Standard Bank Group

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

Standard Bank IT CAN BE™

Also trading as Stanbic Bank

Our reporting suite

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

Our annual integrated report

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

Governance and remuneration report

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

Environmental, social and governance (ESG) report

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

Annual financial statements

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

Risk and capital management report

Sets out the group's approach to risk management.

Report to society (RTS)

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

Climate-related financial disclosures (TCFD aligned reporting)

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

Subsidiary annual reports

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

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

Our reporting portal

All our reports and latest results presentations, booklets and SENS announcements are available at https://reporting.standardbank.com//.

A glossary of financial terms, other definitions, acronyms and abbreviations used in our reports is also available on this webpage.

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

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Standard Bank Group Limited – Company annual financial statements

Annexures to the annual financial statements

How to navigate our reports

The following icons refer readers to information across our reports:

Refers readers to information elsewhere in this report.

Refers readers to information in other reports online.

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

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

The preparation of The Standard Bank Group Limited consolidated and separate annual financial statements was supervised by the Chief finance & value management officer, Arno Daehnke, BSc, MSc, PhD, MBA, AMP.

These results, together with a summary thereof, were made publicly available on 11 March 2022.

CHIEF EXECUTIVE AND FINANCIAL DIRECTOR'S RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that the annual financial statements, set out on pages 18 to 252, fairly present in all material respects the consolidated and separate financial position, financial performance and cash flows of Standard Bank Group Limited in terms of the International Financial Reporting Standards, to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading, internal financial controls have been put in place to ensure that material information relating to Standard Bank Group Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer, the internal financial controls are adequate and effective and can be relied upon in the process of compiling the annual financial statements, having fulfilled our role and function as executive management with primary responsibility; for implementation and execution of controls and where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and the necessary suitable actions to remedy these deficiencies have been put in place.

Arno Daehnke
Chief finance & value management officer
10 March 2022

Sim Tshabalala
Group chief executive officer
10 March 2022

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In accordance with the Companies Act 71 of 2008 (Companies Act), the directors are responsible for the preparation of the annual financial statements. These annual financial statements conform to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, and fairly present the affairs of Standard Bank Group Limited (SBGL or the company) and Standard Bank Group (SBG or the group) as at 31 December 2021, and the net income and cash flows for the year then ended.

The directors are ultimately responsible for the internal controls of the company and the group. Management enables the directors to meet these responsibilities. Standards and systems of internal controls are designed, implemented and monitored by management to provide reasonable assurance of the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments as well as company and group assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. It is the responsibility of the independent auditors to report on the fair presentation of the financial statements. Based on the information and explanations provided by management and the group's internal auditors, the directors are of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the annual financial statements in accordance with IFRS and to maintain accountability for the company and the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that a breakdown in the functioning of these controls, resulting in material loss to the company and the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the company and the group will have adequate resources to continue in operational existence and as a going concern in the financial year ahead. The 2021 annual financial statements, which appear on pages 18 to 252, were approved by the board on 10 March 2022 and signed on its behalf by:

Thulani Gcabashe
Chairman
10 March 2022

Sim Tshabalala
Group chief executive officer
10 March 2022

GROUP SECRETARY'S CERTIFICATION

Compliance with the Companies Act

In terms of the Companies Act and for the year ended 31 December 2021, I certify that Standard Bank Group Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.

Zola Stephen
Group secretary
10 March 2022

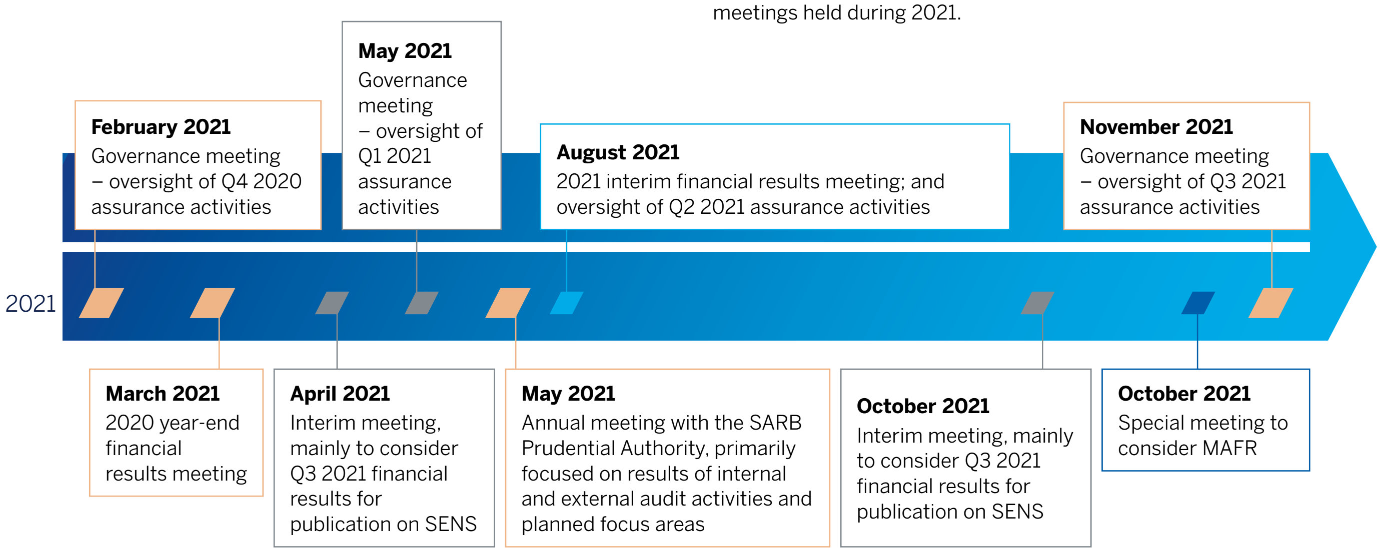
REPORT OF THE GROUP AUDIT COMMITTEE

This report is provided by the group audit committee, in respect of the 2021 financial year of Standard Bank Group Limited, in compliance with section 94 of the Companies Act, as amended from time to time, and in terms of the JSE Listings Requirements. The committee's operation is guided by a detailed mandate that is informed by the Companies Act, the Banks Act, the JSE Listings Requirements and the King IV Code on Corporate Governance and is approved by the board. Section 94(2) of the Companies Act determines that, at each annual general meeting, a public company must elect an audit committee comprising at least three members. In view of the exemption granted in section 94(1), this section does not apply to the group audit committee and, accordingly, the appointment of its members was approved annually by the board. In line with governance best practice, with effect from 2022, the appointment of members to the group audit committee will be presented to shareholders for approval at the annual general meeting.

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

The committee met nine times during 2021, including two meetings to consider quarterly financial results for publication on SENS, the annual meeting with the South African Reserve Bank's Prudential Authority and a special meeting to review and agree the audit firm participants in the mandatory audit firm rotation tender process. All members were present for all meetings held during 2021.

MEETINGS HELD DURING THE YEAR



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

Execution of functions

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

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

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

- continued to review the results of group internal audit's monitoring activities in response to the increased inherent risk profile as a result of the impact of Covid-19
- reviewed the measures taken to ensure the internal financial control environment remained resilient despite the impact of Covid-19 on the operating environment
- considered updates on the accounting treatment of Covid-19 relief measures offered to the group's customers, notably in relation to the SA Government Guaranteed Covid-19 Term Loan Scheme
- as part of the interim and financial year end reporting process, reviewed the approach adopted to determine the forward-looking impact from an IFRS 9 perspective on the group's credit provisions and accounting for expected credit losses
- considered the results of external audit's review of management's estimation of the impact of Covid-19 on the group's annual financial statements.

In respect of the external auditors and the external audit:

- considered and recommended the reappointment of KPMG Inc. and PricewaterhouseCoopers Inc. as joint external auditors for the financial year ended 31 December 2021, in accordance with all applicable legal requirements
- approved the final audit fees for the prior year ended 31 December 2020
- approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable for the ensuing year
- reviewed the audit process and evaluated the effectiveness of the audit, taking into consideration the group finance function's assessment of the audit and respective audit firms
- reviewed the results of the Independent Regulatory Board for Auditors' (IRBA's) firm inspection of both the group's external auditors, as it pertained to engagement inspections conducted by IRBA
- assessed and obtained assurance from the external auditors that their independence was not impaired
- confirmed that no amendments were required to the non-audit services policy, which governs the use of the group's external auditors for non-audit services
- approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount
- considered the nature and extent of all non-audit services provided by the external auditors
- monitored that the non-audit service fees for the year ended 31 December 2021 were within the threshold set by the group audit committee for such engagements
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005
- through the group's governance structures, considered reports from subsidiary audit committees and from management on the activities of subsidiary entities.

In respect of the financial statements:

- confirmed the going concern basis for the preparation of the interim and annual financial statements
- examined and reviewed the interim and annual financial statements prior to submission and approval by the board
- reviewed external audit's report on the adequacy of credit provisions for performing and non-performing loans and impairment tests with respect to assets and considered feedback from the external auditors regarding the models applied by management in determining such impairments
- ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year
- ensured that the interim and annual financial statements conform with IFRS, the requirements of the JSE Listings Requirements, the Companies Act and all other applicable accounting guides and pronouncements
- in accordance with JSE Listings Requirements, reviewed the process followed for the chief executive officer and the financial director to provide responsibility statements in respect of the preparation of the annual financial statements and the establishment and maintenance of internal controls over the annual financial statement process
- considered accounting treatments, significant unusual transactions and accounting judgements
- considered the appropriateness of the accounting policies adopted and changes thereto
- considered and made recommendations to the board on the interim and final dividend payments to shareholders, with due consideration of
  - the requirements and implications of regulatory guidance notes and directives issued by the South African Reserve Bank's Prudential Authority
  - the results of solvency and liquidity assessment
  - the ability of the company to continue as a going concern
  - the importance of acting prudently by taking into consideration, among other things, the current and future impact of Covid-19 and the pace of economic growth on the organisation
- noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of annual financial statements, internal controls and related matters
- reviewed any significant legal and tax matters that could have a material impact on the financial statements
- reviewed the content of the JSE's annual proactive monitoring report, including specific considerations in the preparation of financial statements
- reviewed and discussed the independent auditors' report.

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

In respect of financial accounting and reporting developments:

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

In respect of external reporting:

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

In respect of internal control and internal audit:

- reviewed and approved the internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter
- considered reports of the internal and external auditors on the group's systems of internal control, including internal financial controls, and maintenance of effective internal control systems
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action taken in response to such findings
- noted that there were no significant differences of opinion between the internal audit function and management
- assessed the independence and effectiveness of the group chief audit officer, the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory
- considered the outcome of the group's external auditors' annual assessment of internal audit against the requirements of International Standards on Auditing (ISA) 601, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of external audit engagements
- reviewed internal audit's annual report which summarised the results and themes observed as part of internal audit's activities for the prior year as well as internal audit's assurance statement that the control environment was effective to ensure that the degree of risk taken by the group was at an acceptable level and that internal financial controls were adequate and effective in ensuring the integrity of material financial information
- based on the above, the committee formed the opinion that, at the date of this report, there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the group
- over the course of the year, met with the group chief audit officer, the group chief compliance officer, the head of anti-financial crime, the group financial director, management and the external auditors
- considered quarterly reports from the group's internal financial control committee.

In respect of legal, regulatory and compliance requirements:

- reviewed and approved the compliance mandate and compliance plan
- reviewed, with management, matters that could have a material impact on the group
- monitored compliance with the Companies Act, the Banks Act, JSE Listings Requirements, King IV and other applicable legislation and regulation, and reviewed reports from internal audit, compliance and external audit in this regard
- reviewed quarterly compliance and group anti-financial crime reports
- noted that no complaints were received through the group's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.

In respect of risk management and information technology:

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

In respect of the coordination of assurance activities:

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

Independence, skills and expertise of the external auditors

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

- the representations made by KPMG Inc. and PricewaterhouseCoopers Inc. to the audit committee, including confirmation of the firms' and individual auditors' accreditation on the JSE List of Auditors
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the group
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor
- in accordance with regulatory requirements, the group's KPMG Inc engagement partner rotated during 2020 and its PricewaterhouseCoopers Inc engagement partner rotated in 2021
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

The audit committee noted the Independent Regulatory Board for Auditors' announcement of its Mandatory Audit Firm Rotation (MAFR) ruling on 2 June 2017 which determined that an audit firm may not be appointed auditor of a public interest entity for more than ten years. As a result, the group would, at a minimum, be required to rotate one of the audit firms for its 2024 financial year end, and the other for its 2026 financial year.

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

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

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

On behalf of the group audit committee:

Trix Kennealy

Trix Kennealy
Group audit committee chairman

DIRECTORS' REPORT

for the year ended 31 December 2021

Nature of business

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

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

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

Group results

Group headline earnings and headline earnings per share increased by 57% to R25 021 million (2020: R15 945 million) and 57% to 1 573.0 cents (2020: 1 002.6 cents) respectively. Net asset value per share increased to 12 493 cents (2020: 11 072 cents) and group return on equity increased to 13.5% (2020: 8.9%). A final gross ordinary dividend of 511 cents per share has been declared, bringing the total dividend declared for the year to 871 cents per share (2020: 240 cents per share).

Share capital

Ordinary shares

During the year, 35 353 (2020: 231 636) ordinary shares were issued in terms of the group's equity compensation plans, notably the Equity Growth Scheme (EGS) and Group Share Incentive Scheme (GSIS). No surplus capital in both 2021 and 2020 was used to purchase ordinary shares to counteract the dilutive impact of the shares issued under the equity compensation plans. Effective from 2017, the group no longer issues EGS and GSIS awards. Awards are now provided in terms of the group's other share schemes, notably the Deferred Bonus Scheme and the Share Appreciation Rights Plan (SARP), both of which are settled by the group to employees with shares that the group purchases from the open market participants, and the Cash-Settled Deferred Bonus Scheme, which is settled in cash (refer to annexure D: Group share incentive schemes for further information). At the end of the current year, the group would need to issue 115 705 (2020: 383 111) SBG ordinary shares to settle the outstanding GSIS options and EGS rights that were awarded to participants in previous years. The shares issued since inception for the EGS and GSIS together with the expected number of shares to settle the outstanding options and rights as a percentage of the total number of shares in issue is 2.1% (2020: 2.1%).

Registered office

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

Insurance

The group protects itself against financial loss by maintaining banker's comprehensive crime and professional indemnity cover. The insurance terms and conditions are reviewed by the group insurance committee annually to ensure they are 'fit-for-purpose' against the group's risk exposures.

Analysis of shareholders

Shareholders at the close of the financial year, holding beneficial interests in excess of 5% of the company's issued share capital, determined from the share register and investigations conducted on the group's behalf, were as follows:

	% held	
	2021	2020
Ordinary shares		
Industrial and Commercial Bank of China Limited (ICBC)	**20.1**	20.1
Government Employees Pension Fund (PIC)	**14.5**	14.2
6.5% preference shares		
MT Goulding	**12.9**	12.9
AP Macdonald	**12.6**	6.6
L Lombard	**12.2**	12.2
Old Sillery Proprietary Limited	**9.1**	9.1
JS Castle	**8.0**	7.6
DJ Saks	**7.5**	7.5
Non-cumulative preference shares		
Prescient Inc. Provider Fund	**9.0**	8.6

Events during 2021

Standard Bank Mozambique Foreign Currency Trading

During the year, an on-site inspection by the Bank of Mozambique (BOM) was concluded regarding allegations of breaches in foreign exchange control requirements. On 12 July 2021, Standard Bank Mozambique (SBM) was notified by BOM of the suspension from the foreign exchange market for a period of up to 12 months and fined R65 million for contravention processes instituted against SBM following findings of the on-site inspection. SBM cooperated and continues to work closely with BOM to address the situation. As a result, with effect from 26 July 2021, BOM conceded a partial lifting of SBM's suspension from the foreign exchange market. The lifting of the suspension, although it still prevents SBM from participating in the Interbank foreign exchange market, allows SBM to resume currency conversion operations with our clients. The group remains committed to do business ethically and responsibly and governance and compliance processes are rigorous, as we consider reputation our most valuable asset.

Segmental changes

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

Liberty, still housing the group's interest in the Liberty group, and Other banking interests, housing the group's interest in ICBC Standard bank Plc and Industrial and Commercial Bank of China (Argentina) S.A. and its affiliates, which was disposed of in June 2020, also remain as previously disclosed.

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

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

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

Refer to note 45 for further details.

DIVIDENDS AT 31 DECEMBER 2021

	Ordinary shares	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)
Interim			
2020			
Gross dividend per share (cents)		3.25	333.00
2021			
Dividend number	**103**	**104**	**34**
Gross dividend per share (cents)	**360**	**3.25**	**267.28493**
Record date in respect of the cash dividend	**Friday, 17 September 2021**	**Friday, 10 September 2021**	**Friday, 10 September 2021**
CSDP[1]/broker account credited/updated (payment date)	**Monday, 20 September 2021**	**Monday, 13 September 2021**	**Monday, 13 September 2021**
Final			
2020			
Gross dividend per share (cents)	240	3.25	272.93
2021			
Dividend number	**104**	**105**	**35**
Gross dividend per share (cents)	**511**	**3.25**	**273.98195**
Record date in respect of the cash dividend	**Friday, 8 April 2022**	**Friday, 1 April 2022**	**Friday, 1 April 2022**
CSDP[1]/broker account credited/updated (payment date)	**Monday, 11 April 2022**	**Monday, 4 April 2022**	**Monday, 4 April 2022**

[1] Central Securities Depository Participant.

Change in group directorate

The following changes in directorate took place during the year ended 31 December 2021 and up to 10 March 2022:

Appointments		
PLH Cook	As independent non-executive director	22 February 2021
L Li	As independent non-executive director	11 November 2021
Retirements		
AC Parker	As independent non-executive director	27 May 2021
Resignations		
L Wang	As independent non-executive director	11 November 2021
MA Erasmus	As independent non-executive director	16 February 2022

Post reporting date events

ICBC Standard Bank Plc single client loss settlement agreement

ICBC Standard Bank Plc (ICBCS), in which the group is a 40% shareholder, incurred a loss of USD198 million relating to a single client loss arising from an explosion at the client's oil refinery and its subsequent bankruptcy in July 2019. During 2021, ICBCS received a partial net recovery on the loss event of c. R124 million (USD8.8 million).

In January 2022, a settlement agreement was reached in relation to the client's and ICBCS' business interruption insurance claims was approved by the US Bankruptcy Court, that resulted in ICBCS receiving approximately USD230 million, before tax, of net proceeds in respect of this incident in 2022. The settlement is a non-adjusting post reporting date event, thus no amounts were recognised by the group for the year ended 31 December 2021. The group's attributable share of the net recovered proceeds received by ICBCS will be recognised subsequent to year end as amounts are recovered.

The group's acquisition of the remaining, non-controlling ordinary and preference shareholdings in Liberty Holdings Limited

On 14 July 2021, SBG and Liberty Holdings Limited (Liberty) jointly announced, via SENS and the press, SBG's firm intention to make an offer to (i) acquire all the ordinary shares of Liberty that are not already owned by SBG excluding all treasury shares; and (ii) acquire all of Liberty's issued preference shares listed on the JSE (together the 'proposed transaction'). As part of the proposed transaction all Liberty ordinary and preference shares would be delisted from the JSE.

The ordinary and preference share schemes were approved by Liberty's shareholders on 13 October 2021 with implementation of the schemes subject to the fulfilment or waiver of the scheme conditions.

In relation to the preference share scheme, all requisite scheme conditions, including obtaining requisite regulatory approvals, were fulfilled on 2 November 2021. Accordingly, the preference share scheme was implemented on 22 November 2021 for a total consideration of R22.5 million. This resulted in a decrease in preference share capital/premium of R15 million and a R7.5 million loss on settlement of the preference shares, which was recognised directly in retained earnings. The Liberty preference shares were delisted from the JSE on 23 November 2021.

In respect of the ordinary share scheme, at 31 December 2021, certain scheme conditions, including some requisite regulatory approvals, remained outstanding. Accordingly, that scheme was not unconditional at the reporting date. Subsequent to year end, all of the scheme conditions were fulfilled and the scheme became unconditional on 7 February 2022 with implementation of the ordinary scheme on 28 February 2022 and the Liberty ordinary shares delisted from the JSE on 1 March 2022.

Refer to note 44 for further details on post reporting date events.

INDEPENDENT AUDITORS' REPORT

for the year ended 31 December 2021

To the shareholders of the Standard Bank Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Standard Bank Group Limited (the Group and Company), set out on pages 18 to 245 which comprise:

- the statements of financial position as at 31 December 2021;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statements of cash flows for the year then ended;
- the statements of changes in equity for the year then ended;
- accounting policy elections;
- key management assumptions;
- the notes to the financial statements and notes to the company financial statements; and
- Annexure A to F, excluding the section marked as "unaudited" in Annexure C.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Bank Group Limited as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in respect of the separate financial statements.

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	**Expected credit losses on Corporate & Investment Banking (CIB) loans and advances** *Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.*	
	The expected credit losses ("ECL") assessment for CIB exposures is material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the impairment of loans and advances and on the Group's credit risk management processes and operations. This has resulted in this matter being identified as a matter of most significance in the audit of the consolidated financial statements. The ECL of CIB exposures is estimated on a counterparty basis. For CIB exposures, the key areas of significant management judgement within the ECL has increased due to the impact of the Covid-19 pandemic. This has increased the level of judgement required by management in the measurement of the ECL calculations, which includes: • Evaluation of Significant Increase in Credit Risk ("SICR"); • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; • Assessment of ECL recognised for Stage 3 exposures; and • Assessment of the input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement.	We performed the following procedures on the ECL, with the assistance of our credit and actuarial experts, considering the impact of Covid-19: **Evaluation of SICR** We selected a sample of counterparties and assessed their assigned credit rating by: • Testing the inputs into the credit rating systems against the financial information obtained from the counterparty and the Group's 25-point master rating scale; and • Assessing management's assumptions made during the credit risk rating process for reasonability, by obtaining an understanding of the counterparty and industry factors, performing an independent review of the counterparty and comparing the results to those used by management. We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures, at reporting date since the origination date of these exposures, were appropriate in terms of the Group's accounting policy for SICR. These procedures included the inspection of credit risk ratings at reporting date relative to origination date. We performed a detailed review of all counterparties which moved between the stages during the current year in order to ensure that the movements between the stages were in line with the credit policy and the testing performed on the counterparty.

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Expected credit losses on Corporate & Investment Banking (CIB) loans and advances
Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.</td></tr>
<tr><td>Evaluation of SICR
For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to clients on origination and reporting date, based on the Group's 25-point master rating scale to quantify credit risk for each exposure.

Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement
Macro-economic expectations are incorporated in CIB's counterparty ratings to reflect the Group's expectation of future economic and business conditions.

Assessment of ECL raised for Stage 3 exposures
Management applies its internal credit risk management approach and definitions to determine the recoverable amounts (including collateral) and timing of the future cash flows for Stage 3 exposures at an individual counterparty level.

Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement
Input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and is determined at a counterparty level.</td><td>We selected a sample of performing counterparties and performed the following procedures to determine if the counterparties' credit risk increased from origination:
• Compared the credit rating on inception of the facility to the credit rating as at the reporting date;
• For any significant downgrades in the credit rating as per the policy, ensured that the counterparty is correctly classified in Stage 2 for impairment purposes.

Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement
We selected a sample of counterparties and assessed the incorporation of forward-looking information into their assigned credit risk rating. We have done this through obtaining an understanding of the forward-looking information which was considered for the counterparty and evaluated this for reasonability against management's expectation and other industry factors for the SICR assessment and ECL measurement.

Assessment of ECL raised for Stage 3 exposures
We selected a sample of Stage 3 exposures and tested these exposures against the default definition to ensure completeness of the Stage 3 exposures.

Where ECL has been raised for Stage 3 exposures, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverability of the exposure. For a sample of Stage 3 exposures, we independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level.

For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to the collateral.

The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines.

Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement
With the assistance of our internal experts, we assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) in compliance with the requirements of IFRS 9 Financial Instruments (IFRS 9). In addition, our procedures included assessing the appropriateness of the models through reperformance and validation procedures.

We obtained an understanding and tested the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management.</td></tr>
</table>

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	**ECL on Consumer and High Net Worth and Business and Commercial Clients (CHNW & BCC) loans and advances** *Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.*	
	The ECL for CHNW & BCC loans and advances (exposures) is material to the consolidated financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the impairment of loans and advances and on the Group's credit risk management processes and operations. This has resulted in this matter being considered a matter of most significance in the audit of the consolidated financial statements especially considering the volatility caused by Covid-19. A significant portion of the ECL on CHNW & BCC loans and advances is calculated on a portfolio basis. For exposures quantitatively above a pre-defined threshold in secured portfolios, management assesses the recoverability of those exposures individually. The ECL on CHNW & BCC loans and advances also includes out-of-model adjustments where certain aspects of the ECL are not fully reflected in the model. Out-of-model adjustments are calculated and assessed based on management's judgement. As a consequence of Covid-19 additional judgemental credit adjustments were made against the loans and advances. For CHNW & BCC, the key areas of significant management judgement within the ECL calculation include: • Evaluation of SICR; • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; • Application of out-of-model adjustments into the ECL measurement; • Assessment of the ECL raised for individual exposures; and • Assessment of the input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. **Evaluation of SICR** The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due, ("DPD"), to Stage 2. This transfer rate is such that the proportion of the 0-29 DPD book transferred into Stage 2 is no less than the observed 12-month roll rate of 0-29 day accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement.** Forward-looking economic expectations are included in the ECL based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcomes based on the Group's macro-economic outlook expectations.	Our audit effort focussed on the ECL for CHNW & BCC exposures as follows: **Evaluation of SICR** Management provided us with a quantitative assessment of the Group's calculation of the impact of SICR against the requirements of IFRS 9. With the assistance of our internal modelling specialists we performed an independent recalculation of the resultant ECL for a sample of portfolios. Our internal modelling specialists tested the assumptions and calculations used in the ECL model. We evaluated the reasonableness of behavioural scores used to assess the SICR against the Group's accounting policies. We evaluated whether the Group has appropriately classified exposures in Stages 1, 2 and 3 (including assets granted payment holidays as a result of Covid-19) by considering the Group's credit reviews, aging of the customer and arrears status. We evaluated the reasonability of changes in credit risk of the portfolio against key performance indicators and sensitivity analysis. We performed sensitivity analyses to determine the impact of change in credit risk on the ECL recognised. We tested the design, implementation and operating effectiveness of relevant controls that identify renegotiated and cured loans to assess whether the curing policies were appropriately applied. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement** We assessed the design and implementation of and tested the operating effectiveness of key controls focusing on the: • Generation and approval of the base case economic scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We also evaluated the governance processes that have been put in place to review and approve the economic scenarios used in the determination of the forward-looking impact. We made use of our internal economic specialists to assess both the base case and alternative scenarios generated, including the probability weights applied. We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing to independent industry data. We evaluated management's forward-looking information models to assess whether the macro-economic inputs are appropriately incorporated into the ECL models. We made use of our internal modelling specialists to assess the linkage of the forecasted macroeconomic factors to the ECL and to test the parameter shifts applied to the ECL that were calculated based on the scenarios.

Level	Key audit matter	How our audit addressed the key audit matter
Group – consolidated financial statements	**ECL on Consumer and High Net Worth and Business and Commercial Clients (CHNW & BCC) loans and advances** *Refer to the Key management assumptions note, note 7 – Loans and advances, note 34 – Credit impairment charges and the Credit risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.*	
	Application of out-of-model adjustments into the ECL measurement Management identified that due to the modelling complexity of some of the Covid-19 impacts, certain aspects of the ECL may not be fully reflected by the underlying model and an out-of-model adjustment is required for the forward-looking information impact. **Assessment of ECL raised for individual exposures** Impairment is assessed on individual exposures above a quantitative threshold in Stage 3, and for accounts placed on the watchlist due to evidence of increased credit risk e.g. potential security shortfalls, deteriorating financial performance, etc. This assessment relates primarily to business lending accounts and incorporates judgement in determining the foreclosure value of the underlying collateral. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience and the loss experience given default; and timing and amount of forecasted cash flows related to the exposures.	**Application of out-of-model adjustments into the ECL measurement** We evaluated the reasonableness of a sample of out-of-model adjustments by assessing key assumptions, inspecting the calculation methodology and tracing a sample of out-of-model adjustments back to source data. **Assessment of ECL raised for individual exposures** Where ECL has been raised for individual exposures, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral. The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** Making use of our internal valuation experts, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by reperformance and validation procedures. We also tested a sample of the data used in the models for accuracy. We assessed the adequacy of the disclosures, including the impact of Covid-19 on the ECL in the financial statements in accordance with IFRS 9.

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Valuation of level 3 financial instruments
Refer to the Key management assumptions note, note 2 – Derivative instruments, note 3 – Trading assets, note 6 – Financial investments, note 17 – Trading liabilities, and the Market risk section of Annexure C: Risk and capital management – IFRS disclosures in the financial statements.</td></tr>
<tr><td>The fair value of financial instruments significantly affects the measurement of the consolidated profit or loss for the year and disclosures of financial risks in the consolidated financial statements. Fair value calculations are dependent on various sources of external and internal data and on sophisticated modelling techniques used to value the financial instruments. These models and techniques are constantly changing in line with developing market practices and trends. Level 3 financial instruments inherently contain elements of estimation uncertainty due to their illiquid and unobservable nature. These financial instruments include unlisted equity investments, trading assets and liabilities and various derivative financial instruments.

Significant judgement is required to be exercised by management due to the absence of verifiable third-party information to determine key inputs in the valuation models. Some of these unobservable key inputs include:
• discount rates;
• spot prices of the underlying;
• credit spreads;
• correlation factors;
• volatilities;
• dividend yields;
• earning yields; and
• valuation multiples.

Level 3 derivative valuations use a variety of inputs, including equity prices; interest rates (usually in the form of discount rates); credit spreads; dividends forecasts and volatilities. These were all subjected to significant market volatilities in the past financial year, which gave rise to fluctuating derivative fair values on the statement of financial position.

Given the combination of inherent subjectivity and judgement involved in estimating the fair values of level 3 financial instruments and the material nature of the balance, the valuation of level 3 financial instruments was considered to be a matter of most significance to the current year audit of the consolidated financial statements.</td><td>Our audit effort focussed on the valuation of level 3 financial instruments as follows:

We tested the design, implementation and operating effectiveness of the relevant controls relating to the valuation of level 3 financial instruments to assess whether there is appropriate governance over the development of the valuation models and methodology policies, assumptions applied and data used, change controls, model validations and the monthly independent price verification process.

For a sample of financial instruments, we reperformed the valuation using an independent model, and compared the fair value results to management's valuation to assess the reasonableness of management's model methodology and the output of model calculations.

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

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

In relation to unlisted equity investments, in conjunction with our valuation specialists, we assessed the appropriateness of valuation techniques used and the reasonableness of unobservable inputs and assumptions used in the determination of fair value through independently challenging whether these valuation adjustments fell within an acceptable range based on industry knowledge and available market information.

We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 13, Fair value measurement.</td></tr>
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<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Valuation of long-term policyholders’ assets and liabilities under insurance contracts
Refer to the Key management assumptions note and note 8 – Policyholders’ contracts.</td></tr>
<tr><td>As at 31 December 2021, the carrying amounts of the policyholders’ assets and liabilities were R3 billion and R230 billion, respectively, measured in accordance with Standard of Actuarial Practice 104 (SAP 104), which is the existing accounting practice adopted as an accounting policy under International Financial Reporting Standard (IFRS) 4: Insurance Contracts.

Policyholders’ assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums and for claims incurred but not reported (IBNR).

Complex and subjective judgements are required over a variety of uncertain future operating assumptions within the life insurance business. These assumptions include, amongst others, mortality and morbidity, withdrawals, investment return and discount rates, expenses, taxation, and expense inflation. The assumptions applied by management, as disclosed in key management assumptions , in determining the value of the policyholder assets and liabilities, and any changes to these assumptions, may result in a material adjustment to the value of policyholder assets and liabilities and ultimately the results of the Group.

The Covid-19 pandemic had a significant impact on the assumptions management applied in the measurement of policyholder liabilities due to the level of uncertainty and the significant adverse deviations of experience expected in the short-term. Management has considered the continued impact of Covid-19 on the associated key judgements including, amongst others, assumptions relating to mortality, withdrawals and terminations as set out in the Key management assumptions section of the consolidated financial statements.

We considered the valuation of the policyholder assets and liabilities a matter of most significance to our current year audit due to the:
• significant management judgement required in determining the value of the policyholder assets and liabilities; and
• magnitude of the policyholder assets and liabilities in relation to the consolidated total assets and liabilities of the Group.</td><td>To test the valuation of the policyholder assets and liabilities we made use of our actuarial expertise in performing, amongst others, the following procedures:
• Updated our understanding of the actuarial control environment and governance, including the functioning of the Group audit and actuarial committee, which approves the methodology and assumption changes, against industry practice and regulatory requirements;
• Attended management committee meetings where valuation principles were discussed and approved. We performed tests and reasonability checks to corroborate that these principles as approved were applied in the valuation model;
• Assessed the changes in valuation methodology against the requirements of SAP 104 and industry practice and the corresponding impact of the changes on the policyholder assets and liabilities;
• Assessed the changes in assumptions against the latest experience, industry trends and economic market trends; and corresponding impact of the changes on the policyholder assets and liabilities;
• Examined management’s Analysis of Surplus, by analysing the sources of profit and how it relates to the change in the policyholder assets and liabilities and the impact on the consolidated income statement; and
• Considered management’s view of the impact of the Covid-19 pandemic on policyholder assets and liabilities. In particular, the process followed to determine the adjustment per assumption was considered as well as the application and impact on policyholder liabilities was assessed.

To test the inputs used in the valuation models we performed, amongst other, on a sample basis, the following:
• Assessed the reasonability of the classification of expenses between maintenance and acquisition expenses and how they are capitalised in the valuation by considering the nature of the expenses and inspecting the source document relating to these expenses; and
• Traced the policyholder valuation input data, such as premiums, claims and expense data used in the valuation model back to information contained in the administration and accounting systems.</td></tr>
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<table>
<tr><th>Level</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td rowspan="2">Group – consolidated financial statements</td><td colspan="2">Valuation of investment property at year-end
Refer to the Key management assumptions note and note 11 – Investment property</td></tr>
<tr><td>The majority of the Group's investment properties comprises retail investment properties. At 31 December 2021, the carrying value of the Group's total investment properties portfolio was R30 billion.

The Group's accounting policy is to measure investment properties at their fair value based on external valuations performed by independent valuers using the discounted cash flow model. The fair value is dependent on the inputs and assumptions into the valuation techniques applied and the inputs into the valuation model.

The inputs made by management in determining the fair value of the investment properties are set out in the Key management assumptions and in Note 4 to the consolidated financial statements and include amongst others the key assumptions relating to property-specific exit capitalisation rates, discount rates and cash flows.

The impact of Covid-19 and the associated impact on the property investment industry resulted in changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models in the prior year and have continued to do so in the current year.

We considered the year-end valuation of investment properties as a matter of most significance to our current year audit due to the:
• inherent subjectivity of the key assumptions that underpin the valuation of investment properties and the heightened uncertainty involved in making these assumptions arising out of the Covid-19 pandemic; and
• magnitude of the investment properties balance at year-end recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the investment properties recorded in the income statement.</td><td>We obtained an understanding of the approaches followed by management and the independent valuers for the valuation of the Group's investment property portfolio through discussions with management and the external valuers, as well as inspection of minutes of meetings of the board of directors.

We updated our understanding of and tested the relevant controls related to:
• Entering and amending of leases in support of contractual rental income;
• Setting and approval of budgets by the Group;
• Consideration of external valuation reports by an internally appointed valuer; and
• Board approval of the valuations obtained.

We have evaluated the independent valuers by assessing their competence, independence and capabilities with reference to their qualifications and industry experience.

On a risk-based sample basis, we assessed the calculation of the fair values in the external valuers' valuation reports by performing the following procedures:
• Utilised our internal valuation expertise to assess the appropriateness of the valuation methodology;
• Assessed the reasonableness of the cash flows of each property used by the valuers in the discounted cash flow models. This involved:
– comparing the current year cash flows used in the model to the actual results for the year ended; and
– assessing the forecasted cash flows against market information.
• Assessed the reasonableness of the exit capitalisation rates, discount rates and vacancy rates against market related data for similar investment properties, and based on our work performed; and
• Making use of our internal valuation expertise, we performed a high-level reasonability assessment on a sample of properties based on industry benchmarks referred to above.

We inspected the final valuation reports and agreed the fair values to the Group's accounting records.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Standard Bank Group Annual Financial Statements, for the year ended 31 December 2021"* which includes the group secretary's certification, the report of the group audit committee and the directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the *"Standard Bank Group Annual Integrated Report 2021"* which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. and PricewaterhouseCoopers Inc. have been the joint auditors of Standard Bank Group Limited for 59 years.

PricewaterhouseCoopers Inc.	KPMG Inc.
PricewaterhouseCoopers Inc.	**KPMG Inc.**
Director: Gino Fraser	Director: Gavin de Lange
Registered Auditor	Registered Auditor
Johannesburg	Johannesburg
10 March 2022	10 March 2022
4 Lisbon Lane	KPMG Crescent
Waterfall City	85 Empire Road
Jukskei View	Parktown
2090	2193
South Africa	South Africa

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

		GROUP	
	Note	**2021 Rm**	2020 Rm
Assets			
Cash and balances with central banks	1	**91 169**	87 505
Derivative assets	2	**63 688**	118 290
Trading assets	3	**285 020**	262 627
Pledged assets	4	**14 178**	18 981
Disposal of group assets held for sale	5	**1 025**	220
Financial investment	6	**724 700**	650 298
Current tax assets		**709**	694
Loans and advances	7	**1 424 328**	1 271 255
Policyholders' assets	8	**2 868**	5 050
Other assets	9	**36 432**	36 020
Interest in associates and joint ventures	10	**7 280**	6 498
Investment property	11	**29 985**	29 917
Property, equipment and right of use assets	12	**20 619**	20 702
Goodwill and other intangible assets	13	**16 913**	18 262
Deferred tax assets	14	**6 903**	6 621
Total assets		**2 725 817**	2 532 940
Equity and liabilities			
Equity		**242 849**	215 272
Equity attributable to ordinary shareholders		**198 832**	176 371
Ordinary share capital	15	**162**	162
Ordinary share premium	15	**17 859**	17 854
Reserves		**180 811**	158 355
Equity attributable to other equity instrument holders	15	**16 052**	12 528
Preference share capital and premium	15	**5 503**	5 503
Additional tier 1 capital	15	**10 549**	7 025
Equity attributable to non-controlling interests		**27 965**	26 373
Liabilities		**2 482 968**	2 317 668
Derivative liabilities	2	**67 259**	111 577
Trading liabilities	17	**81 484**	81 261
Current tax liabilities		**7 557**	5 417
Disposal of group liabilities held for sale	6	**96**	92
Deposits and debt funding	18	**1 776 615**	1 624 044
Policyholders' liabilities	8	**363 023**	325 192
Subordinated debt	19	**30 430**	29 306
Provisions and other liabilities	20	**153 784**	137 894
Deferred tax liabilities	14	**2 720**	2 885
Total equity and liabilities		**2 725 817**	2 532 940

INCOME STATEMENT

for the year ended 31 December 2021

	Note	GROUP 2021 Rm	2020 Rm
Income from banking activities		**113 556**	108 581
Net interest income		**62 436**	61 425
Interest income	26	**99 212**	107 025
Interest expense	26	**(36 776)**	(45 600)
Non-interest revenue		**51 120**	47 156
Net fee and commission revenue		**30 613**	29 413
Fee and commission revenue	27	**37 699**	35 933
Fee and commission expense	27	**(7 086)**	(6 520)
Trading revenue	28	**14 842**	13 874
Other revenue	29	**3 648**	3 158
Other gains and losses on financial instruments	30	**2 017**	711
Income from investment management and life insurance activities		**19 426**	15 086
Insurance premiums received	31	**44 364**	39 202
Revenue from contracts with customers	32	**3 542**	3 400
Interest income	32	**1 541**	1 648
Insurance benefits and claims paid	31	**(67 779)**	(40 354)
Investment management and service fee income and gains	32	**2 210**	3 271
Fair value adjustments to investment management liabilities and third-party fund interests	33	**35 548**	7 919
Total income		**132 982**	123 667
Credit impairment charges	34	**(9 873)**	(20 594)
Net income before operating expenses		**123 109**	103 073
Operating expenses in banking activities	35	**(65 735)**	(63 182)
Operating expenses in investment management and life insurance activities	35	**(16 952)**	(16 139)
Net income before capital items and equity accounted earnings		**40 422**	23 752
Non-trading and capital related items	36	**(284)**	(3 956)
Share of post tax profit from associates	10	**1 094**	1 084
Profit before indirect taxation		**41 232**	20 880
Indirect taxation	37	**(3 024)**	(2 727)
Profit before direct taxation		**38 208**	18 153
Direct taxation	37	**(10 149)**	(3 640)
Profit for the year		**28 059**	14 513
Attributable to ordinary shareholders		**24 865**	12 358
Attributable to other equity instrument holders		**825**	803
Attributable to non-controlling interests		**2 369**	1 352
Earnings per share			
Basic earnings per ordinary share (cents)	38	**1 563**	777
Diluted earnings per ordinary share (cents)	38	**1 555**	775

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

		GROUP	
	Note	**2021 Rm**	2020 Rm
Profit for the year		**28 059**	14 513
Other comprehensive income/(loss) after taxation for the year[1]		**7 203**	(916)
Items that may be subsequently reclassified to profit or loss		**7 060**	(883)
Exchange differences on translating foreign operations[2]		**7 165**	(797)
Foreign currency hedge of net investment reserve		**2**	(1)
Movement in the total hedge reserve	2	**(118)**	23
Net change in fair value of cash flow hedges		**(6)**	(277)
Realised fair value adjustments transferred to profit or loss		**(112)**	300
Net change in fair value of debt financial assets measured at fair value through other comprehensive income (FVOCI)	22	**11**	(108)
Net change in expected credit loss		**41**	(242)
Net change in fair value		**(28)**	107
Realised fair value adjustments transferred to profit or loss		**(2)**	27
Items that may not be subsequently reclassified to profit or loss		**143**	(33)
Defined benefit fund remeasurement		**195**	116
Change in own credit risk recognised on financial liabilities designated fair value through profit or loss (FVTPL)		**12**	34
Net change in fair value of equity financial assets measured at FVOCI	22	**47**	(147)
Other		**(111)**	(36)
Total comprehensive income for the year		**35 262**	13 597
Attributable to ordinary shareholders		**31 096**	12 083
Attributable to other equity instrument holders		**825**	803
Attributable to non-controlling interests		**3 341**	711

1 Income tax relating to each component of other comprehensive income is disclosed in note 37.
2 Most significant contributors for 2021 comprise of African region operations (namely Mozambique, Zambia, Uganda and Angola) and international operations (2020: Refer to note 5 and annexure A for the most significant contributor).

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Note	GROUP 2021 Rm	2020 Rm
Net cash flows from operating activities		**12 893**	28 421
Net income before capital items and equity accounted earnings		**40 422**	23 752
Adjusted for non-cash items and other adjustments included in the income statement	41	**(58 693)**	(43 527)
Increase in income-earning assets	41	**(167 414)**	(217 049)
Increase in deposits, trading and other liabilities	41	**119 506**	193 934
Dividends received		**2 091**	3 265
Interest paid		**(37 079)**	(46 127)
Interest received		**98 699**	108 146
Direct taxation paid		**(8 482)**	(7 100)
Purchase of properties		**(131)**	(292)
Proceeds on sales of properties		**5**	370
Net proceeds on financial instruments		**24 744**	14 938
Net proceeds on realisation of fair value gain		**283**	749
Net proceeds on collateral deposits payable		**(1 058)**	(2 638)
Net cash flows (used in)/from investing activities		**(4 674)**	430
Capital expenditure on property and equipment		**(2 981)**	(5 008)
Proceeds from sale of property, equipment and non-current asset held for sale		**576**	4 291
Capital expenditure on intangible assets		**(1 968)**	(1 771)
Disposal of interest to non-controlling interests in Liberty Life Swaziland		**7**	
Acquisition of non-controlling interests in Liberty Holdings Namibia		**(120)**	
Cash flows from disposals/(acquisitions) of associates and joint ventures[1]		**(188)**	3 085
Net cash flows used in investing activities in disposal group			(167)
Net cash flows used in financing activities		**(9 350)**	(12 495)
Issuance of ordinary share capital		**5**	32
Issuance of other equity instruments		**3 524**	1 539
Equity transactions with non-controlling interests		**(427)**	(1 379)
Cash flows from black economic empowerment transactions			(8)
Issuance of subordinated debt	41	**3 166**	8 500
Redemption of subordinated debt	41	**(2 200)**	(8 488)
Principal lease repayments	20	**(1 345)**	(1 471)
Dividends paid[2,3]		**(12 073)**	(11 220)
Effect of exchange rate changes on cash and cash equivalents		**4 795**	(4 139)
Net increase in cash and cash equivalents		**3 664**	12 217
Cash and cash equivalents at the beginning of the year		**87 505**	75 288
Cash and cash equivalents at the end of the year		**91 169**	87 505

1 The cash outflows from associates and joint ventures amounted to R219 million (2020: R9 million) and cash inflows amounted to R31 million (2020: R3 094 million). Refer to note 6 for further detail regarding the completion of the disposal of the group's residual 20% shareholding in ICBCA which occurred during 2020.
2 Cash flows to non-controlling interests comprise primarily of dividends paid to non-controlling interests.
3 During 2021, coupons to the value of R746 million (2020: R583 million) was paid to Additional tier 1 (AT1) capital bond holders. Current tax of R208 million (2020: R163 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R538 million (2020: R420 million).

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

GROUP	Ordinary share capital and premium Rm	Empower-ment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Total hedge reserve[1] Rm	Regulatory statutory credit risk reserve Rm
Balance at 1 January 2021	**18 016**	**(61)**	**(2 745)**	**(7 735)**	**(984)**	**23**	**5 193**
Total comprehensive income for the year				**6 145**	**2**	**(125)**	
Profit for the year							
Other comprehensive income/(loss) for the year				**6 145**	**2**	**(125)**	
Increase in statutory credit risk reserve							**469**
Unincorporated property partnerships capital reductions and distributions[4]							
Transactions with shareholders and non-controlling interests recorded directly in equity	**5**		**(454)**	**(13)**			**13**
Equity-settled share-based payment transactions[5]							
Transfer of vested equity options							
Issue of share capital and share premium and capitalisation of reserves	**5**						
Deferred tax on share-based payment transactions							
Transactions with non-controlling interests				**(13)**			**13**
Net (increase)/decrease in treasury shares			**(454)**				
Hyperinflation adjustments[6]							
Net dividends paid							
Dividends paid to equity holders							
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares							
Balance at 31 December 2021	**18 021**	**(61)**	**(3 199)**	**(1 603)**	**(982)**	**(102)**	**5 675**

1 The total hedge reserve includes cash flow hedges as well as the foreign currency basis spread and forward element. Refer to the accounting policy election section for further detail.
2 The FVOCI reserve comprises of the FVOCI reserve for debt and equity financial investment. Refer to note 22 for more detail.
3 Other equity holders are holders of preference share capital and AT1 capital. The dividend paid comprises of net equity impact of R537 million (2020: R420 million) on AT1 and preference dividend of R287 million (2020: R583 million). Refer to note 15 for more detail.
4 Where the group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses and the group consolidates its interest in those property partnerships.
5 Includes hedges of the group's equity-settled share incentive schemes.
6 Comprises of the hyperinflation adjustments primarily from Zimbabwe. Refer to annexure A for more details.

All balances are stated net of tax, where applicable.

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

Fair value through OCI reserve[2] Rm	Own credit risk reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary shareholders' equity Rm	Other equity instrument holders[3] Rm	Non-controlling interests Rm	Total equity Rm
418	43	957	181	163 065	176 371	12 528	26 373	215 272
68	12		(60)	25 054	31 096	825	3 341	35 262
				24 865	24 865	825	2 369	28 059
68	12		(60)	189	6 231		972	7 203
				(469)				
							(210)	(210)
		693		(8 879)	(8 635)	2 699	(1 539)	(7 475)
		1 586		(1 020)	566		43	609
		(893)		893				
					5	3 524		3 529
				20	20			20
				116	116		(433)	(317)
				566	112		220	332
				220	220		(4)	216
				(9 674)	(9 674)	(825)	(1 365)	(11 864)
				(9 720)	(9 720)	(825)	(1 400)	(11 945)
				46	46		35	81
486	55	1 650	121	178 771	198 832	16 052	27 965	242 849

STATEMENT OF CHANGES IN EQUITY CONTINUED

for the year ended 31 December 2021

GROUP	Ordinary share capital and premium Rm	Empower-ment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Total hedge reserve[1] Rm	Regulatory statutory credit risk reserve Rm
Balance at 1 January 2020	17 984	(69)	(2 659)	(7 583)	(983)	(4)	4 353
Total comprehensive (loss)/income for the year				(172)	(1)	27	
Profit for the year							
Other comprehensive (loss)/ income for the year				(172)	(1)	27	
Increase in statutory credit risk reserve							830
Unincorporated property partnerships capital reductions and distributions[4]							
Transactions with shareholders and non-controlling interest recorded directly in equity	32	8	(86)	20			10
Equity-settled share-based payment transactions[5]							
Transfer of vested equity options							
Issue of share capital and share premium and capitalisation of reserves	32						
Deferred tax on share-based payment transactions							
Transactions with non-controlling interests			(23)	20			10
Net (increase)/decrease in treasury shares			(63)				
Redemption of preference shares		8					
Hyperinflation adjustments[6]							
Net dividends paid							
Dividends paid to equity holders							
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares							
Balance at 31 December 2020	18 016	(61)	(2 745)	(7 735)	(984)	23	5 193

1 The total hedge reserve includes cash flow hedges as well as the foreign currency basis spread and forward element. Refer to the accounting policy.
2 The FVOCI reserve comprises of the FVOCI reserve for debt and equity financial investment. Refer to note 22 for more detail.
3 Other equity holders are holders of preference share capital and AT1 capital. The dividend paid comprises of net equity impact of R420 million (2019: R458 million) on AT1 and preference dividend of R583 million (2019: R636 million). Refer to note 15 for more detail.
4 Where the group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses and the group consolidates its interest in those property partnerships.
5 Includes hedges of the group's equity-settled share incentive schemes
6 Comprises of the hyperinflation adjustments primarily from Zimbabwe. Refer to annexure A for more details.

All balances are stated net of tax, where applicable.

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

Fair value through OCI reserve[2] Rm	Own credit risk reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instrument holders[3] Rm	Non-controlling interests Rm	Total equity Rm
597	26	284	220	159 063	171 229	10 989	27 266	209 484
(185)	17		(39)	12 436	12 083	803	711	13 597
				12 358	12 358	803	1 352	14 513
(185)	17		(39)	78	(275)		(641)	(916)
				(830)				
							(124)	(124)
6		673		(7 604)	(6 941)	736	(1 480)	(7 685)
		1 250		(243)	1 007		45	1 052
		(577)		577				
					32	1 539		1 571
				(291)	(291)			(291)
6				(70)	(57)		(319)	(376)
				65	2		352	354
					8			8
				1 053	1 053			1 053
				(8 695)	(8 695)	(803)	(1 558)	(11 056)
				(8 748)	(8 748)	(803)	(1 604)	(11 155)
				53	53		46	99
418	43	957	181	163 065	176 371	12 528	26 373	215 272

ACCOUNTING POLICY ELECTIONS

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

Basis of preparation

The group's consolidated and company's separate annual financial statements are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the South African Companies Act. The annual financial statements have been approved by the board on 10 March 2022. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets classified at FVOCI, financial assets and liabilities classified at FVTPL and liabilities for cash-settled share-based payment arrangements.
- Post-employment benefit obligations that are measured in terms of the projected unit credit method.
- Investment property is measured using the fair value model.
- Policyholder insurance contract liabilities and related reinsurance assets are measured in terms of the Financial Soundness Valuations (FSV) basis as set out in accounting policy 12 – Policyholder insurance and investment contracts.
- Investments in associates and joint ventures, including private equity and venture capital investments, are associates and are either designated on initial recognition at FVTPL or are equity accounted.

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

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 3).
- Cumulative gains and losses recognised in OCI in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 3).
- Commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less cost to sell (accounting policy 3).
- Intangible assets and property, equipment and right of use assets are accounted for at cost less accumulated amortisation/depreciation and impairment (accounting policy 6).
- The portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 4).
- Investments in associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method in the separate financial statements (accounting policy 2).
- Investments in subsidiaries are accounted for at cost less accumulated impairment losses, where applicable, in the separate financial statements (accounting policy 1).
- Investment property is accounted for using the fair value model (accounting policy 6).
- Private equity and venture capital investments, including mutual funds, that are associates, are either designated on initial recognition at FVTPL or are equity accounted (accounting policy 2).

Functional and presentation currency

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

Changes in accounting policies

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

Adoption of amended standards effective for the current financial year

- IFRS 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 39 *Financial Instruments: Recognition and Measurement* (amendments). The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 requirements to enable entities to deal with the effects on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognising or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis. The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation, if the hedge meets the other hedge accounting criteria. The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to ARRs. The group will transition to ARRs as each interest rate benchmark is replaced. The practical expedient to update the effective interest rate to reflect the change to the ARR was applied to loans and advances. Any other changes to the contractual cash flows that are as a result of the interest rate benchmark reform are accounted for in terms of the group's modification policy (refer to annexure F (accounting policy 3) for further information relating to the modification policy). The group's existing hedges were assessed against the phase 2 hedge accounting relief and no adjustment was required. The note below details the IBOR reform transition disclosure required as a result of the above amendments.
- IFRS 16 (amendment). In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The group elected not to apply this practical expedient.
- Circular 1 2021 – *Headline Earnings*. The South African Institute of Chartered Accountants (SAICA) has issued amendments and clarifications mainly to existing headline earnings on IAS 16 *Property, Plant and Equipment*, IAS 39, IFRS 9 and IFRS 16 variable payments and rent concessions. The amendments have been applied retrospectively.

Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The ICE Benchmark Administration Limited (IBA) has adopted a two-stage approach for the cession of the USD LIBOR rates with the 1 week and 2 month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, 1 month, 3 month, 6 month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the group is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). The South African Revenue Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa; however, there is currently no indication of when the designated successor rate will be made available.

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

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

The group has established a steering committee and working group within treasury and capital management (TCM) to manage the transition to ARRs. The objectives of the committee and working group include evaluating the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee and working group are working closely with business teams across the group to establish pricing for new lending products indexed to the ARR in impacted jurisdictions.

The group's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) 2006 definitions. ISDA published its IBOR Fallbacks Protocol (the Protocol), which will apply following a permanent cessation of an IBOR and ensures an orderly transition for IBOR linked contracts in the event that renegotiated contracts are not in place at the time of the cessation of LIBOR. Following a series of public consultations, ISDA launched its IBOR Fallbacks Protocol and IBOR Fallbacks Supplement (the Supplement) in October 2020. Together, they focus on strengthening existing and new derivative contracts with durable fallback language. The Protocol and Supplement both took effect in January 2021. The Protocol going into effect means that existing derivative contracts will now incorporate ISDA's new fallbacks if both counterparties have adhered to the Protocol or otherwise bilaterally agreed to include the new fallbacks in their contracts. The Supplement going into effect means that new derivative contracts that incorporate the 2006 ISDA Definitions and reference a relevant IBOR will also incorporate the new fallbacks. The 5 March 2021 Financial Conduct Authority (FCA) statement around the timing for the cessation or loss of representativeness of all LIBOR settings represented an index cessation event under the IBOR Fallbacks Supplement and Protocol, triggering a fixing of the fallback spread adjustment at the point of the announcement. This spread adjustment is an important part of the overall fallback rate, and reflects a portion of the structural differences between IBORs and the ARRs used as a basis for the fallbacks – IBORs incorporate a credit risk premium and other factors, while ARRs are risk free or nearly risk free. Following multiple industry consultations by ISDA, it was determined that the fallback for each IBOR setting will be based on the relevant ARR compounded in arrears to address differences in tenor, plus a spread adjustment to account for the credit risk premium and other factors, calculated using a historical median approach over a five-year lookback period from the announcement date.

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

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

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

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

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

FINANCIAL INSTRUMENTS IMPACTED BY THE REFORM WHICH ARE YET TO TRANSITION

	2021			
	GBP LIBOR Rm	USD LIBOR Rm	EUR LIBOR Rm	Other IBORs Rm
Total assets subject to IBOR reform	1 880	323 488	5 065	17
Derivative assets[1]	1 779	242 788		
Loans and advances[2]	101	72 657	5 065	17
Trading assets		8 043		
Total liabilities subject to IBOR reform	(5 624)	(246 576)	(403)	(2 710)
Derivative liabilities[1]	(5 624)	(218 180)		(367)
Deposits and debt funding		(28 142)	(403)	(2 343)
Trading liabilities		(254)		
Total off balance sheet exposures subject to IBOR reform		23 499	52	
Off-balance sheet items		23 499	52	

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

Early adoption of revised standards:

- IFRS 9*: General Hedge Accounting* (GHA). The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The group has elected to adopt and transition to IFRS 9 GHA for all current and future micro hedges (hedges that minimise/manage the risk exposure of a single instrument), in line with some market competitors both locally and globally. However, due to the IASB's project, Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA), not yet being finalised, the group will continue to apply IAS 39 for all macro hedges (hedges that minimise/manage the risk exposure of a portfolio). As at 1 January 2021, the risk management objective and the hedge documentation for all micro hedges has been updated to comply with the requirements of IFRS 9 GHA. The micro hedge relationships which existed as at 1 January 2021 were treated as continuing hedge relationships, and qualifying criteria was met which resulted in no transition or profit or loss impact for the group. The group has applied IFRS 9 GHA prospectively for all micro hedge relationships apart from certain hedge relationships where the group has elected to separate the foreign currency basis spread and the forward element of the forward contracts, IFRS 9 GHA has been applied retrospectively for these hedge relationships. This resulted in the total hedge reserve comprising of the foreign currency basis spread and forward element for these hedge relationships as well as the existing cash flow hedge reserve. Accordingly, the total hedge reserve remains unchanged on transition being 1 January 2021, with R66 million of the total hedge reserve inclusive of NCI resulting in a net of NCI amount of R22 million comprising of the foreign currency basis spread and forward element for these hedge relationships. Refer to note 2.3.6 for further detail.
- IFRS 16 (amendment). The amendment extends the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The group elected not to apply this practical expedient.
- IAS 1 *Presentation of Financial Statements* (amendments), IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) (amendments). In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The amendments have been applied prospectively.
- IAS 8 (amendments). The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments have been applied prospectively.
- IAS 12 *Income Taxes* (amendment). The amendments narrow the scope of the initial recognition exemption of deferred tax assets and liabilities. The exemption no longer applies to transactions that, at initial recognition, give rise to equal taxable and deductible temporary differences. The amendments have been applied retrospectively.
- Annual improvements 2018-2020 cycle. The IASB has issued various amendments and clarifications to existing IFRS. The amendments have been applied retrospectively.

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

KEY MANAGEMENT ASSUMPTIONS

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. The estimates and judgements below have remained unchanged unless otherwise stated. The following represents the most material key management assumptions applied in preparing these financial statements. The key management assumptions below apply to the group and company, unless otherwise stated.

Expected credit loss (ECL)

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

ECL on financial assets – drivers

For the purpose of determining the ECL:

- The home services, vehicle and asset finance (VAF), card, personal, business lending and other products portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post write off recoveries (PWOR) from the loss given default (LGD) in calculating the ECL. This LGD parameter is aligned to market practice.
- Corporate, sovereign and bank exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

The ECL measurement period for stage 1 exposures is 12 months (or the remaining tenor of the financial asset relating to corporate, sovereign and bank exposures, including certain home services, VAF, card, personal, business lending and other product exposures, if the remaining lifetime is less than 12 months).

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

SICR and low credit risk

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

All exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD. Credit risk has increased since initial recognition when these criterion are met.

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

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

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

Corporate, sovereign and bank products (including certain business banking exposures)

The group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

All exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days past due (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the group's master rating scale as investment grade (within credit risk grade 1 – 12 of the group's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be of low credit risk. To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table that follows:

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

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

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

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

For home services, VAF, card, personal, business lending and other products, these forward-looking economic expectations are included in the ECL where adjustments are made based on the group's macroeconomic outlook, using models that correlate these parameters with macroeconomic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the group's macroeconomic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risks and industry data, have been taken into account in ECL estimates when required, through the application of out-of-model adjustments. These out-of-model adjustments are subject to group credit governance committee oversight.

The group's macroeconomic outlooks are incorporated in corporate, sovereign and bank products' client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the group's internal credit risk management approach and definitions. While the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security. This includes the classification of distressed restructures (including debt review exposures) as default for minimum of six months, while observing payment behaviour or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities, in excess of the current limit).

The group has not rebutted the 90 days past due rebuttable presumption.

Write-off policy

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

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

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

As an exception to the above requirements:

- Where the exposure is secured (or for collateralised structures), the impaired exposure can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above.
- For corporate, sovereign and bank products, write-off is assessed on a case-by-case basis and approved by the CIB credit governance committee based on the individual facts and circumstances.
- For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as collection/settlement arrangements to assist clients to settle their outstanding debt. The group continuously monitors and reviews when exposures are written off, the levels of post write-off recoveries as well as the key factors causing post write-off recoveries, which ensure that the group's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

Curing

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

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

The group's forward-looking economic expectations applied in the determination of the ECL at the reporting date

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

South African economic expectation

- Our base case scenario for South Africa sees the economic rebound from the deep contraction in 2020 continuing, although momentum is slowing in response to fading policy stimulus, the adverse impact of the July 2021 unrest, bouts of electricity load-shedding as well as renewed fears about a persistent electricity shortfall, and a retreat in the terms of trade from the recent record high level. Inflation is expected to spike in the near term in response to the recent rand depreciation along with higher food and fuel costs. However, the output gap is still negative, with surveyed inflation expectations as well as wage pressure remaining contained as a reflection of the absence of second-round or demand-pull inflation pressure. The SARB can thus hike/normalise interest rates at a gradual pace. The rand is undervalued following the latest global financial market rout. We foresee a recovery even if it continues discounting a premium for persistent idiosyncratic and global risks.
- In our bear case scenario, we assume a more protracted recovery than the base case, partly owing to disappointing reforms and persistent structural growth constraints. We are particularly concerned about the risk that existing vaccines may not be effective against the Omicron Covid variant and the persistent risk from the electricity shortfall.
- The bull case scenario assumes that the economic crisis triggers accelerated economic reforms. We could also see higher and improved confidence boosting growth and attracting capital inflows.

Africa Regions economic expectation

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

- African GDP growth will recover further in 2022. While unwinding base effects underpinned economic growth in 2021, GDP growth will numerically decline in 2022 for some economies that had benefited from a favourable base. Growth for Botswana, Kenya and Zambia may therefore follow this trend. However, a closer look at quarter on quarter growth momentum shows economic activity as still recovering and not yet being at pre-pandemic levels. Of course, this implies that growth potential remains with pent up demand still likely. Although, in some markets idiosyncratic factors will dominate the growth trajectory.
- Though Omicron has been proving more transmissible than previous strains, we foresee no further stringent public health restrictions, with the emphasis likely being on vaccinations. With boosters now entering the fray, those countries with slow vaccinations, such as Nigeria, Ethiopia, Tanzania and Uganda, may, however require more stringent public health restrictions. Ghana, Kenya and Rwanda have been taking a harder line requiring full vaccination.
- That said, global tourism may well achieve pre-pandemic levels by 2023/2024, assuming further mutations being as mild as Omicron. Although global tourism recovered patchily during 2021, recent travel bans could still cause temporary disruptions. Tourism is particularly important for Kenya, Uganda, Tanzania and Mauritius.
- Our bear case assumes a sluggish post-pandemic recovery, with economic growth lagging reaching pre-pandemic growth much later than anticipated in our bear case. Idiosyncratic factors and structural deficiencies tend to limit the recovery. The various vaccination programmes across the continent continue to lag, notwithstanding improved supply. Structural reforms are further delayed, lower levels of investment and a more gradual recovery in consumption also contributes to a weaker outlook.
- Our bull case scenario assumes a stronger post-pandemic recovery, with economic growth reaching pre-pandemic growth much sooner. The pandemic becomes an endemic, limiting disruption to growth.

Global economic expectation

- The global base case scenario anticipates that global growth will be close to 5% in 2022; around 1% point lower than 2021 but still robust as the difficulties created by the Omicron variant of Covid recede and global demand bounces back. We also expect that a number of the global supply constraints that have restricted growth and lifted inflation will ease. However, inflation may prove difficult to shift given that rising prices have become more embedded into areas such as wage growth. Central banks are expected to tighten policy to bear down on inflation and ensure that the imbalances in supply and demand are reduced as much as possible. Rising rates will provide something of a headwind for asset valuations in areas such as equities. A faster pace of Fed hikes than elsewhere could lift the dollar, but the base case scenario does not assume that dollar strength will become so significant so as to bear down on the prices of global assets dramatically. In fact, with the dollar still somewhat overvalued it is expected that the dollar will have lost modest ground to other developed currencies by the end of the forecast period.
- In the bear case scenario the efficacy and rollout of vaccines is weak leading to new and significant lockdowns that weigh heavily on the economic recovery. In this scenario new variants develop that continue to necessitate restrictions and so hamper global economic recovery.
- The bull case scenario assumes a faster vaccine rollout and quicker removal of lockdown restrictions. We also assume that restrictions do not have to be reimposed again at a later date as the Omicron variant proves to be the dying embers of the Covid scare.

Main macroeconomic factors

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

		Base scenario		Bear scenario		Bull scenario	
Macroeconomic factors – 2021	2021[1]	Next 12 months[2]	Remaining forecast period[3]	Next 12 months[2]	Remaining forecast period[3]	Next 12 months[2]	Remaining forecast period[3]
South Africa[4]							
Inflation (%)*	4.51	4.72	4.13	5.18	4.79	4.30	3.78
Prime (%)*	7.25	8.00	9.50	8.75	10.25	7.75	8.75
Real GDP[7] (%)*	5.28	2.05	1.97	1.36	0.56	2.87	2.82
Employment rate growth (%)#	0.22	1.29	0.92	0.87	(0.13)	1.75	1.59
Household credit (%)#	4.71	5.33	5.41	5.43	4.44	5.28	6.27
Exchange rate USD/ZAR	14.90	15.03	15.15	15.58	16.19	14.43	14.41
Africa Regions[5] (excluding Zimbabwe) (averages)							
Inflation (%)#	9.07	8.50	7.30	10.70	9.60	7.80	6.70
Policy rate (%)*	8.93	8.60	8.60	9.10	10.30	9.40	9.10
3m Tbill rate (%)*	7.44	7.90	7.70	8.80	8.90	9.50	9.10
6m Tbill rate (%)*	8.26	8.80	8.60	10.00	9.60	9.80	9.80
Real GDP[7] (%)#	2.67	4.10	4.80	2.30	3.10	6.40	6.70
Africa Regions[5] (averages)							
Inflation (%)#	11.03	11.60	9.10	22.20	17.10	9.60	6.70
Policy rate (%)*	10.18	10.80	9.90	12.10	12.20	11.20	9.30
3m Tbill rate (%)*	7.44	7.80	7.60	9.30	8.80	9.90	8.90
6m Tbill rate (%)*	8.26	8.80	8.60	10.10	9.50	10.80	9.60
Real GDP[7] (%)#	2.74	4.50	4.80	2.40	3.00	6.50	6.80
Global[6]							
Inflation (%)*	2.60	4.50	2.90	5.50	2.30	6.00	2.70
Policy rate (%)*	0.50	1.25	1.75	0.25	1.00	2.00	2.25
Exchange rate GBP/USD*	1.35	1.41	1.50	1.22	1.45	1.50	1.55
Real GDP[7] (%)#	7.50	4.50	1.90	2.00	1.70	5.50	2.10
Unemployment rate (%)*	4.60	4.40	4.40	5.00	4.80	4.00	4.20

1 Revised as at 31 December 2021. The 2021 (1 January 2021 to 31 December 2021) view disclosed as at 31 December 2020, has been revised due to the changes in the macroeconomic factors.
2 Next 12 months following 31 December 2021 is 1 January 2022 to 31 December 2022.
3 The remaining forecast period is 1 January 2023 to 31 December 2025.
4 The scenario weighting is: base at 50%, bear at 30% and bull at 20%.The scenario weighting remains unchanged.
5 Where multiple jurisdictions are considered averages are used. The scenario weighting is: base at 55%, bear at 28% and bull at 17%. The scenario weighting has been revised due to the changes in the macroeconomic factors.
6 Based on UK outlook. The scenario weighting is: base at 50%, bear at 30% and bull at 20%. The scenario weighting remains unchanged.
7 Gross domestic product.
* Actual rates for 2021.
\# Estimated base case rates for 2021 disclosed where 2021 actuals were not available.

Macroeconomic factors – 2020	2020[1]	Base scenario Next 12 months[2]	Base scenario Remaining forecast period[3]	Bear scenario Next 12 months[2]	Bear scenario Remaining forecast period[3]	Bull scenario Next 12 months[2]	Bull scenario Remaining forecast period[3]
South Africa[4]							
Inflation (%)*	3.30	4.06	4.18	5.42	5.47	3.68	3.83
Prime (%)*	7.00	7.25	7.81	8.25	9.44	6.75	7.31
Real GDP[7] (%)*	(7.00)	4.79	2.85	5.87	3.03	6.52	4.1
Employment rate growth (%)#	(3.27)	(0.01)	0.74	(0.66)	0.27	0.64	1.22
Household credit (%)#	3.86	3.18	4.44	1.71	2.66	4.82	6.20
Exchange rate USD/ZAR	14.86	15.46	16.01	17.5	17.84	14.5	15.15
Africa Regions[5] (excluding Zimbabwe) (averages)							
Inflation (%)#	8.36	8.50	7.00	10.10	8.90	7.20	5.90
Policy rate (%)*	9.22	8.90	8.30	10.10	9.50	8.50	7.60
3m Tbill rate (%)*	7.98	8.60	7.90	10.00	9.20	7.90	6.70
6m Tbill rate (%)*	8.57	8.60	8.80	10.20	9.90	8.00	7.60
Real GDP[7] (%)#	(2.14)	3.60	4.60	2.20	3.00	6.30	7.00
Africa Regions[5] (averages)							
Inflation (%)#	30.58	15.70	8.20	40.60	78.50	9.40	9.40
Policy rate (%)*	10.18	10.10	9.50	10.90	10.20	8.90	7.90
3m Tbill rate (%)*	7.98	8.60	7.90	10.00	9.20	7.90	6.70
6m Tbill rate (%)*	8.57	8.60	8.80	10.20	9.90	8.00	7.60
Real GDP[7] (%)#	(2.35)	3.70	4.70	1.80	2.70	6.20	7.00
Global[6]							
Inflation (%)*	0.90	1.80	2.10	2.20	1.80	1.90	2.60
Policy rate (%)*	0.10	0.10	0.30	(0.10)	(0.08)	0.10	0.50
Exchange rate GBP/USD*	1.37	1.46	1.54	1.24	1.28	1.49	1.54
Real GDP[7] (%)#	(9.40)	4.80	2.20	0.30	2.00	7.00	2.70
Unemployment rate (%)*	4.40	5.60	4.90	5.90	5.90	5.30	4.40

1 Revised as at 31 December 2020. The 2020 (1 January 2020 to 31 December 2020) view disclosed as at 31 December 2019, has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.
2 Next 12 months following 31 December 2020 is 1 January 2021 to 31 December 2021.
3 The remaining forecast period is 1 January 2022 to 31 December 2024.
4 The scenario weighting is: base at 50%, bear at 30% and bull at 20%.
5 Where multiple jurisdictions are considered weighted averages are used. The scenario weighted average is: base at 55%, bear at 29% and bull at 16%.
6 Based on UK outlook. The scenario weighting is: base at 50%, bear at 30% and bull at 20%.
7 Gross domestic product.
* Actual rates for 2020.
# Estimated rates for 2020.

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

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

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

During 2020, higher forward-looking expected credit loss provisioning was raised due to significant uncertainty on the impact linked to Covid-19 and the forecasted underlying the bear macroeconomic scenarios. The decrease in the forward-looking provision during 2021 is linked to marginal improvements in the macroeconomic outlook as well as the prior year forward-looking impact materialising in the underlying models particularly through loss given default. The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2021, based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

	2021		2020	
	Forward-looking component of ECL provision Rm	**Income statement charge/ (release) Rm**	Forward-looking component of ECL provision Rm	Income statement charge Rm
Forward-looking impact on the total ECL provision	**1 979**	**(751)**	2 689	961
Scenarios				
Base	**1 714**	**(1 015)**	2 671	942
Bear	**3 388**	**659**	3 539	1 810
Bull	**878**	**(1 851)**	1 801	73

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

Post-model adjustments

Covid-19 continues to have a profound impact globally and there remains much uncertainty as to the future economic path and recovery. As mentioned in the sections above in determining the forward-looking impact, from an IFRS 9 perspective, the group has forecasted three possible future macroeconomic scenarios, being the base, bear and bull scenarios and attributed weightings to these three scenarios. The outcome of the Covid-19 pandemic remains unpredictable, and this makes determining these scenarios and the assumptions underlying them complex. Given this uncertainty and the fact that the pandemic continues to impact clients across all geographies and client segments, these scenarios have been further stressed by increasing the percentage weighting of the bear scenario to 50%. On the back of this stress analysis, the group has deemed it appropriate to retain the R500 million judgemental credit adjustment on the total loans and advances to customers portfolio. The credit adjustment is based on the group's best estimate of the post-model stressed scenarios using reasonable and supportable information available at the reporting date, has been reviewed and signed off by senior management in the group, and continues to be held within central and other and disclosed as part of other loans and advances.

Fair value

Financial instruments

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

Valuation process

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

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

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers
- implied volatilities on thinly traded instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are due to the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS (refer to note 2.4. and note 3.2)
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

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

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date. The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for 2021 was a net loss of R536 million (2020: R7 355 million net loss). Other financial instruments, not at level 3, are utilised to mitigate the risk of these changes in fair value.

Refer to note 22 for the fair value disclosures.

Investment property

The group invests in various properties which are predominantly owned for investment return. Certain properties house various of the group's insurance, investment holdings, health services and asset management operations and these are classified as 'owner-occupied properties' under IAS 16. The balance of the properties is let to various tenants under lease agreements as defined under IFRS 16. These properties are classified as 'investment properties' under IAS 40. Investment properties are measured at fair value by external valuation appraisers, taking into account characteristics of the properties that market participants would consider when pricing the property at measurement date. The key assumptions in determination of the fair value are the rent reversion factors, exit capitalisation rates and discount rates. Other inputs considered relate to expense growth, rental growth, existing tenant terms, location, vacancy rates and restrictions, if any, on the sale or use of the asset. The group applies judgement regarding the unit of account, i.e. whether it should be valued as a stand-alone property or as a group of properties. Determination of fair value also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. Management derived discount rates are risk adjusted to factor in liquidity and asset class risk.

The fair values of the investment properties in South Africa at 31 December 2021 have been revised in consultation with external valuators, considering the current economic environment and latest Covid-19 regulations and the estimated impact to all the valuation inputs. There have been no changes applied to the unit of account and derived use.

Valuations have been impacted by, *inter alia*, the negative effect of Covid-19 on current year rentals and growth assumptions for the forecasted period, vacancy levels, the potential for negative reversions and the time required to re-let vacant space. The valuers have also applied more conservative valuation metrics, including adjustments to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space.

Refer to note 11 for investment property disclosures and note 21 for fair value disclosures.

Consolidation of entities

The group controls and consolidates an entity (investee) where the group has power over the entity's relevant activities; is exposed to variable returns from its involvement with the investee; and has the ability to affect the returns through its power over the entity, including structured entities (SEs). Determining whether the group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights including whether such rights are substantive.

Interests in unconsolidated SEs that are not considered to be a typical customer-supplier relationship are required to be identified and disclosed. The group regards interest to be a typical customer-supplier relationship where the level of risk inherent in that interest in the SE exposes the group to a similar risk profile to that found in standard market-related transactions. The group sponsors an SE where it provides financial support to the SE when not contractually required to do so. Financial support may be provided by the group to an SE for events such as litigation, tax and operational difficulties.

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

Significant influence – investment funds

The group accounts for its interests in investment funds as associates where the group is the fund manager, for which there is an irrevocable fund management agreement, and the group has a monetary interest in the particular fund. Such associates are equity accounted unless designated to be measured at fair value through profit or loss.

Refer to annexure B for detail on associates and joint ventures.

Computer software intangible assets

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

During 2021, the group's computer software assets' recoverable amounts were determined to be lower than their carrying amounts and were impaired by a total amount of R167 million (2020: R3 221 million).

Refer to note 13 for intangible asset disclosure, as well as annexure F for more detail on the accounting policy relating to computer software, the capitalisation thereof, as well as amortisation and impairment policies.

Goodwill impairment

In terms of IFRS, the group is required to, on an annual basis and when indicators of impairment are present, test its recognised goodwill for impairment. As a consequence of Covid-19 and the impact which it has had on economies, businesses and asset valuations, the group has tested its recognised goodwill for impairment at 31 December 2021. The impairment tests are performed by comparing the cash-generating units' (CGU) recoverable amounts to the carrying amounts in the functional currency of the CGU being assessed for impairment. The recoverable amount is defined as the higher of the entity's fair value less costs of disposal and its value in use.

The review and testing of goodwill for impairment inherently requires significant management judgement as management needs to estimate the identified CGU's future cash flows. The principal assumptions considered in determining an entity's value in use have been reassessed at 31 December 2021 and include:

- Future cash flows – the forecast periods adopted reflect a set of cash flows which, based on management's judgement, external data sources and expected market conditions, could be sustainably generated over such a period. A forecast period of greater than five years has been used in order to take into account the level of development and anticipated growth rates relative to those markets and allow forecasts to normalise following the impact of Covid-19. The cash flows from the final discrete cash flow period are extrapolated into perpetuity to reflect the long-term plans for the entity. It is common valuation methodology to avoid placing too high a proportion of the total value on the perpetuity value.
- Discount rates – the cost of equity (COE) discount rates utilised in the equity pricing models are deemed appropriate based on the entities under review. The risk-free rate used to determine the COE has been derived from appropriate long dated government bonds adjusted for inflation differential and country risk yield. The future cash flows are discounted using the COE assigned to the appropriate CGUs and by nature can have a significant impact on their valuations.

Having considered recent available historic financial information, management forecasts and market and economic data, the group decided to recognise an impairment loss of R14 million relating to goodwill raised in Liberty Holdings Limited as part of business combination transactions in EQ-FIN (Pty) Ltd and Mentanova Consultants and Actuaries (Pty) Ltd.

The following table summarises the impairment test methodology applied and the key inputs used in testing the group's goodwill relating to Stanbic IBTC Holdings PLC and Stanbic Holdings PLC.

	Stanbic IBTC Holdings PLC (Nigeria)		Stanbic Holdings PLC (Kenya)	
	2021	2020	**2021**	2020
Discounted cash flow				
Discount rate (nominal) (%)	**18.1**	18.8	**16.3**	17.3
Terminal growth rate (nominal) (%)	**6.9**	7.0	**10.1**	9.3
Forecast period (years)[1]	**10**	10	**10**	10

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

Note 13 summarises the group's impairment test results and the main components of goodwill.

Current and deferred taxation

The group is subject to direct and indirect taxation in a number of jurisdictions. There may be requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The group recognises provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 14 and note 38, respectively, in the period in which such determination is made.

Uncertain tax positions are provided for in accordance with the criteria defined within IAS 12 *Income Taxes* (IAS 12) and IFRIC 23 *Uncertainty over Income Tax treatments* (IFRIC 23). Deferred tax assets are only recognised to the extent that sufficient taxable profits will be generated in order to realise the tax benefit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Investment management and life insurance – Liberty Holdings Limited

The key assumptions used within investment management and life insurance can materially affect the reported amounts. The assumptions require complex management judgements and are therefore continually evaluated. They are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

Covid-19

The future impact of Covid-19 on Liberty remains uncertain. Covid-19 experience in 2021 was affected by the emergence of new variants with associated waves of infections; the development and distribution of effective vaccines; and changes in social distancing and lockdown restrictions. Despite significant pandemic experience having emerged over 2020 and 2021, directors and management still need to apply significant judgement to the potential future impact of Covid-19 on the group's operations and the associated measurements of various assets and liabilities.

Future demographic and economic developments remain uncertain so assessing the net adverse financial impact of Covid-19 on the measurement of policyholder insurance contract liabilities requires significant judgement. Disclosures have been provided in this section to assist in assessing the impacts to the group's IFRS earnings and the group's solvency capital position as measured in accordance with the Insurance Act of South Africa.

Taking external information to date into account, management has revised its view of the expected development of the pandemic using a plausible 'reference scenario' to quantify a best estimate of the likely future financial outcome of the pandemic, whilst recognising that the range of outcomes is large. This reference scenario is applied, where applicable, to asset and liability measurement models under the IFRS and regulatory capital frameworks.

Development of underlying Covid-19 mortality assumption for the reference scenario

With the emergence of the highly contagious Omicron variant and evidence of significant reinfection and of post-vaccination infection, herd immunity is no longer considered attainable and Covid-19 is expected to remain endemic for the foreseeable future. For the purposes of the pandemic reserve at 31 December 2021, it has been assumed that 100% of the population will become infected with Covid-19 in the current and subsequent waves, whether they were previously infected or not and whether vaccinated or not, until the disease becomes completely embedded in normal mortality and that mortality from these waves is in addition to the base mortality rates.

The starting point for deriving the Covid-19 mortality rates assumptions by age band is a case fatality table from the Wuhan research study published in March 2020. The shape by age of case fatality rates from this study is still considered to reflect appropriately the expected shape of Covid-19 mortality by age before application of assumed vaccination rates. The following further assumptions are made to arrive at Covid-19 mortality rates for the reference scenario:

- It is assumed the Wuhan study case fatality rates apply to 20% of the population infected with the other 80% of people infected assumed to recover;
- 100% of the population will be infected with Covid-19 during the fourth and subsequent waves (December 2020: A further 40% of the population will be infected before herd immunity is reached);
- The proportion of Liberty's policyholders vaccinated is similar to the percentage of the South African population vaccinated by age bands; and
- Vaccinations are 95% effective in preventing death.

The table below shows the additional Covid-19 mortality rates derived from these assumptions and applied for one year in establishing Liberty's Covid-19 pandemic reserve.

The table below shows the Covid-19 mortality rates derived from these assumptions and applied in establishing Liberty's Covid-19 pandemic reserve.

Age	2021[1]	2020
0 – 10	**0.00**	0.00
10 – 20	**0.04**	0.02
20 – 30	**0.03**	0.02
30 – 40	**0.03**	0.02
40 – 50	**0.05**	0.03
50 – 60	**0.12**	0.10
60 – 70	**0.28**	0.29
70 – 80	**0.63**	0.64
80+	**1.16**	1.18

1 In line with relative excess experience observed between different portfolios in the first and second waves, the Covid-19 mortality rate assumptions on non-underwritten assured lives (which excludes annuitants) are assumed to be 50% higher than the rates in the table for each age band to better reflect the excess mortality expected.

As a proportion of the insured population is expected to remain unvaccinated, an approximate relative increase of on average 2% has additionally been made to long-term mortality assumptions in respect of Liberty's Lifestyle Protector product to allow for ongoing excess deaths due to Covid-19. The long-term mortality assumptions on other impacted product lines were deemed sufficient not to require such an adjustment. This long-term mortality assumption change is not part of the pandemic reserve but is included in the "Mortality and morbidity valuation assumptions" item.

Liberty's Covid-19 excess mortality in 2021 was higher than assumed in the pandemic reserve at 31 December 2020. This is a result of a combination of the worse than anticipated severity of the Beta and Delta variants (as much as 40% higher) which were the main variants circulating in 2021 and higher than anticipated contagion spread of the virus, partly as a result of slower than expected take-up of the vaccines. The severity of the Omicron variant, and subsequent variants, is assumed to be more in line with the original variants in 2020.

In the African regions outside of South Africa in which the group operates, the assumptions have been assessed taking the circumstances of each country into account.

Post-employment benefits

The group's post-employment benefits consist of both post-employment retirement funds and healthcare benefits for South African operations which have been deemed to be most material. The measurement of the group's obligations to fund these benefits are derived from actuarial valuations performed by the appointed actuaries taking into account various assumptions. The funds are subject to a statutory financial review by the group's independent actuaries at intervals of not more than three years.

The principal assumptions used in the determination of the group's obligations include the following:

	Retirement fund		Post-employment medical aid fund	
	2021	2020	**2021**	2020
Discount rate	**Nominal government bond curve**	Nominal government bond yield curve	**Nominal government bond curve**	Nominal government bond yield curve
Return on investments (discount rate of term equal to discounted mean term of liabilities)[1]	**9.74% to 12.35%**	8.30% to 14.05%	**Unfunded liability and therefore there is no asset-backing portfolio**	Unfunded liability and therefore there is no asset-backing portfolio
Salary/benefit inflation	**Inflation curve adjusted upwards by 1% p.a.**	Inflation curve adjusted upwards by 1% p.a.	**Not applicable to fund**	Not applicable to fund
Medical cost inflation (applicable to members who retired before 1 January 2013)[2]	**Not applicable**	Not applicable to fund	**Inflation curve adjusted upwards by 1% p.a.**	Inflation curve adjusted upwards by 1% to 1.5%
Medical cost inflation (applicable to all other members)	**Not applicable**	Not applicable to fund	**Difference between the nominal and index-linked linked bond yield curve**	Difference between nominal and index-linked bond yield curves
Consumer Price Index (CPI) inflation	**Difference between the nominal and indexed- linked bond yield curve**	Difference between nominal and index-linked bond yield curves	**Difference between nominal and index-linked bond yield curves**	Difference between nominal and index-linked bond yield curves
Pension increase in allowance	**Inflation rate**	Inflation rate	**Not applicable to fund**	Not applicable to fund
Remaining service life of employees (years)	**7 years 5 months to 8 years 7 months**	7 years 3 months to 9 years 1 month	**4 years to 5 years 10 months**	4 years 4 months to 5 years 10 months
Mortality assumption – pre-retirement	**Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements**	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	**Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements**	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements
Mortality assumption – post-retirement	**Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements**	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements	**Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements**	Based on the SA98 Tables (Ultimate Rates) with allowance for mortality improvements

1 This relates to members of material retirement funds within the group.
2 This relates to members within the employment of Liberty or Standard Bank of South Africa.

Refer to note 44 for further details regarding the group's post-employment benefits.

Long-term insurance contracts

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

Refer to annexure C for details regarding risk management.

Process used to decide on assumptions and changes in assumptions

Mortality and morbidity

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

Withdrawal

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

Investment return

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

- Bond rate – the derived yield from the bond yield curve, at a duration of ten years at the reporting date, 9.98% (2020: 9.16%)
- Equity rate – bond rate plus 3.5% as an adjustment for risk, 13.39% (2020: 12.66%)
- Property rate – bond rate plus 1% as an adjustment for risk, 10.89% (2020: 10.16%)
- Cash – bond rate less 1.5%, 8.39% (2020: 7.66%).

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities. The pre-taxation discount rate is set at the same rate. The rate averaged across these blocks of business is 11.1% per annum in 2021 (2020: 10.4% per annum). Where appropriate the investment return assumption is adjusted to make allowance for investment expenses and taxation.

Expenses

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

Expense inflation

The expense inflation assumption is set taking into consideration the market implied inflation, the expected future development of the number of in force policies, as well as the expected future profile of maintenance expenses. The expense inflation assumption for pure risk, life annuity, disability in payment and guaranteed endowments business is set to be consistent with market implied inflation rates. For other classes of business the inflation rate is set at the effective ten-year gilt yield curve rate (gilt rate) less 1.75% when the gilt rate is above 7.25%. The expense inflation rate is set at 72% of the gilt rate when this is below 5.25%. At gilt rates between 5.25% and 7.25% the inflation rate is interpolated to ensure a smooth transition between the two methodologies. This results in a best estimate inflation assumption of 8.14% at 31 December 2021 (2020: 7.41%).

Taxation

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

Correlations

No correlations between assumptions are allowed for.

Contribution increases

In the valuation of the policyholder and reinsurance contracts, voluntary premium increases that give rise to expected profits within broad product groups are not allowed for. However, compulsory increases and increases that give rise to expected losses within broad product groups are allowed for. This is consistent with the requirements of SAP 104.

Embedded investment derivative assumptions

The assumptions used to value embedded derivatives in respect of policyholder contracts are set in accordance with APN 110. Account is taken of the yield curve at the valuation date. Both implied market volatility and historical volatility are taken into account when setting volatility assumptions. Correlations between asset classes are set based on historical data. Over 16 000 simulations are performed in calculating the liability.

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

Assumptions used in the valuation of policyholder and reinsurance contracts are set by references to local guidance, taxation legislation and where applicable to the Actuarial Society of South Africa guidance. Economic assumptions are set by reference to local economic conditions at the valuation date. Margins are allowed for as prescribed by local guidance and regulations. The TOP 40 index is a capital index whereas the ALBI is a total return index. 'Spot' refers to the value of the index at market close at the relevant date. 'At-the-money (spot)' means that the strike price of the option is equal to the current market value of the underlying. 'At-the-money (forward)' means that the strike price of the option is equal to the market's expectation of the capital index at the maturity date of the option. Details of key judgements applied.

Policyholder insurance contracts and investment contracts with discretionary participation features

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

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

The long-term demographic assumptions, used in contract measurement at 31 December 2021, have been strengthened from those applied at 31 December 2020 in line with the assumption setting policy taking the increased uncertainty arising from the current environment into consideration. Economic assumptions have been updated to reflect the current applicable investment market experience.

Policyholder assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums; plus, claims incurred and not reported (IBNR). An IBNR provision is an estimate of the ultimate cost of claims where the loss event has occurred prior to financial position date, but which have not been reported at that date. In South Africa, significant increases in excess deaths occurred from the emergence of new Covid-19 waves in December 2021, June 2021 and December 2020. The IBNR at 31 December 2021 provides for an additional R65 million (31 December 2020: R342 million) net of expected reinsurance recoveries to reflect estimated excess Covid-19 death claims incurred in the months immediately preceding financial reporting dates due to these waves.

Reinsurance assets and liabilities under insurance contracts allow for the net present value of expected future reinsurance premiums and expected future reinsurance recoveries.

Policyholder assets and liabilities have also been adjusted to reflect the net adverse impact, to best estimate cash flows and related margins, arising from additional short-term mortality in excess of the supportable long-term assumptions by applying the reference scenario. Allowance has also been made for the indirect impacts that the pandemic is expected to have on other risk claims, withdrawals and expenses. The impacts to the group's IFRS earnings and the group's solvency capital position have been assessed. Given the continued high level of uncertainty of these short-term assumptions, sensitivities to these assumptions continue to be disclosed.

The pandemic reserve estimates have been derived from the following assumptions:

Pandemic reserve assumptions	2021	2020
Mortality (as a percentage of the case fatality table above at applicable financial reporting dates)	31 December 2021 rates in the table above for underwritten lives and increased by 50% for non-underwritten lives	31 December 2020 rates in table above
Lump sum disability rate	No Covid-19 impact	+35% relative of expected claims 1 year
Retrenchment claim rate	No Covid-19 impact	+6% absolute
Corporate's customer revenue loss through customer terminations and member withdrawals	+15% absolute	+15% absolute
Retail risk and voluntary investment terminations	+0,75% absolute	+5% absolute

The pandemic reserve also allows for the expected cost overruns arising from the adverse short-term impact of the pandemic on new business volumes and policy terminations.

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

These assumptions have been consistently applied for solvency capital requirement calculations.

The table below shows the development of the pandemic reserve for Liberty Holdings Limited (LHL) over the financial year on a net of reinsurance basis.

Rm	2021 Net of reinsurance	2021 Tax relief and NCI[1]	2021 Net	2020 Net of reinsurance	2020 Tax relief and NCI	2020 Net
Opening Covid-19 pandemic reserve	**2 291**	**(656)**	**1 635**			
Establishment of Covid-19 pandemic reserve				3 041	(866)	2 175
Covid-19 pandemic reserve recalibration	**2 435**	**(684)**	**1 751**	73	(21)	52
Covid-19 pandemic reserve utilised	**(3 158)**	**898**	**(2 260)**	(823)	231	(592)
Closing Covid-19 pandemic reserve	**1 568**	**(442)**	**1 126**	2 291	(656)	1 635
Covid-19 earnings impact	**4 113**	**(1 154)**	**2 959**	3 241	(918)	2 323
Covid-19 pandemic reserve recalibration/ Establishment of Covid-19 pandemic reserve	**2 435**	**(684)**	**1 751**	3 114	(887)	2 227
Excess Covid-19 risk claims not covered by the pandemic reserve	**1 678**	**(470)**	**1 208**	127	(31)	96

1 NCI – Non-controlling interests.

A pandemic reserve is also determined for purposes of solvency capital requirement ratio calculations. The amount of this pandemic reserve as at 31 December 2021 reduced the Liberty Group Limited solvency capital requirement cover ratio by 0,08 times, compared to a reduction of 0,10 times based on the pandemic reserve at 31 December 2020.

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

Sensitivities for the LGL pandemic reserve are tabled below. Sensitivities have only been determined for an upward shock. The impact of a downward shock would be a profit similar in magnitude to the loss on the upward shock presented. The gross of non-controlling interest and tax reserve of R33 million (31 December 2020: R41 million) in respect of Liberty Africa Insurance has not been included in the sensitivities as it is considered immaterial from a group perspective. The impacts presented below are net of reinsurance and taxation consequences. Some of the stress adjustments applied to the reference scenario have changed between 31 December 2020 and 31 December 2021 to reflect an updated view of the extent of the presumed risk.

Sensitivity variable[1]	IFRS contract boundary[2]	Adjustment to the reference scenario	Impact on Liberty's profit or loss for the year ended 31 December 2021 Rm	Impact to the Liberty solvency capital requirement ratio at 31 December 2021 (times covered)
Mortality risk experience – assured lives	**Long**	**+75% relative increase to the pandemic reserve in respect of mortality[3]**	**(700)**	**(0.038)**
	Short		**(300)**	**(0.016)**
Mortality risk experience – annuitants		**(equates approximately to a +25% relative increase to overall mortality on average for one year)**	**77**	**0.005**
Retail risk and investment policy terminations		**+0.75% absolute increase on Retail Risk and voluntary Investment business (equates approximately to a +7.5% relative increase on average for one year)**	**(70)**	**(0.018)**

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

1 No lump sum disability and retrenchment risk experience sensitivities have been shown for 2021 as there is no provision in the 31 December 2021 pandemic reserve for these risks, as experience is expected to be adequately captured by the long-term assumptions. Sensitivities to these assumptions would be similar to those shown for 2020 but would need to be grossed up for tax as has been done for mortality described in table note (4).

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

3 The 75% relative stress in 2021 is considered a reasonable stress to appropriately reflect the range of uncertainty of Covid-19 mortality due to the potential impacts of unknown new variants and unknown levels of immunity over longer periods, particularly for the unvaccinated or those not keeping up with booster requirements. The large actual variance to assumption experienced in 2021 is indicative, in hindsight, that the stress shown in the 2020 annual financial statements was probably too small to reflect the uncertainty that then existed.

4 The mortality sensitivity impacts for 31 December 2021 have been grossed up for tax by 15%-28% where applicable on the assumption that further losses in the risk tax fund will not be recoverable from tax arising from future profits. At 31 December 2020, the losses in the risk tax fund under the sensitivity were still at levels assumed recoverable.

Policyholder liabilities – investment contracts with discretionary participation features

The full liability represents the total fair value of the matching asset portfolio and an estimate of the cost of any guarantees provided. The majority of contracts have monthly bonuses declared using formulae as set out in the Principle and Practices of Financial Management (PPFM), where these formulae use either a retrospective or a prospective estimate of current policyholder obligations. The difference between the fair value of the matching asset portfolio and the estimate of the current policyholder obligations is the bonus stabilisation reserve. The PPFM require the head of actuarial function /statutory actuary to exercise judgement where bonuses declared in accordance with the formulae set out in the PPFM are not deemed in best interest of the policyholders. Funding levels remain above 100% on all these funds.

Refer to note 8 for disclosures on policyholders' contracts.

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with central banks

	2021 Rm	2020 Rm
Coins and bank notes	**20 970**	19 400
Balances with central banks[1]	**70 199**	68 105
Total	**91 169**	87 505

[1] Included in this balance is R61 039 million (2020: R56 466 million) that primarily comprises of reserving requirements held with central banks within the countries of operation and are available for use by the group subject to certain restrictions and limitations levied by central banks within the respective countries. These balances are primarily held at FVTPL. The balance at amortised cost are regarded as having a low probability of default, therefore the ECL is insignificant.

2. Derivative instruments

All derivatives are classified either as held-for-trading or held-for-hedging. A summary of the total derivative assets and liabilities is shown in the table below.

	Fair value of assets		Fair value of liabilities	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Held-for-trading	**60 630**	111 148	**(62 668)**	(102 369)
Held-for-hedging	**3 058**	7 142	**(4 591)**	(9 208)
Total	**63 688**	118 290	**(67 259)**	(111 577)

2.1 Use and measurement of derivative instruments

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

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

A summary of the total derivative assets and derivative liabilities are shown in the tables in note 2.2, 2.3.1 and 2.3.3.

2.2 Derivatives held-for-trading

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

	Fair value of assets		Fair value of liabilities	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Foreign exchange derivatives	**19 720**	36 209	**(19 329)**	(32 928)
Interest rate derivatives	**31 665**	64 135	**(32 975)**	(59 746)
Commodity derivatives	**1 022**	295	**(911)**	(209)
Credit derivatives	**1 389**	1 880	**(2 007)**	(2 497)
Equity derivatives	**6 834**	8 629	**(7 446)**	(6 989)
Total	**60 630**	111 148	**(62 668)**	(102 369)

2.3 Derivatives and other financial instruments held-for-hedging

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

2. Derivative instruments continued

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

2.3.1 Derivatives designated as hedging instruments in fair value hedging relationships

	Fair value			Maturity				
	Assets Rm	Liabilities Rm	Net fair value Rm	Less than one year Rm	Between one to five years Rm	Over five years Rm	Contract/ notional amount[1] Rm	Fair value gain/ (loss) Rm
2021								
Interest rate risk fair value hedging relationships	**2 996**	**(3 218)**	**(222)**	**24**	**(447)**	**201**	**121 773**	**125**
Interest rate swaps	**2 996**	**(3 218)**	**(222)**	**24**	**(447)**	**201**	**121 773**	**213**
Cross currency interest rate swaps								**(88)**
Total	**2 996**	**(3 218)**	**(222)**	**24**	**(447)**	**201**	**121 773**	**125**
2020								
Interest rate risk fair value hedging relationships	6 795	(7 799)	(1 004)	787	890	(2 681)	135 191	(3 469)
Interest rate swaps	6 795	(7 716)	(921)	870	890	(2 681)	134 538	(3 412)
Cross currency interest rate swaps		(83)	(83)	(83)			653	(57)
Total	6 795	(7 799)	(1 004)	787	890	(2 681)	135 191	(3 469)

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

2.3.2 Hedged items classified as fair value hedges

	Fair value				
	Assets Rm	Liabilities Rm	Accumulated fair value gain/(loss) at 31 December Rm	Fair value (loss)/gain used to test hedge ineffectiveness Rm	Fair value hedge adjustments for the year Rm
2021					
Interest rate risk fair value hedging relationships					
Financial investments	**24 738**		**527**	**(1 273)**	**(1 273)**
Subordinated debt		**(8 103)**	**(218)**	**292**	**292**
Loans and advances to customers	**60 987**		**(1 296)**	**(2 122)**	**(2 122)**
Deposits and debt funding		**(85 375)**	**(1 482)**	**2 358**	**2 358**
Total	**85 725**	**(93 478)**	**(2 469)**	**(745)**	**(745)**
2020					
Interest rate risk fair value hedging relationships					
Financial investments	30 389		3 346	3 183	3 183
Subordinated debt		(8 419)	(509)	(334)	(334)
Loans and advances to customers	51 458		3 075	2 134	2 134
Deposits and debt funding		(61 264)	(3 975)	(1 936)	(1 936)
Total	81 847	(69 683)	1 937	3 047	3 047

2. Derivative instruments continued

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

2.3.3 Hedging instruments in cash flow hedging relationships

	Fair value of assets Rm	Fair value of liabilities Rm	Net fair value Rm	Maturity analysis: Less than one year Rm	Maturity analysis: Between one to five years Rm	Maturity analysis: Over five years Rm	Contract/ notional amount[1] Rm	Fair value (loss)/ gain Rm
2021								
Foreign currency risk cash flow hedging relationships	**808**	**(1 314)**	**(506)**	**73**	**(257)**	**(322)**	**5 794**	**(57)**
Cash[2]	**754**		**754**	**754**			**754**	**(11)**
Currency forwards	**1**	**(16)**	**(15)**	**(15)**			**1 310**	**(26)**
Currency swaps	**53**	**(1 298)**	**(1 245)**	**(666)**	**(257)**	**(322)**	**3 730**	**(20)**
Equity price risk cash flow hedging relationships	**6**	**(59)**	**(53)**	**(37)**	**(16)**		**403**	**(32)**
Equity forwards	**6**	**(59)**	**(53)**	**(37)**	**(16)**		**403**	**(32)**
Interest rate risk cash flow relationships	**2**		**2**		**2**		**2 000**	**(2)**
Currency swaps	**2**		**2**		**2**		**2 000**	**(2)**
Total	**816**	**(1 373)**	**(557)**	**36**	**(271)**	**(322)**	**8 197**	**(91)**
2020								
Foreign currency risk cash flow hedging relationships	347	(1 241)	(894)	132	(719)	(307)	52 979	(264)
Currency forwards	347	(2)	345	333	12		49 330	151
Currency swaps[3]		(1 239)	(1 239)	(201)	(731)	(307)	3 649	(415)
Equity price risk cash flow hedging relationships		(168)	(168)	(97)	(71)		534	(155)
Equity forwards		(168)	(168)	(97)	(71)		534	(155)
Total	347	(1 409)	(1 062)	35	(790)	(307)	53 513	(419)

1 The notional amount is the sum of the absolute value for both derivatives assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.
2 In the current year, the group has executed a hedge using cash as the hedging instrument. The cash is presented within loans and advances on the statement of financial position.
3 Restated. During 2021 it was noted that there was an erroneous misallocation between currency swaps held in foreign currency risk cash flow hedging relationships for 2020 and currency swaps held in interest rate risk cash flow hedging relationships for 2020. This restatement had no impact on the group's income statement or the group's statement of financial position.

2.3.4 Hedge items classified as cash flow hedges

	2021 Rm	2020 Rm
Fair value gain/(loss) used to test hedge ineffectiveness		
Financial investments	**68**	496
Foreign currency risk cash flow hedging relationships[1]	**68**	496
Loans and advances	**(144)**	(24)
Foreign currency risk cash flow hedging relationships[1]	**(146)**	(24)
Interest rate risk cash flow hedging relationships	**2**	
Share scheme liabilities (excludes equity settled share schemes)	**32**	154
Equity price risk cash flow hedging relationships	**32**	154
Other operating expenses	**11**	(175)
Foreign currency risk cash flow hedging relationships	**11**	(175)
Net interest income	**117**	(29)
Foreign currency risk cash flow hedging relationships[1]	**117**	(29)
Total	**84**	422

1 Restated. During 2021 it was noted that there was an amount of R150m was erroneously misallocated between foreign currency risk cash flow hedging relationships for financial investments and foreign currency risk cash flow hedging relationships for loans and advances during 2020. In addition, R29m was erroneously misallocated between foreign currency risk cash flow hedging relationships for net interest income and foreign currency risk cash flow hedging relationships for loans and advances during 2020. This restatement had no impact on the group's income statement or the group's statement of financial position.

2. Derivative instruments continued

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

2.3.5 Hedge ineffectiveness recognised in profit or loss

Hedge ineffectiveness in qualifying hedge relationships arises predominantly due to the presence of costs contained within hedging instruments. This ineffectiveness was recognised in profit or loss together with the gains and losses on the underlying hedged item according to the nature of the risk being hedged as follows:

	Trading revenue Rm	Net interest income Rm	Total Rm
2021			
Fair value hedges		**(620)**	**(620)**
Interest rate risk fair value hedging relationships		**(620)**	**(620)**
Cash flow hedges[1]	**(7)**		**(7)**
Foreign currency risk cash flow hedging relationships	**(7)**		**(7)**
Total	**(7)**	**(620)**	**(627)**
2020			
Fair value hedges		(422)	(422)
Interest rate risk fair value hedging relationships		(422)	(422)
Cash flow hedges[1]	3		3
Foreign currency risk cash flow hedging relationships[2]	3		3
Total	3	(422)	(419)

1 Ineffectiveness relating to highly probable forecast transactions no longer expected to occur during both 2021 and 2020 amounted to Rnil. There was no material ineffectiveness relating to basis in relation to foreign currency hedging relationships during 2021 and 2020.
2 Restated. During 2021 it was noted that there was an amount of R14 million was erroneously misallocated between foreign currency risk cash flow hedging relationships and interest rate risk cash flow hedging relationships during 2020. This restatement had no impact on the group's income statement or the group's statement of financial position.

2.3.6 Reconciliation of movements in the total hedge reserve

	Foreign currency risk Rm	Equity price risk Rm	Interest rate risk Rm	Cost of hedging[1] Rm	Total Rm
Balance at 1 January 2020	45	(41)		(8)	(4)
Amounts recognised directly in OCI before tax[2]	(435)	(154)		160	(429)
Amounts released to profit or loss before tax:	476	125		(184)	417
Interest income[3]				(192)	(192)
Trading revenue[3]	661			8	669
Other operating expenses	(185)	125			(60)
Taxation	20	8		7	35
Non-controlling interests	1			3	4
Balance as at 31 December 2020	107	(62)		(22)	23
Balance at 1 January 2021	**107**	**(62)**		**(22)**	**23**
Amounts recognised directly in OCI before tax[2]	**(159)**	**86**	**2**	**101**	**30**
Amounts released to profit or loss before tax:	**(23)**	**(26)**		**(81)**	**(130)**
Interest income				**(90)**	**(90)**
Trading revenue	**78**			**9**	**87**
Other operating expenses	**(101)**	**(26)**			**(127)**
Taxation	**2**	**(13)**	**(1)**	**(6)**	**(18)**
Non-controlling interests	**(2)**			**(5)**	**(7)**
Balance at 31 December 2021	**(75)**	**(15)**	**1**	**(13)**	**(102)**

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

2. Derivative instruments continued

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

2.3.7 Hedges classified as cash flow hedges

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

	Three months or less Rm	After three months but within one year Rm	After one year but within five years Rm	More than five years Rm	Total Rm
2021					
Net cash (outflow)	**(12)**	**(14)**	**(13)**	**(63)**	**(102)**
2020					
Net cash inflow/(outflow)	96	160	(180)	(53)	23

2.4 Day one profit or loss

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

	2021 Rm	2020[1] Rm
Unrecognised net profit at the beginning of the year	**1 018**	1 132
Additional net profit on new transactions[2]	**623**	667
Recognised in trading revenue during the year	**(434)**	(807)
Exchange differences	**2**	26
Unrecognised net profit at the end of the year	**1 209**	1 018

1 Restated: During 2021 it was noted that day one profit or loss balances and movements totalling R982 million at 31 December 2020 had been erroneously disclosed under trading assets instead of derivative instruments. This restatement did not impact the group's statement of financial position or income statement.
2 Transaction price was not the best evidence of fair value due to trade related market factors that were deemed unobservable in the principal market of the underlying trades.

3. Trading assets

3.1 Classification

	2021 Rm	2020 Rm
Collateral and other	**7 570**	9 776
Corporate bonds and floating rate notes	**36 073**	39 934
Government, municipality and utility bonds	**79 710**	85 310
Listed equities	**89 039**	72 075
Reverse repurchase and other collateralised agreements	**53 701**	40 969
Unlisted debt securities	**18 927**	14 563
Total	**285 020**	262 627

3.2 Day one profit or loss

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

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

1 Restated: During 2021 it was noted that day one profit or loss balances and movements totalling R982 million at 31 December 2020 had been erroneously disclosed under trading assets instead of derivative instruments. This restatement did not impact the group's statement of financial position or income statement.
2 Transaction price was not the best evidence of fair value due to trade related market factors that were deemed unobservable in the principal market of the underlying trades.

4. Pledged assets

The following table presents details of other financial assets which have been sold or otherwise transferred, but which have not been derecognised in their entirety or which were partially derecognised together with their associated liabilities. This table does not disclose the total risk exposure in terms of these transactions, instead it provides disclosures as required by IFRS.

	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets[1] Rm	Fair value of associated liabilities[1] Rm	Net fair value[1] Rm
2021					
Bonds	**13 029**	**(10 211)**	**13 030**	**(10 211)**	**2 819**
Listed equities	**1 149**		**1 149**		**1 149**
Pledged assets (as recognised in the statement of financial position)	**14 178**	**(10 211)**	**14 179**	**(10 211)**	**3 968**
Financial investments[2]	**18 016**	**(18 006)**	**18 016**	**(18 003)**	**13**
Total	**32 194**	**(28 217)**	**32 195**	**(28 214)**	**3 981**
2020					
Bonds	17 599	(9 729)	17 598	(9 729)	7 869
Listed equities	1 382		1 382		1 382
Pledged assets (as recognised in the statement of financial position)	18 981	(9 729)	18 980	(9 729)	9 251
Financial investments[2]	10 010	(10 002)	10 010	(10 002)	8
Total	28 991	(19 731)	28 990	(19 731)	9 259

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

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

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

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

4.1 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities which are not recorded in the statement of financial position that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R191 231 million (2020: R169 738 million).

The fair value of financial assets accepted as collateral and commodities received through commodity leases that have been sold, repledged or leased in terms of repurchase agreements or leasing transactions is R8 770 million (2020: R15 782 million).

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

4. Pledged assets continued

4.2 Assets transferred not derecognised

Securitisations

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

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

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

	Carrying amount of transferred assets Rm	Fair value of transferred assets Rm	Net fair value Rm
2021			
Home services[1]	**44 298**	**44 192**	**44 192**
2020			
Home services[1]	45 762	45 719	45 719

[1] The group invests in securitisation vehicles specifically introduced to provide home service lending collateral against the Committed Liquidity Facility (CLF). To access the CLF, the SARB requires a portfolio of collateral, which is identified as a portfolio of mortgage loans. The SARB requires that these assets are ring-fenced in a separate legal entity, supported by a clearly defined note structure. At 31 December 2021, the mortgages within these securitisation vehicles, Blue Shield Investments 01 (RF) Limited and Blue Shield Investments 02 (RF) Limited, amounted to R44 billion (2020: R46 billion).

5. Disposal of group assets and liabilities held for sale

	2021			2020		
	Gross Rm	Impairment[1] Rm	Net Rm	Gross Rm	Impairment[1] Rm	Net Rm
Liberty	536		536	213		213
Banking Activities	519	(30)	489	7		7
Total assets classified as held for sale	1 055	(30)	1 025	220		220
Financial investments	101		101	163		163
Other assets	51		51	26		26
Property, equipment and right of use assets	409		409	31		31
Goodwill and intangibles (note 13)	255		255			
Interests in associates and joint ventures (note 10)	239	(30)	209			
Total liabilities classified as held for sale	(96)		(96)	(92)		(92)
Provisions and other liabilities	(96)		(96)	(92)		(92)
Current tax liabilities						
Total disposal group held for sale	959	(30)	929	128		128
Remeasurement movement						
Remeasurement balance at the beginning of the year					(307)	
Additional/(release) of remeasurement of disposal groups classified as held for sale		(30)			35	
2020 remeasurements applied to related current year net asset value adjustments					272	
Remeasurement balance at the end of the year		(30)				

1 The impairment of the disposal group included in the headline earnings reconciliation is a release of R30 million (2020: comprises of release R35 million relating to a portion of the Liberty disposal group that was released during 2020).

2021

Investment in associate held for sale

The group has taken a decision to exit its investment in associate, Safika Holdings Proprietary Limited (Safika). Prior to the sale being initiated, the appropriate level of management had to put a committed plan to sell in place detailing the milestones required to achieve the sell. During the current year, the group commenced the sale process to dispose a portion of its holding in Safika, the transaction is expected to be concluded during 2022. The requirements of IFRS 5 *Non-Current Assets held for Sale and Discontinued Operations* (IFRS 5) were met during December 2021 and the portion of the investment in associate has been separately disclosed as "Disposal of group assets held for sale" on the statement of financial position. The asset is measured at the lower of the carrying amount and fair value less costs to sell. The fair value less costs to sell is based on an assessment of what management believes a purchaser would value the asset, considering the current business viability and operations. The asset was impaired by R30 million at 31 December 2021 resulting in the carrying value of R209 million. This asset is included in the corporate and investment banking client segment.

Equipment held for sale

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

Intangible asset held for sale

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

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

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

Liberty Holdings Limited identified a number of entities that met the criteria as held for sale under IFRS 5. The Total Health Trust Limited in Nigeria (part of Health risk solutions) business operation remains under a sale process at 31 December 2021 and remains classified as a disposal group held for sale. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming.

During the current year, a conditional offer has been accepted for the disposal of a group owned property of R274 million, that previously was classified as partially owner occupied, with the remainder as investment property. The property has been reclassified to non-current assets held for sale and has been remeasured to the value of the conditional offer. In addition, investment properties in Kenya amounting to R87 million were reclassified to non-current assets held for sale. Effective 31 January 2021, Liberty concluded the sale of its entire shareholding of Liberty General Botswana (Pty) Ltd, previously disclosed as a disposal group. During 2020, sales were completed of the asset management operations in Kenya (STANLIB Kenya Ltd) and Uganda (STANLIB Uganda Ltd). Sales were also concluded for the short-term insurance business in Malawi (Liberty General Insurance Ltd (Malawi)) and Liberty Health Administration (Pty) Ltd (LHA – a licensed medical aid administrator in South Africa). The assets are included in the Liberty segment.

2020

Samrand Data Centre sale and leaseback

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

The group's residual 20% shareholding in ICBCA

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

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

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

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

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

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

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

6. Financial investments

	Total		Banking activities		Investment management and life insurance activities	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Corporate	89 429	81 388	46 890	44 548	42 539	36 840
Sovereign	303 518	266 046	243 067	215 285	60 451	50 761
Bank	60 990	67 444	2 775	6 864	58 215	60 580
Mutual funds and unit-linked investments	133 188	106 207	1 653	2 008	131 535	104 199
Listed equities	106 815	95 712	177	155	106 638	95 557
Unlisted equities	3 795	7 695	3 535	3 397	260	4 298
Interest in associates and joint ventures held at fair value (annexure B)	22 085	20 953	354		21 731	20 953
Other instruments	4 880	4 853	3 046	2 809	1 834	2 044
Total	724 700	650 298	301 497	275 066	423 203	375 232

Accounting classification

	2021 Rm	2020 Rm
Net financial investments measured at amortised cost	217 592	203 157
Gross financial investments measured at amortised cost	217 911	203 459
ECL for financial investments measured at amortised cost[1]	(319)	(302)
Financial investments measured at fair value	507 108	447 141
Financial investments measured at FVTPL	434 658	369 444
Debt financial investments measured at FVOCI[2,3]	71 435	76 613
Equity financial investments measured at FVOCI[3]	1 015	1 084
Total	724 700	650 298

1 Refer to note 34 for the credit impairment release for the current year of R18 million (2020: R307 million) on financial investments measured at amortised cost.
2 Refer to note 34 for the credit impairment charge for the current year of R41 million (2020: R242 million release) on debt financial investments measured at FVOCI.
3 Refer to note 22.5.1 for the reconciliation of FVOCI reserve for equity financial investments and note 22.5.2 for the reconciliation of FVOCI reserve for debt financial investments.

7. Loans and advances

7.1 Classification

	2021 Rm	2020 Rm
Loans and advances measured at fair value	**486**	2 204
Net loans and advances measured at amortised cost	**1 423 842**	1 269 051
Gross loans and advances measured at amortised cost	**1 475 240**	1 319 037
Home services	**434 104**	399 208
Vehicle and asset finance (note 7.2)	**110 653**	99 071
Card and payments	**36 367**	35 121
Personal unsecured lending[1]	**81 226**	73 607
Business lending and other[1]	**147 893**	118 286
Corporate and sovereign[2]	**455 404**	431 501
Bank	**209 593**	162 243
Expected credit losses on loans and advances (note 7.3)	**(51 398)**	(49 986)
Total loans and advances	**1 424 328**	1 271 255

1 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position.
2 Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had no impact on the statement of financial position.

7.2 Vehicle and asset finance

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

	2021			2020		
	Gross advances Rm	**Unearned finance charges Rm**	**Net advances Rm**	Gross advances Rm	Unearned finance charges Rm	Net advances Rm
Receivable within one year	**51 977**	**(8 449)**	**43 528**	35 199	(5 166)	30 033
Receivable between one and five years	**74 067**	**(8 738)**	**65 329**	78 248	(10 631)	67 617
Receivable after five years	**2 005**	**(209)**	**1 796**	1 755	(334)	1 421
Total	**128 049**	**(17 396)**	**110 653**	115 202	(16 131)	99 071

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

7. Loans and advances continued

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

	2021				2020			
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Opening ECL	6 175	10 555	33 256	49 986	5 138	7 527	22 614	35 279
Transfers between stages[1]	1 938	(1 242)	(696)		597	(1 842)	1 245	
Net impairments raised/ (released)	(1 922)	(473)	13 359	10 964	648	4 986	15 729	21 363
ECL on new exposure raised[2]	1 606	886	1 280	3 772	1 809	1 465	2 616	5 890
Subsequent changes in ECL	(3 090)	(826)	12 947	9 031	(850)	3 735	13 833	16 718
Change in ECL due to derecognition	(438)	(533)	(868)	(1 839)	(311)	(214)	(720)	(1 245)
Impaired accounts written off [3]			(13 318)	(13 318)			(8 616)	(8 616)
Exchange and other movements[4]	199	39	3 528	3 766	(208)	(116)	2 284	1 960
Closing ECL	6 390	8 879	36 129	51 398	6 175	10 555	33 256	49 986

1 The group's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the expected credit loss recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the column 'ECL on new exposure raised' based on the exposures' ECL stage as at the end of the reporting period. It is therefore possible to disclose new/originated exposures in stage 2 and 3.
2 The ECL recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the rows 'ECL on new exposures raised' based on the exposures' ECL stage as at the end of the reporting period.
3 The contractual amount outstanding on loans and advances that were written off during the year that are still subject to enforcement activities is R5.2 billion (2020: R3.1 billion).
4 Exchange and other movements includes the net interest in suspense (IIS), time value of money (TVM) unwind, raised and released during the year.

7. Loans and advances continued

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

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

		Transfer between stages			
	Opening ECL Rm	(From)/to stage 1 Rm	(From)/to stage 2 Rm	(From)/to stage 3 Rm	Total Rm
2021					
Home services	15 153	(1 184)	83	1 101	
Stage 1	844		448	736	1 184
Stage 2	3 064	(448)		365	(83)
Stage 3 (including IIS)	11 245	(736)	(365)		(1 101)
Vehicle and asset finance	5 648	(334)	147	187	
Stage 1	720		179	155	334
Stage 2	1 498	(179)		32	(147)
Stage 3 (including IIS)	3 430	(155)	(32)		(187)
Card and payments	3 444	(152)	197	(45)	
Stage 1	686		96	56	152
Stage 2	1 292	(96)		(101)	(197)
Stage 3 (including IIS)	1 466	(56)	101		45
Personal unsecured lending[1]	9 716	(101)	325	(224)	
Stage 1	1 371		47	54	101
Stage 2	2 063	(47)		(278)	(325)
Stage 3 (including IIS)	6 282	(54)	278		224
Business lending and other[1]	6 786	(73)	321	(248)	
Stage 1	913		132	(59)	73
Stage 2	1 185	(132)		(189)	(321)
Stage 3 (including IIS)	4 688	59	189		248
Corporate and sovereign[2]	8 669	(94)	169	(75)	
Stage 1	1 353		107	(13)	94
Stage 2	1 171	(107)		(62)	(169)
Stage 3 (including IIS)	6 145	13	62		75
Bank	70				
Stage 1	70				
Central and other	500				
Stage 1	218				
Stage 2	282				
Stage 3 (including IIS)					
Total	49 986	(1 938)	1 242	696	
Stage 1	6 175		1 009	929	1 938
Stage 2	10 555	(1 009)		(233)	(1 242)
Stage 3 (including IIS)	33 256	(929)	233		(696)

Net impairments raised/ (released) Rm	Impaired accounts written off Rm	TVM unwind and IIS movements Rm	Exchange and other movements Rm	Closing ECL Rm
1 083	(1 137)	499	27	15 625
(979)			10	1 059
(547)			6	2 440
2 609	(1 137)	499	11	12 126
1 275	(1 042)	366	90	6 337
(407)			4	651
(229)			9	1 131
1 911	(1 042)	366	77	4 555
3 635	(3 389)	201	(6)	3 885
(198)			2	642
52			5	1 152
3 781	(3 389)	201	(13)	2 091
3 297	(4 320)	1 014	33	9 740
11			25	1 508
61			(38)	1 761
3 225	(4 320)	1 014	46	6 471
1 830	(1 766)	631	55	7 536
(131)			88	943
424			7	1 295
1 537	(1 766)	631	(40)	5 298
(125)	(1 664)	409	421	7 710
(187)			44	1 304
(234)			50	818
296	(1 664)	409	327	5 588
(31)			26	65
(31)			26	65
				500
				218
				282
10 964	(13 318)	3 120	646	51 398
(1 922)			199	6 390
(473)			39	8 879
13 359	(13 318)	3 120	408	36 129

7. Loans and advances continued

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

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

		Transfers			
	Opening ECL Rm	(From)/to stage 1 Rm	(From)/to stage 2 Rm	(From)/to stage 3 Rm	Total Rm
2020					
Home services	10 910	(257)	339	(82)	
Stage 1	667		182	75	257
Stage 2	1 910	(182)		(157)	(339)
Stage 3 (including IIS)	8 333	(75)	157		82
VAF	3 720	(133)	368	(235)	
Stage 1	663		131	2	133
Stage 2	991	(131)		(237)	(368)
Stage 3 (including IIS)	2 066	(2)	237		235
Card and payments	2 656	(98)	236	(138)	
Stage 1	592		104	(6)	98
Stage 2	975	(104)		(132)	(236)
Stage 3 (including IIS)	1 089	6	132		138
Personal unsecured lending[1]	7 445	3	502	(505)	
Stage 1	1 253		59	(62)	(3)
Stage 2	1 780	(59)		(443)	(502)
Stage 3 (including IIS)	4 412	62	443		505
Business lending and other[1]	4 811	(112)	242	(130)	
Stage 1	696		106	6	112
Stage 2	717	(106)		(136)	(242)
Stage 3 (including IIS)	3 398	(6)	136		130
Corporate and sovereign[2]	5 692		155	(155)	
Stage 1	1 222		77	(77)	
Stage 2	1 154	(77)		(78)	(155)
Stage 3 (including IIS)	3 316	77	78		155
Bank	45				
Stage 1	45				
Stage 2					
Central and other					
Stage 1					
Stage 2					
Stage 3 (including IIS)					
Total	35 279	(597)	1 842	(1 245)	
Stage 1	5 138		659	(62)	597
Stage 2	7 527	(659)		(1 183)	(1 842)
Stage 3 (including IIS)	22 614	62	1 183		1 245

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

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

Net impairments raised/ (released) Rm	Impaired accounts written off Rm	TVM unwind and IIS movements Rm	Exchange and other movement Rm	Closing ECL Rm
4 272	(789)	826	(66)	15 153
(79)			(1)	844
1 500			(7)	3 064
2 851	(789)	826	(58)	11 245
2 719	(951)	264	(104)	5 648
(76)				720
884			(9)	1 498
1 911	(951)	264	(95)	3 430
2 837	(2 177)	128		3 444
(2)			(2)	686
555			(2)	1 292
2 284	(2 177)	128	4	1 466
4 465	(2 786)	740	(151)	9 713
143			(22)	1 371
833			(51)	2 060
3 489	(2 786)	740	(78)	6 282
2 662	(1 028)	197	147	6 789
145			(40)	913
753			(40)	1 188
1 764	(1 028)	197	227	4 688
3 879	(885)	519	(536)	8 669
270			(139)	1 353
179			(7)	1 171
3 430	(885)	519	(390)	6 145
29			(4)	70
29			(4)	70
500				500
218				218
282				282
21 363	(8 616)	2 674	(714)	49 986
648			(208)	6 175
4 986			(116)	10 555
15 729	(8 616)	2 674	(390)	33 256

7. Loans and advances continued

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

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

Changes in gross exposures relating to changes in ECL

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

- The ECL on new exposures raised of R3.8 billion (2020: R5.9 billion) primarily relates to the growth in the gross carrying amount from new exposures originated of:
  - Home services of R78 billion (2020: R50 billion)
  - Vehicle and asset finance of R29 billion (2020: R33 billion)
  - Business lending and other of R26 billion (2020: R38 billion for other loans and advances)
  - Corporate and sovereign of R31 billion (2020: R72 billion).
- The decrease in ECL due to impaired accounts written off of R13 billion (2020: R9 billion) resulted in an equal decrease to the gross carrying amount of loans and advances as exposures are 100% provided for before being written off.

The group's policy is to transfer between stages using opening ECL balances based on the exposures' ECL stage at the end of the reporting period. Therefore, the related gross carrying amount of the significant transfers primarily relate to the continued impact of Covid-19 together with positive collection trends, are as follows:

2021

- home services with a gross carrying amount of R3.6 billion that was in stage 2 was transferred to stage 1
- home services with a gross carrying amount of R429 million that was in stage 3 was transferred to stage 1
- home services with a gross carrying amount of R1.2 billion that was in stage 3 was transferred to stage 2
- vehicle and asset finance with a gross carrying amount of R744 million that was in stage 3 was transferred to stage 1
- vehicle and asset finance with a gross carrying amount of R160 million that was in stage 2 was transferred to stage 1
- card and payments with a gross carrying amount of R408 million that was in stage 2 was transferred to stage 1
- card and payments with a gross carrying amount of R626 million that was in stage 2 was transferred to stage 3
- personal unsecured lending with a gross carrying amount of R1.2 billion that was in stage 2 was transferred to stage 1
- business lending and other with gross carrying amount of R719 million that was in stage 2 was transferred to stage 3
- business lending and other with gross carrying amount of R510 million that was in stage 2 was transferred to stage 1
- corporate and sovereign with a gross carrying amount of R4.3 billion that was in stage 2 was transferred to stage 1

2020

- home services with a gross carrying amount of R8.3 billion that was in stage1 was transferred to stage 2
- home services with a gross carrying amount of R7.9 billion that was in stage 1 was transferred to stage 3
- vehicle and asset finance with a gross carrying amount of R3.5 billion that was in stage 1 was transferred to stage 2
- vehicle and asset finance with a gross carrying amount of R2.6 billion that was in stage 1 was transferred to stage 3
- card and payments with a gross carrying amount of R1.4 billion that was in stage 1 was transferred to stage 2
- card and payments with a gross carrying amount of R491 million that was in stage 2 was transferred to stage 3
- personal unsecured lending with a gross carrying amount of R1.4 billion that was in stage 2 was transferred to stage 3
- business lending and other with gross carrying amount of R982 million that was in stage 2 was transferred to stage 3
- business lending and other with gross carrying amount of R2.1 billion that was in stage 2 was transferred to stage 1
- corporate and sovereign with a gross carrying amount of R634 million that was in stage 2 was transferred to stage 3
- corporate and sovereign with a gross carrying amount of R4.8 billion that was in stage 2 was transferred to stage 1
- corporate and sovereign with a gross carrying amount of R2.0 billion that was in stage 1 was transferred to stage 3

7. Loans and advances continued

7.4 Modifications on loans and advances measured at amortised cost

	Stage 2		Stage 3	
	Gross amortised cost before modification Rm	Net modification loss/(gain) Rm	Gross amortised cost before modification Rm	Net modification loss/(gain) Rm
2021				
Home services	**791**	**40**	**28**	**6**
Vehicle and asset finance			**44**	**(2)**
Card and payments	**129**	**(2)**	**196**	**48**
Personal unsecured lending[1]	**800**	**91**	**41**	**10**
Business lending and other[1]	**75**	**1**	**115**	**23**
Corporate and sovereign[2]			**1 597**	**(21)**
Total	**1 795**	**130**	**2 021**	**64**
2020				
Home services	1 333	100		
Vehicle and asset finance			90	(2)
Card and payments	243	63	19	3
Personal unsecured lending[1]	106	42		
Business lending and other[1]	1 235	1		
Total	2 917	206	109	1

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

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

R55 billion (2020: R232 billion) is the gross carrying amount for modifications during the reporting period that resulted in no economic gain or loss (i.e. no net modification gain or loss).

Included in the above is client relief of R11.9 billion (2020: R129 billion) provided to home services, VAF, card, personal, business lending and other product clients to assist with temporary liquidity constraints as a result of the impact of Covid-19, as well as corporate and investment banking clients with exposure totalling R10.8 billion (2020: R24.8 billion) who qualified for Covid-19 relief, including increased liquidity facilities, loan restructuring, covenant relaxations and payment holidays.

8. Policyholders' contracts

	2021		2020	
	Policyholders' assets Rm	**Policyholders' (liabilities) Rm**	Policyholders' assets Rm	Policyholders' (liabilities) Rm
Policyholders' liabilities under insurance contracts	**2 868**	**(239 076)**	5 050	(218 238)
Insurance contracts (note 8.1)	**2 868**	**(229 944)**	5 050	(208 904)
Investment contracts with DPF[1,2] (note 8.1)		**(9 132)**		(9 334)
Policyholders' liabilities under investment contracts (note 8.2)		**(123 947)**		(106 954)
Total	**2 868**	**(363 023)**	5 050	(325 192)

Refer to footnotes in the following note 8.2.

8.1 Policyholders' and reinsurance assets and liabilities

	Insurance contracts			
	Policyholders' assets Rm	**Policyholders' liabilities Rm**	**Reinsurance assets and (liabilities) Rm**	**Investment contracts with DPF[1,2] Rm**
2021				
Balance at the beginning of the year	**5 050**	**(208 904)**	**2 379**	**(9 334)**
Reinsurance assets			**2 585**	
Reinsurance liabilities			**(206)**	
Inflows	**(10 811)**	**(68 263)**	**2 079**	**(2 604)**
Insurance premiums	**(9 459)**	**(34 243)**	**2 073**	**(1 206)**
Investment returns	**(1 352)**	**(33 962)**	**6**	**(1 398)**
Fee revenue		**(58)**		
Outflows	**11 617**	**47 057**	**(2 793)**	**2 804**
Claims and policyholders' benefits	**9 405**	**35 389**	**(3 209)**	**2 619**
Acquisition costs associated with insurance contracts	**1 181**	**2 028**	**(17)**	**62**
General marketing and administration expenses	**1 957**	**5 543**	**(19)**	**114**
Profit share allocations	**77**	**1 150**		
Finance costs and fair value adjustments on financial liabilities	**311**	**399**		
Taxation	**(1 314)**	**2 548**	**452**	**9**
Net income from insurance operations	**(2 988)**	**213**	**1 125**	**20**
Assumptions and modelling changes	**(2 359)**	**(102)**	**255**	
Discretionary and compulsory margins and other variances	**(1 002)**	**1 348**	**1 276**	**25**
New business	**(759)**	**(152)**	**11**	
Shareholder taxation on transfer of net income	**1 132**	**(881)**	**(417)**	**(5)**
Exchange differences		**(47)**	**5**	**(18)**
Balance at the end of the year	**2 868**	**(229 944)**	**2 795**	**(9 132)**
Reinsurance assets (note 9)			**3 000**	
Reinsurance liabilities (note 20)			**(205)**	
Liquidity profile				
Current	**552**	**(23 139)**	**993**	**(322)**
Non-current	**2 316**	**(206 805)**	**1 802**	**(8 810)**
Balance at the end of the year	**2 868**	**(229 944)**	**2 795**	**(9 132)**

Refer to footnotes in the following note 8.2.

8. Policyholders' contracts continued

8.1 Policyholders' and reinsurance assets and liabilities continued

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

Refer to footnotes in the following note 8.2.

8. Policyholders' contracts continued

8.2 Policyholders' liabilities under investment contracts

	2021 Rm	2020 Rm
Balance at the beginning of the year	**(106 954)**	(106 918)
Fund inflows from investment contracts (excluding switches)	**(19 494)**	(16 328)
Net fair value adjustment	**(17 629)**	(5 251)
Fund outflows from investment contracts (excluding switches)	**18 754**	20 261
Service fee income	**1 435**	1 226
Exchange differences	**(59)**	56
Balance at the end of the year	**(123 947)**	(106 954)
Liquidity profile		
Current	**(8 735)**	(8 384)
Non-current	**(115 212)**	(98 570)
Balance at the end of the year	**(123 947)**	(106 954)
Net expense from investment contracts[3]	**31**	121
Service fee income	**(1 435)**	(1 226)
Expenses	**1 466**	1 347
Investment returns on property expenses	**(220)**	(230)
Shareholder taxation on transfer of net income	**(16)**	(48)
Acquisition costs	**629**	584
General marketing and administration expenses	**1 047**	1 009
Finance costs	**26**	32

1 Discretionary participation feature (DPF).
2 The group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group, and applied in line with the Principles and Practices of Financial Management (PPFM). Given the discretionary nature of these investment returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.
3 Prior to deferred acquisition costs (DAC) and deferred revenue liability (DRL) adjustments.

9. Other assets

	2021 Rm	2020 Rm
Financial assets	**21 495**	25 524
Operating leases – accrued income (note 11)	**591**	643
Other financial assets[1,3]	**3 455**	3 032
Trading settlement assets	**10 564**	14 412
Accounts receivable[1]	**1 818**	2 161
Investment debtors[1]	**104**	1 021
Reinsurance assets (note 8)[2]	**3 526**	3 082
Retirement funds (note 43)	**1 437**	1 173
Non-financial assets	**14 937**	10 496
Items in the course of collection	**3 936**	1 041
Prepayments	**3 355**	2 930
Properties in possession	**113**	103
Fleet rental stock		5
Deferred acquisition costs	**780**	784
Insurance prepayments	**5 408**	4 792
Other non-financial assets[3]	**1 345**	841
Total	**36 432**	36 020

1 Due to the short-term nature of these assets, historical experience and forward looking information, debtors are regarded as having a low probability of default; therefore ECL is insignificant on these asset balances.
2 Reinsurance assets include short-term reinsurance assets of R526 million (2020: R497 million).
3 Restated. During 2021 it was noted that there was an amount of R841 million relating to other non-financial assets were erroneously included in other financial assets during 2020. The amount has been restated and the restatement had no impact on the group's statement of financial position.

10. Interest in associates and joint ventures

	2021 Rm	2020 Rm
Equity accounted associates and joint ventures		
Carrying value at the beginning of the year	6 498	5 423
Share of profits	1 094	1 084
Impairments of associates and joint ventures		(52)
Acquisitions	219	9
Disposals	(31)	
Disposal of group assets held for sale (note 5)	(239)	
Share of OCI movements	113	94
Foreign currency translation reserve	67	(240)
Other	46	334
Distribution of profit	(374)	(60)
Carrying value at the end of the year	7 280	6 498

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

Refer to annexure B for further information.

11. Investment property

	2021 Rm	2020 Rm
Fair value at the beginning of the year	29 917	34 180
Revaluations net of lease straight-lining	(697)	(5 419)
Revaluations	(749)	(5 651)
Net movement on straight-lining operating leases	52	232
Additions – capitalised subsequent expenditure and acquisitions[1]	981	998
Disposals		(62)
Transfers (to)/from owner occupied properties (note 12)	(58)	223
Exchange movements	(2)	(3)
Disposal group assets classified as held for sale	(156)	
Fair value at the end of the year	29 985	29 917
Investment property and related operating lease balances comprise the following		
Investment properties at fair value	29 985	29 917
Operating leases – accrued income (note 9)	591	643
Total investment property	30 576	30 560
Amount recognised in profit or loss		
Rental income earned	2 841	2 997
Direct operating expenses	1 079	1 000

[1] Includes cash and non-cash additions.

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

11. Investment property continued

Minimum lease payments receivable from investment management and life insurance activities

	2021 Rm	2020 Rm
Maturity analysis of undiscounted rental income from investment properties		
Up to one year	**1 827**	2 005
Between one and two years	**1 457**	1 531
Between two and three years	**954**	1 132
Between three and four years	**647**	735
Between four and five year	**462**	477
Over five years	**2 111**	2 423
Total	**7 458**	8 303

11. Investment property continued

Basis of valuation

The full portfolio of South African located properties was independently valued as at 31 December 2021 by registered professional valuers, registered in terms of the Property Valuers Professional Act, No. 47 of 2000 and are registered with the Royal Institute of Chartered Surveyors. The Africa Regions located properties were independently valued as at 31 December 2021 by various registered professional valuers in each territory.

The valuation of the South African properties is prepared in accordance with the guidelines of and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions.

The basis of value is "fair value" which is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

The properties have been valued using the discounted cash flow methodology based on significant unobservable inputs and whereby the forecasted net cash flow and residual value of the asset at the end of the forecasted cash flow period are discounted back to the valuation date, resulting in a present value of the asset.

The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate.

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

12. Property, equipment and right of use assets

	Property	
	Freehold Rm	Leasehold Rm
Net book value at 1 January 2020	7 210	672
Cost	8 646	3 725
Accumulated depreciation and impairment	(1 436)	(3 053)
Movement	(308)	542
Additions and modifications[3]	1 215	292
Disposals and terminations	(663)	(360)
Depreciation	(189)	(278)
Disposal of group assets held for sale (note 5)		
Exchange and other movements[4]	(448)	888
Transfer to investment property (note 11)	(223)	
Net book value at 31 December 2020	**6 902**	**1 214**
Cost	**8 390**	**3 035**
Accumulated depreciation and impairment	**(1 488)**	**(1 821)**
Movement	**974**	**17**
Additions and modifications[3]	**1 192**	**260**
Disposals and terminations	**(6)**	**(7)**
Depreciation	**(184)**	**(259)**
Disposal of group assets held for sale (note 5)	**(220)**	
Exchange and other movements	**134**	**23**
Transfer from investment property (note 11)	**58**	
Net book value at 31 December 2021	**7 876**	**1 231**
Cost	**9 574**	**3 273**
Accumulated depreciation and impairment	**(1 698)**	**(2 042)**

1 This balance primarily relates to motor vehicles that are leased to third parties under operating leases. The group is the lessor. Refer to note 24.3.2.
2 Refer to notes 6 and 20.3 for more detail relating to leasing activities.
3 Modifications relate to IFRS 16 right of use assets only.
4 Line items have been aggregated to ensure the note presents separately each material movement for the year. The aggregation did not impact the statement of financial position.

Property and equipment include work in progress of R26 260 million (2020: R1 790 million) for which depreciation has not yet commenced (refer to note 24.2 for details regarding capital commitments).

12.1 Valuation

The fair value of completed freehold property, based on valuations undertaken for the period 2018 to 2021 was estimated at R9 630 million (2020: R9 068 million). Registers of freehold property are available for inspection by members, or their authorised agents, at the registered office of the company and its subsidiaries. Valuations were generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

	Equipment				Right of use assets[2]			
	Computer equipment Rm	Furniture and fittings Rm	Office equipment Rm	Motor vehicles[1] Rm	Buildings Rm	Branches Rm	ATM spacing and other Rm	Total Rm
	3 596	3 071	1 361	1 909	1 578	2 334	287	22 018
	11 888	7 584	2 027	2 336	2 261	3 199	434	42 100
	(8 292)	(4 513)	(666)	(427)	(683)	(865)	(147)	(20 082)
	350	(688)	(901)	(729)	548	(339)	209	(1 316)
	1 813	315	194	1 148	2 194	559	368	8 098
	(60)	(390)	(14)	(1 606)	(946)	(16)	(6)	(4 061)
	(1 687)	(590)	(181)	(263)	(620)	(892)	(158)	(4 858)
	(3)		(4)	(8)				(15)
	287	(23)	(896)		(80)	10	5	(257)
								(223)
	3 946	**2 383**	**460**	**1 180**	**2 126**	**1 995**	**496**	**20 702**
	11 565	**6 253**	**1 367**	**1 651**	**3 255**	**3 701**	**790**	**40 007**
	(7 619)	**(3 870)**	**(907)**	**(471)**	**(1 129)**	**(1 706)**	**(294)**	**(19 305)**
	(261)	**33**	**76**	**(266)**	**(267)**	**(379)**	**(10)**	**(83)**
	913	**538**	**201**	**415**	**246**	**495**	**140**	**4 400**
	(70)	**(50)**	**(13)**	**(496)**	**(38)**	**(49)**		**(729)**
	(1 559)	**(564)**	**(143)**	**(206)**	**(538)**	**(848)**	**(177)**	**(4 478)**
		(10)						**(230)**
	455	**119**	**31**	**21**	**63**	**23**	**27**	**896**
								58
	3 685	**2 416**	**536**	**914**	**1 859**	**1 616**	**486**	**20 619**
	11 448	**6 488**	**1 471**	**1 466**	**3 462**	**4 127**	**911**	**42 220**
	(7 763)	**(4 072)**	**(935)**	**(552)**	**(1 603)**	**(2 511)**	**(425)**	**(21 601)**

13. Goodwill and other intangible assets

	Goodwill Rm	Computer software Rm	Present value of in-force life insurance (PVIF) Rm	Other intangible assets Rm	Total Rm
Net book value at 1 January 2020	2 283	20 012	12	16	22 323
Cost	4 256	37 607	1 465	720	44 048
Accumulated amortisation and impairment	(1 973)	(17 595)	(1 453)	(704)	(21 725)
Movements	(76)	(3 974)	(5)	(6)	(4 061)
Additions		2 068			2 068
Amortisation		(2 685)	(5)	(6)	(2 696)
Exchange movements	(76)	(136)			(212)
Impairments		(3 221)			(3 221)
Net book value at 31 December 2020	**2 207**	**16 038**	**7**	**10**	**18 262**
Cost	**4 142**	**39 672**	**157**	**39**	**44 010**
Accumulated amortisation and impairment	**(1 935)**	**(23 634)**	**(150)**	**(29)**	**(25 748)**
Movements	**75**	**(1 424)**	**(3)**	**3**	**(1 349)**
Additions	**3**	**1 623**		**10**	**1 636**
Disposals		**(68)**			**(68)**
Amortisation		**(2 792)**	**(3)**	**(7)**	**(2 802)**
Disposal group held for sale (note 5)		**(255)**			**(255)**
Exchange movements	**86**	**235**			**321**
Impairments	**(14)**	**(167)**			**(181)**
Net book value at 31 December 2021	**2 282**	**14 614**	**4**	**13**	**16 913**
Cost	**4 257**	**40 993**	**49**	**78**	**45 377**
Accumulated amortisation and impairment	**(1 975)**	**(26 379)**	**(45)**	**(65)**	**(28 464)**

R94 million (2020: R98 million) of borrowing costs were capitalised to computer software. Borrowing costs are capitalised using an average rate of 4.2% (2020: 7.7%).

Intangible assets include work in progress of R2 153 million (2020: R3 033 million) for which amortisation has not yet commenced.

13.1 Goodwill

	2021			2020		
	Gross goodwill Rm	**Accumulated impairment Rm**	**Net goodwill Rm**	Gross goodwill Rm	Accumulated impairment Rm	Net goodwill Rm
Stanbic IBTC Holdings PLC	**2 043**	**(1 079)**	**964**	1 995	(1 053)	942
Stanbic Holdings PLC (Kenya)	**1 038**		**1 038**	995		995
Other	**1 176**	**(896)**	**280**	1 152	(882)	270
Total	**4 257**	**(1 975)**	**2 282**	4 142	(1 935)	2 207

Stanbic IBTC Holdings PLC

Based on the impairment test performed, no impairment was recognised for 2021 or 2020.

Stanbic Holdings PLC (Kenya)

Based on the impairment test performed, no impairment was recognised for 2021 or 2020.

Goodwill relating to other entities

The remaining aggregated carrying amount of the goodwill of R280 million (2020: R270 million) has been allocated to CGUs that are not considered to be individually significant. Based on the impairment testing performed, no impairments were recognised on these CGUs for 2021 or 2020, movement in accumulated impairment relates to foreign currency movements of previous impairments.

13. Goodwill and other intangible assets continued

13.2 Impairment of computer software

2021

During 2021, the group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by a total amount of R167 million.

2020

During 2020, the group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by a total amount of R3 221 million. Through the performance of the impairment test, the following computer software intangible assets have been identified as impaired:

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

14. Deferred taxation

14.1 Deferred tax analysis

	2021 Rm	2020 Rm
Accrued interest receivable	62	11
Assessed losses[1]	(338)	(848)
Leased assets included in loans and advances	56	81
Capital gains tax	1 954	1 156
Credit impairment charges	(5 247)	(5 180)
Property, equipment and right of use assets	1 415	1 868
Derivatives and financial instruments	39	16
Fair value adjustments on financial instruments	333	176
Intangible asset – PVIF	(4)	(6)
Policyholder change in valuation basis	933	1 433
Post-employment benefits	240	156
Share-based payments	(923)	(763)
Special transfer to policyholder tax fund	(1 811)	(1 389)
Provisions and other items	(892)	(447)
Deferred tax closing balance	**(4 183)**	**(3 736)**
Deferred tax liabilities	2 720	2 885
Deferred tax assets	(6 903)	(6 621)

[1] The group has estimated tax losses of R1 391 million (2020: R2 964 million) which are available for set-off against future taxable income. These tax losses have arisen from the group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities, refer to annexure F for detailed accounting policies.

14. Deferred taxation continued

14.2 Deferred tax reconciliation

	2021 Rm	2020 Rm
Deferred tax at the beginning of the year	**(3 736)**	(635)
Total temporary differences for the year	**(447)**	(3 101)
Accrued interest receivable	**51**	(43)
Assessed losses	**510**	(435)
Leased assets included in loans and advances	**(25)**	(3)
Capital gains tax	**798**	166
Credit impairment charges	**(67)**	(1 360)
Property, equipment and right of use asset	**(453)**	(974)
Derivatives and financial instruments	**23**	17
Fair value adjustments on financial instruments	**157**	(196)
Intangible asset – PVIF	**2**	
Policyholder change in valuation basis	**(500)**	(464)
Post-employment benefits	**84**	51
Share-based payments	**(160)**	192
Special transfer to life fund	**(422)**	(547)
Provisions and other items	**(445)**	495
Deferred tax at the end of the year	**(4 183)**	(3 736)
Recognised in OCI	**87**	(77)
Fair value adjustments on financial instruments	**76**	(118)
Defined benefit fund remeasurements	**55**	55
Other	**(44)**	(14)
Recognised in equity – deferred tax on share-based payments	**(20)**	291
Recognised in the income statement	**(256)**	(3 306)
Exchange differences	**(258)**	(9)
Recognised in OCI	**4**	9
Recognised in the income statement	**(262)**	(18)
Total temporary differences	**(447)**	(3 101)

15. Share capital

15.1 Authorised

	2021 Rm	2020 Rm
2 billion ordinary shares (2020: 2 billion)[1]	200	200
8 million first preference shares (2020: 8 million)[2]	8	8
1 billion second preference shares (2020: 1 billion)[3]	10	10
Total	218	218

1 Ordinary shares comprise shares of 10 cents each traded on the JSE and A2X under the symbol SBK, and on the NSX under the symbol SNB.
2 First preference shares comprise 6.5% first cumulative preference shares of R1 each traded on the JSE under the symbol SBKP.
3 Second preference shares comprise non-redeemable, non-cumulative, non-participating preference shares of 1 cent each traded on the JSE under the symbol SBPP. The non-redeemable, non-cumulative, non-participating preference shares are entitled to an annual dividend, if declared, payable in two semi-annual instalments of not less than 77% of the prime interest rate multiplied by the subscription price of R100 per share.

15.2 Issued

	2021 Rm	2020 Rm
Ordinary shares	18 021	18 016
Ordinary share capital	162	162
Ordinary share premium	17 859	17 854
Other equity instruments attributable to owners of parent	16 052	12 528
First preference share capital	8	8
Second preference share capital	1	1
Second preference share premium	5 494	5 494
Additional tier 1 capital (note 15.8)	10 549	7 025
Total	34 073	30 544

Holders of ordinary share capital hold one vote per ordinary share at the group's AGM.

First preference shareholders and second preference shareholders are not entitled to voting rights unless:

- the fixed preference dividend payable is in arrears for more than six months, or
- a resolution to be tabled at the shareholders' meeting varies or cancels any of the special rights attached to that preference share or for the reduction of its capital.

In the event that a resolution is tabled at the AGM to authorise, if circumstances are correct, the repurchase of second preference shares, the shareholders will be permitted to vote on the resolution at the AGM. In terms of paragraph 8.3.9 of the memorandum of incorporation, at this meeting the preference shareholders will be entitled to the portion of the total votes which the aggregate amount of the nominal value of the shares held bears to the aggregate amount of the nominal value of all the shares held.

Additional tier 1 capital holders have no voting rights.

	Number of ordinary shares
Reconciliation of shares issued	
Shares in issue at 1 January 2020	1 619 709 548
Shares issued during 2020 in terms of the group's equity compensation plans	231 636
Shares in issue at 31 December 2020	1 619 941 184
Treasury shares held by entities within the group	27 036 663
Shares held by other shareholders	1 592 904 521
Shares issued during 2021 in terms of the group's equity compensation plans	35 353
Shares in issue at 31 December 2021	1 619 976 537
Treasury shares held by entities within the group	28 404 495
Shares held by other shareholders	1 591 572 042

All issued shares are fully paid up. There has been no movement in the first and second preference shares during the year. The number of shares in issue for first and second preference shares are 8 000 000 and 52 982 248 respectively.

15. Share capital continued

15.3 Unissued shares

	2021 Number of shares	2020 Number of shares
Ordinary unissued shares	**257 354 962**	257 124 108
Ordinary shares reserved to meet the requirements of EGS and GSIS[1]	**122 668 501**	122 703 854
Ordinary shares reserved in terms of the rules of EGS and GSIS as approved by members' resolution dated 27 May 2010	**155 825 715**	155 825 715
Less: issued to date of the above resolution for the EGS and GSIS schemes	**(33 157 214)**	(33 121 861)
Unissued ordinary shares	**380 023 463**	379 827 962
Unissued second preference shares	**947 017 752**	947 017 752

1 During the year, 35 353 (2020: 231 636) ordinary shares were issued in terms of the group's equity compensation plans, notably the Equity Growth Scheme and Group Share Incentive Scheme. No surplus capital was used to purchase ordinary shares in 2021 (2020: no shares) to counteract the dilutive impact of the shares issued under the equity compensation plans. Effective from 2017, the group no longer issues EGS and GSIS awards. The last awards in GSIS were issued in 2011 and for the EGS, the last award was made in 2016. Awards are now provided in terms of the group's other share schemes, notably the Deferred Bonus Scheme and the Share Appreciation Rights Plan, both of which are settled by the group to employees with shares that the group purchases from external market participants, and the Cash-Settled Deferred Bonus Scheme, which is settled in cash (refer to annexure D: Group share incentive schemes for further information). At the end of the year, the group would need to issue 115 705 (2020: 383 111) SBG ordinary shares to settle the outstanding GSIS options and EGS rights that were awarded to participants in previous years. The shares issued to date for the EGS and GSIS together with the expected number of shares to settle the outstanding options and rights as a percentage of the total number of shares in issue is 2.1% (2020: 2.1%).

15.4 Interest of directors in the capital of the company

	Direct beneficial[1]		Indirect beneficial[1]	
	2021 Number of shares	2020 Number of shares	2021 Number of shares	2020 Number of shares
Ordinary shares[3]	**993 865**	1 047 470	**183 779**	248 059
A Daehnke	**202 580**	192 270	**69 104**	133 384
GJ Fraser Moleketi	**1 890**	1 890	**14 675**	14 675
TS Gcabashe[2]	**43 205**	41 700		
JH Maree	**163 109**	163 109		
KD Moroka[2]	**67 151**	67 151		
ANA Peterside CON			**100 000**	100 000
MJD Ruck	**25 000**	25 000		
SK Tshabalala	**490 930**	556 350		
Second preference shares	**10 331**	10 331		3 034
JH Maree	**10 331**	10 331		3 034

1 As per JSE Listings Requirements.
2 Includes an allocation of shares in terms of the Tutuwa management trust.
3 Shares held by directors under share incentive scheme 1 073 568 (2020: 901 101).

There have been no changes to directors' interests in the group's share capital between 1 January 2022 and 10 March 2022 other than the impact explained in note 44 regarding the details relating to the acquisition of Liberty Holdings Limited shares from non-controlling interests.

15.5 General authority of directors to issue shares[1]

	2021 Number of shares	2020 Number of shares
Ordinary shares	**40 498 530**	40 492 739
Second preference shares	**1 324 556**	1 324 556

1 The general authority expires at the annual general meeting on 31 May 2022.

15. Share capital continued

15.6 Treasury shares

	2021 Number of shares	2020 Number of shares
Purchased during the year[1,3]	44 318 954	58 085 721
Total treasury shares held at the end of year[2]	28 404 495	27 036 663

1 Total number of ordinary shares purchased during the year by the group's banking activities to facilitate client trading activities and by the group's insurance activities for the benefit of policyholders as well as share buy-backs to mitigate the dilutive impact as a result of the group's share incentive schemes.
2 Total number of ordinary shares held at the end of the year by the group's banking and insurance activities in terms of the transactions mentioned above.
3 Restated. The number of treasury shares purchased in 2020 erroneously included 8 905 853 shares relating to collateral pledged portfolios, which should not be included. The restatement had no impact on the group's per share ratios, statement of financial position or statement of changes in equity.

15.7 Shareholder analysis

	2021		2020	
	Number of shares (million)	% holding	Number of shares (million)	% holding
Spread of ordinary shareholders (million)				
Public[1, 4]	1 046.2	64.6	1 049.0	64.8
Non-public[1, 4]	573.8	35.4	570.9	35.2
Directors, associates of directors and prescribed officers of SBG, and its subsidiaries[2]	1.3	0.1	1.5	0.1
ICBC	325.0	20.1	325.0	20.1
Government Employees Pension Fund (Investment managed by PIC)[4]	234.9	14.5	229.5	14.2
SBG retirement funds	2.1	0.1	1.8	0.1
Restricted from trading for longer than six months	0.9	0.1	0.5	
Tutuwa participants[3]	9.4	0.5	12.4	0.7
Associates of directors	0.2		0.2	
Total	1 620.0	100.0	1 619.9	100.0

Refer to footnotes below table that follows.

	2021		2020	
	Number of shares	% holding	Number of shares	% holding
Spread of first preference shareholders				
Public[1]	8 000 000	100	8 000 000	100
Spread of second preference shareholders	52 982 248		52 982 248	
Public[1]	52 971 917	100	52 968 883	100
Non-public[1]	10 331		13 365	
Directors, associates of directors and prescribed officers of SBG, and its subsidiaries[2]	10 331		13 365	
Total	52 982 248	100	52 982 248	100

1 As per the JSE Listings Requirements.
2 Excludes indirect holdings of strategic partners, which are included in Tutuwa participants.
3 Includes Tutuwa Community Trust, Tutuwa Strategic Holdings 1 and 2, and Tutuwa Managers' Trusts.
4 Restated. During 2021, it was noted that the number of shares held and the % holding for the Government Employees Pension Fund were understated by 28.5 million and 1.8%. Publicly held shares and % holding were overstated by 28.5 million and 1.8%. The statement changes in equity and the statement of financial position were not affected.

15. Share capital continued

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

Bond	Date issued	First callable date	Notional and carrying value 2021 Rm	Notional and carrying value 2020 Rm
SBT101	30 March 2017	31 March 2022	**1 744**	1 744
SBT102	21 September 2017	30 September 2022	**1 800**	1 800
SBT103	20 February 2019	31 March 2024	**1 942**	1 942
SBT104	29 September 2020	30 September 2025	**1 539**	1 539
SBT105	29 March 2021	31 March 2026	**1 800**	
SBT106	12 October 2021	31 December 2026	**1 724**	
Total			**10 549**	7 025

During 2021, the group issued an additional Basel III compliant AT1 capital bond amounting to R3.5 billion (2020: R1.5 billion). The capital notes are perpetual, non-cumulative with an issuer call option after a minimum period of five years and one day and on every coupon payment date thereafter.

Coupons to the value of R746 million (2020: R583 million) were paid to AT1 capital bond holders. Current tax of R208 million (2020: R163 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R538 million (2020: R420 million).

The terms of the Basel III compliant AT1 capital bonds include a regulatory requirement which provides for the write-off, in whole or in part, on the earlier of a decision by the SARB that a write-off without which the issuer would have become non-viable is necessary, or a decision to make a public sector injection of capital or equivalent support, without which the issuer would have become non-viable.

The AT1 capital bonds do not have a contractual obligation to pay cash, hence they have been recognised within equity attributable to other equity instrument holders on the statement of financial position. Holders of AT1 capital do not have voting rights at the group's annual general meeting.

16. Empowerment reserve

SBG and Liberty entered into a series of transactions in 2004 whereby investments were made in cumulative redeemable preference shares issued by black economic empowerment (BEE) entities which are SEs. The initial investments made by SBG and Liberty totalled R4 017 million and R1 251 million respectively. The proceeds received were used by the BEE entities to purchase 99 190 197 ordinary shares of SBG. All participants were subject to a ten-year lock-in period which expired on 31 December 2014.

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

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

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

	2021 Rm	2020 Rm
Liberty (after non-controlling interest)	**61**	61
Outstanding shares issued	**61**	61

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

17. Trading liabilities

	2021 Rm	2020 Rm
Collateral	4 084	4 247
Credit-linked notes	9 333	9 056
Government, municipality and utility bonds	3 535	7 639
Listed equities	45 488	34 413
Repurchase and other collateralised agreements	10 802	13 744
Unlisted equities and other instruments	8 242	12 162
Total	81 484	81 261

18. Deposits and debt funding

	2021 Rm	2020 Rm
Deposits and debt funding from banks	143 141	132 174
Deposits and debt funding from customers	1 633 474	1 491 870
Current accounts	329 669	282 291
Cash management deposits	253 750	265 828
Call deposits	482 239	431 300
Savings accounts	42 558	37 729
Term deposits	325 445	285 899
Negotiable certificates of deposit	102 777	109 827
Foreign currency funding	87 933	68 853
Other funding	9 103	10 143
Total	1 776 615	1 624 044

19. Subordinated debt

	Redeemable/ repayable date	First callable date	Notional value[1] Million	Carrying value[1] 2021 Rm	Carrying value[1] 2020 Rm
Subordinated debt qualifying as SARB regulatory banking capital					
Standard Bank Group Limited				**22 746**	19 353
SBT201[2]	13 February 2028	13 February 2023	ZAR3 000	2 978	3 026
SBT202[2]	3 December 2028	3 December 2023	ZAR1 516	1 522	1 523
SBT203[2]	3 December 2028	3 December 2023	ZAR484	510	535
SBT204[2]	16 April 2029	16 April 2024	ZAR1 000	1 012	1 012
SBT205[2]	31 May 2029	31 May 2024	USD400	6 525	6 236
SBT206[2]	31 January 2030	31 January 2025	ZAR2 000	2 019	2 018
SBT207[2]	25 June 2030	25 June 2025	ZAR3 500	3 498	3 503
SBT208[2]	28 November 2030	28 November 2025	ZAR1 500	1 509	1 500
SBT209[2]	29 June 2031	29 June 2026	ZAR1 722	1 723	
SST201[2]	8 December 2031	8 December 2026	ZAR1 444	1 450	
The Standard Bank of South Africa				**992**	2 798
SBK26[2]	25 April 2026	25 April 2021	ZAR500		518
SBK25[2]	25 April 2026	25 April 2021	ZAR1 200		1 216
SBK23	28 May 2027	28 May 2022	ZAR1 000	992	1 064
Subordinated debt issued to group companies[3]					(28)
Total subordinated debt qualifying as SARB regulatory banking capital				**23 738**	22 123
Africa Regions' subordinated debt not qualifying as SARB regulatory banking capital				**1 106**	1 086
Stanbic Bank Kenya[4]	1 January 2029	1 January 2024	USD20	321	298
Standard Bank Eswatini[4]	30 June 2023	30 June 2028	E100	104	105
Stanbic Botswana[4]	2022 – 2024	2027 – 2029	BWP500	681	683
Total subordinated debt – banking activities				**24 844**	23 209
Subordinated debt from investment management and life insurance activities					
Qualifying as regulatory insurance capital				**5 586**	6 097
LGL 05	12 December 2021		ZAR500		508
LGL 06	4 October 2022		ZAR400	421	437
LGL 07	4 October 2022		ZAR600	606	608
LGL 08	28 February 2023		ZAR900	911	915
LGL 09	28 February 2024		ZAR1 100	1 129	1 131
LGL 10	8 October 2025		ZAR1 000	997	992
LGL 11	9 September 2026		ZAR1 500	1 522	1 506
Total				**30 430**	**29 306**

1 The difference between the carrying and notional value represents foreign exchange movements, transaction costs included in the initial carrying amounts, accrued interest and the unamortised fair value adjustments relating to bonds, where applicable, hedged for interest rate risk.
2 Basel III compliant tier 2 instruments which contain a contractual non-viability write-off feature.
3 Includes R8 million accrued interest expense (2020: R16 million accrued interest income) relating to subordinated debt from investment management and life insurance activities and accrued interest income of R8 million (2020: R12 million) relating to Africa Regions.
4 The note disclosure has been disaggregated to provide a better analysis of African region bonds. This change did not impact the statement of financial position.

20. Provisions and other liabilities

20.1 Classification

	2021 Rm	2020 Rm
Financial liabilities	**119 428**	108 055
Cash-settled share-based payment liability (annexure D)	**438**	330
Collateral and other insurance risk management liabilities	**5 988**	11 512
Insurance payables	**12 477**	11 234
Reinsurance liabilities (note 8.1)	**205**	206
Short term insurance liability	**1 170**	1 058
Third-party liabilities arising on consolidation of mutual funds (note 20.2)	**72 734**	61 505
Expected credit loss for off-balance sheet exposure (note 20.3)	**588**	645
Trading settlement liabilities	**9 220**	8 588
Lease liabilities (note 20.4)[1]	**4 330**	4 929
Other financial liabilities[1,2]	**12 278**	8 048
Non-financial liabilities	**34 356**	29 839
Items in the course of transmission	**13 769**	10 818
Post-employment benefits (note 43)	**1 073**	1 102
Staff-related accruals[4]	**14 453**	10 903
Deferred revenue liability	**371**	345
Other non-financial liabilities[1,2,3]	**4 690**	6 671
Total	**153 784**	137 894

1 Restated. In 2020, an IFRS 16 consolidation entry of R195 million was erroneously eliminated against other provisions and liabilities instead of lease liabilities. This restatement has no impact on the statement of financial position.
2 Restated. During 2021, it was noted that there was an amount of R8 048 million relating to other financial liabilities erroneously included in other non-financial liabilities during 2020. The amount has been restated. This restatement had no impact on the group's statement of financial position.
3 Included in other non-financial liabilities are liabilities of a short-term nature such as accrued expenses and sundry provisions. Sundry provisions opening balance is R2 650 million (2020: R2 575 million) and closing balance is R2 828 million (2020: R2 650 million), resulting in a net charge of R178 million (2020: net charge R75 million).
4 During 2020 deferred revenue liability was incorrectly included within financial liabilities instead of non-financial liabilities. This restatement had no impact on the group's statement of financial position.

20.2 Third-party liabilities arising on consolidation of mutual funds

	2021 Rm	2020 Rm
Balance at the beginning of the year	**61 505**	56 758
Additional mutual funds classified as subsidiaries	**1 627**	3 000
Distributions	**(1 182)**	(1 392)
Fair value adjustments	**10 334**	4 488
Mutual funds no longer classified as subsidiaries	**(7 132)**	(2 129)
Net capital contribution or change in effective ownership	**7 582**	780
Balance at the end of the year	**72 734**	61 505

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

20. Provisions and other liabilities continued

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

Letters of credit, bank acceptances and guarantees	Opening balance Rm	Net ECL (released)/ raised Rm	Exchange and other movements Rm	Closing balance Rm
2021				
Stage 1	**218**	**(1)**	**15**	**232**
Stage 2	**107**	**(32)**	**1**	**76**
Stage 3	**320**	**(37)**	**(3)**	**280**
Total	**645**	**(70)**	**13**	**588**
2020				
Stage 1	169	61	(12)	218
Stage 2	69	43	(5)	107
Stage 3	122	197	1	320
Total	360	301	(16)	645

20.4 Reconciliation of lease liabilities

	Balance at 1 January Rm	Additions/ modification Rm	Terminations and/or cancellations Rm	Interest expense[1] Rm	Payments[2] Rm	Exchange and other movements Rm	Balance at 31 December Rm
2021							
Buildings	**2 543**	**262**	**(96)**	**145**	**(675)**	**126**	**2 305**
Branches	**1 869**	**499**	**(54)**	**136**	**(924)**	**(3)**	**1 523**
ATM spacing and other	**517**	**13**	**(5)**	**20**	**(47)**	**4**	**502**
Total	**4 929**	**774**	**(155)**	**301**	**(1 646)**	**127**	**4 330**
2020							
Buildings[3]	1 447	2 051	(39)	136	(715)	(337)	2 543
Branches	2 131	490	(8)	187	(943)	12	1 869
ATM spacing and other	282	375	(3)	25	(161)	(1)	517
Total	3 860	2 916	(50)	348	(1 819)	(326)	4 929

1 As at 31 December 2021, R271 million (2020: R326 million) of this interest expense was included in income from banking activities and R30 million (2020: R22 million) was included in operating expenses in investment management and life insurance activities.
2 These amounts includes the principal lease payments as disclosed in the statements of cash flows of R1 345 million (2020: R1 471 million). The remainder represents interest expense paid during the year.
3 Restated. In 2020, an IFRS 16 consolidation entry of R195 million was erroneously eliminated against other provisions and liabilities instead of lease liabilities. This restatement has no impact on the statement of financial position.

The group leases various offices, branch space and ATM space. Rental contracts are typically made for fixed average periods of between three to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The additions/modifications during 2021 primarily comprise of renewals of various offices, branch space and ATM space leases. The maturity analysis for the lease liability is as follows R3 161 million within one year (2020: R2 353 million) and R1 169 million within one to five years (2020: R1 627 million).

21. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

All financial assets and liabilities have been classified according to their measurement category as per IFRS 9 with disclosure of the fair value being provided for those items.

	Note	Fair value through profit or loss		
		Held-for-trading Rm	Designated at fair value Rm	Default Rm
2021				
Assets				
Cash and balances with central banks	1			80 602
Derivative assets	2	63 688		
Trading assets	3	285 020		
Pledged assets	4	5 005		3 877
Disposal of group assets held for sale	5			361
Financial investment	6		38 399	396 259
Loans and advances	7			486
Policyholders' assets	8			
Interest in associates and joint ventures	10			
Investment property	11			
Other financial assets[3]	9			
Other non-financial assets				
Total assets		353 713	38 399	481 585
Liabilities				
Derivative liabilities	2	67 259		
Trading liabilities	17	81 484		
Disposal of group liabilities held for sale	5			
Deposits and debt funding	18		3 576	
Policyholders' liabilities[4]	8		123 947	
Subordinated debt	19		5 578	
Other financial liabilities[3]	20		81 662	
Other non-financial liabilities				
Total liabilities		148 743	214 763	

1 Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
2 Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities. Refer to the fair value section in accounting policy 4 – Fair value in annexure F and key management assumptions for a description on how fair values are determined.
3 The fair value of other financial assets and liabilities measured at amortised cost approximates the carrying value due to their short-term nature.
4 The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

Fair value through other comprehensive income						
Debt instruments Rm	Equity instruments Rm	Total assets and liabilities measured at fair value Rm	Amortised cost Rm[1]	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		80 602	10 567		91 169	91 169
		63 688			63 688	63 688
		285 020			285 020	285 020
4 143		13 025	1 153		14 178	14 179
		361		664	1 025	361
71 435	1 015	507 108	217 592		724 700	725 560
		486	1 423 842		1 424 328	1 422 896
				2 868	2 868	
				7 280	7 280	
				29 985	29 985	29 985
			21 495		21 495	
				60 081	60 081	
75 578	1 015	950 290	1 674 649	100 878	2 725 817	
		67 259			67 259	67 259
		81 484			81 484	81 484
				96	96	
		3 576	1 773 039		1 776 615	1 776 542
		123 947		239 076	363 023	123 947
		5 578	24 852		30 430	31 614
		81 662	37 766		119 428	
				44 633	44 633	
		363 506	1 835 657	283 805	2 482 968	

21. Classification of assets and liabilities continued

Accounting classifications and fair values of assets and liabilities continued

All financial assets and liabilities have been classified according to their measurement category as per IFRS 9 with disclosure of the fair value being provided for those items.

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

1 Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
2 Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
3 The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature. Refer to the fair value section in accounting policy 4 – Fair value in annexure F and key management assumptions for a description on how fair values are determined.
4 Restated. Refer to Note 9 – Other Assets and Note 20 – Provisions and Other Liabilities for further detail
5 The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

	Fair value through other comprehensive income						
	Debt instruments Rm	Equity instruments Rm	Total assets and liabilities measured at fair value Rm	Amortised cost Rm[1]	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
			75 208	12 297		87 505	87 506
			118 290			118 290	118 290
			262 627			262 627	262 627
	7 402		18 452	529		18 981	18 980
			213		7	220	213
	76 613	1 084	447 141	203 157		650 298	655 007
	962		2 204	1 269 051		1 271 255	1 269 805
					5 050	5 050	
					6 498	6 498	
					29 917	29 917	29 917
				25 524		25 524	
					56 775	56 775	
	84 977	1 084	924 135	1 510 558	98 247	2 532 940	
			111 577			111 577	111 577
			81 261			81 261	81 261
					92	92	
			3 352	1 620 692		1 624 044	1 623 404
			106 954		218 238	325 192	106 954
			6 081	23 225		29 306	28 996
			76 885	31 170		108 055	
					38 141	38 141	
			386 110	1 675 087	256 471	2 317 668	

22. Fair value disclosures

22.1 Assets and liabilities measured at fair value – measured on a recurring basis[1]

	2021				2020			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Cash and balances with central bank	79 112	1 490		80 602	73 656	1 552		75 208
Derivative assets	64	62 584	1 040	63 688	65	115 802	2 423	118 290
Trading assets	168 018	100 691	16 311	285 020	164 122	95 315	3 190	262 627
Pledged assets	12 211	814		13 025	15 757	2 695		18 452
Disposal of group assets classified as held for sale[2]			361	361	213			213
Financial investments	266 443	222 228	18 437	507 108	228 228	196 873	22 040	447 141
Loans and advances		13	473	486		2 011	193	2 204
Investment property			29 985	29 985			29 917	29 917
Total assets at fair value	525 848	387 820	66 607	980 275	482 041	414 248	57 763	954 052
Financial liabilities								
Derivative liabilities	228	64 031	3 000	67 259	48	105 397	6 132	111 577
Trading liabilities	53 229	26 109	2 146	81 484	42 349	35 734	3 178	81 261
Deposits and debt funding		3 576		3 576		3 352		3 352
Policyholders' liabilities		123 947		123 947		106 954		106 954
Other financial liabilities		78 593	3 069	81 662		70 839	6 046	76 885
Subordinated debt		5 578		5 578		6 081		6 081
Total liabilities at fair value	53 457	301 834	8 215	363 506	42 397	328 357	15 356	386 110

1 Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.
2 The disposal group is measured on a non-recurring basis.

Assets and liabilities transferred between level 1 and level 2

During 2021, R6 billion of trading assets was transferred from level 1 to level 2 as these assets are no longer listed or traded in an active market. During 2020, no significant assets or liabilities was transferred between level 1 and level 2.

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

Level 3 assets and liabilities

Reconciliation of level 3 assets

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Investment property Rm	Loans and advances Rm	Total Rm
Balance at 1 January 2020	2 611	2 622	10 664	34 180	161	50 238
Total gains/(losses) included in profit or loss	857	(92)	(1 402)	(5 419)	(74)	(6 130)
Trading revenue	857	(92)				765
Other revenue			(977)		(74)	(1 051)
Investment losses			(425)	(5 419)		(5 844)
Total losses included in OCI			(158)			(158)
Issuances and purchases	1 035	838	15 905	1 221	493	19 492
Sales and settlements	(2 082)	(124)	(960)	(62)	(387)	(3 615)
Transfers into level 3[1]	62					62
Transfers out of level 3[2,3]	(149)	(54)				(203)
Exchange and other movements[3]	89		(2 009)	(3)		(1 923)
Balance at 31 December 2020	2 423	3 190	22 040	29 917	193	57 763
Balance at 1 January 2021	**2 423**	**3 190**	**22 040**	**29 917**	**193**	**57 763**
Total (losses)/gains included in profit or loss	**(84)**	**196**	**662**	**(697)**	**(123)**	**(46)**
Trading revenue	**(84)**	**196**				**112**
Other revenue			**69**		**(123)**	**(54)**
Investment gains/(losses)			**593**	**(697)**		**(104)**
Total gains included in OCI			**66**			**66**
Issuances and purchases	**915**	**13 034**	**593**	**923**	**1 277**	**16 742**
Sales and settlements	**(2 161)**	**(80)**	**(3 367)**	**(156)**	**(874)**	**(6 638)**
Transfers into level 3[1]	**71**	**44**				**115**
Transfers out of level 3[2]	**(145)**	**(73)**	**(31)**			**(249)**
Exchange and other movements	**21**		**(1 526)**	**(2)**		**(1 507)**
Balance at 31 December 2021	**1 040**	**16 311**	**18 437**	**29 985**	**473**	**66 246**

1 Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the year, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred into level 3.
2 During the year, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.
3 Restated: During 2021, it was noted that R1 946 million was erroneously included in transfers out of level 3 instead of exchange and other movements for financial investments. This restatement has no impact on the group's statement of financial position.

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

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Investment property Rm	Loans and advances Rm	Total Rm
2021						
Trading revenue	**(279)**	**3 332**				**3 053**
Other revenue			**189**		**(123)**	**66**
Investment gains/(losses)			**541**	**(348)**		**193**
Total	**(279)**	**3 332**	**730**	**(348)**	**(123)**	**3 312**
2020						
Trading revenue	690	(92)				598
Other revenue			(942)		74	(868)
Investment losses			(596)	(5 736)		(6 332)
Total	690	(92)	(1 538)	(5 736)	74	(6 602)

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

Reconciliation of level 3 liabilities

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

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
Balance at 1 January 2020	5 602	3 199	7 293	16 094
Total losses/(gains) included in profit or loss	758	495	(28)	1 225
Issuances and purchases	129	889	174	1 192
Sales and settlements	(226)	(1 405)	(1 393)	(3 024)
Transfers out of level 3[1]	(131)			(131)
Balance at 31 December 2020	6 132	3 178	6 046	15 356
Balance at 1 January 2021	**6 132**	**3 178**	**6 046**	**15 356**
Total losses included in profit or loss	**395**	**85**	**10**	**490**
Issuances and purchases	**485**	**49**		**534**
Sales and settlements	**(3 934)**	**(1 104)**	**(2 987)**	**(8 025)**
Transfers out of level 3[1]	**(135)**	**(62)**		**(197)**
Transfers into level 3[2]	**57**			**57**
Balance at 31 December 2021	**3 000**	**2 146**	**3 069**	**8 215**

1 Transfers of financial liabilities between the levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the year, the valuation inputs of certain financial liabilities became observable. The fair value of these liabilities was transferred into level 2.
2 The valuation inputs of certain financial liabilities became unobservable during the year. The fair value of these financial liabilities was transferred into level 3.

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

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

22. Fair value disclosures continued

22.1 Assets and liabilities measured at fair value continued

Sensitivity and interrelationships of inputs

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

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

	Change in significant unobservable input	Effect on profit or loss	
		Favourable Rm	(Unfavourable) Rm
2021			
Derivative instruments	**From (1%) to 1%**	**322**	**(322)**
Financial investments	**From (1%) to 1%**	**163**	**(161)**
Trading assets	**From (1%) to 1%**	**86**	**(86)**
Trading liabilities	**From (1%) to 1%**	**51**	**(51)**
Investment property	**From (1%) to 1%**	**2 549**	**(3 177)**
Total		**3 171**	**(3 797)**
2020			
Derivative instruments	From (1%) to 1%	191	(191)
Financial investments	From (1%) to 1%	165	(223)
Trading assets	From (1%) to 1%	68	(68)
Trading liabilities	From (1%) to 1%	69	(69)
Investment property	From (1%) to 1%	2 652	(3 351)
Total		3 145	(3 902)

The measurement of financial investments classified as FVOCI would result in a R134 million favourable (2020: R130 million) and R122 million unfavourable (2020: R125 million) impact on OCI applying a 1% change (both favourable and unfavourable) of the significant unobservable inputs used to determine the fair value.

The other financial liabilities categorised as level 3 relate to third-party financial liabilities arising on the consolidation of mutual funds. A sensitivity analysis is therefore not provided since a similar sensitivity would arise on the assets that relate to these liabilities.

Refer to key management assumptions and detailed accounting policies in annexure F for more information about valuation techniques used.

22. Fair value disclosures continued

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

	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Cash and balances with central banks	10 241	326		10 567	12 357			12 357
Pledged assets	626	527		1 153		524	4	528
Financial investments	168 406	45 686	4 360	218 452	159 885	45 833	2 148	207 866
Loans and advances	20 826	323 248	1 078 336	1 422 410	10 846	246 397	1 010 358	1 267 601
Total assets	200 099	369 787	1 082 696	1 652 582	183 088	292 754	1 012 510	1 488 352
Liabilities								
Deposits and debt funding[1]	1 009 607	758 018	5 341	1 772 966	964 372	651 537	4 143	1 620 052
Subordinated debt		2 314	23 722	26 036		1 302	21 613	22 915
Total liabilities	1 009 607	760 332	29 063	1 799 002	964 372	652 839	25 756	1 642 967

1 Restated. In 2020, an amount of R26 882 million was erroneously allocated to level 3, instead of level 2. This restatement has no impact on the group's statement of financial position.

22.3 Third-party credit enhancements

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

22.4 Financial assets and financial liabilities designated at FVTPL

Financial assets	Maximum exposure to credit risk[1] Rm	Current year loss on changes in fair value attributable to changes in credit risk Rm	Cumulative loss on changes in fair value attributable to changes in credit risk Rm
2021			
Financial investments	15 754	64	7
2020			
Financial investments	18 462	(53)	(57)

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

22. Fair value disclosures continued

22.4 Financial assets and financial liabilities designated at FVTPL continued

Financial liabilities	Current year gain/(loss) on changes in fair value attributable to changes in credit risk Rm	Cumulative gain/(loss) on changes in fair value attributable to changes in credit risk[1] Rm	Contractual payment required at maturity Rm	Carrying amount Rm	Difference between carrying amount and contractual payment Rm
Credit risk recognised in OCI					
2021					
Deposit and debt funding	**3**	**21**	**3 568**	**3 576**	**8**
Policyholders' liabilities			**123 947**	**123 947**	
Subordinated debt	**10**	**66**	**6 514**	**6 609**	**95**
Other financial liabilities			**81 662**	**81 662**	
Total	**13**	**87**	**215 691**	**215 794**	**103**
2020					
Deposit and debt funding	5	18	3 259	3 352	93
Policyholders' liabilities			106 954	106 954	
Subordinated debt	41	65	7 400	7 408	8
Other financial liabilities			76 885	76 885	
Total	46	83	194 498	194 599	101

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

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

22.5 Reconciliation of FVOCI reserve movements

22.5.1 Equity financial investments

	Revaluation		
	Balance at beginning of the year Rm	Gains/(losses) Rm	Balance at end of year Rm
2021			
Visa shares	**151**	**19**	**170**
STRATE Limited	**143**	**(4)**	**139**
Other	**(119)**	**32**	**(87)**
Total	**175**	**47**	**222**
2020			
Visa shares	141	10	151
STRATE Limited	149	(6)	143
Other	32	(151)	(119)
Total	322	(147)	175

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

22. Fair value disclosures continued

22.5 Reconciliation of FVOCI reserve movements continued

22.5.2 Debt financial investments

	Balance at beginning of the year Rm	Net change in fair value Rm	Realised fair value adjustments and reversal to profit or loss Rm	Net expected credit loss raised/(released) during the period Rm	Non-controlling interests and other movements Rm	Balance at the end of the year Rm
2021						
Sovereign	**243**	**(28)**	**(2)**	**41**	**10**	**264**
Total	**243**	**(28)**	**(2)**	**41**	**10**	**264**
2020						
Sovereign	275	107	27	(242)	76	243
Total	275	107	27	(242)	76	243

22.5.3 Total reconciliation of the FVOCI reserve

	Balance at the beginning of the year Rm	Net change in fair value Rm	Non-controlling interests Rm	Balance at the end of the year Rm
2021				
Total	**418**	**17**	**51**	**486**
2020				
Total	597	(185)	6	418

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

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

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

Assets	Gross amount of recognised financial assets[1] Rm	Financial liabilities set off in the statement of financial position[2] Rm	Net amount of financial assets subject to netting agreements[3] Rm	Collateral received[4] Rm	Net amount Rm
2021					
Derivative assets	**54 440**		**54 440**	**(43 566)**	**10 874**
Trading assets	**42 683**		**42 683**	**(38 877)**	**3 806**
Loans and advances[5]	**148 042**	**(26 973)**	**121 069**	**(118 691)**	**2 378**
Total	**245 165**	**(26 973)**	**218 192**	**(201 134)**	**17 058**
2020					
Derivative assets	111 141		111 141	(91 959)	19 182
Trading assets	48 188		48 188	(47 788)	400
Loans and advances[5]	132 326	(27 712)	104 614	(102 998)	1 616
Total	291 655	(27 712)	263 943	(242 745)	21 198

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

Liabilities	Gross amount of recognised financial liabilities[1] Rm	Financial assets set off in the statement of financial position[2] Rm	Net amount of financial liabilities subject to netting agreements[3] Rm	Collateral pledged[6] Rm	Net amount Rm
2021					
Derivative liabilities	**53 436**		**53 436**	**(47 452)**	**5 984**
Trading liabilities	**10 402**		**10 402**	**(10 402)**	
Deposits and debt funding[5]	**33 940**	**(26 973)**	**6 967**		**6 967**
Total	**97 778**	**(26 973)**	**70 805**	**(57 854)**	**12 951**
2020					
Derivative liabilities	104 503		104 503	(94 057)	10 446
Trading liabilities	21 775		21 775	(21 720)	55
Deposits and debt funding[5]	33 497	(27 712)	5 785		5 785
Total	159 775	(27 712)	132 063	(115 777)	16 286

1 Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.
2 Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.
3 Related amounts not offset in the statement of financial position that are subject to an enforceable master netting arrangement or similar agreement.
4 This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group to be offset in the event of default. In most cases the group and company is allowed to sell or repledge collateral received.
5 The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.
6 In most instances, the counterparty may not sell or repledge collateral pledged by the group.

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

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

24. Contingent liabilities and commitments

24.1 Contingent liabilities

	2021 Rm	2020 Rm
Letters of credit and bankers' acceptances	23 617	15 828
Guarantees	118 895	86 307
Total	142 512	102 135

Loan commitments of R102 026 million (2020: R92 663 million) that are irrevocable over the life of the facility or revocable only in response to material adverse changes are included in annexure C.

24.2 Commitments

	2021 Rm	2020 Rm
Investment property	512	458
Property and equipment	341	788
Other intangible assets	196	138
Total	1 049	1 384

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

24.3 Lease commitments

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

	Year one Rm	Within one and five years Rm	Total Rm
2021			
Low-value assets and short-term leases	40	30	70
Total	40	30	70
2020			
Low-value assets and short-term leases	44	43	87
Total	44	43	87

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

24.3.2 Motor vehicles under leases future undiscounted lease instalments:

	Within one year Rm	Within second year Rm	Within third year Rm	Within fourth year Rm	Within fifth year Rm	After five years Rm	Total Rm
2021							
Motor vehicles	62	125	128	178	129	74	696
Total	62	125	128	178	129	74	696
2020							
Motor vehicles	490	108	110	92	114	53	967
Total	490	108	110	92	114	53	967

24. Contingent liabilities and commitments continued

24.4 Legal proceedings defended

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

Competition Commission – trading of foreign currency

On 15 February 2017, South Africa's Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against The Standard Bank of South Africa Limited (SBSA) and two against a former subsidiary of the group, Standard New York Securities Inc (SNYS), in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group has, with the help of external counsel, conducted its own internal investigations and found no evidence that supports the complaints. Both SBSA and SNYS, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. These applications were heard in July 2018. The complaint against SNYS was dismissed on the grounds that South Africa's competition regulators lack jurisdiction over it. In the case of SBSA, the Competition Commission was directed to file an amended complaint containing sufficient facts to evidence the collusion alleged within 40 business days of the ruling or risk dismissal of the complaint. The allegations against SBSA are confined to USD/ZAR trading activities within SBSA and do not relate to the conduct of the group more broadly. A number of respondents have filed an appeal to the ruling raising various grounds, which will have an impact on the 40 business day deadline imposed on the Competition Commission for the filing of the amended complaint against SBSA. The Competition Tribunal (CT) issued a directive on 24 July 2019 to all parties. Pursuant to two appeals filed by the Competition Commission against judgments handed down by the Competition Appeal Court in favour of The Standard Bank of South Africa Limited (SBSA), on 20 February 2020 the Constitutional Court, by a majority of five to four judges, ordered that (a) the Competition Commission need not disclose its record of investigation into alleged collusion in foreign exchange markets until after both SBSA has filed its written defence to the complaint against it and the Competition Tribunal has directed that all parties make discovery of relevant documents, and (b) the Competition Appeal Court erred in not deciding if it had the requisite jurisdiction before ordering the Competition Commission to lodge its record of decision in SBSA's application to have the Competition Commission's decision to initiate a complaint of collusion against SBSA reviewed and set aside, and remitted that issue of jurisdiction back to the Competition Appeal Court for determination. The Competition Appeal Court, upon the ordered remission, ruled that it can have jurisdiction over the foreign respondents provided the Commission can prove that the alleged collusion had a direct, foreseeable and material effect within South Africa. The Appeal Court also ruled that the allegations against all the respondents were so vague as to be unintelligible. Therefore the Commission was given a fixed period to file a wholly new complaint affidavit that addresses all of the identified shortcomings. The Commission, after lengthy delays, filed a wholly new complaint affidavit. In response all of the respondents other than Investec filed notices of objection or notices to compel more particulars and, in the case of the Standard Bank related respondents, applications for the dismissal of the complaint in its entirety. Hearings before the Competition Tribunal took place on various technical legal grounds from 29 November to 6 December 2019, and the Respondents await the outcome of the hearings.

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

Indemnities granted following disposal of Standard Bank Plc

Under the terms of the disposal of Standard Bank Plc on 1 February 2015, the group provided ICBC with certain indemnities to be paid in cash to ICBC or, at ICBC's direction, to any Standard Bank Plc (now ICBCS) group company, a sum equal to the amount of losses suffered or incurred by ICBC arising from certain circumstances. Where an indemnity payment is required to be made by the group to the ICBCS group, such payment would be grossed up from ICBC's shareholding at the time in ICBCS to 100%. These payments may, inter alia, arise as a result of an enforcement action, the cause of which occurred prior to the date of disposal. Enforcement actions include actions taken by regulatory or governmental authorities to enforce the relevant laws in any jurisdiction. While there have been no material claims relating to these indemnification provisions during the reporting period, the indemnities provided are uncapped and of unlimited duration as they reflect that the pre-completion regulatory risks attaching to the disposed-of business remain with the group post-completion.

25. Maturity analysis

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

25.1 Financial assets and liabilities

	Note	Redeemable on demand Rm	Within one year Rm	Within one to five years Rm	After five years Rm	Undated[1] Rm	Total Rm
2021							
Cash and balances with central banks[2]	1	**20 970**				**70 199**	**91 169**
Trading assets	3	**895**	**101 173**	**66 302**	**90 999**	**25 651**	**285 020**
Pledged assets	4		**11 438**	**1 391**	**1 349**		**14 178**
Gross financial investments	6	**6 287**	**498 864**	**160 779**	**45 132**	**13 957**	**725 019**
Gross loans and advances[3]	7	**136 436**	**404 854**	**495 408**	**382 457**	**56 571**	**1 475 726**
Other financial assets	9		**18 326**	**1 649**		**1 520**	**21 495**
Net derivative asset/(liability)	2	**1 145**	**(2 699)**	**531**	**(2 548)**		**(3 571)**
Trading liabilities	17	**(6 678)**	**(19 680)**	**(8 138)**	**(2 159)**	**(44 829)**	**(81 484)**
Deposits and debt funding	18	**(1 227 336)**	**(367 808)**	**(140 731)**	**(40 740)**		**(1 776 615)**
Subordinated debt[4]	19		**(2 139)**	**(28 291)**			**(30 430)**
Other financial liabilities	20		**(82 716)**	**(30 284)**		**(6 428)**	**(119 428)**
2020							
Cash and balances with central banks[2]	1	19 400				68 105	87 505
Trading assets	3	13 027	102 031	43 525	73 871	30 173	262 627
Pledged assets	4		16 064	883	773	1 261	18 981
Financial investments	6	6 051	188 795	47 705	27 403	380 344	650 298
Gross loans and advances[3]	7	118 209	337 539	446 746	361 937	56 810	1 321 241
Other financial assets[5]	9		24 212	302		1 010	25 524
Net derivative asset/(liability)	2		5 470	3 659	(2 416)		6 713
Trading liabilities	17	(4 101)	(27 658)	(6 349)	(8 800)	(34 353)	(81 261)
Deposits and debt funding	18	(1 117 858)	(299 839)	(155 348)	(50 999)		(1 624 044)
Subordinated debt[4]	19		(2 227)	(25 573)	(1 506)		(29 306)
Other financial liabilities[5]	20	(1 446)	(66 469)	(33 511)		(6 629)	(108 055)

1 Undated maturity category comprises of regulatory or indeterminate maturity, including any item or position in respect of which no right or obligation in respect of maturity exists.
2 On demand cash and balances with central banks include notes and coins.
3 Includes loans and advances measured at FVTPL.
4 The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.
5 Restated. Refer to note 20 for details.

25. Maturity analysis continued

25.2 Non-financial assets and liabilities

	Note	Less than 12 months after reporting period Rm	More than 12 months after reporting period Rm	Total Rm
2021				
Disposal of group assets held for sale	5	**1 025**		**1 025**
Other assets	9	**14 541**	**396**	**14 937**
Interest in associates and joint ventures	10		**7 280**	**7 280**
Investment property	11		**29 985**	**29 985**
Property and equipment	12	**919**	**19 700**	**20 619**
Goodwill and other intangible assets	13		**16 913**	**16 913**
Provisions and other liabilities	20	**(23 795)**	**(10 561)**	**(34 356)**
Current and deferred tax asset	14	*	*	**7 612**
Current and deferred tax liability	14	*	*	**(10 277)**
2020				
Disposal of group assets held for sale	5	220		220
Other assets[1]	9	10 145	351	10 496
Interest in associates and joint ventures	10		6 498	6 498
Investment property	11		29 917	29 917
Property and equipment	12	537	20 165	20 702
Goodwill and other intangible assets	13		18 262	18 262
Provisions and other liabilities[1]	20	(18 754)	(11 085)	(29 839)
Current and deferred tax asset	14	*	*	6 633
Current and deferred tax liability	14	*	*	(2 885)

* Undated.
[1] Restated. Refer to corresponding note for details.

26. Interest

26.1 Interest income

	2021 Rm	2020 Rm
Effective interest rate interest income on:		
Loans and advances	**82 254**	92 026
Financial investments	**15 315**	13 640
Interest income on credit impaired financial assets	**1 643**	1 359
Total	**99 212**	107 025
Interest income on items measured at amortised cost	**95 946**	103 838
Interest income on debt instruments measured at FVOCI	**3 266**	3 187

26.2 Interest expense

	2021 Rm	2020 Rm
Interest on deposits and debt funding	**34 500**	42 820
Interest on lease liabilities (note 20.4)	**271**	326
Interest on subordinated debt	**2 005**	2 454
Total	**36 776**	45 600
Interest expense on items measured at amortised cost	**36 505**	45 274
Interest expense on lease liabilities	**271**	326

27. Fee and commission

27.1 Fee and commission revenue

	2021 Rm	2020 Rm
Account transaction fees	9 466	10 348
Card-based commission	7 295	6 402
Documentation and administration fees	2 401	2 300
Electronic banking fees	4 977	4 410
Foreign currency service fees	2 289	2 067
Insurance fees and commission	2 243	1 839
Knowledge-based fees and commission[1]	2 337	2 371
Other[1,2]	6 691	6 196
Total	37 699	35 933

1 Knowledge based fees and commission and other have been disaggregated to provide a more appropriate analysis of the fee and commission revenue. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the income statement.
2 Other primarily comprises of fee and commission revenue earned on sundry services such as arrangement, agency and asset management fees as well as guarantee and commitment commissions.

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

27.2 Fee and commission expense

	2021 Rm	2020 Rm
Account transaction fees	1 380	1 377
Card-based commission	2 857	2 467
Documentation and administration fees	295	225
Electronic banking fees	540	562
Insurance fees and commission	615	570
Customer loyalty expense	666	654
Other	733	665
Total	7 086	6 520

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

28. Trading revenue

	2021 Rm	2020 Rm
Commodities	90	142
Equities	2 988	1 880
Fixed income and currencies	11 764	11 852
Total	14 842	13 874

29. Other revenue

	2021 Rm	2020 Rm
Banking and other revenue[1]	1 047	318
Wealth and insurance-related income[1]	2 562	2 768
Property-related revenue	39	72
Total	3 648	3 158

1 Restated. During 2021, it was noted that there was a misallocation of R442 million between banking and other revenue and wealth and insurance-related income. The restatement did not impact the income statement.

30. Other gains and losses on financial instruments

	2021 Rm	2020 Rm
Derecognition gains on financial assets measured at amortised cost	8	
Fair value gains/(losses) on debt financial assets measured at fair value through profit or loss – default	539	(763)
(Losses)/gains on debt realisation of financial assets measured at fair value through OCI	(48)	70
Fair value gains on financial instruments designated at fair value through profit or loss	1 509	1 519
Other[1]	9	(115)
Total	2 017	711

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

31. Insurance

31.1 Insurance premiums received

	2021 Rm	2020 Rm
Insurance premiums	47 085	41 816
Long-term	44 908	39 485
Short-term	2 177	2 331
Reinsurance premiums	(2 721)	(2 614)
Long-term	(2 073)	(1 913)
Short-term	(648)	(701)
Total	44 364	39 202

31.2 Insurance benefits and claims paid

	2021 Rm	2020 Rm
Claims and policyholders' benefits under insurance contracts	48 673	40 224
Insurance claims recovered from reinsurers	(3 466)	(2 161)
Net insurance claims and policyholders' benefits	45 207	38 063
Change in policyholder liabilities under insurance contracts	22 572	2 291
Insurance contracts	21 021	1 848
Policyholder assets related to insurance contracts	2 182	1 967
Investment contracts with DPF	(220)	(889)
Reinsurance assets	(411)	(635)
Total	67 779	40 354

IFRS 15 requires disclosure of information relating to the timing of revenue recognised from contracts with customers. The above revenue is recognised over time. Service fee income on policyholder investment contracts comprises of both administration and asset management services and is recognised over time as services are rendered, with reference to the contract terms (agreed fee and service). These fees are generally recognised on a daily basis as these services are rendered consistently over the contract period and include utilisation of skilled professionals' time and applicable support services, including IT systems. Management fees on assets under management are recognised (with reference to agreed fee terms) as these services are rendered. This is generally on a daily basis over the duration of the contract as these services (being the utilisation of professional asset management skills, supported by IT systems and services) are consistently applied over the contract term.

32. Investment management and service fee income and gains

	2021 Rm	2020 Rm
Investment income	**2 210**	3 271
Scrip lending fees	**69**	57
Rental income from investment property	**2 105**	3 090
Sundry income	**24**	111
Adjustment to surplus recognised on defined benefit pension fund	**12**	13
Total investment management and service fee income and gains	**2 210**	3 271

32.1 Revenue from contracts with customers

	2021 Rm	2020 Rm
Fee income and reinsurance commission		
Service fee income from long-term policyholder investment contracts	**1 413**	1 211
Service fee income from investment contracts	**1 435**	1 226
Deferred revenue released to profit or loss	**43**	40
Deferred income relating to new business	**(65)**	(55)
Fee revenue	**1 995**	2 048
Management fees on assets under management	**1 794**	1 804
Performance fees[1]	**28**	103
Health administration fees	**75**	88
Other fee revenue	**98**	53
Reinsurance commission earned on short-term insurance business[2]	**134**	141
Total revenue from contracts with customers	**3 542**	3 400

1 Performance fees are subject to variable constraints. As at the reporting date, the group assessed the potential of any revenue reversals due to these constraints and determined that the probability of such reversals is immaterial.

2 Reinsurance commission earned on short- term insurance business is included in Revenue from contracts with customers, although it is in fact recognised under IFRS 4 and not IFRS 15. The amount is immaterial and the presentation will be re-assessed should this change in the future.

IFRS 15 requires disclosure of information relating to the timing of revenue recognised from contracts with customers. The above revenue is recognised over time. Service fee income on policyholder investment contracts comprises of both administration and asset management services and is recognised over time as services are rendered, with reference to the contract terms (agreed fee and service). These fees are generally recognised on a daily basis as these services are rendered consistently over the contract period and include utilisation of skilled professionals' time and applicable support services, including IT systems. Management fees on assets under management are recognised (with reference to agreed fee terms) as these services are rendered. This is generally on a daily basis over the duration of the contract as these services (being the utilisation of professional asset management skills, supported by IT systems and services) are consistently applied over the contract term.

32.2 Interest income

	2021 Rm	2020 Rm
Financial assets classified at FVOCI		
Service fee income from long-term policyholder investment contracts		
Term deposits	**1 226**	1 310
At amortised cost		
Policy loans receivable – interest income	**23**	25
Interest income on cash and cash equivalents	**292**	313
Total interest income on financial assets using the effective interest rate method	**1 541**	1 648

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

	2021 Rm	2020 Rm
Fair value adjustments to long-term policyholder liabilities under investment contracts	(17 629)	(5 251)
Fair value adjustments to third-party mutual fund interests	(10 334)	(4 488)
Investment properties	(106)	(5 419)
Property debtors at fair value through profit and loss	(5)	(639)
Financial assets at fair value through profit or loss (default)	64 267	24 889
Financial instruments at fair value through profit or loss	60 461	22 739
Financial instruments held for hedging and for trading	3 806	2 150
Financial assets designated at fair value through profit or loss	7	8
Fair value of financial liabilities	(697)	(1 189)
Other	45	8
Total	35 548	7 919

34. Credit impairment charges

	2021 Rm	2020 Rm
Net expected credit loss raised	10 917	21 729
Financial investments (note 6)	23	65
Loans and advances (note 7.3)	10 964	21 363
Letters of credit and guarantees (note 20.3)	(70)	301
Recoveries on loans and advances previously written off	(1 238)	(1 342)
Modification losses on distressed financial asset	194	207
Total credit impairment charge	9 873	20 594

35. Operating expenses

	2021 Rm	2020 Rm
Banking activities	**65 735**	63 182
Communication	**1 242**	1 250
Information technology	**9 743**	9 454
Marketing and advertising	**2 026**	1 813
Premises	**1 938**	2 007
Staff costs	**36 642**	34 380
Other	**14 144**	14 278
Investment management and life insurance activities	**16 952**	16 139
Acquisition costs	**4 219**	4 058
Office costs	**4 763**	4 227
Staff costs	**4 645**	4 425
Other	**3 325**	3 429
Total	**82 687**	79 321
The following disclosable items are included in other operating expenses		
Auditors' remuneration	**339**	408
Audit fees – current year	**325**	393
Fees for other services[1]	**14**	15
Amortisation – intangible assets (note 13)	**2 802**	2 696
Depreciation (note 12)	**4 478**	4 858
Operating lease charges	**328**	270
Professional fees	**1 888**	2 081

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

36. Non-trading and capital related items

	2021 Rm	2020 Rm
Loss on sale of properties and equipment	**(61)**	(24)
Realised foreign currency movements on foreign operations and associates		(3 120)
(Loss)/gain on disposal of business	**(23)**	28
Gains on disposal of associate		1 835
Impairment of associate[1]		(52)
Impairment of intangible assets	**(167)**	(3 221)
Impairment of goodwill	**(14)**	
Fair value gain on investment property	**11**	67
Remeasurement of non-current assets held for sale	**(30)**	35
Profit on sale and leaseback transaction		496
Total	**(284)**	(3 956)

[1] Includes Rnil million (2020: R44 million) of impairments of assets within associates.

37. Direct and indirect taxation

37.1 Indirect taxation

	2021 Rm	2020 Rm
Value added tax (VAT)[1]	2 670	2 420
Other indirect taxes and levies	354	307
Total	**3 024**	**2 727**

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

37.2 Direct taxation

	2021 Rm	2020 Rm
South African normal taxation	**9 544**	**5 393**
Current	9 815	5 462
Prior year	(271)	(69)
Deferred taxation	**(1 245)**	**(3 101)**
Current	(1 317)	(3 090)
Prior year	72	(11)
CGT, foreign normal and withholding tax – current year	**1 922**	**1 570**
Current	1 124	1 570
Deferred	798	
Total direct taxation	**10 221**	**3 862**
Total direct taxation	**10 221**	**3 862**
Income tax recognised in OCI[1]	(92)	69
Deferred tax recognised directly in equity	20	(291)
Direct taxation per the income statement	**10 149**	**3 640**

[1] Included in this amount is current tax charge recognised through OCI of R1 million current tax charge (2020: R1 million current tax credit).

Income tax recognised in OCI

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

	2021 Rm	2020 Rm
Items that may be subsequently reclassified to profit or loss		
Movements in the cash flow hedging reserve[1]	**(18)**	**35**
Net change in fair value of cash flow hedges	(36)	152
Realised fair value adjustments of cash flow hedges transferred to profit or loss	18	(117)
Net change in investments measured at FVOCI	**(25)**	**43**
Net change in expected credit loss		
Net change in fair value	(25)	43
Items that may not be subsequently reclassified to profit or loss		
Defined benefit fund adjustments	(55)	(55)
Change in own credit risk recognised on financial liabilities designated at FVTPL	(1)	(12)
Net change in fair value of equity financial investments measured at FVOCI	(37)	48
Other	44	10
Total	**(92)**	**69**

[1] Included in this amount is current tax charge recognised through OCI of R1 million current tax charge (2020: R1 million current tax credit).

37. Direct and indirect taxation continued

37.2 Direct taxation continued

Tax rate reconciliation

	2021 %	2020 %
Direct taxation – statutory rate	**28.0**	28.0
Prior year tax	**(0.5)**	(0.4)
Direct taxation – current year	**27.5**	27.6
Capital gains tax	**3.8**	3.7
Foreign tax and withholding tax	**3.2**	5.9
Change in tax rate	**0.1**	
Direct taxation – current year – normal	**34.6**	37.2
Permanent differences	**(8.0)**	(17.2)
Non-taxable income – capital profit	**(0.5)**	(1.8)
Dividends received	**(4.2)**	(10.4)
Other non-taxable income – interest[1]	**(5.8)**	(13.6)
Assessed loss not subject to deferred tax[2]	**0.5**	2.1
Non-deductible expenses	**2.1**	7.8
Effects of profits taxed in different jurisdictions	**(0.1)**	(1.3)
Direct effective tax rate[3]	**26.6**	20.0

1 Relates to interest income earned from certain governments in Africa Regions which is exempt from tax.
2 The group's assessed losses result in unrecognised deferred tax assets of R204 million (2020: R378 million).
3 Expressed as a percentage of profit before direct taxation.

38. Earnings per ordinary share

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

	Number of units	
	2021 ('000)	2020 ('000)
Earnings attributable to ordinary shareholders (Rm)	**24 865**	12 358
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue before adjustments	**1 619 953**	1 619 899
Adjusted for deemed treasury shares held by entities within the group[1]	**(29 305)**	(29 485)
Weighted average number of ordinary shares in issue	**1 590 648**	1 590 414
Basic earnings per ordinary share (cents)	**1 563**	777
Diluted earnings per ordinary share		
Weighted average number of ordinary shares in issue	**1 590 648**	1 590 414
Adjusted for the following potential dilution		
Share incentive schemes	**8 308**	4 786
Standard Bank GSIS[2]	**38**	44
Standard Bank EGS[3]	**522**	295
Deferred Bonus Scheme	**5 610**	4 392
Performance Reward Plan	**2 132**	53
Share Appreciation Rights Scheme	**6**	2
Diluted weighted average number of ordinary shares in issue	**1 598 956**	1 595 200
Diluted earnings per ordinary share (cents)	**1 555**	775

1 The number of shares held by entities within the group are deemed to be treasury shares for IFRS purposes.
2 158 000 (2020: 168 000) share options were outstanding at the end of the year in terms of the GSIS.
3 3 796 102 (2020: 4 025 678) rights outstanding at the end of the year in terms of the Standard Bank EGS. These units are convertible into 25 353 (2020: 168 458) ordinary shares at year end.

38. Earnings per ordinary share continued

Dilutive impact of shares issued during the year

Deferred Bonus Scheme

6 512 198 (2020: 8 540 900) units were issued during the year to employees domiciled in South Africa. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

At the end of the reporting period the group had 8 434 728 (2020: 11 874 000) units hedged, which results in no (2020: 790 621) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Performance Reward Plan

3 715 153 (2020: 3 391 544) units were issued during the year to employees domiciled in South Africa. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

At the end of the reporting period 2 830 641 (2020: 206 149) units were hedged, which results in no (2020: 160 167) dilutive shares being issued by the group and is included in the above dilutive earnings per ordinary share.

Share Appreciation Rights Scheme

1 056 592 (2020: 605 167) rights were issued during the year in terms of the Standard Bank SARP to employees domiciled in South Africa. The outstanding SARP units are convertible into 454 714 (2020: 3 113) ordinary shares. The dilutive impact of these units are included in the calculation of diluted earnings per ordinary share.

Refer to annexure D for further details on the group's share incentive schemes.

39. Headline earnings

	Gross Rm	Direct tax Rm	Attributable to NCI and other[1] Rm	Profit attributable to ordinary shareholders Rm
2021				
Profit for the year	**38 208**	**(10 149)**	**(3 194)**	**24 865**
Headline adjustable items added	**284**	**(75)**	**(53)**	**156**
IAS 16 – Loss on sale of property and equipment	**61**	**(5)**		**56**
IAS 27/IAS 28 – Loss on disposal of business	**23**	**(7)**		**16**
IFRS 5 – Remeasurement of disposal group assets held for sale	**30**	**(8)**		**22**
IAS 36 – Impairment of intangible assets	**167**	**(44)**	**(53)**	**70**
IAS 36 – Impairment of goodwill	**14**	**(3)**		**11**
IAS 40 – Fair value gain on investment property	**(11)**	**(8)**		**(19)**
IFRS 16 – Profit on sale and leaseback				
Standard Bank Group headline earnings	**38 492**	**(10 224)**	**(3 247)**	**25 021**
2020				
Profit for the year	18 153	(3 640)	(2 155)	12 358
Headline adjustable items added	3 956	(338)	(31)	3 587
IAS 16 – Loss on sale of property and equipment	24	(12)	4	16
IAS 21 – Realised foreign currency movements on foreign operations and associates	3 120			3 120
IAS 27/IAS 28 – Gain on disposal of business	(28)		6	(22)
IAS 28 – Gain on disposal of associate	(1 835)	416		(1 419)
IAS 28/IAS 36 – Impairment of associate[2]	52	(2)		50
IFRS 5 – Remeasurement of disposal group assets held for sale	(35)		15	(20)
IAS 36 – Impairment of intangible assets	3 221	(899)	(56)	2 266
IAS 40 – Fair value gain on investment property	(67)	21		(46)
IFRS 16 – Profit on sale and leaseback	(496)	138		(358)
Standard Bank Group headline earnings	22 109	(3 978)	(2 186)	15 945

1 Non-controlling interests and other equity instrument holders.

	2021 Cents	2020 Cents
Headline earnings per ordinary share	**1 573.0**	1 002.6
Diluted headline earnings per ordinary share	**1 564.8**	999.6

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

40. Dividends

	2021 Rm	2020 Rm
Ordinary shares	**9 720**	8 748
Final		
240 cents per share declared on 11 March 2021 (2020: 540 cents per share declared on 4 March 2020)	**3 888**	8 748
Interim		
360 cents per share declared on 19 August 2021 (2020: Nil cents)	**5 832**	
Second preference shares	**287**	383
Final		
272.93 cents per share declared on 11 March 2021 (2020: 389.12 cents per share declared on 4 March 2020)	**145**	206
Interim		
267.29 cents per share declared on 19 August 2021 (2020: 333.00 cents per share declared on 19 August 2020)	**142**	177
AT1 capital	**538**	420
31 December		
SBT 101	**29**	29
SBT 102	**30**	29
SBT 103	**28**	27
SBT 104	**23**	22
SBT 105	**26**	
SBT 106	**21**	
30 September		
SBT 101	**30**	30
SBT 102	**30**	30
SBT 103	**28**	29
SBT 104	**23**	
SBT 105	**26**	
30 June		
SBT 101	**29**	35
SBT 102	**29**	36
SBT 103	**28**	35
SBT 104	**23**	
SBT 105	**26**	
30 March		
SBT 101	**29**	39
SBT 102	**29**	40
SBT 103	**28**	39
SBT 104	**23**	
Total dividends	**10 545**	9 551

Final gross cash dividend No. 104 of 511 cents per share declared on 11 March 2022 (2020: 240 cents per share).

6.5% first cumulative preference shares dividend No. 105 of 3.25 cents per share (2020: 3.25 cents) payable on 4 April 2022 to all shareholders registered on 1 April 2022.

Non-redeemable, non-cumulative, non-participating preference shares dividend No. 35 of 273.98195 cents per share (2020: 272.93 cents), payable on 4 April 2022 to all shareholders registered on 1 April 2022.

The AT1 capital bonds have coupon rates of three month JIBAR plus 565 basis points (SBT 101), JIBAR plus 545 basis points (SBT 102), JIBAR plus 440 basis points (SBT 103), JIBAR plus 452 basis points (SBT 104), JIBAR plus 423 basis points (SBT105) and JIBAR plus 391 basis points (SBT 106). Interest is payable quarterly. For more information on AT1 capital, refer to note 15.8.

41. Statement of cash flows notes

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

	2021 Rm	2020 Rm
Depreciation and amortisation (note 35)	7 280	7 554
Credit impairment losses (note 34)	9 873	20 594
Investment gains and policyholders' transfers	39 659	8 043
Net inflows from third-party financial liabilities arising on consolidation of mutual funds	895	259
Interest expense	37 040	45 852
Interest income	(164 217)	(126 338)
Other	10 777	509
Total	**(58 693)**	(43 527)

41.2 Increase in income-earning assets

	2021 Rm	2020 Rm
Net derivative assets	9 544	(2 806)
Trading assets	(22 015)	(38 557)
Pledged assets	623	7 089
Financial investments	(29 780)	(69 508)
Loans and advances	(126 330)	(107 870)
Other assets	544	(5 397)
Total	**(167 414)**	(217 049)

41.3 Increase in deposits, trading and other liabilities

	2021 Rm	2020 Rm
Deposit and debt funding	112 075	191 350
Trading liabilities	(592)	(2 464)
Provisions and other liabilities	8 023	5 048
Total	**119 506**	(193 934)

41.4 Reconciliation of subordinated debt

	2021 Rm	2020 Rm
Balance at the beginning of the year	**29 306**	28 901
Subordinated debt issued	3 166	8 500
Subordinated debt redeemed	(2 200)	(8 488)
Exchange movements	200	91
Decrease in subordinated bonds issued to group companies	(8)	(16)
Other movements	(34)	318
Balance at the end of the year	**30 430**	29 306

Refer to note 19 for details on subordinated debt.

42. Related party transactions

42.1 Key management personnel

Key management personnel include: the members of the SBG board of directors and prescribed officers active for 2021 and 2020. Non-executive directors are included in the definition of key management personnel as required by IFRS. Prescribed officers are defined by the Companies Act. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with SBG. They may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

	2021 Rm	2020 Rm
Key management compensation		
Salaries and other short-term benefits paid	136	98
Post-employment benefits	5	4
Value of share options, rights and units expensed	73	98
Total	214	200
Loans and advances[1]		
Loans outstanding at the beginning of the year	14	20
Change in key management structures	(3)	
Net change in loans during the year	3	(6)
Loans outstanding at the end of the year	14	14
Interest income	1	
Deposit and debt funding[3]		
Deposits outstanding at the beginning of the year	188	147
Change in key management structures	(5)	
Net change in deposits during the year	(18)	41
Deposits outstanding at the end of the year	165	188
Net interest expense	(3)	(8)
Investment products and third-party funds under management[2]		
Balance at the beginning of the year	1 229	838
Change in key management structures	(4)	
Net change in investments during the year	172	391
Balance at the end of the year	1 397	1 229
Net investment return to key management personnel	(71)	(102)
Shares and share options held[4]		
Shares beneficially owned (number)	1 427 970	1 786 507
Share options held (number)	2 058 799	2 197 600

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

42. Related party transactions continued

42.2 Balances and transactions with ICBCS

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

Amounts included in the group's statement of financial position	2021 Rm	2020 Rm
Derivative assets	**6 083**	7 367
Loans and advances	**5 885**	11 269
Other assets	**339**	742
Derivative liabilities	**(4 488)**	(7 280)
Deposits and debt funding	**(2 094)**	(1 232)
Other liabilities	**(1 515)**	(150)

Services

The group entered into certain transitional service level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of Standard Bank Plc. In terms of these arrangements, services are delivered and received from ICBCS for the account of each respective party. As at 31 December 2021, the expense recognised in respect of these arrangements amounted to R141 million (2020: R137 million).

42.3 Balances and transactions with ICBC

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

Amounts included in the group's statement of financial position	2021 Rm	2020 Rm
Loans and advances[1]	**3 254**	3 715
Other assets[2]	**980**	620
Deposits and debt funding	**(13 533)**	(14 535)

1 Restated. During 2021, it was noted that loans and advances with ICBC were erroneously overstated as it included balances relating to another counterparty of R19 631 million for FY20. The disclosure has been restated to exclude these balances. This restatement did not impact the group's statement of financial position or key ratios relating to loans and advances.

2 The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the sale and purchase agreement, relating to SB Plc (now ICBCS) with ICBC. As a consequence of the sale and purchase agreement, the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 31 December 2021, a balance of USD43.54 million (R691.66 million) is receivable from ICBC in respect of this arrangement (2020: USD41.7 million; R610.3 million).

Letters of credit

The group has off-balance sheet letters of credit exposure issued to ICBC as at 31 December 2021 of R3 106 million (2020: R2 573 million). The group received R19 million in fee and commission income relating to these transactions (2020: R96 million).

42. Related party transactions continued

42.4 Mutual funds

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

	2021 Rm	2020 Rm
Trading liabilities	**(96)**	(27)
Deposits and debt funding	**(32 468)**	(22 007)
Trading losses	**(25)**	(19)
Interest expense	**(1 345)**	(1 674)

42.5 Post-employment benefit plans

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

Amounts included in the group's statement of financial position and income statement	2021 Rm	2020 Rm
Fee and commission revenue	**15**	14
Deposits and debt funding	**(102)**	(114)
Interest expense	**(42)**	(31)
Financial investments held in bonds and money market	**815**	651

In addition to the above:

- the group manages R13 370 million (2020: R9 882 million) of the post-employment benefit plans' assets
- the post-employment benefit plans hold SBG ordinary shares to the value of R291 million (2020: R296 million).

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

43. Pensions and other post-employment benefits

	2021 Rm	2020 Rm
Amount recognised as other assets in the statement of financial position (note 9)		
Banking activities		
Retirement funds (note 43.1)	**1 288**	1 081
Other retirement funds (note 43.1)	**103**	3
Investment management and life insurance activities		
Retirement funds (note 43.1)	**46**	89
Total	**1 437**	1 173
Amounts recognised as provisions and other liabilities in the statement of financial position (note 20)		
Banking activities		
Post-employment healthcare benefits – other funds (note 43.2)	**596**	662
Investment management and life insurance activities		
Post-employment healthcare benefits (note 43.2)	**477**	440
Total	**1 073**	1 102

The total amount recognised as an expense for the defined contribution plans operated by the group amounted to R948 million (2020: R975 million).

43. Pensions and other post-employment benefits continued

43.1 Retirement funds

Standard Bank retirement funds

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

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

The fund is subject to a statutory financial review by actuaries at an interval of not more than three years. A full actuarial valuation was performed during 2022 using 31 December 2021 data and, in the opinion of the actuary, the fund was considered to be financially sound. The next actuarial valuation is to be performed on 31 December 2022 data during 2023.

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

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

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

Liberty retirement funds

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

Description of risks

Post-retirement obligation risk is the risk to the group's comprehensive income that arises from the requirement to contribute as an employer to an under-funded defined benefit plan. The group operates both defined contribution plans and defined benefit plans, with the majority of its employees participating in defined contribution plans. The defined benefit pension and healthcare schemes (note 43.2) for past and certain current employees, create post-retirement obligations. The group mitigates these risks through independent asset managers and independent asset and liability management advisors for material funds. Potential residual risks which may impact the group are managed within the group asset and liability management process.

43. Pensions and other post-employment benefits continued

43.1 Retirement funds continued

	2021 Rm	2020 Rm
The amounts recognised in the statement of financial position in respect of the retirement funds are determined as follows		
Present value of funded obligations	(45 375)	(38 186)
Fair value of plan assets	46 988	39 518
Surplus	1 613	1 332
Asset ceiling	(176)	(159)
Included in the statement of financial position	1 437	1 173
SBGRF	1 288	1 081
Liberty retirement funds	46	89
Other retirement funds	103	3
Included in:		
Other assets (note 9)	1 437	1 173
Other liabilities (note 20)	1 073	1 102
Movement in the present value of funded obligations		
Balance at the beginning of the year	38 186	36 716
Current service cost	1 344	1 285
Interest cost	3 220	3 358
Employee contributions	955	909
Actuarial gain/(loss)	3 356	(1 228)
Exchange loss	68	36
Benefits paid	(1 754)	(2 890)
Balance at the end of the year	45 375	38 186
Movement in the fair value of plan assets		
Balance at the beginning of the year	39 518	37 944
Interest income	3 321	3 457
Contributions received	2 251	2 142
Net return on assets	3 570	(1 165)
Exchange gain	82	30
Benefits paid	(1 754)	(2 890)
Balance at the end of the year	46 988	39 518
Cash	1 151	783
Equities	19 464	14 412
Bonds	12 887	11 521
Property and other	13 486	12 802

Plan assets do not include property occupied by the group.

The group expects to pay R1 392 million in contributions to the Standard Bank retirement funds in 2022 (2021: R1 317 million).

43. Pensions and other post-employment benefits continued

43.1 Retirement funds continued

	2021 Rm	2020 Rm
The amounts recognised in profit or loss are determined as follows		
Current service cost	1 344	1 285
Net interest income	(101)	(99)
Included in staff costs	**1 243**	**1 186**
The expected long-term rate of return is based on the expected long-term returns on equities, cash and bonds. The split between the individual asset categories is considered in setting these assumptions. Adjustments were made to reflect the effect of expenses.		
Components of statement of other OCI		
Actuarial gain/(loss) under asset management	3 570	(1 165)
Actuarial (loss)/gain	(3 356)	1 228
Gain/(loss) from changes in demographic assumptions	2	(1)
(Loss)/gain from changes in financial assumptions	(3 232)	966
(Loss)/gain from changes in experience adjustments	(126)	263
Asset ceiling	(17)	(21)
Remeasurements recognised in OCI	**197**	**42**
Reconciliation of net defined benefit asset		
Net defined benefit asset at the beginning of the year	**1 173**	**1 090**
Net expense recognised	(1 243)	(1 186)
Amounts recognised in OCI	197	42
Company contributions	1 296	1 233
Exchange gain/(loss)	14	(6)
Net defined benefit asset at the end of the year	**1 437**	**1 173**

43. Pensions and other post-employment benefits continued

43.2 Post-employment healthcare benefits

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

Standard Bank

The largest portion of this liability represents a South African post-employment healthcare benefit scheme that covers all employees who went on retirement before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full actuarial valuation was performed at 31 December 2021. The next actuarial valuation is to be performed on 31 December 2022.

Liberty

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

	2021 Rm	2020 Rm
The amounts recognised in the statement of financial position in respect of post-employment healthcare benefits are determined as follows		
Present value of unfunded defined benefit obligations	1 073	1 102
Included in the statement of financial position	**1 073**	**1 102**
Standard Bank	596	662
Liberty	477	440
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	**1 102**	**1 204**
Net expense recognised	111	159
Benefits paid	(88)	(94)
Amounts recognised in OCI	(56)	(170)
Foreign exchange movements	4	3
Balance at end of the year	**1 073**	**1 102**

	2021 Rm	2020 Rm
The amounts recognised in profit or loss are determined as follows		
Current service cost	8	9
Net interest cost	103	150
Included in staff costs	**111**	**159**
Components of statement of other comprehensive income		
Actuarial loss/(gain) arising from changes in financial assumptions	6	(95)
Actuarial (gain) arising from experience adjustments	(62)	(75)
Remeasurements recognised in OCI	**(56)**	**(170)**

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. The aggregate current service cost and interest cost is R111 million (2020: R159 million) and the defined benefit obligation is R1 073 million (2020: R1 102 million). A one percentage point change in the medical inflation rate would have the following effects on the amounts recognised:

	2021		2020	
Sensitivity analysis for post-employment medical aid fund	1% increase Rm	1% decrease Rm	1% increase Rm	1% decrease Rm
Effect on the aggregate of the current service cost and interest cost	15	(12)	14	(11)
Effect on the defined benefit obligation	100	(87)	101	(85)

44. Events after reporting date

ICBCS single client loss settlement agreement

During 2019, ICBCS, in which the group is a 40% shareholder, incurred a loss of USD198 million relating to a single client loss arising from an explosion at a client's oil refinery and its subsequent bankruptcy. Further losses, net of a recovery against cash collateral, of USD13.7 million were incurred by ICBCS in 2020 in relation to this transaction. These losses principally related to inventory extraction costs and professional fees incurred in pursuing recovery of ICBCS's losses. The group's attributable share of these ICBCS losses, was recognised within the share of post tax profit/(loss) from associates line in the income statement.

In February 2020, ICBCS lodged a secured claim for its losses against the client's bankruptcy estate for unpaid invoices, loss of bargain, inventory extraction, other operating costs, professional fees and applicable interest as well as a claim in ICBCS's own right against the client's insurers.

During 2021, ICBCS received a net recovery on the transaction of USD8.8 million, following realisation of certain collateral and some insurance recoveries, partially offset by further provisions for professional fees relating to ICBCS and its claim against the client. The group's attributable share of these net recoveries by ICBCS, has been recognised within the share of post tax profit/(loss) from associates line on the income statement.

In January 2022, ICBCS and the client entered into a settlement agreement with the client's insurers in respect of their business interruption insurance claims and obtained the support of other interested parties. The settlement of these insurance claims was approved by the US Bankruptcy Court on 17 January 2022. Under the terms of the settlement, ICBCS will receive approximately USD230 million, before tax, from the insurance proceeds as compensation for the losses it incurred. Payments from the insurers were required to be made within 21 days of the US Bankruptcy Court's approval.

As the US Bankruptcy Court approval of the insurance settlement was not obtained until after 31 December 2021, the settlement is a non-adjusting post-balance sheet event, thus no amounts were recognised by the group for the year ended 31 December 2021. The group's share of the net recovered proceeds received by ICBCS, has been recognised subsequent to reporting date within the share of post tax profits/(loss) from associates line in the income statement.

Global Developments

Geopolitical tensions, particularly the developments in Ukraine, present risks to the group's outlook. The situation in Russia and Ukraine is complex and constantly evolving. We are actively monitoring these events in order to comply with all relevant local and international laws and guidelines. The group has limited direct exposure to Russia and Ukraine through its controlled operations. We are however, giving due consideration to the potential secondary impacts across our countries of operation, for example financial markets, trade, transport logistics, commodity and food prices.

ICBCS, as an emerging markets and commodities business, has exposure to certain entities which are being impacted, directly and indirectly, by the developments in Ukraine and Russia. ICBCS is responding to developments in line with its contingency plans and took proactive steps to review its Russian and Ukrainian activities against the backdrop of rising tensions and, where appropriate, reduced its limits for entities which could be affected. Due to the uncertainties and fluid nature of the situation, it is not possible to assess the direct or indirect impact thereof on ICBCS's 2022 results.

44. Events after reporting date continued

The group's acquisition of the remaining, non-controlling ordinary and preference shareholdings in Liberty Holdings Limited

On 14 July 2021, Standard Bank Group (SBG) and Liberty Holdings Limited (Liberty) jointly announced, via SENS and the press, SBG's firm intention to make an offer to (i) acquire all the ordinary shares of Liberty that are not already owned by SBG excluding all treasury shares; and (ii) acquire all of Liberty's issued preference shares listed on the JSE (together the 'proposed transaction'). As part of the proposed transaction all Liberty ordinary and preference shares would be delisted from the JSE.

The ordinary and preference share schemes were approved by Liberty's shareholders on 13 October 2021 with implementation of the schemes subject to the fulfilment or waiver of the scheme conditions.

In relation to the preference share scheme, all requisite scheme conditions, including obtaining requisite regulatory approvals, were fulfilled on 2 November 2021. Accordingly, the preference share scheme was implemented on 22 November 2021 for a total consideration of R22.5 million. This resulted in a decrease in preference share capital/premium of R15 million and a R7.5 million loss on settlement of the preference shares, which was recognised directly in retained earnings. The Liberty preference shares were delisted from the JSE on 23 November 2021.

In respect of the ordinary share scheme, at 31 December 2021, certain scheme conditions, including some requisite regulatory approvals, remained outstanding. Accordingly, that scheme was not unconditional at the reporting date. Subsequent to year end, all of the scheme conditions were fulfilled and the scheme became unconditional on 7 February 2022 with implementation of the ordinary scheme on 28 February 2022 and the Liberty ordinary shares delisted from the JSE on 1 March 2022.

The ordinary share scheme participants received a special distribution of R11.10 per Liberty ordinary share and a scheme consideration for each Liberty ordinary share comprising half an SBK ordinary share (subject to the JSE's rounding principles) plus an ordinary scheme cash consideration of R14.40.

The group accounts for its controlling shareholding in Liberty as an investment in subsidiary which is measured at cost less impairments in its separate financial statements in terms of IAS 27 *Separate Financial Statements* (IAS 27).

The share issue by the group under the ordinary share scheme will be recognised as an increase in the group's share capital and share premium. Upon acquiring the remaining Liberty shares not already owned by the group, the group's investment in Liberty will increase and this increased investment will be measured at the cost of acquisition in the separate financial statements of Standard Bank Group Limited. The group will continue to consolidate Liberty results, however, as of 7 February 2022 the total Liberty earnings would be attributable to the group's ordinary shareholders instead of attributing a portion of earnings to the current Liberty non-controlling shareholders. Since the transaction is between group entities, common control accounting principles apply, and the transaction will result in the premium above the acquired net asset value attributable to non-controlling shareholders being recognised directly in retained earnings.

THE ESTIMATED FINANCIAL IMPACT AS A RESULT OF THE COMMON CONTROL TRANSACTION RELATING TO THE ORDINARY SHARE SCHEME IS AS FOLLOWS:

	R'000
Transaction price	**12 387**
Additional shares issued[1]	**9 430**
Special dividend	**1 287**
Cash consideration	**1 670**
Net asset value attributable to non-controlling shareholders at date of sale	**8 029**
Decrease on retained earnings	**4 358**

1 The issue of the 58 million additional shares will result in an estimated increase to the group's share capital and share premium.

45. Segment reporting

45.1 Operating segments

OUR TRADITIONAL STRUCTURE TO 31 DECEMBER 2020

Standard Bank Group

Client segments

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

New capability model

from 01 January 2021

Consumer & High Net Worth clients

The Consumer & High Net Worth (CHNW) segment offers tailored and comprehensive banking, investment, insurance and beyond financial solutions. We serve clients across Sub-Saharan Africa ranging from high net-worth, affluent, and main market by enabling their daily lives throughout their life journeys.

Business & Commercial clients

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

Corporate & Investment Banking clients

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

Client solutions

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

Banking

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

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

Card and payments
Credit card facilities to individuals and businesses.

Merchant acquiring services.

Enablement of digital payment capabilities through various products and platforms.

Mobile money and cross-border businesses.

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

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

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

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

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

Insurance

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

Central and other

- Group hedging activities.
- Unallocated capital.
- Liquidity earnings.
- Central costs.

Other banking interests

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

Investments

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

Liberty

Life insurance and investment management activities
- South Africa Retail: Insurance and investment solutions to individual customers in South Africa.
- Business development: Insurance and investment solutions to corporate clients and retirement funds across sub-Saharan Africa.
- Asset management: Capabilities to manage investment assets in South Africa and southern African Regions.

45. Segment reporting continued

45.2 Operating segments income statement

	Consumer & High Net Worth		Business & Commercial		Corporate & Investment Banking	
	2021 Rm	2020[1] Rm	2021 Rm	2020[1] Rm	2021 Rm	2020[1] Rm
Income statement						
Income from banking activities	48 196	45 850	26 307	25 568	40 366	38 558
Net interest income	28 618	27 121	15 544	15 157	18 666	19 396
Non-interest revenue	19 578	18 729	10 763	10 411	21 700	19 162
Net fee and commission revenue	15 808	15 371	7 956	7 419	7 054	6 901
Trading revenue	1 081	1 076	2 115	2 134	11 938	11 315
Other revenue	2 697	2 282	597	775	780	310
Other gains and losses on financial instruments	(8)		95	83	1 928	636
Income from investment management and life insurance activities						
Total income	48 196	45 850	26 307	25 568	40 366	38 558
Credit impairment charges	(7 934)	(12 361)	(2 243)	(3 547)	311	(4 195)
Net income before operating expenses	40 262	33 489	24 064	22 021	40 677	34 363
Operating expenses in Standard Bank Activities	(29 638)	(28 408)	(16 701)	(16 190)	(21 523)	(20 983)
Staff costs	(9 696)	(9 373)	(4 335)	(3 968)	(8 231)	(7 475)
Other operating expenses	(19 942)	(19 035)	(12 366)	(12 222)	(13 292)	(13 508)
Operating expenses in insurance activities						
Profit attributable to ordinary shareholders	6 828	3 013	5 264	4 017	13 413	7 853
Headline adjustable items	62	24	20	205	(16)	1 504
Headline earnings	6 890	3 037	5 284	4 222	13 397	9 357
Statement of financial position						
Net loans and advances	604 288	547 364	207 016	174 850	663 582	591 786
Net loans and advances to banks	25 125	18 926	21 693	15 559	209 528	164 124
Net loans and advances to customers	579 163	528 438	185 323	159 291	454 054	427 662
Policyholders' assets						
Other assets	73 683	68 577	50 899	47 624	639 061	645 041
Total assets	677 971	615 941	257 915	222 474	1 302 643	1 236 827
Equity	54 866	49 523	27 003	24 024	83 916	72 499
Liabilities	623 105	566 418	230 912	198 450	1 218 727	1 164 328
Deposits and debt funding	364 741	328 023	432 993	380 230	1 012 330	946 904
Deposits from banks			6 497	6 627	130 054	126 635
Deposits and current accounts from customers	364 741	328 023	426 496	373 603	882 276	820 269
Policyholders' liabilities						
Other liabilities[2]	258 364	238 395	(202 081)	(181 780)	206 397	217 424
Total equity and liabilities	677 971	615 941	257 915	222 474	1 302 643	1 236 827
Credit loss ratio (bps)	137	231	124	216	(4)	59
Cost-to-income ratio (%)	61.5	62.0	63.5	63.3	53.3	54.4
Return on equity (ROE) (%)	13.9	6.3	24.5	19.4	19.6	13.8
Average ordinary shareholders' equity	49 424	48 162	21 571	21 763	68 361	67 969

1 The change in operating segments from 1 January 2021, refer to the directors' report and page 118 for more detail, has resulted in a change in presentation in the form of renaming certain line items throughout these financial statements to align with the new client solutions terminology. This change in presentation was applied retrospectively and the segmental analyses' comparative figures were reclassified accordingly. This change had no impact on the comparative figures within the primary statements or other notes thereto.

2 Other liabilities includes inter-divisional funding which fluctuates in line with asset growth.

Central and other 2021 Rm	Central and other 2020[1] Rm	Standard Bank Activities 2021 Rm	Standard Bank Activities 2020[1] Rm	Liberty 2021 Rm	Liberty 2020[1] Rm	Other banking interests 2021 Rm	Other banking interests 2020[1] Rm	Standard Bank Group 2021 Rm	Standard Bank Group 2020[1] Rm
(1 313)	(1 395)	113 556	108 581					113 556	108 581
(392)	(249)	62 436	61 425					62 436	61 425
(921)	(1 146)	51 120	47 156					51 120	47 156
(205)	(278)	30 613	29 413					30 613	29 413
(292)	(651)	14 842	13 874					14 842	13 874
(426)	(209)	3 648	3 158					3 648	3 158
2	(8)	2 017	711					2 017	711
				19 426	15 086			19 426	15 086
(1 313)	(1 395)	113 556	108 581	19 426	15 086			132 982	123 667
(7)	(491)	(9 873)	(20 594)					(9 873)	(20 594)
(1 320)	(1 886)	103 683	87 987	19 426	15 086			123 109	103 073
2 127	2 399	(65 735)	(63 182)					(65 735)	(63 182)
(14 380)	(13 564)	(36 642)	(34 380)					(36 642)	(34 380)
16 507	15 963	(29 093)	(28 802)					(29 093)	(28 802)
				(16 952)	(16 139)			(16 952)	(16 139)
(651)	(721)	24 854	14 162	(489)	(693)	500	(1 111)	24 865	12 358
20	(180)	86	1 553	70	42		1 992	156	3 587
(631)	(901)	24 940	15 715	(419)	(651)	500	881	25 021	15 945
(50 558)	(42 745)	1 424 328	1 271 255					1 424 328	1 271 255
(50 168)	(37 479)	206 178	161 130					206 178	161 130
(390)	(5 266)	1 218 150	1 110 125					1 218 150	1 110 125
				2 868	5 050			2 868	5 050
49 511	48 274	813 154	809 516	481 219	443 597	4 248	3 522	1 298 621	1 256 635
(1 047)	5 529	2 237 482	2 080 771	484 087	448 647	4 248	3 522	2 725 817	2 532 940
47 008	39 448	212 793	185 494	25 808	26 256	4 248	3 522	242 849	215 272
(48 055)	(33 919)	2 024 689	1 895 277	458 279	422 391			2 482 968	2 317 668
(12 765)	(12 679)	1 797 299	1 642 478	(20 676)	(18 357)			1 776 623	1 624 121
6 598	(1 011)	143 149	132 251					143 149	132 251
(19 363)	(11 668)	1 654 150	1 510 227	(20 676)	(18 357)			1 633 474	1 491 870
				363 023	325 192			363 023	325 192
(35 290)	(21 240)	227 390	252 799	115 932	115 556			343 322	368 355
(1 047)	5 529	2 237 482	2 080 771	484 087	448 647	4 248	3 522	2 725 817	2 532 940
		73	151						
		57.9	58.2						
		14.7	9.6	(0.3)	(7.3)	12.8	21.7	13.5	8.9
30 606	25 946	169 962	163 839	11 144	11 214	3 902	4 063	185 008	179 116

45. Segment reporting continued

45.2 Summarised Income statement by solution

	Consumer and High Net Worth		Business & Commercial		Corporate & Investment Banking		Total	
	Net interest income	Non-interest revenue	Net interest income	Non-interest revenue	Net interest income	Non-interest revenue	Net interest income	Non-interest revenue
2021								
Home Services	9 699	260	459	23			10 158	283
VAF & Card and payment	5 114	2 159	1 612	2 024	144	391	6 870	4 574
Retail lending	7 283	1 194	5 259	1 283			12 542	2 477
Retail transactional	6 169	7 881	8 035	5 020			14 204	12 901
Insurance and investment solutions	140	3 990	21	441			161	4 431
Global Markets	10	892	159	1 974	2 595	12 580	2 764	15 446
Investment banking	203	3 203			5 724	4 176	5 927	7 379
Transactional products and services					10 204	4 552	10 204	4 552
Total	28 618	19 579	15 545	10 765	18 667	21 699	62 830	52 043
2020								
Home Services	8 203	191	427	19			8 630	210
VAF & Card and payment	4 874	1 992	1 609	1 650	24	299	6 507	3 941
Retail lending	7 035	1 377	4 732	1 283			11 767	2 660
Retail transactional	6 627	7 513	8 218	5 194			14 845	12 707
Insurance and investment solutions	152	3 786	22	405			174	4 191
Global Markets	11	725	148	1 824	3 479	12 985	3 638	15 534
Investment banking	218	3 145			6 260	1 679	6 478	4 824
Transactional products and services					9 633	4 199	9 633	4 199
Total	27 120	18 729	15 156	10 375	19 396	19 162	61 672	48 266

45. Segment reporting continued

45.3 Geographic information

	South Africa Rm	Africa Regions Rm	International Rm	Eliminations[1] Rm	Standard Bank Group Rm
2021					
Total income[2]	90 297	40 383	3 054	(752)	132 982
Banking activities	70 871	40 383	3 054	(752)	113 556
Liberty	19 426				19 426
Total headline earnings	15 512	9 105	408	(4)	25 021
Banking activities	15 431	9 105	408	(4)	24 940
Other banking interests	500				500
Liberty	(419)				(419)
Total assets	2 241 684	562 951	158 335	(237 153)	2 725 817
Banking activities	1 761 154	559 394	154 087	(237 153)	2 237 482
Other banking interests			4 248		4 248
Liberty	480 530	3 557			484 087
2020[4]					
Total income[2]	77 149	44 773	3 508	(1 763)	123 667
Banking activities	65 636	41 200	3 508	(1 763)	108 581
Liberty	11 513	3 573			15 086
Total headline earnings	6 939	8 517	1 893	(1 404)	15 945
Banking activities	7 577	8 530	1 012	(1 404)	15 715
Other banking interests			881		881
Liberty	(638)	(13)			(651)
Total assets	2 018 458	484 611	126 563	(96 692)	2 532 940
Banking activities	1 578 208	476 214	123 041	(96 692)	2 080 771
Other banking interests			3 522		3 522
Liberty	440 250	8 397			448 647
Non-current assets[3]	55 080	13 194	485	(272)	68 487
Banking activities	23 938	12 629	485	(272)	36 780
Liberty	31 142	565			31 707

1 Eliminations include intersegmental transactions and balances and also includes central funding and other.
2 Total income is attributable based on where the operations are located.
3 Non-current assets are assets that are expected to be recovered more than 12 months after the reporting period.
4 Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis' comparative figures are restated accordingly.

Standard Bank Group Limited – Company annual financial statements

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	COMPANY 2021 Rm	COMPANY 2020 Rm
Assets			
Financial investments	46	**63**	56
Interest in subsidiaries	47	**107 682**	99 743
Interest in associates	48	**5 736**	5 110
Deferred tax asset	49	**2**	4
Total assets		**113 483**	104 913
Equity and liabilities			
Equity		**90 407**	85 269
Share capital and premium	15	**18 021**	18 016
Equity attributable to other equity instrument holders	15	**16 052**	12 528
Reserves		**56 334**	54 725
Liabilities		**23 076**	19 644
Subordinated debt	50	**22 641**	18 970
Indebtedness by the company to group subsidiaries	47	**377**	641
Other liabilities		**55**	25
Current tax liabilities		**3**	8
Total equity and liabilities		**113 483**	104 913

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

		COMPANY	
	Note	2021 Rm	2020 Rm
Interest income		1 290	1 143
Interest expense		(1 293)	(1 124)
Other losses	51	(36)	(39)
Dividends from subsidiaries		11 805	20 998
Total income		11 766	20 978
Operating expenses		(123)	(35)
Net income before impairments of investment		11 643	20 943
Impairment of investment in subsidiaries	47	(26)	(6 866)
Net income before share of profits from associate		11 617	14 077
Share of profits from associates	48	888	186
Profit before direct taxation		12 505	14 263
Direct taxation	52	(286)	(307)
Profit for the year		12 219	13 956
Other comprehensive loss after tax for the year[1]		(56)	(17)
Net change in fair value of equity financial assets measured at fair value through OCI	46	10	(17)
Exchange differences on translating foreign associate operations	48	50	
Net change in cash flow hedge reserve	48	(116)	
Total comprehensive income		12 163	13 939
Attributable to the ordinary shareholder		11 338	13 136
Attributable to other equity instrument holders		825	803

[1] The presentation in 2021 has been changed to present income tax related to each component of OCI in Note 49 instead of disaggregated on the statement of comprehensive income above. There is no measurement impact on statement of comprehensive income and no impact on the statement of financial position.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

		COMPANY	
	Note	2021 Rm	2020 Rm
Net cash flows from operating activities		11 883	17 393
Profit before direct taxation		12 505	14 263
Adjusted for non-cash items and other adjustments included in the income statement	53	(12 188)	(14 329)
(Increase)/decrease in income-earning assets	53	(7)	198
Increase/(decrease) in deposits, trading and other liabilities	53	30	(8)
Interest received		1 290	1 143
Interest paid		(1 273)	(858)
Dividends received		11 805	17 307
Taxation paid		(279)	(323)
Net cash flows used in investing activities		(8 029)	(16 413)
Increase in investment in subsidiaries	53	(8 029)	(16 413)
Net cash flows used in financing activities		(3 854)	(980)
Proceeds from issue of share capital			32
Issuance of other equity instruments		3 524	1 539
Issuance of subordinated debt	53	3 166	7 000
Dividends paid		(10 544)	(9 551)
Effect of exchange rate change			
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year			
Cash and cash equivalents at end of the year			

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

COMPANY	Note	Share capital and premium Rm	Share-based payment reserve Rm
Balance at 1 January 2020		17 984	
Issue of share capital and share premium	15	32	
Issue of Additional Tier 1 capital			
Total comprehensive income			
Other comprehensive income			
Profit for the year			
Dividends paid			
Balance at 31 December 2020		18 016	
Balance at 1 January 2021		**18 016**	
Issue of share capital and share premium	15	**5**	
Issue of Additional Tier 1 capital	15		
Other			
Total comprehensive income			
Other comprehensive income			
Profit for the year			
Dividends paid			
Balance at 31 December 2021		**18 021**	

Revaluation reserve Rm	Cash flow hedging reserve Rm	FCTR Rm	Fair value through OCI reserve	Retained earnings Rm	Ordinary share-holders' equity Rm	Other equity instrument holders Rm	Total Rm
3 100	969		(47)	46 315	68 321	10 989	79 310
					32		32
						1 539	1 539
			(17)	13 153	13 136	803	13 939
			(17)		(17)		(17)
				13 153	13 153	803	13 956
				(8 748)	(8 748)	(803)	(9 551)
3 100	969		(64)	50 720	72 741	12 528	85 269
3 100	**969**		**(64)**	**50 720**	**72 741**	**12 528**	**85 269**
					5		**5**
						3 524	**3 524**
				(10)	**(10)**		**(10)**
		50	**10**	**11 279**	**11 339**	**825**	**12 164**
		50	**10**	**(116)**	**(56)**		**(56)**
				11 395	**11 395**	**825**	**12 220**
				(9 720)	**(9 720)**	**(825)**	**(10 545)**
3 100	**969**	**50**	**(54)**	**52 269**	**74 355**	**16 052**	**90 407**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

46. Financial investments

	2021 Rm	2020 Rm
Financial investments held in banking activities – unlisted equities	63	56
Financial investment measured at fair value through OCI closing balance	35	
Opening balance	28	49
Fair value adjustments	7	(21)
Financial investment measured at fair value through profit or loss closing balance	28	
Opening balance	28	32
Fair value adjustments		(4)

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

47. Interest in subsidiaries

	2021 Rm	2020 Rm
Shares at cost	81 126	77 621
Indebtedness to the company (annexure A)	25 640	21 206
Investment through equity-settled share incentives	916	916
	107 682	99 743
Indebtedness by the company (annexure A)	(377)	(641)
Total	107 305	99 102

Principal subsidiaries and investments and related loans are listed in annexure A. For more detail regarding related party transactions, refer to note 44.

Indebtedness to the company are all current assets and not impaired and have been classified as loans and advances which are measured on an amortised cost basis. These lending exposure are to entities that forms part of the group's risk management framework as such the ECL has been assessed to be insignificant. This is on the basis that the group has governance and oversight of the risk inherent in these entities and ensures that entities operate within the Group's risk appetite as approved by the Group Risk & Capital Management Committee (GRCMC).

Indebtedness by the company are all liabilities repayable on demand and are measured at amortised cost. The carrying value approximates fair value and are classified as level 3 in the fair value hierarchy. Changes in the indebtedness during the year include repayments, new loans, interest accruals and exchange rate differences.

The company's investments in subsidiaries (measured at cost) are reviewed annually for impairment with reference to impairment indicators that include the following:

- Dividends declared by subsidiaries in excess of the subsidiaries' total comprehensive income earned in the reporting period.
- The carrying value of the investment exceeds the subsidiary's net asset value of the subsidiary, including any associated goodwill.

When impairment indicators exist the recoverable amount of the company's investment in the subsidiary is determined (as the higher of the value in use and fair value less cost to sell). An impairment loss is recognised in profit or loss if the carrying value exceeds the recoverable amount.

During the reporting period, an impairment loss of R26 million was recognised on the company's investment in Unisec Group (2020: R6.9 billion impairment loss was recognised on the company's investment in Standard Bank London Holdings Ltd (SBLH)). The impairment of SBLH in 2020 was primarily driven by the dividend comprising of the cash dividend as well as the dividend in specie distribution of its investment in ICBCS distributed during 2020 reporting period. This investment was impaired to its recoverable amount (the NAV approximated the recoverable amount).

48. Interest in associates

	2021 Rm	2020 Rm
Carrying value at beginning of the year	**5 110**	1 233
Additions		3 691
Fair value adjustments	**4**	
Cash Flow Hedge adjustment	**(116)**	
Share of profit	**888**	186
Dividend received	**(200)**	
Currency translations	**50**	
Carrying value at end of the year	**5 736**	5 110

The company's investments in associates include South African Home Loans (Proprietary) Limited and ICBC Standard Bank Plc (ICBCS). Refer to annexure B for further detail.

49. Deferred tax asset

	2021 Rm	2020 Rm
Deferred tax reconciliation		
Deferred tax asset/(liability) at the beginning of the year	**4**	(1)
Temporary difference for the year	**(2)**	5
Deferred tax on equity financial asset reserve recognised in OCI	**(2)**	4
Fair value adjustment – recognised in profit or loss		1
Deferred tax asset at end of the year	**2**	4

50. Subordinated debt

	Redeemable/payable date	First callable date	Nominal value[1] Million	Carrying value[1] 2021 Rm	Carrying value 2020 Rm
SBT201	13 February 2028	13 February 2023	ZAR3 000	**3 026**	3 026
SBT202	03 December 2028	03 December 2023	ZAR1 516	**1 524**	1 524
SBT203	03 December 2028	03 December 2023	ZAR484	**488**	488
SBT204	16 April 2029	16 April 2024	ZAR1 000	**1 012**	1 012
SBT205	31 May 2029	31 May 2024	USD400	**6 387**	5 899
SBT206	31 January 2030	31 January 2025	ZAR2 000	**2 019**	2 018
SBT207	25 June 2030	25 June 2025	ZAR3 500	**3 503**	3 503
SBT208	28 November 2030	28 November 2025	ZAR 1 500	**1 509**	1 500
SBT209	29 June 2031	29 June 2026	ZAR1 722	**1 723**	
SST201	08 December 2031	08 December 2026	ZAR1 444	**1 450**	
Total				**22 641**	18 970

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

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

Subordinated debt is measured on an amortised cost basis and is classified as level 2 in the fair value hierarchy, with a fair value of R22.7 billion (2020: R19.4 billion).

50. Subordinated debt continued

50.1 Maturity analysis

	Within one to five years[1]	
	2021 Rm	2020 Rm
Subordinated debt – discounted	**22 641**	18 970
Subordinated debt – undiscounted	**28 722**	23 784

1 The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.

51. Other losses

	2021 Rm	2020 Rm
Foreign exchange loss	**(43)**	(41)
Unrealised loss on financial instruments		(4)
Other	**7**	6
Total	**(36)**	(39)

52. Direct taxation

	2021 Rm	2020 Rm
Current year		
South African normal tax	**222**	196
Deferred tax charge	**2**	(5)
Foreign and withholding taxes	**67**	34
Prior years		
South African normal tax prior year (over)/under provision	**(5)**	82
Total direct taxation recognised in statement of comprehensive income	**286**	307
South African tax rate reconciliation (%)		
Direct tax – statutory rate	**28.0**	28.0
Prior year tax		0.6
Direct tax – current year	**28.0**	28.6
Withholding tax	**0.5**	0.2
Direct tax – current year – normal	**28.5**	28.8
Permanent differences	**(26.2)**	(26.7)
Impairment of investment	**0.1**	13.5
Non-deductible cost	**0.5**	0.3
Dividends received	**(24.8)**	(40.1)
Equity accounted earnings	**(2.0)**	(0.4)
Direct effective tax rate[1]	**2.3**	2.1

1 Expressed as a percentage of profit before direct tax.

53. Statement of cash flow notes

53.1 Adjustment for non-cash items and other adjustments included in the income statement

	2021 Rm	2020 Rm
Dividends received	(11 805)	(20 998)
Interest income	(1 290)	(1 143)
Interest expense	1 293	1 124
Share of profits from associates	(888)	(186)
Effects of exchange rate change on Investment in Associate	(50)	
Impairment of investment in subsidiary	26	6 866
Unrealised loss on financial instruments	521	4
Other non-cash expenses	5	4
Total	(12 188)	(14 329)

53.2 (Increase)/decrease in income-earning assets

	2021 Rm	2020 Rm
Financial investments	(7)	25
Other assets		173
Total	(7)	198

53.3 Increase/(decrease) in other liabilities

	2021 Rm	2020 Rm
Other liabilities	30	(8)

53.4 Increase in investment in subsidiaries

	2021 Rm	2020 Rm
Increase in investment in subsidiaries	(3 531)	(8 105)
Movement in indebtedness	(4 498)	(8 308)
Total	(8 029)	(16 413)

53.5 Reconciliation of subordinated debt

	2021 Rm	2020 Rm
Balance at the beginning of the year	18 970	11 704
Subordinated debt issued	3 166	7 000
Foreign exchange movement	485	
Interest accrued	20	266
Balance at the end of the year	22 641	18 970

54. Liquidity, credit and market risk information

Other assets and liabilities consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk. The company is exposed to interest rate risk and liquidity risk on subordinated debt for more detail on the group's approach to risk management which also applies to company, refer to annexure C.

Annexure A – subsidiaries, consolidated and unconsolidated structured entities

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

STANDARD BANK GROUP[1]

The Standard Bank of South Africa[1]

- Blue Managers[1]
- Diners Club (S.A.)[1]
- Standard Bank Insurance Brokers[1]
- Standard Offshore Finance Company Limited (Isle of Man)

Melville Douglas Investment Management[1]

- **Standard Insurance[1]**
- **Standard Trust[1]**
- **Stanvest[1]**
- **SBG Securities[1]**
- **Standard Bank Properties[1]**
- **Standard Lesotho Bank (80%)**
- **SBN Holdings Limited (74.90%)**
  - Standard Bank Namibia (99.96%)
- **Standard Bank Eswatini (72.22%)**
- **Standard Bank de Angola S.A. (51%)**
- **Standard Advisory (China)**
- **Standard Advisory London, (UK)**
- **Standard New York, (US)**

Stanbic Africa Holdings, UK

- Stanbic Bank (Botswana)
- Stanbic Bank Ghana (99.54%)
- Standard Holdings Côte d'Ivoire (99%)
  - Stanbic Bank S.A. (Côte d'Ivoire) (99%)
- Stanbic Uganda Holdings (80%)
  - Stanbic Bank Uganda (99.99%)
- Stanbic Bank Tanzania (99.99%)
- Stanbic Bank Zambia (99.99%)
- Stanbic Holdings Kenya (72.25%)[2]
  - Stanbic Bank Kenya
  - Stanbic Bancassurance Intermediary Limited
- Stanbic IBTC Holdings Nigeria (67.51%)[3]
  - Stanbic IBTC Bank (99.99%), Nigeria
  - Stanbic IBTC Insurance Brokers (75%)[4]
- Stanbic Bank Zimbabwe
- Standard Bank RDC S.A. (DRC) (99.99%)
- Standard Bank Malawi (60.18%)
- Standard Bank (Mauritius)
- Standard Bank S.A. (Mozambique) (98.15%)

[1] Refer to footnotes on the following page.

Standard Bank London Holdings, UK

Standard Bank Group International, Isle of Man

- Stanbic International Insurance, Isle of Man
- Standard Finance, Isle of Man

Standard Bank Offshore Group, Jersey

- Standard Bank Offshore Trust Company Jersey
- Standard Bank Isle of Man
- Standard Bank Trust Company (Mauritius)
- Standard Bank Jersey

Liberty Holdings[1] (53.62%)

- Liberty Group[1]
  - Liberty Two Degrees[1,5] (58.51%)
- Liberty Kenya Holdings (73.47%)
- STANLIB[5]
  - STANLIB Asset Management[1]
  - STANLIB Collective Investments[1]
  - STANLIB Fund Managers Jersey
  - STANLIB Multi-Manager[1]
  - STANLIB Wealth Management[1]

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

1 Incorporated in South Africa.
2 Change in holding from 71.16% to 72.25%.
3 Change in holding from 67.02% to 67.51%.
4 Stanbic IBTC Holdings PLC holds 75% and the Chief Executive of Stanbic IBTC Insurance Brokers Limited holds 25%. It should be noted that 25% of the shareholding must be held by the CEO of an Insurance Brokerage business to fulfil Nigerian regulatory requirements; however, this Shareholding is held by the CEO in a nominee capacity not in a personal capacity. Accordingly, the total beneficial shareholding of Stanbic IBTC Insurance Brokers by Stanbic IBTC Holdings PLC remains at 100%.
5 STANLIB erroneously disclosed a shareholding of 9.23% in Liberty Two Degrees in 2020. During 2021 it has been noted that the 9.23% shareholding is owned by Liberty Group Ltd.

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

Refer to footnotes on the following page.

*Stanbic Bank Zimbabwe (SBZ) functional currency

The change in functional currency from USD to ZWL was effective from 1 October 2018. During the 2018 reporting period, the only exchange mechanism that SBZ had access to was ZWL, which was also the only official exchange mechanism. This led to SBZ concluding that the appropriate exchange rate to use at the date of the change in functional currency and after the change in functional currency up until the end of the 2018 reporting period was the official rate of 1:1.

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

The foreign exchange interbank market was replaced by the foreign exchange auction trading system as from 23 June 2020. As at 31 December 2021, the rate deteriorated to 108.67 RTGS:USD from 81.77 RTGS:USD as at 31 December 2020, which resulted in an FCTR loss of R539 million (2020: R1.4 billion) for the group, after the hyperinflation adjustment translation adjustment per IAS 21 *The effects of changes in foreign exchange rates* (IAS 21). During 2021, the Zimbabwe year-on-year monthly inflation rate moved from 349% to 61% at the end of December 2021. Therefore, SBZ remains a group entity operating in a hyperinflationary economy and the results for SBZ continue to be adjusted in accordance with IAS 29 *Financial reporting in hyperinflationary economies*. This resulted in the group's profit attributable to ordinary shareholders for the year ended 31 December 2021 decreasing by R140 million (2020: R607 million) and an increase in retained earnings of R259 million (2020: R1.05 billion). The consumer price index at the beginning of the reporting period was 2 475% (2020: 552%) and closed at 3 977% (2020: 2 475%).

Effective holding[2]		Non-controlling interest		Book value of shares		Net indebtedness	
2021 %	2020 %	**2021 %**	2020 %	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
100	100						
99	99	**1**	1				
72	71	**28**	29				
99	99	**1**	1				
100	100						
100	100						
100	100			**136**	136		
80	80	**20**	20				
68	67	**32**	33				
51	51	**49**	49	**359**	359	**1**	
100	100						
100	100						
60	60	**40**	40				
100	100						
75	75	**25**	25				
100	100						
98	98	**2**	2				
72	72	**28**	28	**94**	94		
80	80	**20**	20	**13**	13		
100	100			**59 669**	56 145	**24 633**	20 378
				60 271	56 747	**24 634**	20 378

	Nature of operation	Nominal share capital issued
Non-banking subsidiaries		
Ecentric Payment Systems Proprietary Limited[1]	Development and marketing transactions – switching software and services	
Liberty Group Limited[1]	Insurance company	29
Liberty Holdings Limited[4]	Insurance holding company	26
Liberty Two Degrees Limited[1,5]	Real Estate Investment trust	
Melville Douglas Investment Management Proprietary Limited[#]	Asset and portfolio management	
SBG Securities Proprietary Limited[#]	Stockbrokers	
SBN Holdings Limited (Namibia)[4]	Bank holding company	1
Stanbic Africa Holdings Limited (UK)	Investment holding company	1 494
Stanbic Holdings Ghana Limited Company	Holding company	182
Stanbic Holdings PLC (Kenya)[1,4]	Bank holding company	232
Stanbic IBTC Holdings PLC (Nigeria)[1,4]	Bank holding company	331
Stanbic Uganda Holdings Limited (Uganda)[4]	Bank holding company	227
Standard Advisory (China) Limited (China)	Trading company	8
Standard Advisory London Limited (UK)	Arranging and advisory company	1
Standard Bank Group International Limited (Isle of Man)	Investment holding company	
Standard Bank London Holdings Limited (UK)	Investment holding company	6 337
Standard Bank Offshore Group Limited (Jersey)[2]	Investment holding company	17
Standard Bank Offshore Trust Company Jersey Limited (Jersey)[1#]	Trust company	6
Standard Bank Trust Company (Mauritius) Limited (Mauritius)[1#]	Trust company	
Standard Insurance Limited	Short-term insurance	15
Standard New York, Inc (US)	Securities broker/dealer	55
Standard Trust Limited[#]	Trust company	
STANLIB Limited[1]	Wealth and asset management	
Miscellaneous	Finance companies	
Total non-banking subsidiaries		
Total		

1 Held indirectly, no book value in Standard Bank Group Limited.
2 Effective holding company, comprises direct and indirect holdings.
3 Minorities or nominee shareholders hold 0.5% or less.
4 Listed on a stock exchange.
5 Effective shareholding represents Liberty group's direct shareholding.
Standard Bank Group Limited will ensure that the capital adequacy of its subsidiaries denoted by # will meet the requirements of home and host regulators, as required by section 70(A) of the South African Banks Act.

The nominal share capital issued of foreign subsidiaries has been stated in the above table at their rand equivalents at the rates of exchange ruling on the dates of the provision of capital. The country of incorporation is South Africa unless otherwise indicated.

While a full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office, the above disclosures include subsidiaries for which either of the following is present:

- Standard Bank Group Limited has provided a capital adequacy statement (denoted by #)
- there is a non-controlling interest. Refer to page 132 for further detail on the change in holding
- there is a net book value as recorded in Standard Bank Group Limited's financial statements
- there is net indebtedness to/from Standard Bank Group Limited.

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

	Effective holding		Non-controlling interest		Book value of shares		Net indebtedness	
	2021 %	2020 %	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
	54	54	**46**	46				
	54	54	**46**	46				
	54	54	**46**	46	**7 691**	7 668		
	58	58	**42**	42				
	100	100			**53**	53		
	100	100			**323**	323		
	75	75	**25**	25	**348**	348		
	100	100			**10 572**	10 572	**240**	171
	100	100						
	72	71	**28**	29				
	68	67	**32**	33				
	80	80	**20**	20				
	100	100			**10**	10		
	100	100			**557**	557		
	100	100			**308**	308		
	100	100			**792**	792		
	100	100			**49**	49		
	100	100						
	100	100						
	100	100			**30**	30		
	100	100			**55**	55		
	100	100						
	54	54	**46**	46				
					67	109	**389**	16
					20 855	20 874	**629**	187
					81 126	77 621	**25 263**	20 565

Consolidated structured entities

Name of the entity	Nature of the operations	Amount of support provided as at[1,2,3] 2021 Rm	Amount of support provided as at[1,2,3] 2020 Rm	Type of support[4] 2021 Rm	Type of support[4] 2020 Rm
Blue Granite Investments No. 2 (RF) Proprietary Limited (BG2)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to BG2.	**28**	27	**Subordinated loan**	Subordinated loan
Blue Granite Investments No. 3 (RF) Proprietary Limited (BG3)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to BG3.	**58**	58	**Subordinated loan**	Subordinated loan
Blue Granite Investments No. 4 (RF) Proprietary Limited (BG4)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to BG4.			**Subordinated loan**	Subordinated loan
Siyakha Fund (RF) Proprietary Limited (Siyakha)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to Siyakha.			**Subordinated loan**	Subordinated loan
Blue Shield Investments 01 (RF) Limited (Blue Shield 01)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to Blue Shield 01.	**495**	502	**Subordinated loan**	Subordinated loan
		16 005	16 092	**Mortgage backed notes**	Mortgage backed notes
Blue Shield Investments 02 (RF) Limited (Blue Shield 02)	Facilitates mortgage backed securitisations. The group is the primary liquidity facility provider to Blue Shield 02.	**1 800**	1 812	**Subordinated loan**	Subordinated loan
		29 030	30 638	**Mortgage backed notes**	Mortgage backed notes

1 The amount of support provided includes loans and advances and drawn down credit facilities provided to SEs by the group.
2 During the reporting period, the group did not provide any financial or other support to any subsidiary without having a contractual obligation to do so.
3 This is the amount as reported on the balance sheet as at 31 December 2021 and 2020, respectively.
4 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business. These transactions include loans and advances, deposits and current accounts and derivatives.

	Terms of contractual arrangements that requires the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
	The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 2's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 3's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income as reflected in the management accounts, after taking into account all income and expenses.	Should BG 4's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The loan does not have a fixed term or repayment date. Payment of interest will be determined on interest payment date at the lower of cash available or an amount calculated such that the rate will be equal to prime plus 5% or an amount equal to the notional net income reflected in the management accounts, after taking into account all income and expenses.	Should Siyakha's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The subordinated loan is provided by the group. Interest is charged at the lower of prime plus 10% or net profit after tax or cash balance available in Blue Shield 01.	Should Blue Shield 01's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The group holds class A1, A2, A3 and C notes. Interest for the different classes of notes accrues at the three month JIBAR rate plus a margin ranging between 1.55% and 4.00%. Interest is payable quarterly. The notes' maturity date is 21 November 2024.	
	The subordinated loan is provided by the group. Interest is calculated at prime plus 1%.	Should Blue Shield 02's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans be classified as non-performing.
	The group holds class A1, A2, B and C notes. Interest for the different classes of notes accrues at prime rate less a margin ranging between 1% and 1.9%. Interest is payable quarterly. The notes' maturity date is 1 December 2055.	

Consolidated structured entities continued

Name of the entity	Nature of the operations	Amount of support provided as at[1,2,3] 2021 Rm	2020 Rm	Type of support[4] 2021 Rm	2020 Rm
Blue Banner Securitisation Vehicle RC1 Proprietary Limited (Blue Banner)	Originates mortgage loans on behalf of group. The group is required to provide the funding for these mortgage loans.			**Bridging finance**	Bridging finance
Rapvest Investments Proprietary Limited	Facilitates finance deals for other group companies and third parties through preference share investments and loans to clients.	**4 685**	8 693	**Loan**	Loan
DAF Financial Services (RF) Proprietary Limited (DFS)	The structure is an asset-backed funding solution. The financial assets, the truck finance receivables, are transferred to DFS and funding is provided by Standard Bank on a limited-recourse basis secured by the receivables.	**127**	207	**Loan**	Loan
Main Street 367 Proprietary Limited	Facilitates funding to BG1, BG2, BG3, BG4 and Siyakha. SB Debtors (a subsidiary of Standard Bank Group) provides the funding to Mainstreet to originate the loans.	**238**	231	**Subordinated loan**	Subordinated loan
Blue Diamond Investments No. 3 (RF) Limited (BD3)	The group issues notes to Blue Diamond Investments No. 3 (BD) then BD obtains credit protection from third-party investors by issuing notes to third-party investors on single or multiple corporate names. The notes issued by BD are held by Liberty.	**203**	203	**Credit-linked notes**	Credit-linked notes

1 The amount of support provided includes loans and advances and drawn down credit facilities provided to SEs by the group.
2 During the reporting period, the group did not provide any financial or other support to any subsidiary without having a contractual obligation to do so.
3 This is the amount as reported on the balance sheet as at 31 December 2021 and 2020, respectively.
4 In addition to the financial support provided to the SEs, the group enters into other transactions with SEs in the ordinary course of business. These transactions include loans and advances, deposits and current accounts and derivatives.

	Terms of contractual arrangements that requires the group to provide financial support to the SE	Events/circumstances that could expose the group to a loss as a result of the contractual arrangement
	The loan does not have a fixed term or repayment date. Any profits in Blue Banner are paid out as interest to the group.	Should Blue Banner's customers be unable to meet their contractual obligations under the mortgage loan agreement and the loans are classified as non-performing.
	The loan is payable on demand. No interest is charged on the loan.	In the event that the underlying assets are classified as non-performing loans.
	The loan bears interest at a rate of prime plus 1%. The maturity date of the loan is 30 September 2023.	SBSA is exposed to the first-loss risk in the structure as well as potential losses that may be incurred on the receivables as a result of residual asset value risk. The residual asset value risk is, however limited due to a put option that is in place.
	The loan is only repayable to the extent that Main Street receives payment from BG1, BG2. BG3. BG4 and Siyakha. The interest is charged at the higher of JIBAR plus 10% and the cash available in terms of Main Street's priority of payments less R15 000.	In the event that customers of BG1, BG2, BG3, BG4 and Siyakha are unable to meet their contractual obligations under the mortgage loan agreement and their loans are classified as non-performing.
	The group holds the notes issued by (BD3). The group settles BD's operating expenses as and when necessary, typically in the event that BD has liquidity constraints. Any payment for such amounts is to be refunded by BD to the group.	In the event of a credit event, the group will suffer a loss. The group is also exposed to the risk of loss should it be unable to recover any unexpected operating expenses from (BD3).

Unconsolidated structured entities

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

Name of the entity	Nature and purpose of entity	Principal nature of funding	Principal nature of assets
Blue Diamond Investments No. 1 (RF) Limited (BD1) **Blue Diamond Investments No. 2 (RF) Limited (BD2)**	These structures have been designed to provide third-party investors indirect exposure to corporate names. The group obtains credit protection from Blue Diamond Investments No. 1 and No. 2 (RF) Limited (BD) in the form of issuing credit-linked notes on single or multiple corporate names. BD then obtains credit protection from third-party investors by issuing notes to third-party investors on single or multiple corporate names.	Credit-linked notes issued to third-party investors	Credit-linked notes issued by the group
Blue Diamond X (RF) Limited	Loans purchased from SBSA and the issuance of notes to third-party investors.	Commercial paper issued to third-party investors	Loans and advances to various counterparties
Africa ETF Issuer Limited offering the following: • **AfricaPalladium ETF (JSE code: ETFPLD)** • **AfricaPlatinum ETF (JSE code: ETFPLT)** • **AfricaGold ETF (JSE code: ETFGLD)** • **AfricaRhodium ETF (JSE code: ETFRHO)**	The palladium, platinum, gold and rhodium exchange traded funds (ETFs) have been established for investors to participate in changes in the spot price of underlying commodities. The ETFs issue debentures to investors with each debenture backed by the respective physical commodity. On issuance each debenture is based on 1/100th of a troy ounce of the respective commodity. The physical commodities are stored at recognised custodian storage vaults in London. The ETFs are denominated in rands and are classified as domestic assets. The ETFs are regulated by the Financial Markets Act and the JSE's Listings Requirements.	The unconsolidated structured entity is funded by the issue of non-interest bearing debentures that are 100% backed by the underlying physical commodity	Physical commodities (palladium, platinum, gold and rhodium)

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

	2021 Rm	2020 Rm
Balance sheet		
Unconsolidated structured entities		
Financial investments	**221**	230
Deposits and debt funding accounts from customers	**(2 220)**	(2 128)
Trading assets	**40**	65
Total	**(1 959)**	(1 833)

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

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

	Terms of contractual arrangements		Events/circumstances that could expose the group to a loss
	11 years	The group settles BD's operating expenses as and when necessary, typically in the event that BD has liquidity constraints. Any payment for such amounts is to be refunded by BD to the group.	In the event of a credit event, the third-party investors will suffer a loss. The group is only exposed to the risk of loss should it be unable to recover any unexpected operating expenses from BD.
	15 years	SBSA acts as the administrator and identifies and invests in suitable financial assets and facilitates the execution and settlement of trades.	None
	Undated	The group established these structured entities to accommodate client requirements to hold investments in specific commodity assets. The group manages the ETFs and also provides liquidity to the ETFs by acting as a committed market maker.	The maximum exposure to loss is limited to the on-balance sheet position held by the group through acting as a committed market maker for the ETFs. This exposes the group to the commodity price risk associated with the underlying commodity and is managed in accordance with the group's market risk management policy.

Liberty unconsolidated structured entities

Name of the entity	Nature and purpose of entity	Nature of asset	Principal activity of entity
Calibre Mortgage Fund (Pty) Limited*	Special purpose vehicle (SPV) set up by South African Home Loans (Pty) Limited (SAHL) into which it originates home loans. The SPV is funded by debt provided by Liberty and equity provided by SAHL	Senior, secured loan	SPV set up by SAHL as a funding vehicle into which Liberty can lend on a secured basis, with the equity provided by SAHL
Compass Securitisation (RF) Limited	Mercantile Bank securitisation vehicles (equipment leases).	Unlisted, rated, asset backed note	Raising funding in the securitisation market to fund equipment leases
Greenhouse Funding 3 (Pty) Limited	A structured entity set up by Nedbank Ltd. It is a securitisation vehicle into which it originates home loans, and into which Liberty can lend on a secured basis. Equity is provided by Nedbank Ltd	Residential mortgage backed securitisation	Raising funding in the securitisation market
Merchant West Asset Rentals	Merchant West provides asset – based financing to corporates and individuals. Equipment based securitisation vehicle.	Listed, rated, asset-backed note	Raising funding in the securitisation market to fund vehicles
SA Securitisation Programme (RF) Limited	SASFIN securitisation vehicle.	Listed, rated, asset-backed note	Raising funding in the securitisation market
SA Taxi Finance Solutions (Pty) Limited	Special purpose vehicle (SPV) set up by SA Taxi to raise debt funding which it in turn uses to originate taxi loans	Senior, unrated debentures secured by underlying assets	SPV set up by SA Taxi to raise funding in the securitisation market which in turn uses the funding to originate taxi loans
Superdrive Investments (RF) Limited	Special purpose vehicle (SPV) set up by BMW Financial Services South Africa (Pty) Limited, the main purpose of which is to acquire the rights, title and interest in vehicle instalment sale agreements, pursuant to a securitisation scheme.	Vehicle loan backed assets	Funds of the securitisation scheme are raised directly or indirectly by the issue of debt instruments in order to manage the assets so acquired.
Bayport Securitisation	Bayport securitisation vehicle.	Private Placement, secured loan	Bayport securitisation vehicle that focuses its unsecured personal loan products at the low- to middle-income segments
Capital Harvest (RF) Pty Ltd	The Issuer, Capital Harvest Finance SPV (RF), has been established as a special purpose funding SPV issuing term notes to investors ranging between 3 years and 5 years in the agricultural sector.	Listed, rated, asset-backed note	The SPV raises funding in the securitisation market which in turn uses the funding to originate new loans. The proceeds from these notes will be used to purchase eligible assets from a short-term warehouse facility that was established by Capital Harvest in April 2021 and from the Originator, Capital Harvest (Pty) Ltd.
NBC Finance (RF) Pty Ltd	NBC Pension Backed Lending Proprietary Limited provides home loans to members of registered retirement funds for their primary housing requirements including purchase, extension and alteration. The members' retirement fund savings are used as the security for the loan with the retirement fund providing a guarantee.	Pension backed lending	SPV set up by NBC as a funding vehicle into which Liberty can lend on a secured basis

	Principal nature of funding	Carrying value[1] 2021 Rm	Carrying value[1] 2020 Rm	Income received[2] 2021 Rm	Income received[2] 2020 Rm
	Liberty as debt provider	**3 179**	3 096	**186**	223
	Debt funders in the securitisation market				4
	Debt funders in the securitisation market				11
	Debt funders in the securitisation market	**254**	315	**17**	21
	Debt funders in the securitisation market	**237**	217	**12**	14
	Debt funders in the securitisation market	**259**	347	**17**	37
	Debt funders in the securitisation market	**79**	402	**14**	27
	Liberty as debt provider	**124**		**2**	
	Debt funders in the securitisation market	**300**		**1**	
	Liberty as debt provider.	**693**		**40**	

Name of the entity	Nature and purpose of entity	Nature of asset	Principal activity of entity	
Transflow RF (Pty) Ltd	Transaction Capital securitisation vehicle	Asset backed lending	The senior facility agreement is guaranteed by the security SPV where the company issues an indemnity in favour of the security SPV indemnifying it against all claims arising pursuant to the guarantee.	
The Thekwini Fund series*	South African Home Loans (Pty) Limited (SAHL) securitisation vehicles	Residential mortgage backed securitisations	SPV is set up by SAHL to raise funding in the securitisation market which it in turn uses to originate home loans	
The Thekwini Fund 13 (RF) Limited				
The Thekwini Fund 14 (RF) Limited				
The Thekwini Fund 15 (RF) Limited				
The Thekwini Fund 16 (RF) Limited				
The Thekwini Fund 17 (RF) Limited				
Transsec 3 RF (Limited)	SA Taxi securitisation vehicles (taxi loans).	Listed, rated, asset-backed note	Raising funding in the securitisation market to fund taxi loans.	
Universal Credit S.A.	Investment fund	Debt funders in the securitisation market	Segregated investment fund	
Total				

1 The carrying value disclosed represents the maximum loss Liberty would be exposed to, and there are no ongoing capital commitments for any of the above entities at the end of the reporting period.
2 Income received comprises interest income and investment gains/(losses).

Details of group companies with material non-controlling interests

	Liberty Holdings Limited		Africa Regions[1]	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Non-controlling interest (%)	**46**	46	*	*
Summarised financial information on an IFRS basis before intercompany eliminations				
Total assets	**510 551**	475 598	**362 253**	316 680
Total liabilities	**482 858**	447 601	**306 372**	269 875
Total income	**116 549**	66 043	**21 487**	22 580
Profit/(loss) for the year	**119**	(2 216)	**9 104**	10 534
Change in cash balances	**4 510**	1 255	**(85)**	11 500
Profit/(loss) attributable to non-controlling interests after intercompany eliminations	**119**	(1 514)	**2 380**	2 857
Non-controlling interest within statement of financial position	**6 720**	15 255	**13 295**	11 358
Dividends paid to non-controlling interests		630	**1 218**	973

1 All balances except total assets and total liabilities (translated using the closing exchange rate) have been translated using cumulative exchange rates.
* Please refer to pages 134 and 135.

	Principal nature of funding	Carrying value[1] 2021 Rm	Carrying value[1] 2020 Rm	Income received[2] 2021 Rm	Income received[2] 2020 Rm
	Debt funders in the securitisation market	**293**		**8**	
	Debt funders in the securitisation market				
					11
			49	**2**	3
		111	110	**6**	7
		27			
		27		**1**	
	Debt funders in the securitisation market	**25**	25	**2**	2
	Liberty as debt provider			**2**	16
		5 608	4 561	**310**	376

Annexure B – associates and joint ventures

	South African Home Loans Proprietary Limited (SAHL)	ICBC Standard Bank Plc (ICBCS)*
Ownership structure	Associate	Associate
Nature of business	Finance	Banking
Principal place of business and country of incorporation	South Africa	London, UK
Year end	February	December
Accounting treatment	Equity accounted	Equity accounted
Date to which equity accounted	31 December 2021	31 December 2021

	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Effective holding (%)	**50**	50	**40**	40
Income statement				
Total comprehensive income	**776**	331	**1 275**	2 200
Total comprehensive income attributed to equity holders of the associate and joint ventures[1]	**388**	165	**500**	880
Dividend received from associates/joint ventures	**(200)**			
Statement of financial position[2]				
Non-current assets	**33 490**	5 334	**81 181**	154 656
Current assets	**5 796**	31 805	**336 111**	252 333
Non-current liabilities	**(35 679)**	(33 075)	**(111 857)**	(112 488)
Current liabilities	**(246)**	(990)	**(283 671)**	(275 403)
Net asset value attributed to equity holders of the associate and joint venture	**3 361**	3 074	**21 764**	19 098
Proportion of net asset value based on effective holding	**1 681**	1 537	**8 706**	7 639
Impairment			**(2 418)**	(2 418)
Other	**(10)**	(54)	**(2 040)**	(1 699)
Carrying amount[3]	**1 671**	1 483	**4 248**	3 522
Classified as disposal group held for sale[#]				
Carrying value	**1 671**	1 483	**4 248**	3 522
Share of profits/(losses) from associate and joint ventures	**388**	165	**500**	880

1 Includes FCTR as reported by the associates and joint ventures. Excludes FCTR that originates at a group level as a result of inclusions of the associates and joint ventures in the group's results.
2 Summarised financial information is provided based on the latest available management accounts received.
3 Includes FCTR that originates at a group level as a result of accounting for foreign-denominated associates and joint ventures in group's results.
Refer to note 5 for more detail.

	Other joint ventures	Other associates	Total associates and joint ventures – equity accounted
	Joint ventures	Associates	Associates and joint ventures
	Various	Various	Various
	Various	Various	Various
	Various	Various	Various
	Equity accounted	Equity accounted	Equity accounted
	31 December 2021	31 December 2021	31 December 2021

	Other joint ventures 2021 Rm	Other joint ventures 2020 Rm	Other associates 2021 Rm	Other associates 2020 Rm	Total 2021 Rm	Total 2020 Rm
	Various	Various	**Various**	Various	**Various**	Various
			206	92	**1 094**	1 084
			1 600	1 493	**7 519**	6 498
			(239)		**(239)**	
			1 361	1 493	**7 280**	6 498
		(53)	**206**	92	**1 094**	1 084

	STANLIB Income Fund	STANLIB Balanced Cautious Fund	STANLIB Money Market Fund	STANLIB Corporate Money Market Fund	STANLIB Bond Fund	Thebe Renewable Energy Holdings (RF) (Pty) Ltd
Ownership structure	Associate	Associate	Associate	Associate	Associate	Associate
Nature of business	Fund	Fund	Fund	Fund	Fund	Fund
Principal place of business	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
Year end	December	December	December	December	December	December
Accounting treatment	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted

	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Effective holding (%)	**15**	16	**23**	22	**5**	4	**3**	5	**17**	23		81
Fair value	**8 715**	8 697	**2 353**	1 567	**1 010**	1 010	**2 270**	2 258	**1 135**	1 135		2 807
Income statement												
Revenue	**3 221**	3 297	**428**	327	**1 062**	1 450	**2 733**	2 812	**582**	421		
Total profit for the year	**2 838**	2 906	**347**	237	**930**	1 304	**2 613**	2 711	**545**	396		
Total comprehensive income	**2 838**	2 906	**347**	237	**930**	1 304	**2 613**	2 711	**545**	396		
Dividend received from associates	**421**	482	**65**	59	**42**	58	**7**	100	**89**	42		
Statement of financial position[1]												
Non-current assets	**57 174**	53 440	**10 087**	7 138	**21 916**	24 017	**51 924**	40 095	**5 887**	5 036		3 510
Current assets	**116**	117	**159**	114	**224**	502	**16 558**	8 264	**20**	9		
Non-current liabilities												
Current liabilities	**(35)**	(37)	**(9)**	(8)	**(22)**	(12)	**(10)**	(8)	**(2)**	(1)		(190)
Net asset value	**57 255**	53 520	**10 237**	7 244	**22 118**	24 507	**68 472**	48 351	**5 905**	5 044		3 320
Total carrying value including loans measured at fair value	**8 715**	8 697	**2 353**	1 567	**1 010**	1 010	**2 270**	2 258	**1 135**	1 135		2 807

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

Private equity/venture capital associates and joint ventures[1]

	2021 Rm	2020 Rm
Cost	**56**	56
Carrying value	**547**	538
Statement of financial position[2]		
Non-current assets	**3 377**	2 900
Current assets	**4**	188
Current liabilities		(398)
Income statement		
Attributable income before impairment	**213**	66
Fair value		
Equity accounted interest in associate	**338**	538
Disposal group held for sale[3]	**239**	
Disposal group held for sale impairment[3]	**(30)**	
Fair value	**547**	538

1 Included in note 10 associates and joint ventures.
2 Summarised financial information of the associates and joint ventures is provided based on the latest available management accounts received.
3 Included in note 5 Disposal of group assets and liabilities held for sale.

	STANLIB Flexible Income Fund	STANLIB Property Income Fund	Stanlib Infrastructure Fund 2	Phembani	Other associates and joint ventures – fair value accounted	Total associates and joint ventures – fair value accounted
	Associate	Associate	Associate	Associate	Associate	Associates and joint ventures
	Fund	Fund	Fund	Financial Company	Various	Various
	South Africa	South Africa	South Africa	South Africa	Various	Various
	December	December	December	December	Various	Various
	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted	Fair value accounted

	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
	25	22	**28**		**19**		**29**		**Various**	Various	**Various**	Various
	831	512	**1 561**		**1 093**		**342**		**2 775**	2 967	**22 085**	20 953
	169	184	**425**		**971**							
	158	161	**387**		**847**							
	158	161	**387**		**847**							
	37	46	**74**		**72**							
	3 347	2 189	**5 414**		**6 828**		**6 952**					
	44	95	**88**		**62**							
							(3 360)					
	(2)	(2)	**(6)**		**(61)**							
	3 389	2 282	**5 496**		**6 829**		**3 592**					
	831	512	**1 561**		**1 093**		**342**		**2 775**	2 967	**22 085**	20 953

Annexure C – risk and capital management – IFRS disclosures

Overview

Capital management

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

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

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

Risk management

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

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

The risk management disclosure that follows, separately discloses the group's banking operations and investment management and life insurance activities as the group's investment management and life insurance risk is primarily managed within the Liberty group of companies which houses the group's material long-term insurance operations. The group has an effective 57.4% interest in Liberty as at 31 December 2021 and therefore shares 57.4% of the risk exposure at year end.

Climate-related emerging risks

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

Governance

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

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

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

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

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

Strategy

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

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

Risk management

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

Transition risks

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

Physical risks

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

Opportunities

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

Metrics and targets

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

Covid-19 impact on credit risk management

The group's results for the twelve months ended 31 December 2021 were again somewhat impacted by the economic, social and financial strain caused by the ongoing Covid-19 induced crisis, although the aggregate levels of debt relief programmes available to affected customers declined year-on-year in line with a gradual trend in improved business performance and recoveries, and some return of business confidence particularly in the last quarter of the year.

Risk management is a cornerstone of the group's response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, while preserving the group's financial position. The group's response to the pandemic was swift and purposeful, and a testament to the group's operational resilience. As the group executed business continuity measures on an unprecedented scale across the group, people, customers and communities were placed front and centre of the group's response efforts to this public health emergency. Extensive client relief programmes were provided while carefully monitoring and managing capital, liquidity and impairment risk metrics.

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

The total client relief portfolio for BCC at year end amounts to R17bn, of which 76% relates to SA and R0.5bn is active (17% of which relates to SA and the balance for other Africa Regions portfolios). CHNW's active client relief portfolio is just over R0.2bn of which 70% related to SA customers. Total CIB relief extended at year-end totals R27.3bn, with 70% thereof relating to liquidity support, largely provided to clients in the Real Estate sector.

The group's support for customers through targeted responses such as payment holidays, conditions and covenant relaxations for eligible accounts, term extensions for qualifying facilities and increased liquidity support, was balanced with rigorous risk management measures including rapid portfolio reviews, rolling risk appetite adjustments, stress and scenario testing. The group's risk management response centred on close engagement with clients to understand actions required to inject and conserve liquidity, restructure distressed exposures where possible and support measures to build resilience as economic recovery gradually returns.

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

In addition to the above, the group participated in the Small and Medium Enterprise (SME) loan guarantee scheme (Covid-19 loan guarantee scheme) with the SARB facilitated by the Banking Association of South Africa (BASA). The SARB committed to provide dedicated funding at the repo rate to the participating banks. As at 31 December 2021, other loans and advances include R6.5 billion (2020: R7.1 billion) of drawn on-balance sheet exposures relating to the Covid-19 loan guarantee scheme.

Banking operations

Capital management

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

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

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

- **Common equity tier 1 (CET 1):** ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets (RWA).
- **Tier 1:** CET 1 and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Perpetual non-cumulative preference shares that comply with Basel I and Basel II rules are included in tier I capital but are currently subject to regulatory phase-out requirements over a ten-year period, which commenced on 1 January 2013.
- **Total capital adequacy:** tier 1 plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Subordinated debt that complies with Basel I and Basel II rules is included in total capital but is currently subject to regulatory phase-out requirements, over a ten-year period, which commenced on 1 January 2013.

BASEL III QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

	2021 Rm	2020 Rm
Ordinary shareholders' equity#	**198 832**	176 371
Qualifying non-controlling interest#	**8 390**	7 039
Less: regulatory adjustments	**(19 201)**	(19 814)
Goodwill	**(2 195)**	(2 207)
Other intangible assets	**(12 653)**	(13 797)
Investments in financial entities	**(3 133)**	(3 953)
Other adjustments including IFRS 9 phase-in	**(1 220)**	143
Unappropriated profit	**(13 631)**	(8 517)
CET 1 capital	**174 390**	155 078
Qualifying other equity instruments#	**11 099**	8 124
Qualifying non-controlling interests	**1 088**	742
Tier 1 capital	**186 577**	163 944
Qualifying tier II subordinated debt#	**23 394**	21 152
General allowance for credit impairments	**6 330**	4 751
Tier II capital	**29 724**	25 903
Total regulatory capital	**216 301**	189 847

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

Credit risk

Definition

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

Approach to managing and measuring credit risk

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

Credit risk is managed through:

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

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

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

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

Credit risk mitigation

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

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

In the case of collateral where the group has an unassailable legal title, the group's policy requires collateral to meet certain criteria for recognition in LGD modelling, including:

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

The main types of collateral obtained for the group's banking book exposures include:

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

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

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

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

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

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

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

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

Use of internal estimates

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

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

Corporate, sovereign and banking portfolios

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

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

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

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

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

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within stage 1 and 2 are rated between 1 to 25 in terms of the group's master rating scale. The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable home services, VAF, card, personal, business lending and other product portfolios. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

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

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

The group has not rebutted IFRS 9's 90 days past due rebuttable presumption. Exposures which are overdue for more than 90 days are also considered to be in default.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

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

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

		SB 1 – 12		SB 13 – 20	
	Exposure Rm	Stage 1 Rm	Stage 2 Rm	Stage 1 Rm	Stage 2 Rm
2021					
Loans and advances at amortised cost					
Home services	434 104	103 230	58	260 628	8 325
Vehicle and asset finance	110 653	22 865	70	67 686	2 969
Card and payments	36 367	4 192		24 810	37
Personal unsecured lending[5]	81 226	7 124	33	53 882	354
Business lending and other[5]	200 902	94 154	286	86 568	2 851
Corporate and sovereign[5]	455 404	169 177	1 462	234 111	35 353
Bank	209 593	180 441		24 894	1 550
Central and other services	(53 009)	(53 009)			
Gross carrying amount of loans and advances at amortised cost	1 475 240	528 174	1 909	752 579	51 439
Less: total expected credit loss for loans and advances	(51 398)				
Net carrying amount of loans and advances at amortised cost	1 423 842				
Financial investments at amortised cost					
Corporate and sovereign[5]	205 624	181 969	1 142	17 460	1 815
Bank	1 406	1 365		41	
Other instruments	1 235	1 235			
Gross carrying amount of financial investment at amortised cost	208 265	184 569	1 142	17 501	1 815
Less: total expected credit loss for financial investments	(319)				
Net carrying amount of financial investment at amortised cost	207 946				
Debt financial investments at fair value through OCI					
Corporate and sovereign[5]	47 190	34 930		11 250	
Other instruments	982	982			
Gross carrying amount of financial investments at FVOCI	48 172	35 912		11 250	
Off-balance sheet exposure					
Letters of credit and bankers' acceptances	7 402	3 152		3 969	174
Guarantees	96 237	55 216		36 033	2 445
Unutilised facilities[1]	180 621	151 233	1 768	22 571	4 447
Total exposure to off-balance sheet credit risk	284 260	209 601	1 768	62 573	7 066
Expected credit loss for off-balance sheet exposures	(588)				
Net carrying amount of off-balance sheet exposures	283 672				
Total exposure to credit risk on financial assets subject to an expected credit loss	1 963 632				
Exposures not subject to ECL					
Loans and advances at FVTPL	486				
Cash and balances with central banks[2]	91 169				
Derivative assets	55 786				
Other financial investments[3]	44 364				
Trading assets	281 244				
Pledged assets	10 318				
Other financial assets[4]	16 948				
Total exposure to credit risk	2 463 948				

1 The ECL on unutilised facilities is included in the total ECL for loans and advances.
2 Balances with central banks comprise of FVTPL of R80 602 million that are not subject to ECL considerations and amortised cost of R10 567 million, which has a low probability of default therefore ECL is insignificant. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entities' ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.
3 Other financial investments comprise of FVTPL that are not subject to ECL considerations
4 Due to the short-term nature of these financial assets and historical experience and available forward looking information, other financial assets are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.
5 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position. Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had not impact on the statement of financial position.

	SB 21 – 25		Default					
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss and interest in suspense on Stage[3] Rm	Gross default coverage %	Non-performing exposures %
	4 005	25 813	32 045	32 045	19 919	12 126	38	7.4
	2 721	7 081	7 261	7 261	2 706	4 555	63	6.6
	866	3 607	2 855	2 855	764	2 091	73	7.9
	5 363	5 998	8 472	8 472	2 001	6 471	76	10.4
	2 076	6 477	8 490	8 490	3 197	5 293	62	4.2
	3 252	1 257	10 792	10 792	5 204	5 588	1	2.4
	1 726	982						
	20 009	51 215	69 915	69 915	33 791	36 124	51.7	4.7
	3 114	88	36					
	3 114	88	36					
	953	57						
	953	57						
	102	4	1					
	2 167	267	109					
	18	573	11					
	2 287	844	121					

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY CONTINUED

		SB 1 – 12		SB 13 – 20	
	Exposure Rm	Stage 1 Rm	Stage 2 Rm	Stage 1 Rm	Stage 2 Rm
2020					
Loans and advances at amortised cost					
Home services	399 208	141 847	129	175 643	13 917
Vehicle and asset finance	99 071	17 972	297	61 499	1 380
Card payments	35 121	3 091	88	24 398	749
Personal unsecured lending[5]	72 885	2 630	18	52 220	252
Business lending and other[5]	162 726	66 678	225	73 803	3 697
Corporate and sovereign[5]	431 501	168 633	3 289	198 147	43 531
Bank	162 243	96 915		62 446	1 713
Central and other service	(43 718)	(43 718)			
Gross carrying amount of loans and advances at amortised cost	1 319 037	454 048	4 046	648 156	65 239
Less: total expected credit loss for loans and advances	(49 986)				
Net carrying amount of loans and advances at amortised cost	1 269 051				
Financial investments at amortised cost					
Corporate and sovereign[5]	119 113	104 116	2 176	12 464	
Bank	654	616		38	
Other instruments	67 275	67 275			
Gross carrying amount of financial investments	187 042	172 007	2 176	12 502	
Less: total expected credit loss for financial investments	(302)				
Net carrying amount of financial investments	186 740				
Debt financial investments at fair value through OCI					
Corporate and sovereign[5]	36 243	35 736		292	
Bank	5 422	4 446		976	
Other instruments	160	160			
Gross carrying value of financial investments	41 825	40 342		1 268	
Off-balance sheet exposure					
Letters of credit and bankers' acceptances	9 922	7 104	42	1 947	306
Guarantees	58 026	44 975	11	10 113	1 867
Unutilised facilities[1]	229 328	164 414	1 989	53 598	7 327
Total exposure to off-balance sheet credit risk	297 276	216 493	2 042	65 658	9 500
Expected credit loss for off-balance sheet exposures	(645)				
Net carrying amount of off-balance sheet	296 631				
Total exposure to credit risk on financial assets subject to an expected credit loss	1 794 247				
Exposures not subject to ECL	538 772				
Loans and advances at fair value	2 204				
Cash and balances with central banks[2]	87 505				
Derivative assets	106 096				
Other financial investments[3]	46 501				
Trading assets	257 907				
Pledged assets	10 382				
Interest in associate and joint ventures	6 225				
Other financial assets[4]	21 952				
Total exposure to credit risk	2 333 019				

1 The ECL on unutilised facilities is included in the total ECL for loans and advances.
2 Balances with central banks comprise of FVTPL of R75 208 million that are not subject to ECL considerations and amortised cost of R12 297 million, which has a low probability of default therefore ECL is insignificant. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entities' ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.
3 Other financial investments comprise of FVTPL that are not subject to ECL considerations
4 Due to the short-term nature of these financial assets and historical experience, other financial assets are regarded as having a low probability of default.
5 Other loans and advances has been disaggregated to personal unsecured lending and business lending and other to provide a more appropriate analysis of the loan balances considering the nature and characteristics thereof. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the statement of financial position. Corporate and sovereign has been aggregated to better align to how management analyses and reviews credit risk relating to these products. The prior year comparative disclosures have also been restated in line with this change. This aggregation had not impact on the statement of financial position.

SB 21 – 25 Stage 1 Rm	SB 21 – 25 Stage 2 Rm	Default Stage 3 Rm	Total gross carrying amount of default exposures Rm	Securities and expected recoveries on default exposures Rm	Balance sheet expected credit loss and interest in suspense on stage 3 Rm	Gross default coverage %	Non-performing exposures %
8 401	25 628	33 643	33 643	22 398	11 245	33	8.4
1 201	9 179	7 543	7 543	4 113	3 430	45	7.6
927	3 791	2 077	2 077	611	1 466	71	5.9
3 549	6 421	7 795	7 795	1 513	6 282	80	10.7
3 915	6 844	7 564	7 564	2 876	4 688	62	4.6
1 228	3 201	13 472	13 472	7 327	6 145	46	3.3
526	643						
19 747	55 707	72 094	72 094	38 838	33 256	46.1	5.5
307		50					
307		50					
215							
215							
134	387	2					
588	132	340					
285	230	1 485					
1 007	749	1 827					

Concentration risk

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

IFRS: INDUSTRY SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2021 Rm	2020 Rm
Agriculture	**41 528**	34 722
Construction	**17 120**	19 001
Electricity	**26 896**	24 557
Finance, real estate and other business services	**453 469**	394 045
Individuals	**612 374**	563 610
Manufacturing	**86 344**	74 834
Mining	**40 650**	32 873
Transport	**58 352**	51 395
Wholesale	**75 951**	64 345
Other services	**63 042**	61 859
Gross loans and advances	**1 475 726**	1 321 241

IFRS: GEOGRAPHIC SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2021		2020	
	%	**Rm**	%	Rm
South Africa	**69**	**1 013 576**	65	861 565
Africa Regions[1]	**19**	**279 104**	18	242 030
International[1]	**12**	**183 046**	17	217 646
Gross loans and advances	**100**	**1 475 726**	100	1 321 241

[1] Restated. During 2021 it was noted that the 2020 amounts relating to Africa Regions erroneously included R79 226 million relating to International. This restatement has no impact on the group's statement of financial position or any key ratios relating to loans and advances.

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

	2021 Rm	2020 Rm
Agriculture	**1 254**	1 431
Construction	**1 678**	1 343
Electricity	**539**	579
Finance, real estate and other business services	**3 144**	2 784
Individuals	**23 838**	20 578
Manufacturing	**790**	862
Mining	**113**	363
Transport	**1 155**	1 709
Wholesale	**2 071**	2 096
Other services	**1 547**	1 511
Credit impairment on non-performing loans	**36 129**	33 256

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

	2021		2020	
	%	**Rm**	%	Rm
South Africa	**81**	**29 305**	77	25 504
Africa Regions	**17**	**6 221**	21	7 082
International	**2**	**603**	2	670
Credit impairment on non-performing loans	**100**	**36 129**	100	33 256

Collateral

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

Collateral includes:

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

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In the retail portfolio, 54% (2020: 53%) is fully collateralised. The R5.9 billion (2020: R2.9 billion) of retail accounts that lie within the 0% to 50% range of collateral coverage mainly comprise accounts which are either in default or legal.

Of the group's total exposure, 45% (2020: 45%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

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

COLLATERAL

						Collateral coverage – Total collateral		
	Total exposure (a+b) Rm	Unsecured (a) Rm	Secured (b) Rm	Netting agreements (c) Rm	Secured exposure after netting (b-c) Rm	1 to 50% Rm	50 to 100% Rm	Greater than 100% Rm
2021								
Corporate	717 463	432 791	284 672	12 278	272 394	5 946	194 578	71 870
Sovereign	288 762	265 643	23 119	523	22 596	2 155	19 749	692
Bank	286 031	46 724	239 307	47 796	191 511	86	64 929	126 496
Retail lending	736 014	144 155	591 859	502	591 357	5 941	183 862	401 554
Retail mortgages	463 356	10 176	453 180		453 180	1 904	66 908	384 368
Other retail	272 658	133 979	138 679	502	138 177	4 037	116 954	17 186
Total	2 028 270	889 313	1 138 957	61 099	1 077 858	14 128	463 118	600 612
Add: financial assets not exposed to credit risk	448 956							
Less:impairments for loans and advances	(51 398)							
Less: unrecognised off balance sheet items	(244 538)							
Total exposure	2 181 290							
Cash and balances with central banks	91 169							
Derivative assets	55 786							
Trading assets	281 244							
Pledged assets	10 318							
Financial investments	301 497							
Loans and advances	1 424 328							
Other financial assets	16 948							
Total	2 181 290							

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

Funding and liquidity risk

Definition

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

Approach to managing liquidity risk

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

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

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

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

Maturity analysis of financial liabilities by contractual maturity

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

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

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand Rm	Maturing within one month Rm	Maturing between one – six months Rm	Maturing between six – 12 months Rm	Maturing after 12 months Rm	Total Rm
2021						
Financial liabilities						
Derivative financial liabilities	**59 304**	**62**	**27**	**9**	**3**	**59 405**
Instruments settled on a net basis	**40 392**	**62**	**27**	**9**	**3**	**40 493**
Instruments settled on a gross basis	**18 912**					**18 912**
Trading liabilities	**80 433**					**80 433**
Deposits and debt funding	**1 241 620**	**102 145**	**184 831**	**93 415**	**198 936**	**1 820 947**
Subordinated debt		**13**	**905**	**761**	**27 225**	**28 904**
Other		**24 311**		**1 171**	**3 545**	**29 027**
Total	**1 381 357**	**126 531**	**185 763**	**95 356**	**229 709**	**2 018 716**
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	**23 617**					**23 617**
Guarantees	**118 895**					**118 895**
Irrevocable unutilised facilities	**102 026**					**102 026**
Total	**244 538**					**244 538**
2020						
Financial liabilities						
Derivative financial liabilities	111 576	215	171	201	2 459	114 622
Instruments settled on a net basis	85 667	215	16	152	2 455	88 505
Instruments settled on a gross basis	25 909		155	49	4	26 117
Trading liabilities	80 088					80 088
Deposits and debt funding	1 130 500	75 543	167 760	67 074	220 635	1 661 512
Subordinated debt		21	2 309	704	24 833	27 867
Other		23 662		1 493	4 353	29 508
Total	1 322 164	99 441	170 240	69 472	252 280	1 913 597
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	15 828					15 828
Guarantees	86 307					86 307
Irrevocable unutilised facilities	92 663					92 663
Total	194 798					194 798

Market risk

Definition

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

The group's key market risks are:
- trading book market risk
- interest rate in the banking book (IRRBB)
- equity risk in the banking book
- foreign currency risk
- own equity-linked transactions
- post-employment obligation risk.

Trading book market risk

Definition

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

Approach to managing market risk in the trading book

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

The market risk functions are independent of the group's trading operations and are accountable to the relevant legal entity Asset Liability Committees (ALCOs). ALCOs have a reporting line into group ALCO, a subcommittee of Global Leadership Council (GLC).

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

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

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

VaR and SVaR

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

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:
- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

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

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

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

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

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

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run increased levels of market risk throughout the year for all asset classes when compared to 2020 aggregate normal VaR, and aggregate SVaR.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2021				
Commodities risk	**2**			
Foreign exchange risk	**29**	**10**	**18**	**26**
Equity position risk	**19**	**9**	**13**	**13**
Debt securities	**72**	**18**	**34**	**25**
Diversification benefits[2]			**(24)**	**(24)**
Aggregate	**70**	**31**	**42**	**41**
2020				
Commodities risk	2		1	1
Foreign exchange risk	25	10	17	16
Equity position risk	17	3	9	14
Debt securities	60	17	33	59
Diversification benefits[2]			(23)	(38)
Aggregate	56	27	38	52

1 The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.
2 Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

TRADING BOOK SVAR ANALYSIS BY MARKET VARIABLE

	SVaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2021				
Commodities risk	**13**		**4**	**1**
Foreign exchange risk	**320**	**140**	**232**	**216**
Equity position risk	**356**	**81**	**178**	**199**
Debt securities	**953**	**285**	**460**	**361**
Diversification benefits[2]			**(435)**	**(364)**
Aggregate	**903**	**259**	**439**	**412**
2020				
Commodities risk	48	4	11	9
Foreign exchange risk	410	88	188	177
Equity position risk	333	34	152	110
Debt securities	773	179	351	420
Diversification benefits[2]			(298)	(342)
Aggregate	855	191	403	373

1 The maximum and minimum SVaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate SVaR will not equal the sum of the individual market SVaR values, and it is inappropriate to ascribe a diversification effect to SVaR when these values may occur on different days.
2 Diversification benefit is the benefit of measuring the SVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual SVaRs and the SVaR of the whole trading portfolio.

Approach to managing IRRBB

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

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

Measurement

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

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

INTEREST RATE SENSITIVITY ANALYSIS[1]

		ZAR	USD	GBP	Euro	Other	Total
2021							
Increase in basis points		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**3 144**	**955**	**491**	**77**	**1 023**	**5 690**
Decrease in basis points[2]		**200**	**100**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(3 563)**	**(144)**	**(64)**		**(1 035)**	**(4 806)**
2020							
Increase in basis points		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	2 386	448	308	68	796	4 006
Decrease in basis points[2]		200	100	100	100	100	
Sensitivity of annual net interest income	Rm	(2 962)	(89)	(5)		(757)	(3 813)

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

Equity risk in the banking book

Definition

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

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

Approach to managing equity risk in the banking book

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

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

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2021			
Equity securities listed and unlisted	**3 341**	**3 712**	**4 083**
Listed		**177**	
Unlisted		**3 535**	
Impact on profit or loss	**(270)**		**270**
Impact on OCI	**(102)**		**102**
2020			
Equity securities listed and unlisted	3 197	3 552	3 907
Listed		155	
Unlisted		3 397	
Impact on profit or loss	(247)		247
Impact on OCI	(108)		108

Foreign currency risk

Definition

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

Approach to managing foreign currency risk

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

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

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

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

Foreign currency risk sensitivity analysis

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

FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS[1]

		USD	Euro	GBP	Other	Total
2021						
Total net long/(short) position	Rm	**783**	**(61)**	**177**	**210**	**1 109**
Sensitivity (ZAR depreciation)[2]	%	**10**	**10**	**10**	**10**	
Impact on profit or (loss)/equity[1]	Rm	**78**	**(6)**	**18**	**21**	**111**
2020						
Total net long/(short) position	Rm	741	106	(24)	268	1 091
Sensitivity (ZAR depreciation)[2]	%	10	10	10	10	
Impact on profit or (loss)/equity[1]	Rm	74	11	(2)	27	109

1 Before tax.
2 A 10% appreciation in ZAR will have an equal and opposite impact on profit or loss to the amounts disclosed above.

Own equity-linked transactions

Definition

The group has exposure to changes in its share price arising from its equity-linked remuneration contractual commitments.

Depending on the nature of the group's equity-linked share schemes, the group is exposed to either income statement risk or NAV risk through equity due to changes in its own share price as follows:

- Income statement risk arises as a result of losses being recognised in the group's income statement as a result of increases in the group's share price on cash-settled share schemes above the award grant price
- NAV risk arises as a result of the group settling an equity-linked share incentive scheme at a higher price than the price at which the share incentive was granted to the group's employees.

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

Share scheme	Risk to the group	Explanation	Hedged[1]	Hedged risk
Equity growth scheme (EGS)	N/A	The EGS is an equity-settled share scheme that is settled through the issuance of new shares. Accordingly, the group does not incur any cash flow in settling the share schemes and hence is not exposed to any risk as a result of changes in its own share price. Since the EGS results in the issuance of new shares and in order to mitigate the dilutionary impact on existing shareholders, the group re-purchases shares from the open market.	No, as there is no cash flow risk	N/A
Equity-settled deferred bonus scheme (DBS) and performance reward plan (PRP)	NAV risk	The DBS and PRP awards that are equity-settled, are settled through the purchase of shares from the open market. Accordingly, for these equity-settled share schemes, increases in the group's share price above the grant price will result in losses being recognised in the group's equity.	Yes	SBK share price risk
Cash-settled DBS and PRP	Income statement risk	The DBS and PRP awards that are cash-settled result in losses being recognised in the income statement as a result of increases in the group's share price.	Yes	SBK share price risk
Share appreciation rights scheme (SARP) – equity settled	NAV risk	SARP awards that are issued to individuals in the employment of a group entity domiciled in South Africa are classified as equity-settled and are settled through the purchase of shares from the open market. Accordingly, changes in the group's share price above the grant price will result in gains and/or losses being recognised directly in the group's equity.	No, given the current low number of awards that have been issued to date. The number of awards are however monitored to evaluate for future hedging considerations.	N/A
SARP – cash settled	Income statement risk	Awards made to individuals of a group entity outside of South Africa are settled in cash. Increases in the group's share price will result in losses being recognised in the income statement.	No, given the current low number of awards that have been issued to date. The number of awards are however monitored to evaluate for future hedging considerations.	N/A

1 The group partially hedges these exposures.

Investment management and life insurance – Liberty Holdings Limited

Credit risk

Definition

Credit risk refers to the risk of loss or of adverse change in the financial position resulting, directly or indirectly, from fluctuations in the credit standing of counterparties and any debtors to which shareholders and policyholders are exposed. Credit risk is measured as a function of probability of default (PD), exposure at default (EAD) and the recovery rates (RR) post a default.

Credit risk management

Liberty has a strong credit risk sanctioning and monitoring capability. This capability enables Liberty to accept the risks inherent in the credit book. These credit risks are partially a function of Liberty's core business activities, but also part of a deliberate decision by Liberty to add credit risk exposures to diversify the risks on the balance sheet and to generate attractive risk-adjusted returns for shareholders. Liberty prefers to take credit risk to back its long dated and relatively illiquid liabilities due to the risk adjusted returns it is able to achieve. Looking forward, credit risks may be exacerbated by current and emerging macroeconomic trends, weakening domestic business environment and the impact of the pandemic which may impact on the contribution of credit risk to Liberty's profit and loss.

The board has delegated credit risk management to the group chief executive who, in turn has delegated this responsibility to the group balance sheet management committee (GBSMC). The GBSMC has overseen the implementation of the group credit risk policy which is largely in line with the credit philosophy adopted by Standard Bank.

Day-to-day management of credit risk has been mandated to STANLIB Credit Alternatives Franchise which considers and, where appropriate, approves all credit risk taken for directly managed credit opportunities. The investment committee of STANLIB Credit Alternatives Franchise is made up of credit professionals with experience from the banking sector as well as independent members in order to ensure a robust credit process and independent decision-making.

Credit risk is subject to a robust credit analysis, review and approval process. After origination, exposures are closely monitored and steps taken to mitigate risks if a deterioration becomes evident. Liberty group credit risk exercises oversight on the activities of the asset managers managing credit risk for Liberty under mandate. STANLIB's independent compliance function monitors compliance by STANLIB's portfolio managers with credit limits set by its investment committees and investment restrictions specified either in client mandates or in applicable legislation, with appropriate escalation and reporting if required.

The group balance sheet management committee (GBSMC) and client fund control (CFC) committees are responsible for defining the credit characteristics of asset manager mandates supported by LibFin. The GBSMC is primarily responsible for decisions directly impacting shareholders, but does consider the possible impact its decisions may have on policyholders. The CFC committee, together with representatives from business, is primarily responsible for defining the credit characteristics of asset manager mandates on behalf of policyholders.

Regardless of whether the credit risk taken is for the risk and reward of the shareholders, third-party investors or policyholders, Liberty recognises the need for credit to be originated and managed within a prudent and disciplined risk management framework. Where credit risk is for the risk and reward of policyholders, Liberty is still exposed to indirect consequences of the credit loss such as possible reputational damage, legal disputes and portfolio outflows.

Credit risk originated by business units (BUs) is managed by them. BUs are responsible for ensuring that the group credit risk policy is adopted, and that adequate systems, policies and procedures are put in place to meet the group's requirements.

The group risk function is responsible for oversight of all material credit risk. It establishes and defines the overall framework for the consistent governance, identification, measurement, monitoring, management and reporting of credit risk. Group risk also tracks concentrations and trends that may arise in the credit portfolio. Significant shareholder and policyholder credit exposures are reported to GBSMC, GCROC and GRC. Shareholder exposures are subject to individual counterparty limits set by the group.

Through the investment activities of mandated asset managers, Liberty has largely been exposed to listed and more liquid credit instruments. However, the STANLIB Credit Alternatives Franchise mandate requires investment into illiquid credit assets, including exposure to unlisted and structured instruments, to benefit from higher returns and diversification. This is in line with the board approved credit strategy and risk appetite for the business. The continued efforts of the STANLIB Credit Alternatives Franchise, together with the restructure of existing asset manager mandates in line with core competencies, have resulted in a further level of diversification and improved returns for the credit risks being taken in the credit portfolio. While group risk remains satisfied that the credit portfolio is sound, well-positioned and within risk appetite levels, it is recognised that loss events may occur from time-to-time in a credit portfolio of this nature.

Overall, the credit risk portfolio as at 31 December 2021 remains heavily weighted to South African counterparties including government, state owned enterprises and top tier South African banks. It also includes special purpose companies (e.g. securitisation and structured credit) and other corporate entities. In addition, the group is also exposed to underlying credit risk through investment in mutual funds, reinsurance, Liberty Two Degrees Limited, the property portfolio and investment policies.

Rating scale

For the purposes of this report, standard rating classifications used by external ratings agencies have been applied

Where applicable, internal ratings are mapped to equivalent external rating agencies' (Moody's, Standard and Poor's) rating scales. These external, globally recognisable rating categories are defined below.

Investment grade

A-: and above – Strong to extremely strong capacity to meet financial commitments.

BBB: Adequate capacity to meet financial commitments, but vulnerable to severe adverse economic conditions.

Non-investment grade

BB: Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.

Below BB: Vulnerable to adverse business, financial and economic conditions.

The above ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Not rated

The group is not restricted to investing purely in rated instruments, or where counterparties are rated, and accordingly invests in assets that offer appropriate returns after an internal assessment of credit risk. For most material investments in unrated instruments, or through unrated counterparties, internal ratings were undertaken. However, at any one time there will always be some unrated exposures, generally entered into through asset managers, where the internal ratings methodology has not been applied. This does not imply that the potential default risk is higher or lower than for rated assets. Due to the extent of work required to obtain or prepare a credit rating, certain asset holdings (principally related to the consolidation of mutual funds) do have assets with underlying ratings, however, they may be classified as not rated for practical reasons. Exposure to prepayments, insurance and other receivables is predominantly not rated due to the large number of counterparties and the short period of credit exposure. This credit exposure is managed by business units. The loans reflected as not rated relate to loans granted by Liberty to policyholders, which are secured by their policies.

Pooled funds

The group invests in mutual funds through which it is also exposed to credit risk of the underlying assets in which the mutual funds are invested. The group's exposure to mutual funds is classified at fund level and not at the underlying asset level. Although mutual funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated credit assets and generally restrict funds to the acquisition of local currency investment grade assets.

The following table provides information regarding the aggregated credit risk exposure of Liberty to debt instruments categorised by credit ratings, if available, as at 31 December 2021.

EXPOSURE TO CREDIT RISK[1]

	A- and above Rm	BBB+ Rm	BBB Rm	BBB- Rm	BB+ Rm	BB Rm	BB- and below Rm	Not rated Rm	Pooled funds Rm	Total Rm
2021										
Debt instruments	9 457	2 085	1 467	14 956	14 779	76 685	39 054	4 124		162 607
Listed preference shares	1		1	55			31	38		126
Unlisted preference shares	7				128			62		197
Listed term deposits	7 306	1 810	233	3 042	5 144	66 998	19 224	2 796		106 553
Unlisted term deposits	2 143	275	1 233	11 859	9 507	9 687	19 799	704		55 207
Loans								524		524
Mutual funds – interest-bearing instruments									35 488	35 488
Investment policies								992		992
Reinsurance assets	2 956	81						489		3 526
Derivatives and collateral deposits	5 004	476		5 489	2 223	2 086	158	19		15 455
Prepayments, insurance and other receivables	2 047						8	3 457		5 512
Cash and cash equivalents	4 875	1 689	237	499	224	7 386	7 649	583		23 142
Total assets bearing credit risk	24 339	4 331	1 704	20 944	17 226	86 157	46 869	9 664	35 488	246 722
2020										
Debt instruments	9 321	2 951	3 764	17 911	8 914	70 111	37 424	6 212		156 608
Listed preference shares	1	34	4	7	8		40	41		135
Unlisted preference shares	5			92				65		162
Listed term deposits	6 554	1 948	2 176	747	3 248	61 048	18 836	3 468		98 025
Unlisted term deposits	2 761	969	1 584	17 065	5 658	9 063	18 548	1 827		57 475
Loans								811		811
Mutual funds – interest-bearing instruments									28 622	28 622
Investment policies								941		941
Reinsurance assets	2 623							459		3 082
Derivatives and collateral deposits	7 495	1 213	23	11 887	18	2 438	419	10		23 503
Prepayments, insurance and other receivables	890							4 923		5 813
Cash and cash equivalents	4 432	1 915	285	710		5 857	3 786	1 647		18 632
Total assets bearing credit risk	24 761	6 079	4 072	30 508	8 932	78 406	41 629	14 192	28 622	237 201

[1] As reported by Liberty, refer to Liberty's annual financial statements.

Funding and liquidity risk

Long-term insurance

Definition

Liquidity risk is the risk that a legal entity cannot maintain, or generate, sufficient cash resources to meet its payment obligations, in full, as they fall due or can only do so at an unsustainable cost or at materially disadvantageous terms. The group is exposed to liquidity risk in the event of heightened benefit withdrawals and risk claims where backing assets cannot be readily converted into cash. Liquidity risk also arises through collateral and margin calls related to derivative transactions used to hedge market risk.

Liquidity risk management

The group's liquidity risk policy establishes common principles of managing liquidity risk across the group and is approved by the Group Risk Committee (GRC). The policy, including requirements in respect of risk metrics and contingency planning, is implemented under the oversight of the group liquidity risk function. ALCO is charged with ensuring that liquidity risk remains within approved tolerance levels. The management of material liquidity risks of the group, which predominantly emanate from LGL, is delegated to LibFin.

The group's approach to measuring liquidity risk is aligned to international best practice standards. Risk identification applies to liquidity requirements that are known in advance as well as to unknown liquidity requirements that are typically contingent on the occurrence of another event. As a long-term insurance company, Liberty's liabilities are considerably less liquid than a bank's liabilities, which gives some general liquidity protection. The identification of contingent liquidity requirements necessitates an assessment of relevant liabilities as well as new and existing product designs. Group risk is actively involved in reviewing new product designs to ensure a thorough understanding of the liquidity risk implications of each product. The GBSMC is required to approve any instances where new products are anticipated to introduce material liquidity risk onto the balance sheet.

Liquidity risk is primarily measured by means of a Liquidity Coverage Ratio (LCR). The LCR models 30-day and one-year liquidity stresses (relating to sustained cash outflows as a result of severe lapse, mortality and morbidity catastrophes, as well as financial market shocks) by comparing stressed net cash outflow requirements to available sources of high-quality liquid assets (HQLA), held as part of a liquid asset buffer. The liquid asset buffer consists of eligible asset types chosen based on their proven ability to generate liquidity under both normal and significantly stressed market conditions.

LibFin manages the group's material liquidity risks in accordance with applicable regulations and the liquidity risk policy, as approved by the GRC. The risk is managed within approved risk limits and with oversight from group risk. Liquidity risk arising from contractual agreements and policyholder behaviour is primarily managed by matching liabilities with backing assets that are of similar maturity, cash flow profile and risk nature.

A variety of tools are available to manage remaining cash flow mismatches (which include collateral and margin calls as a result of market moves from derivative trades used to match liabilities). These tools enable non-cash liquid assets, held in the liquid asset buffer, to be easily converted into cash. Where the group purchases backing assets that have predictable cash flow profiles, but which give rise to structural liquidity mismatches between projected cash inflows and outflows, the liquidity position is actively managed to prevent any undue future liquidity strains.

In addition to the active management of liquidity risk, a liquidity contingency plan (LCP) has been approved by the ALCO and serves as a pre-approved action plan to be executed during a liquidity stress event. The LCP is designed to protect stakeholder interests and provide confidence that the group can meet its liquidity requirements in a time of crisis. The group has defined insurer-specific early warning indicators (EWI) that are monitored to enable management to pro-actively identify and evaluate risk factors that may give rise to a liquidity risk event. These indicators are monitored per specified frequencies and tolerance levels. The EWI process and LCP have a clear response strategy that increases the likelihood that management will be able to respond appropriately to mitigate any material potential liquidity impact in advance of an event. The relative stability of financial markets in 2021 meant that the group's LCR remained within approved limits throughout 2021. As at 31 December 2021 the LCR metric indicated a healthy surplus of sources of liquidity available to meet stressed outflows.

The table below breaks down Liberty's assets according to time to liquidate. It is worth noting that, in a stressed environment, the market value of these assets is likely to be negatively affected.

FINANCIAL PROPERTY AND INSURANCE ASSET LIQUIDITY[1]

	2021		2020	
	%	Rm	%	Rm
Liquid[2]	**80**	**405 447**	76	357 021
Medium[3]	**13**	**65 403**	16	76 717
Illiquid[4]	**7**	**36 644**	8	38 955
Total	**100**	**507 494**	100	472 693

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Liquid assets are those that are considered to be realisable within one month (for example, cash, listed equities and term deposits).
3 Medium assets are those that are considered to be realisable within six months (for example, unlisted equities and certain unlisted term deposits).
4 Illiquid assets are those that are considered to be realisable in excess of six months (for example, investment properties and policyholder assets).

Maturity profiles of financial instrument liabilities

The table below summarises the maturity profile of Liberty's financial instrument liabilities based on the remaining undiscounted contractual obligations. These figures will be higher than amounts disclosed in the statement of financial position (where the effect of discounting is taken into account) except for short duration liabilities. Policyholder liabilities under investment contracts, investment contracts with DPF and insurance contracts are shown in a separate table.

MATURITY PROFILE OF FINANCIAL INSTRUMENT LIABILITIES – CONTRACTUAL CASH FLOWS[1] (EXCLUDING POLICYHOLDER LIABILITIES, DERIVATIVE LIABILITIES AND LEASE LIABILITIES)

	Zero to three months[2] Rm	Three to twelve months Rm	One to five years Rm	Five to ten years Rm	10 – 20 years Rm	Variable Rm	Total Rm
2021							
Subordinated notes	**78**	**1 274**	**5 242**				**6 594**
Commercial paper	**1 004**						**1 004**
Redeemable preference shares[3]						**5**	**5**
Loan facilities	**14**	**969**	**1 366**				**2 349**
Third-party financial liabilities arising on consolidation of mutual funds	**72 734**						**72 734**
Repurchase agreements	**2 727**						**2 727**
Collateral deposits payable	**3 261**						**3 261**
Insurance and other payables	**14 085**	**92**	**20**				**14 197**
Total	**93 903**	**2 335**	**6 628**			**5**	**102 871**
Percentage portion	**91**	**2**	**7**				**100**
2020							
Subordinated notes	81	738	4 935	1 591			7 345
Commercial paper	1 205						1 205
Redeemable preference shares[3]	6	60	263	456	1 020	5	1 810
Loan facilities		745	817	604			2 166
Third-party financial liabilities arising on consolidation of mutual funds	61 505						61 505
Repurchase agreements	6 555	703					7 258
Collateral deposits payable	4 254						4 254
Insurance and other payables	13 196	1 740	18				14 954
Total	86 802	3 986	6 033	2 651	1 020	5	100 497
Percentage portion	86	4	6	3	1		100

1 As reported by Liberty. Refer to Liberty's annual financial statements
2 Zero to three months are either due within the time frame or are payable on demand.
3 The variable preference shares have no fixed maturity date, however, they are redeemable with a two-year notice period at the option of the company or the holder.

Liquidity risks arising from long-term insurance business

The tables that follow provide an indication of liquidity needs in respect of cash flows required to meet obligations arising under long-term insurance business.

The amounts in the investment-linked liabilities cash flow table represent the expected cash flows arising from the value of units, allowing for future premiums (excluding future non-contractual premium increases), growth, benefit payments and expected policyholder behaviour.

The amounts in the non-investment-linked liability cash flow table represent the expected cash flows from the non-investment-linked liabilities.

Undiscounted cash flows are shown, and the effect of discounting is taken into account to reconcile to total liabilities and assets. For investment-linked contracts, the cash flows relating to the discretionary participation features (DPF) portion are assumed to occur in proportion to the cash flows of the guaranteed units. The cash flows for the guaranteed element and the non-guaranteed element of insurance contracts with DPF have been combined and are included in the investment-linked section of the cash flow table.

In respect of annually-renewable risk business (namely lump sum group risk business, group income disability business and credit life business) no allowance has been made for the expected cash flows except in respect of incurred but not reported claims (IBNR) and income disability annuities in payment where applicable.

The liabilities in respect of embedded derivatives are assumed to run off in the same proportion as the investment-linked cash flows that give rise to them.

EXPECTED CASH FLOWS – LONG-TERM INSURANCE CONTRACTS[1]

	Insurance contracts		Reinsurance assets and liabilities Rm	Investment contracts with DPF[2] Rm	Investment contracts Rm
	Policyholder liabilities Rm	Policyholder assets Rm			
2021					
Investment-linked liabilities					
Within one year	13 788			321	8 307
One – five years	50 572			156	16 652
Five – ten years	25 139			920	14 538
Ten – 20 years	47 660			2 359	29 020
Over 20 years	37 671			5 376	52 822
Total investment-linked liabilities	174 830			9 132	121 339
Non-investment-linked liabilities/(assets)					
Within one year	9 351	(552)	(993)		428
One – five years	25 150	(5 632)	(1 431)		2 703
Five – ten years	18 907	(2 320)	(1 114)		40
Ten – 20 years	32 817	7 194	(530)		(3)
Over 20 years	62 673	66 046	5 387		(13)
Effect of discounting cash flows	(93 784)	(67 604)	(4 114)		(547)
Total non-investment-linked liabilities/(assets)	55 114	(2 868)	(2 795)		2 608
Total long-term insurance business liabilities/(assets)	229 944	(2 868)	(2 795)	9 132	123 947
Total surrender value of long-term insurance policyholder liabilities	183 943			8 658	123 240
2020					
Investment-linked liabilities					
Within one year	15 138			421	7 883
One – five years	55 892			10	16 958
Five – ten years	16 557			912	13 121
Ten – 20 years	34 420			2 468	23 322
Over 20 years	32 030			5 523	42 952
Total investment-linked liabilities	154 037			9 334	104 236
Non-investment-linked liabilities/(assets)					
Within one year	7 132	(286)	(736)		501
One – five years	27 090	(6 088)	(1 152)		2 698
Five – ten years	18 249	(3 153)	(929)		28
Ten – 20 years	33 815	5 092	(638)		7
Over 20 years	73 565	65 906	3 756		(3)
Effect of discounting cash flows	(104 984)	(66 521)	(2 680)		(513)
Total non-investment-linked liabilities/(assets)	54 867	(5 050)	(2 379)		2 718
Total long-term insurance business liabilities/(assets)	208 904	(5 050)	(2 379)	9 334	106 954
Total surrender value of long-term insurance policyholder liabilities	166 754			9 026	106 675

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 DPF refers to discretionary participation features.

Market risk

Definition

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in equity prices, interest rates, foreign currency exchange rates, property values and inflation as well as any changes in the implied volatility assumptions associated with these variables.

Ownership and accountability

The group's market risk policy establishes a set of governing principles for the identification, measurement, monitoring, management and reporting of market risk across the group. It supports the overarching risk management framework with respect to market risk.

The asset and liability committee (ALCO), which is a sub-committee of the group balance sheet management committee (GBSMC), is charged with ensuring that market risk remains within approved risk limits. LibFin is responsible for managing the group's aggregate market risk exposure within risk parameters approved by group risk and GCROC. Notwithstanding LibFin's broad mandate, relating to managing market risk, there remain small pockets of market risk in the group which are not actively managed centrally, either due to the immaterial or illiquid nature of those exposures. These pockets of risk are monitored through engagement with the relevant business units and are noted at GCROC and GRC.

STANLIB and external asset managers are responsible for managing investment asset portfolios and must manage investment risks within their mandates. Oversight of investment performance risk is provided by the client fund control committee through the monitoring of asset managers and the setting of appropriate policyholder fund mandates. Group market risk provides independent oversight of the adequacy and effectiveness of market risk management processes across the group and reports material risks to ALCO, GBSMC, GCROC and GRC.

Risk identification, assessment and measurement

Identification of market risk is fundamental to the group's approach to managing market risk. In the case of market risks which arise from an insurance/investment product, identification and measurement requires an evaluation of the product's design, whether it is an existing product or a new product proposal, to ensure a thorough understanding of the market risk implications of the product.

In the case of market risks which arise from shareholders' equity, the risk may be identified and measured by considering the market risks that apply to the assets in which these funds have been invested. Once identified and measured, an assessment of the risk is performed.

Risk assessment classifies the risks into:

- The market risk exposures which the group wishes to maintain on a long-term strategic basis. This includes market risks arising from assets within the shareholder investment portfolio (SIP).
- The market risk exposures which the group does not wish to maintain on a long-term strategic basis (as the risk is not expected to provide an adequate return on capital over time) but which are an inevitable consequence of other value adding business activities. Where these risks can be mitigated (either through improved product design or through open market hedging activity in the Asset Liability Management (ALM) Portfolio, on economically sensible terms, such actions are implemented. Where this is not possible, limits are placed on the quantum of the risk that may be taken to ensure that the business continues to be managed within risk appetite.

The group risk function is actively involved in this process through regular engagement with the business as well as through representation on various governance committees such as ALCO, GBSMC and the group product approval committee.

Market risk management

The group's shareholders are exposed to market risk arising predominantly from:

- The long-term policyholder asset/liability mismatch risk. This occurs if the group's assets do not move in the same direction or by the same magnitude as the obligations arising under its insurance and investment contracts, despite the controls and hedging strategies employed;
- Exposure to management fee revenues not already recognised in the negative rand reserves;
- Financial assets forming the group's capital base (also referred to as shareholders' equity) including currency risks on capital invested outside South Africa; and
- Financial assets held to back liabilities other than long-term policyholder liabilities.

The market risk associated with assets backing long-term policyholder investment-linked liabilities, including discretionary participation feature liabilities, is largely borne by the policyholder. However, poor performance on policyholder funds adversely affects asset related fee income. It may also lead to reputational damage and subsequently to increased policyholder withdrawals and a reduction in new business volumes.

The table below summarises Liberty's exposure to financial, property and insurance assets. This exposure has been split into the relevant market risk categories and then attributed to the effective holders of the risk.

SUMMARY OF GROUP ASSETS SUBJECT TO MARKET RISK[1]

		Attributable to				
	Total assets Rm	Long-term policyholder investment-linked (including DPF) liabilities Rm	Other policyholder liabilities[5] Rm	Third-party financial liabilities arising on consolidation of mutual funds Rm	Non-controlling interests Rm	Residual liabilities and shareholders' interest Rm
2021						
Assets subject to market risk only	**257 904**	**188 237**	**(554)**	**51 110**	**6 283**	**12 828**
Equity price	**132 713**	**90 048**	**383**	**41 175**		**1 107**
Property price[2]	**33 395**	**17 561**	**170**	**979**	**6 283**	**8 402**
Mixed portfolios excluding investment policies[3]	**91 796**	**80 628**	**(1 107)**	**8 956**		**3 319**
Assets subject to market and credit risk	**246 722**	**122 122**	**53 423**	**21 624**	**437**	**49 116**
Interest rate	**240 111**	**119 037**	**50 423**	**21 624**	**437**	**48 590**
Investment policies in mixed portfolios	**992**	**992**				
Reinsurance assets[4]	**3 526**		**3 000**			**526**
Equity derivatives	**2 093**	**2 093**				
Long-term policyholder assets	**2 868**					**2 868**
Other assets	**3 057**					**3 057**
Total	**510 551**	**310 359**	**52 869**	**72 734**	**6 720**	**67 869**
Percentage (%)		**60.8**	**10.4**	**14.2**	**1.3**	**13.3**
2020						
Assets subject to market risk only	230 442	169 839	(2 148)	42 233	6 433	14 085
Equity price	120 192	85 744	(686)	32 529		2 605
Property price[2]	33 094	15 305	253	4 314	6 433	6 789
Mixed portfolios excluding investment policies[3]	77 156	68 790	(1 715)	5 390		4 691
Assets subject to market and credit risk	237 201	111 085	46 622	19 272	551	59 671
Interest rate	232 092	109 058	44 037	19 272	551	59 174
Investment policies in mixed portfolios	941	941				
Reinsurance assets[4]	3 082		2 585			497
Equity derivatives	1 086	1 086				
Long-term policyholder assets	5 050					5 050
Other assets	2 905					2 905
Total	475 598	280 924	44 474	61 505	6 984	81 711
Percentage (%)		59.0	9.4	12.9	1.5	17.2

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Equity price risk is included in property price risk where the invested entity only has exposure to investment properties. Property company debt of R4 424 million (2020: R3 961 million) is included in the interest rate risk line.
3 Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is practically difficult to accurately calculate given the number of mutual funds and hedge funds contained in the group portfolios.
4 Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.
5 Negative exposure to the various risk categories can occur in 'Other policyholder liabilities' since the present value of future charges can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholders' market-related liabilities. The policyholders' market risk exposure, however, remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder investment-linked liabilities by the amount of these negative liabilities.

Interest rate risk

The table below provides additional detail on financial instrument assets and liabilities and their specific interest rate exposure. Due to practical considerations, interest rate risk details contained in investments in non-subsidiary mutual funds and investment policies are not provided. Accounts receivable and accounts payable, where settlement is expected within 90 days, are not included in the analysis. The effect of interest rate risk on these balances is not considered significant given the short-term duration of the underlying cash flows.

INTEREST RATE EXPOSURE[1]

	2021			2020		
Amount by maturity date	**Fixed**	**Floating**	**Total**	Fixed	Floating	Total
Within one year	12 437	48 057	60 494	20 827	38 189	59 016
One – five years	19 142	27 035	46 177	10 195	30 363	40 558
Six – ten years	13 856	12 047	25 903	17 425	8 109	25 534
Eleven – 20 years	24 220	7 455	31 675	16 549	7 060	23 609
Over 20 years	20 599	1 147	21 746	22 567	982	23 549
Variable	246	2 233	2 479	107	6 415	6 522
Total	90 500	97 974	188 474	87 670	91 118	178 788

1 As reported by Liberty. Refer to Liberty's annual financial statements.

Property market risk

The group is exposed to tenant default, depressed rental markets and unlet space within its investment property portfolio affecting property values and rental income. The managed diversity of the property portfolio and the existence of multi-tenanted buildings significantly reduce the exposure to this risk. At 31 December 2021 the proportion of unlet space in the property portfolio was 7% (2020: 7%).

During 2021 property valuations continued to be impacted by inter alia, the negative effect of Covid-19 on rentals, reduced growth assumptions for the forecasted period, higher vacancies, the potential for negative reversions and the time required to re-let vacant space.

Independent valuators have reflected this through more conservative valuation metrics including adjustments to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space.

Liberty's direct exposure to property market risk is shown below.

PROPERTY MARKET RISK[1]

	2021 Rm	2020 Rm
Investment properties	29 314	29 598
Owner-occupied properties	936	1 225
Gross direct exposure	30 250	30 823
Attributable to non-controlling interests	(7 003)	(7 162)
Net exposure	23 247	23 661
Concentration use risk within directly held properties is summarised below:		
Retail – super regional and regional	24 330	24 628
Retail – other	2 373	2 211
Office	1 440	1 952
Hotels	1 157	1 092
Specialised[2]	950	940
Total	30 250	30 823

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 The main properties disclosed as specialised are the Sandton Convention Centre and John Ross Eco Junction.

UNOBSERVABLE INPUTS INCLUDED IN VALUATION FOR INVESTMENT PROPERTIES

	Rm	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)
2021						
Office buildings	**504**	**8.5**	**13.25 – 13.5**	**1.0**	**0.0 – 4.75**	**5.0 – 6.0**
Retail – super regional and regional	**24 330**	**7.0 – 7.75**	**10.5 – 11.5**	**0.0 – 0.5**	**(1.0) – 4.0**	**5.5 – 6.0**
Retail – other	**2 373**	**7.75 – 8.25**	**11.75 – 12.0**	**0.0 – 1.5**	**(1.0) – 5.0**	**5.5 – 6.0**
Hotel	**1 157**	**9.0**	**13.75 – 14.0**			
Specialised[1]	**950**	**8.00 – 10.0**	**10.0 – 14.75**	**0.0 – 1.0**	**(1.0) – 4.75**	**5.0 – 6.0**
2020						
Office buildings	727	8.25 – 9.75	13.25 – 14.0	0.5 – 1.0	0.0 – 4.75	5.0 – 6.0
Retail – super regional and regional	24 628	6.5 – 7.5	10.5 – 11.0	0.5 – 2.0	(1.0) – 4.0	5.0 – 6.0
Retail – other	2 211	7.75 – 8.25	11.75 – 13.25	1.0 – 1.5	(1.0) – 5.0	5.0 – 6.0
Hotel	1 092	9.0	13.75 – 14.0			
Specialised[1]	940	8.25 – 10.0	13.5 – 14.75	0.0 – 1.0	(1.0) – 4.75	5.0 – 6.0

1 The vacancy rate indicated in the table above refers to the structural vacancy rate applied over and above that which is already used in the cashflow for existing vacancies and void periods on expiry of leases.

Inter-relationship between key unobservable inputs and fair value measurements:
The most significant impact on value is an adjustment on metrics whereby the estimated fair value would increase/decrease if:
- exit capitalisation rate was lower/(higher)
- discount rate was lower/(higher).

Other inputs that impact the value positively (negatively) but are less significant are:
- vacancy and rent-free periods were shorter/(longer)
- expected market rental growth was higher/(lower)
- expected expense growth was lower/(higher).

Sensitivity analysis

The table below provides a description of the sensitivities that are provided on market risk assumptions.

Market risk variable	Description of sensitivity
Interest yield curve	A level percentage change in the interest rate yield curve
Implied option volatilities	A change in the implied short-term equity, property and interest rate option volatility assumptions
Equity prices	A change in the local and foreign equity prices
Rand exchange rates	A change in the ZAR exchange rate to all applicable currencies

The equity price and rand currency sensitivities are applied as an instantaneous event at the financial position date with no change to long-term market assumptions used in the measurement of policyholder contract values. In other words, the assets are instantaneously impacted by the sensitivity on the financial position date. The new asset levels are applied to the measurement of policyholder contract values, where applicable, but no changes are made to the prospective assumptions used in the measurement of policyholder contract values.

The interest rate yield curve and implied option volatility sensitivities are applied similarly but the assumptions used in the measurement of policyholder contract values that are dependent on interest rate yield curves and implied option volatilities are updated.

Over a reporting period, assets are expected to earn a return consistent with the long-term assumptions used in the measurement of policyholder contract values. The instantaneous sensitivities applied at the financial position date show the impacts of deviations from these long-term assumptions (e.g. the increase in the equity price sensitivity shows the impact of assets earning the sensitivity amount in excess of the long-term equity return assumption).

The market sensitivities are applied to all assets held by the group (and not just assets backing the policyholder contract values). Each sensitivity is applied in isolation with all other assumptions left unchanged.

The table below summarises the impact of the change in the aforementioned risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation. The market risk sensitivities are net of risk mitigation activities. Consequently, the comparability to the previous year is impacted by the level of risk mitigation at the respective financial position dates.

SENSITIVITY ANALYSIS[1]

	2021				2020			
	Change in variable %	Gross of reinsurance impact on policy-holders' contract values Rm	Net of reinsurance impact on policy-holders' contract values Rm	Impact on equity and attri-butable profit after taxation Rm	Change in variable %	Gross of reinsurance impact on policy-holders' contract values Rm	Net of reinsurance impact on policy-holders' contract values Rm	Impact on equity and attri-butable profit after taxation Rm
Market assumptions								
Interest rate yield curve	**12**	**(6 625)**	**(6 709)**	**(282)**	12	(5 822)	(5 889)	(348)
	(12)	**8 129**	**8 195**	**150**	(12)	7 223	7 274	239
Option price volatilities	**20**	**41**	**41**	**23**	20	88	88	(42)
	(20)	**(12)**	**(12)**	**6**	(20)	(73)	(73)	33
Equity prices	**15**	**24 691**	**24 691**	**813**	15	21 206	21 206	1 111
	(15)	**(24 936)**	**(24 936)**	**(764)**	(15)	(21 288)	(21 288)	(1 094)
Rand exchange rates[2]	**12**	**(8 964)**	**(8 964)**	**(528)**	12	(7 302)	(7 302)	(685)
Rand exchange rates[3]	**(12)**	**8 965**	**8 965**	**560**	(12)	7 318	7 318	694

1 As reported by Liberty. Refer to Liberty's annual financial statements.
2 Strengthening of the rand.
3 Weakening of the rand.

Insurance risk

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, retrenchment, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of short-term insurance products. These could have adverse impacts on the group's earnings and capital if different from those assumed.

Ownership and accountability

The management and staff in all BUs accepting insurance risk are responsible for the day-to-day identification, analysis, pricing, monitoring and management of insurance risk. It is also management's responsibility to report any material insurance risks, risk events and issues identified to senior management through pre-defined escalation procedures.

The head of actuarial function and statutory actuaries, where applicable, and group insurance risk department provide independent oversight of compliance with the group's risk management policies and procedures and the effectiveness of the group's insurance risk management processes.

There are a number of management committees in place responsible for managing all aspects of insurance risk. These committees are:

- Group control and risk oversight committee (GCROC);
- Group reinsurance, underwriting and claims committee;
- Group product approval committee; and
- Actuarial control committee

These committees are sub-committees of Liberty Exco.

The functions of the various committees responsible for managing insurance risk include:

- recommending insurance risk related policies to GCROC for approval and ensuring compliance therewith;
- ensuring that insurance risk is appropriately controlled by monitoring procedures to control insurance risk and insurance risk levels against agreed limits and triggers;
- gaining assurance that material insurance risks are being monitored and that the level of risk taken is in line with the risk appetite statement at all times;
- considering any new insurance risks introduced through new product development or strategic development and how these risks should be managed;
- monitoring, ratifying and/or escalating to GCROC all material insurance risk-related breaches/excesses, highlighting the corrective action undertaken to resolve the issue;
- monitoring insurance risk capital requirements as they apply to the management of the group and its subsidiaries' balance sheets; and
- approving the reinsurance, underwriting and claim management strategies and overseeing the implementation of those strategies.

The head of actuarial function and statutory actuaries, where applicable, provide oversight of the long-term insurance risks undertaken by the group by:

- providing an opinion at least annually on the financial soundness of the life insurance entities within the group;
- overseeing the setting of assumptions used to provide best estimate liabilities plus compulsory and discretionary margins in accordance with the assumption setting policy; and
- providing an opinion on the actuarial soundness of premium rates in use for new business, and on the profitability of the business, taking into consideration the reasonable benefit expectations of policyholders and the associated insurance and market risk.

Risk identification, assessment, measurement and management

Risk management takes place prior to the acceptance of risks through the product development and pricing processes and at the point of sale. Risks continue to be managed through the measurement, monitoring and treatment of risks once the risks are contracted.

The ongoing management of insurance risk, once the risk has been contracted, includes the management of costs; premium adjustments where permitted and appropriate; management strategies and training of sales staff to encourage customers to retain their policies; and careful follow up on disability claims and deaths.

The table below provides a description of the sensitivities that are provided on insurance risk assumptions.

Insurance risk variable	Description of sensitivity
Assurance mortality	A level percentage change in the expected future mortality rates on assurance contracts
Annuitant longevity	A level percentage change in the expected future mortality rates on annuity contracts
Morbidity	A level percentage change in the expected future morbidity rates
Withdrawal	A level percentage change in the expected future withdrawal rates
Expense per policy	A level percentage change in the expected maintenance expenses

The table below summarises the impact of the change in the insurance risk variables on policyholders' contract values and on ordinary shareholders' equity and attributable profit after taxation.

SENSITIVITY ANALYSIS OF RISK VARIABLES[1]

	2021				2020			
	Change in variable %	Gross of reinsurance impact on policy-holders' contract values Rm	Net of reinsurance impact on policy-holders' contract values Rm	Impact on equity and attri-butable profit after taxation Rm	Change in variable %	Gross of reinsurance impact on policy-holders' contract values Rm	Net of reinsurance impact on policy-holders' contract values Rm	Impact on equity and attri-butable profit after taxation Rm
Insurance assumptions								
Mortality								
Assured lives	**2**	**531**	**421**	**(303)**	2	510	411	(296)
	(2)	**(533)**	**(424)**	**305**	(2)	(512)	(413)	297
Annuitant longevity	**4[2]**	**348**	**348**	**(251)**	4[2]	353	353	(254)
	(4)[3]	**(335)**	**(335)**	**241**	(4)[3]	(340)	(340)	245
Morbidity	**5**	**844**	**690**	**(497)**	5	804	660	(475)
	(5)	**(840)**	**(687)**	**495**	(5)	(800)	(658)	474
Withdrawals	**8**	**436**	**455**	**(327)**	8	454	467	(336)
	(8)	**(467)**	**(489)**	**351**	(8)	(486)	(502)	360
Expense per policy	**5**	**491**	**491**	**(355)**	5	466	466	(338)
	(5)	**(488)**	**(488)**	**356**	(5)	(465)	(465)	337

1 As reported by Liberty. Refer to Liberty's annual financial statements
2 Annuitant life expectancy increases, i.e. annuitant mortality reduces.
3 Annuitant life expectancy reduces, i.e. annuitant mortality increases.

Annexure D – group share incentive schemes

Share-based payments

The group's share incentive schemes enable key management personnel and senior employees to benefit from the performance of the group and group companies' share price. For further detail regarding the share schemes refer to the group's governance and remuneration report.

	2021 Rm	2020 Rm
Expenses recognised in staff cost		
Equity Growth Scheme		(2)
Share Appreciation Rights Scheme	29	34
Deferred Bonus Scheme	1 037	1 306
Performance Reward Plan	357	81
Cash-Settled Deferred Bonus Scheme	383	229
Liberty Share Incentive Scheme	121	108
Total expenses recognised in staff costs	1 927	1 756
Summary of liabilities recognised in other liabilities		
Share Appreciation Rights Scheme	2	2
Deferred Bonus Scheme	26	9
Performance Reward Plan	30	5
Cash-Settled Deferred Bonus Scheme	380	314
Total liability recognised in other liabilities	438	330

Equity Growth Scheme

The EGS is an equity-settled scheme and represents appreciation rights allocated to employees. The converted value of the rights is effectively settled by issue of shares equivalent to the value of the rights. The scheme has five different subtypes of vesting categories as illustrated by the table below:

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

A reconciliation of the movement of share options is detailed below:

	Number of rights		Average price range (R)
	2021	2020	2021
Movement summary			
Rights outstanding at beginning of the year	4 025 678	4 941 267	
Exercised	(207 251)	(789 030)	62.39 – 156.96
Lapsed/forfeited	(22 075)	(126 559)	62.39 – 114.69
Rights outstanding at the end of the year	3 796 352	4 025 678	

Equity Growth Scheme continued

During 2021, 25 353 (2020: 168 485) SBG shares were issued to settle the appreciated rights value. At the end of the year, the group would need to issue 431 085 (2020: 347 934) SBG shares to settle the outstanding appreciated rights value. The EGS rights are only awarded to individuals in the employment of a group entity domiciled in South Africa.

The group is required to ensure that employees' tax arising from benefits due in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act of South Africa. Where employees have elected not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme. No SBG shares were issued and sold to settle the employees' tax due for both 2021 and 2020. This reduces the liability to the employee of in respect of the outstanding appreciated rights value. Share options were exercised regularly throughout the year. The weighted average share price for the year was R131.3 (2020: R116.16).

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

	2021			2020		
Option expiry period	**Number of ordinary shares**	**Option price range (rand)**	**Weighted average price (rand)**	Number of ordinary shares	Option price range (rand)	Weighted average price (rand)
Year to 31 December 2023	**1 457 151**	**96.68 – 115.51**	**102.45**	1 594 191	62.39 – 115.51	102.45
Year to 31 December 2024	**472 533**	**126.87**	**126.87**	472 533	127	126.87
Year to 31 December 2025	**955 109**	**156.96**	**156.96**	955 109	157	156.96
Year to 31 December 2026	**911 559**	**122.24**	**122.24**	1 003 845	122	122.24
Total	**3 796 352**			4 025 678		

Shares Appreciation Rights Scheme

The SARP is a long-term scheme and represents appreciation rights awarded to employees and is based on the SBG's share price. Awards that are issued to individuals in the employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled. The SARP has replaced the EGS and hence no further EGS awards will be granted. Share rights were last granted in 2016 under the equity growth scheme. Vesting and expiry of the rights are as follows:

	Year	**% vesting**	**Expiry**
SARP	**2,3,4**	**33,67,100**	**4,5,6**

The converted value of the rights is settled either by purchasing shares for equity-settled awards on an external market and in cash for cash-settled awards equal to the value of the converted rights.

Shares Appreciation Rights Scheme continued

A reconciliation of the movement of share options is detailed below:

	2021		2020	
	Average price range (rand)	Number of rights	Average price range (rand)	Number of rights
Rights outstanding at the end of the year		3 324 397		2 686 914
Granted[1]	142.00	1 168 252	152.64	666 507
Lapsed/forfeited		(68 770)		(29 024)
Rights outstanding at the end of the year		4 423 879		3 324 397
Outstanding equity-settled units		3 918 300		3 033 966
Outstanding cash-settled units		505 579		290 431

1 Includes 1 056 592 (2020: 605 167) units that are equity-settled, the balance will be cash-settled.

During the year no (2020: Nil) Standard Bank Group shares were purchased from the market to settle the appreciation rights value.

At the end of the year the group would need to purchase 454 714 (2020: 3 113) SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised as at 31 December 2021:

	2021			2020		
Option expiry period	Number of rights	Option price range (rand)	Weighted average price (rand)	Number of rights	Option price range (rand)	Weighted average price (rand)
Year to 31 December 2023	2 648 583	110.00 – 220.97	184.99	1 512 104	155.95 – 220.97	184.99
Year to 31 December 2024	217 596	152.64	185.72	905 480	152.64 – 220.97	185.72
Year to 31 December 2025	592 455	142.00 – 152.64	172.31	656 058	152.64 – 182.43	172.31
Year to 31 December 2026	590 348	142.00 – 152.64	148.00	250 755	152.64	148.00
Year to 31 December 2027	374 897	142	142.00			
Total	4 423 879			3 324 397		

The share appreciation rights granted during the year were valued using a Black-Scholes option pricing model. Expected volatility is determined using historical SBK share price data available and applied over the expected life of the grant. Each grant was valued separately. The weighted fair value of the options granted per vesting date and the assumptions utilised are as follows:

	2021			2020		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Number of appreciation rights granted	374 859	374 874	374 897	222 876	222 876	220 755
Weighted average fair value at grant date (rands)	37.35	40.35	43.15	31.30	34.21	37.11
The principal inputs are as follows:						
Weighted average share price (rand)	142.00	142.00	142.00	152.64	152.64	152.64
Weighted average exercise price (rand)	142.00	142.00	142.00	152.64	152.64	152.64
Expected life (years)	4.00	5.00	6.00	4.00	5.00	6.00
Expected volatility (%)	38.00	38.00	38.00	28.55	28.55	28.55
Risk-free interest rate (%)	5.40	5.89	6.36	6.18	6.39	6.61
Dividend yield (%)	4.78	4.84	4.79	4.73	4.68	4.55

Deferred Bonus Scheme

All employees granted an annual performance award over a threshold have part of their award deferred. The awards are indexed to the group's share price and accrue notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final payout is determined with reference to the group's share price on vesting date. These awards have been partially hedged through the use of equity forwards.

Awards that are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards that are made to individuals of a group entity outside of South Africa are classified as cash-settled.

	Units	
	2021	2020
Movement summary		
Units outstanding at beginning of the year	**14 777 008**	12 940 583
Units granted during the year[1]	**6 783 560**	8 607 410
Exercised	**(6 398 962)**	(6 142 344)
Lapsed/forfeited	**(873 661)**	(628 641)
Units outstanding at end of the year	**14 287 945**	14 777 008
Outstanding equity-settled units	**13 844 493**	14 593 644
Outstanding cash-settled units	**443 452**	183 364
Weighted average fair value at grant date (R)	**141.16**	151.39
Expected life (years)	**2.51**	2.51

[1] Includes 6 512 198 (2020: 8 540 900) units that are equity-settled, the balance relates to cash-settled rewards.

Performance Reward Plan (PRP)

The PRP is a performance-driven share plan which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, DBS, and other share incentive schemes.

The awards are indexed to the group's share price and accrues notional dividends during the vesting period, which are payable on vesting. Shares that vest (if any), and that are delivered to the employee, are conditional on the pre-specified performance metrics, set annually by the SBG remuneration committee (refer to the group's remuneration report for further information). These awards have been partially hedged through the use of equity forwards.

Awards that are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled.

	Units	
	2021	2020
Movement summary		
Units outstanding at beginning of the year	**8 570 840**	7 536 425
Units granted during the year[1]	**4 248 744**	3 715 344
Exercised		(2 497 377)
Performance condition lapsed	**(2 124 942)**	
Lapsed/forfeited	**(237 390)**	(183 552)
Units outstanding at the end of the year	**10 457 252**	8 570 840
Outstanding equity-settled units	**9 258 599**	7 777 539
Outstanding cash-settled units	**1 198 653**	793 301
Weighted average fair value at grant date (R)	**141.90**	151.99
Expected life (years)	**3.07**	3.07

[1] Includes 3 715 153 (2020: 3 391 544) units that are equity-settled, the balance relates to cash-settled rewards.

Cash-Settled Deferred Bonus Scheme (CSDBS)

Effective for awards made in 2017, employees granted an annual performance award over a threshold and who are in employment of the group and meet other specific criteria have part of their award deferred.

Awards in rand are indexed to SBG's share price and accrues notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18, 30 and 42 months from the date of the award. The maturity value is determined with reference to the SBG share price on the vesting date. These awards are classified as cash-settled from a group perspective. Awards in currencies other than rand (being the employee's host country) are denominated in that currency with the same terms as rand-denominated awards with the value of the awards, in foreign currency, moving in parallel with changes in the SBG share price. These awards have been partially hedged through the use of equity forwards.

Currency	Weighted average fair value at grant date	Expected life at grant date (years)	2021 Opening balance	Granted	Exercised	Lapsed	Outstanding
AOA	142.00	2.51	**1 223 870**	**759 477**	**(482 596)**		**1 500 751**
BWP	142.00	2.51	**50 645**	**44 589**	**(22 008)**		**73 226**
CNY	142.00	2.51	**93 034**	**42 399**	**(39 173)**	**(2 777)**	**93 483**
EUR			**48**		**(31)**		**17**
GBP	142.00	2.51	**87 631**	**31 865**	**(40 279)**	**(190)**	**79 027**
GHS	142.00	2.51	**23 940**	**16 148**	**(8 550)**	**(3 388)**	**28 150**
HKD			**18 108**		**(11 842)**		**6 266**
KES	142.00	2.51	**1 037 985**	**348 326**	**(420 778)**	**(142 635)**	**822 898**
LSL	142.00	2.51	**8 647**		**(4 112)**		**4 535**
MUR	142.00	2.51	**111 497**	**22 664**	**(26 675)**	**(53 969)**	**53 517**
MWK	142.00	2.51	**978 211**	**195 842**	**(523 023)**		**651 030**
MZN	142.00	2.51	**250 093**	**186 334**	**(71 499)**	**(698)**	**364 230**
NAD	142.00	2.51	**47 836**	**14 647**	**(9 928)**	**(560)**	**51 995**
NGN	142.00	2.51	**11 030 428**	**6 249 248**	**(5 152 597)**	**(50 178)**	**12 076 901**
SSP			**6 371**			**(6 371)**	
SZL	142.00	2.51	**12 913**	**18 987**	**(7 248)**		**24 652**
TZS	142.00	2.51	**847 755**	**876 523**	**(312 253)**		**1 412 025**
UGX	142.00	2.51	**27 464 667**	**13 411 397**	**(12 210 600)**	**(649 145)**	**28 016 319**
USD	142.00	2.51	**34 559**	**12 891**	**(15 980)**	**(496)**	**30 974**
XOF	142.00	2.51	**465 345**	**465 367**	**(184 485)**		**746 227**
ZAR	142.00	2.51	**1 449 591**	**452 303**	**(676 814)**		**1 225 080**
ZMW	142.00	2.51	**39 126**	**21 856**	**(16 778)**	**(5 951)**	**38 253**
ZWL	142.00	2.51	**29 526**	**69 587**	**(9 470)**	**(4 690)**	**84 953**
CDF	142.00	2.51	**12 068**	**39 354**	**(4 022)**		**47 400**
AED	142.00	2.51	**12 326**	**9 418**	**(4 104)**		**17 640**

Other share schemes

Scheme	Description	Classification	Stock symbol	2021 Outstanding units	2020 Outstanding units
Liberty Holdings group restricted share plan	During 2012, Liberty introduced the Liberty Holdings group restricted share plan which has two methods of participation: 1) Long-term plan awards granted prior to 28 February 2013 vest 33 1/3% at the end of year two, three and four respectively while awards granted subsequently vest 33 1/3% at the end of year three, four and five respectively. 2) Deferred plan – Awards vest 33 1/3% at the end of 18 months, 30 months and 42 months respectively.	Equity-settled scheme	LBH	**3 731 182**	4 551 933
Group share incentive scheme (GSIS)	GSIS confers rights to employees to acquire shares at the value of the SBG share price at the date the option was granted. The scheme has various vesting periods, and expires ten years after grant date. During the year, 10 000 (2020: 63 151) SBG shares were issued to settle the GSIS awards.	Equity-settled scheme	SBK	**158 000**	168 000

	2020				
	Opening balance	Granted	Exercised	Lapsed	Outstanding
	521 037	934 989	(186 472)	(45 684)	1 223 870
	40 353	30 815	(22 930)	2 407	50 645
	61 418	60 761	(29 145)		93 034
			(45)	93	48
	73 529	51 134	(34 551)	(2 481)	87 631
	17 474	18 215	(6 352)	(5 397)	23 940
	35 696		(17 588)		18 108
	934 330	627 054	(446 375)	(77 024)	1 037 985
	6 681	4 881	(2 915)		8 647
	117 096	51 663	(53 560)	(3 702)	111 497
	1 266 750	333 488	(622 027)		978 211
	206 796	144 932	(101 377)	(258)	250 093
	46 086	33 126	(23 520)	(7 856)	47 836
	9 631 714	6 659 155	(4 633 684)	(626 757)	11 030 428
	9 894		(3 523)		6 371
	17 311	3 604	(8 002)		12 913
	374 494	751 164	(99 430)	(178 473)	847 755
	20 982 435	16 866 345	(10 161 583)	(222 530)	27 464 667
	39 196	15 745	(19 511)	(871)	34 559
	278 038	379 610	(64 362)	(127 941)	465 345
	1 376 469	825 696	(707 262)	(45 312)	1 449 591
	28 183	24 767	(13 824)		39 126
		29 526			29 526
		12 068			12 068
		12 326			12 326

Annexure E – emoluments and share incentives of directors and prescribed officers

Executive directors' and prescribed officers' emoluments

	SK Tshabalala		A Daehnke	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Cost to Company package	**10 475**	10 999	**7 014**	7 139
Cash package paid during the year	**8 967**	9 427	**6 140**	6 254
Retirement contributions paid during the year	**1 290**	1 350	**765**	782
Other allowances	**218**	222	**109**	103
Short-term Incentive	**18 000**	13 050	**16 750**	10 100
Short-term incentive (cash)[1]	**8 100**	5 900	**7 525**	4 600
Short-term incentive (share-linked deferral)[2]	**9 900**	7 150	**9 225**	5 500
Total reward (excluding conditional long-term incentive awards)	**28 475**	24 049	**23 764**	17 239
PRP awards vesting[3]				
PRP notional dividend[4]				
Total reward (including conditional long-term incentive awards)	**28 475**	24 049	**23 764**	17 239

	AKL Fihla		FZ Montjane
	2021 R'000	2020 R'000	**2021 R'000**
Cost to Company package	**7 998**	8 227	**7 202**
Cash package paid during the year	**6 845**	7 067	**6 550**
Retirement contributions paid during the year	**894**	925	**502**
Other allowances	**259**	235	**150**
Short-term Incentive	**22 000**	16 300	**14 500**
Short-term incentive (cash)[1]	**9 900**	7 400	**6 500**
Short-term incentive (share-linked deferral)[2]	**12 100**	8 900	**8 000**
Total reward (excluding conditional long-term incentive awards)	**29 998**	24 527	**21 702**
PRP awards vesting[3]			
PRP notional dividend[4]			
Total reward (including conditional long-term incentive awards)	**29 998**	24 527	**21 702**

	M Nienaber		ZN Manyathi	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cost to Company package	7 242	7 160	4 797	7 834
Cash package paid during the year	6 283	6 196	4 280	7 010
Retirement contributions paid during the year	716	718	383	625
Other allowances	243	246	134	199
Once-off allowances/payments[5]			483	
Short-term Incentive	18 000	12 550	7 000	8 700
Short-term incentive (cash)[1]	8 100	5 675	4 650	3 950
Short-term incentive (share-linked deferral)[2]	9 900	6 875	2 350	4 750
Total reward (excluding conditional long-term incentive awards)	25 242	19 710	12 280	16 534
PRP awards vesting[3]				
PRP notional dividend[4]				
Total reward (including conditional long-term incentive awards)	25 242	19 710	12 280	16 534

1 These are performance related short-term incentive payments in respect of the financial year under review.
2 These are deferred bonus scheme awards issued in March every year for the prior year performance period These awards are subject to choice and participants can elect to have the value of the deferred awards, or part thereof, invested in the SARP rather than the default DBS. To the extent that the SARP is selected, a 10% premium of the value of the award is added. Deferred incentive amounts not invested in SARP will be unitised with respect to the group's closing share price the day results are announced. The award will be updated in the group's annual financial statements the following year to reflect the choices made and units/rights awarded.
3 There were no PRP awards vesting for the performance year ending 2021 in respect of the PRP units awarded in March 2019 and year ending 2020 in respect of the PRP units awarded in March 2018. The PRP awards vesting in earlier performance years are calculated based on the group's closing share price at the end of the performance period. The amount included in the single figure numbers above are not amended for the actual vesting share prices on 31 March following the performance year. The actual payment values will be included in the settlement schedule.
4 PRP notional dividend is calculated by multiplying the vesting PRP units by the cumulative notional dividend granted in the period between the grant date and the vesting date. The amount included in the single figure numbers are not amended for the actual dividends declared following the performance year. The actual payment values will be included in the settlement schedule.
5 Includes a once-off payment made in respect of leave paid on retirement.

Non-executive directors

	Fixed remuneration				
	Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compensation for the year R'000
2021					
TS Gcabashe	**6 953**				**6 953**
PLH Cook[2]	**248**	**304**	**248**		**800**
MA Erasmus	**1 080**	**867**	**1 080**		**3 027**
GJ Fraser-Moleketi	**290**	**721**	**290**		**1 301**
X Guan[3]	**1 409**	**657**	**1 409**		**3 475**
GMB Kennealy	**290**	**2 296**	**290**		**2 876**
L Li[9]	**41**	**88**	**41**		**170**
JH Maree[5]	**290**	**1 640**	**3 448**		**5 378**
NNA Matyumza	**290**	**1 027**	**290**		**1 607**
Adv KD Moroka	**290**	**900**	**290**		**1 480**
NMC Nyembezi	**290**	**701**	**290**		**1 281**
Dr. ML Oduor-Otieno	**1 080**	**473**	**1 080**		**2 633**
AC Parker[11]	**118**	**232**	**118**		**468**
ANA Peterside CON	**1 080**	**1 045**	**1 080**		**3 205**
MJD Ruck	**290**	**1 747**	**579**		**2 616**
JM Vice	**290**	**1 280**	**290**		**1 860**
L Wang	**251**	**292**	**251**		**794**
Total	**14 580**	**14 270**	**11 074**		**39 924**
2020					
TS Gcabashe[1]	6 953			364	7 317
MA Erasmus	1 055	680	1 055		2 790
GJ Fraser-Moleketi	290	662	290		1 242
X Guan[3]	121	274	121		516
GMB Kennealy	290	1 635	290		2 215
BP Mabelane[4]	170	229	170		569
JH Maree[5]	290	1 348	3 355		4 993
NNA Matyumza	290	967	290		1 547
Adv KD Moroka	290	900	290		1 480
NMC Nyembezi[6]	290	401	290		981
Dr. ML Oduor-Otieno	1 055	473	1 055		2 583
AC Parker	290	762	290		1 342
ANA Peterside CON	1 055	775	1 055		2 885
MJD Ruck[7]	290	1 367	1 288		2 945
PD Sullivan[8]	517	704	517		1 738
JM Vice	290	1 280	290		1 860
L Wang[9]	290	351	290		931
Total	13 826	12 808	10 936	364	37 934

1 TS Gcabashe other benefits relate to use of motor vehicle.
2 PLH Cook was appointed to SBSA and SBG boards on 22 February 2021.
3 X Guan was appointed to SBSA and SBG boards on 1 August 2020.
4 BP Mabelane was appointed to SBSA and SBG boards on 1 January 2020 and resigned from the boards and committees on 31 July 2020.
5 JH Maree's fees for services as a director of group subsidiaries include fees paid by Liberty Holdings Limited.
6 NMC Nyembezi joined SBSA and SBG boards on 1 January 2020.
7 MJD Ruck's fees for services as a director of group subsidiaries include fees paid by Industrial and Commercial Bank of China (Argentina) S.A.
8 PD Sullivan retired on 26 June 2020.
9 L Wang resigned from the boards and committees on 11 November 2021.
10 L Li was appointed to the SBSA and SBG boards on 11 November 2021.
11 AC Parker retired from the SBSA and SBG boards on 27 May 2021.

Fees are disclosed excluding VAT.

Share incentives

Standard Bank equity growth scheme

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

Deferred Bonus Scheme

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

Performance reward plan

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

Share appreciation rights plan

The SARP represents participation rights in the future growth of the Standard Bank Group share price. The eventual value of the right is settled by the receipt of Standard Bank Group shares equivalent to the full value of the participation rights.

SK Tshabalala

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 667	2021/09/30	
2017*	2018/03/08	220.97	3 017	2021/09/30	
2018	2019/03/07	182.43	1 666	2021/09/30	
2018	2019/03/07	182.43	1 667	2022/09/30	
2018*	2019/03/07	182.43	3 017	2021/09/30	
2018*	2019/03/07	182.43	3 017	2022/09/30	
2019	2020/03/05	152.64	1 500	2021/09/30	
2019	2020/03/05	152.64	1 500	2022/09/30	
2019	2020/03/05	152.64	1 500	2023/09/30	
2019*	2020/03/05	152.64	2 742	2021/09/30	
2019*	2020/03/05	152.64	2 742	2022/09/30	
2019*	2020/03/05	152.64	2 742	2023/09/30	
2020	**2021/03/11**	**142.00**	**1 183**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 183**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 183**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**1 200**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**1 200**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**1 200**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	14 009	2021/03/31	
2018	2019/03/07	182.43	14 011	2022/03/31	
2019	2020/03/05	152.64	16 653	2023/03/31	
2020	**2021/03/11**	**142.00**	**17 750**	**2024/03/31**	
Totals for 2021			**96 349**		

Refer to footnotes on page 206.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	7 544		7 544			144	1 090	232		
	13 652		13 652			144	1 972	420		
	9 135		9 135			144	1 319	195		
	9 138				9 138				1 279	195
	16 536		16 536			144	2 388	353		
	16 537				16 537				2 315	353
	9 827		9 827			144	1 419	112		
	9 827				9 827				1 376	112
	9 828				9 828				1 376	112
	17 961		17 961			144	2 594	205		
	17 961				17 961				2 515	205
	17 963				17 963				2 515	205
		8 333			8 333				1 167	50
		8 333			8 333				1 167	50
		8 334			8 334				1 167	50
		8 451			8 451				1 183	51
		8 451			8 451				1 183	51
		8 451			8 451				1 183	51
	63 400			63 400						
	76 800				76 800				10 753	1 639
	109 100				109 100				15 275	1 244
		125 000			125 000				17 501	750
							10 782	1 517	61 955	5 118

A Daehnke

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 000	2021/09/30	
2017*	2018/03/08	220.97	1 909	2021/09/30	
2018	2019/03/07	182.43	1 000	2021/09/30	
2018	2019/03/07	182.43	1 000	2022/09/30	
2018*	2019/03/07	182.43	1 908	2021/09/30	
2018*	2019/03/07	182.43	1 909	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*	2020/03/05	152.64	1 950	2021/09/30	
2019*	2020/03/05	152.64	1 950	2022/09/30	
2019*	2020/03/05	152.64	1 950	2023/09/30	
2020	**2021/03/11**	**142.00**	**1 067**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 067**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 067**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**767**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**767**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**767**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	12 004	2022/03/31	
2019	2020/03/05	152.64	12 013	2023/03/31	
2020	**2021/03/11**	**142.00**	**14 001**	**2024/03/31**	
Equity growth scheme					
Vested					
2010	2011/03/04	98.80		A	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
Totals for 2021			**72 105**		

Refer to footnotes on page 206.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	4 527		4 527			144	654	139		
	8 637		8 637			144	1 247	266		
	5 481		5 481			144	792	117		
	5 483				5 483				768	117
	10 460		10 460			144	1 511	223		
	10 462				10 462				1 465	223
	8 735		8 735			144	1 262	100		
	8 735				8 735				1 223	100
	8 736				8 736				1 223	100
	12 775		12 775			144	1 845	146		
	12 775				12 775				1 789	146
	12 776				12 776				1 789	146
		7 512			7 512				1 052	45
		7 512			7 512				1 052	45
		7 512			7 512				1 052	45
		5 399			5 399				756	32
		5 399			5 399				756	32
		5 400			5 400				756	32
	45 300			45 300						
	65 800				65 800				9 213	1 404
	78 700				78 700				11 019	897
		98 600			98 600				13 805	592
	12 500				12 500				515	
	9 375				9 375				386	
	3 125				3 125				129	
	45 832				45 832				602	
	22 918				22 918				301	
							7 311	991	49 651	3 956

F Montjane					
Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 584	2021/09/30	
2017*	2018/03/08	220.97	1 784	2021/09/30	
2018	2019/03/07	182.43	1 583	2021/09/30	
2018	2019/03/07	182.43	1 583	2022/09/30	
2018*	2019/03/07	182.43	1 783	2021/09/30	
2018*	2019/03/07	182.43	1 784	2022/09/30	
2019	2020/03/05	152.64	1 583	2021/09/30	
2019	2020/03/05	152.64	1 583	2022/09/30	
2019	2020/03/05	152.64	1 584	2023/09/30	
2019*	2020/03/05	152.64	1 783	2021/09/30	
2019*	2020/03/05	152.64	1 783	2022/09/30	
2019*	2020/03/05	152.64	1 783	2023/09/30	
2020	**2021/03/11**	**142.00**	**767**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**767**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**767**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**467**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**467**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**467**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	8 021	2021/03/31	
2018	2019/03/07	182.43	9 012	2022/03/31	
2019	2020/03/05	152.64	9 006	2023/03/31	
2020	**2021/03/11**	**142.00**	**11 005**	**2024/03/31**	
Totals for 2021			**60 946**		

Refer to footnotes on page 206.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
7 167		7 167			144	1 035	220		
8 072		8 072			144	1 166	248		
8 679		8 679			144	1 253	185		
8 680				8 680				1 215	185
9 775		9 775			144	1 412	209		
9 777				9 777				1 369	209
10 372		10 372			144	1 498	118		
10 372				10 372				1 452	118
10 375				10 375				1 453	118
11 683		11 683			144	1 687	133		
11 683				11 683				1 636	133
11 684				11 684				1 636	133
	5 399			5 399				756	32
	5 399			5 399				756	32
	5 400			5 400				756	32
	3 286			3 286				460	20
	3 287			3 287				460	20
	3 287			3 287				460	20
36 300			36 300						
49 400				49 400				6 916	1 054
59 000				59 000				8 261	673
	77 500			77 500				10 851	465
						8 051	1 113	38 437	3 244

AKL Fihla

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 334	2021/09/30	
2017*	2018/03/08	220.97	2 284	2021/09/30	
2018	2019/03/07	182.43	1 333	2021/09/30	
2018	2019/03/07	182.43	1 334	2022/09/30	
2018*	2019/03/07	182.43	2 117	2021/09/30	
2018*	2019/03/07	182.43	2 117	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*	2020/03/05	152.64	2 575	2021/09/30	
2019*	2020/03/05	152.64	2 575	2022/09/30	
2019*	2020/03/05	152.64	2 575	2023/09/30	
2020	**2021/03/11**	**142.00**	**1 267**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 267**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 267**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**1 700**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**1 700**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**1 700**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	12 004	2022/03/31	
2019	2020/03/05	152.64	11 158	2023/03/31	
2020	**2021/03/11**	**142.00**	**12 013**	**2024/03/31**	
Equity growth scheme					
Vested					
2010	2011/03/04	98.80		A	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
2010	2011/03/04	98.80		B	2023/03/31
Totals for 2021			**76 329**		

Refer to footnotes on page 206.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	6 035		6 035			144	872	186		
	10 334		10 334			144	1 492	318		
	7 308		7 308			144	1 055	156		
	7 311				7 311				1 024	156
	11 602		11 602			144	1 676	248		
	11 604				11 604				1 625	248
	8 735		8 735			144	1 262	100		
	8 735				8 735				1 223	100
	8 736				8 736				1 223	100
	16 869		16 869			144	2 436	192		
	16 869				16 869				2 362	192
	16 872				16 872				2 362	192
		8 920			8 920				1 249	54
		8 920			8 920				1 249	54
		8 921			8 921				1 249	54
		11 972			11 972				1 676	72
		11 972			11 972				1 676	72
		11 972			11 972				1 676	72
	45 300			45 300						
	65 800				65 800				9 213	1 404
	73 100				73 100				10 235	833
		84 600			84 600				11 845	508
	13 750		6 875		6 875	142	300		283	
	10 312				10 312				425	
	3 438				3 438				142	
							9 093	1 200	50 737	4 111

M Nienaber

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 000	2021/09/30	
2017*5	2018/03/08	220.97	1 450	2021/09/30	
2018	2019/03/07	182.43	1 000	2021/09/30	
2018	2019/03/07	182.43	1 000	2022/09/30	
2018*5	2019/03/07	182.43	1 637	2021/09/30	
2018*	2019/03/07	182.43	1 638	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*5	2020/03/05	152.64	1 867	2021/09/30	
2019*	2020/03/05	152.64	1 867	2022/09/30	
2019*	2020/03/05	152.64	1 867	2023/09/30	
2020	**2021/03/11**	**142.00**	**1 167**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 167**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 167**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**1 125**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**1 125**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**1 125**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	10 015	2022/03/31	
2019	2020/03/05	152.64	10 502	2023/03/31	
2020	**2021/03/11**	**142.00**	**11 005**	**2024/03/31**	
Totals for 2021			**65 733**		

Refer to footnotes on page 206.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
4 527		4 527			144	654	139		
6 562		6 562			144	948	202		
5 481		5 481			144	792	117		
5 483				5 483				768	117
8 976		8 976			144	1 296	192		
8 977				8 977				1 257	192
8 735		8 735			144	1 262	100		
8 735				8 735				1 223	100
8 736				8 736				1 223	100
12 229		12 229			144	1 766	139		
12 229				12 229				1 712	139
12 230				12 230				1 712	139
	8 216			8 216				1 150	49
	8 216			8 216				1 150	49
	8 216			8 216				1 150	49
	7 922			7 922				1 109	48
	7 923			7 923				1 109	48
	7 923			7 923				1 109	48
45 300			45 300						
54 900				54 900				7 687	1 172
68 800				68 800				9 633	784
	77 500			77 500				10 851	465
						6 718	889	42 843	3 499

Z Manyathi Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Deferred bonus schemes					
2017	2018/03/08	220.97	1 334	2021/09/30	
2017*	2018/03/08	220.97	1 617	2021/09/30	
2018	2019/03/07	182.43	1 333	2021/09/30	
2018	2019/03/07	182.43	1 334	2022/09/30	
2018*	2019/03/07	182.43	1 267	2021/09/30	
2018*	2019/03/07	182.43	1 267	2022/09/30	
2019	2020/03/05	152.64	1 333	2021/09/30	
2019	2020/03/05	152.64	1 333	2022/09/30	
2019	2020/03/05	152.64	1 333	2023/09/30	
2019*	2020/03/05	152.64	2 533	2021/09/30	
2019*	2020/03/05	152.64	2 533	2022/09/30	
2019*	2020/03/05	152.64	2 534	2023/09/30	
2020	**2021/03/11**	**142.00**	**1 033**	**2022/09/30**	
2020	**2021/03/11**	**142.00**	**1 033**	**2023/09/30**	
2020	**2021/03/11**	**142.00**	**1 033**	**2024/09/30**	
2020*	**2021/03/11**	**142.00**	**550**	**2022/09/30**	
2020*	**2021/03/11**	**142.00**	**550**	**2023/09/30**	
2020*	**2021/03/11**	**142.00**	**550**	**2024/09/30**	
Performance reward plan					
2017	2018/03/08	220.97	10 010	2021/03/31	
2018	2019/03/07	182.43	10 015	2022/03/31	
2019	2020/03/05	152.64	11 158	2023/03/31	
2020	**2021/03/11**	**142.00**	**12 013**	**2024/03/31**	
Share appreciation rights plan					
2018	2019/03/07	182.43			2023/03/31
2018	2019/03/07	182.43			2024/03/07
2018	2019/03/07	182.43			2025/03/07
Equity growth scheme					
Vested					
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
2013	2014/03/06	126.87		D	2024/03/06
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05
Totals for 2021			**67 696**		

Refer to footnotes on page 206.

Units						Value on settlement		Fair value at year end	
Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
6 035		6 035			144	872	186		
7 317		7 317			144	1 057	225		
7 308		7 308			144	1 055	156		
7 311				7 311				1 024	156
6 943		6 943			144	1 003	148		
6 944				6 944				972	148
8 735		8 735			144	1 262	100		
8 735				8 735				1 223	100
8 736				8 736				1 223	100
16 596		16 596			144	2 397	189		
16 596				16 596				2 324	189
16 599				16 599				2 324	189
	7 277			7 277				1 019	44
	7 277			7 277				1 019	44
	7 277			7 277				1 019	44
	3 873			3 873				542	23
	3 873			3 873				542	23
	3 874			3 874				542	23
45 300			45 300						
54 900				54 900				7 687	1 172
73 100				73 100				10 235	833
	84 600			84 600				11 845	508
29 823				29 823					
29 823				29 823					
29 824				29 824					
43 696				43 696				574	
43 696				43 696				574	
43 697				43 697				574	
56 725				56 725					
56 725				56 725					
56 725				56 725					
						7 646	1 004	45 262	3 596

JH Maree

Performance year	Issue date	Award price	Value at grant date (R'000)	Vesting date/vesting category	Expiry date/final vesting date
Equity growth scheme					
Vested					
2011	2012/03/08	108.90		A	2023/03/31
2012	2013/03/07	115.51		A	2023/03/31
2014	2015/03/05	156.96		D	2025/03/05
2012	2013/03/07	115.51		A	2023/03/31
2014	2015/03/05	156.96		D	2025/03/05
2014	2015/03/05	156.96		D	2025/03/05
Totals for 2021					

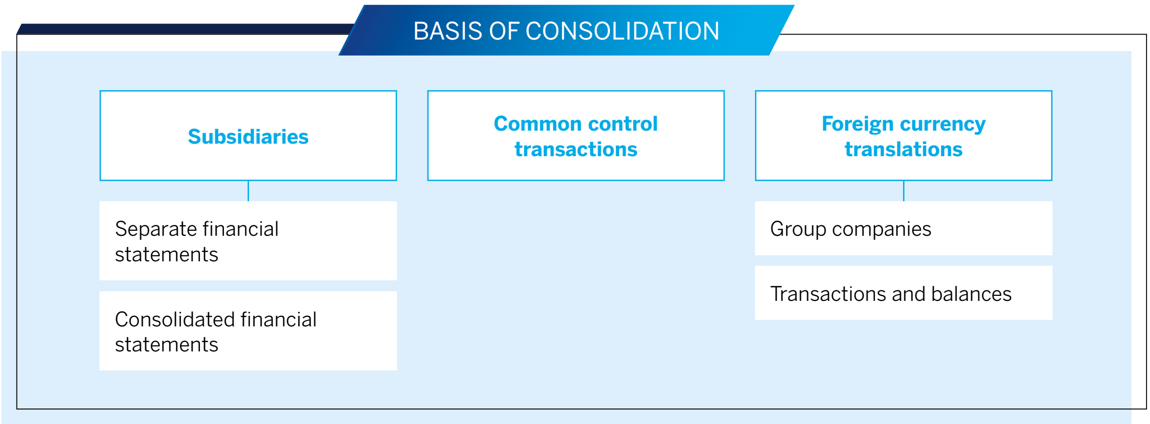
* Cash settled Deferred Bonus Scheme
1 Value on settlement is calculated by multiplying the vesting share/settlement price by the total units vesting and applying performance conditions (where applicable).
2 Value is calculated by multiplying the notional dividend per unit with the total vesting units and applying performance conditions (where applicable).
3 Value is calculated by multiplying the year end SBK share price of R140.01 by the total outstanding units and applying performance conditions (where applicable).
4 Value is calculated by multiplying the notional dividend (accumulated from grant date to year-end) with the total outstanding units and applying performance conditions (where applicable). Notional dividends are subject to the vesting conditions.
5 This award was settled with equity as opposed to cash in September 2021. This was done in order for the director to meet minimum shareholding requirements.

	Units						Value on settlement		Fair value at year end	
	Opening balance	Awards made during the year	Number of awards exercised during the year	Number of awards forfeited during the year	Balance of awards 31 December 2021	Exercise date share price	Award (R'000)[1]	Notional dividend (R'000)[2]	Award (R'000)[3]	Notional dividend (R'000)[4]
	61 471				61 471				1 912	
	37 729				37 729				924	
	26 148				26 148					
	18 865				18 865				462	
	26 148				26 148					
	26 149				26 149					
									3 298	

Annexure F – detailed accounting policies

The following accounting policies were applied in the preparation of the group and company financial statements, all policies apply to the group and company, unless otherwise stated.

1. Basis of consolidation



Subsidiaries

Separate financial statements (including mutual funds in which the group has both an irrevocable asset management agreement and a significant investment)

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

Consolidated financial statements

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

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

1. Basis of consolidation continued

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translations

Group companies

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

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

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transactions is utilised, for example, an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges).

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

Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (trading revenue) in profit or loss.

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's FCTR.

The results, cash flows and financial position of group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its parent at the exchange rate at the reporting date. These foreign exchange gains and losses on a hyperinflationary foreign operation are presented in OCI.

Subsidiaries in hyperinflationary economies

The financial of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit at the end of the reporting period following the historic cost approach.

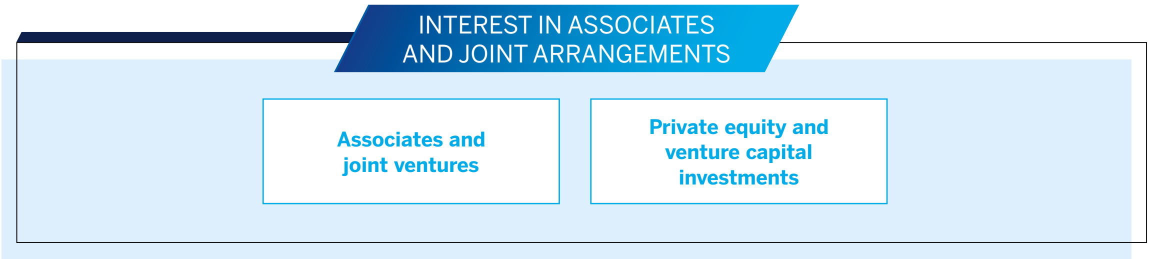
However, as the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted are recognised directly in equity.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Results, cash flows and the financial position of the group's subsidiaries which have been classified as hyperinflationary have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to annexure A.

2. Interest in associates and joint arrangements



Associates and joint ventures

Associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the group's share of the net assets of the associate or joint venture (including goodwill). Equity accounting is applied from the date on which the entity becomes an associate or joint venture up to the date on which the group ceases to have significant influence or joint control.

Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associate or joint ventures. Additional interests acquired in associates form part of the equity accounted investment to the extent that they give rise to current access to returns associated with an ownership interest.

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

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

For a disposal of an associate or joint venture, being where the group loses significant influence over an associate or loses joint control over a joint venture, the difference between the sales proceeds and any retained interest and the carrying value of the equity accounted investment is recognised as a gain or loss in non-trading and capital related items. Any gains or losses in OCI reserves that relate to the associate or joint venture are reclassified to non-trading and capital related items in profit or loss at the time of the disposal.

The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Private equity and venture capital investments

Private equity and venture capital investments, including mutual funds held by investment-linked insurance funds that are associates that are either designated on initial recognition at fair value through profit or loss, or are equity accounted. Where the private equity or venture capital investment is designated at fair value through profit or loss, the investment is presented within Financial investments on the statement of financial position and the fair value movement is recognised within other gains and losses on financial instruments for banking activities, and within fair value adjustments for investment management and life insurance activities, in profit or loss.

3. Financial instruments

Initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

FINANCIAL INSTRUMENTS

- **Financial assets**
  - Amortised cost
  - Fair value through OCI
  - Held-for-trading
  - Designated at fair value through profit or loss
  - Fair value through profit or loss (default)
- **Financial liabilities**
  - Held-for-trading
  - Designated at fair value through profit or loss
  - Amortised cost
- **Financial guarantee contracts**
- **Derivatives and embedded derivatives**
- **Hedge accounting**
  - Fair value hedges
  - Cash flow hedges
  - Net investment hedges
- **Other**
  - Sale and repurchase agreements and lending of securities (including commodities)
  - Offsetting

3. Financial instruments continued

Financial assets

Nature

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.
Fair value through OCI	Includes: • A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): – Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and – The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. • This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default. • Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Held-for-trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss – default	Financial assets that are not classified into one of the above mentioned financial asset categories.

3. Financial instruments continued

Financial assets continued

Subsequent measurement

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

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.
Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	Debt instruments – Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue. Equity instruments – Fair value gains and losses on the financial asset recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit-impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit-impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

3. Financial instruments continued

Financial assets continued

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider • exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

3. Financial instruments continued

Financial liabilities

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: • to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis • where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

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

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

3. Financial instruments continued

Financial liabilities continued

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts and loan commitments below market interest rate

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the group and company become party to the irrevocable commitment at fair value.

Financial guarantee contracts and loan commitments at a below market interest rate are initially recognised when the group become party to the irrevocable commitment at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee/loan commitment. Financial guarantee contracts (that are not designated at fair value through profit or loss) and loan commitments at a below market interest rate, are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- unamortised premium.

3. Financial instruments continued

Derivatives and embedded derivatives

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

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms on IFRS 9 embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Hedge accounting

The group applied IAS 39 for all hedging relationships, i.e. both micro (hedge relationships that minimise/manage the risk exposure of a single instrument) and macro (hedge relationships that minimise/manage the risk exposure of a portfolio) hedges for the 2020 reporting period. As of 1 January 2021, the group applied IFRS 9 to all micro hedge relationships, however, will continue to apply IAS 39 to all macro hedges.

Derivatives, whether accounted for under IAS 39 or IFRS 9, are designated by the group into the following relationships:

Type of hedge	Nature	Treatment
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised in profit or loss. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.
Cash flow hedges	Hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecasted transaction, or a highly probable forecast intragroup transaction.	The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised in profit or loss. Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss.
Net investment hedges	Hedges of net investments in a foreign operation.	The designated component of the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. The ineffective part of any changes in fair value is recognised in profit or loss. The cumulative gains and losses in OCI are accounted for similarly to cash flow hedges.

3. Financial instruments continued

Hedge accounting risk management strategy

Hedge accounting is applied when the hedging relationship meets the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Where the above criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value or cash flow for recognised financial assets or liabilities, and highly probable forecast transactions. For hedge relationships, where the critical terms of the hedged item and hedging instrument match, a qualitative method is considered appropriate for hedge effectiveness testing. Where the characteristics between the hedged item and hedging instrument are insufficiently correlated, judgement is applied and if required a qualitative and quantitative method is used for hedge effectiveness testing.

The group and company apply hedge accounting in respect of the following risk categories.

Foreign currency risk

The group and company operate internationally and are exposed to foreign exchange risk and translation risk.

Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the relevant group entity for each respective currency.

The group and company use a combination of currency forwards, swaps and foreign denominated cash balances to mitigate against the risk of changes in the future cash flows and functional currency value on its foreign-denominated exposures. Under the group's policy, the critical terms of these instruments must align with the foreign currency risk of the hedged item and is hedged on a 1:1 hedge ratio or where currency is managed on a portfolio basis the weighted expected foreign cash flows are aligned.

The group and company elect for each foreign currency hedging relationship, using either foreign currency forwards and swaps, to either include or exclude the time value or currency forward points (basis) contained in the derivative instrument from the hedging relationship. This election is based on the currency pair involved, the shape of the yield-curve and the direction of the foreign currency hedged risk. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded in the hedging relationship this is recognised as a cost of the hedge and deferred in other comprehensive income (as a separate reserve within equity). Where the hedged item subsequently results in the recognition of a non-financial asset or liability, or a firm commitment for a non-financial asset or liability the group removes the amount from equity and includes it directly in the initial cost or other carrying amount of the asset or the liability and amortises it to profit or loss on a systematic basis (where applicable). In all other cases the amount is reclassified to profit or loss.

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of foreign currency risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness. In hedges of foreign currency risk of highly probable forecast commercial transactions, ineffectiveness may arise if the amount of the forecast transaction changes from what was originally estimated.

Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

3. Financial instruments continued

Hedge accounting risk management strategy continued

Equity price risk

The group operates share incentive schemes that enable key management personnel and senior employees to benefit from the performance of SBG's share price. For further detail regarding the share schemes, refer to annexure D and the group's governance and remuneration report. These share incentive schemes expose the group and company to equity price risk due to volatility in the share price of SBG (SBK:SJ). The group and company have in place appropriate risk management strategies and reporting processes in respect of this risk.

The group uses a combination of equity forwards and options to mitigate against the risk of changes in the future cash flows associated with certain cash-settled schemes on a post attrition and vesting assumption basis. The following scheme exposures are subject to cash flow hedge accounting at a group level: Deferred Bonus Scheme, Performance Reward Plan and Cash-Settled Deferred Bonus Scheme. Cash flow hedge accounting is applied to align the timing mismatch of the derivative hedging instruments to the vesting period of the underlying awards (hedged items) over the applicable vesting period.

Under the group's policy the critical terms of these instruments must align with equity price risk of the hedged item and is hedged on a 1:1 hedge ratio. The group elects for each hedging relationship, using either equity forwards and/or options, to either include or exclude the time value or the forward points (basis) contained in the derivative instrument from the hedging relationship. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded in the hedging relationship this is recognised as a cost of the hedge and deferred in other comprehensive income (as a separate reserve within equity). Where the hedged item subsequently results in the recognition of a non-financial asset or liability, or a firm commitment for a non-financial asset or liability the group removes the amount from equity and includes it directly in the initial cost or other carrying amount of the asset or the liability and amortises it to profit or loss on a systematic basis (where applicable). In all other cases the amount is reclassified to profit or loss.

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of equity price risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness. Refer to note 2.

3. Financial instruments continued

Hedge accounting risk management strategy continued

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of IRRBB (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The group and company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group and company operate.

The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO. The group and company's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management the group applies fair value hedge accounting in respect of the interest rate risk element only when present within the following exposures:

- Specifically identified long-term fixed interest rate loans and advances and deposits and debt funding. To manage the risk associated with such risk exposures the group uses one or more cash collateralised fixed for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the underlying risk exposure
- Specifically identified long-term interest rate basis risk (CPI vs. JIBAR) inherent in loans and advances. To manage the basis risk associated with such risk exposures the group uses one or more cash collateralised floating for floating basis interest rate swaps that matches the critical terms or that exhibits the same duration as the underlying risk exposure and
- Portfolio interest rate risk present within a designated portfolio of loans and advances and deposits and debt funding. Portfolio interest rate risk hedging is conducted on an aggregate asset and liability portfolio basis. The hedge ratio and rebalancing frequency of portfolio hedges is determined using a dynamic approach reflecting the duration of portfolio exposure in accordance with an exposure bucketing approach. The hedge ratio is monitored on a daily basis and where necessary the portfolio is rebalanced using a dynamic approach.

The group observes interest rate risk in respect of these exposures using an unfunded cash collateralised interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only.

The group uses a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness. The extent of hedge ineffectiveness as a result of fair value interest rate risk hedges is disclosed in note 2.3.5.

Other

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

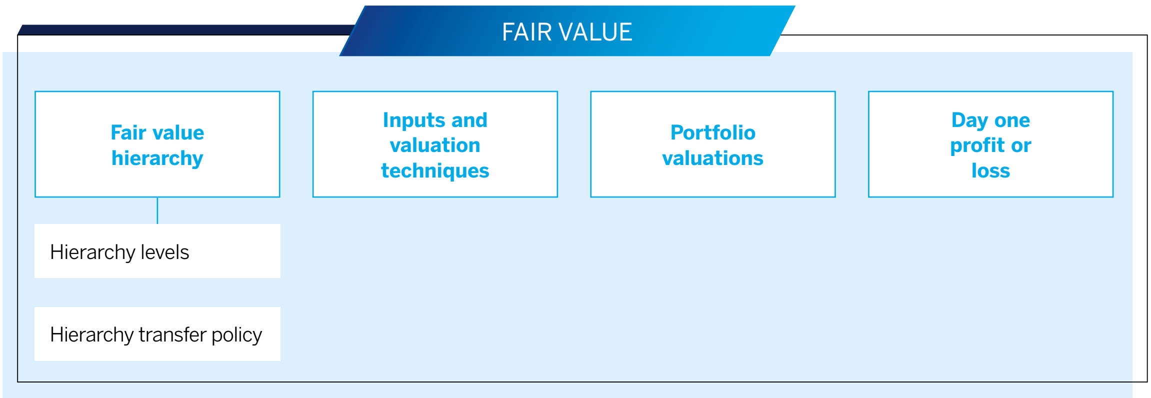
3. Financial instruments continued

Hedge accounting risk management strategy continued

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

4. Fair value



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

4. Fair value continued

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

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

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

<table>
<tr><th>Item and description</th><th>Main inputs and assumptions</th><th>Valuation technique</th></tr>
<tr><td>Derivative financial instruments
Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.</td><td>Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include:
• discounted cash flow model
• Black-Scholes model
• combination technique models.</td><td rowspan="4">For level 2 and 3 fair value hierarchy items:
• discount rate*
• spot prices of the underlying
• correlation factors
• volatilities
• dividend yields
• earnings yield
• valuation multiples.</td></tr>
<tr><td>Trading assets and trading liabilities
Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.</td><td rowspan="3">Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date.

Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued.

Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks.

Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.</td></tr>
<tr><td>Pledged assets
Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.</td></tr>
<tr><td>Financial investments
Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.</td></tr>
</table>

4. Fair value continued

Inputs and valuation techniques continued

Item and description	Main inputs and assumptions	Valuation technique
Loans and advances to banks and customers Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items • discount rate*
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant to that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items • discount rate*

4. Fair value continued

Inputs and valuation techniques continued

Item and description	Main inputs and assumptions	Valuation technique
Policyholders' assets and liabilities Policyholders' assets and liabilities comprise unit-linked policies and annuity certains.	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certains: discounted cash flow models are used to determine the fair value of the stream of future payments.	For level 2 and 3 fair value hierarchy items • discount rate* • spot price of underlying
Third-party financial liabilities arising on the consolidation of mutual funds (included in other liabilities) These are liabilities that arise on the consolidation of mutual funds.	The fair values of third-party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	For level 2 and 3 fair value hierarchy items • discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Portfolio valuations

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

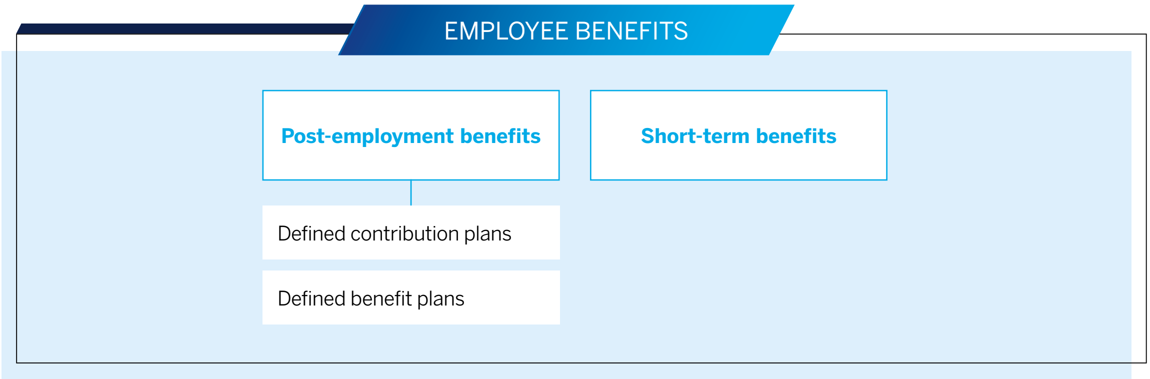
Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred (and recognised together with the instrument it relates to) where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs.

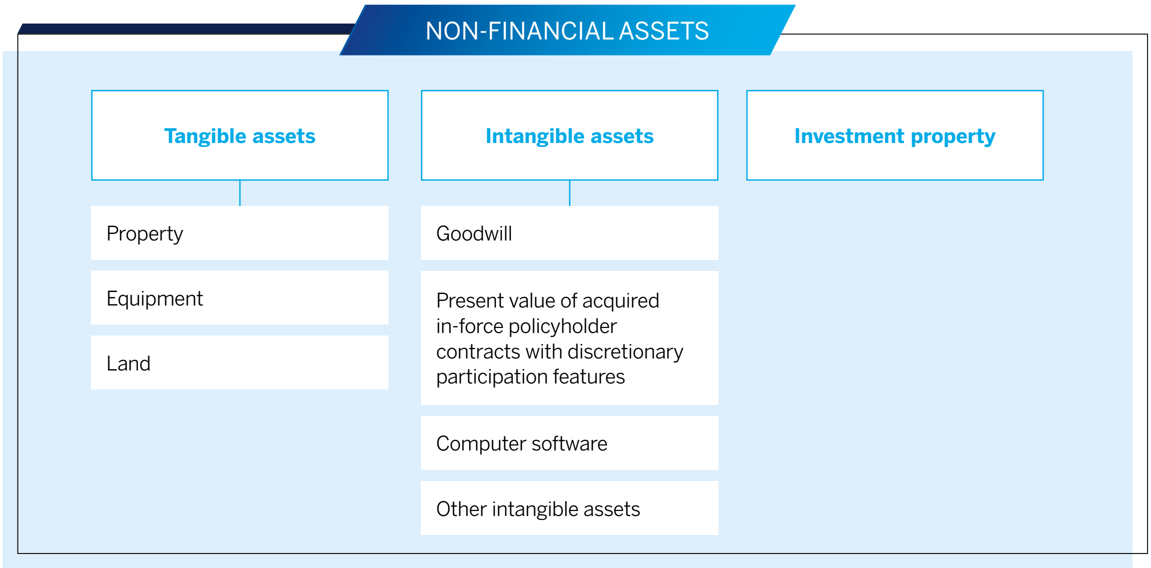
The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

5. Employee benefits



Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contributions plans The group operates a number of defined contribution plans. See note 43 for more information.	Accruals are recognised for unpaid contributions.	No direct impact.	Contributions are recognised as an operating expense in the periods during which services are rendered by the employees.
Defined benefit plans The group operates a number of defined benefit retirement and post-employment medical aid plans. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. See note 43 for more information.	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/ (expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/ (liability). Other expenses (including current service costs) related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets



Type and initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment
Tangible assets (property, equipment, land and right of use assets) Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment losses. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated. Significant freehold property: Ten years Buildings: 40 years Computer equipment: Four to five years Motor vehicles: Four to five years Office equipment: Three to ten years Furniture: Five to 13 years Leased assets: Shorter of useful life or lease term The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.	These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest CGUs. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment
Goodwill Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest. Goodwill arising on the acquisition of subsidiaries (associates or joint ventures) is reported in the statement of financial position as part of 'Goodwill and other intangible assets' ('Interest in associates and joint ventures').	Not applicable.	The accounting treatment is generally the same as that for tangible assets except as noted below. Goodwill is tested annually for impairment and additionally when an indicator of impairment exists. An impairment loss in respect of goodwill is not reversed.
Present value of acquired in-force policyholder contracts and investment contracts with discretionary participation features Where a portfolio of policyholder contracts is acquired either directly from another insurer or through the acquisition of a subsidiary, the PVIF business on the portfolio, being the net present value of estimated future cash flows of the existing contracts, is recognised as an intangible asset. The PVIF intangible asset is carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses.	The PVIF intangible asset is amortised on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts (four to 12 years). The estimated life is re-evaluated annually.	Same accounting treatment as for tangible assets.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/amortisation method or fair value basis	Impairment
Computer software Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.	Amortisation is recognised in operating expenses on a straight-line basis at rates appropriate to the expected lives of the assets (two to 15 years) from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.
Other intangible assets The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in operating expenses as incurred. The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations. Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.	Amortisation is recognised in operating expenses on a straight-line basis over the estimated useful lives of the intangible assets, not exceeding 20 years, from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.	
Derecognition Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.		
Investment property Initially measured at cost, including transaction costs. Subsequently measured at fair value and included as part of investment management and service fee income and gains within the profit or loss.	The fair value is based on valuation information at the reporting date. If the valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets. Fair value adjustments recognised in investment management and service fee income and gains are adjusted for any double-counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.	
Derecognition Investment property is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on derecognition is recognised in investment management and service fee income and gains and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. When the use of a property changes such that it is reclassified from property and equipment to investment property, the difference between the carrying value at date of reclassification and its fair value is recognised in OCI.		

7. Property developments and properties in possession

PROPERTY DEVELOPMENTS AND PROPERTIES IN POSSESSION

Property developments

Properties in possession

Property developments

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development.

Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties as well as gains and losses on disposal is recognised as an operating expense. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

8. Equity-linked transactions

EQUITY COMPENSATION PLANS

Equity-settled share-based payments

Cash-settled share-based payments

Equity-settled share-based payments

The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.

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

Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses (staff costs). The awards vest over the specified period of service and/or once performance conditions are met.

9. Leases

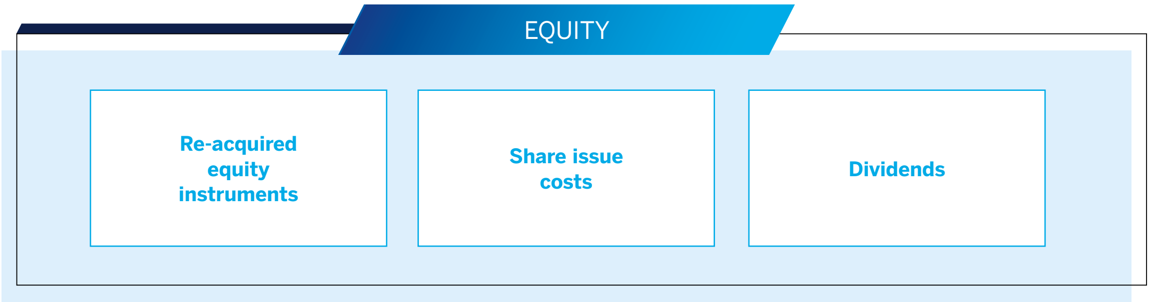
Type and description	Statement of financial position	Income statement
Lessee accounting policies		
Single lessee accounting model All leases are accounted for by recognising a right of use asset and a lease liability except for: • leases of low value assets and • leases with a duration of twelve months or less.	**Lease liabilities:** Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee • The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right of use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease • initial direct costs incurred and • the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset. The group applies the cost model (refer section 6) subsequent to the initial measurement of the right of use assets.	**Depreciation and impairment on right of use assets:** Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses. The accounting treatment for impairment of right of use assets is the same as that for tangible assets (see section 6).
	Termination of leases: When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.	**Termination of leases:** On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

9. Leases continued

Type and description	Statement of financial position	Income statement
Lessee accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short-term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.	
	Lease modifications that are accounted for as a separate lease: When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.	

Type and description	Statement of financial position	Income statement
Lessor lease modifications		
Finance leases	When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

10. Equity



Re-acquired equity instruments

Where subsidiaries purchase/(short sell) Standard Bank Group Limited's equity instruments, the consideration paid/(received) is deducted/(added) from/(to) equity attributable to ordinary shareholders as treasury shares on consolidation.

Fair value changes recognised by subsidiaries on these instruments are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued/(re-acquired) outside the group, any consideration received/(paid) is included in equity attributable to ordinary shareholders.

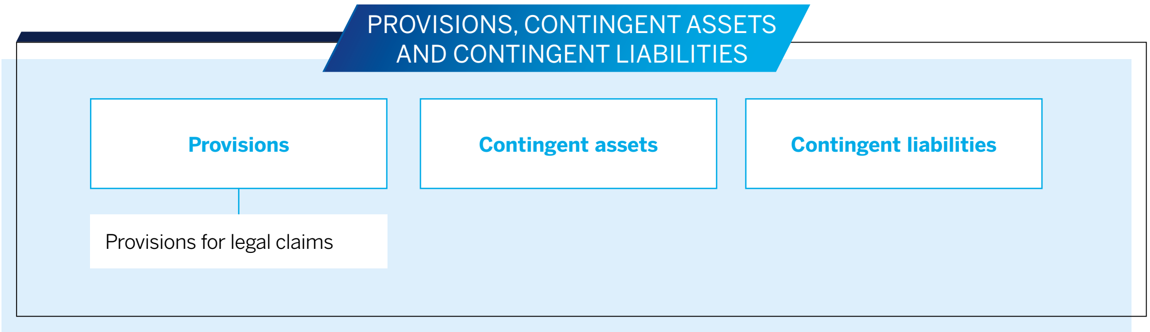
Share issue costs

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

Dividends

Distributions are recognised in equity in the year in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the annual financial statements.

11. Provisions, contingent assets and contingent liabilities



Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically (when applicable) include the following:

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

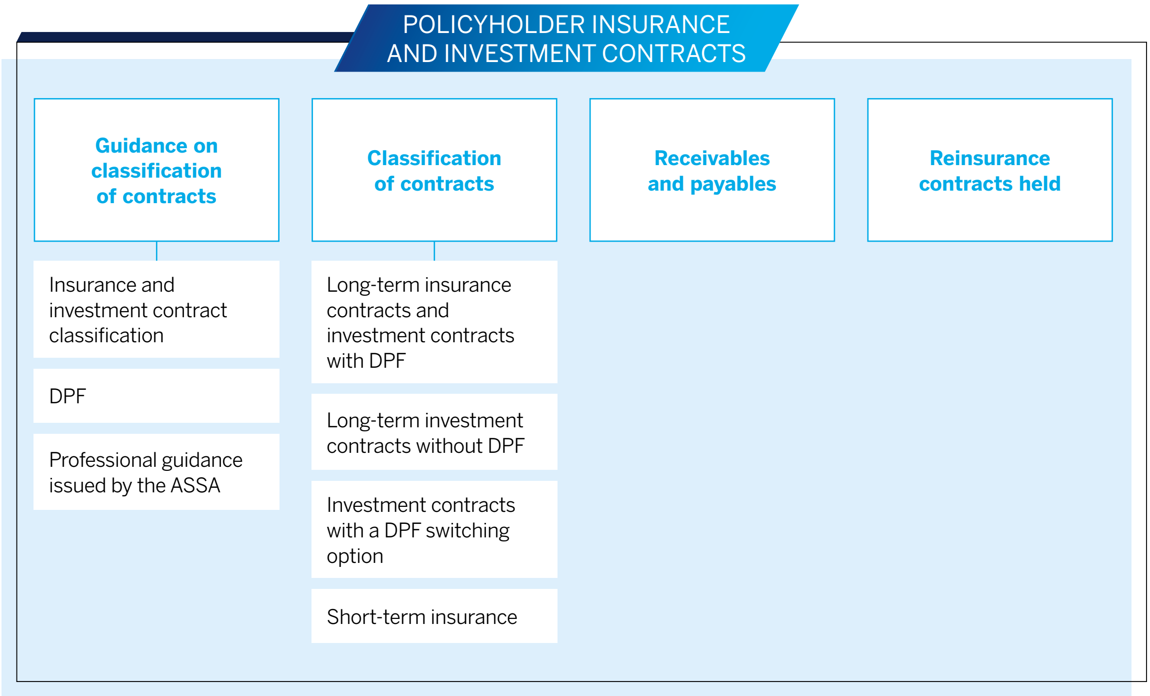
Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

12. Policyholder insurance and investment contracts



Classification of contracts

Insurance and investment contract classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or, in the case of life annuities, the lifespan of the policyholder is greater than that assumed. Such contracts may also transfer financial risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Short-term insurance provides benefits under short-term policies, typically one year or less, which include engineering, fire, personal liability, marine and aviation, motor, personal accident, medical expenses, theft and the Workmen's Compensation Act, or a contract comprising a combination of any of those policies.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Discretionary participation features

A number of insurance and investment contracts contain a DPF feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses at the discretion of the group. The terms and conditions or practice relating to these contracts are in accordance with the group's published Principles and Practices of Financial Management, as approved by the Financial Services Board (FSB). The terms 'reversionary bonus' and 'smoothed bonus' refer to the specific forms of DPF contracts underwritten by the group. All components in respect of DPFs are included in policyholders' assets and liabilities.

Professional guidance issued by the Actuarial Society of South Africa (ASSA)

In terms of IFRS 4 *Insurance Contracts* (IFRS 4), insurance liabilities are measured under existing local practice. The group had, prior to the adoption of IFRS 4, adopted the Professional Guidance Notes (PGNs) issued by the ASSA to determine the liability in respect of insurance contracts issued in South Africa. The group has continued to value long-term insurance liabilities in accordance with these.

In 2012, the naming convention was changed and the term PGN was replaced with either Advisory Practice Notes (APN) or Standard Actuarial Practice (SAP) depending on whether the former PGN was best-practice or mandatory respectively.

These are available on the ASSA website – www.actuarialsociety.org.za

Where applicable, the APNs and SAPs are referred to in the accounting policies and notes to the annual financial statements.

12. Policyholder insurance and investment contracts continued

Measurements of contracts

Policyholder contracts are classified into four categories, depending on the duration of or type of investment benefit or insurance risks. The accounting for each of these contracts are detailed below.

Long-term insurance contracts and investment contracts with DPF

These contracts are valued in terms of the FSV basis as described in SAP 104 Life offices – valuation of long-term insurers (SAP 104), using a discounted cash flow methodology. The assets and liabilities are reflected as policyholders' assets and liabilities in the statement of financial position. The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return, tax and any expected losses in respect of options.

The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of SAP 104, plus additional discretionary margins. Derivatives embedded in the group's insurance contracts are not separated and measured at fair value if the embedded derivative itself meets the definition of an insurance contract.

The liabilities in respect of the investment guarantees' underlying maturity and death benefits, and guaranteed annuity options are measured in accordance with APN 110 Reserving for minimum investment return guarantees on a market-consistent basis. Discretionary margins are held to ensure that the profit and risk margins in the premiums are not capitalised before it is probable that future economic benefits will flow to the entity.

These profits emerge over the lifetime of the contract in line with the risk borne by the group. Liabilities for individual market-related policies, where benefits are in part dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the unit reserve element), is then reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy-by-policy cash flow basis (the rand reserve element).

Reversionary bonus classes of policies, and policies with fixed and guaranteed benefits are valued by discounting the expected future cash flows at market-related rates of interest reduced by an allowance for investment expenses and the relevant compulsory margins (the guaranteed element). Future bonuses have been allowed for at the latest declared rates where appropriate. The rand reserve element of market-related policies and the guaranteed element in respect of other policies are collectively known as the rand reserve.

In respect of corporate life and lump sum disability business, no discounting of future cash flows is performed. However, a provision will be held if the expected guaranteed premiums under the current basis and investment returns in the short term are not sufficient to meet expected future claims and expenses. For corporate investment contracts with DPF, in addition to the value of the policies' investment in the investment portfolios held, an additional provision will be held if the expected fee recoveries in the short term are not sufficient to meet expected expenses.

Within the group all investment contracts invested in smoothed bonus portfolios are classified as investment contracts with DPF. In respect of insurance and investment contracts with DPF where bonuses are smoothed, bonus stabilisation provisions are held arising from the difference between the after taxation investment performance of the assets, net of the relevant management fees and the value of the bonuses declared. In accordance with SAP 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are included in policyholders' liabilities. The liability estimates are reviewed bi-annually. The effect of any change in estimates is recognised in profit or loss.

Where policyholders, in respect of certain policies, are entitled to a part surrender, any part surrender is treated as a derecognition of the policyholders' asset or liability.

Shadow accounting is applied to policyholder insurance contracts where the underlying measurement of the policyholder insurance liability depends directly on the fair value of any owner-occupied properties.

Any unrealised gains and losses on such owner-occupied properties are recognised in OCI. The shadow accounting adjustment to policyholder insurance contracts is recognised in OCI to the extent that the unrealised gains or losses, together with any related taxation on owner-occupied properties backing policyholder insurance liabilities, are also recognised directly in OCI.

Incurred but not reported claims (IBNR)

Provision is made in policyholders' assets and liabilities for the estimated cost at the end of the year of claims incurred but not reported at that date. IBNR provisions for the main categories of business are calculated using run-off triangle techniques. These liabilities are not discounted due to the short-term nature of IBNR claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of insurance liabilities net of any related intangible PVIF business assets is inadequate in the light of the estimated future cash flows, then the deficiency is recognised in profit or loss.

12. Policyholder insurance and investment contracts continued

Measurements of contracts continued

Premium income

Premiums and annuity considerations on insurance contracts, other than in respect of universally costed policies (policies where insurance risk charges are dependent on the excess of the sum assured over the value of units underlying the contract), recurring premium pure risk policies (collectively the Lifestyle series) and corporate schemes, are recognised when due in terms of the contract. Premiums receivable in respect of corporate schemes are recognised when there is a reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised when premiums are received, as failure to pay a premium will result in a reduction of attributable fund value, if available, or else in the lapse of the policy. Premium income on insurance contracts is recognised gross of reinsurance. Premiums are shown before deduction of commission.

Claims

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are recognised in insurance benefits and claims paid when the group is notified of a claim, based on the estimated liability for compensation owed to policyholders. Changes in the provision for IBNR claims are also recognised in insurance benefits and claims paid. Reinsurance recoveries are accounted for in the same year as the related claims.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred in insurance benefits and claims paid.

The FSV method for valuing insurance contracts and investment contracts with DPF makes implicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts.

Long-term investment contracts without DPF

Measurement

The group issues investment contracts without fixed benefits (unit-linked and structured products) and investment contracts with fixed and guaranteed benefits (term certain annuity). Investment contracts without fixed benefits are financial liabilities whose fair value is dependent on the fair value of the underlying financial assets, derivatives and/or investment property and are designated at inception at fair value through profit or loss.

For investment contracts with fixed and guaranteed terms, future benefit payments and premium receipts are discounted using market-related rates at the reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised over the life of the contract.

Amounts received and claims incurred on investment contracts

Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities, whereas claims incurred are recorded as deductions from investment contract liabilities.

Deferred revenue liability (DRL) on investment management contracts

A DRL is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for investment management services. The DRL is then released to investment management and service fee income and gains when the services are provided, over the expected duration of the contract on a straight-line basis.

Regular charges billed in advance are recognised on a straight-line basis over the billing period, which is the period over which the service is rendered. Outstanding fees are accrued as a receivable in terms of the investment management contract.

Deferred acquisition costs (DAC) in respect of investment contracts

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained or existing investment contracts are renewed. These costs are expensed as incurred, unless specifically attributable to an investment contract with an investment management service element. Such costs are deferred and amortised on a straight-line basis over the expected life of the contract (ten to 16 years for linked annuities, one year for corporate business and five years for other investment contracts), taking into account all decrements, as they represent the right to receive future management fees.

A DAC asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis. An impairment test is conducted annually at the reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Investment contracts with a DPF switching option

Measurement

On certain investment contracts, policyholders have an option to switch some or all of their investment from a DPF fund to a non-DPF fund (and vice versa). The value of the liability held with respect to these contracts is taken at the aggregate value of the policyholder investment in the investment portfolio at the valuation date.

12. Policyholder insurance and investment contracts continued

Measurements of contracts continued

Short-term insurance

Gross written premiums

Gross premiums exclude VAT. Premiums are accounted for as income when the risk related to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. The unearned premiums are calculated using a straight-line basis, except for those insurance contracts where allowance is made for uneven exposure.

Liability adequacy

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs.

Provision for reported claims and IBNR claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damage by the contract holders. The group's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges.

Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group at that date (IBNR claims). This provision is calculated using run-off triangle techniques. The provision for claims is not discounted for the time value of money due to the expected short duration to settlement.

DAC in respect of insurance contracts

Commissions that vary and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses within insurance benefits and claims paid when incurred.

DRL on insurance contracts

A DRL is raised for any income receivable on the placement of reinsurance for risks arising from short-term insurance contracts. The DRL is released to income systematically over the coverage period of the respective reinsurance contract.

Receivables and payables

Receivables and payables related to insurance contracts and investment contracts are recognised when due. These include amounts due to and from agents, brokers and policyholders. Receivables and payables related to insurance contracts are subsequently measured in terms of IFRS 4, while those related to investment contracts are designated at fair value through profit or loss in terms of IFRS 9.

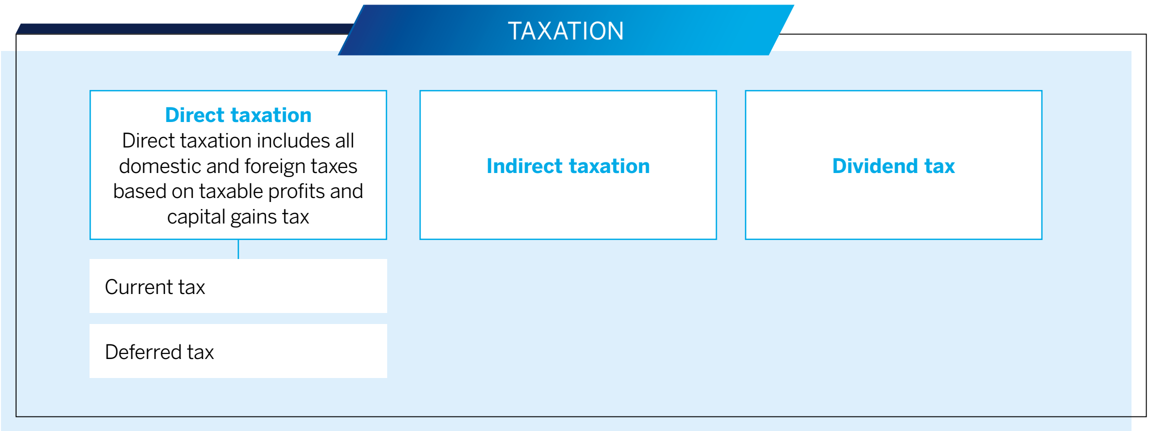
Reinsurance contracts held

The group cedes some insurance risk in the normal course of business. Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire, or a portion of, losses arising on one or more of the insurance contracts issued by the group.

The expected benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets and included in 'Other assets' in the statement of financial position. Reinsurance assets are assessed for impairment at each reporting date. Any impairment loss is recognised in profit or loss.

Outward reinsurance premiums are recognised as an expense and are accounted for in the same reporting period that premiums received are recognised as revenue in insurance premiums.

13. Taxation



Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	Current tax is recognised in the direct taxation line in the income statement except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.	Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
Direct taxation: deferred tax	Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences: • the initial recognition of goodwill • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses and • investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.	

13. Taxation continued

Type	Description, recognition and measurement	Offsetting
Direct taxation: deferred tax	The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	
Indirect taxation	Indirect taxes comprising of non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity, as dividend tax represents a tax on the shareholder and not the group. Dividends tax withheld by the group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (where applicable) is included in 'Provisions and other liabilities' in the statement of financial position.	Not applicable

14. Revenue and expenditure

REVENUE AND EXPENDITURE

Banking activities

Net interest income

Non-interest revenue

- Net fee and commission revenue
- Trading revenue
- Other revenue
- Dividend income
- Short-term insurance income
- Customer loyalty programmes

Investment management and life insurance

Insurance premium revenue

Investment income

Management fees on assets under management

Description	Recognition and measurement
Net interest income	Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate. Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income. When a financial asset is classified as stage 3 impaired, interest income is calculated on the amortised cost based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.
Net fee and commission revenue	Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance-based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

14. Revenue and expenditure continued

Description	Recognition and measurement
Customer loyalty programmes	The group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.
Insurance premium revenue	Insurance premium revenue includes life insurance premiums, health insurance premiums and short-term insurance premiums.
Investment income	Investment income for investment management and life insurance activities comprises mainly rental income from properties, interest, hotel operations' sales and dividends. Dividends are recognised when the right to receive payment is established and interest income is recognised using the effective interest method. Hotel operation sales comprise the fair value of the sale of accommodation, food and beverage, other guest facilities and rentals received. Revenue is shown net of VAT, returns, rebates and discounts.
Management fees on assets under management	Fee income includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Administration fees received for the administration of medical schemes are recognised when the services are rendered.
Other gains/losses on financial instruments	Includes: • Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default) • The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI • Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value • Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost • Fair value gains and losses on designated financial liabilities • Fair value gains and losses on private equity or venture capital investments designated at fair value through profit or loss.
Short-term insurance income	Includes premium income, commission and policy fees earned, as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group and comprises the cash value of commission earned when premiums are payable directly to the underwriters.
Other revenue	Other revenue comprises of revenue that is not included in any of the categories mentioned above this could include dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

Offsetting

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

15. Other significant accounting policies

OTHER ACCOUNTING POLICIES

Segment reporting	Fiduciary activities	Statutory credit risk reserve	Non-trading and capital related items

Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision makers, comprising of the chief executive and members of the finance executive.

Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

Statutory credit risk reserve

The statutory credit risk reserve represents the amount by which local regulatory authorities within the group's Africa Regions operations require in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

Non-trading and capital related items

Non-trading and capital related items primarily include the following:

- gains and losses on disposal of subsidiaries, joint ventures and associates (including foreign exchange translation gains and losses)
- gains and losses on the disposal of property and equipment and intangible assets
- Impairment and reversals of impairments of joint ventures and associates
- impairment of investments in subsidiaries, property and equipment, and intangible assets
- other items of a capital related nature.

16. Non-current assets held for sale, disposal groups and discontinued operations

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Non-current assets and liabilities held for sale and disposal groups Comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than continuing use (including regular purchases and sales in the ordinary course of business).	Immediately before classification, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities (or components of a disposal group) are presented separately in the statement of financial position. In presenting the group's non-current assets and liabilities as held for sale, intercompany balances are eliminated in full.	OCI movements are presented separately.	Impairment losses on initial classification as well as subsequent gains and losses on remeasurement of these assets are recognised in profit or loss. Property and equipment and intangible assets are not subsequently depreciated or amortised. Equity accounting thereafter for an interest in an associate or joint venture is suspended.

17. New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2021 and have not been applied in preparing these annual financial statements.

Title: IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

Effective date: deferred the effective date for these amendments indefinitely

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

Title: IFRS 17 Insurance Contracts

Effective date: 1 January 2023

This standard replaces IFRS 4 *Insurance Contracts* which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a 'shock absorber' in the event of changes to best estimate cash flows. On loss-making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features, in which case the variable fee measurement approach (VFA) is used to measure the contract. An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time. The requirement to eliminate all treasury shares has been amended such that treasury shares held for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets. These requirements will provide transparent reporting about entities' financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17.

The implementation of IFRS 17 is significant for the group, specifically in areas such as profit recognition, presentation in the statement of comprehensive income and level of transparency of components of reserving. In order to meet the requirements of IFRS 17, the group has invested significant effort in data collection and storage, modelling and ledger configuration. The group is progressing well with a new IFRS 17 subledger and a data platform to receive, harmonise, enrich and deliver data to the ledger systems in compliance with IFRS reporting requirements. The group continues to develop its key judgements in the interpretation of the standard including items such as coverage units, application of South African taxation to best estimate cash flows and transition approaches. There remain several key technical interpretation issues across the auditing and industry communities which have not yet been concluded. Representatives from the group are involved in various industry forums in order to remain aware of implementation issues and interpretations being considered. The group's steering committees are responsible for providing overall strategic direction to the project and to monitor progress and interdependencies. The committees comprise representation from finance, risk, actuarial, IT, internal audit and business. The committees are supported by working groups responsible for various work streams. The group is also providing policy guidance and technical support for the implementation in its subsidiaries within Africa Regions, with each entity adhering to local governance requirements as well. The group has confirmed substantially all its contract classifications, contract boundaries and measurement bases. The application of contractual service margins (CSM) as guided by the standard are likely to result in lower volatility, between reporting periods, in insurance earnings over time. The group has elected to use the PAA approach for contracts that have a coverage period of 12 months or less. The standard will be applied retrospectively. The financial impact of IFRS 17 has not yet been fully assessed and it is anticipated that the impact will only be quantified with reasonable certainty in 2022 (being a combination of transition values as well as expected future revenue recognition patterns). As a number of significant interpretation items relating to the standard remain unresolved, management is unable to provide any quantitative guidance within materiality levels on the transition adjustments and future revenue recognition at the reporting date.

17. New standards and interpretations not yet adopted continued

Title: IAS 1 Presentation of Financial Statements (amendment)

Effective date: 1 January 2023

The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. Pending the finalisation of the exposure draft on ED/2021/9 – Non-Current Liabilities with Covenants: Proposed Amendments to IAS 1, the effective date of all IAS 1 amendments will be deferred to 1 January 2024. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the group.

ANNEXURE G – SIX-YEAR REVIEW

Consolidated statement of financial position

	2021 USDm*	2021 GBPm*	2021 EURm*	CAGR** %
Assets				
Cash and balances with central banks	5 739	4 248	5 065	3
Financial investments, trading and pledged assets	64 454	47 703	56 888	10
Loans and advances	89 661	66 359	79 136	6
Current and deferred taxation assets	479	355	423	25
Derivative and other assets	6 303	4 665	5 563	2
Disposal group assets classified as held for sale	65	48	57	
Interest in associates and joint ventures	458	339	404	(2)
Goodwill and other intangible assets	1 065	788	940	(7)
Property and equipment	1 298	961	1 146	5
Investment property	1 888	1 397	1 666	(1)
Policyholders' assets	181	134	159	(17)
Total assets	**171 590**	**126 996**	**151 447**	
Equity and liabilities				
Equity	15 287	11 314	13 493	6
Equity attributable to ordinary shareholders	12 516	9 264	11 047	6
Equity attributable to other equity instrument holders	1 010	748	892	24
Non-controlling interests	1 760	1 303	1 554	4
Liabilities	156 303	115 681	137 954	7
Deposit and debt funding	111 838	82 772	98 709	8
Derivative and other liabilities	13 915	10 298	12 281	5
Trading liabilities	5 129	3 796	4 527	11
Current and deferred taxation liabilities	647	479	571	4
Non-current liabilities held for sale	6	4	5	(26)
Subordinated debt	1 916	1 418	1 691	3
Policyholders' liabilities	22 852	16 913	20 170	3
Total equity and liabilities	**171 590**	**126 996**	**151 447**	

* The foreign-denominated results above have been derived from the group's audited ZAR results by using the closing exchange rates. The foreign-denominated results above have not been audited and have been presented for illustrative purposes only. This illustration would not be equivalent to that which would have resulted had the group presented its results in a currency other than ZAR in terms of IAS 21.
** Compound annual growth rate.

Exchange rates (rounded) utilised to convert the 31 December 2021 statement of financial position rand exchange rates (closing):

Currency	2021	2020
USD	15.89	14.67
GBP	21.46	20.04
EUR	18.00	18.01

2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
91 169	87 505	75 288	85 145	75 310	77 474
1 023 898	931 906	819 498	749 517	714 993	632 396
1 424 328	1 271 255	1 181 067	1 119 547	1 048 027	1 065 405
7 612	7 315	4 868	4 519	2 109	2 467
100 120	154 310	101 308	74 192	98 606	90 167
1 025	220	2 599	762		
7 280	6 498	5 423	10 376	9 665	8 196
16 913	18 262	22 323	23 676	23 329	23 675
20 619	20 702	22 018	19 194	16 179	16 041
29 985	29 917	34 180	33 326	32 226	31 155
2 868	5 050	7 017	6 708	7 484	7 314
2 725 817	2 532 940	2 275 589	2 126 962	2 027 928	1 954 290
242 849	215 272	209 484	199 063	190 017	179 359
198 832	176 371	171 229	165 061	157 020	150 757
16 052	12 528	10 989	9 047	9 047	5 503
27 965	26 373	27 266	24 955	23 950	23 099
2 482 968	2 317 668	2 066 105	1 927 899	1 837 911	1 774 931
1 776 615	1 624 044	1 426 193	1 357 537	1 243 911	1 213 621
221 043	249 471	193 599	164 810	175 324	171 899
81 484	81 261	83 847	59 947	62 855	47 867
10 277	8 302	9 073	8 015	8 614	8 317
96	92	246	237		
30 430	29 306	28 901	26 359	24 289	25 997
363 023	325 192	324 246	310 994	322 918	307 230
2 725 817	2 532 940	2 275 589	2 126 962	2 027 928	1 954 290

Consolidated income statement

	2021 USDm*	2021 GBPm*	2021 EURm*	CAGR** %
Net interest income	4 227	3 073	3 573	2
Non-interest revenue	3 461	2 516	2 926	4
Net fee and commission revenue	2 073	1 507	1 752	1
Trading revenue	1 005	730	849	6
Other revenue	247	180	209	4
Other gains and losses on financial instruments	137	99	115	
Income from banking activities	7 688	5 588	6 499	3
Income from investment management and life insurance activities	1 315	956	1 112	(2)
Insurance premiums received	3 004	2 183	2 539	91
Revenue from contacts with customers	240	174	203	(5)
Interest income	104	76	88	1
Insurance benefits and claims paid	(4 589)	(3 336)	(3 879)	
Investment management and service fee income and gains	150	109	126	(37)
Fair value adjustments to investment management liabilities and third-party fund interests	2 407	1 749	2 035	
Total income	9 004	6 544	7 611	2
Credit impairment charges	(668)	(486)	(565)	1
Income after credit impairment charges	8 335	6 059	7 046	
Operating expenses in banking activities	(4 451)	(3 235)	(3 762)	3
Operating expenses in insurance activities	(1 148)	(834)	(970)	
Net income before non-trading and capital related items	2 737	1 989	2 313	1
Non-trading and capital related items	(19)	(14)	(16)	
Share of post tax results from associates and joint ventures	74	54	63	42
Net income before indirect taxation	2 792	2 029	2 360	2
Indirect taxation	(205)	(149)	(173)	5
Profit before direct taxation	2 587	1 880	2 187	2
Direct taxation	(687)	(499)	(581)	3
Profit for the year from continuing operations	1 900	1 381	1 606	2
Profit/(loss) for the year from discontinued operation				
Profit for the year	1 900	1 381	1 606	2
Attributable to non-controlling interests and other equity instrument holders	216	157	183	
Attributable to group ordinary shareholders	1 683	1 224	1 423	4
Headline earnings	1 694	1 231	1 432	2

* The foreign-denominated results above have been derived from the group's audited ZAR results by using the average exchange rates. The foreign-denominated results above have not been audited and have been presented for illustrative purposes only. This illustration would not be equivalent to that which would have resulted had the group presented its results in a currency other than ZAR in terms of IAS 21.

** Compound annual growth rate.

Exchange rates (rounded) utilised to convert the 31 December 2021 income statement rand exchange rates – (average)

Currency	2021	2020
USD	14.77	14.67
GBP	20.32	20.04
EUR	17.47	18.01

2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
62 436	61 425	62 919	59 505	60 125	56 892
51 120	47 156	47 542	45 826	42 574	42 965
30 613	29 413	30 622	30 375	28 670	29 012
14 842	13 874	12 075	10 799	10 731	10 988
3 648	3 158	4 089	3 863	3 173	2 965
2 017	711	756	789		
113 556	108 581	110 461	105 331	102 699	99 857
19 426	15 086	23 573	21 722	24 394	21 365
44 364	39 202	39 801	38 251	38 020	1 750
3 542	3 400	4 062	4 073		
1 541	1 648	1 920	1 516		
(67 779)	(40 354)	(44 309)	(26 484)	(43 848)	
2 210	3 271	3 245	3 533	43 957	22 887
35 548	7 919	18 854	563	(13 735)	(3 272)
132 982	123 667	134 034	127 053	127 093	121 222
(9 873)	(20 594)	(7 964)	(6 489)	(9 410)	(9 533)
123 109	103 073	126 070	120 564	117 683	111 689
(65 735)	(63 182)	(62 335)	(60 084)	(57 049)	(56 235)
(16 952)	(16 139)	(16 486)	(16 404)	(17 800)	(17 374)
40 422	23 752	47 249	44 076	42 834	38 080
(284)	(3 956)	(2 890)	(641)	(261)	(1 123)
1 094	1 084	(512)	912	1 102	187
41 232	20 880	43 847	44 347	43 675	37 144
(3 024)	(2 727)	(2 592)	(2 609)	(2 481)	(2 418)
38 208	18 153	38 338	41 738	41 194	34 726
(10 149)	(3 640)	(10 559)	(9 095)	(10 479)	(8 932)
28 059	14 513	30 696	32 643	30 715	25 794
28 059	14 513	30 696	32 643	30 715	25 794
1 352	1 352	5 253	5 190	4 480	(3 588)
26 707	12 358	25 443	27 453	26 235	22 206
25 021	15 945	28 207	27 865	26 270	23 009

Share statistics and market indicators

		CAGR** %	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Share statistics								
Dividend cover	times	(1)	1.8	3.9	1.8	1.8	1.8	1.9
Dividend yield	%	4	6.2	1.2	5.9	5.4	4.7	5.1
Earnings yield	%	(62)	7.2	7.9	10.5	9.8	8.4	9.5
Price earnings ratio	times	(33)	14.0	12.7	9.5	10.2	119.3	105.4
Price-to-book	times	(41)	1.1	1.1	1.6	1.8	20.2	16.0
Number of shares traded	millions	(34)	1 620.0	1 619.9	1 650.9	1 618.5	15 844.2	12 718.4
Turnover in shares traded	%	5	102	102	102	102	98	79
Market capitalisation	Rm	(2)	226 813	202 426	268 302	289 723	316 826	245 595
Market indicators at 31 December								
Standard Bank Group share price								
High for the year	cents	(1)	14 978	17 224	21 022	23 100	20 000	15 748
Low for the year	cents	3	11 338	8 341	15 860	15 392	13 401	9 700
Closing	cents	(2)	14 001	12 708	16 832	17 881	19 566	15 175
Prime overdraft rate (closing)	%	(8)	7	7	10	10	10	11
JSE All Share Index – (closing)		8	73 709	54 116	57 084	52 081	59 505	50 654
JSE Banks Index – (closing)		(35)	8 823	6 076	8 731	9 162	96 187	77 545
ZAR exchange rates – (closing)								
USD		3	15.89	14.67	14.00	14.38	12.31	13.69
GBP		5	21.46	20.04	18.42	18.31	16.55	16.94
EUR		5	18.00	18.01	15.70	16.44	14.70	14.43
ZAR exchange rates – (average)								
USD			14.77	16.45	14.44	13.23	13.30	14.69
GBP			20.32	21.08	18.43	17.63	17.13	19.96
EUR		1	17.47	18.76	16.16	15.60	15.02	16.26

Results and ratios

		CAGR %	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Standard Bank Group								
Share statistics								
Number of ordinary shares listed on JSE (millions)								
Weighted average			1 591	1 590	1 594	1 594	1 602	1 598
End of year			1 620	1 620	1 594	1 590	1 597	1 597
Share statistics per ordinary share (cents)								
Basic earnings	cents	2	1 563.1	777.0	1 593.5	1 722.6	1 637.8	1 389.8
Headline earnings	cents	2	1 573.0	1 002.6	1 766.7	1 748.4	1 640,0	1 440.1
Dividends	cents	2	871.0	240.0	994.0	970.0	910.0	780.0
Net asset value	cents	6	12 493.0	11 072.0	10 741.6	10 379.8	9 830	9 442.0
ROE	%	(2)	13.5	8.9	16.8	18.8	17.1	15.3

Capital adequacy, employee and other relevant statistics

		CAGR** %	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Capital adequacy[1]								
Risk-weighted assets	Rm	**7**	**1 229 478**	1 229 478	1 099 528	923 016	957 046	883 179
Tier I capital[2]	Rm	**8**	**186 577**	163 944	147 981	151 925	136 293	126 188
Total capital[2]	Rm	**8**	**216 301**	189 847	169 983	172 289	153 243	146 318
Tier I capital to risk-weighted assets[3]	%	**(60)**	**15**	13	13	14	14	14
Total capital to risk-weighted assets[3]	%	**(60)**	**18**	16	15	16	16	17
Employee statistics								
Number of employees								
Banking activities		**(2)**	**44 450**	44 450	44 996	47 419	48 322	48 622
Group		**(2)**	**49 224**	50 115	50 691	53 178	54 558	54 767
Normalised headline earnings per employee	Rm	**4**	**508 309**	318 168	556 450	523 995	481 506	420 125
Points of representation								
ATMs and ANAs*		**(2)**	**6 600**	6 774	8 970	7 239	7 362	7 189
Banking branches and service centres		**(1)**	**1 143**	1 124	1 114	1 200	1 212	1 211
Social investment and environment								
Corporate social investment spend[2]	Rm	**15**	**195**	124	114	141	106	96

1 In accordance with Basel II principles relating to the treatment of insurance entities, insurance operations are excluded from the capital base of the banking group and its related risk-weighted assets. Capital in insurance operations in excess of statutory minimum requirements is not recognised in group capital.
2 Includes R65.4m in South Africa and USD1.7 (R27 million) in African regions for support to governments and NGO's to improve public access to Covid-19 vaccinations, including remote areas; provision of disaster relief, including food and shelter to individuals and communities impacted by social unrest and natural disasters in South Africa, DRC Congo, and Mozambique, plus medical equipment and oxygen provided to hospitals in several countries of operation.
3 South African banking activities only.
4 Capital includes unappropriated profit.
* Automated.
** Compound annual growth rate.

Annexure H – third-party funds under management

Third-party assets under management and funds under administration

Members of the group provide discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in profit or loss. Assets managed and funds administered on behalf of third parties include:

	2021 Rbn	2020 Rbn
Banking activities		
Asset management	**332**	237
Trusts and estates	**14**	
Unit trusts/collective investments	**4**	16
Segregated funds	**49**	26
Portfolio management	**247**	182
Other	**18**	13
Fund administration	**309**	240
Trusts and estates	**72**	18
Unit trusts/collective investments	**6**	5
Segregated funds	**2**	
Portfolio management	**45**	26
Other	**184**	191
Total	**641**	477
Geographical area		
South Africa	**109**	36
Africa Regions	**415**	357
International	**117**	84
Liberty		
Asset management	**74**	67
Segregated funds	**74**	67
Wealth management – funds under administration	**401**	385
Single manager unit trust	**170**	153
Institutional marketing	**109**	87
Hedge fund	**3**	2
Linked and structured life products	**63**	90
Multi-manager	**37**	35
Rest of Africa	**19**	18
Total Liberty	**475**	452
Total assets under management and funds under administration	**1 116**	929

Included in the balances above are funds for which the fund value is determined using management's valuations.

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Refer to **www.standardbank.com/reporting** for a list of definitions, acronyms and abbreviations.

Disclaimer

This document contains certain statements that are 'forward-looking' with respect to certain of the group's plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the group's control, including but not limited to, domestic and global economic conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the group and its affiliates operate. The group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The group makes no representations or warranty, express or implied, that these forward-looking statements will be achieved and undue reliance should not be placed on such statements. The group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.

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