent service provider operates a confidential and anonymous hotline on behalf of the group – awareness building and training is provided throughout the organisation to ensure employees are aware of the ethics reporting options available to them
- the group's values and code are included in leadership and management training, employee orientation programmes and the employee handbook
- in 2014, an ethics e-learning programme was launched for permanent employees which is also available to non-permanent employees. This training is provided in English, French and Portuguese
- values and ethics are incorporated in the group's performance management approach, where team members hold themselves and each other accountable for following the required values-based behaviours
- the most recent review of the code was undertaken in the latter part of 2013 where the principles of the 'serving our customers' value were amended to align to TCF regulatory requirements. The revised code of ethics was launched in March 2014. In December 2014, the value 'guarding against arrogance' was amended to 'raising the bar'.

Going concern

The board considers and assesses the group's status as a going concern in the preparation of the annual financial statements at year end. During the interim reporting period, a similar process is followed. In addition, the board considers the solvency and liquidity requirements in line with the provisions of the Companies Act.

The board's conclusion regarding the going concern status of the group can be found in the statement of directors' responsibility for financial reporting on **page 128**.

Sustainability

The sustainability report sets out a detailed analysis of the sustainability performance for the year and can be found at **www.standardbank.com/sustainability**

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Details on the group's commitment to transformation can be found in our sustainability report.

Annual financial statements

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

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

A summary of these results was made publicly available on 5 March 2015.

Contents

Directors' responsibility for financial reporting

In accordance with the Companies Act, the directors are responsible for the preparation of the annual financial statements. The annual financial statements conform to IFRS as issued by the IASB and fairly present the affairs of the group and the company as at 31 December 2014, and the net income and cash flows for the year then ended.

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

The directors are ultimately responsible for both the group and company's internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal controls are designed and implemented by management to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments, and group and company assets.

Accounting policies supported by judgements, estimates and assumptions in compliance with IFRS, are applied on the basis that the group and the company shall continue as a going concern.

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 and the company. Greater detail of these systems and controls, including the operation of the group's internal audit function, is provided in the corporate governance and the risk and capital management sections of this annual report.

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

The directors have a reasonable expectation that the group and the company will have adequate resources to continue in operational existence and as a going concern in the financial year ahead.

The 2014 annual financial statements and specified sections of the risk and capital management report were approved by the board of directors on 4 March 2015 and signed on its behalf by:

Fred Phaswana
Chairman
4 March 2015

Sim Tshabalala
Chief executive
4 March 2015

Group secretary's certification

Compliance with the Companies Act 71 of 2008

In terms of the Companies Act and for the year ended 31 December 2014, I certify that The Standard Bank of South Africa Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.

Zola Stephen
Group secretary
4 March 2015

Report of the audit committee

This report is provided by the audit committee, in respect of the 2014 financial year of The Standard Bank of South Africa Limited, in compliance with section 94 of the Companies Act, as amended from time-to-time. The committee's operation is guided by a detailed mandate that is informed by the Companies Act, the Banks Act and the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2009 (King Code) and is approved by the board.

The committee is appointed by the board annually. Information on the membership and composition of the audit committee, its terms of reference and its activities is provided in greater detail in the corporate governance statement.

Execution of functions

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

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

- In respect of the external auditors and the external audit:
  - approved the reappointment of KPMG Inc. and PricewaterhouseCoopers Inc. as joint external auditors for the financial year ended 31 December 2014, in accordance with all applicable legal requirements
  - approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable
  - reviewed the audit process and evaluated the effectiveness of the audit
  - obtained assurance from the external auditors that their independence was not impaired
  - considered the nature and extent of all non-audit services provided by the external auditors
  - through the chairman, approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount
  - confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005
  - considered reports from subsidiary audit committees and from management through the group's governance structures on the activities of subsidiary entities.
- In respect of the financial statements:
  - confirmed the going concern principle as the basis of preparation of the annual financial statements
  - examined and reviewed the annual financial statements prior to submission and approval by the board
  - reviewed reports on the adequacy of the provisions for performing and non-performing loans and impairment of other assets, and the formulae applied by the group in determining charges for and levels of impairment of performing loans
  - ensured that the annual financial statements fairly present the financial position of the group and of the company as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the group and the company was determined to be a going concern
  - ensured that the annual financial statements conform with IFRS
  - considered accounting treatments, significant unusual transactions and accounting judgements
  - considered the appropriateness of the accounting policies adopted and changes thereto
  - reviewed and discussed the external auditors' audit report
  - considered and made recommendations to the board on the interim and final dividend payments to the shareholder
  - noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of annual financial statements, internal controls and related matters.
- In respect of the annual report:
  - recommended the annual report to the board for approval
  - evaluated management's judgements and reporting decisions in relation to the annual report and ensured that all material disclosures were included
  - reviewed forward-looking statements, financial and sustainability information.
- In respect of internal control, internal audit and financial crime control:
  - reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter
  - considered reports of the internal and external auditors on the group's systems of internal control, including internal financial controls and maintenance of effective internal control systems
  - reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings
  - noted that there were no significant differences of opinion between the internal audit function and management
  - assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory
  - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof
  - based on the above, the committee formed the opinion that, at the date of this report, there were no material breakdowns in internal controls, including internal financial controls, resulting in any material loss to the group

Report of the audit committee | continued

- reviewed and approved the mandate of financial crime as an independent risk function
- discussed significant financial crime matters and control weaknesses identified
- over the course of the year, met with the chief audit officer, chief compliance officer, the CRO, the head of financial crime control, management and the external auditors
- reviewed any significant legal and tax matters that could have a material impact on the financial statements
- considered quarterly reports from the group and company's internal financial controls committee
- considered the independent assessment of the effectiveness of the internal audit function conducted by Ernst and Young in accordance with the five-yearly requirement by the International Institute of Internal Auditors, the results of which confirmed that internal audit generally aligns to global and local leading internal audit standards
- considered the routine independent quality assurance review of audit execution conducted by Deloitte, the results of which confirmed that internal audit had complied with the International Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

- In respect of legal, regulatory and compliance requirements:
  - reviewed, with management, matters that could have a material impact on the group and company
  - monitored compliance with the Companies Act, the Banks Act, all other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of this
  - noted that no complaints were received through the group and company's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters
  - reviewed and approved the annual compliance mandate and compliance plan.
- In respect of risk management and IT:
  - considered and reviewed reports from management on risk management, including fraud and IT risks as they pertain to financial reporting and the going concern assessment
  - the chairman is a member of and attended the risk and capital management committee and group IT committee meetings held during the year under review.
- In respect of the coordination of assurance activities, the committee:
  - reviewed the plans and work outputs of the external and internal auditors, as well as compliance and financial crime control, and concluded that these were adequate to address all significant financial risks facing the business
  - considered the expertise, resources and experience of the finance function and the senior members of management responsible for this function and concluded that these were appropriate
  - considered the appropriateness of the experience and expertise of the group financial director and concluded that these were appropriate.

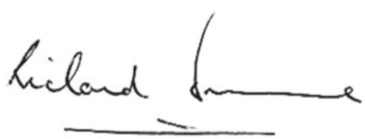
Independence of the external auditors

The audit committee is satisfied that KPMG Inc. and PricewaterhouseCoopers Inc. are independent of the group and company. This conclusion was arrived at, inter alia, after taking into account the following factors:

- the representations made by KPMG Inc. and PricewaterhouseCoopers Inc. to the audit committee
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the group
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

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

On behalf of the audit committee



Richard Dunne
Chairman, audit committee
3 March 2015

Directors' report

for the year ended 31 December 2014

Nature of business

SBSA is a wholly-owned subsidiary of SBG, an African banking group with South African roots. SBSA is the single largest operating entity within the SBG.

SBSA results

A general review of the business and its operations is provided in the chief executive's review starting on **page 8**.

A financial review of the results of SBSA for the year is provided on **pages 14 to 23**.

Property and equipment

There was no change in the nature of the fixed assets of SBSA or in the policy regarding their use during the year.

Share capital

Ordinary shares

During 2014, no shares were issued (2013: one ordinary shares was issued at a premium of R1,1 billion).

Directors' and prescribed officers' interest in shares

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

Equity compensation plans

Information on options or rights granted to executive directors under the equity compensation plans is provided in annexure E starting on **page 270**.

Directors' and prescribed officers' emoluments and share incentives

Directors' and prescribed officers' emoluments as well as information relating to the determination of their share incentive allocations and related matters is contained in annexure E starting on **page 270**.

Shareholder analysis

The company is a wholly-owned subsidiary of SBG.

Dividends to the shareholder

Ordinary shares

On 5 March 2014, a dividend of R4,3 billion was declared to the shareholder recorded at the close of business on 6 March 2014, and paid on 31 March 2014.

On 13 August 2014, a dividend of R4,3 billion was declared to the shareholder recorded at the close of business on 29 August 2014, and paid on 29 August 2014.

On 4 March 2015, a dividend of R4,3 billion was declared to the shareholder recorded at the close of business on 5 March 2015, and payable on 31 March 2015.

Board of directors

The directorate is listed in this annual report on **pages 108 to 111**.

The following changes in directorate have taken place during the financial year ended 31 December 2014:

The Standard Bank of South Africa Limited

Appointments		
BS Tshabalala	as director	14 March 2014
FA du Plessis	as director	14 March 2014
AC Parker	as director	14 March 2014
ANA Peterside CON	as director	22 August 2014
Retirements		
DDB Band	as director	28 May 2014
AC Nissen	as director	28 May 2014
Resignations		
KP Kalyan	as director	3 March 2014
SJ Macozoma	as director	31 December 2014

Group secretary and registered office

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

Directors' report | continued

Management by third parties

None of the businesses of the company or its subsidiaries had, during the financial year, been managed by a third party or a company in which a director had an interest.

Further details can be found in the related parties' disclosure in note 32 starting on **page 220**.

Subsidiaries, associates and joint ventures

The interests in subsidiaries, associates and joint ventures, where considered material in the light of the group's financial position and results, are set out in annexure B on **page 250** and annexure C starting on **page 260**, respectively.

Contracts

Saki Macozoma, a former director and deputy chairman of SBSA, has an effective shareholding of 28.40% (2013: 28.40%) in Safika, which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds effective interests of 2.38% (2013: 2.39%) in Liberty Holdings Limited and 1.33% (2013: 1.34%) in SBG. SBG has an effective interest of 26.67% (2013: 26.67%) in Safika.

Insurance

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

Independent auditors' report

To the shareholder of The Standard Bank of South Africa Limited

We have audited the consolidated group and separate company financial statements of The Standard Bank of South Africa Limited, which comprise the statements of financial position as at 31 December 2014, and the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and notes to the financial statements, as set out on pages 134 to 281 and specified sections marked as 'audited' in the risk and capital management report contained within pages 38 to 105.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatements.

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, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The Standard Bank of South Africa Limited as at 31 December 2014, its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the directors' report, the report of the group audit committee and the group secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per Peter MacDonald
Chartered Accountant (SA)
Registered Auditor
Director
4 March 2015

85 Empire Road
Parktown
2193

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor

Per Johannes Grosskopf
Chartered Accountant (SA)
Registered Auditor
Director
4 March 2015

2 Eglin Road
Sunninghill
2157

Statements of financial position

as at 31 December 2014

		Group		Company	
	Note	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Assets					
Cash and balances with central banks	3	**32 218**	29 934	**32 202**	29 934
Derivative assets	4.7	**54 062**	59 974	**54 060**	59 992
Trading assets	5	**51 436**	35 574	**51 436**	35 393
Pledged assets	6.1	**5 281**	4 394	**5 281**	4 394
Financial investments	7	**101 856**	73 604	**100 445**	73 610
Loans and advances	8.1	**785 483**	704 919	**769 402**	687 138
Current tax asset	9	**313**	286	**313**	286
Deferred tax asset	9	**40**	38	**7**	7
Other assets	10.1	**7 470**	11 623	**7 175**	11 359
Interest in group companies, associates, and joint ventures – banking operations	11	**66 907**	72 757	**76 394**	80 866
Goodwill and other intangible assets	12	**16 999**	13 785	**16 952**	13 737
Property and equipment	13	**9 085**	8 989	**9 028**	8 954
Total assets		**1 131 150**	1 015 877	**1 122 695**	1 005 670
Equity and liabilities					
Equity		**82 418**	79 204	**80 959**	77 574
Equity attributable to the ordinary shareholder		**82 412**	79 201	**80 959**	77 574
Ordinary share capital	14.2	**60**	60	**60**	60
Ordinary share premium	15	**36 296**	36 296	**36 296**	36 296
Reserves		**46 056**	42 845	**44 603**	41 218
Non-controlling interest		**6**	3		
Liabilities		**1 048 732**	936 673	**1 041 736**	928 096
Derivative liabilities	4.7	**66 298**	65 813	**66 298**	65 812
Trading liabilities	16	**22 709**	20 424	**22 709**	20 424
Deposit and current accounts	17	**799 936**	721 350	**790 995**	711 109
Current tax liability	18	**3 338**	3 361	**3 326**	3 359
Deferred tax liability	18	**232**	138	**221**	167
Provisions and other liabilities	19.1	**11 691**	14 084	**11 419**	13 808
Subordinated debt	20	**20 734**	20 815	**20 734**	20 815
Liabilities to group companies	11.3	**123 794**	90 688	**126 034**	92 602
Total equity and liabilities		**1 131 150**	1 015 877	**1 122 695**	1 005 670

Income statements

for the year ended 31 December 2014

		Group		Company	
	Note	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Net interest income		**32 492**	28 888	**32 097**	28 573
Interest income	26.1	**66 749**	58 069	**65 836**	57 297
Interest expense	26.2	**34 257**	29 181	**33 739**	28 724
Non-interest revenue		**24 725**	22 848	**23 907**	22 374
Net fee and commission revenue		**18 815**	16 976	**17 823**	16 070
Fee and commission revenue	26.3	**22 770**	20 508	**21 764**	19 587
Fee and commission expense	26.4	**3 955**	3 532	**3 941**	3 517
Trading revenue	26.5	**3 453**	3 521	**3 467**	3 559
Other revenue	26.6	**2 457**	2 351	**2 617**	2 745
Total income		**57 217**	51 736	**56 004**	50 947
Credit impairment charges	26.7	**7 876**	7 815	**7 757**	7 763
Income after credit impairment charges		**49 341**	43 921	**48 247**	43 184
Revenue sharing agreements	26.8	**1 759**	1 646	**1 759**	1 646
Income after revenue sharing agreements		**47 582**	42 275	**46 488**	41 538
Operating expenses		**31 701**	28 243	**30 936**	27 558
Staff costs	26.9	**16 039**	14 796	**15 712**	14 515
Other operating expenses	26.10	**15 662**	13 447	**15 224**	13 043
Net income before goodwill impairment		**15 881**	14 032	**15 552**	13 980
Goodwill impairment	26.11	**4**			
Net income before equity accounted earnings		**15 877**	14 032	**15 552**	13 980
Share of profits/(losses) from associates and joint ventures	11.2	**140**	303	**476**	(2)
Net income before indirect taxation		**16 017**	14 335	**16 028**	13 978
Indirect taxation	27.1	**1 398**	1 211	**1 396**	1 207
Profit before direct taxation		**14 619**	13 124	**14 632**	12 771
Direct taxation	27.2	**2 942**	2 608	**2 783**	2 494
Profit for the year		**11 677**	10 516	**11 849**	10 277
Attributable to non-controlling interest		**3**	(21)		
Attributable to the ordinary shareholder		**11 674**	10 537	**11 849**	10 277
Basic earnings per ordinary share (cents)	29	**19 458**	17 563	**19 749**	17 129

Statements of other comprehensive income

for the year ended 31 December 2014

	Ordinary shareholder's equity Rm	Non-controlling interest Rm	Total equity Rm
Group			
2014			
Profit for the year	**11 674**	**3**	**11 677**
Other comprehensive income after tax for the year[1]	**24**		**24**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	**141**		**141**
Change in fair value on cash flow hedges	**161**		**161**
Realised fair value adjustments on cash flow hedges transferred to profit or loss	**(163)**		**(163)**
Net change in fair value of available-for-sale financial assets	**(5)**		**(5)**
Items that may not be reclassified to profit or loss:			
Defined benefit fund remeasurements	**(110)**		**(110)**
Total comprehensive income for the year	**11 698**	**3**	**11 701**
Attributable to non-controlling interest		**3**	**3**
Total comprehensive income attributable to the ordinary shareholder	**11 698**		**11 698**
2013			
Profit for the year	10 537	(21)	10 516
Other comprehensive income after tax for the year[1]	92		92
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	187		187
Change in fair value on cash flow hedges	513		513
Realised fair value adjustments on cash flow hedges transferred to profit or loss	(398)		(398)
Net change in fair value of available-for-sale financial assets	25		25
Items that may not be reclassified to profit or loss:			
Defined benefit fund remeasurements	(235)		(235)
Total comprehensive income for the year	10 629	(21)	10 608
Attributable to non-controlling interest		(21)	(21)
Total comprehensive income attributable to the ordinary shareholder	10 629		10 629
Company			
2014			
Profit for the year	**11 849**		**11 849**
Other comprehensive income after tax for the year[1]	**23**		**23**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	**140**		**140**
Change in fair value on cash flow hedges	**161**		**161**
Realised fair value adjustments on cash flow hedges transferred to profit or loss	**(163)**		**(163)**
Net change in fair value of available-for-sale financial assets	**(5)**		**(5)**
Items that may not be reclassified to profit or loss:			
Defined benefit fund remeasurements	**(110)**		**(110)**
Total comprehensive income attributable to the ordinary shareholder	**11 872**		**11 872**
2013			
Profit for the year	10 277		10 277
Other comprehensive income after tax for the year[1]	86		86
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	181		181
Change in fair value on cash flow hedges	513		513
Realised fair value adjustments on cash flow hedges transferred to profit or loss	(398)		(398)
Net change in fair value of available-for-sale financial assets	25		25
Items that may not be reclassified to profit or loss:			
Defined benefit fund remeasurements	(235)		(235)
Total comprehensive income attributable to the ordinary shareholder	10 363		10 363

[1] The income tax, where applicable, relating to each component of OCI is disclosed in note 27.2.

Statements of cash flows

for the year ended 31 December 2014

		Group		Company	
	Note	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Net cash flows from operating activities		**15 480**	13 157	**15 452**	13 520
Cash flows used in operations		**(13 213)**	(12 573)	**(12 965)**	(12 013)
Income before share of profit from associates and joint ventures		**15 877**	14 032	**15 552**	13 980
Adjusted for:		**(21 808)**	(18 635)	**(21 541)**	(18 354)
Amortisation and impairment of intangible assets	26.10	**1 556**	1 094	**1 556**	1 094
Credit impairment charges on loans and advances	26.7	**7 876**	7 815	**7 757**	7 763
Depreciation of property and equipment	26.10	**1 872**	1 778	**1 865**	1 765
Discount element recognised from credit impairment for loans and advances	26.1	**(751)**	(556)	**(743)**	(551)
Dividends included in trading revenue		**(743)**	(397)	**(743)**	(397)
Equity-settled share-based payments	26.9	**27**	10	**27**	10
Cash-settled share-based payments		**1 240**	878	**1 240**	878
Fair value adjustments on dated financial instruments	26.1	**(60)**	238	**(60)**	238
Reversal of impairments of associates	11.2		(21)		(23)
Indirect taxation	27.1	**(1 398)**	(1 211)	**(1 396)**	(1 207)
Interest expense	26.2	**34 257**	29 181	**33 739**	28 724
Interest income	26.1	**(65 938)**	(57 751)	**(65 033)**	(56 984)
Net movement in post-employment benefits	10.2; 19.2	**205**	357	**205**	357
Goodwill impairment	12.1	**4**			
Gain on disposal of subsidiary	31.6		(27)		
Loss/(profit) on sale of property and equipment	26.10	**45**	(23)	**45**	(21)
Increase in income-earning assets	31.1	**(117 411)**	(51 541)	**(118 735)**	(52 004)
Increase in deposits and other liabilities	31.2	**111 522**	44 255	**113 152**	45 864
Movement in post-employment remeasurements		**(1 393)**	(684)	**(1 393)**	(1 499)
Dividends received		**2 463**	1 832	**2 159**	1 634
Interest paid		**(35 133)**	(29 534)	**(34 615)**	(29 077)
Interest received		**64 218**	56 314	**63 617**	55 747
Direct taxation paid	31.3	**(2 855)**	(2 882)	**(2 744)**	(2 771)
Net cash flows used in investing activities		**(5 187)**	(5 836)	**(5 174)**	(6 193)
Capital expenditure on					
– property and equipment	13	**(2 068)**	(1 987)	**(2 039)**	(1 972)
– intangible assets	12	**(4 437)**	(4 346)	**(4 434)**	(4 342)
Proceeds from sales of					
– property and equipment		**64**	202	**64**	98
– intangible assets			21		22
Cash flow from disposal of subsidiary	31.6		246		
Proceeds from sale of associates	11.2	**1 235**		**1 235**	
Distributions from investments in associates and joint ventures	11.2	**19**	28		1
Net cash flows used in financing activities		**(8 150)**	(3 500)	**(8 150)**	(3 500)
Proceeds from issue of share capital to shareholder	31.4		1 100		1 100
Subordinated debt issued		**2 250**		**2 250**	
Subordinated debt redeemed		**(1 800)**	(1 500)	**(1 800)**	(1 500)
Dividends paid	31.5	**(8 600)**	(3 100)	**(8 600)**	(3 100)
Effects of exchange rate changes		**141**	187	**140**	181
Net increase in cash and cash equivalents		**2 284**	4 008	**2 268**	4 008
Cash and cash equivalents at the beginning of the year		**29 934**	25 926	**29 934**	25 926
Cash and cash equivalents at the end of the year	3	**32 218**	29 934	**32 202**	29 934

Statement of changes in equity

for the year ended 31 December 2014

	Note	Ordinary share capital and premium Rm	Foreign currency translation reserve[1] Rm
Group			
Balance at 1 January 2013		35 256	183
Total comprehensive income/(loss) for the year			187
Profit for the year			
Other comprehensive income/(loss) after tax for the year			187
Transactions with the shareholder, recorded directly in equity		1 100	
Equity-settled share-based payment transactions			
Transfer of vested equity options			
Issue of share capital and share premium	14.2	1 100	
Disposal of subsidiary			
Dividends paid	30		
Balance at 31 December 2013		36 356	370
Balance at 1 January 2014		**36 356**	**370**
Total comprehensive income/(loss) for the year			**141**
Profit for the year			
Other comprehensive income/(loss) after tax for the year			**141**
Transactions with the shareholder, recorded directly in equity			
Equity-settled share-based payment transactions			
Transfer of vested equity options			
Dividends paid	30		
Balance at 31 December 2014		**36 356**	**511**

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

1 Refer to accounting policy 2 – *Foreign currency translations*.
2 Refer to the cash flow hedges section in accounting policy 4 – *Financial instruments*.
3 Refer to the available-for-sale financial assets section in accounting policy 4 – *Financial instruments*.
4 Refer to accounting policy 18 – *Equity-linked transactions*.

All balances are stated, where applicable, net of tax.

	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	Non-controlling interest Rm	Total equity Rm
	(90)	93	23	35 097	70 562	63	70 625
	115	25		10 302	10 629	(21)	10 608
				10 537	10 537	(21)	10 516
	115	25		(235)	92		92
			8	(3 098)	(1 990)	(39)	(2 029)
			10		10		10
			(2)	2			
					1 100		1 100
						(39)	(39)
				(3 100)	(3 100)		(3 100)
	25	118	31	42 301	79 201	3	79 204
	25	**118**	**31**	**42 301**	**79 201**	**3**	**79 204**
	(2)	**(5)**		**11 564**	**11 698**	**3**	**11 701**
				11 674	**11 674**	**3**	**11 677**
	(2)	**(5)**		**(110)**	**24**		**24**
			11	**(8 498)**	**(8 487)**		**(8 487)**
			27	**86**	**113**		**113**
			(16)	**16**			
				(8 600)	**(8 600)**		**(8 600)**
	23	**113**	**42**	**45 367**	**82 412**	**6**	**82 418**

Statement of changes in equity

for the year ended 31 December 2014

	Note	Ordinary share capital and premium Rm
Company		
Balance at 1 January 2013		35 256
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income/(loss) after tax for the year		
Transactions with the shareholder, recorded directly in equity		1 100
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Issue of share capital and share premium	14.2	1 100
Dividends paid	30	
Balance at 31 December 2013		36 356
Balance at 1 January 2014		**36 356**
Total comprehensive income/(loss) for the year		
Profit for the year		
Other comprehensive income/(loss) after tax for the year		
Transactions with the shareholder, recorded directly in equity		
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Dividends paid	30	
Balance at 31 December 2014		**36 356**

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

[1] Refer to accounting policy 2 – *Foreign currency translations.*
[2] Refer to the cash flow hedges section in accounting policy 4 – *Financial instruments.*
[3] Refer to the available-for-sale financial assets section in accounting policy 4 – *Financial instruments.*
[4] Refer to accounting policy 18 – *Equity-linked transactions.*

All balances are stated, where applicable, net of 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
156	(90)	93	23	33 763	69 201
181	115	25		10 042	10 363
				10 277	10 277
181	115	25		(235)	86
			8	(3 098)	(1 990)
			10		10
			(2)	2	
					1 100
				(3 100)	(3 100)
337	25	118	31	40 707	77 574
337	**25**	**118**	**31**	**40 707**	**77 574**
140	**(2)**	**(5)**		**11 739**	**11 872**
				11 849	**11 849**
140	**(2)**	**(5)**		**(110)**	**23**
			11	**(8 498)**	**(8 487)**
			27	**86**	**113**
			(16)	**16**	
				(8 600)	**(8 600)**
477	**23**	**113**	**42**	**43 948**	**80 959**

Accounting policy elections

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

Basis of preparation

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

- available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and liabilities for cash-settled share-based payment arrangements
- post-employment benefit obligations that are measured in terms of the projected unit credit method.

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

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned, are recognised and derecognised using trade date accounting (accounting policy 4)
- cumulative gains and losses recognised in OCI in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 4)
- commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-traders' margin are measured at fair value less cost to sell (accounting policy 4)
- intangible assets and property and equipment are accounted for using the cost model (accounting policies 6 and 7)
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 16).

Functional and presentation currency

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

Changes in accounting policies

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

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

- IAS 32 *Financial Instruments: Presentation – Amendment to Offsetting Financial Assets and Financial Liabilities* (IAS 32)
- IFRS 10 *Consolidated Financial Statements amendment* (IFRS 10)
- IFRIC 21 *Levies* (IFRIC 21)

Early adoption of revised standards

- Amendment to IAS 16 *Property, Plant and Equipment* (IAS 16) and IAS 38 *Intangible Assets* (IAS 38) – *Clarification of Acceptable Methods of Depreciation and Amortisation* (2014 amendment)
- Annual improvements 2012 – 2014 cycle (excluding the amendments relating to IFRS 7 *Financial Instruments: Disclosure – Servicing Contracts*) (2014 amendment)
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* (2014 amendment)
- IFRS 14 *Regulatory Deferral Accounts* (2014 issued) (IFRS 14).

The revised standards and interpretations did not have any effect on the group and company's reported earnings or financial statement position and had no material impact on the accounting policies.

Notes to the annual financial statements

for the year ended 31 December 2014

1. Segment reporting

The principal business units for the group and company are as follows:

Business unit	Scope of operations
Personal & Business Banking	Banking and other financial services to individual customers and SMEs. Mortgage lending – residential accommodation loans mainly to personal market customers. Instalment sale and finance leases – finance of vehicles for personal market customers and 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 products – comprehensive suite of transactional, saving, investment, trade, foreign exchange, payment and liquidity management solutions made accessible through a range of physical and electronic facilities. Lending products – offered to both personal and business markets. Business lending offerings constitute a comprehensive suite of lending product offerings, structured working capital finance solutions and commercial property finance solutions. Bancassurance and wealth – short-term and long-term insurance products comprising simple embedded products, including homeowners' insurance, funeral cover, household contents and vehicle insurance and loan protection plans sold in conjunction with related banking products, financial planning and wealth services. This also includes complex insurance products including life, disability and investment policies sold by qualified intermediaries and financial planning and wealth services.
Corporate & Investment Banking	Corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties. CIB offers client coverage relationship management and sector expertise. Global markets – includes FIC commodities and equities. Transactional products and services – includes transactional banking, investor services and trade finance. Investment banking – includes advisory, debt products, structured finance, structured trade and commodity finance, debt capital markets and equity capital markets. Real estate – includes real estate finance and investment in real estate.
Other services	Includes the results of centralised support functions (back office), which are either centralised or embedded in the business segments. The direct costs of support functions are recharged to the business segments. These functions include legal, human capital, finance, governance and assurance, group IT, central operations, procurement, marketing, real estate and risk management.

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

Notes to the annual financial statements | continued

1. Segment reporting continued

	Personal & Business Banking 2014 Rm	Personal & Business Banking 2013[1] Rm
Group		
Net interest income	**24 915**	21 985
Interest income	**46 702**	41 285
Interest expense	**21 787**	19 300
Non-interest revenue	**16 989**	15 784
Net fee and commission revenue	**15 961**	14 797
Trading revenue		(1)
Other revenue	**1 028**	988
Total income	**41 904**	37 769
Credit impairment charges	**7 172**	6 553
Income after credit impairment charges	**34 732**	31 216
Revenue sharing agreements		
Income after revenue sharing agreements	**34 732**	31 216
Operating expenses	**22 814**	20 472
Staff costs	**5 556**	4 955
Other operating expenses/(recoveries)	**17 258**	15 517
Net income before goodwill impairment	**11 918**	10 744
Goodwill impairment		
Net income before equity accounted earnings	**11 918**	10 744
Share of profits from associates and joint ventures	**75**	211
Net income before indirect taxation	**11 993**	10 955
Indirect taxation	**298**	246
Profit/(loss) before direct taxation	**11 695**	10 709
Direct taxation	**3 056**	2 720
Profit/(loss) for the year	**8 639**	7 989
Attributable to non-controlling interest	**3**	2
Attributable to the ordinary shareholder	**8 636**	7 987
Headline earnings	**8 816**	8 072
Operating information		
Total assets	**479 294**	461 564
Total liabilities	**437 196**	424 390
Other information		
Interest in associates and joint ventures	**332**	1 441
Depreciation and amortisation	**1 191**	1 080
Impairments of intangible assets	**229**	

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

Corporate & Investment Banking		Other services		Total	
2014 Rm	2013[1] Rm	**2014 Rm**	2013[1] Rm	**2014 Rm**	2013[1] Rm
7 332	6 813	**245**	90	**32 492**	28 888
31 067	11 096	**(11 020)**	5 688	**66 749**	58 069
23 735	4 283	**(11 265)**	5 598	**34 257**	29 181
7 271	6 742	**465**	322	**24 725**	22 848
3 317	2 735	**(463)**	(556)	**18 815**	16 976
3 518	3 432	**(65)**	90	**3 453**	3 521
436	575	**993**	788	**2 457**	2 351
14 603	13 555	**710**	412	**57 217**	51 736
704	1 262			**7 876**	7 815
13 899	12 293	**710**	412	**49 341**	43 921
1 759	1 646			**1 759**	1 646
12 140	10 647	**710**	412	**47 582**	42 275
7 762	6 912	**1 125**	859	**31 701**	28 243
1 823	1 660	**8 660**	8 181	**16 039**	14 796
5 939	5 252	**(7 535)**	(7 322)	**15 662**	13 447
4 378	3 735	**(415)**	(447)	**15 881**	14 032
4				**4**	
4 374	3 735	**(415)**	(447)	**15 877**	14 032
65	92			**140**	303
4 439	3 827	**(415)**	(447)	**16 017**	14 335
73	95	**1 027**	870	**1 398**	1 211
4 366	3 732	**(1 442)**	(1 317)	**14 619**	13 124
331	176	**(445)**	(288)	**2 942**	2 608
4 035	3 556	**(997)**	(1 029)	**11 677**	10 516
	(24)		1	**3**	(21)
4 035	3 580	**(997)**	(1 030)	**11 674**	10 537
4 150	3 655	**(942)**	(1 018)	**12 024**	10 709
610 875	521 377	**40 981**	32 936	**1 131 150**	1 015 877
582 454	496 868	**29 082**	15 415	**1 048 732**	936 673
619	624			**951**	2 065
8	9	**1 784**	1 475	**2 983**	2 564
134		**82**	308	**445**	308

Notes to the annual financial statements | continued

2. Key management assumptions

In preparing the annual financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. Unless otherwise stated, no material changes to assumptions have occurred during the year.

2.1 Credit impairment losses on loans and advances

Portfolio loan impairments

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be 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 and non-performing but not specifically impaired 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 include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. 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 and company applied the following loss emergence periods:

	Average loss emergence period		Sensitivity[1]	
	2014 Months	2013 Months	**2014 Rm**	2013 Rm
Personal & Business Banking	**3**	3	**354**	308
Mortgage lending	**3**	3	**73**	93
Instalment sale and finance leases	**3**	3	**67**	62
Card debtors	**3**	3	**45**	6
Other lending	**3**	3	**169**	147
Corporate & Investment Banking	**12**	12	**29**	53
			383	361

1 Sensitivity is based on the effect of a change of a one-month increase in the emergence period on the value of the impairment.

2. Key management assumptions continued

2.1 Credit impairment losses on loans and advances continued

Specific loan impairments

Non-performing loans include those loans for which the group and company has identified objective evidence of default, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more. 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]	
	2014 Months	2013 Months	**2014 %**	2013 %	**2014 Rm**	2013 Rm
Personal & Business Banking	**6 – 15**	6 – 15	**59**	58	**129**	126
Mortgage lending	**15**	15	**74**	72	**98**	97
Instalment sale and finance leases	**10**	6	**48**	49	**10**	9
Card debtors	**15**	15	**32**	30	**5**	4
Other lending	**14**	13	**33**	31	**16**	16
Corporate & Investment Banking	**22**	6	**50**	40	**22**	12
			58	56	**151**	138

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

2.2 Fair value of financial instruments

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, which are not quoted in active markets is determined 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 valuation techniques not based on observable market data that was recognised in profit or loss for the group for the year ended 31 December 2014 was a net loss of R289 million (2013: net loss of R2 640 million). These changes in fair value have been materially mitigated by other financial instruments.

Additional disclosures on fair value measurements of financial instruments are set out in note 22.

2.3 Impairment of available-for-sale equity investments

The group and company 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. The determination of what is significant or prolonged requires judgement. In making this judgement, the normal volatility in the fair value, among other factors, is considered. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry or 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 have suffered an additional loss attributable to the shareholder of R11 million (2013: R11 million loss) in its financial statements, being the transfer of the negative revaluations within the available-for-sale reserve to profit or loss.

Notes to the annual financial statements | continued

2. Key management assumptions continued

2.4 Goodwill impairment

The group is required to annually test its recognised goodwill for impairment in terms of IFRS. The impairment tests are performed annually by comparing the cash-generating units' (CGU) recoverable amounts to the carrying amounts. The recoverable amount is determined as the higher of the entity's fair value less costs to sell and its value in use and is determined on an entity by entity basis. IFRS requires goodwill acquired in a business combination to be allocated to each of the acquirer's CGUs, or groups of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. During 2014, R4 million (2013: Rnil) of goodwill was impaired.

Further details regarding the group and company's accounting policy for goodwill can be found in annexure A, accounting policy 6.

The net goodwill of the group at 31 December 2014 amounted to R36 million (2013: R40 million).

Note 12 lists the composition of the goodwill by legal entity.

The review and testing of goodwill for impairment inherently requires significant management's judgement as it requires management to derive the best estimates of the identified CGUs' future cash flows. The principal assumptions considered in determining an entity's value in use include:

- **Future cash flows** – the forecast periods adopted reflect a set of cash flows that, based on management judgment and expected market conditions, could be sustainably generated over such a period. A forecast period of greater than five years has been used in order to take into account the level of development in these markets. The cash flows from the final discrete cash flow period are extrapolated into perpetuity to reflect the long-term plans for the entity. It is common valuation methodology to avoid placing too high a proportion of the total value in the perpetuity value.
- **Discount rates** – the cost of equity (CoE) percentages were derived from an equity pricing model deemed appropriate based on the entities under review. The risk-free rate used to determine the CoE has been derived from the respective local 10-year government bonds. The future cash flows are discounted using the CoE assigned to the appropriate CGUs and, by nature, can have a significant effect on their valuations.

2.5 Securitisations and structured entities

An SE is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The group is required to determine whether it has any interests in unconsolidated SEs, as well as whether it sponsors any unconsolidated SEs and to disclosure various information for such relationships.

Interests in unconsolidated SEs that are not considered to be a typical customer-supplier relationship are required to be identified and disclosed. An interest would be a typical customer-supplier relationship where the level of risk inherent in that interest in the SE exposes the group to a similar risk profile to that found in customary market-related transactions.

The group sponsors an SE where it provides financial support to the SE when not contractually required to do so. Financial support may be provided by the group for events such as litigation, tax and operational requirements.

During the year, the group consolidated SEs with assets of R32 519 million (2013: R13 610 million) and net profits of R24 million (2013: R10 million net losses).

Further details regarding these SEs can be found in annexure B.

2.6 Consolidation of entities

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

Refer to annexure B for a list of the material subsidiaries that are controlled by the group.

2. Key management assumptions continued

2.7 Held-to-maturity investments

The group and company applies the requirements of IFRS in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement of the group and company's ability to hold such investments to maturity. If the group and company fail to hold these investments to maturity other than for specific defined circumstances, it will be required to classify the entire category as available-for-sale and be measured at fair value and not amortised cost. If the entire category of held-to-maturity investments were tainted in this way, the carrying value would increase by R726 million (2013: R888 million) for the group and R726 million (2013: R888 million) for the company, with a corresponding entry in OCI.

2.8 Computer software intangible assets

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 capitalised and disclosed as computer software intangible assets. Computer software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The group reviews assets brought into use for impairment at each reporting date and tests for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These circumstances include, but are not limited to, technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The group is required to annually test its intangible assets not yet available for use for impairment in terms of IFRS irrespective of whether there are any indications of impairment.

The impairment tests are performed by comparing an asset's recoverable amounts to their carrying amounts. The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified asset's future cash flows in order to derive the asset's recoverable amount. The recoverable amount is based on the value in use and is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate pre-tax discount rate. During 2014, impairments to the amount of R445 million (2013: R308 million) were recognised within other operating expenses in profit or loss relating to computer software intangible assets.

The carrying value of computer software assets capitalised as at 31 December 2014 amounted to R16 963 million (2013: R13 745 million) for the group and R16 952 million (2013: R13 737 million) for the company. This includes work in progress for the group and company of R6 722 million (2013: R6 602 million) for which amortisation has not yet commenced. The carrying values as at 31 December 2014 is representative of the estimated minimum probable future economic benefits to be derived from the use of these assets.

2.9 Provisions

The accounting policy for provisions is set out in annexure A, accounting policy 12.

The principal assumptions taken into account in determining the value at which provisions are recorded in the group and company's statement of financial position, include determining whether there is a present obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing of the settlement of the obligation.

The probability of an event of a significant nature occurring will be assessed by management and, where applicable, consultation with the group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements.

2.10 Income taxes

The group and company 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 and company 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. Uncertain tax positions, which do not meet the probability criteria defined within IFRS, are not provided for but rather disclosed as contingent liabilities or assets as appropriate.

Notes to the annual financial statements | continued

2. Key management assumptions continued

2.11 Deferred tax assets

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.

Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the group and company in order to utilise the deferred tax assets.

Refer to note 9 for details of the carrying amount of the deferred tax assets and annexure A, accounting policy 14 for further details regarding the group and company's deferred tax accounting policy.

2.12 Share-based payments

The group and company have both cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the respective schemes. The group and company use the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the group and company's obligation with respect to its cash-settled share incentive scheme obligations is determined with reference to the group's share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the group estimates the expected future vesting of the awards by considering staff attrition levels. The group and company also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met.

Refer to annexure D for further details regarding the carrying amount of the liabilities arising from the group's cash-settled share incentive schemes and the expenses recognised in the income statement.

2.13 Post-employment benefits

The group and company's post-employment benefits consist of both post-employment retirement funds and healthcare benefits. The group and company's obligations to fund these benefits are derived from actuarial valuations performed by the appointed actuaries taking into account various assumptions. The funds are subject to a statutory financial review by the group's independent actuaries at intervals of not more than three years. The principal assumptions used in the determination of the group and company's obligations include the following:

	Retirement fund	Post-employment medical aid
2014		
Discount rate	**Nominal government bond yield curve**	**Nominal government bond yield curve**
Return on investments	**8.29% – discounted rate of term equal to the discounted mean term of the liabilities**	
Salary/benefit inflation	**Inflation rates plus 1% plus a merit scale**	
CPI inflation	**Difference between nominal and index-linked bond yield curves**	**Difference between nominal and index-linked bond yield curves**
Medical inflation		**Difference between nominal and index-linked bond yield curves plus 1.5%**
Provider benefit escalation	**Inflation rates plus 2%**	
Pension increase in allowance	**Inflation rates**	
Remaining service life of employees (years)	**12.50**	

2. Key management assumptions continued

2.13 Post-employment benefits continued

	Retirement fund[1]	Post-employment medical aid
2013		
Discount rate	Nominal government bond yield curve	Nominal government bond yield curve
Return on investments	8.52% – discounted rate of term equal to the discounted mean term of the liabilities	
Salary/benefit inflation	Inflation rates plus 1% plus a merit scale	
CPI inflation	Difference between nominal and index-linked bond yield curves	Difference between nominal and index-linked bond yield curves
Medical inflation		Difference between nominal and index-linked bond yield curves plus 1.5%
Provider benefit escalation	Inflation rates plus 2%	
Pension increase in allowance	Inflation rates	
Remaining service life of employees (years)	12.70	

1 Refer to note 33 for further details regarding the group's post-employment benefits.

3. Cash and balances with central banks

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Coins and bank notes	**12 755**	9 036	**12 739**	9 036
Balances with central banks	**19 463**	20 898	**19 463**	20 898
	32 218	29 934	**32 202**	29 934

Cash and balances with central banks include R18 400 million (2013: R16 691 million) that is not available for use by the group and company. These balances primarily comprise of reserving requirements held with the central banks.

4. Derivative instruments

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

4.1 Use and measurement of derivative instruments

In the normal course of business, the group and company enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, credit, interest rate, inflation, commodity and equity exposures. Derivative instruments used by the group and company in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, interest rates, inflation 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 there is both a legal right of set off and an intention to settle on a net basis, or the intention to realise the derivative asset and settle the derivative liability simultaneously. Refer to the offsetting disclosures in note 25.

Notes to the annual financial statements | continued

4. Derivative instruments continued

4.1 Use and measurement of derivative instruments continued

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

- **interest rate swap** contracts which generally entail the contractual exchange of fixed and floating interest payments in a single currency, based on a notional amount and an interest reference rate
- **currency swaps** which involve the exchange of interest payments based on two different currency-denominated principal balances and interest reference rates and generally also entail exchange of principal amounts at the start and end of the contract
- **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
- **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 affected 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 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 OTC 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 OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

4.2 Derivatives held-for-trading

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

4.2.1 Foreign exchange derivatives

Foreign exchange derivatives are used to economically hedge foreign currency risks on behalf of clients and for the group and company's own positions. Foreign exchange derivatives primarily consist of foreign exchange forwards and swaps, foreign exchange futures and foreign exchange options.

4.2.2 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 clients and for the group and company's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, forwards, options, swaps and swaptions.

4.2.3 Commodity derivatives

Commodity derivatives are used to address client commodity demands and to take proprietary positions for the group and company. Commodity derivatives primarily consist of commodity forwards, commodity futures and commodity options.

4.2.4 Credit derivatives

Credit derivatives are used to hedge the credit risk of a reference asset or liability on behalf of clients and for the group and company's own positions. Credit derivatives primarily consist of credit default swaps, credit-linked notes and total return swaps.

4.2.5 Equity derivatives

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

4. Derivative instruments continued

4.3 Derivatives held-for-hedging

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

4.3.1 Derivatives designated in fair value hedge relationship

The group and company's fair value hedges principally consist of interest rate swaps that are used to mitigate the risk of changes in market interest rates. The group and company use interest rate swaps for the portfolio hedge of interest rate risk.

4.3.2 Derivatives designated in cash flow hedge relationship

The group and company use currency forwards and swaps and options to mitigate against the risk of changes in future cash flows on foreign-denominated exposures. Interest rate swaps are primarily used to hedge, by major currency, variable rate financial assets and liabilities with the objective of mitigating 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 and company manage the risks arising from changes in cash flows from cash-settled share schemes by using equity forwards. The equity forward partially mitigates against the changes in SBG's share price by locking in a fixed price at maturity.

4.4 Day one profit or loss

Where the fair value of an instrument differs from the transaction price and the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation model whose variables include only data from observable markets, the difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or non-observable market data is used as part of the inputs to the valuation models, any resulting difference between the transaction price and the valuation model is deferred and subsequently recognised in accordance with the group and company's accounting policies.

Refer to accounting policy 4 – *Financial instruments* in annexure A.

4.5 Fair values

The fair value of a derivative financial instrument represents, for a quoted instrument, the quoted market price and for an unquoted instrument, the present value of the positive and/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 the reporting date.

4.6 Notional amount

The contract/notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing rate at the reporting date where cash flows are payable and receivable in foreign currency. 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 and company's participation in derivative contracts.

Notes to the annual financial statements | continued

4. Derivative instruments continued

4.7 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
2014							
Group							
Derivatives held-for-trading							
Foreign exchange derivatives	(4 025)	414		(3 611)	20 429	(24 040)	1 114 318
Forwards and swaps	(4 056)	613		(3 443)	19 655	(23 098)	1 041 930
Futures	(8)			(8)		(8)	24 816
Options	39	(199)		(160)	774	(934)	47 572
Interest rate derivatives	(2 264)	(3 614)	(1 565)	(7 443)	27 449	(34 892)	4 273 085
Bond options	13			13	13		1 003
Caps and floors		(22)	7	(15)	15	(30)	5 227
Forwards	(106)	(1)		(107)	1 231	(1 338)	2 348 950
Options					1	(1)	61 227
Swaps	(2 172)	(3 756)	(1 554)	(7 482)	25 991	(33 473)	1 847 353
Swaptions	1	165	(18)	148	198	(50)	9 325
Commodity derivatives	(353)	(545)		(898)	194	(1 092)	8 315
Forwards	61	1		62	167	(105)	5 623
Futures	2			2	9	(7)	78
Options	(416)	(546)		(962)	18	(980)	2 614
Credit derivatives							
Credit default swaps	31	(288)	(295)	(552)	3 102	(3 654)	65 112
Equity derivatives	(417)	(480)		(897)	638	(1 535)	130 749
Forwards	(24)	(367)		(391)	7	(398)	3 898
Futures	66	(2)		64	85	(21)	22 800
Index options	(164)	78		(86)	148	(234)	16 715
Options	(213)	(271)		(484)	92	(576)	53 938
Swaps	(82)	82			306	(306)	33 398
Total derivative (liabilities)/ assets held-for-trading	(7 028)	(4 513)	(1 860)	(13 401)	51 812	(65 213)	5 591 579
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	483	220	(79)	624	1 709	(1 085)	25 172
Derivatives designated as cash flow hedges	527	14		541	541		9 403
Foreign exchange forwards and swaps	523			523	523		9 159
Equity forwards	4	14		18	18		244
Total derivative assets/ (liabilities) held-for-hedging	1 010	234	(79)	1 165	2 250	(1 085)	34 575
Total derivative (liabilities)/assets	(6 018)	(4 279)	(1 939)	(12 236)	54 062	(66 298)	5 626 154

4. Derivative instruments continued

4.7 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
2013							
Group							
Derivatives held-for-trading							
Foreign exchange derivatives	(848)	(83)		(931)	18 712	(19 643)	1 458 591
Forwards and swaps	(867)	(103)		(970)	18 254	(19 224)	1 013 088
Futures	32			32	36	(4)	29 843
Options	(13)	20		7	422	(415)	415 660
Interest rate derivatives	(620)	(2 878)	(1 280)	(4 778)	36 035	(40 813)	3 610 026
Bond options	225	(36)		189	281	(92)	3 816
Caps and floors	(2)	(27)	(1)	(30)	27	(57)	10 186
Forwards	44	(1)		43	890	(847)	1 882 960
Options	1			1	16	(15)	102 157
Swaps	(881)	(2 941)	(1 331)	(5 153)	34 574	(39 727)	1 596 052
Swaptions	(7)	127	52	172	247	(75)	14 855
Commodity derivatives	(410)	(84)		(494)	98	(592)	5 694
Forwards	(308)	(79)		(387)	55	(442)	3 955
Futures	(2)			(2)	10	(12)	307
Options	(100)	(5)		(105)	33	(138)	1 432
Credit derivatives							
Credit default swaps	(96)	117	(328)	(307)	878	(1 185)	58 075
Equity derivatives	40	(340)	307	7	2 622	(2 615)	146 267
Forwards	(209)	(35)		(244)	52	(296)	2 868
Futures	6	1		7	77	(70)	28 220
Index options	202	(188)	(27)	(13)	1 346	(1 359)	42 092
Options	52	(220)	238	70	841	(771)	68 073
Swaps	(11)	102	96	187	306	(119)	5 014
Total derivative (liabilities)/ assets held-for-trading	(1 934)	(3 268)	(1 301)	(6 503)	58 345	(64 848)	5 278 653
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	1 058	(625)	(248)	185	1 150	(965)	31 236
Derivatives designated as cash flow hedges	409	70		479	479		6 982
Foreign exchange forwards and swaps	409	63		472	472		6 635
Equity forwards		7		7	7		347
Total derivative assets/ (liabilities) held-for-hedging	1 467	(555)	(248)	664	1 629	(965)	38 218
Total derivative (liabilities)/assets	(467)	(3 823)	(1 549)	(5 839)	59 974	(65 813)	5 316 871

Notes to the annual financial statements | continued

4. Derivative instruments continued

4.7 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
2014							
Company							
Derivatives held-for-trading							
Foreign exchange derivatives	(4 025)	414		(3 611)	20 429	(24 040)	1 114 318
Forwards and swaps	(4 056)	613		(3 443)	19 655	(23 098)	1 041 930
Futures	(8)			(8)		(8)	24 816
Options	39	(199)		(160)	774	(934)	47 572
Interest rate derivatives	(2 250)	(3 614)	(1 565)	(7 429)	27 463	(34 892)	4 265 739
Bond options	30			30	30		1 003
Caps and floors		(22)	7	(15)	15	(30)	5 227
Forwards	(106)	(1)		(107)	1 231	(1 338)	2 348 950
Options					1	(1)	61 227
Swaps	(2 175)	(3 756)	(1 554)	(7 485)	25 988	(33 473)	1 840 007
Swaptions	1	165	(18)	148	198	(50)	9 325
Commodity derivatives	(353)	(545)		(898)	194	(1 092)	8 315
Forwards	61	1		62	167	(105)	5 623
Futures	2			2	9	(7)	78
Options	(416)	(546)		(962)	18	(980)	2 614
Credit derivatives							
Credit default swaps	31	(288)	(295)	(552)	3 102	(3 654)	65 112
Equity derivatives	(417)	(480)		(897)	638	(1 535)	130 749
Forwards	(24)	(367)		(391)	7	(398)	3 898
Futures	66	(2)		64	85	(21)	22 800
Index options	(164)	78		(86)	148	(234)	16 715
Options	(213)	(271)		(484)	92	(576)	53 938
Swaps	(82)	82			306	(306)	33 398
Total derivative (liabilities)/ assets held-for-trading	(7 014)	(4 513)	(1 860)	(13 387)	51 826	(65 213)	5 584 233
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	467	220	(79)	608	1 693	(1 085)	24 447
Derivatives designated as cash flow hedges	527	14		541	541		9 403
Foreign exchange forwards and swaps	523			523	523		9 159
Equity forwards	4	14		18	18		244
Total derivative assets/ (liabilities) held-for-hedging	994	234	(79)	1 149	2 234	(1 085)	33 850
Total derivative (liabilities)/assets	(6 020)	(4 279)	(1 939)	(12 238)	54 060	(66 298)	5 618 083

4. **Derivative instruments** continued

4.7 **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
2013							
Company							
Derivatives held-for-trading							
Foreign exchange derivatives	(848)	(83)		(931)	18 712	(19 643)	1 458 591
Forwards and swaps	(867)	(103)		(970)	18 254	(19 224)	1 013 088
Futures	32			32	36	(4)	29 843
Options	(13)	20		7	422	(415)	415 660
Interest rate derivatives	(601)	(2 859)	(1 280)	(4 740)	36 072	(40 812)	3 590 963
Bond options	244	(36)		208	300	(92)	3 816
Caps and floors	(2)	(27)	(1)	(30)	27	(57)	10 186
Forwards	44	(1)		43	890	(847)	1 882 960
Options	1			1	16	(15)	102 157
Swaps	(881)	(2 922)	(1 331)	(5 134)	34 592	(39 726)	1 576 989
Swaptions	(7)	127	52	172	247	(75)	14 855
Commodity derivatives	(410)	(84)		(494)	98	(592)	5 694
Forwards	(308)	(79)		(387)	55	(442)	3 955
Futures	(2)			(2)	10	(12)	307
Options	(100)	(5)		(105)	33	(138)	1 432
Credit derivatives							
Credit default swaps	(96)	117	(328)	(307)	878	(1 185)	58 075
Equity derivatives	40	(340)	307	7	2 622	(2 615)	146 267
Forwards	(209)	(35)		(244)	52	(296)	2 868
Futures	6	1		7	77	(70)	28 220
Index options	202	(188)	(27)	(13)	1 346	(1 359)	42 092
Options	52	(220)	238	70	841	(771)	68 073
Swaps	(11)	102	96	187	306	(119)	5 014
Total derivative (liabilities)/ assets held-for-trading	(1 915)	(3 249)	(1 301)	(6 465)	58 382	(64 847)	5 259 590
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	1 058	(644)	(248)	166	1 131	(965)	30 200
Derivatives designated as cash flow hedges	409	70		479	479		6 982
Foreign exchange forwards and swaps	409	63		472	472		6 635
Equity forwards		7		7	7		347
Total derivative assets/ (liabilities) held-for-hedging	1 467	(574)	(248)	645	1 610	(965)	37 182
Total derivative (liabilities)/assets	(448)	(3 823)	(1 549)	(5 820)	59 992	(65 812)	5 296 772

Notes to the annual financial statements | continued

4. Derivative instruments continued

4.8 Derivatives held-for-trading

4.8.1 Derivatives designated as fair value hedges

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Gains/(losses) arising from fair value hedges				
On hedging instruments	**245**	207	**248**	176
On the hedged items attributable to the hedged risk	**(200)**	(305)	**(197)**	(273)

4.8.2 Derivatives designated as cash flow hedges

The forecasted timing of the release of net cash flows from the cash flow hedging reserve into profit or loss 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
2014			
Net cash inflow	**16**	**14**	**2**
2013			
Net cash outflow		20	15

Reconciliation of movements in the cash flow hedging reserve

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Balance at the beginning of the year	**25**	(90)	**25**	(90)
Amounts recognised directly in OCI before tax	**224**	713	**224**	713
Less: amounts released to profit or loss before tax				
Net interest income	**17**	37	**17**	37
Other operating expenses	**(242)**	(590)	**(242)**	(590)
Less: deferred tax	**(1)**	(45)	**(1)**	(45)
Balance at the end of the year	**23**	25	**23**	25

Ineffectiveness that arises from cash flow hedges is recognised immediately in profit or loss. No amounts were recognised in profit or loss during 2014 (2013: R6 million).

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

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	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Unamortised profit at the beginning of the year	**298**	399	**298**	399
Additional profit on new transactions	**144**	52	**144**	52
Recognised in profit or loss during the year	**(84)**	(153)	**(84)**	(153)
Exchange differences	**(390)**		**(390)**	
Unamortised (loss)/profit at the end of the year	**(32)**	298	**(32)**	298

Refer to accounting policy 4 – *Financial instruments* in Annexure A.

5. Trading assets

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Listed	**24 447**	19 535	**24 447**	19 354
Unlisted	**26 989**	16 039	**26 989**	16 039
	51 436	35 574	**51 436**	35 393
Comprising:				
Government, municipality and utility bonds	**8 193**	4 236	**8 193**	4 054
Corporate bonds	**3 852**	3 431	**3 852**	3 431
Commodities	**5**	47	**5**	47
Collateral	**1 308**	1 927	**1 308**	1 927
Reverse repurchase and other collateralised agreements	**16 840**	12 204	**16 840**	12 204
Treasury bills		275		275
Floating rate notes	**466**	731	**466**	731
Promissory notes	**58**		**58**	
Listed equities	**11 761**	10 859	**11 761**	10 859
Other instruments	**8 953**	1 864	**8 953**	1 865
	51 436	35 574	**51 436**	35 393
Maturity analysis				
The maturities represent periods to contractual redemption of the trading assets recorded.				
Redeemable on demand	**1 462**	1 907	**1 462**	1 907
Maturing within 1 month	**5 551**	4 792	**5 551**	4 792
Maturing after 1 month but within 6 months	**5 835**	1 567	**5 835**	1 567
Maturing after 6 months but within 12 months	**1 579**	231	**1 579**	231
Maturing after 12 months	**25 245**	16 171	**25 245**	15 990
Undated	**11 764**	10 906	**11 764**	10 906
	51 436	35 574	**51 436**	35 393

6. Pledged assets

6.1 Pledged assets and assets not derecognised

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Financial assets that may be repledged or resold by counterparties				
Government, municipality and utility bonds	**4 142**	4 186	**4 142**	4 186
Corporate bonds	**870**	208	**870**	208
Commodity leases	**269**		**269**	
	5 281	4 394	**5 281**	4 394
Maturity analysis				
The maturities represent periods to contractual redemption of the pledged assets recorded.				
Maturing after 12 months	**5 012**	4 394	**5 012**	4 394
Undated	**269**		**269**	
	5 281	4 394	**5 281**	4 394

Notes to the annual financial statements | continued

6. Pledged assets continued

6.2 Total assets pledged

The total amount of financial assets that have been pledged as collateral for liabilities at 31 December 2014 is R12 691 million (2013: R5 304 million).

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

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

6.3 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group and company have received securities which are not recorded in the statement of financial position that they are allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group and company are permitted to sell or repledge in the absence of default at 31 December 2014 is R100 850 million (2013: R70 155 million).

The fair value of financial assets accepted as collateral and commodities received through commodity loans that have been sold, repledged or leased in terms of repurchase agreements or leasing transactions is R23 685 million (2013: R10 917 million). This amount is limited to the fair value of financial assets accepted as collateral or commodities received through commodity leases.

6.4 Assets transferred not derecognised

Securitisations

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

Full derecognition occurs when the group and company transfers substantially all the risks and rewards of ownership and its contractual right to receive cash flows from the financial assets or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in IFRS. The risks include interest rate, currency, prepayment and other price risks.

However, where the group and company have retained substantially all of the credit risk associated with the transferred assets, it continues to recognise these assets.

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

Group	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities[1] Rm	Fair value of transferred assets Rm	Fair value of associated liabilities[1] Rm	Net fair value Rm
2014					
Mortgage loans	**25 117**	**4 976**	**24 394**	**4 989**	**19 405**
2013					
Mortgage loans	9 937	5 626	9 755	5 642	4 113

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

The interests and rights to the mortgage advances have been ceded as security for the associated liabilities, which have recourse only to the transferred assets.

The following table analyses the carrying amount of the company's continuing involvement within securitisations:

Company	Carrying value Rm	Fair value Rm	Maximum exposure to risk Rm
2014			
Mortgage loans	**700**	**700**	**700**
2013			
Mortgage loans	210	210	210

6. Pledged assets 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, and commodities leased out to third parties. Risks to which the group and company remains exposed include credit and interest rate risk.

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

	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets[1] Rm	Fair value of associated liabilities[1] Rm	Net fair value[1] Rm
Group					
2014					
Pledged assets	**5 281**	**4 671**	**5 287**	**4 671**	**616**
Bonds	**5 012**	**4 671**	**5 018**	**4 671**	**347**
Commodities	**269**		**269**		**269**
Financial investments	**7 679**	**6 993**	**7 679**	**7 670**	**9**
	12 960	**11 664**	**12 966**	**12 341**	**625**
2013					
Pledged assets					
Bonds	4 394	4 081	4 423	4 081	342
	4 394	4 081	4 423	4 081	342
Company					
2014					
Pledged assets	**5 281**	**4 671**	**5 287**	**4 671**	**616**
Bonds	**5 012**	**4 671**	**5 018**	**4 671**	**347**
Commodities	**269**		**269**		**269**
Financial investments	**7 679**	**6 993**	**7 679**	**7 670**	**9**
	12 960	**11 664**	**12 966**	**12 341**	**625**
2013					
Pledged assets					
Bonds	4 394	4 081	4 423	4 081	342
	4 394	4 081	4 423	4 081	342

[1] Where the company has recourse to the transferred asset.

There were no instances during the year in which the group and company partially derecognised financial assets.

6.5 Assets transferred and derecognised

There were no instances during the year in which the group and company transferred and derecognised financial assets for which it had continuing involvement.

Notes to the annual financial statements | continued

7. Financial investments

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Short-term negotiable securities	**61 994**	48 347	**61 994**	48 347
Listed	**23**		**23**	
Unlisted[1]	**61 971**	48 347	**61 971**	48 347
Other financial investments	**39 862**	25 257	**38 451**	25 263
Listed	**30 915**	20 391	**29 503**	20 391
Unlisted	**8 947**	4 866	**8 948**	4 872
	101 856	73 604	**100 445**	73 610

1 Included in unlisted short-term negotiable securities are SARB debentures, treasury bills and negotiable certificates of deposit.

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Comprising:				
Government, municipality and utility bonds	**29 475**	20 318	**29 357**	20 318
Corporate bonds	**7 640**	14 459	**6 347**	14 459
Listed equities	**147**	73	**147**	73
Unlisted equities	**1 798**	1 901	**1 798**	1 901
Mutual funds	**6 166**	1 556	**6 166**	1 556
Treasury bills	**55 647**	33 384	**55 647**	33 384
Other instruments	**983**	1 913	**983**	1 919
	101 856	73 604	**100 445**	73 610
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investments recorded.				
Redeemable on demand		1 003		1 003
Maturing within 1 month	**6 916**	7 605	**6 916**	7 605
Maturing after 1 month but within 6 months	**37 952**	26 498	**37 952**	26 498
Maturing after 6 months but within 12 months	**21 711**	11 950	**21 711**	11 950
Maturing after 12 months	**27 120**	22 959	**25 709**	22 959
Undated[1]	**8 157**	3 589	**8 157**	3 595
	101 856	73 604	**100 445**	73 610

1 There are no maturity profiles for listed and unlisted equities and other non-term instruments.

8. Loans and advances

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
8.1 Loans and advances net of impairments				
Loans and advances to banks	**100 152**	74 189	**99 896**	74 114
Call loans	**2 506**	709	**2 506**	708
Loans granted under resale agreements	**60 706**	44 322	**60 706**	44 321
Other balances with banks	**36 940**	29 158	**36 684**	29 085
Loans and advances to customers	**685 331**	630 730	**669 506**	613 024
Gross loans and advances to customers	**700 694**	645 906	**684 727**	628 070
Mortgage loans	**302 847**	295 940	**293 988**	286 053
Instalment sale and finance leases (note 8.2)	**63 380**	63 050	**63 380**	63 050
Card debtors	**29 496**	27 106	**28 326**	25 915
Overdrafts and other demand lending	**49 171**	50 051	**49 186**	50 066
Personal loans	**8 778**	8 907	**8 786**	8 961
Corporate, business and other loans	**40 393**	41 144	**40 400**	41 105
Other term loans	**190 720**	159 005	**184 769**	152 293
Personal loans	**27 201**	25 536	**24 755**	25 568
Corporate, business and other loans	**163 519**	133 469	**160 014**	126 725
Loans granted under resale agreements	**10 949**	4 896	**10 949**	4 896
Commercial property finance	**54 131**	45 858	**54 129**	45 797
Credit impairments for loans and advances (note 8.3)	**(15 363)**	(15 176)	**(15 221)**	(15 046)
Specific credit impairments	**(11 148)**	(10 932)	**(11 034)**	(10 828)
Portfolio credit impairments	**(4 215)**	(4 244)	**(4 187)**	(4 218)
Net loans and advances	**785 483**	704 919	**769 402**	687 138
Comprising:				
Gross loans and advances	**800 846**	720 095	**784 623**	702 184
Less: credit impairments	**(15 363)**	(15 176)	**(15 221)**	(15 046)
Net loans and advances	**785 483**	704 919	**769 402**	687 138

Notes to the annual financial statements | continued

8. Loans and advances continued

8.1 Loans and advances net of impairments continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
Redeemable on demand	**82 293**	79 977	**80 178**	78 559
Maturing within 1 month	**86 531**	61 001	**86 500**	60 577
Maturing after 1 month but within 6 months	**56 798**	54 373	**55 190**	53 817
Maturing after 6 months but within 12 months	**33 734**	34 308	**32 158**	34 262
Maturing after 12 months	**541 490**	490 436	**530 597**	474 969
Gross loans and advances	**800 846**	720 095	**784 623**	702 184
Segmental analysis – industry				
Agriculture	**14 270**	14 278	**14 262**	14 271
Construction	**16 415**	15 518	**16 407**	15 508
Electricity	**8 574**	4 815	**8 571**	4 812
Finance, real estate and other business services	**187 261**	147 315	**183 480**	143 086
Individuals	**386 503**	373 054	**377 115**	362 519
Manufacturing	**30 284**	26 677	**29 331**	24 938
Mining	**26 009**	27 610	**25 872**	27 451
Other services	**61 084**	48 198	**59 849**	47 095
Transport	**12 769**	9 186	**12 090**	9 095
Wholesale	**57 677**	53 444	**57 646**	53 409
Gross loans and advances	**800 846**	720 095	**784 623**	702 184
Segmental analysis – geographic area				
The following table sets out the distribution of the loans and advances by geographic area where the loans are originated.				
South Africa				
Eastern Cape	**27 202**	26 696	**26 670**	26 097
Free State	**18 826**	18 507	**18 555**	18 205
Gauteng	**349 115**	315 225	**338 487**	303 860
KwaZulu-Natal	**76 021**	69 857	**74 608**	67 575
Limpopo	**14 368**	17 313	**14 156**	17 078
Mpumalanga	**27 858**	28 484	**27 423**	28 008
North West	**16 201**	17 636	**15 904**	17 301
Northern Cape	**9 502**	8 472	**9 382**	8 339
Western Cape	**102 685**	94 393	**100 370**	92 264
Sub-Saharan Africa	**42 123**	28 382	**42 123**	28 382
Other countries	**116 945**	95 130	**116 945**	95 075
Gross loans and advances	**800 846**	720 095	**784 623**	702 184

8. Loans and advances continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
8.2 Instalment sale and finance leases				
Gross investment in instalment sale and finance leases	**74 714**	73 809	**74 714**	73 809
Receivable within 1 year	**24 984**	23 751	**24 984**	23 751
Receivable after 1 year but within 5 years	**49 555**	49 910	**49 555**	49 910
Receivable after 5 years	**175**	148	**175**	148
Unearned finance charges	**(11 334)**	(10 759)	**(11 334)**	(10 759)
Net investment in instalment sale and finance leases	**63 380**	63 050	**63 380**	63 050
Receivable within 1 year	**20 240**	19 367	**20 240**	19 367
Receivable after 1 year but within 5 years	**42 992**	43 567	**42 992**	43 567
Receivable after 5 years	**148**	116	**148**	116

The instalment sale and finance leases are entered into on market-related terms.

Notes to the annual financial statements | continued

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
2014			
Group			
Specific impairments			
Balance at the beginning of the year	**3 852**	**895**	**873**
Impaired accounts written off	**(2 549)**	**(845)**	**(1 072)**
Discount element recognised in interest income	**(348)**	**(47)**	**(63)**
Net impairments raised[1]	**2 484**	**1 124**	**1 264**
Exchange and other movements			
Balance at the end of the year	**3 439**	**1 127**	**1 002**
Portfolio impairments			
Balance at the beginning of the year	**684**	**427**	**580**
Net impairments raised/(released)[1]	**45**	**130**	**(10)**
Exchange and other movements			
Balance at the end of the year	**729**	**557**	**570**
Total	**4 168**	**1 684**	**1 572**
2013			
Group			
Specific impairments			
Balance at the beginning of the year	4 095	697	560
Impaired accounts written off	(2 471)	(663)	(699)
Discount element recognised in interest income	(303)	(29)	(51)
Net impairments raised[1]	2 531	890	1 063
Exchange and other movements			
Balance at the end of the year	3 852	895	873
Portfolio impairments			
Balance at the beginning of the year	689	465	489
Net impairments (released)/raised[1]	(5)	(38)	91
Balance at the end of the year	684	427	580
Total	4 536	1 322	1 453

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years, as well as credit recovery on off-balance sheet exposures, equals income statement impairment charges (note 26.7).

	Personal unsecured lending Rm	Business lending and other Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
	2 238	**1 258**	**1 656**	**160**	**10 932**
	(1 911)	**(711)**	**(756)**	**(35)**	**(7 879)**
	(234)	**(49)**	**(9)**	**(1)**	**(751)**
	2 214	**558**	**1 078**	**11**	**8 733**
			113		**113**
	2 307	**1 056**	**2 082**	**135**	**11 148**
	982	**876**	**580**	**115**	**4 244**
	(91)	**199**	**(304)**		**(31)**
		2			**2**
	891	**1 077**	**276**	**115**	**4 215**
	3 198	**2 133**	**2 358**	**250**	**15 363**
	1 432	1 018	211	180	8 193
	(1 332)	(395)	(132)	(72)	(5 764)
	(123)	(50)			(556)
	2 261	685	1 376	52	8 858
			201		201
	2 238	1 258	1 656	160	10 932
	856	914	740	121	4 274
	126	(38)	(160)	(6)	(30)
	982	876	580	115	4 244
	3 220	2 134	2 236	275	15 176

Notes to the annual financial statements | continued

8. Loans and advances continued

8.3 Credit impairments for loans and advances continued

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm
2014			
Company			
Specific impairments			
Balance at the beginning of the year	**3 784**	**897**	**835**
Impaired accounts written off	**(2 518)**	**(846)**	**(1 011)**
Discount element recognised in interest income	**(341)**	**(45)**	**(63)**
Net impairments raised[1]	**2 428**	**1 124**	**1 205**
Exchange and other movements	**4**		
Balance at the end of the year	**3 357**	**1 130**	**966**
Portfolio impairments			
Balance at the beginning of the year	**666**	**425**	**569**
Net impairments raised/(released)[1]	**22**	**130**	**(12)**
Exchange and other movements	**(4)**		
Balance at the end of the year	**684**	**555**	**557**
Total	**4 041**	**1 685**	**1 523**
2013			
Company			
Specific impairments			
Balance at the beginning of the year	4 045	700	525
Impaired accounts written off	(2 449)	(662)	(683)
Discount element recognised in interest income	(297)	(29)	(51)
Net impairments raised[1]	2 485	888	1 044
Balance at the end of the year	3 784	897	835
Portfolio impairments			
Balance at the beginning of the year	670	465	481
Net impairments (released)/raised[1]	(4)	(40)	88
Balance at the end of the year	666	425	569
Total	4 450	1 322	1 404

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years, as well as credit recovery on off-balance sheet exposures, equals income statement impairment charges (note 26.7).

Personal unsecured lending Rm	Business lending and other Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2 237	**1 347**	**1 566**	**162**	**10 828**
(1 911)	**(708)**	**(762)**	**(35)**	**(7 791)**
(235)	**(49)**	**(10)**		**(743)**
2 214	**592**	**1 077**	**11**	**8 651**
	(64)	**144**	**5**	**89**
2 305	**1 118**	**2 015**	**143**	**11 034**
1 196	**663**	**578**	**121**	**4 218**
(90)	**198**	**(324)**	**19**	**(57)**
	3	**11**	**16**	**26**
1 106	**864**	**265**	**156**	**4 187**
3 411	**1 982**	**2 280**	**299**	**15 221**
1 429	1 020	352	180	8 251
(1 331)	(383)	(90)	(71)	(5 669)
(122)	(52)			(551)
2 261	762	1 304	53	8 797
2 237	1 347	1 566	162	10 828
1 071	701	736	125	4 249
125	(38)	(158)	(4)	(31)
1 196	663	578	121	4 218
3 433	2 010	2 144	283	15 046

Notes to the annual financial statements | continued

8. Loans and advances continued

8.3 Credit impairments for loans and advances continued

The segmental analysis of specific impairments by industry:

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Agriculture	**223**	281	**223**	281
Construction	**352**	357	**345**	356
Electricity	**2**	3	**2**	3
Finance, real estate and other business services	**735**	671	**727**	670
Individuals	**7 032**	7 157	**6 945**	7 071
Manufacturing	**212**	196	**200**	194
Mining	**811**	325	**811**	324
Transport	**101**	183	**101**	183
Wholesale	**325**	348	**325**	348
Other services	**1 355**	1 411	**1 355**	1 398
	11 148	10 932	**11 034**	10 828

9. Current and deferred tax assets

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Current tax asset	**313**	286	**313**	286
Deferred tax asset	**40**	38	**7**	7
	353	324	**320**	293

9.1 Deferred tax analysis

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Assessed losses	**3**	35		
Assets on lease	**(253)**	(286)	**(253)**	(286)
Depreciation	**(1 423)**	(948)	**(1 423)**	(947)
Other derivatives and financial instruments	**(273)**	(258)	**(273)**	(258)
Derivatives as defined for income tax purposes	**(392)**	(588)	**(392)**	(588)
Fair value adjustments on financial instruments	**(8)**	34	**(8)**	31
Impairment charges on loans and advances	**572**	492	**556**	475
Deferred income	**474**	398	**474**	398
Share-based payments	**581**	482	**581**	482
Other differences	**527**	539	**524**	533
Deferred tax closing balance	**(192)**	(100)	**(214)**	(160)
Deferred taxation asset	**40**	38	**7**	7
Deferred taxation liability (note 18)	**(232)**	(138)	**(221)**	(167)

9. Current and deferred tax assets continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
9.2 Deferred tax reconciliation				
Deferred tax balance at the beginning of the year	**(100)**	(746)	**(160)**	(801)
Prior year tax adjustment:	**35**		**39**	
Depreciation	**(6)**		**(6)**	
Other derivatives and financial instruments	**35**		**35**	
Fair value adjustments of financial instruments[1]	**(48)**		**(49)**	
Impairment charges on loans and advances	**82**		**82**	
Other differences	**(28)**		**(23)**	
(Reversing)/originating temporary differences for the year:	**(127)**	646	**(93)**	641
Accrued interest		(4)		
Assessed losses	**(32)**	12		
Assets on lease	**33**	58	**33**	59
Depreciation	**(469)**	(523)	**(470)**	(523)
Other derivatives and financial instruments	**(50)**	1 294	**(50)**	1 294
Derivatives as defined for income tax purposes[2]	**196**	287	**196**	302
Fair value adjustments of financial instruments[1]	**6**	133	**10**	129
Impairment charges on loans and advances	**(2)**	(144)	**(1)**	(147)
Deferred income	**76**	(621)	**76**	(621)
Share-based payments	**99**	98	**99**	98
Other differences	**16**	56	**14**	50
Deferred tax balance at the end of the year	**(192)**	(100)	**(214)**	(160)
Temporary differences for the year comprise:				
Recognised in OCI	**45**	33	**45**	33
Recognised in profit or loss	**(137)**	613	**(99)**	608
	(92)	646	**(54)**	641

1 Included in the fair value adjustments of financial instruments is a deferred tax credit of R2 million (2013: R59 million charge) relating to OCI. The R2 million credit (2013: R59 million charge) is made up of R1 million (2013: R45 million charge) relating to fair value adjustments on cash flow hedges and R1 million credit (2013: R14 million charge) relating to fair value adjustments on available-for-sale investments.

2 Derivatives as defined in section 24JB of the Income Tax Act No 58 of 1962 of South Africa.

Notes to the annual financial statements | continued

10. Other assets

		Group		Company	
		2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
10.1	**Summary**				
	Trading settlement assets	**4 060**	7 499	**4 011**	7 446
	Items in the course of collection	**424**	341	**424**	341
	Post-employment benefits (note 10.2)	**1 382**	1 585	**1 382**	1 585
	Property developments	**228**	287	**57**	100
	Properties in possession	**94**	352	**94**	352
	Other debtors	**1 282**	1 559	**1 207**	1 535
		7 470	11 623	**7 175**	11 359
10.2	**Post-employment benefits**				
	Balance at the beginning of the year	**1 585**	1 923	**1 585**	1 923
	Net movement for the year	**(203)**	(338)	**(203)**	(338)
	Balance at the end of the year	**1 382**	1 585	**1 382**	1 585

Details on post-employment benefits are provided in note 33 starting on **page 226**.

11. Interest in group companies, associates and joint ventures – banking operations

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Interest in group companies (note 11.1)	**65 956**	70 692	**76 266**	79 979
Interest in associates and joint ventures (note 11.2)	**951**	2 065	**128**	887
	66 907	72 757	**76 394**	80 866

11.1 Interest in group companies – banking operations

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Holding company				
– Indebtedness to the group/company	**387**	147	**387**	147
Interest in subsidiary companies			**9 370**	8 869
– Shares at cost			**96**	85
– Indebtedness to the company			**9 274**	8 784
Interest in fellow banking subsidiary companies				
– Indebtedness to the group/company	**65 569**	70 545	**66 509**	70 963
	65 956	70 692	**76 266**	79 979
Comprising:				
Shares at cost			**96**	85
Derivative assets	**7 546**	3 784	**7 553**	3 800
Trading assets	**34**	3 324	**34**	4 009
Financial investments			**4 136**	
Loans and advances	**55 311**	61 828	**60 974**	68 834
Other	**3 065**	1 756	**3 473**	3 251
	65 956	70 692	**76 266**	79 979

Notes to the annual financial statements | continued

11. Interest in group companies, associates and joint ventures – banking operations continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
11.2 Interest in associates and joint ventures				
Carrying value at the beginning of the year	**2 065**	811	**887**	158
Share of profits	**121**	303		
Impairments of associates[1]				(2)
Reversal of impairments of equity accounted private equity associates included in non-interest revenue		21		23
Disposal of associate – carrying value	**(1 216)**	(2)	**(759)**	
Gain on disposal of associate	**19**		**476**	
Disposal of associate – fair value (proceeds)	**(1 235)**	(2)	**(1 235)**	
Distribution of profit	**(19)**	(28)		
Reclassified from held for sale		960		708
Carrying value at the end of the year	**951**	2 065	**128**	887
Comprising:				
Cost of investments	**265**	1 224	**152**	774
Share of reserves	**694**	1 096		
(Impairments)/reversal of impairments	**(8)**	(255)	**(24)**	113
Carrying value at the end of the year	**951**	2 065	**128**	887
Share of profits	**121**	303		
Impairments of associates[1]				(2)
Gain on disposal of associate	**19**		**476**	
Share of profits/(losses) from associates and joint ventures	**140**	303	**476**	(2)

1 The recoverable amounts utilised to calculate the impairments were based on price-earnings valuations. The average price-earnings ratios of comparable entities were utilised with adjustments made for the liquidity of the entities' shares.

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 C on **pages 260 to 263**.

11. Interest in group companies, associates and joint ventures – banking operations continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
11.3 Liabilities to group companies				
Indebtedness by the group/company to:				
Ultimate holding company	**1 386**	594	**1 386**	594
Subsidiaries			**1 994**	1 958
Fellow banking subsidiaries	**122 408**	90 094	**122 654**	90 050
	123 794	90 688	**126 034**	92 602
Comprising:				
Derivative liabilities	**7 219**	5 841	**7 235**	5 861
Deposit and current accounts	**114 205**	84 476	**116 479**	86 414
Trading liabilities	**400**		**400**	
Other	**1 970**	371	**1 920**	327
	123 794	90 688	**126 034**	92 602

12. Goodwill and other intangible assets

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Goodwill (note 12.1)	**36**	40		
Other intangible assets (note 12.2)	**16 963**	13 745	**16 952**	13 737
	16 999	13 785	**16 952**	13 737
12.1 Goodwill				
Goodwill on subsidiaries				
Cost at the beginning of the year	**79**	86	**39**	39
Disposals		(7)		
Cost at the end of the year	**79**	79	**39**	39
Accumulated impairment at the beginning of the year	**(39)**	(46)	**(39)**	(39)
(Goodwill impairment charge)/disposal and impairment release	**(4)**	7		
Accumulated impairment at the end of the year	**(43)**	(39)	**(39)**	(39)
Carrying amount	**36**	40		

Notes to the annual financial statements | continued

12. Goodwill and other intangible assets continued

12.1 Goodwill continued

	2014			2013		
	Gross goodwill Rm	Accumulated impairment Rm	Net goodwill Rm	Gross goodwill Rm	Accumulated impairment Rm	Net goodwill Rm
12.1.1 Group						
Goodwill comprises:						
eCentric Payment Systems Proprietary Limited	**36**		**36**	36		36
MTN Mobile Money	**39**	**(39)**		39	(39)	
LC Golf SA Proprietary Limited	**4**	**(4)**		4		4
	79	**(43)**	**36**	79	(39)	40
12.1.2 Company						
Goodwill comprises:						
MTN Mobile Money	**39**	**(39)**		39	(39)	
	39	**(39)**		39	(39)	

	2014			2013		
	Cost Rm	Accumulated amortisation and impairment Rm	Net book value Rm	Cost Rm	Accumulated amortisation and impairment Rm	Net book value Rm
12.2 Other intangible assets						
12.2.1 Group						
Summary						
Computer software and other related intangibles	**21 154**	**4 191**	**16 963**	16 558	2 813	13 745
Total	**21 154**	**4 191**	**16 963**	16 558	2 813	13 745

	2013 Net book value Rm	Additions[1] Rm	Disposals Rm	Amortisation Rm	Impairments Rm	2014 Net book value[2] Rm
Movement						
Computer software and other related intangibles	**13 745**	**4 774**		**(1 111)**	**(445)**	**16 963**
Total	**13 745**	**4 774**		**(1 111)**	**(445)**	**16 963**

1 During 2014, R337 million (2013: R204 million) of interest was capitalised.
2 Includes work in progress of R6 722 million (2013: R6 602 million) for which amortisation has not yet commenced.

12. Goodwill and other intangible assets continued

12.2 Other intangible assets continued

12.2.1 Group continued

	2012 Net book value Rm	Additions[1] Rm	Disposals[2] Rm	Amortisation Rm	Impairments Rm	2013 Net book value[3] Rm
Movement						
Computer software and other related intangibles	10 310	4 550	(21)	(786)	(308)	13 745
Total	10 310	4 550	(21)	(786)	(308)	13 745

12.2.2 Company

	2014			2013		
	Cost Rm	**Accumulated amortisation and impairment Rm**	**Net book value Rm**	Cost Rm	Accumulated amortisation and impairment Rm	Net book value Rm
Summary						
Computer software	**21 132**	**4 180**	**16 952**	16 540	2 803	13 737
Total	**21 132**	**4 180**	**16 952**	16 540	2 803	13 737

	2013 Net book value Rm	**Additions[1] Rm**	**Disposals[2] Rm**	**Amortisation Rm**	**Impairments Rm**	**2014 Net book value[3] Rm**
Movement						
Computer software	**13 737**	**4 771**		**(1 111)**	**(445)**	**16 952**
Total	**13 737**	**4 771**		**(1 111)**	**(445)**	**16 952**

	2012 Net book value Rm	Additions[1] Rm	Disposals[2] Rm	Amortisation Rm	Impairments Rm	2013 Net book value[3] Rm
Movement						
Computer software	10 307	4 546	(22)	(786)	(308)	13 737
Total	10 307	4 546	(22)	(786)	(308)	13 737

1 During 2014, R337 million (2013: R204 million) of interest was capitalised.
2 Included in the 2013 disposal balance is an amount of R21 million relating to transfers to property and equipment.
3 Includes work in progress of R6 722 million (2013: R6 602 million) for which amortisation has not yet commenced.

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

Notes to the annual financial statements | continued

13. Property and equipment

13.1 Group

	2014			2013		
	Cost Rm	Accumulated depreciation Rm	Net book value Rm	Cost Rm	Accumulated depreciation Rm	Net book value Rm
Summary						
Property						
Freehold	3 536	432	3 104	2 933	352	2 581
Leasehold	2 450	1 127	1 323	2 308	896	1 412
	5 986	1 559	4 427	5 241	1 248	3 993
Equipment						
Computer equipment	6 069	3 691	2 378	6 041	3 325	2 716
Motor vehicles	265	141	124	309	163	146
Office equipment	698	378	320	589	344	245
Furniture and fittings	3 864	2 028	1 836	3 633	1 744	1 889
	10 896	6 238	4 658	10 572	5 576	4 996
Total	16 882	7 797	9 085	15 813	6 824	8 989

	2013 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2014 Net book value[2] Rm
Movement					
Property					
Freehold	2 581	598	(3)	(72)	3 104
Leasehold	1 412	247	(26)	(310)	1 323
	3 993	845	(29)	(382)	4 427
Equipment					
Computer equipment	2 716	719	(10)	(1 047)	2 378
Motor vehicles	146	50	(33)	(39)	124
Office equipment	245	148	(7)	(66)	320
Furniture and fittings	1 889	315	(30)	(338)	1 836
	4 996	1 232	(80)	(1 490)	4 658
Total	8 989	2 077	(109)	(1 872)	9 085

1 During 2014, R9 million interest was capitalised (2013: R43 million).
2 Includes work in progress of R592 million (2013: R708 million) for which depreciation has not yet commenced.

13. Property and equipment continued

13.1 Group continued

	2012 Net book value Rm	Additions[1,2] Rm	Disposals Rm	Depreciation Rm	2013 Net book value[3] Rm
Movement					
Property					
Freehold	2 386	293	(51)	(47)	2 581
Leasehold	1 507	199	(8)	(286)	1 412
	3 893	492	(59)	(333)	3 993
Equipment					
Computer equipment	2 651	1 085	(12)	(1 008)	2 716
Motor vehicles	166	59	(34)	(45)	146
Office equipment	281	76	(62)	(50)	245
Furniture and fittings	1 904	339	(12)	(342)	1 889
	5 002	1 559	(120)	(1 445)	4 996
Total	8 895	2 051	(179)	(1 778)	8 989

1 During 2014, R9 million interest was capitalised (2013: R43 million).
2 Included in additions, is an amount of R21 million that has been transferred from intangible assets.
3 Includes work in progress of R592 million (2013: R708 million) for which depreciation has not yet commenced.

Notes to the annual financial statements | continued

13. Property and equipment continued

13.2 Company

	2014			2013		
	Cost Rm	**Accumulated depreciation Rm**	**Net book value Rm**	Cost Rm	Accumulated depreciation Rm	Net book value Rm
Summary						
Property						
Freehold	**3 529**	**432**	**3 097**	2 931	352	2 579
Leasehold	**2 443**	**1 126**	**1 317**	2 308	896	1 412
	5 972	**1 558**	**4 414**	5 239	1 248	3 991
Equipment						
Computer equipment	**5 992**	**3 641**	**2 351**	5 973	3 275	2 698
Motor vehicles	**245**	**127**	**118**	287	149	138
Office equipment	**670**	**359**	**311**	564	324	240
Furniture and fittings	**3 855**	**2 021**	**1 834**	3 621	1 734	1 887
	10 762	**6 148**	**4 614**	10 445	5 482	4 963
Total	**16 734**	**7 706**	**9 028**	15 684	6 730	8 954

	2013 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2014 Net book value[2] Rm
Movement					
Property					
Freehold	2 579	593	(3)	(72)	3 097
Leasehold	1 412	241	(26)	(310)	1 317
	3 991	834	(29)	(382)	4 414
Equipment					
Computer equipment	2 698	710	(12)	(1 045)	2 351
Motor vehicles	138	48	(31)	(37)	118
Office equipment	240	144	(7)	(66)	311
Furniture and fittings	1 887	312	(30)	(335)	1 834
	4 963	1 214	(80)	(1 483)	4 614
Total	8 954	2 048	(109)	(1 865)	9 028

1 During 2014, R9 million interest was capitalised (2013: R43 million).
2 Includes work in progress of R592 million (2013: R708 million) for which depreciation has not yet commenced.

13. Property and equipment continued

13.2 Company continued

	2012 Net book value Rm	Additions[1,2] Rm	Disposals Rm	Depreciation Rm	2013 Net book value[3] Rm
Movement					
Property					
Freehold	2 343	293	(10)	(47)	2 579
Leasehold	1 508	197	(7)	(286)	1 412
	3 851	490	(17)	(333)	3 991
Equipment					
Computer equipment	2 631	1 081	(13)	(1 001)	2 698
Motor vehicles	154	58	(32)	(42)	138
Office equipment	222	71	(3)	(50)	240
Furniture and fittings	1 902	336	(12)	(339)	1 887
	4 909	1 546	(60)	(1 432)	4 963
Total	8 760	2 036	(77)	(1 765)	8 954

1 During 2014, R9 million interest was capitalised (2013: R43 million).
2 Included in additions, is an amount of R21 million that has been transferred from intangible assets.
3 Includes work in progress of R592 million (2013: R708 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.

13.3 Valuation

The fair value of completed freehold property was based on valuations performed by valuers registered under the Valuers Act 23 of 1982, for the 2014 – 2016 period, and was estimated at R5 258 million (2013: R3 683 million) for the group and R5 251 million (2013: R3 681 million) for the company. The previous valuation was performed for the 2011 – 2013 period.

Notes to the annual financial statements | continued

14. Ordinary share capital

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
14.1 Authorised				
80 000 000 (2013: 80 000 000) ordinary shares of R1 each	**80**	80	**80**	80
1 000 000 000 (2013: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,01 each	**10**	10	**10**	10
	90	90	**90**	90
14.2 Issued				
59 997 127 (2013: 59 997 127) ordinary shares of R1 each During 2013, the ordinary share of R1 each was issued at a total premium of R1 100 million	**60**	60	**60**	60
	60	60	**60**	60
14.3 Unissued shares				
20 002 873 (2013: 20 002 873) 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 27 May 2015	**20**	20	**20**	20
1 000 000 000 (2013: 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 27 May 2015	**10**	10	**10**	10
	30	30	**30**	30

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
15. Ordinary share premium				
Share premium on issue of shares	**36 296**	36 296	**36 296**	36 296

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

16. Trading liabilities

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Listed	**1 981**	3 215	**1 981**	3 215
Unlisted	**20 728**	17 209	**20 728**	17 209
	22 709	20 424	**22 709**	20 424
Comprising:				
Government, municipality and utility bonds	**1 863**	957	**1 863**	957
Listed equities		94		94
Collateral	**346**	211	**346**	211
Repurchase and other collateralised agreements	**12 769**	10 327	**12 769**	10 327
Credit-linked notes	**2 570**	2 068	**2 570**	2 068
Commodities	**118**	1 386	**118**	1 386
Other instruments	**5 043**	5 381	**5 043**	5 381
	22 709	20 424	**22 709**	20 424
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
Repayable on demand	**716**	211	**716**	211
Maturing within 1 month	**11 572**	10 608	**11 572**	10 608
Maturing after 1 month but within 6 months	**1 968**	1 469	**1 968**	1 469
Maturing after 6 months but within 12 months	**1 559**	1 068	**1 559**	1 068
Maturing after 12 months	**6 641**	5 588	**6 641**	5 588
Undated	**253**	1 480	**253**	1 480
	22 709	20 424	**22 709**	20 424

Notes to the annual financial statements | continued

17. Deposits and current accounts

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Deposits from banks	**91 357**	60 380	**91 353**	60 535
Deposits from banks and central banks	**85 025**	59 852	**85 021**	60 007
Deposits from banks under repurchase agreements	**6 332**	528	**6 332**	528
Deposits from customers	**708 579**	660 970	**699 642**	650 574
Current accounts	**96 099**	89 049	**96 099**	89 049
Cash management deposits	**127 338**	120 962	**127 338**	120 962
Card creditors	**1 491**	1 471	**1 491**	1 471
Call deposits	**167 422**	147 602	**167 421**	147 603
Savings accounts	**14 043**	13 574	**14 043**	13 574
Term deposits	**169 480**	164 222	**165 506**	159 605
Negotiable certificates of deposit	**92 418**	90 946	**92 418**	90 946
Repurchase agreements	**3 345**	432	**3 345**	432
Securitisation issuances	**4 975**	5 625		
Other funding	**31 968**	27 087	**31 981**	26 932
Deposit and current accounts	**799 936**	721 350	**790 995**	711 109
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
Repayable on demand	**478 485**	422 174	**477 899**	422 173
Maturing within 1 month	**65 666**	54 907	**63 599**	53 136
Maturing after 1 month but within 6 months	**85 801**	98 176	**84 617**	96 017
Maturing after 6 months but within 12 months	**49 038**	32 138	**48 848**	32 041
Maturing after 12 months	**120 946**	113 955	**116 032**	107 742
	799 936	721 350	**790 995**	711 109

18. Current and deferred tax liabilities

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Current tax liability	**3 338**	3 361	**3 326**	3 359
Deferred tax liability	**232**	138	**221**	167
	3 570	3 499	**3 547**	3 526

19. Provisions and other liabilities

19.1 Summary

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Trading settlement liabilities	**1 400**	2 459	**1 400**	2 459
Items in the course of transmission		444	**41**	484
Provision for post-employment benefits (note 19.2)	**665**	663	**665**	663
EGS liability (annexure D)	**1 375**	1 205	**1 375**	1 205
DBS (annexure D)	**47**	130	**47**	130
DBS (2012) (annexure D)	**647**	408	**647**	408
PRP (annexure D)	**75**		**75**	
Staff-related accruals	**4 789**	2 996	**4 776**	2 983
Other liabilities, accruals and provisions	**2 693**	5 779	**2 393**	5 476
	11 691	14 084	**11 419**	13 808

19.2 Provision for post-employment benefits

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Balance at the beginning of the year	**663**	644	**663**	644
Net provision raised	**2**	19	**2**	19
Balance at the end of the year	**665**	663	**665**	663

Details of post-employment benefits are provided in note 33.

Notes to the annual financial statements | continued

20. Subordinated debt

	Redeemable/ repayable date	Date issued	Rate %	Callable date
Group and company				
Unsecured, subordinated, redeemable bonds[2]				
SBKi 11[3]	2019/04/09	2009/04/09	CPI indexed[4]	2014/04/10[5]
SBK 7	2020/05/24	2005/05/24	9.63[7]	2015/05/24[5]
SBK 12	2021/11/24	2009/11/24	10.82[7]	2016/11/24[5]
SBK 13	2021/11/24	2009/11/24	JIBAR[8] + 2.20	2016/11/24[5]
SBK 15	2022/01/23	2012/01/23	JIBAR[8] + 2.00	2017/01/23
SBK 14	2022/12/01	2011/01/01	9.66[7]	2017/12/01[5]
SBK 16	2023/03/15	2012/03/15	JIBAR[8] + 2.10	2018/03/15
SBK 9	2023/04/10	2006/04/10	8.40[7]	2018/04/10[5]
SBK 17	2024/07/30	2012/07/30	JIBAR[8] + 2.20	2019/07/30
SBK 19	2024/10/24	2012/10/24	JIBAR[8] + 2.20	2019/10/24
SBK 20[9]	2024/12/02	2014/12/02	JIBAR[8] + 3.50	2019/12/02[5]
SBK 18	2025/10/24	2012/10/24	JIBAR[8] + 2.35	2020/10/24
Total subordinated debt				

1 The difference between the carrying and notional value represents transaction costs included in the initial carrying amounts, accrued interest and the unamortised fair value adjustments relating to bonds, where applicable, hedged for interest rate risk.
2 Qualifying tier II capital.
3 Redeemed during 2014.
4 The interest rate is calculated in terms of the pricing supplement using the base rate as defined, adjusted for changes in the CPI as published by Statistics South Africa.
5 The issuer may redeem on this date, or any subsequent payment date.
6 RY is the real yield, which is the return from an investment adjusted for the effects of inflation, compounded semi-annually.
7 Fixed semi-coupon.
8 JIBAR is the three-month floating Johannesburg interbank agreed rate.
9 The terms of the SBK 20 bonds which were issued in 2014, include a regulatory requirement for tier II capital instruments, which provides for the write-off in whole or, if permitted by the relevant regulator (SARB), in part, on the earlier of a decision that a write off, without which the issuer would become non-viable, is necessary; or a decision to make a public sector injection of capital, or equivalent support, without which the issuer would have become non-viable, as determined and notified by the relevant regulator (SARB).

Rate after call date %	Notional value LCm	**Carrying value 2014[1] Rm**	**Notional value 2014 Rm**	Carrying value 2013[1] Rm	Notional value 2013 Rm
RY[6] of 7.25	ZAR1 800			2 357	1 800
JIBAR[8] +1.97	ZAR3 000	**3 030**	**3 000**	3 031	3 000
JIBAR[8] + 3.90	ZAR1 600	**1 618**	**1 600**	1 618	1 600
JIBAR[8] + 4.20	ZAR1 150	**1 160**	**1 150**	1 159	1 150
CPI indexed[4] + 2.36	ZAR1 220	**1 239**	**1 220**	1 237	1 220
CPI indexed[4] + 2.69	ZAR1 780	**1 795**	**1 780**	1 795	1 780
CPI indexed[4] + 2.42	ZAR2 000	**2 008**	**2 000**	2 006	2 000
JIBAR[8] + 1.68	ZAR1 500	**1 529**	**1 500**	1 528	1 500
JIBAR[8] + 2.20	ZAR2 000	**2 029**	**2 000**	2 025	2 000
JIBAR[8] + 2.20	ZAR500	**508**	**500**	507	500
JIBAR[8] + 3.50	ZAR2 250	**2 261**	**2 250**		
JIBAR[8] + 2.35	ZAR3 500	**3 557**	**3 500**	3 552	3 500
		20 734	**20 500**	20 815	20 050

Notes to the annual financial statements | continued

21. 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.

Group	Note	Held-for-trading[1] Rm	Designated at fair value Rm
2014			
Assets			
Cash and balances with central banks	3		
Derivative assets	4.7	**54 062**	
Trading assets	5	**51 436**	
Pledged assets	6.1	**5 075**	
Financial investments	7		**79 294**
Loans and advances to banks	8.1		
Loans and advances to customers	8.1		**72**
Interest in group companies, associates and joint ventures – banking operations	11	**7 579**	**1 035**
Other financial assets[4]			
Other non-financial assets			
		118 152	**80 401**
Liabilities			
Derivative liabilities	4.7	**66 298**	
Trading liabilities	16	**22 709**	
Deposits from banks	17		
Deposits from customers	17		**16 788**
Subordinated debt	20		
Liabilities to group companies	11.3	**7 822**	**3**
Other financial liabilities[4]			
Other non-financial liabilities			
		96 829	**16 791**
2013			
Assets			
Cash and balances with central banks	3		
Derivative assets	4.7	59 974	
Trading assets	5	35 574	
Pledged assets	6.1	4 186	
Financial investments	7	504	59 023
Loans and advances to banks	8.1		
Loans and advances to customers	8.1	1 074	131
Interest in group companies, associates and joint ventures – banking operations	11	7 108	596
Other financial assets[4]			
Other non-financial assets			
		108 420	59 750
Liabilities			
Derivative liabilities	4.7	65 813	
Trading liabilities	16	20 424	
Deposits from banks	17		932
Deposits from customers	17		20 875
Subordinated debt	20		
Liabilities to group companies	11.3	5 841	2 242
Other financial liabilities[4]			
Other non-financial liabilities			
		92 078	24 049

1 Includes derivative assets or liabilities held-for-hedging. Refer to note 4.7.
2 Includes financial assets and liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
3 Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section in accounting policy 16 – *Fair value* for a description on how fair values are determined.
4 The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.

	Held-to-maturity Rm	Loans and receivables[2] Rm	Available-for-sale Rm	Other amortised cost[2] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[3] Rm
		32 218				**32 218**	**32 218**
						54 062	**54 062**
						51 436	**51 436**
		206				**5 281**	**5 287**
	14 874	**1 329**	**6 359**			**101 856**	**102 610**
		100 152				**100 152**	**100 665**
		685 259				**685 331**	**682 695**
		53 885			**4 408**	**66 907**	**62 863**
		5 462				**5 462**	
					28 445	**28 445**	
	14 874	**878 511**	**6 359**		**32 853**	**1 131 150**	
						66 298	**66 298**
						22 709	**22 709**
				91 357		**91 357**	**91 630**
				691 791		**708 579**	**710 989**
				20 734		**20 734**	**20 965**
				113 999	**1 970**	**123 794**	**140 728**
				9 348		**9 348**	
					5 913	**5 913**	
				927 229	**7 883**	**1 048 732**	
		29 934				29 934	29 934
						59 974	59 974
						35 574	35 574
		208				4 394	4 423
	11 254		2 823			73 604	74 496
		74 189				74 189	74 195
		629 525				630 730	624 026
		61 232			3 821	72 757	76 445
		8 662				8 662	
					26 059	26 059	
	11 254	803 750	2 823		29 880	1 015 877	
						65 813	65 813
						20 424	20 424
				59 448		60 380	60 611
				640 095		660 970	663 400
				20 815		20 815	21 105
				82 234	371	90 688	90 965
				9 843		9 843	
					7 740	7 740	
				812 435	8 111	936 673	

Notes to the annual financial statements | continued

21. 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.

Company	Note	Held-for-trading[1] Rm	Designated at fair value Rm
2014			
Assets			
Cash and balances with central banks	3		
Derivative assets	4.7	**54 060**	
Trading assets	5	**51 436**	
Pledged assets	6.1	**5 075**	
Financial investments	7		**79 176**
Loans and advances to banks	8.1		
Loans and advances to customers	8.1		**72**
Interest in group companies, associates and joint ventures – banking operations	11	**7 587**	**835**
Other financial assets[4]			
Other non-financial assets			
		118 158	**80 083**
Liabilities			
Derivative liabilities	4.7	**66 298**	
Trading liabilities	16	**22 709**	
Deposits from banks	17		
Deposits from customers	17		**16 788**
Subordinated debt	20		
Liabilities to group companies	11.3	**7 902**	**2**
Other financial liabilities[4]			
Other non-financial liabilities			
		96 909	**16 790**
2013			
Assets			
Cash and balances with central banks	3		
Derivative assets	4.7	59 992	
Trading assets	5	35 393	
Pledged assets	6.1	4 186	
Financial investments	7	504	59 023
Loans and advances to banks	8.1		
Loans and advances to customers	8.1	1 074	131
Interest in group companies, associates and joint ventures – banking operations	11	7 809	658
Other financial assets[4]			
Other non-financial assets			
		108 958	59 812
Liabilities			
Derivative liabilities	4.7	65 812	
Trading liabilities	16	20 424	
Deposits from banks	17		934
Deposits from customers	17		20 868
Subordinated debt	20		
Liabilities to group companies	11.3	5 861	2 427
Other financial liabilities[4]			
Other non-financial liabilities			
		92 097	24 229

1 Includes derivative assets or liabilities held-for-hedging. Refer to note 4.7.
2 Includes financial assets and liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
3 Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section in accounting policy 16 – *Fair value* for a description on how fair values are determined.
4 The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.

Held-to-maturity Rm	Loans and receivables[2] Rm	Available-for-sale Rm	Other amortised cost[2] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[3] Rm
	32 202				32 202	32 202
					54 060	54 060
					51 436	51 436
	206				5 281	5 287
14 874	36	6 359			100 445	101 170
	99 896				99 896	100 409
	669 434				669 506	666 982
719	63 558			3 695	76 394	73 342
	5 351				5 351	
				28 124	28 124	
15 593	870 683	6 359		31 819	1 122 695	
					66 298	66 298
					22 709	22 709
			91 353		91 353	91 626
			682 854		699 642	702 031
			20 734		20 734	20 965
			116 210	1 920	126 034	121 883
			9 088		9 088	
				5 878	5 878	
			920 239	7 798	1 041 736	
	29 934				29 934	29 934
					59 992	59 992
					35 393	35 393
	208				4 394	4 423
11 260		2 823			73 610	74 496
	74 114				74 114	74 169
	611 819				613 024	606 967
	69 268			3 131	80 866	75 946
	8 584				8 584	
				25 759	25 759	
11 260	793 927	2 823		28 890	1 005 670	
					65 812	65 812
					20 424	20 424
			59 601		60 535	60 764
			629 706		650 574	652 218
			20 815		20 815	21 105
			83 987	327	92 602	91 991
			9 573		9 573	
				7 761	7 761	
			803 682	8 088	928 096	

22. Assets and liabilities at fair value

22.1 Financial assets and liabilities measured at fair value

22.1.1 Fair value hierarchy of instruments measured at fair value

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

Valuation process

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

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

Valuation techniques: Where quoted market prices are unavailable, the group and company establish fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from market, consensus pricing services or recent transactions in active markets, whenever possible.

Where such inputs are not available, the group and company make use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments.

Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. In making appropriate valuation adjustments, the group and company apply methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk.

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

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.1 Fair value hierarchy of instruments measured at fair value continued

Valuation process continued

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

Fair value hierarchy

The tables that follow analyses the group and company's financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent to which observable and unobservable market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follow:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset and liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Significant unobservable inputs

The fair value of level 3 assets and liabilities is determined using valuation techniques that include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management's judgement. Although the group and company believe that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonable possible alternative values could impact the fair value of the financial instruments. These inputs include, but are not limited to, credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates and other illiquid risk drivers.

Exposure to such illiquid risk drivers is typically managed by:

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

Frequency of valuations

Recurring fair value measurements of assets or liabilities are those assets or liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those assets or liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of a reporting period in particular circumstances.

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.1 Fair value hierarchy of instruments measured at fair value continued

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

Group	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Financial assets				
Measured on a recurring basis				
Derivative assets	157	53 259	646	54 062
Trading assets	19 238	27 550	4 648	51 436
Pledged assets	2 491	2 584		5 075
Financial investments	14 776	68 137	2 740	85 653
Loans and advances to customers		72		72
Interest in group companies[1]	288	7 835	491	8 614
	36 950	159 437	8 525	204 912
Comprising:				
Held-for-trading				118 152
Designated at fair value				80 401
Available-for-sale				6 359
				204 912
Financial liabilities				
Measured on a recurring basis				
Derivative liabilities	17	60 323	5 958	66 298
Trading liabilities	968	20 219	1 522	22 709
Deposits from customers		16 788		16 788
Liabilities to group companies	19	7 321	485	7 825
	1 004	104 651	7 965	113 620
Comprising:				
Held-for-trading				96 829
Designated at fair value				16 791
				113 620

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

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.1 Fair value hierarchy of instruments measured at fair value continued

Group	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2013				
Financial assets				
Measured on a recurring basis				
Derivative assets	79	57 866	2 029	59 974
Trading assets	15 485	17 993	2 096	35 574
Pledged assets	3 040	1 146		4 186
Financial investments	10 729	49 544	2 077	62 350
Loans and advances to customers		1 205		1 205
Interest in group companies[1]	1 697	4 406	1 601	7 704
	31 030	132 160	7 803	170 993
Comprising:				
Held-for-trading				108 420
Designated at fair value				59 750
Available-for-sale				2 823
				170 993
Financial liabilities				
Measured on a recurring basis				
Derivative liabilities	150	57 790	7 873	65 813
Trading liabilities	2 441	17 551	432	20 424
Deposits from banks		932		932
Deposits from customers		20 875		20 875
Liabilities to group companies	1 590	6 493		8 083
	4 181	103 641	8 305	116 127
Comprising:				
Held-for-trading				92 078
Designated at fair value				24 049
				116 127

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

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.1 Fair value hierarchy of instruments measured at fair value continued

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

Company	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Assets				
Derivative assets	157	53 257	646	54 060
Trading assets	19 238	27 550	4 648	51 436
Pledged assets	2 491	2 584		5 075
Financial investments	14 658	68 138	2 739	85 535
Loans and advances to customers		72		72
Interest in group companies		7 926	496	8 422
	36 544	159 527	8 529	204 600
Comprising:				
Held-for-trading				118 158
Designated at fair value				80 083
Available-for-sale				6 359
				204 600
Liabilities				
Derivative liabilities	17	60 323	5 958	66 298
Trading liabilities	968	20 219	1 522	22 709
Deposits from customers		16 788		16 788
Liabilities to group companies	18	7 401	485	7 904
	1 003	104 731	7 965	113 699
Comprising:				
Held-for-trading				96 909
Designated at fair value				16 790
				113 699

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.1 Fair value hierarchy of instruments measured at fair value continued

Company	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2013				
Assets				
Derivative assets	78	57 885	2 029	59 992
Trading assets	15 304	17 993	2 096	35 393
Pledged assets	3 040	1 146		4 186
Financial investments	10 729	49 545	2 076	62 350
Loans and advances to customers		1 205		1 205
Interest in group companies	2 382	4 484	1 601	8 467
	31 533	132 258	7 802	171 593
Comprising:				
Held-for-trading				108 958
Designated at fair value				59 812
Available-for-sale				2 823
				171 593
Liabilities				
Derivative liabilities	150	57 790	7 872	65 812
Trading liabilities	2 441	17 551	432	20 424
Deposits from banks		934		934
Deposits from customers		20 868		20 868
Liabilities to group companies	1 710	6 578		8 288
	4 301	103 721	8 304	116 326
Comprising:				
Held-for-trading				
Designated at fair value				92 097
Available-for-sale				24 229
				116 326

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.2 Level 2 and 3 – valuation techniques and inputs

Level 2 and 3 financial investment valuation techniques include assets and/or liabilities that are included in interest in group companies and liabilities to group companies as appropriate.

Derivative financial instruments

Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships. Standard derivative contracts are valued using market-accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Inputs used in the valuation process include spot prices of the underlying, dividend yields, risk-free rates, risk premiums, timing of settlement, storage/services costs, credit risks, volatilities, prepayment risk/surrender risk and recovery rates/loss given default.

Trading assets and liabilities, pledged assets and financial investments

Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily comprise of sovereign and corporate debt, commodities, collateral, collateralised lending agreements, equity securities and credit-linked notes.

Pledged assets comprise instruments that may be sold or repledged by the group's counterparties in the absence of default by the group and company. Pledged assets include sovereign and corporate debt and commodities that have been leased to third parties.

Financial instruments are non-trading financial assets and primarily comprise materially of equity instruments, sovereign or corporate debt, investments in debentures issued by SARB, investments in mutual fund investments and unit-linked investments and treasury bills.

Where there are no recent transactions, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value for the financial instrument is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment. Where proxies are not available, then fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.

Loans and advances

Loans and advances comprise:

- **Loans and advances to banks:** call loans, loans granted under resale agreements and balances held with other banks.
- **Loans and advances to customers:** mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sales and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).

For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) market inputs, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.2 Level 2 and 3 – valuation techniques and inputs continued

Deposits from banks and customers and other financial liabilities

Deposits from banks and customers comprise amounts owed to depositors, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.

For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risk and information between the transaction and valuation dates. In the absence of an observable market for these instruments discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group and company's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Level 2 financial assets and financial liabilities measured and disclosed

The following table sets out the group and company's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

Level 2	Valuation basis/technique	Main assumptions
Derivative instruments	Discounted cash flow, Black-Scholes and combination technique models	Discount rate[1], spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples
Trading assets	Discounted cash flow model	Discount rate[1] and spot price of the underlying
Pledged assets	Discounted cash flow model	Discount rate[1] and spot price of the underlying
Financial investments	Discounted cash flow, combination technique models and adjusted quoted exit price model	Discount rate[1], spot price of the underlying, notice period, dividend yield, earnings yield and valuation multiples
Loans and advances to banks and customers	Discounted cash flow model	Discount rate[1]
Trading liabilities	Discounted cash flow model	Discount rate[1], and spot price of the underlying
Deposits from banks and customers	Discounted cash flow model	Discount rate[1]

1 Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, service costs, prepayment and surrender risk assumptions.

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.3 Reconciliation of level 3 financial assets measured on a recurring basis

Level 3 financial assets and financial liabilities

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

Group	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Interest in group companies Rm	Total Rm
Balance at 1 January 2013	1 483	266	2 563	1 563	5 875
Total gains/(losses) included in profit or loss:	1 234	(37)	182	38	1 417
Trading revenue	1 234	(37)		38	1 235
Other revenue			182		182
Originations and purchases	499	3 088	185		3 772
Sales and settlements[1]	(1 182)	(2 019)	(936)		(4 137)
Transfers into level 3[3]	2	798	119		919
Transfers out of level 3[2]	(7)		(36)		(43)
Balance at 31 December 2013	2 029	2 096	2 077	1 601	7 803
Balance at 1 January 2014	**2 029**	**2 096**	**2 077**	**1 601**	**7 803**
Total gains/(losses) included in profit or loss:	**95**	**(116)**	**347**	**305**	**631**
Interest income			**97**		**97**
Trading revenue	**95**	**(116)**		**305**	**284**
Other revenue			**250**		**250**
Originations and purchases	**601**	**3 875**	**16**	**245**	**4 737**
Sales and settlements[1]	**(1 889)**	**(661)**	**(357)**	**(1 660)**	**(4 567)**
Reclassifications[4]		**(546)**			**(546)**
Transfers into level 3[3]			**657**		**657**
Transfers out of level 3[2]	**(190)**				**(190)**
Balance at 31 December 2014	**646**	**4 648**	**2 740**	**491**	**8 525**

1 Derivative fair values represent the net present value of positive and/or negative future cash flows. Settlements may increase or decrease the carrying value of derivative assets.
2 The valuation inputs of certain financial assets became unobservable. The fair value of these financial assets was transferred into level 3.
3 The valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.
4 Level 3 financial assets were reclassified from held-for-trading to loans and receivables at amortised cost in terms of IFRS during the current year. Refer to note 34 on page 232.

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.3 Reconciliation of level 3 financial assets measured on a recurring basis continued

Company	**Derivative assets Rm**	**Trading assets Rm**	**Financial investments Rm**	**Interest in group companies Rm**	**Total Rm**
Balance at 1 January 2013	1 483	266	2 569	1 563	5 881
Total gains/(losses) included in profit or loss:	1 234	(37)	182	38	1 417
Trading revenue	1 234	(37)		38	1 235
Other revenue			182		182
Originations and purchases	499	3 087	185		3 771
Sales and settlements[1]	(1 182)	(2 018)	(942)		(4 142)
Transfers into level 3[2]	2	798	118		918
Transfers out of level 3[3]	(7)		(36)		(43)
Balance at 31 December 2013	2 029	2 096	2 076	1 601	7 802
Balance at 1 January 2014	**2 029**	**2 096**	**2 076**	**1 601**	**7 802**
Total gains/(losses) included in profit or loss:	**95**	**(116)**	**347**	**305**	**631**
Interest income			**97**		**97**
Trading revenue	**95**	**(116)**		**305**	**284**
Other revenue			**250**		**250**
Originations and purchases	**601**	**3 875**	**16**	**250**	**4 742**
Sales and settlements[1]	**(1 889)**	**(661)**	**(357)**	**(1 660)**	**4 567**
Reclassifications[4]		**(546)**			**(546)**
Transfers into level 3[2]			**657**		**657**
Transfers out of level 3[3]	**(190)**				**(190)**
Balance at 31 December 2014	**646**	**4 648**	**2 739**	**496**	**8 529**

1 Derivative fair values represent the net present value of positive and/or negative future cash flows. Settlements may increase or decrease the carrying value of derivative assets.

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

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

4 Level 3 financial assets were reclassified from held-for-trading to loans and receivables at amortised cost in terms of IFRS during the current year. Refer to note 34 on page 232.

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.4 Gains/(losses) for the year included in profit or loss for level 3 financial assets held at the end of the year

	Measured on a recurring basis				
Group	**Derivative assets Rm**	**Trading assets Rm**	**Financial investments Rm**	**Interest in group companies Rm**	**Total Rm**
2014					
Interest income			**97**		**97**
Trading revenue	**49**	**(102)**			**(53)**
Other revenue			**179**		**179**
Total	**49**	**(102)**	**276**		**223**
2013					
Trading revenue	1 271	(14)		38	1 295
Other revenue			76		76
Total	1 271	(14)	76	38	1 371

	Measured on a recurring basis				
Company	**Derivative assets Rm**	**Trading assets Rm**	**Financial investments Rm**	**Interest in group companies Rm**	**Total Rm**
2014					
Interest income			**97**		**97**
Trading revenue	**49**	**(102)**			**(53)**
Other revenue			**179**		**179**
Total	**49**	**(102)**	**276**		**223**
2013					
Trading revenue	1 271	(14)		38	1 295
Other revenue			76		76
Total	1 271	(14)	76	38	1 371

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.5 Reconciliation of level 3 financial liabilities measured on a recurring basis

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

	Measured on a recurring basis			
Group	**Trading liabilities Rm**	**Derivative liabilities Rm**	**Liabilities to group companies Rm**	**Total Rm**
Balance at 1 January 2013		1 368		1 368
Total (gains)/losses included in profit or loss				
– trading revenue	(27)	4 084		4 057
Issuances	459	3 050		3 509
Sales and settlements[1]		(679)		(679)
Transfers into level 3[2]		58		58
Transfers out of level 3[3]		(8)		(8)
Balance at 31 December 2013	432	7 873		8 305
Balance at 1 January 2014	**432**	**7 873**		**8 305**
Total losses included in profit or loss – trading revenue	**179**	**699**	**42**	**920**
Issuances	**911**	**764**	**93**	**1 768**
Sales and settlements[1]		**(2 444)**		**(2 444)**
Transfers into level 3[2]		**306**	**350**	**656**
Transfers out of level 3[3]		**(1 240)**		**(1 240)**
Balance at 31 December 2014	**1 522**	**5 958**	**485**	**7 965**
Company				
Balance at 1 January 2013		1 368		1 368
Total (gains)/losses included in profit or loss				
– trading revenue	(27)	4 084		4 057
Issuances	459	3 050		3 509
Sales and settlements[1]		(679)		(679)
Transfers into level 3[2]		57		57
Transfers out of level 3[3]		(8)		(8)
Balance at 31 December 2013	432	7 872		8 304
Balance at 1 January 2014	**432**	**7 872**		**8 304**
Total losses included in profit or loss				
– trading revenue	**179**	**699**	**42**	**920**
Issuances	**911**	**764**	**93**	**1 768**
Sales and settlements[1]		**(2 443)**		**(2 443)**
Transfers into level 3[2]		**306**	**350**	**656**
Transfers out of level 3[3]		**(1 240)**		**(1 240)**
Balance at 31 December 2014	**1 522**	**5 958**	**485**	**7 965**

1 Derivative fair values represent the net present value of positive and/or negative future cash flows. Settlements may increase or decrease the carrying value of derivative liabilities.
2 The valuation inputs of certain financial liabilities became unobservable. The fair value of these financial liabilities were transferred into level 3.
3 The valuation inputs of certain level 3 financial liabilities became observable. The fair values of these financial liabilities were transferred into level 2.

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

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

Group	Trading liabilities Rm	Derivative liabilities Rm	Liabilities to group companies Rm	Total Rm
2014				
Trading revenue	**179**	**692**	**42**	**913**
Total	**179**	**692**	**42**	**913**
2013				
Trading revenue	(32)	3 862		3 830
Total	(32)	3 862		3 830

Company	Trading liabilities Rm	Derivative liabilities Rm	Liabilities to group companies Rm	Total Rm
2014				
Trading revenue	**179**	**692**	**42**	**913**
Total	**179**	**692**	**42**	**913**
2013				
Trading revenue	(32)	3 862		3 830
Total	(32)	3 862		3 830

22.1.7 Sensitivity and interrelationships of inputs

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

The table that follows indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonable possible alternative assumption would have on profit or loss and OCI (where applicable) at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted.

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.7 Sensitivity and interrelationships of inputs continued

Group	Valuation basis/ technique	Main assumptions	Variance in fair value measurement[1]	Effect on profit or loss Favourable Rm	Effect on profit or loss (Unfavourable) Rm
2014					
Derivative instruments	Discounted cash flow, Black-Scholes and combination technique models	Discount rate[1], spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples	From (3%) to 6%	**360**	**(360)**
Trading assets	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (2%) to 2%	**254**	**(254)**
Financial investments	Discounted cash flow and combination technique models	Discount rate[1], spot price of the underlying, dividend yield, earnings yield and valuation multiples	From (5%) to 25%	**97**	**(107)**
Interest in group companies	Discounted cash flow model	Discount rate[1]	From (1%) to 1%	**2**	**(2)**
Trading liabilities	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (1%) to 1%	**157**	**(157)**
Total				**870**	**(880)**
2013					
Derivative instruments	Discounted cash flow and Black-Scholes model	Discount rate[1], spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples	From (2%) to 6%	36	(38)
Trading assets	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (2%) to 2%	158	(158)
Financial investments	Discounted cash flow model	Discount rate[1], spot price of the underlying, dividend yield, earnings yield and valuation multiples	From (10%) to 10%	105	(142)
Interest in group companies	Discounted cash flow model	Discount rate[1]	From (1%) to 1%	129	(129)
Trading liabilities	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (1%) to 1%	1	(1)
Total				429	(468)

[1] Discount rates, where applicable, include risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate) timing of settlement, service costs, pre-payment and surrender risk assumptions.

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

22.1 Financial assets and liabilities measured at fair value continued

22.1.7 Sensitivity and interrelationships of inputs continued

Company	Valuation basis/ technique	Main assumptions	Variance in fair value measurement[1]	Effect on profit or loss Favourable Rm	Effect on profit or loss (Unfavourable) Rm
2014					
Derivative instruments	Discounted cash flow, Black-Scholes and combination technique models	Discount rate[1], spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples	From (3%) to 6%	**360**	**(360)**
Trading assets	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (2%) to 2%	**254**	**(254)**
Financial investments	Discounted cash flow and combination technique models	Discount rate[1], spot price of the underlying, dividend yield, earnings yield and valuation multiples	From (5%) to 25%	**97**	**(107)**
Interest in group companies	Discounted cash flow model	Discount rate[1]	From (1%) to 1%	**2**	**(2)**
Trading liabilities	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (1%) to 1%	**157**	**(157)**
Total				**870**	**(880)**
2013					
Derivative instruments	Discounted cash flow and Black-Scholes models	Discount rate[1], spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples	From (2%) to 6%	36	(38)
Trading assets	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (2%) to 2%	158	(158)
Financial investments	Discounted cash flow model	Discount rate[1], spot price of the underlying, dividend yield, earnings yield and valuation multiples	From (10%) to 10%	105	(142)
Interest in group companies	Discounted cash flow model	Discount rate[1]	From (1%) to 1%	129	(129)
Trading liabilities	Discounted cash flow model	Discount rate[1] and spot price of the underlying	From (1%) to 1%	1	(1)
Total				429	(468)

[1] Discount rates, where applicable, include risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, service costs, pre-payment and surrender risk assumptions.

22. Assets and liabilities at fair value continued

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

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

Group	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Assets				
Cash and balances with central banks	**32 218**			**32 218**
Pledged assets			**212**	**212**
Financial investments	**15 593**	**1 322**	**42**	**16 957**
Loans and advances to banks	**4 761**	**95 530**	**374**	**100 665**
Loans and advances to customers		**40 531**	**642 092**	**682 623**
Interest in group companies	**3 208**	**48 459**	**2 582**	**54 249**
	55 780	**185 842**	**645 302**	**886 924**
Liabilities				
Deposits from banks	**39 917**	**51 121**	**592**	**91 630**
Deposits from customers	**457 210**	**234 972**	**2 019**	**694 201**
Subordinated debt		**20 965**		**20 965**
Liabilities to group companies	**8 342**	**123 881**	**680**	**132 903**
	505 469	**430 939**	**3 291**	**939 699**
2013				
Assets				
Cash and balances with central banks	29 934			29 934
Pledged assets			237	237
Financial investments	12 104		42	12 146
Loans and advances to banks	26 817	46 292	1 086	74 195
Loans and advances to customers	4 866	60 627	557 328	622 821
Interest in group companies	38 850	20 169	9 722	68 741
	112 571	127 088	568 415	808 074
Liabilities				
Deposits from banks	32 331	27 325	23	59 679
Deposits from customers	415 595	226 613	317	642 525
Subordinated debt		21 105		21 105
Liabilities to group companies	49 876	30 065	2 941	82 882
	497 802	305 108	3 281	806 191

Notes to the annual financial statements | continued

22. Assets and liabilities at fair value continued

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

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

Company	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Assets				
Cash and balances with central banks	32 202			32 202
Pledged assets			212	212
Financial investments	15 593		42	15 635
Loans and advances to banks	4 505	95 530	374	100 409
Loans and advances to customers		40 514	626 396	666 910
Interest in group companies	2 383	57 666	4 871	64 920
	54 683	193 710	631 895	880 288
Liabilities				
Deposits from banks	39 911	51 123	592	91 626
Deposits from customers	449 728	234 090	1 425	685 243
Subordinated debt		20 965		20 965
Liabilities to group companies	6 074	107 905		113 979
	495 713	414 083	2 017	911 813
2013				
Assets				
Cash and balances with central banks	29 934			29 934
Pledged assets			237	237
Financial investments	12 104		42	12 146
Loans and advances to banks	26 815	46 292	1 062	74 169
Loans and advances to customers	4 866	58 171	542 725	605 762
Interest in group companies	36 993	18 343	12 143	67 479
	110 712	122 806	556 209	789 727
Liabilities				
Deposits from banks	32 330	27 477	23	59 830
Deposits from customers	410 844	220 806		631 650
Subordinated debt		21 105		21 105
Liabilities to group companies	50 463	32 402	838	83 703
	493 637	301 790	861	796 288

22.3 Third-party credit announcements

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

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

23.1 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 R72 million (2013: R131 million).

The maximum exposure to credit risk is mitigated by R62 million (2013: R115 million) by using credit derivatives and similar instruments for the group and company. Fair value changes attributable to changes in credit risk on loans and advances designated at fair value through profit or loss amounted to a loss of R10 million (2013: R13 million) for both the group and company.

The change for the year 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 that give rise to market risk.

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

23.2 Financial liabilities

Fair value changes attributable to changes in credit risk on financial liabilities designated at fair value through profit or loss amounted to a gain of R59 million (2013: R32 million) for the group and company.

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

The amount that would contractually be required to pay at maturity for financial liabilities designated at fair value through profit or loss for the group is R18 058 million (2013: R31 047 million) and for the company is R18 058 million (2013: R31 227 million), R1 267 million higher (2013: R6 998 million higher) for the group and R1 268 higher (2013: R6 998 million higher) for the company than the carrying amount.

24. Contingent liabilities and commitments

24.1 Contingent liabilities

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Letters of credit	**10 709**	9 082	**10 709**	9 082
Guarantees	**44 851**	39 852	**44 851**	39 852
	55 560	48 934	**55 560**	48 934

Loan commitments of R74 610 million (2013: R72 964 million) in the group that are irrevocable over the life of the facility or are revocable only in response to material adverse changes are included in the risk and capital management report.

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
24.2 Capital commitments				
Contracted capital expenditure	**1 091**	880	**1 091**	880
Capital expenditure authorised but not yet contracted	**6 677**	5 857	**6 677**	5 857
	7 768	6 737	**7 768**	6 737

The expenditure will be funded from internal resources.

24.3 Operating lease commitments

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

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Properties				
Within 1 year	**744**	699	**740**	694
After 1 year but within 5 years	**1 461**	2 292	**1 446**	2 287
After 5 years	**90**	385	**90**	385
	2 295	3 376	**2 276**	3 366

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

24.4 Legal proceedings

In the conduct of its ordinary course of business, the group is involved in litigation, lawsuits and other proceedings relating to alleged errors and omissions, or receives claims arising from the conduct of its business which can require the group to engage in legal proceedings in order to enforce and/or defend its rights.

Notes to the annual financial statements | continued

24. Contingent liabilities and commitments continued

24.4 Legal proceedings continued

From time to time the group is also the subject of various regulatory reviews, requests for information and investigations by various governmental and regulatory bodies arising from the group's business operations. While the group seeks to comply with the letter and spirit of all applicable laws and regulations, the outcome of these reviews, requests for information and investigations is uncertain and it is not possible to predict the extent of any liabilities or other consequences that may arise.

Whilst recognising the inherent difficulty of predicting the outcome of defended legal proceedings, management believes, based upon current knowledge and after consulting with legal counsel, that the legal proceedings currently pending against it should not have a material adverse effect on the consolidated financial position. 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.

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

IFRS requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, the group and company has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no instances in 2014 where the group and company had a current legally enforceable right to offset without the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The following table sets out the impact of offset, as well as the required disclosures where financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they have been offset in accordance with IFRS.

It should be noted that the information below is not intended to represent the group and company's actual credit exposure, nor will it agree to that presented in the statement of financial position.

Group and company	Gross amounts of recognised financial assets[1] Rm	Gross amounts of recognised financial liabilities offset in the statement of financial position[2] Rm	Net amounts of financial assets subject to offset Rm	Financial collateral and cash collateral received[3] Rm	Net amount Rm
2014					
Assets[6]					
Derivative assets	53 241	(108)	53 133	(49 110)	4 023
Trading assets	5 662		5 662	(5 628)	34
Loans and advances[4]	120 231	(39 082)	81 149	(79 402)	1 747
	179 134	(39 190)	139 944	(134 140)	5 804

	Gross amounts of recognised financial liabilities[1] Rm	Gross amounts of recognised financial assets offset in the statement of financial position[2] Rm	Net amounts of financial liabilities subject to offset Rm	Financial collateral and cash collateral pledged[5] Rm	Net amount Rm
2014					
Liabilities[6]					
Derivative liabilities	68 432	(108)	68 324	(52 499)	15 825
Trading liabilities	9 667		9 667	(9 665)	2
Deposits and current accounts[4]	56 861	(39 082)	17 779	(7 043)	10 736
	134 960	(39 190)	95 770	(69 207)	26 563

Refer to footnotes on the following page.

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

Group and company	Gross amounts of recognised financial assets[1] Rm	Gross amounts of recognised financial liabilities offset in the statement of financial position[2] Rm	Net amounts of financial assets subject to offset Rm	Financial collateral and cash collateral received[3] Rm	Net amount Rm
2013					
Assets[6]					
Derivative assets	51 240	(98)	51 142	(44 827)	6 315
Trading assets	4 463		4 463	(4 463)	
Loans and advances[4]	80 228	(33 743)	46 485	(43 503)	2 982
	135 931	(33 841)	102 090	(92 793)	9 297

	Gross amounts of recognised financial liabilities[1] Rm	Gross amounts of recognised financial assets offset in the statement of financial position[2] Rm	Net amounts of financial liabilities subject to offset Rm	Financial collateral and cash collateral pledged[5] Rm	Net amount Rm
2013					
Liabilities[6]					
Derivative liabilities	53 241	(98)	53 143	(44 173)	8 970
Trading liabilities	7 498		7 498	(7 498)	
Deposits and current accounts[4]	43 980	(33 743)	10 237	(710)	9 527
	104 719	(33 841)	70 878	(52 381)	18 497

[1] Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or subject to a master netting arrangement or a similar agreement, irrespective of whether the IFRS offsetting criteria is met.
[2] The amounts that qualify for offset in accordance with the criteria per IFRS.
[3] Related amounts not offset in the statement of financial position, that are subject to a master netting arrangement or similar agreement, including financial collateral (whether recognised or unrecognised) and cash collateral. In most cases, the group and company is allowed to sell or repledge collateral received.
[4] The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of its group by linking the current accounts of multiple legal entities within a group. This allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for those groups. The cash management accounts are offset in the statement of financial position in terms of IFRS.
[5] Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement, including financial (whether recognised or unrecognised) and cash collateral. In most instances, the counterparty may not sell or repledge collateral pledged by the group and company.
[6] All items in the tables' respective line items have been measured on a consistent basis.

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

	Nature of agreement	Related rights
Derivative assets and liabilities	ISDAs	The agreement allows for offset in the event of default
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default
Loans and advances to banks	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to the Banks Act requirements being met
Deposit and current accounts	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to the Banks Act requirements being met

Notes to the annual financial statements | continued

26. Income statement information

		Group		Company	
		2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
26.1	**Interest income**				
	Interest on loans and advances and investments	**64 218**	56 316	**63 617**	55 747
	Unwinding of discount element of credit impairments for loans and advances (note 8.3)	**751**	556	**743**	551
	Fair value adjustments on debt financial instruments	**60**	(238)	**60**	(238)
	Dividends on dated securities	**1 720**	1 435	**1 416**	1 237
		66 749	58 069	**65 836**	57 297
	All interest income reported above with the exception of R4 434 million (2013: R3 000 million) for the group and R4 404 million (2013: R2 958 million) for the company relates to financial assets not carried at fair value through profit or loss.				
26.2	**Interest expense**				
	Current accounts	**151**	111	**151**	111
	Savings and deposit accounts	**10 162**	7 315	**10 187**	7 340
	Foreign finance creditors	**635**	750	**635**	751
	Subordinated debt	**1 646**	1 624	**1 646**	1 624
	Other interest-bearing liabilities	**21 663**	19 381	**21 120**	18 898
		34 257	29 181	**33 739**	28 724
	All interest expense reported above with the exception of R1 449 million (2013: R1 555 million) for the group and R1 451 million (2013: R1 554 million) for the company, relates to financial liabilities not carried at fair value through profit or loss.				
26.3	**Fee and commission revenue**				
	Account transaction fees	**8 440**	7 926	**8 434**	7 926
	Card-based commission	**5 093**	4 478	**4 698**	4 075
	Knowledge-based fees and commission	**837**	491	**837**	491
	Electronic banking fees	**2 429**	2 085	**2 429**	2 085
	Bancassurance	**1 890**	1 828	**715**	710
	Foreign currency service fees	**920**	756	**242**	756
	Documentation and administration fees	**1 057**	1 059	**1 044**	1 051
	Other	**2 104**	1 885	**3 365**	2 493
		22 770	20 508	**21 764**	19 587

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.

26. Income statement information continued

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
26.4 Fee and commission expense				
Account transaction fees	**913**	836	**913**	836
Card-based commission	**1 621**	1 395	**1 607**	1 380
Electronic banking fees	**600**	565	**600**	565
Bancassurance	**492**	434	**492**	434
Documentation and administration fees	**117**	121	**117**	121
Other	**212**	181	**212**	181
	3 955	3 532	**3 941**	3 517
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.				
26.5 Trading revenue				
FIC	**2 769**	2 413	**2 783**	2 451
Equities	**759**	886	**759**	886
Commodities	**107**	210	**107**	210
Other	**(182)**	12	**(182)**	12
	3 453	3 521	**3 467**	3 559
26.6 Other revenue				
Banking and other[1]	**1 426**	1 390	**1 585**	1 785
Property-related revenue	**73**	85	**74**	84
Insurance – bancassurance income	**958**	896	**958**	896
Net losses on financial instruments designated at fair value through profit or loss		(20)		(20)
	2 457	2 351	**2 617**	2 745
26.7 Credit impairment charges				
Net credit impairments raised for loans and advances	**8 702**	8 828	**8 594**	8 766
Recoveries on loans and advances previously written off	**(826)**	(1 013)	**(837)**	(1 003)
	7 876	7 815	**7 757**	7 763
Comprising:				
Net specific credit impairment charges	**7 907**	7 845	**7 814**	7 794
Specific credit impairment charges (note 8.3)	**8 733**	8 858	**8 651**	8 797
Recoveries on loans and advances previously written off	**(826)**	(1 013)	**(837)**	(1 003)
Portfolio credit impairment reversals (note 8.3)	**(31)**	(30)	**(57)**	(31)
	7 876	7 815	**7 757**	7 763

[1] Included in banking and other income for the company is dividend income from subsidiaries of R209 million (2013: R313 million).

Notes to the annual financial statements | continued

26. Income statement information continued

		Group		Company	
		2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
26.8	**Revenue sharing agreements**				
	Revenue sharing agreements with fellow subsidiaries	**1 759**	1 646	**1 759**	1 646
		1 759	1 646	**1 759**	1 646
26.9	**Staff costs**				
	Salaries and wages	**14 120**	13 301	**13 793**	13 020
	Current service cost (note 33.1)	**652**	607	**652**	607
	Equity-linked transactions (annexure D)	**1 267**	888	**1 267**	888
	Equity-settled share-based payments – GSIS	**27**	10	**27**	10
	Cash-settled share-based payments	**1 240**	878	**1 240**	878
	EGS	**513**	434	**513**	434
	DBS	**10**	35	**10**	35
	DBS (2012)	**642**	409	**642**	409
	PRP	**75**		**75**	
		16 039	14 796	**15 712**	14 515
26.10	**Other operating expenses**				
	Amortisation – intangible assets (note 12)	**1 111**	786	**1 111**	786
	Auditors' remuneration	**125**	123	**121**	118
	Audit fees – current year	**107**	105	**103**	101
	Fees for other services	**18**	18	**18**	17
	Communication expense	**774**	886	**752**	864
	Depreciation (note 13)	**1 872**	1 778	**1 865**	1 765
	Property, comprising:				
	– freehold	**72**	47	**72**	47
	– leasehold	**310**	286	**310**	286
	Equipment, comprising:				
	– computer equipment	**1 047**	1 008	**1 045**	1 001
	– motor vehicles	**39**	45	**37**	42
	– office equipment	**66**	50	**66**	50
	– furniture and fittings	**338**	342	**335**	339
	Impairments – intangible assets (note 12)	**445**	308	**445**	308
	Information technology	**4 566**	3 670	**4 545**	3 643
	Operating lease charges	**1 418**	1 399	**1 407**	1 389
	Premises	**962**	793	**959**	791
	Professional fees	**1 180**	1 031	**1 171**	1 023
	Loss/(profit) on sale of property and equipment	**45**	(23)	**45**	(21)
	Other expenses	**3 164**	2 696	**2 803**	2 377
		15 662	13 447	**15 224**	13 043
26.11	**Goodwill impairment**				
	Goodwill impairment charge on subsidiaries (note 12.1)	**4**			
		4			

27. Taxation

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Indirect taxation (note 27.1)	**1 398**	1 211	**1 396**	1 207
Direct taxation (note 27.2)	**2 942**	2 608	**2 783**	2 494
	4 340	3 819	**4 179**	3 701

27.1 Indirect taxation

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Value added tax	**1 261**	1 085	**1 261**	1 085
Duties and other	**2**	3		
Skills development levy (net of recoveries)	**135**	123	**135**	122
	1 398	1 211	**1 396**	1 207

27.2 Direct taxation

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Current year	**2 997**	2 739	**2 843**	2 617
South African normal tax	**2 816**	3 301	**2 696**	3 174
South African deferred tax	**172**	(613)	**138**	(608)
Foreign normal and withholding tax	**(6)**	3	**(6)**	3
Capital gains tax	**15**	48	**15**	48
Prior years	**(55)**	(131)	**(60)**	(123)
South African normal tax	**(20)**	(131)	**(21)**	(123)
South African deferred tax	**(35)**		**(39)**	
	2 942	2 608	**2 783**	2 494

The aggregate current and deferred tax relating to items charged or credited to OCI for the group and company amounted to a credit of R45 million (2013: R33 million credit).

Notes to the annual financial statements | continued

27. Taxation continued

27.2 Direct taxation continued

Income tax recognised in OCI

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

	Group			Company		
	Before tax Rm	Tax (expense)/ benefit Rm	Net of tax Rm	Before tax Rm	Tax (expense)/ benefit Rm	Net of tax Rm
2014						
Exchange differences on translating foreign operations	**141**		**141**	**140**		**140**
Net change in fair value on cash flow hedges	**224**	**(63)**	**161**	**224**	**(63)**	**161**
Realised fair value adjustments on cash flow hedges transferred to profit or loss	**(227)**	**64**	**(163)**	**(227)**	**64**	**(163)**
Net change in fair value of available-for-sale financial assets	**(6)**	**1**	**(5)**	**(6)**	**1**	**(5)**
Defined benefit fund remeasurements	**(153)**	**43**	**(110)**	**(153)**	**43**	**(110)**
	(21)	**45**	**24**	**(22)**	**45**	**23**
2013						
Exchange differences on translating foreign operations	187		187	181		181
Net change in fair value on cash flow hedges	713	(200)	513	713	(200)	513
Realised fair value adjustments on cash flow hedges transferred to profit or loss	(553)	155	(398)	(553)	155	(398)
Net change in fair value of available-for-sale financial assets	39	(14)	25	39	(14)	25
Defined benefit fund remeasurements	(327)	92	(235)	(327)	92	(235)
	59	33	92	53	33	86

Future tax relief

The group has estimated tax losses of R10 million (2013: R126 million) which are available for set off against future taxable income, for which a deferred tax asset was recognised. These deferred tax asset balances were offset, where applicable, against deferred tax liabilities, refer to annexure A – accounting policy 14 – *Taxation*.

27. **Taxation** continued

27.2 **Direct taxation** continued

	Group		Company	
	2014 %	2013 %	**2014 %**	2013 %
South African tax rate reconciliation				
Total taxation charge for the year as a percentage of net income before indirect taxation	**27**	27	**26**	27
Value added tax, duties and skills development levy	**(9)**	(9)	**(9)**	(9)
Corporate tax charge for the year as a percentage of profit before indirect taxation	**18**	18	**17**	18
The charge for the year has been reduced as a consequence of:				
Dividends received	**6**	6	**6**	6
Other non-taxable income	**3**	3	**4**	3
Other permanent differences	**1**		**1**	
Prior year tax adjustments		1		1
Standard rate of South African tax	**28**	28	**28**	28

28. Headline earnings

	2014				2013			
	Gross Rm	**Tax Rm**	**Non-controlling interest Rm**	**Net Rm**	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
Group								
Profit for the year	**14 619**	**(2 942)**	**(3)**	**11 674**	13 124	(2 608)	21	10 537
Headline earnings adjustable items added/(reversed)	**475**	**(125)**		**350**	258	(86)		172
Impairment of intangible assets – IAS 38	**445**	**(106)**		**339**	308	(86)		222
Goodwill impairment – IFRS 3	**4**			**4**				
Disposal of associate – IAS 28	**(19)**			**(19)**	(27)			(27)
Loss/(profit) on sale of property and equipment – IAS 16	**45**	**(19)**		**26**	(23)			(23)
Headline earnings	**15 094**	**(3 067)**	**(3)**	**12 024**	13 382	(2 694)	21	10 709

Notes to the annual financial statements | continued

28. Headline earnings continued

	2014				2013			
	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
Company								
Profit for the year	**14 632**	**(2 783)**		**11 849**	12 771	(2 494)		10 277
Headline earnings adjustable items added/(reversed)	**14**	**(125)**		**(111)**	88	(86)		2
Impairment of intangible assets – IAS 38	**445**	**(106)**		**339**	308	(86)		222
Disposals of associate – IAS 28	**(476)**			**(476)**	(199)			(199)
Loss/(profit) on sale of property and equipment – IAS 16	**45**	**(19)**		**26**	(21)			(21)
Headline earnings	**14 646**	**(2 908)**		**11 738**	12 859	(2 580)		10 279

Headline earnings is calculated in accordance with Circular 2/2013 Headline Earnings issued by SAICA at the request of the JSE Limited. The circular allows for the inclusion in headline earnings of any gains or losses on the sale of ring-fenced private equity joint ventures or associates that are held by a banking institution.

Refer to annexure C for the required disclosure in terms of the circular.

29. Earnings per share

	Group		Company	
	2014	2013	2014	2013
Earnings				
The calculations of basic earnings and headline earnings per ordinary share are as follows:				
Basic earnings (Rm)	**11 674**	10 537	**11 849**	10 277
Headline earnings (Rm) (note 28)	**12 024**	10 709	**11 738**	10 279
Weighted average number of ordinary shares in issue (thousands) (note 14)	**59 997**	59 997	**59 997**	59 997
Basic earnings per ordinary share (cents)	**19 458**	17 563	**19 749**	17 129
Headline earnings per ordinary share (cents)	**20 041**	17 849	**19 564**	17 133
Shares in issue at beginning of the year	**59 997**	59 997	**59 997**	59 997
Weighted average number of ordinary shares in issue (thousands)	**59 997**	59 997	**59 997**	59 997

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

30. Dividends

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Ordinary dividends				
Dividend No. 138 of 1 667 cents per share paid on 2 April 2013 to the shareholder registered on 2 April 2013		1 000		1 000
Dividend No. 139 of 3 500 cents per share paid on 2 September 2013 to the shareholder registered on 2 September 2013		2 100		2 100
Dividend No. 140 of 7 167 cents per share paid on 31 March 2014 to the shareholder registered on 6 March 2014	**4 300**		**4 300**	
Dividend No. 141 of 7 167 cents per share paid on 29 August 2014 to the shareholder registered on 29 August 2014	**4 300**		**4 300**	
	8 600	3 100	**8 600**	3 100

On 4 March 2015 dividend No. 142 of 7 167 cents per share payable on 31 March 2015 was declared, to the shareholder registered on 4 March 2015, bringing the total dividends declared in respect of 2014 to 14 334 cents per share (2013: 10 667 cents per share).

31. Statements of cash flow notes

		Group		Company	
		2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
31.1	**Increase in income-earning assets**				
	Financial investments	**(28 258)**	3 114	**(26 841)**	3 119
	Trading assets	**(15 862)**	111	**(16 043)**	103
	Pledged assets	**(887)**	1 312	**(887)**	1 312
	Loans and advances	**(87 629)**	(52 960)	**(89 218)**	(50 826)
	Net derivative assets	**6 394**	3 099	**6 415**	3 132
	Interest in group companies, associates and joint ventures – banking operations	**4 736**	(13 073)	**3 713**	(15 544)
	Other assets	**4 095**	6 856	**4 126**	6 700
		(117 411)	(51 541)	**(118 735)**	(52 004)
31.2	**Increase in deposits and other liabilities**				
	Deposit and current accounts	**78 586**	8 713	**79 886**	9 791
	Trading liabilities	**2 285**	(797)	**2 285**	(797)
	Liabilities to group companies	**33 106**	40 487	**33 432**	40 037
	Other liabilities	**(2 455)**	(4 148)	**(2 451)**	(3 167)
		111 522	44 255	**113 152**	45 864
31.3	**Direct taxation paid**				
	Current and deferred tax at the beginning of the year	**(3 175)**	(3 495)	**(3 233)**	(3 543)
	Recognised in profit or loss	**(2 942)**	(2 608)	**(2 783)**	(2 494)
	Deferred capital gains tax recognised in OCI	**45**	33	**45**	33
	Disposal of subsidiary		13		
	Current and deferred tax at the end of the year	**3 217**	3 175	**3 227**	3 233
		(2 855)	(2 882)	**(2 744)**	(2 771)

Notes to the annual financial statements | continued

31. Statements of cash flow notes continued

		Group		Company	
		2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
31.4	**Proceeds from issue of share capital to the shareholder**				
	Ordinary share capital and share premium		1 100		1 100
			1 100		1 100
31.5	**Dividends paid**				
	Dividends to ordinary shareholder	**8 600**	3 100	**8 600**	3 100
		8 600	3 100	**8 600**	3 100
31.6	**Disposal of subsidiary**				
	Other assets		(481)		
	Deposit and current accounts		39		
	Current and deferred tax liabilities		13		
	Other liabilities		217		
	Net asset value disposed of		(212)		
	Non-controlling interest		38		
	Share of subsidiary disposed of		(174)		
	Profit on disposal		(27)		
	Loans repaid		(45)		
	Net cash flow resulting from disposal of subsidiary		246		

32. Related-party transactions

32.1 Parent

SBSA is a wholly-owned subsidiary of SBG.

32.2 Subsidiaries

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

32.3 Associates and joint ventures

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

32. Related-party transactions continued

32.4 Key management personnel

Key management personnel has been defined as SBSA board of directors and prescribed officers effective for 2013 and 2014. Non-executive directors are included in the definition of key management personnel as required by IFRS. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with SBSA. They may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

	2014 Rm	2013 Rm
Key management compensation		
Salaries and other short-term benefits paid	**108**	109
Post-employment benefits	**5**	5
IFRS 2 value of share options and rights expensed	**67**	50
	180	164
The transactions below are entered into in the normal course of business.		
Loans and advances		
Loans outstanding at the beginning of the year	**10**	20
Change in key management structures	**(1)**	(1)
Loans granted during the year	**23**	22
Loans repaid during the year	**(22)**	(31)
Loans outstanding at the end of the year	**10**	10
Interest earned	**1**	1
Loans include mortgage loans, instalment sale and finance leases and credit cards. No specific impairments have been recognised in respect of loans granted to key management (2013: Rnil). The mortgage loans and instalment sale and finance leases are secured by the underlying assets. All other loans are unsecured.		
Deposit and current accounts		
Deposits outstanding at the beginning of the year	**124**	113
Change in key management structures	**(64)**	11
Net deposits received during the year	**89**	
Deposits outstanding at the end of the year	**149**	124
Interest expense	**2**	2
Deposits include cheque, current and savings accounts.		
Investment products		
Balance at the beginning of the year	**293**	181
Change in key management structures	**(110)**	48
Investments placed during the year	**215**	189
Investments repaid during the year	**(159)**	(125)
Balance at the end of the year	**239**	293
Investment return to key management personnel	**98**	44
Third-party funds under management		
Fund value at the beginning of the year	**748**	500
Change in key management structures	**27**	96
Net deposits including commission and other transaction fees	**83**	152
Fund value at the end of the year	**858**	748
Other fees		
Financial consulting fees and commission	**12**	7
Shares and share options held		
Aggregate details of SBG shares and share options held by key management personnel:		
Shares beneficially owned (number)	**1 647 808**	8 277 511
Share options held (number)	**4 938 802**	6 349 939

Notes to the annual financial statements | continued

32. Related-party transactions continued

		Holding company		Subsidiaries		Fellow subsidiaries[1]	
		2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
32.5	**Holding company, subsidiaries and fellow subsidiaries**						
	Assets						
	Group						
	Assets outstanding at the beginning of the year	147	146			70 545	57 473
	Net movement for the year	240	1			(4 976)	13 072
	Assets outstanding at the end of the year	387	147			65 569	70 545
	Interest income		8			1 165	817
	Non-interest revenue					1 534	1 331
	Company						
	Assets outstanding at the beginning of the year	147	146	8 784	6 148	70 963	58 056
	Net movement for the year	240	1	490	2 636	(4 454)	12 907
	Assets outstanding at the end of the year	387	147	9 274	8 784	66 509	70 963
	Interest income		8	516	452	1 188	870
	Non-interest revenue			678	677	1 257	1 076
	The loans issued to subsidiaries and fellow subsidiaries are repayable on demand. Interest is charged based on the group's internal funding rate. The loans are unsecured.						
	Liabilities						
	Group						
	Liabilities outstanding at the beginning of the year	594	56			99 785	59 890
	Net movement for the year	792	538			35 332	39 895
	Liabilities outstanding at the end of the year	1 386	594			135 117	99 785
	Interest expense		(24)			(1 552)	(1 131)
	Company						
	Liabilities outstanding at the beginning of the year	594	56	1 958	2 421	99 741	58 550
	Net movement for the year	729	538	36	(463)	35 622	41 191
	Liabilities outstanding at the end of the year	1 386	594	1 994	1 958	135 363	99 741
	Interest expense	(30)	(24)	(113)	(107)	(1 552)	(1 131)

[1] Includes both banking and insurance fellow subsidiaries.

32. Related-party transactions continued

32.5 Holding company, subsidiaries and fellow subsidiaries continued

	Deposit and current accounts		Fees received		Net interest paid	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Banking arrangements						
Liberty and its subsidiaries make use of banking facilities provided by the company as follows:						
Deposit and current accounts						
– Liberty[1]	**15**	7			**30**	44
– Liberty[1] subsidiaries	**5 916**	3 382	**45**	41	**78**	71
	5 931	3 389	**45**	41	**108**	115

[1] Liberty Holdings Limited

Information technology outsourcing arrangement

Liberty partially outsources its IT services to the company in terms of various agreements until 30 April 2021. Fees charged for 2014 amounted to R24 million (2013: R22 million).

Software development

Liberty developed a number of distribution systems on behalf of the company in prior years. The 2014 annual maintenance fees paid to the company were R7 million (2013: R8 million).

Operating leases

Lease income

Liberty leased a Pretoria property from the company in terms of a lease entered on 22 December 1999 for a period of 13,5 years which terminated on 31 May 2013. Lease escalations were fixed at 12% per annum. Total lease receipts for 2014 amounted to Rnil (2013: R50 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 2014 amounted to R71 million (2013: R80 million).

Bancassurance

The Liberty group extended the bancassurance agreements with the company for the manufacture, sale and promotion of insurance, investment and health products through the company's African distribution capability. New business premium income in respect of this business in 2014 amounted to R7 984 million (2013: R7 624 million). In terms of the agreements, Liberty's group subsidiaries pay profit shares to the company's various operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts receivable for the year ended 31 December 2014 is R866 million (2013: R868 million).

The bancassurance agreements are evergreen agreements with a 24-month notice period for termination, but neither party could give notice of termination until February 2014. As at the date of the approval of this annual report, neither party had given notice.

A binder agreement has been entered into with Liberty effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance agreement, and shall remain in force for an indefinite period with a 90-day notice period for termination. Fees receivable for the year ended 31 December 2014 are R100 million (2013: R94 million).

Notes to the annual financial statements | continued

32. Related-party transactions continued

32.5 Holding company, subsidiaries and fellow subsidiaries continued

Insurance

Certain insured risks for Liberty are included in the SBG insurance programme. These include cover for crime, fraud and professional indemnity, directors' and officers' and asset all risks insurance. The proportionate share of premiums charged to Liberty by SBG for 2014 is R14 million (2013: R14 million).

Asset management fees

Asset management fees of R10 million (2013: R11 million) were paid to STANLIB Asset Management Limited by The Standard Bank Group Retirement Fund (SBGRF).

Derivatives

Certain derivative transactions were entered into between the company and Liberty. Transactions were entered into on an arm's length basis.

Collateral deposits of R1 582 million as at 31 December 2014 (2013: R826 million) were deposited by Liberty with the company supporting South African Futures Exchange traded derivatives.

Health risk product

During 2009, Liberty developed a health risk product aimed at individuals employed in Africa, excluding South Africa. Various subsidiaries of the company contracted the use of this product as a benefit for their employees. The premium income for 2014 was R121 million (2013: R148 million).

Sale and repurchase agreements

The company entered into certain reverse repurchase agreements with Liberty during the year ended 31 December 2014.

Open contracts totalled R26 million as at 31 December 2014 (2013: R1 100 million). Finance income recognised in respect of these agreements as at 31 December 2014 was R174 million (2013: R52 million).

South African Infrastructure Fund

In August 2013, the company sold its entire interest in the South African Infrastructure Fund (SAIF) to Liberty. The company sold its 31.01% holding in the SAIF main fund and the 38.49% holding in the SAIF sub-fund 3 for R680 million and R50 million, respectively.

African Infrastructure Investment Fund

In August 2013, the company sold its entire interest of 18.97% in the African Infrastructure Investment Fund to Liberty for a consideration of R145 million.

Commission received from Liberty

Standard Bank received commission from Liberty for policies sold through the company's various distribution channels. Commission received for the year to 31 December 2014 is R902 million (2013: R880 million). STANLIB also paid commission of R57 million (2013: R44 million) to the company for the year to 31 December 2013 in relation to its management business.

Advisory fees received in respect of bond issue

During December 2014, Liberty issued a R500 million subordinated note. An advisory fee of R3 million was paid to the company as advisory fees in respect of the note issue. In 2013, Liberty issued a R1 billion bond and received an advisory fee of R5 million in respect of the bond issue.

32. Related-party transactions continued

32.5 Holding company, subsidiaries and fellow subsidiaries continued

Transfer pricing arrangements for 2013 and 2014

The company entered into various transfer pricing agreements (agreements) with other group entities, specifically Standard Bank Plc (SB Plc). These agreements have all been entered into on an arm's length basis in accordance with the pricing principles contained in the Organisation for Economic Co-operation and Development Guidelines and relevant domestic legislation. The nature of the agreements are such that the related parties performing relevant functions, assuming relevant risks and owning relevant assets in the day-to-day business activities of the group and company, are compensated on an arm's length basis. The integrated business model, in relation to functional, risk and asset profile and in accordance with the nature of the agreement, resulted in payments being made by both SBSA and SB Plc during the 2014 and 2013 financial years.

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

	2014 Rm	2013 Rm
Revenue sharing agreements	**1 759**	1 646
Other operating expenses	**505**	404
Net effect of transfer pricing agreements	**2 264**	2 050

At 31 December 2014, an amount of R87 million is owed by SBSA to SB Plc (2013: R220 million) with respect to these transfer pricing arrangements.

Guarantee transactions

As part of the risk management process, a number of collateralised financial guarantee transactions have been entered into with SB Plc, of which Rnil (2013: R208 million) remains outstanding as at 31 December 2014. Under the transaction, the group and company provide financial guarantees to SB Plc and places a deposit for the value of the loan exposure which is assigned as collateral for the obligations under the guarantee contract. The deposit was recognised on the statement of financial position as part of interest in group companies and guarantee fees are accrued over the life of the transaction.

32.6 Transactions with a shareholder of the parent

The following transactions took place between SBSA and ICBC, a 20.1% shareholder of SBG:

	2014 Rm	2013 Rm
Revenue		
Trading revenue	**94**	33
Fee and commission income	**2**	33
Net interest income	**60**	17
Total revenue earned	**156**	50
Net loans and advances/deposits		
Net deposits outstanding at the beginning of the year		(455)
Net loans and advances incurred/(deposits repaid) during the year	**1 462**	455
Net loans and advances outstanding at the end of the year	**1 462**	

Net loans and advances to ICBC include fixed terms loans with a maturity of less than 12 months from the reporting date. Net interest income from these arrangements amounted to R60 million in 2014 (2013: R17 million). These facilities were entered into at market related terms and conditions.

Notes to the annual financial statements | continued

32. Related-party transactions continued

32.6 Transactions with a shareholder of the parent continued

	2014 Rm	2013 Rm
Trading assets		
Trading assets outstanding at the beginning of the year		
Net trading positions opened during the year	**20**	
Trading assets outstanding at the end of the year	**20**	

During the year, the group entered into commodity leasing transactions with ICBC at market related terms and conditions, from which gross trading revenue of R94 million was recognised. As at 31 December 2014, a trading asset of R20 million with respect to these transactions was recognised.

Letters of credit

The group has off-balance sheet letters of credit exposure issued to ICBC as at 31 December 2014 of R646 million. The group received R2 million in fee and commission income relating to these transactions.

32.7 Other contracts

Saki Macozoma, a former director and deputy chairman of the company, has an effective shareholding of 28.40% (2013: 28.40%) in Safika, which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds effective interests of 2.38% (2013: 2.39%) in Liberty Holdings Limited and 1.33% (2013: 1.34%) in SBG. SBG has an effective interest of 26.67% (2013: 26.67%) in Safika.

32.8 Post-employment benefit plans

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

	2014 Rm	2013 Rm
Fee income	**15**	17
Deposits held with the company	**35**	38
Interest paid	**3**	2
Value of assets under management	**7 960**	9 226
Investments held in bonds and money market	**449**	508
Value of ordinary SBG shares held	**330**	7 083

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
33. Post-employment benefits				
Amounts recognised as assets in the statement of financial position (note 10.2)				
Retirement fund (note 33.1)	**1 382**	1 585	**1 382**	1 585
	1 382	1 585	**1 382**	1 585
Amounts recognised as liabilities in the statement of financial position (note 19.2)				
Post-employment healthcare benefits – medical aid (note 33.2)	**665**	663	**665**	663
	665	663	**665**	663

The total amount recognised as an expense in 2014 for the defined contribution plan amounted to R651 million (2013: R571 million).

33. Post-employment benefits continued

33.1 Retirement fund

Membership of the principal fund, SBGRF, exceeds 95% (2013: 95%) of SBSA's permanent staff. The fund, one of the 10 largest in South Africa, is a defined contribution fund governed by the Pension Funds Act 24 of 1956. Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently.

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

The fund is subject to statutory financial review by actuaries at an interval of not more than three years. The latest full actuarial valuation was performed on 31 December 2012 and, in the opinion of the actuary, the fund is considered to be financially sound. The next actuarial valuation is to be performed on 31 December 2015.

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

On 1 November 2009, the fund introduced individual member investment choice for defined contribution members and the pre-1995 members could choose to give up their guaranteed defined benefits and instead accept an offer of a 10% enhancement to their actuarial reserve values. Over 90% of the pre-1995 defined benefit members accepted the offer and converted to defined contribution plans. The assets and liabilities of the Provider Fund were transferred by way of a section 14 transfer in terms of the Pension Funds Act, as amended, into SBGRF and are no longer disclosed separately.

Description of risks

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

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
The amounts recognised in the statement of financial position in respect of the retirement fund is as follows:				
Present value of funded obligations	**28 308**	27 009	**28 308**	27 009
Fair value of plan assets	**(29 690)**	(28 594)	**(29 690)**	(28 594)
Surplus	**(1 382)**	(1 585)	**(1 382)**	(1 585)
Included in other assets in the statement of financial position	**(1 382)**	(1 585)	**(1 382)**	(1 585)

Notes to the annual financial statements | continued

33. Post-employment benefits continued

33.1 Retirement fund continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Movement in the present value of funded obligations				
Balance at the beginning of the year	**27 009**	23 762	**27 009**	23 762
Current service cost	**772**	751	**772**	751
Interest cost	**2 252**	1 926	**2 252**	1 926
Contributions paid by employees	**588**	565	**588**	565
Actuarial losses	**405**	2 031	**405**	2 031
Benefits paid	**(2 718)**	(2 026)	**(2 718)**	(2 026)
Balance at the end of the year	**28 308**	27 009	**28 308**	27 009
Movement in the fair value of plan assets				
Balance at the beginning of the year	**28 594**	25 685	**28 594**	25 685
Expected return on plan assets	**2 372**	2 070	**2 372**	2 070
Contributions received	**1 182**	1 136	**1 182**	1 136
Actuarial gains	**260**	1 729	**260**	1 729
Benefits paid	**(2 718)**	(2 026)	**(2 718)**	(2 026)
Balance at the end of the year	**29 690**	28 594	**29 690**	28 594
Plan assets consist of the following:				
Cash	**683**	772	**683**	772
Equities	**13 034**	12 753	**13 034**	12 753
Bonds	**8 729**	8 492	**8 729**	8 492
Property and other	**7 244**	6 577	**7 244**	6 577
	29 690	28 594	**29 690**	28 594
The group expects to pay R641 million in contributions to SBGRF in 2015 (2014: R594 million).				
The amounts recognised in profit or loss are determined as follows:				
Current service cost	**772**	751	**772**	751
Net interest cost	**(120)**	(144)	**(120)**	(144)
Included in staff costs	**652**	607	**652**	607

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

33. Post-employment benefits continued

33.1 Retirement fund continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Components of statement of OCI				
Net return on assets	**(260)**	(1 729)	**(260)**	(1 729)
Actuarial losses	**405**	2 031	**405**	2 031
(Gain)/loss from changes in demographic assumptions	**(64)**	2 456	**(64)**	2 456
Loss/(gain) from changes in financial assumptions	**469**	(425)	**469**	(425)
Decrease in remeasurements recognised in OCI	**145**	302	**145**	302
Reconciliation of net defined benefit asset				
Net defined benefit asset at the beginning of the year	**(1 585)**	(1 923)	**(1 585)**	(1 923)
Net expense recognised	**652**	607	**652**	607
Amounts recognised in OCI	**145**	302	**145**	302
Company contributions	**(594)**	(571)	**(594)**	(571)
Net defined benefit asset at the end of the year	**(1 382)**	(1 585)	**(1 382)**	(1 585)

	2014		2013	
	1% increase Rm	**1% decrease Rm**	1% increase Rm	1% decrease Rm
Sensitivity analysis for post-retirement fund Group and company				
Inflation rate				
Effect on the defined benefit obligation	**576**	**(459)**	(273)	388
Discount rate				
Effect on the defined benefit obligation	**(436)**	**551**	(395)	509
Mortality improvements	**+10% increase**	**-10% decrease**	+10% increase	-10% decrease
Effect on the defined benefit obligation	**(63)**	**57**	(160)	54
Mortality improvements	**+1 year**	**-1 year**	-1 year	-1 year
Effect on the defined benefit obligation	**(63)**	**51**	(49)	48

Historical information

	2014 Rm	2013 Rm
Experience adjustments arising on plan liabilities	**405**	2 031
Experience adjustments arising on plan assets	**260**	1 729

Notes to the annual financial statements | continued

33. Post-employment benefits continued

33.2 Post-employment healthcare benefits

Post-employment medical aid

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

The liability represents a post-employment healthcare benefit scheme that covers all employees who retired before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full statutory actuarial valuation was performed as at 31 December 2014. The next actuarial valuation will be performed as at 31 December 2015.

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 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	**665**	663	**665**	663
Unfunded shortfall included in the statement of financial position	**665**	663	**665**	663
Comprising:				
Post-employment medical aid	**665**	663	**665**	663
	665	663	**665**	663
Movement in the present value of defined benefit obligations				
Balance at the beginning of the year	**663**	644	**663**	644
Interest cost	**51**	49	**51**	49
Actuarial losses	**8**	25	**8**	25
Benefits paid	**(57)**	(55)	**(57)**	(55)
Balance at the end of the year	**665**	663	**665**	663

33. Post-employment benefits continued

33.2 Post-employment healthcare benefits continued

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
The amounts recognised in profit or loss are determined as follows:				
Net interest cost	**51**	49	**51**	49
Included in staff costs	**51**	49	**51**	49
Components of statement of OCI				
Actuarial losses arising from changes in financial assumptions	**18**	23	**18**	23
Actuarial (gains)/losses arising from changes in experience assumptions	**(10)**	2	**(10)**	2
Decrease in remeasurement recognised in OCI	**8**	25	**8**	25
Reconciliation of net defined benefit liability				
Net defined benefit liability at the beginning of the year	**663**	644	**663**	644
Interest cost	**51**	49	**51**	49
Benefit payments	**(57)**	(55)	**(57)**	(55)
Remeasurements in OCI	**8**	25	**8**	25
Net defined benefit liability at the end of the year	**665**	663	**665**	663

Assumed medical inflation rates have a material effect on the amounts recognised in profit or loss. A one percentage point change in the medical inflation rate would have the following effects on the amounts recognised in 2014 and 2013:

	2014		2013	
	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	**5**	**2**	4	(4)
Effect on the defined benefit obligation	**56**	**(48)**	54	(47)

	2014 Rm	2013 Rm
Experience adjustments arising on plan liabilities	**8**	25

Notes to the annual financial statements | continued

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

The group and company reclassified financial assets 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. In the current financial year, assets with a carrying value of R546 million (2013: Rnil) were reclassified from held-for-trading to loans and receivables. This represents the estimated amounts of future cash flows expected to be recovered at the date of reclassification. The weighted average effective interest rate on the reclassified assets was to 10.18%.

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Carrying value of reclassified financial assets at end of the year	**1 045**	510	**1 544**	1 003
Fair value of reclassified financial assets at end of the year	**1 058**	441	**1 557**	934
A fair value loss after tax of R49 million (2013: R112 million loss) for the group and R45 million loss (2013: R108 million loss) for the company would have been recognised in 2014 had these reclassifications not been affected.				
Net interest income	**54**	46	**51**	47

Annexure

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Detailed accounting policies

1. Basis of consolidation

Subsidiaries

The group controls an investee when it:

- has power over the investee,
- has exposure or rights to variable returns from its involvement with the investee, and
- has the ability to use its power to affect the returns from its involvement with the investee.

Investees that the group controls are consolidated from the date on which the group acquires control up to the date that control is lost. Control is assessed on a continuous basis.

Intragroup 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.

The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interests are determined on the basis of the group's present ownership interest in the subsidiary.

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies.

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

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The consideration transferred is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration includes any asset, liability or equity resulting from a contingent consideration arrangement. The obligation to pay contingent consideration is classified as either a liability or equity based on the terms of the arrangement. The right to a return of previously transferred consideration is classified as an asset. Transaction costs for business combinations on or after 1 January 2010 are recognised within profit or loss as and when they are incurred.

Where the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the group reports provisional amounts. Where applicable, the group retrospectively adjusts the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and affected the measurement of the provisional amounts.

The group elects on each acquisition to initially measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

Annexure A | Detailed accounting policies continued

Identifiable assets acquired, 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 non-controlling interest. The excess of the sum of the consideration transferred (including contingent consideration), the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary over the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy 6 – *Intangible assets*.

If the sum of the consideration transferred, including contingent consideration, the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary is less than the fair value of the identifiable net assets acquired, the difference, referred to as a gain from a bargain purchase, is recognised directly in profit or loss.

When a business combination occurs in stages, the previously held equity interest is remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Disposals

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between the fair value of the consideration received (including the fair value of any retained interest), the carrying amount of the subsidiary's assets and liabilities and any non-controlling interests. Any gains or losses in OCI that relate to the subsidiary are reclassified to profit or loss at the time of the disposal.

Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in the gain or loss of control, are accounted for as transactions with equity holders of the group. For purchases of additional interests from non-controlling interests, the difference between the purchase consideration and the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity.

Gains or losses on the partial disposal (where control is not lost) of the group's interest in a subsidiary to non-controlling interests are computed as the difference between the sales consideration and the group's proportionate share of the subsidiary's net asset value disposed of, is also accounted for directly in equity.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

2. Foreign currency translations

Functional and presentation currency

Items included in the annual 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).

These annual financial statements are presented in South African rand, which is the functional and presentation currency of the company.

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 group's presentation currency as follows:

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

On partial disposal of a subsidiary that includes a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a subsidiary that includes a foreign operation, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

These gains and losses are recognised in profit or loss either on disposal (loss of control of a subsidiary, loss of significant influence over an associate or the loss of joint control over a joint venture that includes a foreign operation) or partial disposal (a reduction in ownership interest in a foreign operation other than a disposal) of an associate or joint venture that includes a foreign operation. In the case of a partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences recognised in OCI is reclassified to the non-controlling interests in that foreign operation.

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 OCI as part of qualifying cash flow hedges and net investment hedges).

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

Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI (profit or loss) whereas the exchange differences on equities and debt that are classified as 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 intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's foreign currency translation reserve. These gains and losses are accounted for similarly to the exchange gains and losses as described in this accounting policy for group companies.

3. Cash and cash equivalents

Cash and cash equivalents presented 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.

4. Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities. These instruments are typically 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 as follows:

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. Where the group is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.

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

Held-for-trading assets and liabilities

Held-for-trading assets and liabilities include those financial assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term, 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, and commodities that are acquired principally by the group for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Derivatives are always categorised as held-for-trading.

Subsequent to initial recognition, the financial instruments' fair values are remeasured at each reporting date. All gains and losses, including interest and dividends arising from changes in fair value are recognised in profit or loss as trading revenue within non-interest revenue with the exception of derivatives that are designated, and effective as hedging instruments (refer to 'Derivative financial instruments and hedge accounting' within this accounting policy for further details).

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

The group designates certain financial assets and liabilities, other than those classified as 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 banks and customers and financial investments. The designation significantly reduces measurement inconsistencies that would have otherwise arisen. For example, where the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortised cost
- 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, short-term insurance and other investment portfolios have been designated at fair value through profit or loss
- financial instruments containing 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 (interest expense) for all debt financial assets (financial liabilities) and in other revenue within non-interest revenue for all equity instruments.

Private equity and property equity investments designated at fair value through profit or loss in terms of IAS 28 – *Investments in Associates and Joint Ventures* (IAS 28), are accounted for in the designated at fair value through profit or loss 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 classified within another category of financial assets.

Annexure A | Detailed accounting policies continued

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When debt (equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income (other revenue).

Available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial asset below its cost. The cumulative fair value adjustments previously recognised in OCI on the impaired financial assets are reclassified to profit or loss. Reversals of impairments on equity available-for-sale financial assets are recognised in OCI.

Interest income, calculated using the effective interest rate method, is recognised in profit or loss. Dividends received on debt (equity) available-for-sale instruments are recognised in interest income (other revenue) within profit or loss when the group's right to receive payment has been established.

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.

Loans and receivables are measured at amortised cost using the effective interest rate 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 loans and advances are included in the loans and receivables category.

Financial liabilities at amortised cost

Financial liabilities that are neither held for trading nor designated at fair value are measured at amortised cost.

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, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Derivatives or any financial instrument designated at fair value through profit or loss shall not be reclassified out of their respective categories.

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent increases in estimates of cash flows adjust the financial asset's effective interest rates prospectively.

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

Impairment of financial assets

Assets carried at amortised cost

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

Criteria that are used by the group in determining whether there is objective evidence of impairment include:

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

The group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant.

Non-performing loans include those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

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

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

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

Impairment of groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss trigger events and the date on which the group identifies the losses). Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss. Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. 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 to impairment, the effects of discounting unwind over time as interest income.

Renegotiated loans

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

The effective interest rate of renegotiated loans that have not been derecognised (described under the heading 'Derecognition of financial instruments'), is redetermined based on the loan's renegotiated terms.

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 to be 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 reclassified from OCI 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. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

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 the asset and the liability 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 fair value changes in response to an underlying variable, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors 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 accounting policy 16 – *Fair value*.

All derivative instruments are carried as financial assets when the fair value is positive and as financial 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 the derivatives are designated as hedging instruments, and if so, the nature of the hedge relationship, or if they are classified as held-for-trading.

Derivatives that qualify for hedge accounting

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 hedges), or
- hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecast transaction, or a highly probable forecast intragroup transaction in the consolidated annual financial statements (cash flow hedges).

Annexure A | Detailed accounting policies continued

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 recognised in profit or loss as trading revenue.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest rate 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 is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised immediately in profit or loss as trading revenue.

Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss and classified as trading revenue.

Derivatives not designated as hedging instruments

All gains and losses from changes in the fair values of derivatives that are not designated as hedging instruments 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 rate method.

Preference shares, which carry a mandatory coupon and/or redemption, or are redeemable on a specific date, at the occurrence of a contingent future event, or at the option of the shareholder are classified as financial liabilities or compound financial instruments (instruments with debt and equity components). All other preference shares are classified as equity instruments. Dividends on preference shares classified as financial liabilities are accounted for as interest on an amortised cost basis using the effective interest rate method. Dividends on preference shares classified as equity instruments are recognised within equity as a dividend payment when dividends are declared.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. 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.

The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.

In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability, with the difference in the respective carrying amounts being recognised in profit or loss.

In all other instances, the renegotiated asset or liability's effective interest rate is redetermined taking into account the renegotiated terms.

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under loans and advances or trading assets, as appropriate.

For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest rate method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

Commodities

Commodities that are acquired principally by the group for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-traders' margin are measured at fair value less cost to sell and are reported as trading assets. All changes in fair value less cost to sell are recognised in trading revenue in the period of the change.

Forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract, are recognised as derivative financial instruments and measured at fair value. All changes in fair value are recognised in trading revenue in the period of the change.

5. Interest in associates and joint ventures

Associates and joint ventures

Those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies are classified as associates.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which only exists when decisions about the relevant activities of the joint arrangement require unanimous consent of the parties sharing control.

Interests in associates and joint ventures 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 joint venture (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 joint ventures income and expenses and OCI. Equity accounting of losses in associates and joint ventures is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associates or joint ventures. Unrealised profits from 'upstream' and 'downstream' transactions are eliminated in determining the group's share of equity accounted profits. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Equity accounting is applied from the date on which the entity becomes an associate or joint venture up to the date on which it ceases to be an associate or joint venture. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture, it is not tested for impairment separately by applying the requirements for impairment testing of goodwill. The entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever there is an indication that the investment may be impaired. Impairment losses are recognised through profit or loss.

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 investments carrying amount does not exceed the carrying amount that would have been determined, net of equity accounted losses, if no impairment loss had been recognised.

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 joint ventures are accounted for at cost less impairment losses in the company's annual financial statements.

Joint operations

A joint operation is a joint arrangement whereby the joint operators who have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The joint operator recognises:

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

6. Intangible assets

Goodwill

Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest (including transaction costs for acquisitions prior to 1 January 2010) over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest (refer to accounting policy 1 – *Basis of consolidation)*.

Goodwill arising on the acquisition of subsidiaries is reported in the statement of financial position as part of 'Goodwill and other intangible assets'. Goodwill arising on the acquisition of associates or joint ventures are included in 'Interest in associates and joint ventures' in the statement of financial position (refer to accounting policy 5 – *Interest in associates and joint ventures*). Goodwill is allocated to cash-generating units (CGUs) (not larger than operating segments of the group as defined) and is tested annually for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use.

If the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquiree's previously held equity interest (if any), this excess results in a gain from a bargain purchase.

A gain from a bargain purchase 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

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. 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.

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

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 ten years) from the date that the assets are available for use, 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.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.

There have been no significant changes in the estimated useful lives from those applied in the previous financial year.

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.

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

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in 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.

7. Property and equipment

Equipment and owner-occupied properties, 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.

Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in profit or loss as incurred. Depreciation, impairment losses and gains and 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, 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 are typically as follows:

Buildings	40 years
Computer equipment	3 to 5 years
Motor vehicles	4 to 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 have been no significant changes to the estimated useful lives and depreciation methods from those applied in the previous financial year.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the item.

8. Property developments and properties in possession

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development. When development is completed borrowing costs and other charges are expensed as incurred.

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The property is recognised at the time at which the risks and rewards of the properties are transferred to the group. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increase in the net realisable value, to the extent that it does not exceed its original cost, is also recognised within operating expenses.

9. Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are 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 and additionally when an indicator of impairment exists. 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 (CGUs). Impairment losses recognised in respect of CGUs 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.

Annexure A | Detailed accounting policies continued

11. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease of assets is either classified as a finance lease or operating lease.

Group as lessee

Leases, where the group assumes substantially all the risks and rewards incidental to ownership, are classified as finance leases. All other leases are classified as operating 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 calculated using the interest rate implicit in the lease, or the group's incremental borrowing rate 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.

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. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Leases, where the group transfers substantially all the risks and rewards incidental to ownership, are classified as finance leases. All other leases are classified as operating leases.

Lease and instalment sale contracts are primarily financing transactions in banking activities, 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 rate 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 tax benefits arising from investment allowances on assets leased to clients are accounted for in the direct taxation line.

12. Provisions, contingent assets 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. Reimbursement of expenditure to settle a provision is recognised when, and only when, it is virtually certain that reimbursement will be received where the group settles the obligation.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

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

13. Employee benefits

Post-employment benefits

Defined contribution plans

The group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

The group also operates a number of defined benefit plans, with membership generally limited to employees who were in the employment of the various companies at specified dates. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. Statutory actuarial valuations are required every three years using the projected unit credit method.

Interim valuations are also performed annually at the financial year end. Within the defined benefit plans, the group operates a number of funded and unfunded post-employment medical aid schemes, with membership limited to employees who were retired or in the employment of the various companies at specified dates and complying with specific criteria.

The assets or liabilities recognised in the statement of financial position in respect of defined benefit plans are measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.

Net interest income/(expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability). The net interest income/(expense) is recognised in profit or loss. Other expenses related to the defined benefit plans are also recognised in profit or loss.

Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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. Taxation

Direct taxation

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

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

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

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.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Dividends tax

Taxes on dividends declared by the group are recognised as part of the dividends paid within equity as dividend tax represents a tax on the shareholder and not the group.

Dividends tax withheld by the group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (where applicable) is included in trade and other payables in the statement of financial position.

Indirect taxation

Indirect taxes, including non-recoverable VAT, skills development levies and other duties for banking activities, are recognised in profit or loss and disclosed separately in the income statement.

Annexure A | Detailed accounting policies continued

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 or distribution to owners rather than continuing use, are classified as held for sale or for distribution and are accounted for as follows:

- Immediately before classification as held for sale or for distribution, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment (refer to accounting policy 10 – *Impairment of non-financial assets*). Thereafter, the assets 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 or for distribution, as well as subsequent gains and losses on remeasurement of these assets or disposal groups are recognised in profit or loss. Assets (or components of a disposal group) are presented separately in the statement of financial position. Property and equipment and intangible assets once classified as held for sale, are not depreciated or amortised. Once an interest in an associate or joint venture is classified as held for sale, equity accounting is suspended.
- In presenting the group's non-current assets and liabilities as held for sale, intercompany balances are eliminated in full.

The group classifies a component of the business as a discontinued operation when that component has been disposed of, or is classified as held for sale or for distribution, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are presented separately within the income statement and the cash flow statement.

Intercompany income and expense transactions between the group's continuing and discontinued operations are not eliminated.

16. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions.

When a price for an identical asset or liability is not observable, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for the assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date.

If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

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

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities.

This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis. This election is applied where the group:

- manages the group of financial assets and financial liabilities on the basis of the group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the group's documented risk management or investment strategy;
- provides information on that basis about the group of financial assets and financial liabilities to the group's key management personnel; and
- is required to or has elected to measure those financial assets and financial liabilities at fair value at the end of each reporting period.

Where the fair value of investments in equity instruments or identical instruments do not have a quoted price in an active market, and derivatives that are linked to and must be settled by delivery of such equity instruments, are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets are not reversed.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

17. 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.

Distributions on ordinary shares

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note.

18. Equity-linked transactions

Equity compensation plans

The group operates both equity-settled and cash-settled share-based compensation plans.

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, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss 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 as part of staff costs.

19. Revenue and expenditure

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises interest income, fee and commission revenue, trading 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 rate method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. In terms of the effective interest rate method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates of payments or receipts on financial assets (except those that have been reclassified, refer to accounting policy 4 – *Financial instruments*) or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows.

The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate.

Fair value gains and losses on realised debt financial instruments, including amounts reclassified from OCI in respect of available-for-sale debt financial assets, and excluding those classified as held-for-trading, are included in net interest income.

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

Non-interest revenue

Net fee and commission revenue

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed.

Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

Annexure A | Detailed accounting policies continued

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. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

Other revenue

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, dividends relating to those financial instruments, underwriting profit from the group's short-term insurance operations and related insurance activities and remeasurement gains and losses from contingent consideration on disposals and purchases.

Gains and losses on equity available-for-sale financial assets are reclassified from OCI to profit or loss on derecognition or impairment of the investments. Dividends on these instruments are recognised in profit or loss.

Dividend income

Dividends are recognised in profit or loss when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.

Short-term insurance income

Short-term insurance income includes premium income, commission and policy fees earned, as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group.

Direct commission income is accounted for as and when cash is received and comprises the cash value of commission earned when premiums are payable directly to the underwriters.

Revenue sharing agreements with group companies

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

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

Customer loyalty programmes

The group's banking operations operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and recognised over the period in which the customer utilises the reward credits.

Expenses relating to the provision of the reward credits are recognised as an operating expense as and when they are incurred.

20. 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 are based on the group's internal reporting to the chief operating decision maker.

Transactions between segments are priced at market-related rates.

21. Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

22. Comparative figures

Where necessary, comparative figures within notes have been restated to either conform to changes in presentation in the current year or for the adoption of new IFRS requirements.

New standards not yet adopted

The following new or revised standards and amendments are not yet effective for the year ended 31 December 2014 and have not been applied in preparing these annual financial statements.

Pronouncements	Title	Effective date
IFRS 7 (annual improvements)	*Financial Instruments: Disclosures – Servicing Contracts* The amendments relate to when an entity transfers a financial asset, and may retain the right to a servicing contract for a fee. The entity assesses the servicing contract in accordance with the guidance provided to decide whether the entity has continuing involvement as a result of the servicing contract for the purposes of the disclosure requirements. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2016
IFRS 9	*Financial Instruments* *Classification and Measurement: Financial Assets* This standard will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. *Classification and Measurement: Financial Liabilities* All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within OCI. *Impairment* › The standard has introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. This new model will apply to financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss). › With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses. › A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as for certain contract assets or trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses. *Hedge Accounting* The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and provide various simplifications in achieving hedge accounting. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2018

Annexure A | Detailed accounting policies continued

Pronouncements	Title	Effective date
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively is are not expected to have a material impact on the group's financial statements.	Annual periods beginning on or after 1 January 2016
IFRS 11 (amendments)	*Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* The amendments specify the accounting treatment for acquisitions of interests in joint operations in which the activities of the joint operation constitute a business. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.	Annual periods beginning on or after 1 January 2016
IFRS 15	*Revenue from Contracts with Customers* This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled to in exchange for the transfer of promised goods or services to the customer. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2017
IAS 1 (amendments)	*Disclosure initiative* The amendments clarifies that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments explain that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2016
IAS 16 and IAS 41 (amendments)	*Agriculture: Bearer Plants* The amendments to IAS 16 expand the scope paragraph to include bearer plants, which is to be accounted for in the same way as property, plant and equipment. Consequently, IAS 41 was amended to exclude bearer plants from its scope. These amendments will be applied retrospectively and are not expected to have a material impact on the group's financial statements.	Annual periods beginning on or after 1 January 2016

Pronouncements	Title	Effective date
IAS 19	*Defined Benefit Plans: Employee Contributions* IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans where such contributions are linked to service. The amendment requires contributions, that are dependent on the number of years of service, to be attributed to periods of service based on the plan's contribution formula or a straight-line basis. The amendment permits contributions that are independent of the number of years of service to be recognised as a reduction in service cost in the period in which the related service is rendered instead of attributing the contributions to the periods of service. The amendment will be applied retrospectively and is not expected to have a material impact on the group's financial statements.	Annual periods beginning on or after 1 July 2014
IAS 27 (amendments)	*Equity Method in Separate Financial Statements* The amendments allow entities preparing separate financial statements to utilise the equity method to account for investments in subsidiaries, joint ventures and associates. The amendment will be applied retrospectively. The impact on the company's annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2016
Annual improvements 2010 – 2012 cycle 2011 – 2013 cycle	The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the group's financial statements.	Various effective dates, the earliest being for the group's 2015 financial year

Annexure B

Subsidiaries, consolidated and unconsolidated structured entities

Subsidiaries

	Nature of operation	Issued share capital Rm	Effective holding 2014 %	Effective holding 2013 %
Blue Bond Investments Limited	Participation mortgage bond finance	*	**100**	100
Blue Granite Investments No. 1 (RF) Limited[1]	Securitisation vehicle			
Blue Granite Investments No. 2 (RF) Limited[1]	Securitisation vehicle			
Blue Granite Investments No. 3 (RF) Limited[1]	Securitisation vehicle			
Blue Granite Investments No. 4 (RF) Limited[1]	Securitisation vehicle			
Blue Titanium Conduit (RF) Limited[1]	Asset-backed commercial paper conduit			
Diners Club (S.A.) Proprietary Limited	Travel and entertainment card	*	**100**	100
Out of the Blue Originator Proprietary Limited[1]	Securitisation vehicle			
Siyakha Fund (RF) Limited[1]	Securitisation vehicle			
Standard Bank Insurance Brokers Proprietary Limited	Insurance broking	*	**100**	100
Rapitrade 584 Proprietary Limited	Financing company	*		
Miscellaneous	Finance companies		********	****
Total investment in subsidiaries				

1 SE, no shareholding.
* Issued share capital less than R1 million.
** Book value less than R1 million.
*** Held indirectly.
**** Various holdings.

All subsidiaries are incorporated within South Africa. The detailed information is only given in respect of subsidiaries which are material to the group's financial position. Details of all the group's subsidiaries and SEs are available upon request at the company's registered office.

Consolidation of securitisation vehicles

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

	Non-controlling interest		Book value of shares		Net indebtedness to/(by) SBSA company	
	2014 %	2013 %	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
			**	**	**30**	65
					449	505
					303	336
					558	607
					270	395
					666	263
			**	**	**625**	756
					655	
					652	651
			***	***	**(313)**	(184)
					3 375	3 409
	6	3	**96**	85	**10**	23
	6	3	**96**	85	**7 280**	6 826

Annexure B | Subsidiaries, consolidated and unconsolidated structured entities continued

Consolidated structured entities

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

		Amount of support provided as at[2]		Type of support[3,4]	
	Nature of operations	**2014 Rm**	2013 Rm	**2014**	2013
Blue Granite Investments No. 1 (RF) Limited (BG1)	Facilitates mortgage-backed securitisations. SBSA group is the primary liquidity facility provider to BG1.	**1**	1	**Subordinated loan**	Subordinated loan
		871	1 065	**Mortgage-backed notes**	Mortgage-backed notes
Blue Granite Investments No. 2 (RF) Limited (BG2)	Facilitates mortgage-backed securitisations. SBSA group is the primary liquidity facility provider to BG2.	**1 114**	1 135	**Mortgage-backed notes**	Mortgage-backed notes

1 During the reporting period, SBSA did not provide any financial or other support to any SE without having a contractual obligation to do so.
2 The amount of support provided includes loans and advances and undrawn credit facilities provided to the SEs. All amounts disclosed as at 31 December.
3 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business which include loans and advances, deposits and current accounts and derivatives.
4 This is the amount as reported on the company's statements of financial position as at 31 December 2014 and 2013, respectively. For credit facilities, the amount shown is the undrawn balance as at the reporting date.

Terms of contractual arrangements that require the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
The subordinated loan does not have a fixed term or repayment date. All the profits in BG1 are paid out to SBSA as interest on the loan granted.	Should BG1's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds the class A4, A6, B, C, D, E and F notes. Interest for the different classes of notes accrues at the following rates: › Class A4 notes – 3 month JIBAR plus 0.55% › Class A6 notes – 3 month JIBAR plus 1.60% › Class B notes – 3 month JIBAR plus 0.57% › Class C notes – 3 month JIBAR plus 0.90% › Class D Notes – 3 month JIBAR plus 1.50% › Class E notes – 3 month JIBAR plus 4%; and › Class F notes – 3 month JIBAR plus 8%. Interest is payable quarterly. The notes' maturity date is 21 November 2032.	
The group holds the class A1, A2, A3, B, C, D and Y notes. Interest for the different classes of notes accrues at the following rates: › Class A1 notes – 3 month JIBAR plus 1.4% › Class A2 notes – 3 month JIBAR plus 1.45% › Class A3 notes – 3 month JIBAR plus 1.6% › Class B notes – 3 month JIBAR plus 2.1% › Class C notes – 3 month JIBAR plus 2.6% › Class D notes – 3 month JIBAR plus 4% › Class Y notes – Prime plus 3%. Interest is payable quarterly. The notes' maturity date is 21 July 2041.	Should BG2's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.

Annexure B | Subsidiaries, consolidated and unconsolidated structured entities continued

Consolidated structured entities continued

		Amount of support provided as at[1]		Type of support[2,3]	
Name of entity	Nature of operations	2014 Rm	2013 Rm	2014	2013
Blue Granite Investments No. 3 (RF) Limited (BG3)	Facilitates mortgage-backed securitisations. SBSA group is the primary liquidity facility provider to BG3.	**60**	58	**Subordinated loan**	Subordinated loan
		990	1 076	**Mortgage-backed notes**	Mortgage-backed notes
Blue Granite Investments No. 4 (RF) Limited (BG4)	Facilitates mortgage-backed securitisations. SBSA group is the primary liquidity facility provider to BG4.	**118**	108	**Subordinated loan**	Subordinated loan
		1 028	1 198	**Mortgage-backed notes**	Mortgage-backed notes
Siyakha Fund (RF) Limited (Siyakha)	Facilitates mortgage-backed securitisations. SBSA group is the primary liquidity facility provider to Siyakha.	**43**	43	**Subordinated loan**	Subordinated loan
		836	835	**Mortgage-backed notes**	Mortgage-backed notes

1 The amount of support provided includes loans and advances and undrawn credit facilities provided to the SEs. All amounts disclosed as at 31 December.
2 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business which include loans and advances, deposits and current accounts and derivatives.
3 This is the amount as reported on the company's statements of financial position as at 31 December 2014 and 2013, respectively. For credit facilities, the amount shown is the undrawn balance as at the reporting date.

Terms of contractual arrangements that require the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
The subordinated loan does not have a fixed term or repayment date. Interest is charged at prime plus 5% and is only payable when BG3 has sufficient cash reserves.	Should BG3's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds notes of classes A1, A2, A3, A4, B, C, D and Y. Interest for the different classes of notes accrues at the following rates: › Class A1 notes – 3 month JIBAR plus 1.15% › Class A2 notes – 3 month JIBAR plus 1.5% › Class A3 notes 3 month JIBAR plus 1.65% › Class A4 notes – 3 month JIBAR plus 1.7% › Class B notes – 3 month JIBAR plus 2.3% › Class C notes – 3 month JIBAR plus 3.1% › Class D notes – Prime plus 1% › Class Y notes – Prime plus 3%. Interest is payable quarterly. The notes' maturity date is 30 October 2031.	
The subordinated loan does not have a fixed term or repayment date. Interest is charged at prime plus 5% and is only payable when BG4 has sufficient cash reserves.	Should BG4's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds class A1, A2, A3, A4, B, C, D and Y notes. Interest for the different classes of notes accrues at the following rates: › Class A1 – 3 month JIBAR plus 1.15% › Class A2 – 3 month JIBAR plus 1.7% › Class A3 – 3 month JIBAR plus 1.7% › Class A4 – fixed semi-annually 8.8% › Class B notes – 3 month JIBAR plus 2.3% › Class C notes – 3 month JIBAR plus 3.1% › Class D notes – Prime plus 1% › Class Y notes – Prime plus 3%. Interest is payable quarterly. The notes' maturity date is 15 June 2037.	
The loan does not have a fixed term or repayment date. Interest is charged at prime plus 5% and is only payable when Siyakha has sufficient cash reserves.	Should Siyakha's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds class A1, A2, B, C, and D notes. Interest for the different classes of notes accrues at the following rates: › Class A1 notes – 3 month JIBAR plus 1.10% › Class A2 notes – Prime less 2.1% › Class B notes – Prime less 1% › Class C notes – Prime plus 1% › Class D notes – Prime plus 2%. Interest is payable quarterly. The notes' maturity date is 11 February 2045.	

Annexure B | Subsidiaries, consolidated and unconsolidated structured entities continued

Consolidated structured entities continued

Name of entity	Nature of operations	Amount of support provided as at[1] 2014 Rm	Amount of support provided as at[1] 2013 Rm	Type of support[2] 2014	Type of support[2] 2013
Blue Banner Securitisation RC1 Proprietary Limited (Blue Banner)	Originates mortgage loans on behalf of SBSA. SBSA provides the funding for these mortgage loans to Blue Banner.	**195**	238	**Bridging finance[3]**	Bridging finance[3]
Out of the Blue Originator (RF) Proprietary Limited (OTB)	OTB originates loans on behalf of BTC. BTC is consolidated by the group.	**650**	250	**Overdraft facility[3]**	Overdraft facility[3]
Blue Titanium Conduit Limited	Purchases eligible term assets and funds such investments through the issuance of commercial paper. SBSA is the primary liquidity facility provider to BTC.	**2 845**	3 597	**Liquidity facility – undrawn[3]**	Liquidity facility – undrawn[3]
		715	271	**Commercial paper**	Commercial paper
		518	430	**Credit enhancement facility**	Credit enhancement facility
Rapvest Investment Proprietary Limited	Facilitates finance deals for other group companies and third parties through preference share investments and loans to clients.	**2 321**	2 368	**Loan**	Loan
		1 054	1 041	**Preference shares**	Preference shares
Tabistone 06 (RF) Limited[4] (Tabistone)	Facilitates mortgage-backed securitisation. SBSA group is the primary liquidity facility provider to Tabistone.	**477**		**Subordinated loan[3]**	
		16 073		**Mortgage-backed notes[3]**	

1 The amount of support provided includes loans and advances and undrawn credit facilities provided to the SEs. All amounts disclosed as at 31 December.
2 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business which include loans and advances, deposits and current accounts and derivatives.
3 This is the amount as reported on the company's statements of financial position as at 31 December 2014 and 2013, respectively. For credit facilities, the amount shown is the undrawn balance as at the reporting date.
4 Tabistone was established during the 2014 financial year.

Terms of contractual arrangements that require the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
The loan does not have a fixed term or repayment date. Any profits in Blue Banner are paid out as interest to SBSA.	Should Blue Banner's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
OTB applies for the necessary overdraft facility as and when it originates loans. The drawn amount is settled once the originated loan is sold to BTC. The terms are negotiated and agreed upon at the time of the grant of the overdraft facility. OTB applied for and was granted an overdraft facility of R650 million in 2014 (2013: R250 million). OTB drew down on the overdraft facility in both the current and prior year. As at 31 December 2014, the outstanding balance on the loan was R650 million (2013: Rnil).	In the event that the originated loans are classified as non-performing loans.
The liquidity facility is limited to the value of the underlying assets in BTC. As at 31 December 2014, the liquidity facility limit was R4 078 million (2013: R4 298 million). BTC had not drawn down on the liquidity facility as at 31 December 2014.	In the event that the underlying assets are classified as non-performing loans.
SBSA periodically invests in commercial paper (CP) issued by BTC. The CP is typically short term in nature, and issued at arm's length. During the year ended 31 December 2014, commercial paper issued by BTC was priced at a spread of between 30 and 40 basis points over JIBAR.	
The credit enhancement facility is limited to 12.7% of the outstanding commercial paper issued in the market. BTC had not drawn down on the credit enhancement facility as at 31 December 2014.	
The loan is payable on demand. No interest is charged on the loan.	In the event that the underlying assets are classified as non-performing loans.
The preference shares accrue dividends at a rate of 85% of the prime interest rate payable in April and October annually. The maturity date of the preference shares is 28 November 2022.	
The subordinated loan is provided by SBSA. Interest is charged at the lower of prime plus 10% or net profit after tax or cash balance available in Tabistone.	Should Tabistone's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
The group holds class A1, A2, A3 and C notes. Interest for the different classes of notes accrues at the following rates: › Class A1 notes – 3 month JIBAR plus 1.55% › Class A2 notes – 3 month JIBAR plus 1.55% › Class A3 notes – 3 month JIBAR plus 1.55% › Class C notes – 3 month JIBAR plus 4.00%. Interest is payable quarterly. The notes' maturity date is 21 November 2019.	

Annexure B | Subsidiaries, consolidated and unconsolidated structured entities continued

Unconsolidated structured entities

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

Name of entity	Nature and purpose of entity
Blue Diamond Investments No. 1 (RF) Limited **Blue Diamond Investments No. 2 (RF) Limited** **Blue Diamond Investments No. 3 (RF) Limited**	SBSA purchases credit protection from these entities in the form of credit-linked notes on single or multiple corporate names. These entities then purchase credit protection from third-party investors on single or multiple corporate names. SBSA purchases high quality collateral with maturities that match the entities' obligations in respect of its issued credit-linked notes. The collateral is sold to the entities and is held by the entities to compensate SBSA, as the protection buyer, for credit losses suffered on the protected names and to repay investors on maturity of the notes. The collateral is ring-fenced such that it is linked to a particular series of notes and the relevant related contract(s) as part of a transaction. This structure has been designed to give investors indirect exposure to corporate names, and in doing so, reduces the group's exposure to credit risk.
Africa ETF Issuer Limited offering the following: › AfricaPalladium ETF (JSE code: ETFPLD) › AfricaPlatinum ETF (JSE code: ETFPLT) › AfricaGold ETF (JSE code: ETFGLD)	The palladium, platinum and gold exchange traded funds (ETFs) have been established for investors to participate in changes in the spot price of underlying commodities. The ETFs issue debentures to investors with each debenture backed by the respective physical commodity. On issuance each debenture is based on 1/100th of a troy ounce of the respective commodity. The physical commodities are stored at recognised custodian storage vaults in London. The ETFs are denominated in rands and are classified as domestic assets. The ETFs are regulated by the Financial Markets Act and the JSE's Listings Requirements. The ETFs are not registered with the Financial Services Board as a collective investment scheme.

	Total unconsolidated structured entities	
	2014 Rm	2013 Rm
The following represents the group's interests in these entities:		
Trading assets	**60**	
Deposit and current accounts from customers	**(1 732)**	(1 919)
Net carrying amount	**(1 692)**	(1 919)

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

Principal nature of funding	Principal nature of assets	Weighted average remaining useful life of assets	Terms of contractual arrangements	Events/circumstances that could expose the group to a loss	Types of income received by the group
The unconsolidated entities issued credit-linked notes to third-party investors	Credit-linked notes purchased in SBSA	13 years	SBSA compensates these entities to provide it with credit protection over single or multiple corporate names. SBSA also settles these entities' operating expenses as and when necessary and typically where the entities have liquidity constraints. Any payment for such amounts is to be refunded by these entities to SBSA.	In the event that there is a credit event and the entities are unable to pay, SBSA will be exposed to a credit loss – this risk is, however, considered to be remote given the collateral that is held by these entities. SBSA is further exposed to the risk of loss should these entities have unexpected expenses for which the entities are unable to pay SBSA.	Once-off fee and commission income earned for structuring the SE.
The unconsolidated structured entity is funded by the issue of non-interest-bearing debentures that are 100% backed by the underlying physical commodity.	Physical commodities (palladium, platinum and gold)	Undated	The group established these structured entities to accommodate client requirements to hold investments in specific commodity assets. The group manages the ETFs and also provides liquidity to the ETFs by acting as a committed market maker.	The maximum exposure to loss is limited to the on-balance sheet position held by the group through acting as a committed market for the ETFs. This exposes the group to the commodity price risk associated with the underlying commodity and is managed in accordance with the group's market risk management policy.	The group earns fees net of related expenses for managing the ETFs. These fees are recognised within non-interest revenue. Interest income is recognised on any funding provided to the SEs. Any trading revenue, as a result of transactions with the SEs is recognised in trading revenue.

Annexure C

Associates and joint ventures

	RCS Investment Holdings Proprietary Limited		Safika Holdings Proprietary Limited		South African Bankers Services Company Proprietary Limited	
Ownership structure	Associate		Associate		Associate	
Nature of business	Finance		Investment holding company		Finance	
Principal place of business and country of incorporation	South Africa		South Africa		South Africa	
Year end	March		February		June	
Accounting treatment	*		Equity accounted		Equity accounted	
Date to which equity accounted	31 December 2014		31 December 2014		31 December 2014	
	2014	2013	**2014**	2013	**2014**	2013
Effective holding (%)	*	45	**20**	20	**23**	2
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	*	1 117	**523**	482	**136**	126
Income statement						
Revenue	**460**	1 300	**562**	449	**631**	274
Total comprehensive income	**96**	351	**306**	324	**45**	57
Non-controlling interest			**(26)**			
Total comprehensive income attributable to the equity holders of the associates	**96**	351	**280**	324	**45**	57
Dividends received from associate			**15**	26		
Statement of financial position[1]						
Cash and cash equivalents		571	**171**	88	**366**	335
Non-current assets		162	**2 819**	2 619	**247**	273
Current assets		6 205	**179**	157	**455**	421
Non-current liabilities		(4 198)	**(248)**	(248)	**(6)**	
Current liabilities		(367)	**(27)**	(120)	**(105)**	(148)
Non-controlling interest			**(108)**			
Net asset value attributable to the equity holders of the associate		1 802	**2 615**	2 408	**591**	546
Proportion of net asset value based on effective holding		811	**523**	482	**136**	126
Goodwill		366				
Cumulative impairment		(60)				
Carrying value		1 117	**523**	482	**136**	126
Loans to group companies[2]						
Share of total comprehensive income from associates	**43**	158	**56**	61	**10**	28

1 Summarised financial information has been provided for the group's interests in material associates and joint ventures. The information provided has been based on the latest available financial information.
2 These loans are provided on an arm's length basis.
* The group sold its 45% investment in RCS Investment Holdings Proprietary Limited during August 2014 at a selling price of R1 179 million. The carrying amount of the investment at the date of sale was R1 160 million in the group (R707 million in the company), resulting in profit of R19 million for the group (R472 million for the company) on the sale.

	SBV Services Proprietary Limited		Other associates	
Ownership structure	**Associate**		**Associate**	
Nature of business	**Various**		**Various**	
Principal place of business and country of incorporation	**South Africa**		**South Africa**	
Year end	**June**		**Various**	
Accounting treatment	**Equity accounted**		**Equity accounted**	
Date to which equity accounted	**31 December 2014**		**31 December 2014**	
	2014	2013	**2014**	2013
Effective holding (%)	**25**	25	**Various**	Various
	Rm	Rm	**Rm**	Rm
Carrying value	**102**	94	**143**	188
Income statement				
Revenue	**1 984**	790		
Total comprehensive income	**31**	45	**26**	121
Non-controlling interest				
Total comprehensive income attributable to equity holders of the associates	**31**	45	**26**	121
Dividends received from associate			**1**	2
Statement of financial position[1]				
Cash and cash equivalents	**107**	13		
Non-current assets	**695**	647		
Current assets	**433**	362		
Non-current liabilities	**(323)**	(344)		
Current liabilities	**(399)**	(290)		
Net asset value attributable to equity holders of the associate	**406**	375		
Proportion of net asset value based on effective holding	**102**	94		
Goodwill				
Cumulative impairment				
Carrying value	**102**	94		
Loans to group companies[2]			**2**	2
Share of total comprehensive income from associates	**8**	11	**14**	38

1 Summarised financial information of the associates and joint ventures is provided based on the latest available financial information.
2 These loans are provided on an arm's length basis.

Annexure C | Associates and joint ventures continued

	Joint Ventures		Total associates and joint ventures	
Ownership structure	**Joint venture**		**Various**	
Nature of business	**Various**		**Various**	
Principal place of business and country of incorporation	**South Africa**		**South Africa**	
Year end	**Various**		**Various**	
Accounting treatment	**Equity accounted**		**Equity accounted**	
Date to which equity accounted	**31 December 2014**		**31 December 2014**	
	2014	2013	**2014**	2013
Effective holding	**Various**	Various	**Various**	Various
	Rm	Rm	**Rm**	Rm
Carrying value	**47**	58	**951**	2 065
Income statement				
Revenue				
Total comprehensive income	**(19)**	14		
Non-controlling interest				
Total comprehensive (loss)/income attributable to equity holders of associates and joint ventures	**(19)**	14		
Dividends received from associate/joint venture				
Statement of financial position[1]				
Cash and cash equivalents				
Non-current assets				
Current assets				
Non-current liabilities				
Current liabilities				
Net asset value				
Proportion of net asset value based on effective holding				
Goodwill				
Cumulative impairment				
Carrying value				
Loans to group companies[2]			**2**	2
Share of total comprehensive income from associates and joint ventures	**(10)**	7	**121**	303

1 Summarised financial information of the associates and joint ventures is provided based on the latest available financial information.
2 These loans are provided on an arm's length basis.

	Private equity/venture capital associates and joint ventures[1]	
Ownership structure	**Various**	
Nature of business	**Various**	
Principal place of business	**South Africa**	
Year end	**Various**	
Accounting treatment	**Equity accounted**	
Date to which equity accounted	**31 December 2014**	
	2014	2013
Effective holding (%)	**Various**	Various
	Rm	Rm
Carrying value	**619**	624
Cost of private equity/venture capital associates and joint ventures		
Other income	**93**	148
Total comprehensive income for the year	**83**	16
Statement of financial position[2]		
Non-current assets	**3 881**	3 980
Current assets	**596**	935
Non-current liabilities	**(893)**	(866)
Current liabilities	**(225)**	(1 058)
Net asset value	**3 359**	2 991
Loans to group companies[3]	**2**	2
Share of profits from associates/joint ventures	**65**	92
Fair value*	**583**	572

1 Included in total associates and joint ventures. These investments in associates and joint ventures were made by the group's private equity operations and have been ring-fenced for headline earnings purposes. On the disposal of these associates and joint ventures held by the group's private equity division, the profit or loss on the disposal will be included in headline earnings in terms of Circular 2/2013 Headline Earnings, issued by SAICA at the request of the JSE Limited.
2 Summarised financial information of the associates is provided based on the latest available financial information.
3 These loans are provided on an arm's length basis.
* No quoted market prices are available with regards to any of the group's interests in associates and joint ventures.

Annexure D

Equity-linked transactions

Share based payments

	2014 Rm	2013 Rm
Summary of the group and company's share incentive schemes and expenses recognised in staff costs:		
Equity-settled share-based payments (GSIS)	**27**	10
Cash-settled share-based payments	**1 240**	878
EGS	**513**	434
DBS	**10**	35
DBS (2012)	**642**	409
PRP	**75**	
Total expenses recognised in staff costs	**1 267**	888
Summary of the liability recognised in other liabilities:		
EGS	**1 375**	1 205
DBS	**47**	130
DBS (2012)	**647**	408
PRP	**75**	
Total liability recognised in other liabilities	**2 144**	1 743

Group share incentive scheme

The GSIS is an equity-settled share scheme and confers rights to employees to acquire shares at the value of the SBG share price at the date the option is granted.

The scheme has five different subtypes of vesting categories as illustrated by the table below:

Vesting categories	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
Type D	2, 3, 4	33, 67, 100	10 years
Type E	3, 4, 5	33, 67, 100	10 years

A reconciliation of the movement of share options is detailed below:

	Option price range (R)	Number of options	
	2014	**2014**	2013
GSIS			
Options outstanding at beginning of the year		**1 511 930**	2 661 950
Transfers from/(to) other group companies	**39,90 – 111,94**	**424 500**	(123 350)
Exercised	**39,90 – 111,94**	**(862 616)**	(958 857)
Lapsed	**40,65 – 111,94**	**(354 251)**	(67 813)
Options outstanding at end of the year		**719 563**	1 511 930

Share options were exercised regularly throughout the year. The weighted average share price for the year was R134,83 (2013: R115,39).

The following options granted to employees, including executive directors, had not been exercised at 31 December 2014:

Number of ordinary shares	Option price range (R)	Weighted average price (R)	Option expiry period
10 000	**65,60**	**65,60**	**Year to 31 December 2015**
21 900	**76,40 – 79,50**	**78,08**	**Year to 31 December 2016**
28 700	**98,00 – 104,49**	**100,26**	**Year to 31 December 2017**
170 725	**92,00**	**92,00**	**Year to 31 December 2018**
78 250	**62,39**	**62,39**	**Year to 31 December 2019**
293 238	**111,94 – 114,60**	**111,99**	**Year to 31 December 2020**
116 750	**98,80**	**98,80**	**Year to 31 December 2021**
719 563			

The following options granted to employees, including executive directors, had not been exercised at 31 December 2013:

Number of ordinary shares	Option price range (R)	Weighted average price (R)	Option expiry period
381 200	39,90 – 48,00	41,03	Year to 31 December 2014
10 000	65,60	65,60	Year to 31 December 2015
19 600	76,40 – 79,50	77,92	Year to 31 December 2016
47 100	98,00	98,00	Year to 31 December 2017
175 900	92,00	92,00	Year to 31 December 2018
181 430	62,39	62,39	Year to 31 December 2019
452 950	111,94 – 114,60	111,97	Year to 31 December 2020
243 750	98,80	98,80	Year to 31 December 2021
1 511 930			

Annexure D | Equity-linked transactions continued

Equity growth scheme

The EGS is a cash-settled share scheme and represents appreciation rights allocated to employees. The converted value of the rights is effectively settled by the issue of shares equivalent to the value of the rights. The scheme has five different subtypes of vesting categories as illustrated by the table below:

Vesting categories	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
Type D	2, 3, 4	33, 67, 100	10 years
Type E	3, 4, 5	33, 67, 100	10 years

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

	Average price range (R)	Number of rights	
	2014	**2014**	2013
EGS			
Rights outstanding at the beginning of the year		**34 637 318**	42 903 061
Transfers from/(to) other group companies	**62,39 – 111,94**	**529 299**	(108 042)
Granted	**126,87**	**1 433 067**	984 861
Exercised[1]	**60,35 – 117,30**	**(7 097 119)**	(6 208 824)
Lapsed	**62,39 – 111,94**	**(1 420 092)**	(2 933 738)
Rights outstanding at the end of the year[2]		**28 082 473**	34 637 318

1 During the year, 2 831 168 (2013: 1 191 336) SBG shares were issued to settle the appreciated rights value.
2 At the end of the year, 9 208 401 (2013: 9 738 470) SBG shares would need to be issued to settle the outstanding appreciated rights value.

The EGS 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 South African Income Tax Act 68 of 1962. 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. A total of 762 736 (2013: 581 974) 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 2014:

Number of ordinary shares	Option price range (R)	Weighted average price (R)	Option expiry period
590 702	**60,35 – 65,60**	**65,40**	**Year to 31 December 2015**
1 699 363	**77,83 – 87,00**	**79,76**	**Year to 31 December 2016**
1 711 570	**98,00 – 111,00**	**98,18**	**Year to 31 December 2017**
3 799 957	**69,99 – 100,08**	**91,93**	**Year to 31 December 2018**
3 787 010	**62,39 – 98,20**	**64,09**	**Year to 31 December 2019**
6 275 328	**102,00 – 116,80**	**111,69**	**Year to 31 December 2020**
7 024 006	**90,50 – 107,55**	**98,77**	**Year to 31 December 2021**
847 351	**98,75 – 110,56**	**108,25**	**Year to 31 December 2022**
914 119	**115,51**	**115,51**	**Year to 31 December 2023**
1 433 067	**126,87**	**126,87**	**Year to 31 December 2024**
28 082 473			

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2013:

Number of ordinary shares	Option price range (R)	Weighted average price (R)	Option expiry period
1 081 090	60,35 – 65,60	65,56	Year to 31 December 2015
2 639 201	77,83 – 87,00	79,65	Year to 31 December 2016
2 540 415	98,00 – 117,30	98,57	Year to 31 December 2017
5 197 477	69,99 – 100,08	91,82	Year to 31 December 2018
5 689 902	62,39 – 98,20	64,60	Year to 31 December 2019
7 456 729	102,00 – 116,80	111,59	Year to 31 December 2020
8 312 796	90,50 – 107,55	98,79	Year to 31 December 2021
805 589	98,75 – 110,56	108,21	Year to 31 December 2022
914 119	115,51	115,51	Year to 31 December 2023
36 637 318			

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 D		Type E	
	2014	2013	**2014**	2013
Number of appreciation rights granted	**1 433 067**	424 453		560 408
Weighted average fair value at grant date (R)	**32,39**	29,07		27,00
The principal inputs are as follows:				
Weighted average share price (R)	**126,87**	115,51		115,51
Weighted average exercise price (R)	**126,87**	115,51		115,51
Expected life (years)	**6,00**	7,0		5,9
Expected volatility (%)	**22,45**	25,40		25,40
Risk-free interest rate (%)	**7,94**	6,42		6,14
Dividend yield (%)	**3,80**	3,90		3,90

The appreciation rights granted during the year which are estimated to vest have a fair value of R46 million (2013: R27 million) at grant date. No type E rights were issued during 2014.

Annexure D | Equity-linked transactions continued

Deferred bonus scheme

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 were awarded short-term incentives over a certain threshold, were 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 increments on the deferred bonus becoming payable at vesting and one year thereafter. The DBS was replaced in 2012 by the DBS (2012) scheme.

The provision in respect of liabilities under the scheme amounts to R47 million at 31 December 2014 (2013: R130 million) and the amount credited to the income statement for the year was R10 million (2013: R35 million charge). The change in the liability due to changes in SBG's share price is partially hedged through the use of equity forwards designated as cash flow hedges.

	Units	
	2014	2013
Reconciliation		
Units outstanding at beginning of the year	**1 126 499**	1 967 264
Transfers from other group companies	**3 474**	
Exercised	**(803 601)**	(741 992)
Lapsed		(98 773)
Units outstanding at end of the year	**326 372**	1 126 499

Deferred bonus scheme (2012)

In 2012, changes were made to the existing DBS to provide for a single global incentive deferral scheme across SBG's regions. The purpose of the DBS (2012) is to encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.

All employees granted an annual performance award over a threshold have part of their award deferred. The DBS (2012) is unitised into a number of shares with respect to SBG's share price on the date of award. The award is indexed to the group's share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The award is equity settled at an SBG level but accounted for as a cash-settled share scheme by SBSA.

The provision in respect of liabilities under the scheme amounts to R647 million as at 31 December 2014 (2013: R408 million) and the amount charged for the year was R642 million (2013: R409 million). The change in the liability due to changes in SBG's share price, is partially hedged through the use of equity forwards designated as cash flow hedges.

	Units	
	2014	2013
Reconciliation		
Units outstanding at beginning of the year	**7 822 141**	5 080 306
Granted	**5 464 274**	4 818 053
Exercised	**(2 819 300)**	(1 504 936)
Lapsed	**(675 587)**	(571 282)
Transfers	**(15 242)**	
Units outstanding at end of the year	**9 776 286**	7 822 141
Weighted average fair value at grant date (R)	**127,82**	115,51
Expected life (years)	**2,51**	2,51
Risk-free interest rate (%)	**7.12**	5.54

Performance reward plan

A new long-term performance-driven share plan commenced in March 2014, which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, the GSIS and DBS (2012).

The PRP is settled in shares to the employee on the applicable vesting dates together with notional dividends that are settled in cash. The shares that vest (if any) and that are delivered to the employee are conditional on the pre-specified performance metrics.

Awards issued to individuals in employment of a group entity domiciled in South Africa are equity-settled by SBG but are accounted for as a cash-settled share scheme by SBSA. The expense recognised during 2014 with regards to these awards was R75 million (2013: Rnil). These awards have been partially hedged through the use of equity forwards designated as cash flow hedges.

Awards issued to individuals in employment of group entities domiciled outside South Africa are cash-settled. The provision in respect of these awards is recognised in liabilities at 31 December 2014 and the amount charged for the year under the scheme amounts to R75 million (2013: Rnil).

	Units
	2014
Reconciliation	
Units outstanding at beginning of the year	
Granted	**2 451 700**
Lapsed	**106 400**
Units outstanding at end of the year	**2 558 100**

Annexure E

Emoluments and share incentives of directors and prescribed officers

Non-executive directors' and prescribed officers' emoluments 2014

		Fixed remuneration				
		Services as directors of Standard Bank Group R'000	**Standard Bank Group Committee fees R'000**	**Services as directors of group subsidiaries R'000**	**Other benefits R'000**	**Total compensation for the year R'000**
Non-executive directors						
BS Tshabalala	**2014**	**176**	**153**	**176**		**505**
	2013					
RMW Dunne	**2014**	**220**	**1 133**	**285**		**1 638**
	2013	204	806	204		1 214
TS Gcabashe	**2014**	**220**	**378**	**264**		**862**
	2013	204	318	243		765
FA du Plessis	**2014**	**176**	**213**	**176**		**565**
	2013					
AC Parker	**2014**	**176**	**165**	**307**		**648**
	2013					
ANA Peterside CON	**2014**	**291**		**291**		**582**
	2013					
Adv KD Moroka	**2014**	**220**	**251**	**220**		**691**
	2013	204	52	204		460
S Gu	**2014**	**49**	**30**			**79**
	2013					
TMF Phaswana	**2014**	**5 320**			**301**[1]	**5 621**
	2013	4 750			352[1]	5 102
MJD Ruck	**2014**	**220**	**829**	**1 805**		**2 854**
	2013	204	576	1 401		2 181
Lord Smith of Kelvin, KT	**2014**	**811**	**258**	**811**		**1 880**
	2013	669	230	669		1 568
PD Sullivan	**2014**	**811**	**857**	**2 237**		**3 905**
	2013	643	378	662		1 683
EM Woods	**2014**	**220**	**1 044**	**242**		**1 506**
	2013	204	775	282		1 261
W Wang	**2014**	**211**	**305**			**516**
	2013					
Total	**2014**	**9 121**	**5 616**	**6 814**	**301**	**21 852**
Total	2013	7 082	3 135	3 665	352	14 234

[1] Use of motor vehicle and club subscriptions.

		Fixed remuneration				
		Services as directors of Standard Bank Group R'000	Standard Bank Group Committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compensation for the year R'000
Former non-executive directors						
MC Ramaphosa[1]	**2014**					
	2013	85	37	84		206
DDB Band[2]	**2014**	**91**	**333**	**221**		**645**
	2013	204	442	379		1 025
AC Nissen[2]	**2014**	**91**	**42**	**90**		**223**
	2013	204	91	204		499
K Kalyan[3]	**2014**	**39**	**18**	**39**		**96**
	2013	204	91	204		499
Dr Y Liu[4]	**2014**	**34**				**34**
	2013	669	176			845
S Macozoma[5]	**2014**	**220**	**842**	**2 552**		**3 614**
	2013	204	626	2 462		3 292
HL Zhang[4]	**2014**	**34**	**15**			**49**
	2013	669	318			987
K Yang[6]	**2014**	**731**	**396**			**1 127**
	2013					
Total	**2014**	**1 240**	**1 646**	**2 902**		**5 788**
Total	2013	2 239	1 781	3 333		7 353

1 Retired on 30 May 2013.
2 Retired on 29 May 2014.
3 Resigned on 3 March 2014.
4 Resigned on 16 January 2014.
5 Resigned on 31 December 2014.
6 Resigned on 10 December 2014.

Annexure E | Emoluments and share incentives of directors and prescribed officers continued

Executive directors' and prescribed officers' emoluments

		Fixed remuneration				
		Cash portion of package R'000	Other benefits R'000	Pension contributions R'000	Total fixed remuneration R'000	Cash bonus R'000
Executive directors						
BJ Kruger*	**2014**	**7 352**	**199**	**1 209**	**8 760**	**5 275[1]**
	2013	6 559	315	1 088	7 962	9 400[1]
SK Tshabalala*	**2014**	**7 378**	**277**	**1 248**	**8 903**	**7 337[1]**
	2013	6 384	274	990	7 648	9 400[1]
SP Ridley*	**2014**	**5 328**	**289**	**692**	**6 309**	**5 150[1]**
	2013	4 900	286	624	5 810	6 150[1]
Prescribed officers						
DC Munro	**2014**	**5 355**	**254**	**710**	**6 319**	**5 650[1]**
	2013	4 596	200	641	5 437	15 150[1]
PL Schlebusch	**2014**	**5 342**	**206**	**709**	**6 257**	**8 650[1]**
	2013	4 476	199	595	5 270	10 150[1]
B Hemphill	**2014**	**5 316**	**154**	**662**	**6 132**	**8 150[1]**
	2013	4 657	160	295	5 112	8 350[1]
Former executive directors						
JH Maree[4]*	**2014**					
	2013	1 119	90	185	1 394	790
PG Wharton-Hood[5]*	**2014**					
	2013	4 558	225	767	5 550	

1 In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.
2 The DBS (2012), is an equity-settled share scheme. The final value of the award is dependent on the performance of SBG's share price. The deferred award is issued in the following financial year. The deferred award in the table above is the total award relating to the respective performance year. Deferred bonus amounts awarded for the 2013 and 2014 performance years are subject to choice. Participants can elect to have the value of the deferred award, or a part thereof, invested in the EGS rather than the default DBS (2012). To the extent that EGS is selected, a 10% premium of the value of the award is added. Deferred bonus amounts not invested in EGS will be unitised with respect to the SBG's closing share price on the date on which the SBG's year end financial results are communicated publically. The elections and the number of units have, for the 2013 performance year, been included in the table commencing on page 274, with the elections relating to the 2014 performance year to be disclosed in the 2015 annual financial statements.
3 Awards were made in terms of the Liberty Holdings Group Restricted Share Plan.
4 Resigned as an executive director on 7 March 2013.
5 Resigned as an executive director from the board on 14 August 2013.
* All executive directors were also prescribed officers of the group for 2013 and 2014, and former executives until the date of their resignation.

Variable remuneration

DBS: incremental payments and notional dividends R'000	Deferred bonus R'000	Value of rights granted EGS R'000	Total variable compensation for the year R'000	% change in variable compensation	Total compensation for the year R'000	% change in total compensation	Black-Scholes value of conditional awards forfeited R'000
994	**4 975[2]**		**11 244**	**(46)**	**20 004**	**(31)**	**(5 377)**
344	11 100[2]		20 844		28 806		(4 758)
483	**8 038[2]**		**15 858**	**(25)**	**24 761**	**(14)**	**(3 587)**
534	11 100[2]		21 034		28 682		(2 774)
635	**6 850[2]**		**12 635**	**(12)**	**18 944**	**(6)**	**(3 048)**
429	7 850[2]		14 429		20 239		(2 537)
1 587	**5 850[2]**		**13 087**	**(58)**	**19 406**	**(47)**	**(2 243)**
1 167	14 850[2]		31 167		36 604		(1 585)
806	**8 650[2]**		**18 106**	**(15)**	**24 363**	**(9)**	
392	10 850[2]		21 392		26 662		
	8 150[2]		**16 300**	**(26)**	**22 432**	**(17)**	**(899)**
	4 150[2]	9 400[3]	21 900		27 012		(395)
	658		1 448		2 842		(9 919)
551			551		6 101		

Annexure E | Emoluments and share incentives of directors and prescribed officers continued

Share incentives

Director's name			Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited	Black-Scholes value of participation rights forfeited[1] (R)	Number of share incentives exercised or accepted during the year (R)
SK Tshabalala[2]	**GSIS**							
		2014	**25 000**					**(25 000)**
		2013	25 000					
	EGS							
		2014	**1 265 164**			**(68 750)**	**(3 587 451)**	
		2013	1 019 305	302 109	2013/03/07	(56 250)	(2 774 438)	
	PRP							
		2015[4]		**67 200**	**2015/03/05**			
		2014		**98 500**	**2014/03/06**			
BJ Kruger	**EGS**							
		2014	**1 143 065**	**316 322**	**2014/03/06**	**(100 000)**	**(5 377 019)**	**(150 000)** **(300 000)**
		2013	1 186 471	56 594	2013/03/07	(100 000)	(4 758 250)	
	PRP							
		2015[4]		**67 200**	**2015/03/05**			
		2014		**98 500**	**2014/03/06**			

1 Forfeiture as a result of the underlying EGS award's performance conditions not being met.
2 SK Tshabalala has a right to 698 339 (2013: 698 339) shares as a beneficiary of the Tutuwa Manager's Trusts. At 31 December 2014, the debt per share was R52,39 (2013: R48,21). Rights are subject to settlement of funding and transaction costs. Subsequent to 31 December 2014, SK Tshabalala disposed of 279 525 shares in order to settle employees' tax and associated funding and transaction cost arising on the lifting of the final restrictions imposed in terms of SBG's Tutuwa initiative. Pre-approval for this transaction was obtained from the JSE.
3 Conditional awards.
4 The PRP units have been determined with reference to the closing SBG share price of R148,90 on 4 March 2015. The actual number of PRP units will, in terms of the scheme's rules, be determined with reference to the SBG closing share price on 5 March 2015. The actual number of units will be updated in the 2015 actual financial statements.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2014	Issue date	Issue or offer price (R)	Vesting category	Expiry date
	2 125 000						
		25 000					
		1 196 414	**50 000**	**2005/03/10**	**65,60**	**B**	**2015/03/10**
115,51		1 265 164	**22 500**	**2006/03/10**	**79,50**	**A**	**2016/03/10**
			22 500	**2006/03/10**	**79,50**	**B**	**2016/03/10**
			25 000	**2007/03/07**	**98,00**	**A**	**2017/03/07**
			25 000	**2007/03/07**	**98,00**	**B**	**2017/03/07**
			100 000	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			12 500[3]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			37 500[3]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			62 500[3]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			62 500[3]	**2010/03/05**	**111,94**	**B**	**2020/03/05**
			100 000[3]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			100 000[3]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			61 471[3]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
			212 834	**2012/03/08**	**108,90**	**D**	**2022/03/08**
			70 742[3]	**2013/03/07**	**115,51**	**E**	**2023/03/07**
			231 367	**2013/03/07**	**115,51**	**D**	**2023/03/07**
126,87		**98 500**	**98 500**	**2014/03/06**	**126,87**		**2017/03/31**
29 544	**4 852 500**	**909 387**	**25 000**[3]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
93 056	**15 255 000**		**50 000**[3]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
		1 143 065	**100 000**[3]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			100 000[3]	**2010/03/05**	**111,94**	**B**	**2020/03/05**
			100 000[3]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			100 000[3]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			61 471[3]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
			56 594[3]	**2013/03/07**	**115,51**	**E**	**2023/03/07**
			316 322	**2014/03/06**	**126,87**	**D**	**2024/03/06**
126,87		**98 500**	**98 500**	**2014/03/06**	**126,87**		**2017/03/31**

Annexure E | Emoluments and share incentives of directors and prescribed officers continued

Share incentives continued

Director's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited	Black-Scholes value of participation rights forfeited[1] (R)	Number of share incentives exercised or accepted during the year (R)
SP Ridley	**EGS**						
	2014	**584 328**			**(57 500)**	**(3 048 086)**	**(50 000)**
	2013	669 383	42 445	2013/03/07	(52 500)	(2 537 250)	(75 000)
	PRP						
	2015[3]		**53 700**	**2015/03/05**			
	2014		**63 100**	**2014/03/06**			
JB Hemphill	**EGS**						
	2014		**231 250**		**(18 750)**	**(898 941)**	**(6 250)** **(25 000)** **(56 250)**
	2013		237 500		(6 250)	(395 312)	
	EGS (Liberty Holdings)[4]						
	2014	**720 000**					**(40 000)** **(60 000)** **(120 000)** **(80 000)** **(100 000)** **(180 000)** **(40 000)**
	2013	720 000					
	Phantom EGS (Liberty Holdings)[4]						
	2014	**4 877**					**(4 877)**
	2013	4 877					
	PRP						
	2015[3]		**67 200**	**2015/03/05**			
	2014		**78 800**	**2014/03/06**			

1 Forfeiture as a result of the underlying EGS award's performance conditions not being met.
2 Conditional awards.
3 The PRP units have been determined with reference to the closing SBG share price of R148,90 on 4 March 2015. The actual number of PRP units will, in terms of the scheme's rules, be determined with reference to the SBG closing share price on 5 March 2015. The actual number of units will be updated in the 2015 actual financial statements.
4 For details regarding these share schemes, refer to Liberty's financial statements.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2014	Issue date	Issue or offer price (R)	Vesting category	Expiry date
12 864	**2 239 500**	**476 828**	**25 000**	**2006/03/10**	**79,50**	**B**	**2016/03/10**
20 358	2 962 500	584 328	**15 000**	**2007/03/07**	**98,00**	**A**	**2017/03/07**
			15 000	**2007/03/07**	**98,00**	**B**	**2017/03/07**
			12 500[2]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			30 000[2]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			100 000[2]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			100 000[2]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			100 000[2]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			36 883[2]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
			42 445[2]	**2013/03/07**	**115,51**	**E**	**2023/03/07**
126,87		**63 100**	**63 100**	**2014/03/06**	**126,87**		**2017/03/31**
1 273	**238 625**	**125 000**	**12 500[2]**	**2009/03/06**	**62,39**	**B**	**2019/03/06**
10 299	**1 915 750**		**18 750[2]**	**2010/03/05**	**111,94**	**A**	**2020/03/05**
9 193	**1 408 500**		**75 000[2]**	**2010/03/05**	**111,94**	**B**	**2020/03/05**
		231 250	**6 250[2]**	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			12 500[2]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
20 416	**2 932 000**	**100 000**	**60 000**	**2010/02/23**	**69,00**		**2020/02/23**
24 793	**3 265 200**		**40 000**	**2011/02/24**	**74,70**		**2013/02/24**
46 137	**6 174 000**						
32 021	**4 679 200**						
39 346	**6 655 000**						
59 272	**11 286 000**						
11 809	**2 280 000**						
		720 000					
	283 305						
		4 877					
126,87		**78 800**	**78 800**	**2014/03/06**	**126,87**		**2017/03/31**

Annexure E | Emoluments and share incentives of directors and prescribed officers continued

Share incentives continued

Director's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited	Black-Scholes value of participation rights forfeited[1] (R)	Number of share incentives exercised or accepted during the year (R)
DC Munro	**EGS**						
	2014	**865 661**	**105 797**	**2014/03/06**	**(43 750)**	**(2 243 196)**	
	2013	765 221	131 690	2013/03/07	(31 250)	(1 584 875)	
	PRP						
	2015[3]		**94 000**	**2015/03/05**			
	2014		**78 800**	**2014/03/06**			
PL Schlebusch	**EGS**						
	2014	**467 852**					**(37 500)**
	2013	411 258	56 594	2013/03/07			
	PRP						
	2015[3]		**67 200**	**2015/03/05**			
	2014		**78 800**	**2014/03/06**			

1 Forfeiture as a result of the underlying EGS awards performance conditions not being met.
2 Conditional awards.
3 The PRP units have been determined with reference to the closing SBG share price of R148,90 on 4 March 2015. The actual number of PRP units will, in terms of the scheme's rules, be determined with reference to the SBG closing share price on 5 March 2015. The actual number of units will be updated in the 2015 actual financial statements.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2013	Issue date	Issue or offer price (R)	Vesting category	Expiry date
126,87		927 708	50 000	2005/03/10	65,60	B	2015/03/10
115,51		865 661	250 000	2006/03/10	79,50	B	2016/03/10
			23 750	2007/03/07	98,00	A	2017/03/07
			23 750	2007/03/07	98,00	B	2017/03/07
			6 250[2]	2008/03/06	92,00	B	2018/03/06
			50 000	2008/03/06	92,00	B	2018/03/06
			25 000[2]	2009/03/06	62,39	B	2019/03/06
			50 000	2010/03/05	111,94	A	2020/03/05
			50 000	2010/03/05	111,94	B	2020/03/05
			50 000[2]	2011/03/04	98,80	A	2021/03/04
			50 000[2]	2011/03/04	98,80	B	2021/03/04
			61 471[2]	2012/03/08	108,90	A	2022/03/08
			60 948	2013/03/07	115,51	D	2023/03/07
			70 742[2]	2013/03/07	115,51	E	2023/03/07
			105 797	2014/03/06	126,87	D	2024/03/06
126,87		78 800	78 800	2014/03/06	126,87		2017/03/31
14 129	2 910 375	430 352	20 000	2007/03/07	98,00	A	2017/03/07
115,51		467 852	20 000	2007/03/07	98,00	B	2017/03/07
			9 375	2008/03/06	92,00	A	2018/03/06
			37 500	2008/03/06	92,00	B	2018/03/06
			25 000	2008/03/06	92,00	B	2018/03/06
			25 000	2009/03/06	62,39	B	2019/03/06
			50 000	2010/03/05	111,94	A	2020/03/05
			50 000	2010/03/05	111,94	B	2020/03/05
			50 000[2]	2011/03/04	98,80	A	2021/03/04
			50 000[2]	2011/03/04	98,80	B	2021/03/04
			36 883[2]	2012/03/08	108,90	A	2022/03/08
			56 594[2]	2013/03/07	115,51	E	2023/03/07
126,87		78 800	78 800	2014/03/06	126,87		2017/03/31

Annexure E | Emoluments and share incentives of directors and prescribed officers continued

Deferred bonus scheme

The table below reflects bonus awards for the 2014 and prior financial years. The awards will only vest in future in terms of the rules of the DBS and DBS (2012). The deferred bonus awards for the 2014 performance year are only issued in the 2015 financial year.

	Performance year	Issue date	Amount deferred (R)	Award price (R)	Units awarded
SK Tshabalala	2009	2010/03/05[1]	1 930 000	111,94	17 241
	2013	2014/03/06[2]	11 100 000	126,87	87 492
	2014	2015/03/05[4]	8 037 500		
BJ Kruger[3]	2009	2010/03/05[1]	1 075 000	111,94	9 603
	2010	2011/03/04[1]	2 310 000	98,80	23 381
	2011	2012/03/08[2]	9 762 558	108,90	89 647
	2012	2013/03/07[2]	5 100 000	115,51	44 153
	2014	2015/03/05[4]	4 975 000		
SP Ridley	2009	2010/03/05[1]	817 500	111,94	7 303
	2010	2011/03/04[1]	552 875	98,80	5 596
	2011	2012/03/08[2]	5 600 074	108,90	51 424
	2012	2013/03/07[2]	4 700 000	115,51	40 690
	2013	2014/03/06[2]	7 850 000	126,87	61 875
	2014	2015/03/05[4]	6 850 000		
JB Hemphill	2010	2011/02/25[5]	1 150 000	74,70	15 395
	2011	2012/03/01[6]	2 714 000	87,90	30 874
	2011	2012/03/01[7]	6 000 000	87,90	68 260
	2012	2013/03/01[6]	3 850 000	121,02	31 813
	2012	2013/03/01[7]	7 000 000	121,02	57 842
	2013	2014/03/01[6]	4 150 000	123,39	33 634
	2013	2014/03/01[7]	9 400 000	123,39	76 182
	2014	2015/03/05[4]	8 150 000		
DC Munro[3]	2009	2010/03/05[1]	2 936 500	111,94	26 233
	2010	2011/03/04[1]	3 850 000	98,80	38 968
	2011	2012/03/08[2]	10 334 000	108,90	94 895
	2012	2013/03/07[2]	5 887 500	115,51	50 970
	2013	2014/03/06	11 137 500	126,87	87 787
	2014	2015/03/05[4]	5 850 000		
PL Schlebusch	2009	2010/03/05[1]	990 000	111,94	8 844
	2010	2011/03/04[1]	1 962 000	98,80	19 858
	2011	2012/03/08[2]	5 850 000	108,90	53 720
	2012	2013/03/07[2]	6 225 000	115,51	53 892
	2013	2014/03/06[2]	10 850 000	126,87	85 521
	2014	2015/03/05	8 650 000		

1 Units are granted in DBS and vest after three years from date of award.
2 Units are granted in DBS (2012) and vest in three equal tranches at 18, 30 and 42 months from date of award.
3 BJ Kruger and DC Munro elected to have the value of their 2014 performance year award or part thereof (as applicable), invested in the EGS rather than the default DBS. Regarding the 2014 performance year, DBS has accordingly been updated.
4 Deferred bonus amounts awarded in March 2015 are still subject to choice. Participants can elect to have the value of the deferred award, or part thereof, invested in the EGS rather than the default DBS. To the extent that EGS is selected, a 10% premium of the value of the award is added. Deferred bonus amounts not invested in EGS will be unitised with respect to the SBG's closing share price on 5 March 2015. This award will be updated in the 2015 annual financial statements to reflect the choices made and units/rights awarded.
5 Units are granted in Liberty Holdings DBS and vest after three years from date of award.
6 Units are granted in Liberty Holdings DBS and vest in three equal tranches at 18, 30 and 42 months from date of award.
7 Units are granted in Liberty Holdings LTIP and vest in three equal tranches at 2, 3 and 4 years from date of award.
The units were exercised to settle taxes due on vesting date.

Expiry date/final vesting date	Balance of units 1 January	Number of units exercised during the year	Share price (R)	Value of units exercised (R)	Balance of units 31 December
2014/11/30	**10 344**	**10 344**	**140,10**	**1 449 194**	
2017/09/30					**87 492**
2018/09/30					
2014/11/30	**5 761**	**5 761**	**139,00**	**800 779**	
2015/11/30	**23 381**	**9 353**	**139,00**	**1 300 067#**	
		14 028	**139,00**	**1 949 892**	
2015/09/30	**59 765**	**29 882**	**131,23**	**3 921 415**	**29 883**
2016/09/30	**44 153**	**14 717**	**131,23**	**1 931 312**	**29 436#**
2018/09/30					
2014/11/30	**4 381**	**4 381**	**138,10**	**605 016**	
2015/11/30	**5 596**	**2 239**	**139,00**	**311 221#**	**3 357**
2015/09/30	**34 283**	**17 141**	**131,23**	**2 249 413**	**17 142**
2016/09/30	**40 960**	**13 563**	**131,23**	**1 779 872**	**27 127**
2017/09/30					**61 875**
2018/09/30					
2015/11/30	**15 395**	**6 158**	**125,47**	**772 644#**	
		9 237	**131,90**	**1 218 360**	
2015/09/01	**20 584**	**10 292**	**130,58**	**1 343 929**	**10 292**
2016/03/01	**68 260**	**22 753**	**122,58**		**45 507**
2016/09/01	**31 813**	**10 604**	**130,58**	**1 384 670**	**21 209**
2017/03/01	**57 842**				**57 842**
2017/09/01					**33 634**
2018/03/01					**76 182**
2018/09/30					
2014/11/30	**15 739**	**15 739**	**138,10**	**2 173 556**	
2015/11/30	**38 968**	**15 588**	**139,00**	**2 166 732#**	**23 380**
2015/09/30	**63 264**	**31 631**	**131,23**	**4 150 936**	**31 633**
2016/09/30	**50 970**	**16 990**	**131,23**	**2 229 598**	**33 980**
2017/09/30					**87 787**
2018/09/30					
2014/11/30	**5 306**	**5 306**	**139,00**	**737 534**	
2015/11/30	**19 858**	**7 944**	**139,00**	**1 104 216#**	**11 914**
2015/09/30	**35 814**	**17 906**	**131,23**	**2 349 804**	**17 908**
2016/09/30	**53 892**	**17 964**	**131,23**	**2 357 416**	**35 928**
2017/09/30					**85 521**
2018/09/30					

Annexure F

Segmental statement of financial position

Group	Personal & Business Banking 2014 Rm	Personal & Business Banking 2013[1] Rm
Assets		
Cash and balances with the central bank	**16**	
Derivative assets	**57**	37
Trading assets	**4**	
Pledged assets	**92**	
Financial investments		66
Loans and advances	**464 861**	448 300
Current and deferred tax assets	**39**	36
Other assets	**2 206**	2 036
Interest in group companies, associates and joint ventures – banking operations	**111**	1 344
Goodwill and other intangible assets	**9 760**	7 559
Property and equipment	**2 148**	2 186
Total assets	**479 294**	461 564
Equity and liabilities		
Equity	**42 098**	37 174
Equity attributable to the ordinary shareholder	**42 092**	37 171
Ordinary share capital		
Ordinary share premium	**4**	4
Reserves	**42 088**	37 167
Non-controlling interest	**6**	3
Liabilities	**437 196**	424 390
Derivative liabilities	**37**	36
Trading liabilities	**4**	
Deposit and current accounts	**426 745**	415 553
Current and deferred tax liabilities	**1 970**	2 121
Provisions and other liabilities	**2 968**	1 902
Subordinated debt	**5 005**	4 732
Liabilities to group companies	**467**	46
Total equity and liabilities	**479 294**	461 564

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

Corporate & Investment Banking		Other services		Total	
2014 Rm	2013[1] Rm	2014 Rm	2013[1] Rm	2014 Rm	2013 Rm
19 873	17 121	12 329	12 813	32 218	29 934
53 067	59 674	938	263	54 062	59 974
50 996	35 304	436	270	51 436	35 574
5 281	4 394			5 281	4 394
105 723	73 493	(3 959)	45	101 856	73 604
317 876	259 598	2 746	(2 979)	785 483	704 919
192	201	122	87	353	324
2 582	7 269	2 682	2 318	7 470	11 623
55 241	64 286	11 555	7 127	66 907	72 757
	4	7 239	6 222	16 999	13 785
44	33	6 893	6 770	9 085	8 989
610 875	521 377	40 981	32 936	1 131 150	1 015 877
28 421	24 509	11 899	17 521	82 418	79 204
28 421	24 509	11 899	17 521	82 412	79 201
21	21	39	39	60	60
		36 292	36 292	36 296	36 296
28 400	24 488	(24 432)	(18 810)	46 056	42 845
				6	3
582 454	496 868	29 082	15 415	1 048 732	936 673
65 343	65 758	918	19	66 298	65 813
21 810	20 424	895		22 709	20 424
366 113	311 117	7 078	(5 320)	799 936	721 350
2 161	2 302	(561)	(924)	3 570	3 499
1 737	3 154	6 986	9 028	11 691	14 084
4 755	4 639	10 974	11 444	20 734	20 815
120 535	89 474	2 792	1 168	123 794	90 688
610 875	521 377	40 981	32 936	1 131 150	1 015 877

Credit ratings

Ratings as at 4 March 2014:

	Short-term	Long-term	Outlook
Fitch Ratings			
The Standard Bank of South Africa			
Foreign currency issuer default rating	F3	BBB	Negative
Local currency issuer default rating		BBB	Negative
National rating	F1+ (ZAF)	AA (ZAF)	Stable
RSA Sovereign ratings			
Foreign currency issuer default rating	F3	BBB	Negative
Local currency issuer default rating		BBB+	Negative
Moody's Investor Services			
The Standard Bank of South Africa			
Foreign currency deposit rating	P-2	Baa2	Stable
Local currency deposit rating	P-2	Baa2	Stable
National rating	P-1.2a	A1.za	Stable
RSA Sovereign ratings			
Foreign currency	P-2	Baa2	Stable
Local currency		Baa2	Stable
Standard & Poor's			
The Standard Bank of South Africa			
Unsolicited issuer rating	A-3	BBB-	Stable
RSA Sovereign ratings			
Foreign currency	A-3	BBB-	Stable
Local currency	A-2	BBB+	Stable

Financial and other definitions

Basic earnings per share (EPS) (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Common equity tier I Capital adequacy ratio (%)	CET I regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.
Cost-to-income ratio (%)	Operating expenses as a percentage of total income, after revenue sharing agreements with group companies but before credit impairments, including share of profit/(loss) from associates and joint ventures and profit/(loss) on the disposal of subsidiaries.
Credit loss ratio (%)	Total impairment charges on loans and advances per the income statement as a percentage of average daily and monthly gross loans and advances.
Diluted earnings per ordinary share (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of shares, adjusted for potential dilutive ordinary shares resulting from share-based payments and related hedges.
Dividend per share (cents)	Total dividends to ordinary shareholders in respect of the year.
Effective tax rate (%)	Direct and indirect taxation as a percentage of income before taxation.
Gross specific impairment coverage ratio (%)	Balance sheet impairments for non-performing specifically impaired loans as a percentage of specifically impaired loans.
Headline earnings (Rm)	Determined, in terms of the circular issued by the South African Institute of Chartered Accountants at the request of the JSE, by excluding from reported earnings specific separately identifiable remeasurements net of related tax and non-controlling interests.
Headline earnings per ordinary share (HEPS) (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Indirect taxes	Taxes incurred by SBSA which comprised of VAT, customs and excise duties, consumption tax, securities transfer tax and stamp duties that arise during the course of business which cannot be recovered from governments. In respect of VAT, is mainly as a result of banking activities often being classified as an exempt supply which results in irrecoverable input VAT or input VAT subject to an appointment recovery ratio. Indirect taxes collected by SBSA, comprises net amounts paid to governments on its supplies.
Net asset value (Rm)	Equity attributable to ordinary shareholders.
Net asset value per share (cents)	Net asset value divided by the number of ordinary shares in issue at year end.
Net interest margin (%)	Net interest income as a percentage of daily and monthly average total assets, excluding trading derivative assets.
Non-interest revenue to total income (%)	Non-interest revenue as a percentage of total income.

Financial and other definitions | continued

Portfolio credit impairments (Rm)	Impairment for latent losses inherent in groups of loans and advances that have not yet been specifically impaired.
Profit attributable to ordinary shareholders (Rm)	Profit for the year attributable to ordinary shareholders, calculated as profit for the year less dividends on non-redeemable, non-cumulative, non-participating preference shares declared before year end, less non-controlling interests.
Profit for the year (Rm)	Income statement profit attributable to ordinary shareholders, non-controlling interests and preference shareholders for the year.
Return on equity (ROE) (%)	Headline earnings as a percentage of monthly average ordinary shareholders' 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.
Shares in issue (number)	Number of ordinary shares in issue as listed on the exchange operated by the JSE.
Specific credit impairments (Rm)	Impairment for loans and advances that have been classified as non-performing and specifically impaired, net of the present value of estimated recoveries.
Sundry taxes	Taxes other than those previously defined and have not been incorporated in the analysis of the total tax charge due to materiality.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the year as listed on the JSE.
Withholding taxes	Withholding taxes incurred by SBG comprises tax withheld on specified receipts of income as governed by the laws of each country, such as dividends, interest, management fees, services and rentals. Withholding taxes collected by SBSA comprises excise tax on money transfers, stamp duty and consumption tax withheld on behalf of the revenue authorities on specified payments to suppliers and clients as governed by the laws of each country.

Acronyms and abbreviations

A

AGM	Annual general meeting
AIR	SBG annual integrated report
AIRB	Advanced internal ratings-based
ALCO	Asset and liability committee
AMA	Advanced measurement approach
ATM	Automated teller machine

B

Banks Act	South African Banks Act 94 of 1990
BASA	Banking Association of South Africa
Basel	Basel Capital Accord
BCBS	Basel Committee on Banking Supervision
BCM	Business continuity management
BEE	Black economic empowerment
BG1	Blue Granite Investments No. 1 (RF) Limited
BG2	Blue Granite Investments No. 2 (RF) Limited
BG3	Blue Granite Investments No. 3 (RF) Limited
BG4	Blue Granite Investments No. 4 (RF) Limited
Blue Banner	Blue Banner Securitisation Vehicle RC1 Proprietary Limited
Board	Standard Bank of South Africa Board of Directors
bps	Basis point
BTC	Blue Titanium Conduit (RF) Limited
BTV	Balance-to-value

C

CDP	Carbon disclosure project
CDS	Credit default swaps
CET I	Common equity tier I
CGU	Cash-generating unit
CIB	Corporate & Investment Banking
CoE	Cost of equity
Companies Act	South African Companies Act 71 of 2008
CPI	Consumer price index

C

CR	Country risk grade
CRO	Chief risk officer
CSI	Corporate social investment
The code	The group's code of ethics

D

DBS	Deferred bonus scheme
D-SIB	Domestic systemically important banks

E

EAD	Exposure at default
EGS	Equity growth scheme
ERC	Group equity risk committee
Exco	Group executive committee

F

FIC	Fixed income and currencies
FSB	Financial Stability Board

G

G20	Group of Twenty
GAC	Group audit committee
GBP	British pound sterling
GBCSA	Green Building Counsel of South Africa
GCCO	Group chief compliance officer
GDP	Gross domestic product
GFCC	Group financial crime control
GHG	Greenhouse Gas
GIA	Group internal audit
GRCMC	Group risk and capital management committee
GROC	Group risk oversight committee
G-SIB	Global systemically important banks
GSIS	Group share incentive scheme

Acronyms and abbreviations | continued

G	
GSTRAC	Group risk appetite and stress testing committee
The group	Standard Bank of South Africa group

H	
HQLA	High quality liquid assets

I	
IAS	International accounting standards
IASB	International Accounting Standards Board
ICAAP	Internal capital adequacy assessment process
ICBC	Industrial and Commercial Bank of China Limited
ICR	Individual capital requirement
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Income Tax Act	South African Income Tax Act 58 of 1962
IOR	Integrated operational risk
IRB	Internal ratings-based
IRP	Integrated recovery plan
IRRBB	Interest rate risk in the banking book
ISDA	International swaps and derivatives
IT	Information technology

J	
JIBAR	Johannesburg interbank agreed rate
JSE	JSE Limited, the licensed securities exchange in Johannesburg

K	
King Code	The Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2009

L	
LCA	Leadership for Conservation in Africa
LCR	Liquidity coverage ratio
LGD	Loss given default
Liberty	Liberty Holdings Limited and its subsidiaries

M	
MOI	Memorandum of Incorporation

N	
NCD	Negotiable certificates of deposit
NCR	National Credit Regulator
NPL %	Non-performing loans percentage
NSFR	Net stable funding ratio
NT	National Treasury

O	
OCI	Other comprehensive income
OHS	Occupational health and safety
OTB	Out of the Blue Originator Proprietary Limited
OTC	Over the counter

P	
PBB	Personal & Business Banking
PD	Probability of default
PoPI	Protection of personal information
Prime	The prime interest rate
PRP	Performance reward plan

Q	
QRRE	Qualifying retail revolving exposure
Quanto	Quanto stock unit scheme

R

R	South African rand
Rbn	Billions of rand
RAPM	Risk-adjusted performance measurement
RAS	Risk appetite statement
RCS	RCS Investment Holdings Proprietary Limited
RCCM	Risk compliance and capital management
REIPPP Programme	Renewable Energy Independent Power Producer Procurement Programme
Rm	Millions of rand
ROE	Return on equity
ROU	Right of use
RY	Real yield

S

SAICA	The South African Institute of Chartered Accountants
SAIF	South African Infrastructure Fund
SARB	The South African Reserve Bank
SB	Sovereign risk grade
SBG	Standard Bank Group
SBGRF	Standard Bank Group Retirement Fund
SBSA	The Standard Bank of South Africa Limited
SBW	Standard Bank Wealth
SB Plc	Standard Bank Plc
SCMB	Standard Corporate and Merchant Bank
SE	Structured entity
Siyakha	Siyakha Fund (RF) Limited
SME	Small and medium enterprises

S

SOFP	Statement of financial position
SVaR	Stressed value-at-risk

T

Tabistone	Tabistone 06 (RF) Limited
TCF	Treating customers fairly
TCM	Treasury and capital management
Tier I	Primary capital
Tier II	Secondary capital
Tier III	Tertiary capital
Tutuwa	Black economic empowerment ownership initiative

U

UK	United Kingdom
US	United States of America
USD	United States dollar

V

VaR	Value-at-risk

W

WA	Weighted average

Z

ZAR	South African rand

Notes

Contact details

Standard Bank of South Africa

Registration No. 1962/000738/06
Incorporated in the Republic of South Africa

Head: Investor relations

David Kinsey
Tel: +27 11 631 3931

Group secretary

Zola Stephen
Tel: +27 11 631 9106

Chief financial officer

Libby King
Tel: +27 11 636 1167

Registered address

9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg 2001
PO Box 7725
Johannesburg 2000

Contact details

Tel: +27 11 636 9111
Fax: +27 11 636 4207

Online

Website: www.standardbank.com

Please direct all annual report queries and comments to: Annual.Report@standardbank.co.za
Please direct all customer-related queries and comments to: Information@standardbank.co.za
Please direct all investor relations queries and comments to: InvestorRelations@standardbank.co.za

www.standardbank.com