Financial statements

Independent auditors' report

To the members of Standard Bank Group Limited

We have audited the group annual financial statements and the annual financial statements of Standard Bank Group Limited, which comprise the balance sheets at 31 December 2007, the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 164 to 292 and the risk management report on pages 98 to 160.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Bank Group Limited at 31 December 2007, its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per Heather Berrange
Chartered Accountant (SA)
Registered Auditor

Director

4 March 2008

85 Empire Road
Parktown
2122

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor

Per John Bennett
Chartered Accountant (SA)
Registered Auditor

Director

4 March 2008

2 Eglin Road
Sunninghill
2157

Directors' responsibility for financial reporting

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

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

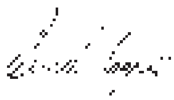
The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial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

Systems and controls are monitored throughout the group. Greater detail of such, including the operation of the internal audit function, is provided in the corporate governance section of this report starting on page 28 and the risk management section of this report starting on page 98.

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

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

The company and group financial statements prepared in accordance with IFRS which appear on pages 164 to 292, were approved by the board of directors on 4 March 2008 and signed on its behalf by



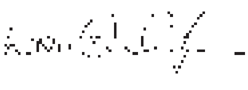
Derek Cooper
Chairman

Jacko Maree
Chief executive

Group secretary's certification

Compliance with the Companies Act 61, of 1973

In terms of the Companies Act of South Africa (the Act), and for the year ended 31 December 2007, I certify that Standard Bank Group Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.



Loren Wulfsohn
Group secretary

4 March 2008

Directors' report

for the year ended 31 December 2007

Principal activities

Standard Bank Group Limited is the holding company for the interests of the Standard Bank Group.

Group results

A general review of the business and operations of major subsidiaries is given in the chairman and chief executive's review and operational reviews commencing on pages 18 and 62 respectively.

A financial review of the results of the Standard Bank Group for the year is given on pages 72 to 87.

Property and equipment

There was no change in the nature of the fixed assets of the group or in the policy regarding their use during the year.

Share capital

Ordinary shares

During the year, 9 964 092 ordinary shares (2006: 11 555 280 ordinary shares) were issued in terms of equity compensation plans. No shares were repurchased and cancelled during 2007 (2006: 1 305 000 shares).

Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)

No second preference shares were issued during the year (2006: 22 982 248).

Directors' interest in shares

At the date of this report, the directors held, directly and indirectly, interests in the company's ordinary issued share capital as reflected in the table below:

Ordinary shares

	Direct beneficial[1]		Indirect beneficial[1]	
Director	**2007[2]**	2006	**2007[2]**	2006
DDB Band	**11 037**	11 017	**–**	–
E Bradley	**–**	–	**222 819**	250 662
TS Gcabashe[3]	**–**	–	**111 112**	125 000
DA Hawton	**10 646**	11 977	**–**	–
SJ Macozoma[4]	**–**	–	**4 290 349**	4 826 582
JH Maree	**174 000**	174 001	**–**	–
RP Menell[5]	**–**	–	**1 333**	–
Adv KD Moroka[3]	**492**	554	**111 112**	125 000
AC Nissen[3]	**–**	–	**111 112**	125 000
MC Ramaphosa[6]	**2 218**	2 495	**6 313 819**	5 775 810
MJD Ruck	**249 972**	320 000	**–**	–
EM Woods	**41 322**	32 487	**–**	–
Total	**489 687**	552 531	**11 161 656**	11 228 054

[1]*As per Listing Requirements of the JSE Limited.*
[2]*Includes shareholdings to 4 March 2008.*
[3]*Includes an allocation of 125 000 shares (post ICBC transaction: 111 112) in terms of the Tutuwa Management Trust – special conditions apply for qualifying black non-executive directors.*
[4]*SJ Macozoma has a 20% interest in Safika Holdings (Proprietary) Limited (Safika) which acquired 24 132 911 shares (post ICBC transaction: 21 451 745 shares) in terms of the Tutuwa initiative.*
[5]*RP Menell holds contracts for difference over 3 645 Standard Bank ordinary shares.*
[6]*MC Ramaphosa has a 44,15% interest in Shanduka Group (Proprietary) Limited (Shanduka) which acquired 16 088 608 shares (post ICBC transaction: 14 301 164 shares) in terms of the Tutuwa initiative.*

No directors, other than those disclosed above, have direct or indirect beneficial ordinary shareholdings.

Second preference shares

Director	Direct beneficial[1] 2007[2]	Direct beneficial[1] 2006	Indirect beneficial[1] 2007[2]	Indirect beneficial[1] 2006
DDB Band	**30 919**	30 919	**–**	–
E Bradley	**–**	–	**27 875**	27 875
TS Gcabashe	**–**	863	**–**	–
DA Hawton	**2 300**	2 300	**–**	–
SJ Macozoma	**1 140**	1 140	**–**	–
JH Maree	**10 331**	10 331	**–**	–
RP Menell	**4 386**	4 386	**–**	–
Adv KD Moroka	**1 000**	1 000	**–**	–
MJD Ruck	**93 682**	93 682	**–**	–
Total	**143 758**	144 621	**27 875**	27 875

[1]*As per Listing Requirements of the JSE Limited.*
[2]*Includes shareholdings to 4 March 2008.*

No directors, other than those disclosed above, have direct or indirect beneficial preference shareholdings.

No director owns more than 1% of the total issued share capital of the company. The company has not been informed of any changes in these holdings at the date of this report.

Equity compensation plans

Information on options granted to executive directors under the equity compensation plans is given in the remuneration report on page 45. Details of options granted to all employees under equity compensation plans are given in Annexure D starting on page 287.

Directors' emoluments

Directors' emoluments are disclosed on page 248. Information relating to the determination of directors' emoluments, share option allocations and related matters is contained in the remuneration report commencing on page 37.

Shareholder analysis

The analysis of ordinary shareholders is given on page 296.

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

Ordinary shares	% held
Public Investment Corporation	14,72
Old Mutual Group	5,25

6,5% preference shares	% held
Old Sillery (Pty) Limited	9,12
Boestra, G	7,52
Joubert, GR	5,17
Van Tonder, JW	5,05

Second preference shares

No shareholders beneficially held in excess of 5%.

Distributions to ordinary shareholders

Interim

On 14 August 2007, an interim distribution of 181,0 cents per share (2006: 144,0 cents), comprising 100,0 cents out of share premium and 81,0 cents out of distributable reserves, was declared to shareholders recorded at the close of business on 14 September 2007, and paid on 17 September 2007.

Final

On 4 March 2008, a final dividend of 205,0 cents per share (2006: 176,0 cents) was declared to shareholders recorded at the close of business on 11 April 2008, to be paid on 14 April 2008.

Dividends to preference shareholders

6,5% first cumulative preference shares

Interim

On 14 August 2007, a dividend of 3,25 cents per share (2006: 3,25 cents) was declared to shareholders recorded at the close of business on 7 September 2007, and paid on 10 September 2007.

Final

On 4 March 2008, a dividend of 3,25 cents per share (2006: 3,25 cents) was declared to shareholders recorded at the close of business on 4 April 2008, to be paid on 7 April 2008.

Second preference shares

Interim

On 14 August 2007, a dividend of 436,09 cents per share (2006: 366,12 cents) was declared to shareholders recorded at the close of business on 7 September 2007, and paid on 10 September 2007.

Final

On 4 March 2008, a dividend of 482,03 cents per share (2006: 412,31 cents) was declared to shareholders recorded at the close of business on 4 April 2008, to be paid on 7 April 2008.

Directorate

The directorate is listed on page 294.

The following changes in directorate have taken place since the last annual report:

Standard Bank Group Limited

Appointments

KP Kalyan	as director	28 December 2007
SJ Macozoma	as deputy chairman	30 November 2007

Resignations

Dr MA Ramphele	as director	17 May 2007

The Standard Bank of South Africa Limited

Appointments

KP Kalyan	as director	28 December 2007

Resignations

Dr MA Ramphele	as director	17 May 2007

Standard Bank Plc

Appointments

JK Knott	as director	14 February 2008

Deceased

TR Smeeton		12 September 2007

Resignations

BA Ursell	as director	27 August 2007
TG Wheeler	as director	13 April 2007

Liberty Group Limited

Appointments

SJ Macozoma	as chairman	31 December 2007
TDA Ross	as director	1 June 2007

Resignations

DE Cooper	as director and chairman	31 December 2007
MJ Shaw	as director	31 December 2007

Group secretary and registered office

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

Restructuring and acquisitions during the year

Stanlib restructure

Following an approach by the Liberty Group Limited (Liberty) board of directors, Standard Bank Group Limited disposed of its investment in Stanlib (37,4%) to its subsidiary, Liberty, effective 29 January 2007. Liberty also acquired the remaining shareholding of 25,2% from Quantum Leap Investments 740 (Proprietary) Limited (Quantum Leap). Liberty's investment in Stanlib increased from 37,4% to 100% as a result of the transaction.

Liberty financed the acquisition through a new issue of shares and a cash payment, as follows:

- 7 246 005 ordinary shares were issued to Standard Bank Group Limited and a cash payment of R384 million; and
- 2 486 577 ordinary shares were issued to Quantum Leap and a cash payment of R441 million.

The restructuring resulted in a reduction in Standard Bank Group's effective interest in Stanlib from 48,8% to 31,9% and an increase in the effective interest in Liberty from 30,4% to 31,9% at the date of the transaction.

Stanbic Bank Uganda Limited

On 25 January 2007, Standard Bank Uganda listed on the Ugandan Stock Exchange. A billion shares, representing 10% of Stanbic Bank Uganda, were issued at 70 Ugandan shillings. 99% of these shares have been taken up by Ugandans. The listing was the largest corporate listing ever in the history of Uganda and was oversubscribed by 200%.

BankBoston Argentina

Standard Bank Argentina purchased certain assets and liabilities from BankBoston Argentina with effect from 1 April 2007. Corporate & Investment Banking's existing operations in Argentina were integrated into those of BankBoston Argentina. Standard Bank Group owns 76,7% of the entity, with the remaining 23,3% owned by a consortium. The bank is a universal bank, servicing both retail and corporate customers.

IBTC Chartered Bank Plc

On 24 September 2007, Standard Bank acquired a controlling interest in IBTC Chartered Bank (IBTC). IBTC is listed on the Nigerian Stock Exchange. The transaction has given Standard Bank a significant presence in the Nigerian market and is expected to create one of the leading banks in Nigeria with a significant asset base offering an extensive range of financial services and products.

In terms of the transaction, 6,25 billion shares, representing 33,3% of IBTC, were issued to Stanbic Africa Holdings Limited (SAHL) by IBTC as compensation for acquiring 100% of the issued capital of Stanbic Bank Nigeria Limited.

The tender offer by SAHL, a wholly-owned subsidiary of Standard Bank, to acquire additional shares in IBTC received final approval from the regulatory authorities on 24 September 2007 and 3,14 billion shares were tendered by IBTC shareholders, amounting to N50,3 billion (R2,8 billion) at a tender offer price of N16 per IBTC share. In terms of the tender offer, SAHL acquired the necessary shares required to achieve 50,1% shareholding in the enlarged IBTC.

Dundas Ünlü Menkul Degerler A.S. (Turkey)

On 1 September 2007, Standard Bank acquired 61% of Dundas Ünlü Menkul Degerler A.S. and will expand its operations in the Turkish market under the new name of Standard Ünlü. The Turkish market represents a key strategic priority growth area for Standard Bank and the bank will be associated with one of the most successful companies in Turkey.

Management by third parties

None of the businesses of the company or its subsidiaries had, during the financial year, been managed by a third party or a company in which a director had an interest. A company in which Doug Band, a director of the group, has a beneficial interest, provided consulting and certain management services to the capital investment division of Standard Bank for a five year period until 31 December 2004. In terms of the agreement, in future years, he will receive a percentage of the proceeds from the sale of equity-related investments undertaken during the term of the above management services agreement. Further details can be found in the directors' emoluments disclosure on page 43.

Subsidiaries, associates and joint ventures

The interests in subsidiary, associated and joint venture companies, where considered material in the light of the group's financial position and results, are set out in Annexure B on page 280 and Annexure C on page 284 respectively.

Special resolutions during the year

Group companies passed the following special resolutions during the year for the purposes indicated:

Amendments to memorandum and articles of association

In its entirety:

- ZAO Standard Bank (Russia).
- Standard Fund Administrators Jersey Limited.
- Triskelion Trust Company Limited.
- Liberty Private Fund Administrators.
- Stanbic Africa Holdings Limited.

Increase in the authorised share capital:

- Standard Bank Namibia Unit Trust Management Company Limited.
- IBTC Chartered Bank Plc.
- Standard Lesotho Bank Limited.
- Stanbic Africa Holdings Limited.

Other

- Standard Bank Group Limited passed a special resolution amending the articles of association to extend the age at which a director of the company who has less than five years' service as a director when he reaches the age of 70 may, if the board determines, complete five years' service in office before retiring from such office.
- Cape Hotels Property Holdings Share Block Limited passed special resolutions reducing its share capital and amending its articles of association authorising the company to make payments to shareholders in terms of section 90 of the Companies Act.
- Group Solutions at Capital Alliance (Proprietary) Limited passed a special resolution amending its articles of association authorising the company to make payments to shareholders in terms of section 90 of the Companies Act.

Authorise the acquisition of shares by the company or a subsidiary

- Standard Bank Group Limited.
- Liberty Holdings Limited.
- Liberty Group Limited.

Name changes

- Standard Bank Fleet Management (Proprietary) Limited from RZT ZEPLY 5109 (Pty) Limited.
- Standard Bank Limited (Malawi) from Stanbic Bank Limited (Malawi).
- IBTC Chartered Bank Plc to Stanbic IBTC Bank Plc (effective 2008).

Mergers

- Special resolutions passed by both IBTC Chartered Bank Plc and Stanbic Bank Nigeria Limited approving the merger between the two entities.

Other

- SBIC Investments S.A. (Luxembourg) passed a special resolution to subscribe for additional equity in ZAO Standard Bank.
- Standard Bank Group Limited passed a special resolution authorising the company to conduct meetings and voting by electronic means.
- Liberty Holdings Limited passed a special resolution authorising the company to conduct meetings and voting by electronic means.
- Liberty Group Limited passed a special resolution authorising the company to conduct meetings and voting by electronic means.
- Stanbic Bank Kenya Limited passed a special resolution to transfer all the issued share capital held by Stanbic Africa Holdings Limited to CFC Bank Limited.

Contracts

Saki Macozoma, a director and deputy chairman of the company, has a shareholding of 20% in Safika which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds effective interests of 55% in Andisa Capital, 2,14% in Liberty Group and 1,77% (post ICBC transaction: 1,41%) in Standard Bank Group. The group has an effective interest of 16,5% in Safika.

Cyril Ramaphosa, a director of the company, has a 44,15% shareholding in Shanduka, which is a member of the Tutuwa consortium. Shanduka holds an effective interest of 1,48% in Liberty Group and 1,17% (post ICBC transaction: 0,94%) in Standard Bank Group. The group holds an effective interest of 15,3% in Shanduka.

In February 2007 Standard Bank Group acquired 25,1% of the issued share capital of Sankofa Trust (Proprietary) Limited. The balance of the shares in this company are held by trusts controlled by SE Jonah KBE, a director of the group, the Jonah family and the company management.

Insurance

The group protects itself against loss by maintaining banker's comprehensive crime and professional indemnity cover.

Events subsequent to balance sheet date

ICBC

In October 2007 Standard Bank entered into a major strategic partnership with ICBC, which resulted in ICBC becoming a 20% shareholder in the Standard Bank Group. Together with ICBC, Standard Bank hopes to lay foundations for significant expansion in Africa, and to position the group favourably in relation to the substantial and growing trade and investment flows between the People's Republic of China and Africa.

ICBC is the People's Republic of China's leading commercial bank, with a market capitalisation of approximately USD339 billion at 31 December 2007. It is listed on the Hong Kong and Shanghai stock exchanges, has over 16 000 branches in China and nearly 100 branches elsewhere in the world, as well as 2,5 million corporate banking clients and 200 million personal banking customers.

The acquisition of a 20% stake in the group was concluded through the following transactions:

- an issue on 3 March 2008 of new shares for cash to ICBC representing 11,11% of the group's existing share capital (or 10% post such issue) at a subscription price per share of R104,58; and
- a scheme of arrangement in terms of section 311 of the Companies Act whereby ICBC acquired on 3 March 2008, from existing shareholders, a further 11,11% of the aggregate issued ordinary share capital of the Standard Bank Group prior to the issue (or 10% post such issue), at a price per share of R136,00.

The subscription price of R104,58 represents the 30-trading-day volume weighted average price for Standard Bank Group prior to 23 October 2007, being the date on which Standard Bank issued its cautionary announcement in relation to the transaction. The scheme price per share of R136,00 represents a 30% premium over the subscription price.

Approval was granted by the South African Registrar of Banks prior to the announcement of the transaction on 25 October 2007, for a maximum shareholding by ICBC of 20,5%. Standard Bank Group shareholders present in person or by proxy approved both parts of the transaction at general and scheme meetings held on 3 December 2007. Early in 2008, the China Banking Regulatory Commission granted regulatory approval for the transaction.

The formation of the partnership with ICBC resulted in a R36,7 billion equity investment in Standard Bank, the largest foreign direct investment into South Africa to date. Of this amount, Standard Bank received R15,9 billion in new core equity capital and existing shareholders received R20,8 billion.

The transaction increased the foreign ownership of Standard Bank to approximately 40%, leaving the group still majority South African owned.

ICBC have the right to nominate two non-executive members to the Standard Bank Group board of directors, with one of the non-executive directors being nominated as deputy chairman. This right will exist provided ICBC holds more than 12% of Standard Bank Group's issued ordinary share capital. In addition, ICBC will have rights to participate in issues of ordinary shares and convertible securities other than issues in respect of share incentive schemes and mergers and acquisitions. This right will fall away should ICBC sell more than 25% of the Standard Bank Group ordinary shares acquired by it as a consequence of the transaction, or if ICBC's holding of ordinary shares falls below 5% of Standard Bank Group's issued ordinary share capital. An increase in ICBC's shareholding above the 20,5% limit specified by the Registrar of Banks will require the prior approval of Standard Bank Group's board of directors.

ICBC will have certain obligations to notify and cooperate with Standard Bank Group in respect of disposals of its ordinary shares in the group.

Acquisition of CFC Bank in Kenya

The group has concluded an agreement with CFC Bank to dispose of its shareholding in Stanbic Bank Kenya to CFC Bank in exchange for a 41,4% share in the merged bank, and to simultaneously acquire further shares worth approximately USD90 million to ensure a controlling interest of 60% therein. This transaction is still subject to regulatory approvals and is unlikely to have a significant impact on group results. If approved, it will expand the group's African network and create a stronger presence in East Africa.

Balance sheet

at 31 December 2007

		Group	
	Note	2007 Rm	2006[1] Rm
Assets			
Cash and balances with central banks	3	**20 618**	14 343
Derivative assets	4	**118 343**	100 832
Trading assets	5	**78 655**	79 344
Pledged assets	6	**7 589**	7 782
Financial investments	7	**245 352**	216 217
Loans and advances	8	**646 781**	502 519
Loans and advances to banks	8	**98 631**	89 785
Loans and advances to customers	8	**548 150**	412 734
Investment property	9	**14 937**	13 200
Current taxation asset	10	**625**	464
Deferred taxation asset	10	**484**	579
Other assets	11	**22 516**	16 975
Interest in associates and joint ventures	12	**12 293**	8 584
Goodwill and other intangible assets	13	**6 666**	2 374
Property and equipment	14	**7 216**	5 242
Total assets		**1 182 075**	968 455
Equity and liabilities			
Equity		**68 436**	54 708
Equity attributable to ordinary shareholders		**53 671**	42 916
Ordinary share capital	15	**137**	136
Ordinary share premium	15	**1 231**	2 303
Reserves		**52 303**	40 477
Preference share capital and premium	15	**5 503**	5 503
Minority interest		**9 262**	6 289
Liabilities		**1 113 639**	913 747
Derivative liabilities	4	**120 046**	103 122
Trading liabilities	17	**33 730**	36 790
Deposit and current accounts	18	**705 843**	545 164
Deposits from banks	18	**72 372**	51 093
Deposits from customers	18	**633 471**	494 071
Current taxation liability	19	**3 068**	1 528
Deferred taxation liability	19	**6 581**	6 352
Other liabilities	20	**37 266**	34 323
Policyholders' liabilities	21	**186 137**	168 898
Subordinated debt	22	**20 968**	17 570
Total equity and liabilities		**1 182 075**	968 455

[1] *2006 figures restated, refer to Annexure A – restatements.*

Income statement

for the year ended 31 December 2007

		Group	
	Note	2007 Rm	2006[1] Rm
Income from banking activities		**47 296**	35 819
Net interest income		**22 549**	16 654
Interest income	26.1	**63 541**	46 567
Interest expense	26.2	**40 992**	29 913
Non-interest revenue		**24 747**	19 165
Net fee and commission revenue		**14 511**	11 825
Fee and commission revenue	26.3	**16 538**	13 398
Fee and commission expense	26.4	**2 027**	1 573
Trading revenue	26.5	**7 216**	4 852
Other revenue	26.6	**3 020**	2 488
Income from investment management and life insurance activities		**49 834**	59 344
Net insurance premiums	26.7	**23 016**	20 066
Investment income and gains	26.8	**24 976**	37 568
Management and service fee income		**1 842**	1 710
Total income		**97 130**	95 163
Credit impairment charges	26.9	**4 590**	2 733
Benefits due to policyholders		**37 153**	47 896
Net insurance benefits and claims	26.10	**30 683**	38 140
Fair value adjustment to policyholders' liabilities under investment contracts		**6 281**	8 276
Fair value adjustment on third party fund interests		**189**	1 480
Income after credit impairment charges and policyholders' benefits		**55 387**	44 534
Operating expenses in banking activities		**24 706**	19 105
Staff costs	26.11	**14 488**	11 001
Other operating expenses	26.13	**10 218**	8 104
Operating expenses in investment management and life insurance activities		**7 423**	6 486
Acquisition costs – insurance and investment contracts	26.12	**2 894**	2 413
Other operating expenses	26.13	**4 529**	4 073
Net income before goodwill		**23 258**	18 943
Goodwill (gain)/impairment	26.14	**(376)**	15
Net income before associates and joint ventures		**23 634**	18 928
Share of profit from associates and joint ventures	12	**355**	275
Net income before indirect taxation		**23 989**	19 203
Indirect taxation	28.1	**1 185**	841
Profit before direct taxation		**22 804**	18 362
Direct taxation	28.2	**6 232**	5 852
Profit for the year		**16 572**	12 510
Attributable to minorities		**2 471**	1 723
Attributable to equity holders of the parent		**14 101**	10 787
Attributable to preference shareholders		**450**	269
Attributable to ordinary shareholders		**13 651**	10 518
Basic earnings per share (cents)	30	**1 109,0**	864,5
Diluted earnings per share (cents)	30	**1 044,1**	820,1
Distributions per share (cents)	31	**386,0**	320,0

[1] *2006 figures restated, refer to Annexure A – restatements.*

Statement of changes in equity

for the year ended 31 December 2007

	Ordinary share capital and premium Rm	Empowerment reserve Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Statutory credit risk reserve[1] Rm
Balance at 1 January 2006 as previously reported	2 242	(4 246)	(321)	(73)	26
Change in accounting policy (note 34)					
Restated balance at 1 January 2006	2 242	(4 246)	(321)	(73)	26
Total recognised income for the year			1 914	259	58
Profit for the year					
Items accounted for directly in reserves			1 914	259	58
Currency translation movement and hedging			1 914	259	
Increase in statutory credit risk reserve					58
Fair value adjustments					
Realised fair value adjustments transferred to the income statement					
Change in shareholding of subsidiaries					
Equity-settled share-based payment transactions					
Other					
Issue of share capital and share premium	299				
Net decrease/(increase) in treasury shares	(102)				
Share issue and repurchase costs					
Net dividends paid		30			
Dividends paid to equity holders					
Dividends received from Tutuwa initiative and policyholders' deemed treasury shares		30			
Balance at 31 December 2006	2 439	(4 216)	1 593	186	84
Balance at 1 January 2007	**2 439**	**(4 216)**	**1 593**	**186**	**84**
Total recognised (expense)/income for the year		**(19)**	**(92)**	**247**	**92**
Profit for the year					
Items accounted for directly in reserves		**(19)**	**(92)**	**247**	**92**
Currency translation movement and hedging			**(92)**	**247**	
Increase in statutory credit risk reserve					**92**
Fair value adjustments					
Realised fair value adjustments transferred to the income statement					
Change in shareholding of subsidiaries		**(19)**			
Equity-settled share-based payment transactions					
Other					
Issue of share capital and share premium	**300**				
Net decrease/(increase) in treasury shares		**1 000**			
Net distributions paid	**(1 371)**				
Distributions paid to equity holders	**(1 371)**				
Distributions received from Tutuwa initiative and policyholders' deemed treasury shares					
Balance at 31 December 2007	**1 368**	**(3 235)**	**1 501**	**433**	**176**

[1]The statutory credit risk reserve relates to reserving requirements required within African countries.
All balances are stated net of applicable tax.

Cash flow hedging reserve Rm	Available-for-sale revaluation reserve Rm	Treasury shares Rm	Share-based payment reserve Rm	Revaluation and other reserves Rm	Retained earnings Rm	Ordinary share-holders' equity Rm	Preference share capital and premium Rm	Minority interest Rm	Total equity Rm
(83)	162	(525)	253	298	35 198	32 931	2 991	5 770	41 692
					(276)	(276)		(126)	(402)
(83)	162	(525)	253	298	34 922	32 655	2 991	5 644	41 290
112	602		185	9	10 334	13 473	269	1 478	15 220
					10 518	10 518	269	1 723	12 510
112	602		185	9	(184)	2 955		(245)	2 710
						2 173		10	2 183
					(58)	–			–
178	787					965			965
(66)	(185)					(251)			(251)
					(133)	(133)		(315)	(448)
			185		5	190		35	225
				9	2	11		25	36
						299	2 518	57	2 874
		8			138	44		490	534
							(6)		(6)
					(3 585)	(3 555)	(269)	(1 380)	(5 204)
					(3 928)	(3 928)	(269)	(1 597)	(5 794)
					343	373		217	590
29	764	(517)	438	307	41 809	42 916	5 503	6 289	54 708
29	**764**	**(517)**	**438**	**307**	**41 809**	**42 916**	**5 503**	**6 289**	**54 708**
(159)	**(264)**		**217**	**28**	**14 243**	**14 293**	**450**	**3 896**	**18 639**
					13 651	**13 651**	**450**	**2 471**	**16 572**
(159)	**(264)**		**217**	**28**	**592**	**642**		**1 425**	**2 067**
						155		**(52)**	**103**
					(92)	**–**			**–**
(72)	**266**					**194**			**194**
(87)	**(530)**					**(617)**			**(617)**
					684	**665**		**1 384**	**2 049**
			217			**217**		**36**	**253**
				28		**28**		**57**	**85**
						300		**73**	**373**
		(443)			**69**	**626**		**(455)**	**171**
					(3 093)	**(4 464)**	**(450)**	**(541)**	**(5 455)**
					(3 519)	**(4 890)**	**(450)**	**(711)**	**(6 051)**
					426	**426**		**170**	**596**
(130)	**500**	**(960)**	**655**	**335**	**53 028**	**53 671**	**5 503**	**9 262**	**68 436**

Cash flow statement

for the year ended 31 December 2007

	Note	Group 2007 Rm	Group 2006[1] Rm
Net cash flows from operating activities	32.1	**32 694**	23 763
Cash receipts from customers	32.2	**93 851**	98 518
Cash paid to customers, employees and suppliers	32.3	**(65 573)**	(78 724)
Dividends received	32.4	**4 416**	3 969
Net cash flows used in operating funds		**(10 215)**	(8 872)
Increase in income-earning assets	32.5	**(154 816)**	(151 865)
Increase in deposits and other liabilities	32.6	**144 601**	142 993
Direct taxation paid	32.7	**(4 741)**	(5 176)
Net cash flows used in investing activities		**(14 001)**	(13 511)
Capital expenditure on – property		**(442)**	(341)
– equipment, furniture and vehicles		**(2 155)**	(1 433)
– intangible assets		**(818)**	(570)
Proceeds from sale of – property		**92**	103
– equipment, furniture and vehicles		**107**	163
Net sale of investment property		**16**	617
Net increase in investments by insurance operations		**(6 666)**	(12 915)
Proceeds from sale of subsidiaries		**–**	1 321
Cash paid on acquisition of subsidiaries	32.8	**(3 190)**	–
Increase of investment in existing subsidiaries		**(383)**	(267)
Investment in associates and joint ventures		**(562)**	(189)
Net cash flows (used in)/from financing activities		**(1 115)**	2 187
Proceeds from issue of share capital to shareholders		**300**	2 811
Equity transactions with minorities and share buy-backs		**(653)**	(102)
Proceeds from external funding of Tutuwa		**1 000**	–
Increase in subordinated debt		**3 693**	4 682
Distributions paid	32.9	**(5 455)**	(5 204)
Effects of exchange rate changes on cash and cash equivalents		**268**	3 316
Net increase in cash and cash equivalents		**2 890**	1 707
Cash and cash equivalents at beginning of the year		**14 343**	12 636
Cash acquired through business acquisitions	32.8	**3 385**	–
Cash and cash equivalents at end of the year	32.10	**20 618**	14 343

[1]*The 2006 cash flow statement has been restated for the consequences of the reclassifications set out in Annexure A – restatements.*

Accounting policies

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

1. Basis of preparation

These consolidated financial statements are prepared in accordance with, and comply with International Financial Reporting Standards (IFRS) and the South African Companies Act. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial instruments classified as available-for-sale, financial assets and liabilities held at fair value through profit or loss, investment property, liabilities for cash-settled share-based payment arrangements and interests in mutual funds.

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

- transactions with minority shareholders are treated as transactions with equity owners and accounted for directly in equity (accounting policy 2);
- purchase or sale of financial assets are recognised and derecognised using trade date accounting (accounting policy 5);
- investment property are accounted for using the fair value model (accounting policy 6);
- jointly controlled entities is accounted for using the equity method (accounting policy 7);
- mutual fund investments held by investment-linked insurance funds, that do not meet the definition of a subsidiary, are designated on initial recognition as at fair value through profit or loss (accounting policy 7);
- property and equipment are accounted for using the cost model (accounting policy 9); and
- unrecognised actuarial gains or losses on post-retirement benefits are recognised over a period not exceeding the expected average remaining working life of active employees (accounting policy 13).

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

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

- IFRS 7 *Financial Instruments: Disclosures* (including amendments to IAS 1 *Presentation of Financial Statements: Capital Disclosures)*
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS 2*
- AC 503 *Accounting for Black Economic Empowerment (BEE) Transactions*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*

The group has adopted IFRS 7 and the amendments to IAS 1 with effect from 1 January 2007. This has resulted in increased disclosure relating to financial instruments, but has had no impact on the reported profits or financial position of the group. In accordance with the transitional requirements of the standards, the group has provided full comparative information.

In addition to the notes to the annual financial statements, disclosures under IFRS 7 relating to the nature and extent of risks may be found in the risk management section on pages 98 to 160. IFRS 7 information included in the risk management section has been audited as indicated. Additional risk information not indicated as audited has not been audited.

On 1 January 2007, the group adopted IFRIC 7, IFRIC 8, AC 503, IFRIC 9 and IFRIC 10. The application of these interpretations has not had a significant effect on the 2007 results, nor has it required any restatement of prior period results.

Early adoption of standards and interpretations

IFRS 8 *Operating Segments*

The group has chosen to early adopt IFRS 8 in 2007. This standard is effective for annual periods beginning on or after 1 January 2009, with early adoption permitted. IFRS 8 replaces IAS 14 *Segment Reporting*. This standard requires an entity to adopt the "management approach" when reporting on the financial performance of its operating segments. The reporting is based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. This standard has been early adopted to provide users of the financial statements with financial information on segments that is more relevant for decision making and in accordance with internal reporting of the information to management. The standard has no impact on the results of the group but has impacted the format of disclosure and measurement of the results of reportable segments for the current and comparative period. Refer to accounting policy 20 for the detailed policy relating to segment reporting.

IFRIC 11 *IFRS 2 Group and Treasury Share Transactions*

The group has early adopted IFRIC 11, which is effective for annual periods beginning on or after 1 March 2007.

The interpretation provides guidance on applying IFRS 2 *Share-based Payment* to share-based payment arrangements in three circumstances:

- share-based payment transactions in which an entity receives goods or services as consideration for its own equity instruments shall be accounted for as equity-settled regardless of whether the entity purchases its own equity instruments from another party to settle its obligation;
- when a parent grants rights to its equity instruments to the employees of its subsidiary and the transaction is accounted for as equity-settled in the consolidated financial statements, then the transaction shall be accounted for as an equity-settled share-based payment transaction by the subsidiary. The subsidiary shall measure the services received using the requirements of IFRS 2, and shall recognise a corresponding increase in equity as a contribution from the parent; and
- when a subsidiary grants rights to equity instruments of its parent to its employees, the subsidiary shall account for the transaction with its employees as a cash-settled share-based payment even though the transaction is equity-settled from a group perspective.

The group's previous accounting treatment complies with this interpretation and it has therefore not impacted the group's results or position. Refer to accounting policy 18 for the detailed policy relating to equity linked transactions.

Changes in accounting policies

The group changed its accounting policies relating to:

Transactions with minority shareholders

These transactions relate to where the group purchases an additional interest from minority shareholders or sells a portion of its interest to minority shareholders, while the group controls the entities both before and after the transaction. Any excess of the purchase consideration over the group's proportionate share of the additional net asset value of a subsidiary acquired is now accounted for directly in retained earnings. Previously, the group accounted for the excess as goodwill. Any profit or loss on the partial disposal of the group's interest in a subsidiary is also accounted for directly in retained earnings. Previously, the group accounted for the profit or loss on partial disposal in the income statement. This change in accounting policy is considered appropriate as it results in transactions with minority shareholders, which are presented as equity holders, being accounted for in the statement of changes in equity and not in the income statement. The policy has been applied retrospectively. Refer to accounting policy 2 for the detailed policy relating to transactions with minority shareholders and note 34 to the financial statements for the accounting consequences of the change in accounting policy.

Measurement of certain insurance contracts

Investment guarantees

The revised Professional Guidance Note 110 was issued by the Actuarial Society of South Africa effective for valuation dates on or after 31 December 2007. As a result, the group has moved from a stochastic model that projects investment returns for various asset classes according to the estimated probability distribution based on historical observations and future expectations (referred to as a real-world model) to one that reproduces the market prices of tradeable assets as closely as possible (referred to as a market-consistent stochastic model). The new model will more accurately reflect fair value. The cumulative effect at 1 January 2006 is not provided as it is not practicable as a result of data not being collected in a way that permits retrospective application of the new policy. The change in accounting policy is applied prospectively and the accounting consequences of the change in accounting policy are provided in note 34 to the financial statements.

Changes to existing insurance liability valuation models

Certain modelling valuation changes in respect of insurance contracts have influenced expected cash flows and ultimately liability determined values, as well as timing of profit recognition on the individual insurance policies. The change in accounting policy is applied prospectively. Refer to note 34 to the financial statements for the accounting consequences of the change in accounting policy.

2. Basis of consolidation

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of an acquisition over the group's share of the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy 8. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference, referred to as negative goodwill, is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses within banking and investment management and life insurance activities 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. Equity instruments of group entities held by subsidiaries are classified as treasury shares and accounted for in terms of accounting policy 17.

Accounting policies of subsidiaries conform to the policies adopted by the group for its banking and investment management and life insurance activities.

Investments in subsidiaries are accounted for at cost less impairment losses in the company accounts. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

Special purpose entities

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

Mutual funds

Mutual funds that are controlled by the group, including those in which the group has more than 50% economic interest resulting in effective control, are consolidated.

Transactions with minority shareholders

The group applies a policy of treating transactions with minority shareholders that do not result in the gain or loss of control, as transactions with equity owners of the group. For purchases of additional interests from minority shareholders, the excess of the purchase consideration over the group's proportionate share of the additional net asset value of the subsidiary acquired is accounted for directly in equity. For disposals to minority shareholders, the profit or loss on partial disposal of the group's interest in a subsidiary is also accounted for directly in equity.

3. Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). Standard Bank Group's company functional and group consolidated presentation currency is rands and all amounts, unless otherwise indicated, are stated in millions of rands (Rm).

Group companies

The results and financial position of all foreign operations (excluding those in hyperinflationary economies) that have a functional currency different from the group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the balance sheet date; and
- income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate actual rates.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are accounted for directly in a separate component of equity. On the partial disposal of a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the same reserve in which the profit or loss on partial disposal is recognised, i.e. this transfer is made directly to retained earnings. On disposal of a foreign operation, any gains and losses that remain deferred in equity are recognised in the income statement at the time at which the profit or loss on disposal of the foreign operation is recognised.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at balance sheet date.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities classified as available-for-sale financial assets are included in the available-for-sale reserve in equity whereas the exchange differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

4. Cash and cash equivalents

Cash and cash equivalents disclosed in the cash flow statement consist of cash and balances with central banks. Cash flows arising from operating funds are stated after excluding the impact of foreign currency translation differences on asset and liability classes.

Cash and balances with central banks comprise coins and bank notes and balances with central banks.

5. Financial instruments

Initial recognition and measurement

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

Subsequent measurement

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

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Were the group to sell more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in equity.

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

Trading assets and liabilities

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

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in trading revenue under non-interest revenue.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in trading revenue. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

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

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

- this designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or liabilities, or recognising gains and losses on them on different bases. Under this criterion, the main classes of financial instruments designated by the group are loans and advances to customers and debt securities in issue where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost. This category also includes financial assets used to match investment contract or insurance contract liabilities;

- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and information about groups of financial instruments is reported to the group's key management personnel on that basis. Under this criterion, certain private equity, short-term insurance and other investment portfolios have been designated at fair value through profit or loss. The group has documented risk management and investment strategies designed to manage such assets at fair value; or

- financial instruments contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

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

Private equity and property equity investments designated, on initial recognition, at fair value through profit or loss in terms of the scope exemption in IAS 28 *Interest in Associates*, are accounted for in the designated at fair value through profit or loss category. Mutual funds held by investment-linked insurance funds in which the group holds between 20% and 50% economic interest, resulting in significant influence, are deemed to be interests in associates and are also, on initial recognition, designated at fair value through profit or loss, based on the scope exemption in IAS 28 relating to investment-linked insurance funds.

Changes in fair value attributable to changes in credit risk, both for the period and cumulatively to date, relating to financial liabilities and loans and receivables designated at fair value through profit or loss are disclosed in the financial statements. These credit risk amounts are determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

Loans and receivables

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

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

Available-for-sale

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

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in equity are recognised in the income statement.

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

Fair value

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

When such valuation models, with only observable market data as input, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in the income statement immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

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

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

Impairment of financial assets

Assets carried at amortised cost

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment, resulting from one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

Non-performing loans are impaired for doubtful debts identified during periodic evaluations of advances. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. The impairment of non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

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

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the income statement. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account and the amount of the reversal is recognised as a reduction in impairment for credit losses in the income statement. Subsequent recoveries of previously written off advances are recognised in the income statement.

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

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are reset to performing loan status.

Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered impaired or past due.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in the income statement. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to the income statement and is recognised as part of the impairment loss. The amount of the loss recognised in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through the income statement. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the income statement but accounted for directly in equity.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Derivative financial instruments and hedge accounting

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

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

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not recognised at fair value with any gains or losses from the change in fair value recognised in the income statement. The host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument.

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

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

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met.

The group documents, at the inception of the hedging relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in the income statement. Fair value adjustments relating to the hedging instrument are allocated to the same income statement category as the related hedged item. Any ineffectiveness is also recognised in the same income statement category as the related hedged item.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the income statement as part of the recalculated effective interest rate over the period to maturity.

Cash flow hedges

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

Amounts accumulated in equity are transferred to the income statement in the periods in which the hedged item affects 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 previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity 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 the income statement in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the income statement and classified as trading revenue.

Net investment hedges

Where considered appropriate, the group hedges net investments in foreign operations using derivative instruments. For such hedges, the foreign exchange difference arising on the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. Any ineffective portion is immediately recognised in the income statement in non-interest revenue. On the partial disposal of a foreign operation, the proportionate share of those deferred gains and losses is recognised directly in profit or loss. On disposal of a foreign operation, all remaining deferred gains and losses are recognised directly in profit or loss.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement as trading revenue. However, the gains and losses arising from changes in the fair values of derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-interest revenue.

Borrowings

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

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date, at the occurrence of a contingent future event, at the option of the shareholder or if dividend payments are not discretionary, are classified as financial liabilities or compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

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

The group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts.

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

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed are not recognised in the financial statements unless these are sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

6. Investment property

Investment properties are held to earn rental income and for capital appreciation. Investment property includes cost of initial purchase, developments transferred from property under development, subsequent cost of development and fair value adjustments.

Investment property is reflected at valuation based on fair value at the balance sheet date. If the valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The fair value is determined annually by independent professional valuators.

Fair value adjustments on investment property are included in the income statement as investment gains or losses in the period in which these gains or losses arise and 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.

The deemed cost for any reclassification between investment property and owner-occupied property is at fair value, at the date of reclassification.

7. Interest in associates and joint ventures

Associates and jointly controlled entities

An associate is an entity, not being a subsidiary, in which an investment is held and over whose financial and operating policies the group is able to exercise significant influence but not control, generally accompanying, but not limited to, a shareholding of between 20% and 50% of the voting rights. Investments in mutual funds over whose financial and operating policies the group is able to exercise significant influence, which includes those in which the group has between 20% and 50% economic interest, are also classified as associates.

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

Interests in associates and jointly controlled entities are accounted for using the equity method and are carried in the balance sheet at an amount that reflects the group's share of the net assets of the associate or jointly controlled entity and includes goodwill. Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the group's share of the associate's profit or loss for the year, recognised in the income statement, and other direct reserve movements. Equity accounting of losses in associates or joint ventures is restricted to the interests in these entities, including unsecured receivables or other commitments. Inter-company profits or losses are eliminated in determining the group's share of equity accounted profits. This method is applied from the date on which the enterprise becomes an associate, up to the date on which it ceases to be an associate. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of the group.

Where a mutual fund investment is acquired and held for the purposes of investment-linked insurance activities within investment management and life insurance activities, it is not accounted for under the equity method but is designated on initial recognition as held at fair value through profit or loss and is accounted for on the basis set out in accounting policy 5. Private equity and property equity investments, which are associates, are either designated on initial recognition as held at fair value through profit or loss, or equity accounted.

Investments in associates and joint ventures are accounted for at cost less impairment losses in the company's separate financial statements.

Jointly controlled operations

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

8. Intangible assets

Goodwill

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

Goodwill arising on the acquisition of subsidiaries occurring on or after 1 January 2000, is reported in the balance sheet as an intangible asset, and goodwill arising on the acquisition of associates or joint ventures is included in interest in associates and joint ventures on the balance sheet. Goodwill arising on acquisitions on or after 1 January 2000 but before or on 31 December 2003 has been amortised using the straight-line method over its estimated useful life and is carried at cost less any accumulated amortisation recognised up to 31 December 2003.

Goodwill arising on acquisitions after 31 December 2003 and the carrying values of goodwill that existed on this date are not amortised, but allocated to cash generating units and are tested annually for impairment. Negative goodwill is recognised as income in the period in which it arises. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software

Generally, costs associated with developing or maintaining computer software programmes and the acquisition of software licences are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development cost where the group is able to demonstrate its intention and ability to complete and use the software and can reliably measure the costs to complete the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

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

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

Other intangible assets

The group expenses the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, to the income statement in the period in which the costs are incurred.

The group capitalises brands, customer lists, customer contracts and similar rights generally acquired as part of business combinations, where it will receive a benefit from these intangible assets during more than one financial period.

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

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 present value of acquired in-force (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 and amortised on a basis consistent with the settlement of the relevant liability in respect of the purchased contracts (five to 15 years). The estimated life is re-evaluated annually. These cash flows ignore the effects of taxation as this is separately adjusted for on application of the deferred tax accounting policy. The PVIF is carried in the balance sheet at cost less any accumulated amortisation.

9. Property and equipment

Equipment and owner-occupied properties

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

Subsequent costs are included in the asset's 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. Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in the income statement.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date and the depreciation method is reviewed annually.

Freehold buildings, comprising mainly offices and branches, are generally classified as owner-occupied properties and accounted for in terms of the cost method. These buildings are depreciated on the straight-line basis over their estimated useful lives to the current value of their estimated residual value. The freehold land portion is not depreciated. Leasehold buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate.

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

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

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

Property under development

Property under development is properties not yet available to earn investment returns or for own use. Property under development are carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once development is complete, the properties are transferred to investment property or owner-occupied property as appropriate.

10. Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use (cash generating units).

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

11. Leases

Group as lessee

Leases, where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the leases' inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

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

Group as lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances on the balance sheet.

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

Leases of assets under which the group effectively retains all the risks and benefits of ownership are classified as operating leases. Receipts of operating leases from properties held as investment properties in investment management and life insurance activities, net of any incentives given to lessees, are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

12. Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and 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, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

13. Employee benefits

Post-retirement benefits

Defined contribution plans

The group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to these plans are charged to the income statement in the period to which they relate.

Defined benefit plans

The group also operates a number of defined benefit funds, with membership generally limited to employees who were in the employment of the various companies at specified dates. These funds are governed by the Pension Funds Act 1956. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. Statutory actuarial valuations are required every three years using the projected unit credit method. Interim valuations are also performed annually at the balance sheet date.

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

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

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

Termination benefits

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

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.

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

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

14. Tax

Normal tax

Income tax and capital gains tax on the profit or loss for the year comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred income tax and deferred capital gains tax are provided for on the comprehensive basis, using the balance sheet method, for all 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 balance sheet date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and joint ventures (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.

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. 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 reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax relating to items which are charged or credited directly to equity, are also charged or credited directly to equity and are subsequently recognised in the income statement when the related deferred gain or loss is recognised.

Secondary tax on companies (STC)

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

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

Indirect tax

Indirect taxes, including non-recoverable value added tax (VAT), regional service council (RSC) levies, skills development levies and other duties for banking activities are separately disclosed in the income statement.

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

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets or disposal groups are available for immediate sale.

Non-current assets held as investments, as part of the group's investment management and life insurance activities, are not classified as held for sale as ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of the assets (or components of a disposal group) is recognised based upon the appropriate IFRS standards. On initial classification, the non-current assets or disposal groups are recognised at the lower of the carrying amount and fair value less costs to sell. Any impairment losses on initial classification as held for sale are recognised in the income statement.

Non-current assets held for sale or disposal groups are reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date, is the lower of:

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as such; and
- its recoverable amount at the date of the subsequent decision not to sell.

16. Policyholder insurance and investment contracts

Professional Guidance Notes (PGNs) issued by the Actuarial Society of South Africa (ASSA)

In terms of IFRS 4 *Insurance Contracts*, defined insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4. The group has, prior to the adoption of IFRS 4, adopted the PGNs to determine the liability in respect of insurance contracts issued in South Africa. The PGNs are available on the ASSA website (www.assa.org.za). Where applicable, the PGNs are referred to in the accounting policies and notes to the annual financial statements.

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. 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.

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 (DPF)

A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the group; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract; and/or
  - realised and/or unrealised investment returns on a specified pool of assets held by the group.

The terms and conditions or practice relating to these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the group may exercise its discretion as to the quantum and timing of their payment to policyholders. A proportion, as set out in the policy conditions, of the eligible surplus (usually $^{8}/_{9}$ths of the surplus) must be attributed to policyholders as a group (which can include future policyholders), while the amount and timing of the distribution to individual policyholders is at the discretion of the group, subject to the advice of the statutory actuary. 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 the policyholder liabilities.

Insurance contracts and investment contracts with DPF

Measurement

These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis, using a discounted cash flow methodology described in PGN 104, and the liability is reflected as policyholders' liabilities under insurance contracts and investment contracts with DPF.

The discounted cash flow methodology allows for premiums and benefits payable in terms of the contract, future administration expenses and commission, investment return and 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 PGN 104, plus additional discretionary margins.

Derivatives embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. As such, the group does not separately measure any embedded derivatives as they qualify for recognition as an insurance contract and are measured as insurance contracts. The liability in respect of the investment guarantees underlying maturity and death benefits, and guaranteed annuity options are measured in accordance with PGN 110 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. These discretionary margins include an allowance for the shareholders' participation in the reversionary and terminal bonuses expected to be declared each year in respect of with-profit business, an allowance for the shareholders' participation in the bonus expected to be declared and a portion of the management fees levied under certain classes of market-related business. In addition to the provision made in the basic policyholder liabilities, discretionary margins are held for further possible deviations in medical claims experience and in AIDS-related death claims.

Liabilities for individual market-related policies, where benefits are in part dependent on the performance of underlying investment portfolios (including business with stabilised bonuses), are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date (the unit reserve element), 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 a market-related rate of interest (and in the case of life and income protection annuities, at a rate of return yielded by the nominated matching assets) 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 non-guaranteed element).

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 group life and lumpsum 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 group 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 investments 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-tax investment performance of the assets net of the relevant management fees and the value of the bonuses declared (non-guaranteed element). In accordance with PGN 104, where the bonus stabilisation provision is negative, this provision is restricted to an amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years. All bonus stabilisation provisions are held as part of the liabilities under these contracts.

The liability estimates are reviewed annually. Any changes in estimates to the liability are reflected in the income statement as they occur.

Where policyholders, in respect of certain policies, are entitled to a part surrender, any part surrender is treated as a derecognition of the policyholders' liability.

Incurred but not reported claims

Provision is made in policyholders' liabilities under insurance contracts for the estimated cost at the end of the year of claims incurred but not reported (IBNR) at that date. IBNR provisions are calculated using run-off triangle techniques or as a multiple, based on the average historical reporting delay, of the claims reported in the three weeks following the valuation date but where the claims event occurred prior to the valuation date. These liabilities are not discounted due to the short-term nature of outstanding claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Liability adequacy test

At each balance sheet date the adequacy of the insurance liabilities are assessed. If that assessment shows that the carrying amount of its insurance liabilities (as measured under the FSV basis) net of any related intangible PVIF business assets is inadequate in the light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as described in PGN 104 as well as any additional discretionary margins), the deficiency is recognised in profit or loss.

Investment contracts without DPF

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 (unit linked) and are designated on initial recognition as at fair value through profit or loss as described in accounting policy 5.

The group's valuation methodologies incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit linked financial liability is determined using the current unit price that reflects the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at the balance sheet date.

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never l ess than the amount payable on the put or surrender option.

For investment contracts with fixed and guaranteed terms, future benefit payments and premium receipts are discounted using the rates implied by the government zero-coupon yield curve at the relevant balance sheet date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

Investment contracts with a DPF switching option

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 policyholders' investment in the investment portfolio at the valuation date.

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders.

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. These assets consist of short-term balances due from reinsurers as well as longer-term receivables that are dependent on the present value of expected claims and benefits arising net of expected premiums payable under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract.

Reinsurance assets are assessed for impairment at each balance sheet date. If there is objective evidence, as a result of an event that occurred after its initial recognition, that amounts due may not be recoverable, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

17. Equity

Reacquired equity instruments

Where entities within the group purchase the reporting entity's equity instruments, on consolidation the consideration paid is deducted from total shareholders' equity as treasury shares. Fair value changes recognised in the subsidiary's financial statements on equity investments in the holding entity's shares, are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Black Economic Empowerment Ownership initiative

The group concluded its Tutuwa initiative in October 2004 when it sold an effective 10% interest in its South African banking operations to a broad-based grouping of black entities.

The group subscribed for 8,5% redeemable, cumulative preference shares issued by special purpose vehicles (SPVs) controlled by the group. The initial repurchase of group shares by the SPVs is treated as a reduction in the group's equity. Subsequent to the repurchase of the group shares, the SPVs containing these shares were sold to the black participants. The capital and dividends on the preference shares are repayable from future ordinary dividends received on group shares. As a result of the group's right to receive its own dividends back in the form of preference dividends and capital on the preference shares, the subsequent sale of the SPVs and consequent delivery of the group shares to the black participants (although legally effected) is not accounted for as a sale. The preference share investment in the SPVs is also not accounted for as an asset. The preference share asset is effectively eliminated against equity as a negative empowerment reserve.

As a consequence of the above, the IFRS accounting treatment followed until full redemption, or third party financing is obtained is:

- the 8,5% redeemable, cumulative preference shares issued by the SPVs and subscribed for by the group are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve;
- the preference dividends received from the SPVs are eliminated against the ordinary dividends paid on the group shares held by the SPVs;
- for purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those SPVs that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party; and
- perpetual preference shares issued by the group for the purposes of financing the repurchased group shares are classified as equity. Dividends paid are accounted on declaration and not on an accrual basis.

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 immediately.

Dividends on ordinary shares

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

18. Equity-linked transactions

Equity compensation plans

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

The fair value of equity-settled share options is determined on the grant date and accounted for as an employee services expense over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each balance sheet date the estimate of the number of options expected to vest is reassessed and adjusted against income and equity over the vesting period.

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

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

Equity participation plans

Equity participation rights issued in terms of the group's Tutuwa initiative (refer accounting policy 17) to black managers had not vested by 31 December 2004 and are accounted for as equity-settled share-based payment transactions as described under equity compensation plans above.

19. Revenue and expenditure

Revenues described below represent the most appropriate equivalent of turnover.

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises net interest income and non-interest revenue.

Net interest income

Interest income and expense are recognised in the income statement on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified as held for trading. 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 on balance sheet, are capitalised to the carrying amount of financial instruments, excluding financial instruments at fair value through profit or loss, and amortised as interest income or expense over the life of the asset as part of the effective interest rate.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate.

Gains and losses on the disposal of dated financial instruments, including amounts removed from equity in respect of available-for-sale financial assets, and excluding those classified as held for trading, are included in net interest income.

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

Non-interest revenue

Net fee and commission revenue

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participate at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Other fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received.

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with related interest income, expense and dividends.

Other revenue

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, gains and losses on realised undated available-for-sale financial assets, dividends relating to these financial instruments and underwriting profit from the group's short-term insurance operations and related insurance activities.

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

Gains and losses on undated available-for-sale financial assets are removed from equity and included in the income statement on realisation of the investments. Dividends on these instruments are recognised in the income statement.

Gains and losses on all other undated financial instruments, excluding those classified as held for trading, are recognised in other revenue.

Dividend income

Dividends are recognised in the income statement in the period in which right to receipt is established. Scrip dividends are recognised as dividends received to the extent that they compare to cash dividends in a similar entity.

Short-term insurance income

Short-term insurance income includes premium income, commission and policy fees earned as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group. Direct commission income is accounted for as and when cash is received and comprises the cash value of commission earned when premiums are payable directly to the underwriters.

Investment management and life insurance activities

Insurance contracts and investment contracts with DPF

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) and recurring premium pure risk policies (collectively the Lifestyle series) and group schemes, are recognised when due in terms of the contract. Premiums receivable in respect of group schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised as 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 shown gross of reinsurance. Premiums are shown before deduction of commission.

Reinsurance premiums

Reinsurance premiums are recognised when due for payment, in accordance with the terms of each reinsurance contract.

Claims

Claims on insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim, based on the estimated liability for compensation owed to policyholders. They also include claims that arise from death and disability events that have occurred up to the balance sheet date even if they have not been reported to the group. Unpaid disability claims are estimated using the input of assessors for individual cases reported to the group and statistical analyses for the claims incurred but not reported. Reinsurance recoveries are accounted for in the same period as the related claims.

Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs (including bonuses payable and company's contribution to agents' pension and medical aid funds) that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred.

The FSV method for valuing insurance contracts makes implicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the balance sheet for insurance contracts.

Investment contracts without DPF

Amounts received and claims incurred on investment management 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.

Service fees on investment management contracts

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered.

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 securing the investment management service contract. The DRL is then released to revenue when the services are provided, over the expected duration of the contract on a straight-line basis.

Regular fees are charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds. 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 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, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life of the contract (10 to 16 years for linked annuities and five years for other investment contracts), taking into account all decrements, on a straight-line basis, as they represent the right to receive future management fees. A deferred acquisition cost asset is recognised for all applicable policies with the amortisation being calculated on a portfolio basis.

An impairment test is conducted annually at reporting date on the deferred acquisition cost balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Investment income and finance costs

Investment income for investment management and life insurance activities comprises rental income from properties, interest and dividends. Dividends are recognised when the right to receive payment is established. Rental income is accounted for on a straight-line basis. Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised within investment income and finance costs in the income statement using the effective interest method. Rental income in respect of group owner-occupied properties is eliminated on consolidation. Accrued investment income on instruments held at amortised cost is assessed for impairment in line with accounting policy 5. Scrip lending fees received are recognised on an accrual basis and are included in the income statement as scrip lending fees within investment income.

Hotel operation sales include room, food and beverage and miscellaneous charges.

Management fees on assets under management

Management fees are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements.

20. Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are regularly reviewed by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to management. It represents the classification of the group's activities in segments that reflect the risk and return of the group's product offerings in different product markets. Additional information relating to products and services, geographic areas and major customers is provided.

Segments whose total revenue (internal and external), absolute profit or loss or total assets are 10% or more of the group total, are reported separately. Transactions between segments are priced at market-related rates.

21. Fiduciary activities

The group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and the income arising thereon are excluded from these financial statements as they are not assets of the group.

22. Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation in the current year.

Restatements within the 2006 balance sheet and income statement are presented in Annexure A – restatements on pages 278 and 279.

Standards and interpretations not yet effective

Standard	*Standard/interpretation*	*Effective date*[1]
IFRS 2 amendment	*Share-based Payment – Vesting Conditions and Cancellations* The amendment to IFRS 2 clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment agreement should be treated as non-vesting conditions and should be included in the grant date fair value of the share-based payment. It also specifies that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact the group's results significantly.	Annual periods commencing on or after 1 January 2009
IFRS 3	*Business Combinations* The principal amendments to IFRS 3 include: • the requirement to expense all acquisition-related costs; • recognition of fair value gains and losses in the income statement on interests in an acquiree at the time at which control is lost; • recognition of all increases and decreases in ownership interests over an acquiree within equity whilst control is held; • the option to recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the entity acquired; • restriction of adjustments to the initial measurement of contingent considerations on a business combination, with subsequent measurement of such items being recognised in the income statement; and • the requirement at acquisition to reclassify and redesignate all contractual arrangements, excluding leases and insurance contracts. The amendments are expected to affect the group's accounting for business combinations that arise after the date on which the amendments are adopted. The effect on the financial statements will be a function of the number and value of any business combinations transacted after the effective date.	Annual periods commencing on or after 1 July 2009
IAS 1	*Presentation of Financial Statements* The revised IAS 1 supersedes the 2003 version of IAS 1. The main change in the revised IAS 1 is the requirement to present all non-owner changes in equity in either: • a single statement of comprehensive income which includes income statement line items; or • a statement of comprehensive income which includes only non-owner equity changes. In addition, an income statement is also disclosed. A statement of financial position, preferred term for "balance sheet", also has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1 will not impact the results of the group but will impact the format of the income statement and statement of changes in equity.	Annual periods commencing on or after 1 January 2009

[1] *It is expected that the group will comply with the new standards and interpretations from the effective date.*

Standards and interpretations not yet effective (continued)

Standard	*Standard/interpretation*	*Effective date*[1]
IAS 23	*Borrowing Costs* The revision of IAS 23 requires the capitalisation of borrowing costs that relate to qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale. It does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories manufactured or produced in large quantities on a repetitive basis. This standard will change the group's existing policy of expensing all borrowing costs as incurred. The impact is not expected to be material but is dependent on the number and value of projects undertaken after the effective date.	Annual periods commencing on or after 1 January 2009
IAS 27	*Consolidated and Separate Financial Statements* The amendments to IAS 27 require changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity as transactions with owners in their capacity as owners. At the time at which control is lost, a parent shall derecognise all assets, liabilities and non-controlling interest at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. A gain or loss on the loss of control is recognised in profit or loss. The revised standard also requires an entity to attribute its share of total comprehensive income to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. The effect on the financial statements will be a function of the number and value of transactions that result in the loss of control over subsidiaries after the implementation of the new standard.	Annual periods commencing on or after 1 July 2009
IAS 32 and IAS 1 amendments	*Financial Instruments: Preparation and* IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro-rata share of the entity only on liquidation as equity. The amendment sets out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to have a significant impact on the group's results.	Annual periods commencing on or after 1 January 2009
IFRIC 12	*Service Concession Arrangements* Service concessions are contractual service arrangements whereby a government or other public sector entity grants contracts for the supply of public services such as roads, airports, prison, energy and water supply distribution facilities to private sector operators. This interpretation provides guidance on how service concession operators should apply existing IFRS to account for the obligations they undertake and the rights they receive in service concession arrangements. This standard is not applicable to the business of the group.	Annual periods commencing on or after 1 January 2008

[1]*It is expected that the group will comply with the new standards and interpretations from the effective date.*

Standards and interpretations not yet effective (continued)

Standard	*Standard/interpretation*	*Effective date*
IFRIC 13	*Customer Loyalty Programmes* The interpretation addresses the recognition and measurement of obligations to provide customers with free or discounted goods or services if and when they choose to redeem their loyalty award credits. The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when the obligations have been fulfilled. They may fulfil their obligations by supplying awards themselves, or engaging and paying a third party to do so. This interpretation is in accordance with the group's existing policy and is therefore not expected to impact the group's results.	Annual periods commencing on or after 1 July 2008
IFRIC 14	IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* IFRIC 14 provides a clearer interpretation of the amount of a pension fund surplus that can be recognised as an asset. The availability of a refund of surplus or a reduction in future contributions (economic benefits) is determined based on the terms and conditions of the plan and any relevant statutory requirements. Any changes in the defined benefit asset will be recognised immediately in profit or loss. This interpretation is not expected to impact the group's results significantly.	Annual periods commencing on or after 1 January 2008

1. Segment reporting

Business segments

	Personal & Business Banking		Corporate & Investment Banking		Central and other	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm
Income from banking activities	**27 075**	20 911	**19 756**	14 452	**812**	803
Net interest income	**15 457**	11 152	**6 804**	5 117	**635**	732
Non-interest revenue	**11 618**	9 759	**12 952**	9 335	**177**	71
Net fee and commission revenue	**10 468**	8 948	**4 094**	2 929	**(51)**	(52)
Trading revenue	**36**	–	**7 423**	4 945	**(243)**	(93)
Other revenue	**1 114**	811	**1 435**	1 461	**471**	216
Income from investment management and life insurance activities						
Total income	**27 075**	20 911	**19 756**	14 452	**812**	803
Credit impairment charges	**4 240**	2 333	**250**	335	**100**	65
Benefits due to policyholders						
Income after credit impairment charges and policyholders' benefits	**22 835**	18 578	**19 506**	14 117	**712**	738
Operating expenses in banking activities	**14 171**	11 334	**10 494**	7 642	**41**	129
Staff costs	**7 336**	5 681	**6 739**	4 733	**413**	587
Other operating expenses	**6 835**	5 653	**3 755**	2 909	**(372)**	(458)
Operating expenses in investment management and life insurance activities						
Net income	**8 664**	7 244	**9 012**	6 475	**671**	609
Goodwill impairment/(gain)			**6**	15	**(382)**	
Share of profit from associates and joint ventures	**107**	145	**176**	73		
Net income before indirect taxation	**8 771**	7 389	**9 182**	6 533	**1 053**	609
Indirect taxation	**540**	388	**306**	177	**71**	39
Profit before direct taxation	**8 231**	7 001	**8 876**	6 356	**982**	570
Direct taxation	**2 450**	2 138	**1 780**	1 265	**(66)**	(27)
Profit for the year	**5 781**	4 863	**7 096**	5 091	**1 048**	597
Attributable to minorities	**71**	19	**291**	62	**(16)**	–
Attributable to preference shareholders					**471**	282
Attributable to ordinary shareholders	**5 710**	4 844	**6 805**	5 029	**593**	315
Headline earnings	**5 661**	4 816	**6 765**	5 033	**(246)**	126
Return on equity (%)	**28,1**	31,6	**27,3**	27,7		
Cost-to-income ratio (%)	**52,1**	53,8	**52,6**	52,6		
Net interest margin (%)	**4,79**	4,64	**1,53**	1,40		
Credit loss ratio (%)	**1,34**	1,00	**0,09**	0,15		
Average assets – banking activities excluding trading derivatives	**322 894**	240 253	**444 878**	364 841	**3 965**	6 497
Average loans and advances (gross)	**316 596**	232 321	**270 087**	221 922	**350**	4 123
Total assets	**356 345**	275 474	**610 042**	494 413	**2 733**	5 333
Total liabilities	**332 535**	258 821	**578 606**	473 142	**(5 112)**	(7 308)
Average ordinary shareholders' equity	**20 144**	15 223	**24 810**	18 199	**4 374**	5 972
Interest in associates and joint ventures	**451**	260	**1 132**	823	**77**	47
Depreciation and amortisation	**820**	629	**225**	169	**48**	67
Impairment loss/(gain) on non-financial assets	**26**	9	**16**	15	**(382)**	–
Number of employees	**34 673**	29 708	**8 677**	7 054	**951**	941

[1] *IFRS adjustments relate to adjustments to the segmental results, presented on a normalised basis, to arrive at the IFRS results. These adjustments are described in detail on pages 83 to 87.*

Banking activities		Liberty Life		Normalised Standard Bank Group		IFRS adjustments[1]		IFRS Standard Bank Group	
2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
47 643	36 166			47 643	36 166	(347)	(347)	47 296	35 819
22 896	17 001			22 896	17 001	(347)	(347)	22 549	16 654
24 747	19 165			24 747	19 165			24 747	19 165
14 511	11 825			14 511	11 825			14 511	11 825
7 216	4 852			7 216	4 852			7 216	4 852
3 020	2 488			3 020	2 488			3 020	2 488
		50 320	60 410	50 320	60 410	(486)	(1 066)	49 834	59 344
47 643	36 166	50 320	60 410	97 963	96 576	(833)	(1 413)	97 130	95 163
4 590	2 733			4 590	2 733			4 590	2 733
		37 153	47 896	37 153	47 896			37 153	47 896
43 053	33 433	13 167	12 514	56 220	45 947	(833)	(1 413)	55 387	44 534
24 706	19 105			24 706	19 105			24 706	19 105
14 488	11 001			14 488	11 001			14 488	11 001
10 218	8 104			10 218	8 104			10 218	8 104
		7 423	6 486	7 423	6 486			7 423	6 486
18 347	14 328	5 744	6 028	24 091	20 356	(833)	(1 413)	23 258	18 943
(376)	15			(376)	15			(376)	15
283	218	72	57	355	275			355	275
19 006	14 531	5 816	6 085	24 822	20 616	(833)	(1 413)	23 989	19 203
917	604	268	237	1 185	841			1 185	841
18 089	13 927	5 548	5 848	23 637	19 775	(833)	(1 413)	22 804	18 362
4 164	3 376	2 068	2 476	6 232	5 852			6 232	5 852
13 925	10 551	3 480	3 372	17 405	13 923	(833)	(1 413)	16 572	12 510
346	81	2 505	2 412	2 851	2 493	(380)	(770)	2 471	1 723
471	282			471	282	(21)	(13)	450	269
13 108	10 188	975	960	14 083	11 148	(432)	(630)	13 651	10 518
12 180	9 975	973	843	13 153	10 818	(432)	(630)	12 721	10 188
24,7	25,3	25,8	26,5	24,8	25,4			26,7	27,4
51,6	52,5			51,6	52,5			51,9	53,0
2,97	2,78			2,97	2,78			2,94	2,74
0,78	0,60			0,78	0,60			0,79	0,60
771 737	611 591			771 737	611 591	(4 123)	(4 056)	767 614	607 535
587 033	458 366			587 033	458 366	(4 123)	(4 056)	582 910	454 310
969 120	775 220	222 083	202 838	1 191 203	978 058	(9 128)	(9 603)	1 182 075	968 455
906 029	724 655	207 755	189 216	1 113 784	913 871	(145)	(124)	1 113 639	913 747
49 328	39 394	3 765	3 177	53 093	42 571	(5 532)	(5 353)	47 561	37 218
1 660	1 130	10 633	7 454	12 293	8 584			12 293	8 584
1 093	865	322	326	1 415	1 191			1 415	1 191
(340)	24			(340)	24			(340)	24
44 301	37 703	4 604	4 562	48 905	42 265			48 905	42 265

1. Segment reporting (continued)

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

Business unit	
Personal & Business Banking	Banking and other financial services to individual customers and small- to medium-sized enterprises throughout South Africa, rest of Africa as well as Argentina. Mortgage lending – Provides residential accommodation loans to individual customers. Instalment sale and finance leases – Comprises two main areas, instalment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market. Card products – Provides credit and debit card facilities for individuals and businesses. Transactional and lending products – Transactions in products associated with the various points of contact channels such as ATMs, Internet, telephone banking and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products. Bancassurance – Provides short-term and long-term insurance products, mainly through third parties, and financial planning services to clients.
Corporate & Investment Banking	Commercial and investment banking services to larger corporates, financial institutions and international counterparties in South Africa and other emerging markets. Global markets – Includes foreign exchange, fixed income, derivatives, equities and commodities trading businesses, securitisation, debt origination, money market funding units and resource banking. Banking and other trade finance – Includes corporate lending and transactional banking businesses, custodial services, trade finance business and property-related lending. Investment Banking – Includes equity investment and advisory businesses, project finance, structured lending as well as the asset and wealth management units.
Central and other	Includes the impact of the Tutuwa initiative and group capital instruments, together with certain group overheads not recoverable from business segments, including the Global Leadership Centre, activities and taxes not allocated to business segments, strategic acquisition costs and inter-segment eliminations.
Liberty Life	Investment management and life insurance activities of group company Liberty Life and its now wholly-owned subsidiary, Stanlib. Liberty Life includes long-term investment, long-term risk (life and disability), pension fund management, endowment, retirement annuities, corporate benefits, health care and health insurance. Stanlib includes investment-related advice and solutions.

No countries outside South Africa are deemed to be individually material. There has been no reliance on any major customers and no one customer makes up a material portion of the revenue streams.

1. Segment reporting (continued)

Geographic segments

2007	South Africa	Rest of Africa	Outside Africa	Central and other	Normalised Standard Bank Group	IFRS adjustments	IFRS Standard Bank Group
Total income	**83 974**	**5 557**	**8 080**	**352**	**97 963**	**(833)**	**97 130**
Banking activities	**33 654**	**5 557**	**8 080**	**352**	**47 643**	**(347)**	**47 296**
Insurance activities	**50 320**				**50 320**	**(486)**	**49 834**
Total assets	**925 914**	**76 211**	**270 990**	**(81 912)**	**1 191 203**	**(9 128)**	**1 182 075**
Banking activities	**703 831**	**76 211**	**270 990**	**(81 912)**	**969 120**	**(3 193)**	**965 927**
Insurance activities	**222 083**				**222 083**	**(5 935)**	**216 148**
Non-current assets	**23 103**	**4 518**	**1 198**		**28 819**		**28 819**
Banking activities	**5 234**	**4 518**	**1 198**		**10 950**		**10 950**
Insurance activities	**17 869**				**17 869**		**17 869**
2006							
Total income	87 829	3 783	4 477	487	96 576	(1 413)	95 163
Banking activities	27 419	3 783	4 477	487	36 166	(347)	35 819
Insurance activities	60 410				60 410	(1 066)	59 344
Total assets	774 568	43 942	201 665	(42 117)	978 058	(9 603)	968 455
Banking activities	571 730	43 942	201 665	(42 117)	775 220	(4 201)	771 019
Insurance activities	202 838				202 838	(5 402)	197 436
Non-current assets	19 609	831	376		20 816		20 816
Banking activities	3 647	831	376		4 854		4 854
Insurance activities	15 962				15 962		15 962

2. Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

2.1 Credit impairment losses on loans and advances

Performing loans

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

	Average loss emergence period 2007 Months	2006 Months	Sensitivity[1] 2007 Rm	2006 Rm
2. Key management assumptions (continued)				
2.1 Credit impairment losses on loans and advances (continued)				
Performing loans (continued)				
Personal & Business Banking	**3 – 6**	3 – 6	**199**	149
Mortgage lending	**6**	6	**30**	39
Instalment sale and finance leases	**6**	6	**36**	26
Card debtors	**3**	3	**97**	56
Other lending	**3**	3	**36**	28
Corporate & Investment Banking	**6 – 12**	3 –13	**95**	77
South Africa	**12**	13	**65**	36
Rest of Africa	**12**	12	**6**	6
Outside Africa	**6**	3	**24**	35
			294	226

[1]*Sensitivity is based on the effect of a change of one month in the emergence period on the value of the impairment.*

Non-performing loans

Retail loans are individually impaired if the amounts are due and unpaid for three or more months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Expected time to recover security and recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

	Expected time to recover security 2007 Months	2006 Months	Expected recoveries as a percentage of impaired loans 2007 %	2006 %	Impairment loss sensitivity[1] 2007 Rm	2006 Rm
Personal & Business Banking	**0 – 16**	0 – 19	**64**	61	**54**	26
Mortgage lending	**12**	12	**80**	80	**43**	19
Instalment sale and finance leases	**6**	6	**47**	51	**6**	3
Card debtors	**0**	0	**28**	26	**2**	1
Other lending	**16**	19	**26**	29	**3**	3
Corporate & Investment Banking	**8 – 24**	7 – 24	**45**	33	**5**	4
South Africa	**12**	12	**29**	32	**–**	1
Rest of Africa	**24**	24	**47**	48	**4**	2
Outside Africa	**8**	7	**41**	23	**1**	1
			61	55	**59**	30

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

2. Key management assumptions (continued)

2.2 Sensitivity of fair values to changes in significant assumptions

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, that are not quoted in active markets are determined using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments. For example, if the discount rate used in determining the fair values was decreased by 1%, the mark-to-market movement in the profit or loss account would have increased by R57 million (2006: R46 million). If the discount rate was increased by 1% the profit or loss impact would have been a R51 million decrease (2006: R39 million decrease).

The total amount of the change in fair value estimated using a valuation technique not based on observable market data that was recognised in profit or loss for the year ended 31 December 2007 was a profit of R163 million (2006: R137 million).

2.3 Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques or models are used to determine fair values, they are validated and periodically independently reviewed by qualified senior personnel. All models are authorised before they are used, and models are calibrated and back-tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data.

2.4 Impairment of available-for-sale equity investments

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

Had the declines of financial instruments with fair values below cost been considered significant or prolonged, the group would suffer an additional loss of R42 million (2006: Rnil) in its financial statements, being the transfer of the negative revaluations within the available-for-sale reserve to the income statement.

2.5 Securitisations and special purpose entities (SPEs)

The group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, asset financing and for buying or selling credit protection. The group consolidates SPEs that it controls in terms of IFRS. As it can sometimes be difficult to determine whether the group controls an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately.

The group has consolidated SPEs with assets of R36 145 million (2006: R28 890 million) and net profit of R44 million (2006: net loss R4 million). The group has not consolidated SPEs with assets of R3 180 million (2006: R475 million) and Rnil profit (2006: Rnil) as these entities were not considered to be controlled by the group.

2.6 Held-to-maturity investments

The group follows the guidance of IAS 39 on classifying certain non-derivative financial assets with fixed or determinable payments and fixed maturity, as held-to-maturity. This classification requires judgment of the group's ability to hold such investments to maturity. If the group fails to keep these investments to maturity other than in specific defined circumstances, it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value and not amortised cost. If the entire class of held-to-maturity investments were tainted, the carrying amount would increase by R35 million (2006: R11 million), with a corresponding entry in the available-for-sale reserve in shareholders' equity.

2.7 Income taxes

The group is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. Key management assumptions (continued)

2.8 Financial risk management

The group's risk management policies and procedures are disclosed in the risk management section starting on page 98 of the annual report. IFRS 7 information referred to in the risk management section on page 98 forms part of the audited annual financial statements.

2.9 Valuation of investment property

The valuation of investment property within the insurance operations has been carried out by Ian Mitchell Investment Property Consultants CC (Chartered Valuation Surveyor – Professional Valuer) and Dijalo Valuation Services Management (Pty) Limited (Professional Associate Valuer).

The valuation of investment properties is prepared in accordance with the guidelines of the South African Institute of Valuers for valuation reports and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions. The valuation assumes that there will be no change in the social, economic or political circumstances between the date of valuation and the financial year end of the group.

The basis of value is "market value" which is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for a cash consideration on the date of valuation assuming:

- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The properties have been valued on a discounted cash flow basis. In the majority of cases, discounted cash flows have been used and summed together with the capitalised and discounted value of the projected income to give present value as at 31 December 2007. In order to determine the reversionary rental income on lease expiry, renewal or review a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for each property as at 31 December 2007. Market rental growth has been determined based on the individual property, property market trends and economic forecasts. Vacancies have been considered based on historic and current vacancy factors as well as the nature, location, size and popularity of each building.

Appropriate discount rates have been applied to cash flows for each property to reflect the relative investment risk associated with the particular building, tenant, covenant and the projected income flow. Extensive market research has been conducted to ascertain the most appropriate market-related discount rate to apply with regard to the current long-term bond yield (R153 risk-free rate) and the relative attractiveness that an investor may place on property as an asset class.

Primary discount rates range from 8% to 11,5% on a property by property basis. Exit capitalisation rates generally range from 8% to 11,5%.

On the basis that turnover or profit rental income has a greater degree of uncertainty and risk than the contractual base rental, a risk premium of between 1% and 6% has been added to the discount rate and to the exit capitalisation rate, to reflect the greater investment risk associated with the variable rental element on a property by property basis.

2.10 Long-term insurance contracts

Policyholders' liabilities

Policyholders' liabilities under insurance contracts are derived from actual claims submitted which are not settled at balance sheet date, and best estimates of the present value of future claims and benefits under existing contracts, offset by probable future premiums to be received (net of expected service costs). The key assumptions applied have been detailed in the insurance risk component of the risk management section.

The process of deriving the best estimate assumptions relating to future mortality, morbidity, medical claims, withdrawal, investment return, maintenance expenses, expense inflation and tax are described below.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract and class of business. Industry standard tables are used for smaller classes of business, while company specific tables, based on graduated industry standard tables to reflect company specific experience, are used for larger classes.

Investigations into mortality experience are performed annually. The period of investigation extends over the latest three full years for larger classes of business. Investigations relating to smaller classes usually extend over five years in order to gain sufficient credibility from the data.

2. Key management assumptions (continued)

2.10 Long-term insurance contracts (continued)

Policyholders' liabilities (continued)

The results of the investigation are used to set the valuation assumptions, which are applied as an adjustment to the respective standard table.

In setting the assumptions, provision is made for the expected increase in AIDS-related claims. Allowance for AIDS-related deaths is included in the base mortality rates at rates consistent with the requirement of ASSA'S PGN 105. The rates are defined using the ASSA2000lite model calibrated to reflect Liberty's assurance lives.

For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Morbidity

The incidence of disability claims is derived from industry experience studies, adjusted where appropriate for the group's own experience. The assumptions to be used are reviewed on an annual basis based on claims experience. The same is true for the incidence of recovery from disability.

Medical claims

The incidence of medical claims is derived from the risk premium rates determined from annual investigations. The incidence rates are reviewed on an annual basis, based on medical claims experience. The adjusted rates are intended to reflect future expected experience.

Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal investigation is performed each year and incorporates a full year's experience. The withdrawal rates are analysed by product type and policy duration. These withdrawal rates vary considerably by duration, policy term and company. Typically the rates are higher for risk type products versus investment type products, and are higher at early durations.

Investment return

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

- gilt rate – Effective 10-year yield curve rate at the balance sheet date rounded to nearest 0,25 percentage point, 8,5% (2006: 8,0%);
- equity rate – Gilt rate plus 2 percentage points as an adjustment for risk, 10,5% (2006: 10,0%);
- property rate – Gilt rate plus 1 percentage point as an adjustment for risk, 9,5% (2006: 9,0%); and
- cash – Gilt rate less 1,5 percentage points, 7,0% (2006: 6,5%).

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 the blocks of business (excluding annuity and guaranteed capital and business) is 10,0% per annum in 2007 (2006: 9,5% per annum). Where appropriate the investment return assumption will be adjusted to make allowance for investment expenses, taxation and the relevant prescribed margins as per PGN 104 issued by the Actuarial Society of South Africa.

For annuity and guaranteed capital bond business, discount rates are largely set at risk-free rates consistent with the duration of the liabilities, reduced by an allowance for investment expenses and the relevant prescribed margin.

Expenses

An expense analysis is performed on the actual expenses incurred in the calendar year preceding the balance sheet date.

Expense inflation

The inflation rate is set at 3,5 percentage points below the gilt rate investment return assumption prevailing at the balance sheet date, resulting in a best estimate expense inflation assumption of 5,0% at 31 December 2007. The expense inflation assumption is set taking into consideration the expected future development of the number of in-force policies, as well as the expected future profile of group maintenance expenses.

Taxation

Future taxation and taxation relief are allowed for at the rates and on the bases applicable to Section 29A of the Income Tax Act at the balance sheet date. Each company's current tax position is taken into account, and taxation rates, consistent with that position and the likely future changes in that position, are allowed for. In respect of capital gains taxation (CGT), taxation is allowed for at the full CGT rate. Deferred taxation liabilities include a provision for CGT on unrealised gains/(losses) at the valuation date, at the full undiscounted value.

2. Key management assumptions (continued)

2.10 Long-term insurance contracts (continued)

Policyholders' liabilities (continued)

Correlations

No correlations between assumptions are allowed for.

Contribution increases

In the valuation of the liabilities, voluntary premium increases that give rise to expected profits are not allowed for. However, compulsory increases and increases that give rise to expected losses are allowed for. This is consistent with the requirements of PGN 104.

Embedded investment derivative assumptions

The assumptions used to value embedded derivatives, in respect of policyholder contracts, are set in accordance with PGN 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. Long-term volatility assumptions are set based on market information where available, otherwise a measure of subjectivity is required. The 30 year annualised implied at-the-money volatility assumption, estimated using the asset model output for the FTSE/JSE top 40 index, is 28,4%. Correlations between asset classes are set based on historical evidence. At least one thousand simulations are performed in calculating the liability.

A reserve for minimum investment return guarantees, calculated on a stochastic basis in accordance with PGN 110, is held.

Using the simulated investment returns, the instruments below are priced as follows:

Instrument	Return
A 6-month at-the-money spot put on the FTSE/JSE TOP 40 index	5,60%
A 6-month at-the-money spot call on the FTSE/JSE TOP 40 index	9,64%
A 5-year put on the FTSE/JSE TOP 40 index, with a strike price equal to 1,04 of spot	14,56%
A 5-year put with a strike price equal to 1,04 of spot, on an underlying index constructed as 60% FTSE/JSE TOP 40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place 6 monthly.	5,79%
A 20-year put option based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put option (stripped from the zero coupon yield curve), which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike	0,32%
A 20-year at-the-money (spot) put on the FTSE/JSE TOP 40 index	5,45%

The TOP 40 index here is a capital returns index whereas the ALBI is a total return index. Spot refers to the value of the index at market close on 31 December 2007. At-the-money means that the strike value of the option is equal to the spot.

The zero coupon yield curve used in the projection is as follows (rates calculated on the nominal annualised compounded continuously method):

Maturity	Model output yield curve	Model input yield curve
1 year	10,56%	10,81%
2 years	10,25%	10,49%
3 years	9,97%	10,20%
4 years	9,71%	9,93%
5 years	9,48%	9,68%
10 years	8,58%	8,73%
15 years	7,98%	8,09%
20 years	7,57%	7,65%
25 years	7,27%	7,34%
30 years	7,06%	7,11%
35 years	6,89%	6,94%
40 years	6,77%	6,81%
45 years	6,67%	6,71%
50 years	6,58%	6,62%

The "input" and "output" curves differ due to statistical sampling error.

2. Key management assumptions (continued)

2.10 Long-term insurance contracts (continued)

Policyholders' liabilities (continued)

Changes in assumptions

Modelling and other changes were made to the valuation to realign valuation assumptions with expected future experience. These changes resulted in a net increase in policyholders' liabilities of R809 million in 2007.

The primary items were:

- a change in the economic valuation assumptions to realign the economic assumptions with expected future experience, resulting in a decrease in the liability of R510 million. It should be noted that the majority of this change is offset by a corresponding change in the value of the relevant matching assets;
- a change in the economic valuation assumptions used to calculate the liabilities in respect of minimum investment return guarantees to align the valuation to a market consistent basis, resulting in an increase in the liability of R193 million;
- a revision of the future expense assumptions, amounting to a decrease in the liability of R163 million;
- a provision for future non-recurring expenses amounting to an increase in liability of R296 million;
- the demographic experience assumptions were adjusted to reflect expected future experience, amounting to a decrease in liability of R202 million;
- a change in the allowance for future AIDS related deaths, resulting in a decrease in the liability of R286 million;
- the retirement fund tax rate changed from 9% to 0% effective 1 March 2007. The tax assumption was changed to reflect this, resulting in a decrease in liability of R140 million;
- a change in assumptions to allow for expected future withdrawals, resulting in an increase in the liability of R295 million;
- a change in the modelling of the liabilities in respect of minimum investment return guarantees amounting to a decrease in liabilities of R161 million; and
- the balance of modelling changes amounting to a decrease in liabilities of R131 million.

	2007 Rm	2006 Rm
3. Cash and balances with central banks		
Coins and bank notes	**5 819**	5 554
Balances with central banks	**14 799**	8 789
	20 618	14 343

Cash and balances with central banks include R14 185 million (2006: R7 866 million) that is not available for use by the group. These balances comprise primarily reserving requirements held with central banks.

4. Derivative instruments

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

4.1 Fair values

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

4.2 Notional amount

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

4. Derivative instruments (continued)
4.3 Derivative assets and liabilities

2007	Maturity analysis of net fair value: Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
Derivatives held for trading							
Foreign exchange derivatives	1 680	(668)	(493)	519	14 831	(14 312)	1 573 870
Forwards	1 692	(329)	21	1 384	12 349	(10 965)	1 441 021
Futures	2	(14)	–	(12)	62	(74)	3 419
Options	(14)	(325)	(514)	(853)	2 420	(3 273)	129 430
Interest rate derivatives	1 044	(20)	(2 840)	(1 816)	57 416	(59 232)	4 708 840
Bond options	(8)	1 795	(147)	1 640	3 944	(2 304)	656 515
Caps and floors	(12)	(107)	28	(91)	158	(249)	182 554
Future options	5	30	–	35	188	(153)	517 601
Forwards	63	25	–	88	329	(241)	448 189
Swaps	1 011	(1 773)	(2 722)	(3 484)	52 673	(56 157)	2 867 910
Swaptions	(15)	10	1	(4)	124	(128)	36 071
Commodity derivatives	795	1 305	124	2 224	35 949	(33 725)	1 939 330
Forwards	818	113	(126)	805	29 170	(28 365)	1 878 822
Options	(23)	1 192	250	1 419	6 779	(5 360)	60 508
Credit derivatives	(1 793)	(287)	(103)	(2 183)	2 657	(4 840)	141 153
Credit default swaps	93	479	123	695	2 451	(1 756)	133 030
Total return swaps	(1 886)	(766)	(226)	(2 878)	206	(3 084)	8 123
Equity derivatives	(813)	(135)	31	(917)	5 265	(6 182)	593 644
Forwards	101	(134)	–	(33)	212	(245)	3 743
Futures	(19)	2	–	(17)	7	(24)	14 061
Index options	(429)	(456)	–	(885)	2 373	(3 258)	208 935
Options	(233)	474	31	272	2 648	(2 376)	303 231
Swaps	(23)	(22)	–	(45)	1	(46)	59 913
Other	(210)	1	–	(209)	24	(233)	3 761
Total derivative assets/ (liabilities) held for trading	913	195	(3 281)	(2 173)	116 118	(118 291)	8 956 837
Derivatives held for hedging							
Derivatives designated as fair value hedges	(188)	1 136	(562)	386	1 747	(1 361)	69 599
Currency futures	4	77	50	131	131	–	–
Interest rate swaps	(192)	1 059	(612)	255	1 616	(1 361)	69 599
Derivatives designated as cash flow hedges	2	210	2	214	452	(238)	19 924
Currency swaps	6	278	–	284	443	(159)	14 658
Exchange traded currency options bought	(8)	(1)	–	(9)	–	(9)	1 618
Interest rate swaps	4	(67)	2	(61)	9	(70)	3 648
Derivatives designated as hedge of net investment in foreign operations	(130)	–	–	(130)	26	(156)	9 504
Currency options	2	–	–	2	2	–	1 048
Forward exchange contracts	(132)	–	–	(132)	24	(156)	8 456
Total derivative (liabilities)/ assets held for hedging	(316)	1 346	(560)	470	2 225	(1 755)	99 027
Total derivative assets/(liabilities)	597	1 541	(3 841)	(1 703)	118 343	(120 046)	9 055 864

4. Derivative instruments (continued)

4.3 Derivative assets and liabilities (continued)

2006	Maturity analysis of net fair value: Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
Derivatives held for trading							
Foreign exchange derivatives	4 650	(396)	(649)	3 605	20 753	(17 148)	1 321 454
Forwards	5 037	262	(169)	5 130	16 867	(11 737)	1 208 042
Futures	(1)	–	–	(1)	–	(1)	8 228
Options	(386)	(658)	(480)	(1 524)	3 886	(5 410)	105 184
Interest rate derivatives	(2 053)	(3 628)	(1 602)	(7 283)	43 374	(50 657)	5 496 815
Bond options	39	(448)	(144)	(553)	1 789	(2 342)	140 774
Caps and floors	(15)	(56)	22	(49)	89	(138)	30 842
Future options	4	11	–	15	116	(101)	908 955
Forwards	15	1	–	16	170	(154)	351 992
Swaps	(2 086)	(3 139)	(1 480)	(6 705)	41 105	(47 810)	3 996 903
Swaptions	(10)	3	–	(7)	105	(112)	67 349
Commodity derivatives	823	1 092	162	2 077	29 781	(27 704)	495 887
Forwards	(2 225)	775	(62)	(1 512)	18 744	(20 256)	394 076
Futures	3	–	–	3	3		33
Options	3 045	317	224	3 586	11 034	(7 448)	101 778
Credit derivatives	(1 668)	(541)	(168)	(2 377)	1 163	(3 540)	71 726
Credit default swaps	(85)	22	(21)	(84)	1 148	(1 232)	67 759
Total return swaps	(1 583)	(563)	(147)	(2 293)	15	(2 308)	3 967
Equity derivatives	(318)	15	6	(297)	3 752	(4 049)	89 611
Forwards	(67)	–	–	(67)	53	(120)	764
Futures	(8)	–	–	(8)	–	(8)	11 573
Index options	(179)	(55)	–	(234)	2 710	(2 944)	66 703
Options	38	48	6	92	953	(861)	7 166
Swaps	(19)	5	–	(14)	18	(32)	1 416
Other	(83)	17	–	(66)	18	(84)	1 989
Total derivative assets/ (liabilities) held for trading	1 434	(3 458)	(2 251)	(4 275)	98 823	(103 098)	7 475 493
Derivatives held for hedging							
Derivatives designated as fair value hedges – interest rate swaps	701	1 303	(92)	1 912	1 912	–	58 824
Derivatives designated as cash flow hedges	87	–	1	88	88	–	1 432
Currency swaps	87	–	–	87	87	–	842
Interest rate swaps	–	–	1	1	1	–	590
Derivatives designated as fair value portfolio hedges – interest rate swaps	(1)	–	–	(1)	–	(1)	–
Derivatives designated as hedge of net investment in foreign operations	(14)	–	–	(14)	9	(23)	4 316
Currency options	5	–	–	5	5	–	–
Forward exchange contracts	(19)	–	–	(19)	4	(23)	4 316
Total derivative assets/ (liabilities) held for hedging	773	1 303	(91)	1 985	2 009	(24)	64 572
Total derivative assets/(liabilities)	2 207	(2 155)	(2 342)	(2 290)	100 832	(103 122)	7 540 065

4. Derivative instruments (continued)

4.4 Use and measurement of derivative instruments

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

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

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

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.

The major types of swap transactions undertaken by the group are as follows:

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

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

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

4.5 Derivatives held for trading

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

4.5.1 Foreign exchange derivatives

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

4.5.2 Interest rate derivatives

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

4. Derivative instruments (continued)

4.5 Derivatives held for trading (continued)

4.5.3 Commodity derivatives

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

4.5.4 Credit derivatives

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

4.5.5 Equity derivatives

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

4.6 Derivatives held for hedging

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

4.6.1 Derivatives designated as fair value hedges

The group's fair value hedges principally consist of currency futures, interest rate swaps and cross currency interest rate swaps that are used to mitigate the risk of changes in market interest rates and currencies.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the item in relation to the risk being hedged are recognised in income.

	2007 Rm	2006 Rm
Gains or losses arising from fair value hedges		
Gains/(losses)		
– on hedging instruments	**908**	806
– on the hedged items attributable to the hedged risk	**(987)**	(836)

4.6.2 Derivatives designated as cash flow hedges

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

Gains and losses on the effective portion of the derivatives designated as cash flow hedges of forecast transactions are initially recognised directly in the cash flow hedging reserve, and are transferred to the income statement when the forecast cash flows affect the income statement.

The schedule of forecast cash flows that will result in the release of the cash flow hedging reserve at 31 December 2007 is as follows:

	3 months or less Rm	More than 3 months but less than 1 year Rm	More than 1 year but less than 5 years Rm	More than 5 years Rm
4. Derivative instruments (continued)				
4.6 Derivatives held for hedging (continued)				
4.6.2 Derivatives designated as cash flow hedges (continued)				
2007				
Net cash flow	**(3)**	**(25)**	**(174)**	**12**
2006				
Net cash flow	27	40	(23)	–

The fair value adjustments removed from the cash flow hedging reserve and transferred to the income statement have been included in the following line items in the income statement:

	2007 Rm	2006 Rm
Net interest income	**(30)**	58
Trading revenue	**108**	25
	78	83

The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. No gain or loss on ineffective portions of such derivatives were recognised in the income statement in 2007 or 2006.

There were no transactions for which cash flow hedge accounting had to be discontinued in 2007 or 2006 as a result of highly probable cash flows no longer being expected to occur.

4.6.3 Derivatives designated as hedge of net investment in foreign operations

The objective of the hedge of net investments is to limit the risk of a decline in net asset value of the investment in a foreign operation brought about by changes in exchange rates. To limit the risk, currency option contracts have been purchased or forward exchange contracts have been sold where considered appropriate.

The ineffectiveness recognised in the income statement for the year ended 31 December 2007 that arose from hedges in foreign operations was a profit of R23 million (2006: R8 million loss).

4.7 Day one profit or loss – derivative instruments

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

	2007 Rm	2006 Rm
Unamortised profit at beginning of the year	**13**	5
Additional profit on new transactions	**27**	10
Profit recognised in the income statement during the year	**(4)**	(3)
Exchange differences	**–**	1
Unamortised profit at end of the year	**36**	13

	2007 Rm	2006 Rm

5. Trading assets

5.1 Classification

	2007 Rm	2006 Rm
Listed	**47 616**	56 291
Unlisted	**31 039**	23 053
	78 655	79 344
Comprising:		
Government municipality and utility bonds	**24 431**	26 592
Corporate bonds	**22 872**	31 520
Listed equities	**5 376**	4 779
Unlisted equities	**3 168**	373
Mutual funds	**174**	2 040
Commodities	**12 143**	5 386
Other instruments	**10 491**	8 654
	78 655	79 344
Maturity analysis		
The maturities represent periods to contractual redemption of the trading assets recorded.		
– Redeemable on demand	**15 932**	7 929
– Maturing within 1 month	**5 587**	6 314
– Maturing after 1 month but within 6 months	**13 214**	11 515
– Maturing after 6 months but within 12 months	**5 737**	6 390
– Maturing after 12 months	**28 949**	35 679
– Undated assets	**9 236**	11 517
	78 655	79 344

Investment registers

Registers of trading assets are available for inspection by members, or their authorised agents, at the registered office of the company and its subsidiaries.

Directors' valuation

The directors' valuation of unlisted investments is equal to the carrying value. All unlisted investments were valued at 31 December 2007.

	2007 Rm	2006 Rm
6. Pledged assets and assets not derecognised		
6.1 Pledged assets		
Financial assets that may be repledged or resold by counterparties		
Government municipality and utility bonds	**1 875**	3 144
Corporate bonds	**136**	610
Listed equities[1]	**5 209**	3 600
Loans and advances to banks	**–**	3
Other instruments	**369**	425
	7 589	7 782

[1]*The listed equities are held for scrip lending. Scrip lending is the process of providing listed equity scrip holdings by the group to external parties on a lending agreement, for a negotiated fee, to be returned on a fixed date.*

Maturity analysis

The maturities represent periods to contractual redemption of the pledged assets recorded.

	2007 Rm	2006 Rm
– Redeemable on demand	**–**	–
– Maturing within 1 month	**117**	178
– Maturing after 1 month but within 6 months	**598**	503
– Maturing after 6 months but within 12 months	**5 170**	3 556
– Maturing after 12 months	**1 704**	3 545
– Undated assets	**–**	–
	7 589	7 782

6.2 Total assets pledged

The carrying amount of total financial assets that have been pledged as collateral for liabilities (including amounts reflected in 6.1 above) at 31 December 2007 was R15 064 million (2006: R17 904 million).

The assets pledged by the bank are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as pledged as collateral.

6.3 Assets transferred not derecognised

Securitisations and other structured transactions

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

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

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

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

	Carrying amount of transferred assets 2007 Rm	Carrying amount of associated liabilities 2007 Rm	Carrying amount of transferred assets 2006 Rm	Carrying amount of associated liabilities 2006 Rm

6. Pledged assets and assets not derecognised (continued)

6.3 Assets transferred not derecognised (continued)

Securitisations and other structured transactions (continued)				
Mortgage lending	**17 255**	**17 046**	9 997	9 866
Instalment sale and finance leases	**2 670**	**2 423**	4 436	4 455
	19 925	**19 469**	14 433	14 321

Other assets transferred not derecognised

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

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

	2007 transferred assets Rm	2007 associated liabilities Rm	2006 transferred assets Rm	2006 associated liabilities Rm
Repurchase agreements	**1 929**	**1 268**	3 679	3 580
Other	**–**	**–**	35	1
	1 929	**1 268**	3 714	3 581

6.4 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R43 147 million (2006: R45 575 million).

The fair value of financial assets accepted as collateral that have been sold or repledged is R15 843 million (2006: R14 868 million). The group is obliged to return equivalent securities.

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

	2007 Rm	2006 Rm
7. Financial investments		
Financial investments held by banking activities (note 7.1)	**68 981**	51 836
Financial investments held by investment management and life insurance activities (note 7.2)	**176 371**	164 381
	245 352	216 217

7.1 Financial investments held by banking activities

	2007 Rm	2006 Rm
Listed	**61 476**	44 533
Unlisted	**7 505**	7 303
	68 981	51 836
Comprising:		
Government municipality and utility bonds	**46 136**	34 244
Corporate bonds	**12 506**	9 674
Listed equities	**3 234**	2 121
Unlisted equities	**1 645**	1 808
Mutual funds	**185**	83
Commodities	**252**	181
Other instruments	**5 023**	3 725
	68 981	51 836
Maturity analysis		
The maturities represent periods to contractual redemption of the financial investments recorded.		
– Redeemable on demand	**1 219**	1 302
– Maturing within 1 month	**15 121**	7 474
– Maturing after 1 month but within 6 months	**30 792**	20 026
– Maturing after 6 months but within 12 months	**5 035**	5 580
– Maturing after 12 months	**10 024**	11 608
– Undated investments	**6 790**	5 846
	68 981	51 836

Investment registers

Registers of financial investments are available for inspection by members, or their authorised agents, at the registered offices of the company and its subsidiaries.

Directors’ valuation

The directors’ valuation of unlisted investments is equal to the carrying value. All unlisted investments were valued at 31 December 2007.

	2007 Rm	2006 Rm

7. Financial investments (continued)

7.2 Financial investments held by investment management and life insurance activities

	2007 Rm	2006 Rm
Quoted in an active market – listed	**97 010**	100 624
Equities	**78 204**	75 346
Preference shares	**2 339**	2 161
Commercial term deposits	**3 795**	9 412
Government, municipality and utility stocks	**12 672**	13 705
Quoted in an active market – unlisted	**62 516**	46 998
Commercial term deposits	**27 272**	15 634
Mutual funds	**26 482**	25 120
Government, municipality and utility stocks	**8 762**	6 244
Unquoted and unlisted	**11 195**	10 209
Equities	**1 213**	1 042
Preference shares	**1 533**	1 955
Insurance policies	**8 449**	7 212
Loans and receivables	**5 650**	6 550
Mortgages and loans	**962**	847
Cash held with banks	**4 688**	5 703
	176 371	164 381
Maturity analysis		
Maturity profile of commercial term deposits, government, municipality and utility stocks and mortgages and loans[1]		
– Maturing within 1 year	**10 751**	5 875
– Maturing after 1 year but within 5 years	**15 016**	15 577
– Maturing after 5 years but within 10 years	**15 017**	10 877
– Maturing after 10 years	**11 717**	12 666
– Variable[2]	**962**	847
	53 463	45 842

[1]*Excludes maturity profile of listed and unlisted equities and other non–term instruments.*

[2]*Instruments in this category comprise loans secured against policyholder contracts. The maturity profile is not determinable as the holder has the option to settle at any time prior to the contract maturity date, as well as Rnil million (2006: R37 million) included in debentures with variable maturity dates.*

	2007 Rm	2006 Rm
8. Loans and advances		
8.1 Loans and advances net of impairment		
Loans and advances to banks	**98 631**	89 785
– Call loans	**18 988**	14 160
– Loans granted under resale agreements	**34 428**	21 517
– Balances with banks	**45 215**	54 108
Loans and advances to customers	**548 150**	412 734
Gross loans and advances to customers	**555 413**	417 776
– Mortgage loans	**220 330**	171 063
– Instalment sale and finance leases (note 8.2)	**67 210**	52 223
– Card debtors	**22 200**	16 947
– Overdrafts and other demand loans	**48 140**	35 513
– Term loans	**123 050**	91 646
– Loans granted under resale agreements	**29 886**	14 730
– Commercial property finance	**22 039**	19 964
– Foreign currency loans	**18 024**	12 416
– Other loans and advances	**4 534**	3 274
Credit impairments for loans and advances to customers	**(7 263)**	(5 042)
– Credit impairments for non-performing loans	**(3 923)**	(2 611)
– Credit impairments for performing loans	**(3 340)**	(2 431)
Net loans and advances	**646 781**	502 519
Comprising:		
Gross loans and advances	**654 044**	507 561
Less: Credit impairments	**(7 263)**	(5 042)
Net loans and advances	**646 781**	502 519

Loans and advances include a decrease in net fair value adjustments of R35 million (2006: R409 million increase) relating to originated loans and advances which were subject to specific hedging relationships and were therefore only fair valued for the risk subject to hedging.

8. Loans and advances (continued)

8.1 Loans and advances net of impairment (continued)

	2007 Rm	2006 Rm
Maturity analysis		
The maturities represent periods to contractual redemption of the loans and advances recorded.		
– Redeemable on demand	60 098	48 222
– Maturing within 1 month	101 549	89 795
– Maturing after 1 month but within 6 months	87 886	62 712
– Maturing after 6 months but within 12 months	46 947	37 775
– Maturing after 12 months	357 564	269 057
Gross loans and advances	**654 044**	507 561
Segmental analysis – industry		
Agriculture	12 728	9 618
Construction	6 057	5 011
Electricity	6 292	5 477
Finance, real estate and other business services	174 718	149 371
Individuals	280 602	217 022
Manufacturing	32 724	22 757
Mining	14 013	8 635
Other services	79 256	50 698
Transport	17 926	11 482
Wholesale	29 728	27 490
Gross loans and advances	**654 044**	507 561

	2007 %	2007 Rm	2006 %	2006 Rm
Segmental analysis – geographic area				
The following table sets out the distribution of the group's loans and advances by geographic area where the loans are recorded.				
South Africa	73	477 573	71	359 921
Rest of Africa	5	35 416	4	22 312
Outside Africa	22	141 055	25	125 328
Gross loans and advances	**100**	**654 044**	100	507 561

8.2 Instalment sale and finance leases

	2007 Rm	2006 Rm
Gross investment in instalment sale and finance leases	82 591	63 108
Unearned finance charges deducted	(15 381)	(10 885)
Net investment in instalment sale and finance leases	67 210	52 223
Receivable within 1 year	19 321	14 551
Receivable after 1 year but within 5 years	46 142	33 687
Receivable after 5 years	1 747	3 985

8. Loans and advances
(continued)

8.3 Credit impairments for loans and advances to customers

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

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2007							
Non-performing loans							
Balance at beginning of the year	532	294	284	648	725	128	2 611
Acquisitions of subsidiaries	63	79	2	95	171	–	410
Net provisions raised/(released)[1]	1 088	803	1 306	760	201	(107)	4 051
Impaired accounts written off	(124)	(451)	(1 186)	(550)	(408)	(7)	(2 726)
Discount element recognised in interest income	(360)	(50)	–	(28)	(6)	–	(444)
Exchange and other movements	2	1	–	(2)	20	–	21
Balance at end of the year	1 201	676	406	923	703	14	3 923
Performing loans							
Balance at beginning of the year	354	355	448	408	758	108	2 431
Acquisitions of subsidiaries	6	39	6	–	66	–	117
Net provisions raised[1]	2	171	298	179	103	73	826
Exchange and other movements	(18)	3	(4)	13	(29)	1	(34)
Balance at end of the year	344	568	748	600	898	182	3 340
Total	1 545	1 244	1 154	1 523	1 601	196	7 263
2006							
Non-performing loans							
Balance at beginning of the year	403	292	115	537	622	191	2 160
Net provisions raised/(released)[1]	426	387	785	496	185	(50)	2 229
Impaired accounts written off	(123)	(354)	(616)	(350)	(118)	–	(1 561)
Discount element recognised in interest income	(174)	(31)	–	(39)	(11)	(14)	(269)
Exchange and other movements	–	–	–	4	47	1	52
Balance at end of the year	532	294	284	648	725	128	2 611
Performing loans							
Balance at beginning of the year	350	225	170	336	590	30	1 701
Net provisions raised[1]	4	130	278	71	150	78	711
Exchange and other movements	–	–	–	1	18	–	19
Balance at end of the year	354	355	448	408	758	108	2 431
Total	886	649	732	1 056	1 483	236	5 042

[1]*Net provisions raised/(released) less recoveries of amounts written off in previous years equals the income statement impairment charge (note 26.9).*

8. Loans and advances (continued)

8.3 Credit impairments for loans and advances to customers (continued)

Segmental analysis of impairments for non-performing loans – industry

	2007 Rm	2006 Rm
Agriculture	**156**	126
Construction	**94**	47
Electricity	**14**	2
Finance, real estate and other business services	**259**	200
Individuals	**2 235**	1 267
Manufacturing	**110**	82
Mining	**54**	243
Other services	**577**	356
Transport	**210**	50
Wholesale	**214**	238
	3 923	2 611

Segmental analysis of impairments for non-performing loans – geographic area

The following table sets out the distribution of the group's provisions by geographic area where the loans are recorded.

	2007 %	2007 Rm	2006 %	2006 Rm
South Africa	**73**	**2 851**	69	1 811
Rest of Africa	**21**	**848**	16	409
Outside Africa	**6**	**224**	15	391
	100	**3 923**	100	2 611

		2007 Rm	2006 Rm
9.	**Investment property**		
	Fair value at beginning of the year	**13 200**	12 637
	Revaluations net of lease straight-lining	**1 745**	1 207
	Revaluations	**1 775**	1 388
	Net movement on straight-lining operating leases	**(30)**	(181)
	Additions – capitalised subsequent expenditure	**33**	132
	Disposals	**(49)**	(845)
	Reclassifications from owner-occupied property	**–**	23
	Transfers from property under development	**8**	46
	Fair value at end of the year	**14 937**	13 200
	Investment property and related operating lease balances comprise the following:		
	Investment property at fair value	**14 937**	13 200
	Operating leases – accrued income (note 11)	**1 180**	1 164
	Operating leases – accrued expense (note 20.1)	**(238)**	(252)
		15 879	14 112
	Comprising:		
	Office buildings	**886**	864
	Shopping malls	**12 858**	11 254
	Hotels	**1 549**	1 460
	Other	**586**	534
	Total investment property	**15 879**	14 112

Investment properties were independently valued as at 31 December 2007 by a professional valuer registered with the South African Council for the Property Valuers Profession as well as members of the Institute of Valuers of South Africa. The method of valuation is more fully described in note 2, key management assumptions.

At 31 December 2007 the value of unlet investment properties for the group amounted to Rnil million (2006: R11 million) proportionate fair value.

The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounted to R1 339 million (2006: R1 416 million). Direct operating expenses arising on the investment property amounted to R227 million (2006: R239 million).

	2007 Rm	2006 Rm
10. Current and deferred taxation assets		
Current taxation asset	625	464
Deferred taxation asset (note 19.1)	484	579
	1 109	1 043
11. Other assets		
Trading settlement assets	6 640	5 347
Items in the course of collection	1 534	737
Operating leases – accrued income (note 9)	1 180	1 164
Insurance prepayments and reinsurance assets	3 561	3 532
Other debtors	9 601	6 195
	22 516	16 975
12. Interest in associates and joint ventures		
Associates and joint ventures accounted for under the equity method	1 996	1 427
Associates held at fair value[1]	10 297	7 157
	12 293	8 584
Equity accounted associates and joint ventures		
Carrying value at beginning of the year	1 427	1 048
Share of profit	355	275
Net acquisitions	562	189
Distribution of profit	(348)	(85)
Carrying value at end of the year	1 996	1 427
Comprising:		
Cost of investments	1 520	925
Share of reserves	560	586
Goodwill impairment	(84)	(84)
	1 996	1 427

Directors' valuation

The directors' valuation of the investments in associates and joint ventures is R12 359 million (2006: R8 604 million).

Equity accounted associates and joint ventures and the group's interests therein are listed in Annexure C on pages 284 to 286.

[1]***Key financial information of associates held at fair value***

	2007 Rm	2006 Rm
Total investments	*27 724*	*15 886*
Current assets	*1 576*	*553*
Current liabilities	*(808)*	*(241)*
Total revenue	*5 220*	*2 846*
Increase in net assets as a result of operations	*5 015*	*2 660*

Associates held at fair value consist of units or shares held in mutual funds held by Liberty Life. The units or shares are by their nature demand deposits and are held at fair value. The net income or loss is capitalised to unit values within each fund and is equivalent to the fair value adjustments.

	2007 Rm	2006 Rm
13. Goodwill and other intangible assets		
Goodwill (note 13.1)	3 570	244
Other intangible assets (note 13.2)	3 096	2 130
	6 666	2 374
13.1 Goodwill		
Goodwill on subsidiaries		
Cost at beginning of the year	720	557
Acquisitions	3 196	144
Exchange movements	145	19
Cost at end of the year	4 061	720
Accumulated impairment at beginning of the year	(476)	(454)
Goodwill impairment charge (note 26.14)	(18)	(15)
Exchange movements	3	(7)
Accumulated impairment at end of the year	(491)	(476)
Net goodwill	3 570	244

	2007 Gross goodwill Rm	2007 Accumulated impairment Rm	2007 Net goodwill Rm	2006 Net goodwill Rm
Goodwill comprises:				
Argentina ING bank	12	(12)	–	12
Standard Bank s.a.r.l (Moçambique)	105	–	105	98
Capital Alliance Holdings Limited	397	(397)	–	–
Melville Douglas Investment Management (Proprietary) Limited	44	(20)	24	27
Stanbic Bank Botswana Limited	19	–	19	20
Standard Bank Limited (Malawi)	31	–	31	32
Stanbic Bank Uganda Limited	11	–	11	11
Standard Bank Asia Limited	47	(16)	31	32
Standard Yatirim Menkul Kiymetler A.S.	2	–	2	2
Triskelion Trust Company Limited	54	(46)	8	10
IBTC Chartered Bank Plc (Nigeria)	3 128	–	3 128	–
Standard Ünlü Menkul Degerler A.S. (Turkey)	211	–	211	–
	4 061	(491)	3 570	244

Impairment testing

For the purposes of impairment testing, the goodwill is allocated to the smallest cash generating unit. Cash generating units are defined as the corporate entities listed above. Goodwill is tested annually for impairment and in the majority of cases the impairment is tested using the value in use as the recoverable amount.

Goodwill relating to the IBTC transaction has been tested for impairment. IBTC has been identified as a separate cash generating unit for this purpose. The goodwill test was done on the first trading day of the IBTC shares after the acquisition. The group's carrying value in IBTC was compared to the listed share price after deducting brokerage and the investment was found not to be impaired. This conclusion was confirmed at year end by the IBTC share price movement to 31 December 2007.

The acquisition of Standard Ünlü (Turkey) occurred on 1 September 2007 and there have been no impairment indicators with regard to the goodwill recognised at the reporting date.

13. Goodwill and other intangible assets (continued)

13.2 Other intangible assets

Summary

	2007 Cost Rm	2007 Accumulated amortisation and impairment Rm	2007 Net book value Rm	2006 Cost Rm	2006 Accumulated amortisation and impairment Rm	2006 Net book value Rm
Computer software	2 045	574	1 471	1 416	564	852
Other intangible assets[1]	524	9	515	–	–	–
Present value of in-force life insurance	1 624	514	1 110	1 624	346	1 278
	4 193	1 097	3 096	3 040	910	2 130

Movement

	2006 Net book value Rm	Additions[2] Rm	Disposals Rm	Impairments Rm	Amortisation Rm	Exchange movements Rm	2007 Net book value Rm
Computer software	852	790	(7)	(26)	(119)	(19)	1 471
Other intangible assets	–	518	–	–	(2)	(1)	515
Present value of in-force life insurance	1 278	–	–	–	(168)	–	1 110
	2 130	1 308	(7)	(26)	(289)	(20)	3 096

	2005 Net book value Rm	Additions Rm	Disposals Rm	Impairments Rm	Amortisation Rm	Exchange movements Rm	2006 Net book value Rm
Computer software	373	570	(1)	–	(100)	10	852
Present value of in-force life insurance	1 441	–	–	–	(163)	–	1 278
	1 814	570	(1)	–	(263)	10	2 130

[1]*Included in other intangible assets is a property trust that has a right to an indefinite stream of management revenues created by the trust deed of the property trust. The stream of revenues is dependent on the life and activity of the trust and therefore no useful life can be determined. Intangible assets are tested annually for impairment and at present there is no indication of impairment.*
[2]*Includes additions arising from business combinations of R490 million (2006: Rnil million).*

	2007 Cost Rm	2007 Accumulated depreciation and impairment Rm	2007 Net book value Rm	2006 Cost Rm	2006 Accumulated depreciation and impairment Rm	2006 Net book value Rm
14. Property and equipment						
14.1 Summary						
Property						
Freehold	3 092	361	2 731	2 064	301	1 763
Leasehold	312	132	180	459	127	332
	3 404	493	2 911	2 523	428	2 095
Equipment						
Computer equipment	6 420	4 243	2 177	3 923	2 221	1 702
Motor vehicles	707	341	366	616	290	326
Office equipment	608	279	329	443	239	204
Furniture and fittings	2 685	1 252	1 433	1 761	846	915
	10 420	6 115	4 305	6 743	3 596	3 147
	13 824	6 608	7 216	9 266	4 024	5 242

	2006 Net book value Rm	Additions[1] Rm	Disposals Rm	Impair-ments Rm	Deprecia-tion Rm	Trans-fers Rm	Exchange movements Rm	2007 Net book value Rm
14.2 Movement								
Property								
Freehold	1 763	862	(30)	–	(30)	176	(10)	2 731
Leasehold	332	58	(1)	–	(28)	(184)	3	180
	2 095	920	(31)	–	(58)	(8)	(7)	2 911
Equipment								
Computer equipment	1 702	1 211	(27)	(10)	(695)	–	(4)	2 177
Motor vehicles	326	210	(45)	–	(111)	–	(14)	366
Office equipment	204	196	(1)	–	(49)	–	(21)	329
Furniture and fittings	915	821	(10)	–	(213)	–	(80)	1 433
	3 147	2 438	(83)	(10)	(1 068)	–	(119)	4 305
Total	5 242	3 358	(114)	(10)	(1 126)	(8)	(126)	7 216

[1]*Includes additions arising from business combinations of R761 million (2006: Rnil million).*

14. Property and equipment (continued)

14.2 Movement (continued)

	2005 Net book value Rm	Additions Rm	Disposals Rm	Impairments Rm	Depreciation Rm	Transfers Rm	Exchange movements Rm	2006 Net book value Rm
Property								
Freehold	1 620	181	(44)	–	(19)	1	24	1 763
Leasehold	267	160	(6)	–	(26)	(47)	(16)	332
	1 887	341	(50)	–	(45)	(46)	8	2 095
Equipment								
Computer equipment	1 398	883	(19)	–	(570)	–	10	1 702
Motor vehicles	378	141	(83)	–	(115)	–	5	326
Office equipment	185	64	–	–	(44)	–	(1)	204
Furniture and fittings	745	345	(38)	(9)	(151)	–	23	915
	2 706	1 433	(140)	(9)	(880)	–	37	3 147
Total	4 593	1 774	(190)	(9)	(925)	(46)	45	5 242

14.3 Valuation

The fair value of freehold property, based on valuations undertaken during 2006 and 2007 by valuers registered under the Valuers Act, 1982, was estimated at R2 997 million (2006: R1 964 million). Registers of property are available for inspection by members, or their authorised agents, at the registered office of the company and its subsidiaries. Valuation was generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

	2007 Rm	2006 Rm
15. Share capital		
15.1 Authorised		
1 750 000 000 (2006: 1 750 000 000) ordinary shares of 10 cents each	175	175
8 000 000 (2006: 8 000 000) 6,5% first cumulative preference shares of R1 each	8	8
1 000 000 000 (2006: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	10	10
	193	193
15.2 Issued		
Ordinary share capital		
1 372 597 291 (2006: 1 362 633 199) ordinary shares of 10 cents each	137	136
Ordinary share premium	1 231	2 303
A premium of R299 million (2006: R298 million) was raised on the allotment and issue during the year of 9 964 092 ordinary shares (2006: 11 555 280).		
During 2007 a premium of R1 371 million was distributed to shareholders. In 2006 a premium of R102 million was utilised on the buy-back of 1 305 000 ordinary shares.		
Preference share capital and premium	5 503	5 503
8 000 000 (2006: 8 000 000) 6,5% first cumulative preference shares of R1 each – first preference shares	8	8
52 982 248 (2006: 52 982 248) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each – second preference shares	1	1
Preference share premium – non-redeemable, non-cumulative, non-participating preference shares – second preference shares	5 494	5 494
During 2006 the group issued 22 982 248 non-redeemable, non-cumulative, non-participating preference shares at a premium of R2 512 million, net of transaction costs of R6 million.		
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 70% of the prime interest rate multiplied by the subscription price of R100 per share.		
All classes of preference shares in issue are non-redeemable.		
	6 871	7 942

The number of shares in terms of options and rights available to be granted under the terms of the group's equity compensation plans as at the end of the year was 89 326 171 (2006: 75 985 061).

The Group Share Incentive Scheme and Equity Growth Scheme reconciliations are given in Annexure D on pages 287 to 292.

15. Share capital (continued)

15.2 Issued (continued)

	Number of ordinary shares	Number of first preference shares	Number of second preference shares
Reconciliation of shares issued			
Shares in issue at 1 January 2006	1 352 382 919	8 000 000	30 000 000
Preference shares issued during the year			22 982 248
Shares issued during 2006 in terms of the group's equity compensation plans	11 555 280		
Shares repurchased and cancelled during the year	(1 305 000)		
Shares in issue at 31 December 2006	1 362 633 199	8 000 000	52 982 248
Shares held in terms of the group's Tutuwa initiative (note 16)	99 190 197		
Shares held by Liberty Life for the benefit of policyholders	38 586 984		
Shares held by other shareholders	1 224 856 018	8 000 000	52 982 248
Shares issued during 2007 in terms of the group's equity compensation plans	**9 964 092**		
Shares in issue at 31 December 2007	**1 372 597 291**	**8 000 000**	**52 982 248**
Net shares held in terms of the group's Tutuwa initiative	**74 498 839**		
Total number of shares held in terms of the group's Tutuwa initiative (note 16)	**99 190 197**		
Less: portion of shares financed by third parties (note 16)	**(24 691 358)**		
Shares held by Liberty Life for the benefit of policyholders	**41 181 846**		
Shares held by other shareholders	**1 256 916 606**	**8 000 000**	**52 982 248**

	2007 Rm	2006 Rm
15. Share capital (continued)		
15.3 Unissued shares		
242 191 872 (2006: 252 155 964) ordinary shares of 10 cents each, of which 68 131 660 (2006: 67 619 145) are under the general authority of the directors which authority expires at the annual general meeting to be held on 28 May 2008	24	25
135 210 837 (2006: 135 210 837) ordinary shares of 10 cents each are reserved to meet the requirements of the group's share incentive schemes in terms of the authority vested in the directors by members' resolution dated 29 May 2007	14	14
947 017 752 (2006: 947 017 752) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each are under the general authority of the directors which authority expires at the annual general meeting to be held on 28 May 2008	9	9
	47	48

15.4 Interest of directors in the capital of the company

The directors' interests are listed on page 45, 164 and 165.

Number of shares as at 31 December	2007	2006
Beneficial ordinary shares	13 107 598	11 780 585
Beneficial non-redeemable, non-cumulative, non-participating preference shares	171 633	172 496
Share incentives	1 800 000	2 000 000

16. Empowerment reserve

Standard Bank Group and Liberty Life entered into a series of transactions whereby investments totalling R4 017 million and R1 251 million respectively, were made in cumulative redeemable preference shares issued by the following beneficiaries.

	Number of preference shares	Issue price per share (R)	2007 Rm	2006 Rm
Beneficiary				
Shanduka – Tutuwa Strategic Holdings 1 (Proprietary) Limited[1]	651 589	1 000	652	652
Safika – Tutuwa Strategic Holdings 2 (Proprietary) Limited[1]	977 383	1 000	977	977
Black Managers' Trust – Staff Holdings 1 – 3 (Proprietary) Limited[1]	1 573 746	1 000	1 574	1 574
The Community Trust – Community Holdings (Proprietary) Limited[1]	814 486	1 000	814	814
Standard Bank Group			4 017	4 017
Liberty Life			1 251	1 251
Total investment			5 268	5 268
Attributable to minorities of Liberty Life			(889)	(908)
Empowerment reserve			4 379	4 360
Unrecognised profit on sale attributable to Standard Bank Group			(114)	(114)
Liberty Holdings – unrecognised profit on sale of shares in subsidiary			(208)	(208)
Unrecognised profit on sale attributable to minorities			94	94
Dividends paid on capital reduction			(30)	(30)
Financing by parties external to the group			(1 000)	–
Standard Bank Group empowerment reserve			3 235	4 216

[1]*The above SPVs owned 99 190 197 ordinary shares of Standard Bank Group on 31 December 2007 and 31 December 2006 of which 24 691 358 ordinary shares were funded by third party financing during 2007.*

16. Empowerment reserve (continued)

The cumulative redeemable preference shares owned by Standard Bank attract dividends at 8,5% per annum, whilst those of Liberty Life accrue dividends at 66% of the Standard Bank prime lending rate. The dividend obligation of the preference shares compound on each date the issuing company receives a dividend from Standard Bank or Liberty Life respectively. Such dividends are utilised by the issuing company to settle its preference share obligation. The legal accrual of the preference dividend does not result in an accounting entry but rather lengthens the repayment period. At year end the accumulated unrecognised asset, including accrued dividends, was R3 193 million (2006: R4 201 million) for Standard Bank and R1 178 million (2006: R1 184 million) for Liberty Life.

The preference shares owned by the group do not meet the definition of a financial asset in terms of IFRS and therefore the preference shares are treated as a reduction of equity and are stated in the analysis of equity as a debit empowerment reserve. This will apply until third party financing or full redemption of the preference shares. On receipt, preference share dividends are credited directly to reserves.

The profit realised by Liberty Holdings as a result of the buy-back of shares by Liberty Group was not recognised as the sale of special purpose vehicles to the black participants was not accounted for. As the preference share capital is repaid by the black participants, Liberty Holdings will recognise the profit over the repayment term.

For the purposes of the earnings per share calculation, the weighted average number of company shares in issue is reduced by the number of shares held by the empowerment companies bought with the proceeds received from the preference shares (note 30).

The transaction is accounted for as a share-based payment. The instrument was valued using a number of valuation techniques that included the Black-Scholes and discounted cash flow methods. Due to the uniqueness of the instrument, the mid-point of the range of valuations was used, arriving at a value of R8,50 per Standard Bank Group instrument at 4 October 2004, the grant date. In terms of IFRS 1, the group elected not to apply the provisions of IFRS 2 to equity-settled awards granted after 7 November 2002, but which had vested prior to 1 January 2005. The instruments relating to the Shanduka, Safika and the Community Trust vested on 4 October 2005 and are therefore not subject to IFRS 2. The instruments relating to the Standard Bank Black Managers' Trusts are accounted over the vesting period ending 31 December 2010, resulting in an annual expense, until 2010, of approximately R64 million (2006: R66 million). Liberty Life has applied similar principles and has accounted for an expense of R25 million (2006: R24 million).

On 20 December 2007 the group obtained external financing for a portion of the financing provided to the SPVs. As a result, the negative empowerment reserve has been reduced by the value of the external financing obtained of R1 billion and a proportion of the Standard Bank Group shares held by the SPVs (24 691 358 shares) are no longer deemed to be treasury shares for accounting purposes. As the transaction was concluded close to the end of the 2007 financial period, the impact on the weighted average number of shares in issue, for the calculation of earnings per share, was insignificant.

	2007 Rm	2006 Rm
17. Trading liabilities		
Listed	**8 745**	20 248
Unlisted	**24 985**	16 542
	33 730	36 790
17.1 Classification		
Government municipality and utility bonds	**8 929**	17 756
Corporate bonds	**2 655**	2 402
Listed equities	**3 825**	5 578
Unlisted equities	**1 086**	–
Other instruments	**17 235**	11 054
	33 730	36 790
Maturity analysis		
The maturity analysis is based on the remaining periods to contractual maturity from year end.		
– Repayable on demand	**310**	280
– Maturing within 1 month	**1 838**	3 284
– Maturing after 1 month but within 6 months	**4 583**	7 279
– Maturing after 6 months but within 12 months	**3 449**	5 545
– Maturing after 12 months	**12 255**	14 797
– Undated liabilities	**11 295**	5 605
	33 730	36 790
18. Deposit and current accounts		
Deposits from banks	**72 372**	51 093
– Deposits from banks and central banks	**65 701**	44 163
– Deposits from banks under repurchase agreements	**6 671**	6 930
Deposits from customers	**633 471**	494 071
– Current accounts	**71 698**	55 153
– Cash management deposits	**67 658**	61 902
– Call deposits	**155 319**	123 390
– Savings accounts	**22 706**	19 510
– Term deposits	**175 004**	141 558
– Negotiable certificates of deposit	**78 776**	55 538
– Repurchase agreements	**21 691**	11 440
– Securitisation issuances	**19 469**	14 321
– Other funding	**21 150**	11 259
Total deposit and current accounts	**705 843**	545 164

Deposit and current accounts were reduced by fair value adjustments of R1 275 million (2006: R250 million increase) relating to deposit and current accounts which were subject to specific hedging relationships and were therefore only fair valued for the risk subject to hedging.

	2007 Rm	2006 Rm
18. Deposit and current accounts (continued)		
Maturity analysis		
The maturity analysis is based on the remaining periods to contractual maturity from year end.		
– Repayable on demand	**305 862**	237 796
– Maturing within 1 month	**156 241**	125 631
– Maturing after 1 month but within 6 months	**93 662**	81 550
– Maturing after 6 months but within 12 months	**49 301**	36 982
– Maturing after 12 months	**100 777**	63 205
	705 843	545 164

	2007 %	2007 Rm	2006 %	2006 Rm
Segmental analysis – geographic area				
The following table sets out the distribution of the group's deposit and current accounts by geographic area. The geographic spread of deposit and current accounts within the various regions of South Africa closely follows the demographic and economic activities within the country.				
South Africa	**78**	**552 467**	77	417 703
Rest of Africa	**7**	**46 452**	6	34 208
Outside Africa	**15**	**106 924**	17	93 253
	100	**705 843**	100	545 164

	2007 Rm	2006 Rm
19. Current and deferred taxation liabilities		
Current taxation liability	3 068	1 528
Deferred taxation liability	6 581	6 352
	9 649	7 880
19.1 Deferred tax analysis		
Accrued interest	(2)	23
Assessed losses	–	(50)
Assets on lease	151	177
Capital gains tax	1 493	1 590
Credit impairment charges	(949)	(675)
Deferred acquisition costs	93	86
Deferred revenue liability	(27)	(21)
Depreciation	77	56
Derivatives	3 713	2 842
Fair value adjustments of financial instruments	263	498
Intangible asset – PVIF	323	373
Investment property surplus	838	785
Policyholder change in valuation basis	817	526
Post-retirement benefits	(457)	(418)
Secondary tax on companies	(121)	(94)
Share-based payments	(125)	(32)
Special transfer to life fund	(88)	(111)
Other differences	98	218
Deferred tax closing balance	6 097	5 773
Deferred taxation liability	6 581	6 352
Deferred taxation asset (note 10)	(484)	(579)
19.2 Deferred tax reconciliation		
Deferred tax at beginning of the year	5 773	4 213
Various categories of originating/(reversing) temporary differences for the year:	324	1 560
Accrued interest	(25)	1
Assessed losses	50	19
Assets on lease	(26)	(31)
Capital gains tax	(97)	571
Credit impairment charges	(274)	(116)
Deferred acquisition costs	7	4
Deferred revenue liability	(6)	(3)
Depreciation	21	(21)
Derivatives	871	670
Fair value adjustments of financial instruments	(235)	414
Intangible asset – PVIF	(50)	(48)
Investment property surplus	53	(21)
Policyholder change in valuation basis	291	110
Post-retirement benefits	(39)	(40)
Secondary tax on companies	(27)	(28)
Share-based payments	(93)	(26)
Special transfer to life fund	23	250
Other differences	(120)	(145)
Deferred tax at end of the year	6 097	5 773

	2007 Rm	2006 Rm
19. Current and deferred taxation liabilities (continued)		
19.2 Deferred tax reconciliation (continued)		
Temporary differences for the year comprise:		
Recognised directly in equity	**(5)**	210
Recognised in the income statement	**310**	1 360
Acquisitions	**11**	–
Exchange movements	**8**	(10)
	324	1 560

In 2007 a final ordinary dividend, in respect of the 2006 year, of 176,0 cents per share (2006: 145,0 cents per share), and final preference dividend of 412,31cents (2006: 370,52 cents per share) were declared, resulting in STC paid of R68 million (2006: R7 million). In addition, an interim ordinary distribution of 181,0 cents (2006: 144,0 cents), and interim preference dividend of 436,09 cents (2006: 366,12 cents) were declared. The 2007 interim distribution was declared from pure share premium, 24 cents, share premium sourced from past reserves, 76 cents, and distributable reserves, 81 cents, resulting in STC paid of R111 million (2006: Rnil million).

20. Other liabilities

20.1 Summary

	2007 Rm	2006 Rm
Trading settlement liabilities	**5 217**	4 645
Items in the course of transmission	**2 100**	666
Provision for post-retirement benefits (note 20.2)	**1 532**	1 101
Third party liabilities arising on consolidation of mutual funds	**8 040**	8 559
Operating leases – accrued expense (note 9)	**238**	252
Cash-settled share-based payment liability	**303**	250
Insurance payables	**3 994**	4 454
Staff-related provisions	**3 394**	2 716
Other liabilities	**12 448**	11 680
	37 266	34 323

20.2 Provision for post-retirement benefits

	2007 Rm	2006 Rm
Balance at beginning of the year	**1 101**	1 086
Net provision raised	**431**	15
Balance at end of the year	**1 532**	1 101

Details on post-retirement benefits are provided in note 37 on pages 264 to 271.

21. Policyholders' liabilities

	2007 Rm	2006 Rm
Policyholders' liabilities under insurance contracts	**134 905**	124 594
Insurance contracts (note 21.1)	**131 552**	122 875
Investment contracts with DPF (note 21.1)	**3 353**	1 719
Policyholders' liabilities on investment contracts (note 21.2)	**51 232**	44 304
	186 137	168 898

21. Policyholders' liabilities (continued)

21.1 Policyholders' liabilities under insurance contracts and reinsurance assets

	2007 Insurance contracts Rm	2007 Investment contracts with DPF Rm	2007 Reinsurance assets[1] Rm	2006 Insurance contracts Rm	2006 Investment contracts with DPF Rm	2006 Reinsurance assets[1] Rm
Balance at beginning of the year	122 875	1 719	(1 065)	102 439	1 540	(946)
Reduction through business disposal	(162)		162			
Reclassification of mortgages and loans				(1 163)		
Inflow	38 421	1 843	(690)	46 646	548	(786)
Insurance premiums	22 334	1 375	(693)	20 763	80	(777)
Investment returns	16 047	468	3	25 834	468	(9)
Unwinding of discount rate	651		32	(251)		56
Investments	15 396	468	(29)	26 085	468	(65)
Equity accounted earnings from joint ventures	40			49		
Outflows	(27 778)	(202)	600	(23 760)	(335)	594
Claims and policyholders' benefits	(20 576)	(163)	610	(16 767)	(292)	578
Claims and policyholders' benefits under insurance contracts	(20 576)	(311)	610	(16 767)	(119)	578
Switches between investment with DPF and investment without DPF		148			(173)	
Acquisition costs associated with insurance contracts	(2 543)	(9)		(2 195)	(7)	
General marketing and administration expenses	(2 763)	(27)		(2 712)	(20)	
Preference dividend	(274)			(184)		
Finance costs	(7)			(10)		
Taxation	(1 615)	(3)	(10)	(1 892)	(16)	16
Net income from insurance operations	(1 804)	(7)	173	(1 287)	(34)	73
Changes in estimates	(809)		32	399		
Planned margins and other variances	(1 334)	(9)	198	(1 980)	(48)	93
New business	(349)			(345)		
Shareholder taxation on transfer of net income	688	2	(57)	639	14	(20)
Balance at end of the year	131 552	3 353	(820)	122 875	1 719	(1 065)

[1]*Reinsurance assets are included in insurance prepayments and reinsurance assets under other assets (note 11) on page 223.*

21. Policyholders' liabilities (continued)

21.2 Policyholders' liabilities under investment contracts

	2007 Rm	2006 Rm
Balance at beginning of the year	**44 304**	36 856
Additions through business acquisition	**131**	–
Reduction through business disposal	**(38)**	–
Reclassification of mortgages and loans	**–**	(93)
Inflow	**18 365**	16 290
Fund Inflow from investment contracts (excluding switches)	**11 736**	7 835
Investment returns	**6 629**	8 455
Fair value adjustment prior to deferred taxation on investment property	**6 332**	8 272
Policyholder taxation on investment returns	**34**	40
Expenses applied to investment returns	**263**	143
Outflows	**(11 370)**	(8 602)
Fund outflows from investment contracts	**(10 330)**	(7 794)
Payments under investment contracts (excluding switches)	**(10 182)**	(7 967)
Switches between investment with DPF and investment without DPF	**(148)**	173
Expenses	**(874)**	(707)
General marketing and administration expenses	**(699)**	(494)
Acquisition costs associated with investment contracts	**(172)**	(211)
Finance costs	**(3)**	(2)
Taxation	**(151)**	(90)
Movement in deferred revenue liability	**(15)**	(11)
Net income from investment contracts	**(160)**	(147)
Service fee income	**(837)**	(764)
Expenses	**874**	707
Expenses applied to investment returns	**(263)**	(143)
Shareholder taxation on transfer of net income	**66**	53
Balance at end of the year	**51 232**	44 304
Comprising:		
Investment contracts	**51 428**	44 450
Total deferred taxation applicable to fair value adjustments on investment property	**(196)**	(146)

	Carrying value 2007 Rm	Notional value 2007 Rm	Carrying value 2006 Rm	Notional value 2006 Rm
22. Subordinated debt				
Unsecured, subordinated, redeemable bonds				
Qualifying as secondary capital in terms of applicable banking legislation:	**16 876**	**16 538**	14 515	14 177
Redeemable in 2013[1]	**57**	**57**	58	58
Redeemable in 2013 (SBK 3)[2]	**2 054**	**2 000**	2 072	2 000
Redeemable in 2014[3]	**691**	**681**	714	705
Redeemable in 2015[4]	**1 722**	**1 703**	1 783	1 761
Redeemable in 2015[5]	**36**	**35**	36	35
Redeemable in 2016 (SBK 5)[6]	**2 069**	**2 000**	2 080	2 000
Redeemable in 2016[7]	**1 406**	**1 362**	1 468	1 409
Redeemable in 2016[8]	**58**	**57**	60	59
Redeemable in 2016[9]	**150**	**150**	150	150
Redeemable in 2017[10]	**2 464**	**2 418**		
Redeemable in 2017[11]	**75**	**75**		
Redeemable in 2018 (SBK 8)[12]	**1 528**	**1 500**	1 528	1 500
Redeemable in 2020 (SBK 7)[13]	**3 037**	**3 000**	3 037	3 000
Redeemable in 2023 (SBK 9)[14]	**1 529**	**1 500**	1 529	1 500
Qualifying as tertiary capital in terms of applicable banking legislation:	**1 883**	**1 879**	901	882
Redeemable in 2007 (SBK 6)[15]			616	600
Redeemable in 2007[16]			285	282
Redeemable in 2009[17]	**341**	**341**		
Redeemable in 2009[18]	**238**	**238**		
Redeemable in 2009[19]	**1 000**	**1 000**		
Redeemable in 2012 (SBK 10)[20]	**304**	**300**		
Qualifying as secondary capital for the insurance activities[21]	**2 054**	**2 000**	2 054	2 000
Total subordinated bonds	**20 813**	**20 417**	17 470	17 059
Subordinated loans				
Qualifying as secondary capital in terms of applicable banking legislation:				
Repayable in 2016[22]	**56**	**54**		
Repayable in 2016[23]	**21**	**20**	21	21
Repayable in 2016[24]	**78**	**75**	79	78
Total subordinated loans	**155**	**149**	100	99
Total subordinated debt	**20 968**	**20 566**	17 570	17 158

The difference between the carrying and notional value represents accrued interest together with the unamortised fair value adjustments relating to bonds hedged for interest rate risk.

[1] *Bonds issued in Botswana Pula (BP50 million) and paying interest at a floating rate equal to 125 basis points over three-month Botswana Certificates. The bonds convert into preference shares in the event that Stanbic Bank Botswana eliminates its net worth. After 12 December 2008, the bonds bear interest equal to 200 basis points over three-month Botswana Certificates, until maturity on 12 December 2013.*

[2] *11,25% bonds issued in Rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal value on 31 October 2008 or on any interest payment date thereafter. After this option date, the bonds bear interest equal to a floating average mid-market yield rate per annum for three-month ZAR deposits plus 209 basis points, until maturity on 31 October 2013.*

[3] *Bonds issued in US Dollars (USD100 million) bearing interest from issue date, 14 July 2004, to 15 July 2009 at a floating rate equal to the aggregate of 2,5% per annum and the offered rate for three-month US Dollar deposits in the London interbank market. The bonds carry an option to be redeemed in full at their nominal value on or after 15 July 2009. After this option date, the bonds bear interest at a rate per annum equal to the aggregate of 3% per annum and the offered rate for three-month US Dollar deposits in the London interbank market, until maturity on 14 July 2014.*

[4] *Bonds issued in US Dollars (USD250 million) bearing interest from issue date, 7 October 2005, to 8 October 2010 at a floating rate equal to the aggregate of 1,15% per annum and the offered rate for three-month US Dollar deposits in the London interbank market. From 8 October 2010 to 7 October 2015, the date of their redemption, these bonds bear interest at a rate per annum equal to the aggregate of 1,65% per annum and the offered rate for three-month US Dollar deposits in the London interbank market. The issuer may, on 8 October 2010 or on any subsequent interest payment date, redeem in full, the notes at their nominal value.*

[5] *Bonds issued in Swaziland Emalangeni (E35 million) bearing interest from issue date, 15 September 2005, to 15 September 2010 at a fixed rate of 9,73% per annum. From 15 September 2010 to 15 September 2015, the date of their redemption, they bear interest at a floating rate per annum determined by the calculation agent. The issuer may, on 15 September 2010 or on any subsequent interest payment date, redeem in full, the notes at their principal value.*

[6] *9,5% bonds issued in Rands and paying a fixed annual coupon. The bonds carry an option to be called at their nominal value on 17 November 2011 or on any interest payment date thereafter. After this option date, the bonds bear interest equal to a three-month floating Johannesburg interbank agreed rate plus 162 basis points, until maturity on 17 November 2016.*

[7] *Bonds issued in US Dollars (USD200 million) bearing interest from issue date, 27 July 2006, to 26 July 2016 at a fixed rate equal to 8,012% per annum. Thereafter the rates will bear interest at a rate reset quarterly of 3,25% per annum above the London interbank offered rate for three-month US Dollar deposits payable quarterly in arrears. The issuer may at its option redeem the notes on 27 July 2016 or any interest payment date thereafter.*

[8] *Bonds issued in Botswana Pula (BP50 million) and bearing interest from issue date, 1 June 2006, to 31 May 2011 at a floating rate equal to 50 basis points over three-month Botswana Certificates. After this option date, these bonds bear interest at a rate per annum equal to 125 basis points over three-month Botswana Certificates, until maturity on 1 June 2016.*

[9] *Bonds issued in Namibian Dollars (ND150 million) and bearing interest from issue date, 20 November 2006, to 19 November 2011 at a fixed rate equal to 9,74%. After this option date, these bonds bear interest equal to a three-month floating Johannesburg interbank agreed rate plus 246 basis points, until maturity on 20 November 2016.*

[10] *Bonds issued in US Dollars (USD355 million) redeemable on 31 July 2017, divided into two categories:*

"A" – USD230 million bearing interest at 6,44% semi-annually, switching to floating three-month London interbank offer rate plus 188 basis points on 31 July 2012.

"B" – USD125 million at the three-month London interbank offer rate plus 88 basis points until 31 July 2012. Thereafter bearing interest at London interbank offer rate plus 188 basis points.

[11] *Bonds issued in Moçambique Metical (MZN260 million) carrying interest at a floating rate equal to the weighted average of the last six issues of treasury bills maturing between 60 or more days, plus 0,5%. Interest is payable quarterly, until maturity on 29 June 2017.*

[12] *8,20% bonds issued in Rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal value on 10 April 2013 or on any interest payment date thereafter. After this option date, the bonds bear interest equal to a three-month floating Johannesburg interbank agreed rate plus 150 basis points, until maturity on 10 April 2018.*

[13] *9,63% bonds issued in Rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal value on 24 May 2015 or on any interest payment date thereafter. After this option date, the bonds bear interest equal to a three-month floating Johannesburg interbank agreed rate, until maturity on 24 May 2020.*

[14] *8,40% bonds issued in Rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal value on 10 April 2018 or on any interest payment date thereafter. After this option date, the bonds bear interest equal to a three-month floating Johannesburg interbank agreed rate plus 168 basis points, until maturity on 10 April 2023.*

[15] *7,7% bonds issued in Rands and paying a fixed semi-annual coupon. SBSA is entitled to defer the due date for payment of any principal or interest in respect of the bonds if so required by the Registrar of Banks. Such deferment would be subject to conditions prescribed by the Registrar of Banks. The bonds were redeemed on 1 March 2007.*

[16] *Bonds issued in US Dollars (USD40 million) at a floating rate equal to the aggregate of 1,5% per annum and the offered rate for US Dollar deposits in the London interbank market. The bonds were redeemed on 15 April 2007.*

[17] *Bonds issued in US Dollars (USD50 million) at a floating rate equal to the aggregate of 1,85% per annum and the London interbank offer rate for three-month US Dollar deposits, until maturity on 13 December 2009.*

[18] *Bonds issued in US Dollars (USD35 million) at a floating rate equal to the aggregate of 2% per annum and the London interbank offer rate for three-month US Dollar deposits, until maturity on 27 December 2009.*

[19] *Bonds issued in Euros (Euro100 million) at a floating rate equal to the aggregate of 4% per annum and the interbank offered rate for three-month Euro deposits. The bonds are redeemable in full on 29 December 2009 or on any interest payment date thereafter.*

[20] *Bonds issued in Rands at a floating rate equal to the three-month Johannesburg interbank agreed rate plus 67,5 basis points. The bonds are redeemable on 19 November 2012.*

[21] *8,93% bonds issued in Rands and paying fixed semi-annual coupon. The bonds carry an option to be called at their nominal value in September 2012 by Liberty Life. After this option date, the coupon switches to a three-month floating Johannesburg interbank agreed rate plus 186 basis points payable quarterly, until maturity on 12 September 2017.*

[22] *Loan issued in Ghana in US Dollars (USD8 million) paying interest at the aggregate of 2,25% per annum and the offered rate for US Dollar deposits in the London interbank market. The loan is repayable in full on 30 September 2016.*

[23] *Loan issued in Tanzania in US Dollars (USD3 million) paying interest at the aggregate of 2,5% per annum, until the fifth anniversary of the disbursement and 3,5% thereafter, and the offered rate for US Dollar deposits in the London interbank market. The loan is repayable in full on 15 September 2016.*

[24] *Loan issued in Zambia in US Dollars (USD11 million) paying interest at the aggregate of 3% per annum, until the fifth anniversary of the disbursement and 4% thereafter, and the offered rate for US Dollar deposits in the London interbank market. The loan is repayable in full on 15 September 2016.*

23. Classification of assets and liabilities

Accounting classifications and fair values

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

	Note	Held for trading Rm	Designated at fair value Rm	Held-to-maturity Rm
2007				
Assets				
Cash and balances with central banks	3			
Derivative assets	4	118 343		
Trading assets	5	78 655		
Pledged assets	6	858	6 613	
Financial investments	7		228 148	343
Loans and advances to banks	8	28	3 167	
Loans and advances to customers	8	15 522	36 542	
Interest in associates and joint ventures	12		10 297	
Other non-financial assets				
		213 406	284 767	343
Liabilities				
Derivative liabilities	4	120 046		
Trading liabilities	17	33 730		
Deposits from banks	18		14 629	
Deposits from customers	18	25 810	94 148	
Policyholders' liabilities	21		186 137	
Subordinated debt	22			
Other non-financial liabilities[2]			8 040	
		179 586	302 954	
2006				
Assets				
Cash and balances with central banks	3			
Derivative assets	4	100 832		
Trading assets	5	79 344		
Pledged assets	6	2 225	5 093	
Financial investments	7		204 058	939
Loans and advances to banks	8		286	
Loans and advances to customers	8	4 960	34 001	
Interest in associates and joint ventures	12		7 157	
Other non-financial assets				
		187 361	250 595	939
Liabilities				
Derivative liabilities	4	103 122		
Trading liabilities	17	36 790		
Deposits from banks	18	1 845	7 342	
Deposits from customers	18	6 258	74 317	
Policyholders' liabilities	21		168 898	
Subordinated debt	22			
Other non-financial liabilities[2]			8 559	
		148 015	259 116	

[1]*Carrying value has been used where it closely approximates fair value.*

[2]*Included in other non-financial liabilities designated at fair value are third party liabilities arising on consolidation of mutual funds.*

Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/liabilities Rm	Total carrying amount Rm	Fair value[1] Rm
20 618				20 618	20 618
				118 343	118 343
				78 655	78 655
	118			7 589	7 589
5 650	11 211			245 352	245 352
95 436				98 631	98 605
496 086				548 150	548 235
			1 996	12 293	12 359
			52 444	52 444	
617 790	11 329		54 440	1 182 075	
				120 046	120 046
				33 730	33 730
		57 743		72 372	72 372
		513 513		633 471	635 015
				186 137	186 137
		20 968		20 968	20 531
			38 875	46 915	
		592 224	38 875	1 113 639	
14 343				14 343	14 343
				100 832	100 832
				79 344	79 344
4	460			7 782	7 844
6 550	4 670			216 217	216 217
89 499				89 785	89 818
373 773				412 734	412 734
			1 427	8 584	8 604
			38 834	38 834	
484 169	5 130		40 261	968 455	
				103 122	103 122
				36 790	36 790
		41 906		51 093	51 093
		413 496		494 071	494 071
				168 898	168 898
		17 570		17 570	17 616
			33 644	42 203	
		472 972	33 644	913 747	

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

24.1 Loans and advances

The group's maximum exposure to credit risk for loans and advances designated at fair value through profit or loss is R39 709 million (2006: R34 287 million). No credit derivatives were used to mitigate credit risk on these instruments.

The change in fair value of the loans and advances designated at fair value through profit or loss attributable to changes in credit risk amounts to R474 million (2006: R307 million).

The change in fair value of the designated loans and advances attributable to changes in credit risk is determined as the amount of change in fair value that is not attributable to changes in market conditions.

24.2 Financial liabilities

The change in fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in credit risk amounts to R10 million (2006: Rnil).

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

The amount the group would contractually pay at maturity for financial liabilities designated at fair value through profit or loss amounts to R114 563 million (2006: R87 155 million), R5 786 million (2006: R5 496 million) higher than the carrying amount. This does not include policyholders' liabilities of R186 137 million (2006: R168 898 million) and third party liabilities arising on consolidation of mutual funds of R8 040 million (2006: R8 559 million).

	2007 Rm	2006 Rm
25. Contingent liabilities and capital commitments		
25.1 Contingent liabilities		
Letters of credit	**14 299**	9 133
Guarantees	**31 916**	23 367
Irrevocable unutilised facilities	**47 172**	51 436
	93 387	83 936
No material losses are anticipated as a result of these transactions.		
25.2 Capital commitments		
Contracted capital expenditure	**161**	309
Capital expenditure authorised but not yet contracted	**4 156**	1 682
	4 317	1 991

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

	2007 Rm	2006 Rm
25. Contingent liabilities and capital commitments (continued)		
25.3 Operating lease commitments		
The future minimum payments under non-cancellable operating leases are as follows:		
Properties		
Within 1 year	**785**	555
After 1 year but within 5 years	**1 911**	1 103
After 5 years	**253**	394
	2 949	2 052
Equipment		
Within 1 year	**68**	41
After 1 year but within 5 years	**74**	56
After 5 years	**2**	2
	144	99

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

26. Supplementary income statement information

26.1 Interest income

	2007 Rm	2006 Rm
Interest on loans and advances and short-term funds	**59 836**	43 693
Interest on investments	**2 893**	972
Unwinding of discount element of credit impairments for loans and advances (note 8.3)	**444**	269
Fair value adjustments on dated financial instruments	**(978)**	701
Dividends on dated securities	**1 346**	932
	63 541	46 567

All interest income reported above relates to financial assets not carried at fair value through profit or loss, except for R10 354 million (2006: R7 260 million) on financial assets that are at fair value through profit or loss.

26.2 Interest expense

	2007 Rm	2006 Rm
Current accounts	**565**	359
Savings and deposit accounts	**6 446**	4 633
Foreign finance creditors	**1 592**	815
Subordinated debt	**1 708**	1 097
Other interest-bearing liabilities	**30 681**	23 009
	40 992	29 913

All interest expense reported above relates to financial liabilities not carried at fair value through profit or loss, except for R11 310 million (2006: R7 924 million) on financial liabilities that are at fair value through profit or loss.

	2007 Rm	2006 Rm
26. Supplementary income statement information (continued)		
26.3 Fee and commission revenue		
Account transaction fees	**5 506**	5 018
Card based commission	**3 119**	2 680
Knowledge based fees and commission	**2 425**	1 388
Electronic banking	**1 277**	1 216
Insurance – fees and commission	**1 130**	880
Foreign currency service fees	**769**	657
Documentation and administration fees	**767**	369
Trust and other management fees	**279**	396
Other	**1 266**	794
	16 538	13 398
All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.		
26.4 Fee and commission expense		
Account transaction fees	**267**	221
Card based commission	**641**	538
Knowledge based fees and commission	**297**	94
Electronic banking fees	**324**	324
Insurance – fees and commission	**355**	296
Documentation and administration fees	**47**	45
Other bank-related fees and commission	**96**	55
	2 027	1 573
All fee and commission expenses reported above relates to financial assets or liabilities not carried at fair value through profit or loss.		
26.5 Trading revenue		
Foreign exchange	**2 614**	2 014
Debt securities	**2 484**	1 480
Commodities	**1 515**	1 078
Equities	**444**	290
Other	**159**	(10)
	7 216	4 852
Interest and dividend income included in trading revenue:		
Net interest income	**1 819**	618
Dividend income	**364**	322
	2 183	940
26.6 Other revenue		
Banking and other	**110**	396
Property-related revenue	**584**	743
Insurance – underwriting and bancassurance profit	**961**	769
Profit on realisation of undated available-for-sale financial assets[1]	**559**	198
Net gains on financial instruments designated at fair value through profit or loss	**762**	382
Net gains on disposal of other financial assets or liabilities	**44**	–
	3 020	2 488

[1] *R459 million (2006: R157 million) of the profit on realisation of undated available-for-sale financial assets relates to capital profit on realisation of MasterCard shares.*

	2007 Rm	2006 Rm

26. Supplementary income statement information (continued)

26.7 Net insurance premiums

	2007 Rm	2006 Rm
Insurance premiums	23 709	20 843
Reinsurance premiums	(693)	(777)
	23 016	20 066

26.8 Investment income and gains

	2007 Rm	2006 Rm
Investment income	10 807	9 642
Investment gains	14 169	27 926
	24 976	37 568
Comprising:		
Investment income	10 807	9 642
Interest income[1]	6 279	5 036
Dividends received	2 589	2 630
Listed shares	2 022	2 223
Unlisted instruments	402	295
Manufactured dividends on scrip lending	165	112
Rental income from investment property	1 339	1 416
Hotel operations sales	597	506
Scrip lending fees	19	8
Sundry (expense)/income	(16)	46
Investment gains	14 169	27 926
Investment property	1 745	1 207
Financial instruments held at fair value through profit or loss	12 579	25 206
Cash and cash equivalents	12	362
Foreign exchange differences on subsidiaries	18	10
Consolidated mutual funds	(185)	1 141
	24 976	37 568

[1]*Included in interest income is proceeds on the sale of rights to dividends of R563 million (2006: Rnil million).*

26.9 Credit impairment charges

	2007 Rm	2006 Rm
Net credit impairments raised for loans and advances	4 877	2 940
Recoveries on loans and advances previously written off	(287)	(207)
	4 590	2 733
Comprising:		
Net credit impairment charges for non-performing loans (note 8.3)	3 764	2 022
Credit impairment charges for non-performing loans	4 051	2 229
Recoveries on loans and advances previously written off	(287)	(207)
Credit impairment charges for performing loans (note 8.3)	826	711
	4 590	2 733

	2007 Rm	2006 Rm
26. Supplementary income statement information (continued)		
26.10 Net insurance benefits and claims		
Claims and policyholders' benefits under insurance contracts	20 739	17 059
Insurance claims recovered from reinsurers (note 21.1)	(610)	(578)
	20 129	16 481
Change in policyholder liabilities under insurance contracts	10 554	21 659
Insurance contracts	8 838	21 599
Investment contracts with DPF	1 634	179
Reinsurance assets	82	(119)
	30 683	38 140
26.11 Staff costs – banking activities		
Salaries and allowances	14 226	10 776
Equity-linked transactions	262	225
Group equity compensation plans	198	159
Group equity participation plans (note 16)	64	66
	14 488	11 001
26.12 Acquisition costs		
Insurance contracts	2 552	2 202
Investment contracts	172	211
Asset management	170	–
	2 894	2 413
Comprising:		
Incurred during the year	2 911	2 423
Deferred acquisition costs	(203)	(174)
Amortisation and impairment of deferred acquisition costs	186	164
	2 894	2 413
26.13 Other operating expenses		
Banking activities	10 218	8 104
Information technology	2 109	1 707
Communication	993	799
Premises	1 873	1 571
Other	5 243	4 027
Investment management and life insurance activities	4 529	4 073
Employee costs	1 567	1 447
Office costs	1 163	916
Training and development costs	268	216
Other	1 531	1 494
	14 747	12 177

	2007 Rm	2006 Rm
26. Supplementary income statement information (continued)		
26.13 Other operating expenses (continued)		
The following disclosable items are included in other operating expenses:		
Amortisation – intangible assets	**289**	263
Auditors' remuneration	**132**	120
Audit fees		
– Current year	**110**	91
– Prior year	**–**	7
Fees for other services	**22**	22
Depreciation (note 14.2)	**1 126**	925
Property		
– Freehold	**30**	19
– Leasehold	**28**	26
Equipment		
– Computer equipment	**695**	570
– Motor vehicles	**111**	115
– Office equipment	**49**	44
– Furniture and fittings	**213**	151
Impairments	**36**	9
Property and equipment (note 14.2)	**10**	9
Intangible assets (note 13.2)	**26**	–
Profit on sale of businesses and divisions	**(6)**	(374)
Operating lease charges	**1 138**	900
Properties	**1 110**	827
Equipment	**28**	73
Professional fees	**1 393**	1 244
Managerial	**340**	351
Technical and other	**1 053**	893
Profit on sale of property and equipment	**(61)**	(53)
Defined benefit pension fund employer surplus	**(162)**	–
Recoveries on motor vehicle disposals	**(24)**	(23)
Restructuring costs	**179**	112
26.14 Goodwill (gain)/impairment		
Negative goodwill recognised on acquisition	**(382)**	–
Goodwill impairment recognised on acquisition (note 13.1)	**12**	–
Negative goodwill recognised on acquisition	**(394)**	–
Goodwill impairment charge on subsidiaries (note 13.1)	**6**	15
	(376)	15

	2007 Rm	2006 Rm
27. Emoluments of Standard Bank Group directors		
Executive directors		
Emoluments of directors in respect of services rendered[1]:		
While directors of Standard Bank Group		
– as directors of subsidiary companies[2]	18	20
– otherwise in connection with the affairs of Standard Bank Group or its subsidiaries[2]	14	11
Non-executive directors		
Emoluments of directors in respect of services rendered:		
As directors of Standard Bank Group	7	6
While directors of Standard Bank Group		
– as directors of subsidiary companies	7	6
– otherwise in connection with the affairs of Standard Bank Group or its subsidiaries	4	–
Pensions of past directors	1	1
	51	44

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

Details of directors' emoluments are given on pages 43 and 44.

	2007 Rm	2006 Rm
28. Taxation		
Indirect taxation (note 28.1)	1 185	841
Direct taxation (note 28.2)	6 232	5 852
	7 417	6 693
28.1 Indirect taxation		
Regional services council levies	–	77
Value added tax	965	670
Duties	38	8
Financial services levy	10	10
Skills development levy	70	60
Other indirect taxes	102	16
	1 185	841

	2007 Rm	2006 Rm

28. Taxation (continued)

28.2 Direct taxation

	2007 Rm	2006 Rm
Current year	**6 473**	6 074
– South African normal tax	**3 965**	2 953
– South African deferred tax	**516**	1 099
– Normal secondary tax on companies	**465**	409
– Deferred secondary tax on companies	**(27)**	(28)
– Foreign normal and withholding tax	**1 029**	634
– Foreign deferred tax	**(22)**	(92)
– Retirement fund tax	**(1)**	176
– Capital gains tax – current	**601**	352
– Capital gains tax – deferred	**(53)**	571
Prior years	**(205)**	3
– South African normal tax	**(87)**	13
– South African deferred tax	**(19)**	19
– Capital gains tax – current	**–**	(50)
– Capital gains tax – deferred	**(32)**	–
– Foreign normal and withholding tax	**(9)**	20
– Foreign deferred tax	**(58)**	1
	6 268	6 077
Charged directly to equity	**(36)**	(225)
Deferred tax	**5**	(210)
Current tax	**(41)**	(15)
Direct taxation per the income statement	**6 232**	5 852

Future tax relief

The group has no estimated tax losses which are available for set-off against future taxable income (2006: R172 million).

28. Taxation (continued)

28.2 Direct taxation (continued)

	2007 %	2006 %
Rate reconciliation including indirect and direct tax		
The total tax charge for the year as a percentage of net income before indirect tax	**31**	35
Value added tax	**(4)**	(4)
Duties and skills development levy	**(1)**	–
Secondary tax on companies	**(2)**	(2)
Foreign tax	**–**	(1)
Tax on policyholder funds:		
– Normal tax	**(2)**	(2)
– Retirement fund tax	**–**	(1)
– Capital gains tax	**(2)**	(4)
The direct tax charge for the year as a percentage of profit before tax	**20**	21
Tax relating to prior years	**1**	–
Net tax charge	**21**	21
The charge for the year has been reduced/(increased) as a consequence of:		
– Dividends received	**4**	4
– Other non-taxable income	**3**	6
– Other permanent differences	**1**	(2)
Standard rate of South African tax	**29**	29
Direct taxation		
Rate reconciliation including direct taxation		
The direct taxation charge for the year as a percentage of profit before direct taxation	**27**	32
Secondary tax on companies	**(2)**	(2)
Capital gains tax	**–**	(1)
Foreign tax	**–**	(1)
Tax on policyholder funds:		
– Normal tax	**(2)**	(2)
– Retirement fund tax	**–**	(1)
– Capital gains tax	**(2)**	(4)
Tax relating to prior years	**1**	–
Net tax charge	**22**	21
The charge for the year has been reduced/(increased) as a consequence of:		
– Dividends received	**4**	4
– Other non-taxable income	**3**	7
– Other permanent differences	**–**	(3)
Standard rate of South African tax	**29**	29

	2007				2006			
	Gross Rm	**Tax Rm**	**Minorities and preference share-holders Rm**	**Net Rm**	Gross Rm	Tax Rm	Minorities and preference share-holders Rm	Net Rm

29. Headline earnings

	2007 Gross Rm	2007 Tax Rm	2007 Minorities and preference shareholders Rm	2007 Net Rm	2006 Gross Rm	2006 Tax Rm	2006 Minorities and preference shareholders Rm	2006 Net Rm
Profit attributable to ordinary shareholders	**22 804**	**(6 232)**	**(2 921)**	**13 651**	18 362	(5 852)	(1 992)	10 518
Headline adjustable items (reversed)/added	**(966)**	**32**	**4**	**(930)**	(601)	14	257	(330)
Goodwill (gain)/impairment – IFRS 3	**(376)**			**(376)**	15			15
Profit on sale of property and equipment – IAS 16	**(61)**	**12**		**(49)**	(53)	3		(50)
Impairment of property and equipment – IAS 16	**10**	**(3)**		**7**	9	(2)		7
Gains on the disposal of businesses and divisions – IAS 27	**(6)**		**4**	**(2)**	(374)		257	(117)
Impairment of intangible assets – IAS 38	**26**	**(6)**		**20**				
Fair value gains on available-for-sale assets – IAS 39	**(559)**	**29**		**(530)**	(198)	13		(185)
Profit on sale of MasterCard	**(459)**	**13**		**(446)**	(157)	4		(153)
Other	**(100)**	**16**		**(84)**	(41)	9		(32)
Standard Bank Group headline earnings	**21 838**	**(6 200)**	**(2 917)**	**12 721**	17 761	(5 838)	(1 735)	10 188

Headline earnings is calculated in accordance with Circular 8/2007. The circular allows the inclusion in headline earnings of any gains or losses recognised by life insurers on all the fair value gains and losses of investment property. The circular also allows the inclusion in headline earnings on any sale of private equity joint ventures or associates held by a banking institution. These associates are ring-fenced, refer to Annexure C on page 286 for the required disclosure in terms of the circular.

30. Earnings per share

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

	2007	2006
Earnings based on weighted average shares in issue		
Headline earnings (Rm)	**12 721**	10 188
Earnings attributable to ordinary shareholders (Rm)	**13 651**	10 518
Weighted average number of ordinary shares in issue (number of shares)		
Weighted average number of ordinary shares in issue before adjustment	**1 369 222 915**	1 358 415 014
Adjusted for shares issued in terms of the Tutuwa initiative	**(98 378 426)**	(99 190 197)
Adjusted for deemed treasury shares held on behalf of policyholders	**(39 884 415)**	(42 537 769)
	1 230 960 074	1 216 687 048
Headline earnings per share (cents)	**1 033,4**	837,4
Basic earnings per share (cents)	**1 109,0**	864,5

	2007	2006
30. Earnings per share (continued)		
Diluted earnings		
Weighted average number of ordinary shares in issue (number of shares)	1 230 960 074	1 216 687 048
Adjusted for the following potential dilution:		
Standard Bank Group Share Incentive Scheme	15 729 951	19 196 558
Standard Bank Equity Growth Scheme	3 264 070	2 804 338
Tutuwa	57 458 641	43 790 330
– Tutuwa consortium and Community Trust	35 754 000	28 517 983
– Black Managers' Trust	21 704 641	15 272 347
Diluted weighted average number of ordinary shares in issue (number of shares)	1 307 412 736	1 282 478 274
Diluted headline earnings per share (cents)	973,0	794,4
Diluted earnings per share (cents)	1 044,1	820,1

31. Distributions

Ordinary shares

	2007	2006
Dividend No. 75 of 176,0 cents per share (2006: 145,0 cents per share), paid on 16 April 2007 to shareholders registered on 13 April 2007	2 408	1 969
Distribution No. 76 of 181,0 cents per share (2006: 144,0 cents per share), paid on 17 September 2007 to shareholders registered on 14 September 2007	2 482	1 959
	4 890	3 928

A final dividend No. 77 of 205,0 cents per share, payable on 14 April 2008, was declared to shareholders, registered on 11 April 2008, bringing the total distributions declared in respect of 2007 to 386,0 cents per share (2006: 320,0 cents).

Preference shares

	2007	2006
6,5% first cumulative preference shares:		
Dividend No. 75 of 3,25 cents per share (2006: 3,25 cents), paid on 2 April 2007 to shareholders registered on 30 March 2007	–	–
Dividend No. 76 of 3,25 cents per share (2006: 3,25 cents), paid on 10 September 2007 to shareholders registered on 7 September 2007	–	–
Non-redeemable, non-cumulative, non-participating preference shares:		
Dividend No. 5 of 412,31 cents per share (2006: 370,52 cents), paid on 2 April 2007 to shareholders registered on 30 March 2007	219	111
Dividend No. 6 of 436,09 cents per share (2006: 366,12 cents), paid on 10 September 2007 to shareholders registered on 7 September 2007	231	158
	450	269

6,5% first cumulative preference shares dividend No. 77 of 3,25 cents per share (2006: 3,25 cents), payable on 7 April 2008, was declared to shareholders registered on 4 April 2008.

Non-redeemable, non-cumulative, non-participating preference shares dividend No. 7 of 482,03 cents per share (2006: 412,31 cents), payable on 7 April 2008, was declared to shareholders registered on 4 April 2008.

	2007 Rm	2006 Rm

32. Cash flow statement notes

32.1 Reconciliation of net income before goodwill to cash flows from operating activities

	2007 Rm	2006 Rm
Net income before goodwill	23 258	18 943
Adjusted for:		
Bond hedging relationships	(160)	(29)
Amortisation of intangible assets (note 26.13)	289	263
Credit impairment charges on loans and advances (note 26.9)	4 590	2 733
Defined benefit pension fund employer surplus (note 26.13)	(162)	–
Depreciation – property and equipment (note 26.13)	1 126	925
Discount element recognised from credit impairments for loans and advances (note 26.1)	(444)	(269)
Dividends from associates (note 12)	348	85
Equity-settled share-based payments	253	225
Fair value adjustments on dated financial instruments (note 26.1)	978	(701)
Impairment losses (note 26.13)	36	9
Indirect taxation (note 28.1)	(1 185)	(841)
Investment gains due to policyholders	(14 151)	(27 821)
Investment gains attributable to third party mutual fund liabilities	189	1 480
Profit on sale of businesses and divisions (note 26.13)	(6)	(374)
Net fund flows after service fees on policyholder investment contracts	554	(735)
Policyholders' liability transfers	16 837	29 935
Profit on sale of property and equipment (note 26.13)	(61)	(53)
Recoveries on motor vehicle disposals (note 26.13)	(24)	(23)
Provision for post-retirement benefits (note 20.2)	431	15
Other	(2)	(4)
Net cash flows from operating activities	**32 694**	23 763

32.2 Cash receipts from customers

	2007 Rm	2006 Rm
Interest income	68 875	50 703
Fee and commission revenue	14 511	11 825
Trading and other revenue	10 465	35 990
	93 851	98 518

32.3 Cash paid to customers, employees and suppliers

	2007 Rm	2006 Rm
Interest expense	(41 384)	(30 128)
Total operating expenses (including indirect tax expense)	(24 189)	(48 596)
	(65 573)	(78 724)

32.4 Dividends received

	2007 Rm	2006 Rm
Dividends from investment securities and preference shares	4 068	3 884
Dividends from associates	348	85
	4 416	3 969

	2007 Rm	2006 Rm
32. Cash flow statement notes (continued)		
32.5 Increase in income-earning assets		
Net derivative assets	**(275)**	81
Trading assets	**(1 250)**	(43 296)
Pledged assets	**1 822**	4 558
Financial investments	**(11 354)**	2 476
Loans and advances	**(138 877)**	(112 640)
Other assets	**(4 882)**	(3 044)
	(154 816)	(151 865)
32.6 Increase in deposits and other liabilities		
Customers' current, savings and other deposits, and deposits from banks	**147 549**	120 892
Trading liabilities	**(2 234)**	13 520
Other liabilities and provisions	**(714)**	8 581
	144 601	142 993
32.7 Direct taxation paid		
Taxation payable and deferred taxation at beginning of the year	**(6 837)**	(5 936)
Net addition through business acquisition	**(176)**	–
Direct taxation attributable to group	**(6 268)**	(6 077)
Charged directly to equity (note 28.2)	**(36)**	(225)
Charged to income statement (note 28.2)	**(6 232)**	(5 852)
Taxation payable and deferred taxation at end of the year	**8 540**	6 837
	(4 741)	(5 176)

	2007 Rm	2006 Rm
32. Cash flow statement notes (continued)		
32.8 Investment resulting in acquisition of subsidiaries		
Cash and balances with central banks	**3 385**	
Trading assets	**315**	
Financial investments	**4 803**	
Loans and advances	**13 787**	
Current and deferred taxation	**127**	
Other assets	**988**	
Goodwill and other intangible assets	**490**	
Property and equipment	**761**	
Total assets acquired	**24 656**	
Derivative liabilities	**(25)**	
Deposit and current accounts	**(16 760)**	
Current and deferred taxation	**(303)**	
Other liabilities and provisions	**(4 235)**	
Net asset value	**3 333**	
Minority interests	**(1 580)**	
Net assets acquired	**1 753**	
Net goodwill	**2 814**	
Less: Fair value of subsidiary effectively disposed to minorities	**(1 377)**	
Cash paid on acquisition of subsidiaries	**3 190**	
Less: Cash and cash equivalents acquired through business acquisitions	**(3 385)**	
Net cash inflow resulting from acquisition of subsidiaries	**(195)**	
32.9 Distributions paid		
Amounts unpaid at beginning of the year	**–**	–
Distributions to ordinary shareholders	**(4 890)**	(3 928)
Dividends to preference shareholders	**(450)**	(269)
Distributions received from Tutuwa initiative and policyholders' deemed treasury shares	**596**	590
Distributions to minority shareholders in subsidiaries	**(711)**	(1 597)
Amounts unpaid at end of the year	**–**	–
	(5 455)	(5 204)
32.10 Cash and cash equivalents		
Cash and balances with central banks	**20 618**	14 343
	20 618	14 343

33. Business acquisitions

	Bank-Boston Argentina	IBTC Chartered Bank Plc	Other	Total
Date of acquisition	1 April 2007	24 September 2007		
Percentage of voting equity instruments acquired (%)	76,68	50,10		
Contribution to net profit since acquisition (Rm)[1]	129	67	39	235
Contribution to revenue if acquisition occurred on 1 January 2007 (Rm)	1 378	1 099	115	2 592
Contribution to net profit if acquisition occurred on 1 January 2007 (Rm)	177	227	38	442

[1]*Excludes excess recognised as a goodwill gain on the BankBoston acquisition.*

	Fair value Rm	Carrying amount Rm
The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:		
BankBoston Argentina		
Cash and balances with central banks	1 796	1 796
Trading assets	291	291
Financial investments	1 548	1 548
Loans and advances	9 865	9 865
Other assets	175	175
Current and deferred taxation asset	115	115
Property and equipment	400	400
Derivative liabilities	(25)	(25)
Deposit and current accounts	(12 589)	(12 589)
Other liabilities	(786)	(786)
Current and deferred taxation liability	(24)	(24)
Net asset value	766	766
Less: Minority interest	(355)	
Excess of acquirer's interest in the net fair value of acquiree's net asset value	(382)	
Total purchase consideration paid	29	
Cost of acquisition	29	
Less: Cash and cash equivalents in subsidiary acquired	(1 796)	
Cash inflow on acquisition	(1 767)	

With effect from 1 April 2007, Standard Bank Argentina S.A. (SBA), a subsidiary of Standard International Holdings S.A., acquired from BankBoston N.A. Buenos Aires Branch (a branch of Bank of America N.A.), its underlying corporate and investment banking and retail banking business in Argentina, with a net asset value of ARS$36 million, for a nominal value. Under the terms of the acquisition, Standard Bank London Holdings Plc (SBLH), the immediate holding company of SBA, in turn acquired from Bank of America N.A. a USD170 million intercompany loan receivable due from SBA, for a nominal purchase price. This loan was immediately capitalised into 527 119 000 new ordinary shares in SBA each with a par value of ARS$1, of which 197 548 151 were transferred to minority shareholders, leaving SBLH with 649 570 849 shares representing a 76,68% holding in SBA. SBLH has also entered into an option agreement with the minority shareholders of SBA, whereby they can acquire from SBLH sufficient shares to take their shareholding from 23,32% to 25,0% over the two weeks beginning 1 April 2008 (at ARS$1,05 per share), and further to 30% over the two weeks beginning 1 April 2009 (at ARS$1,265 per share).

33. Business acquisitions (continued)

IBTC Chartered Bank Plc

	Fair value Rm	Carrying amount Rm
Cash and balances with central banks	1 514	1 514
Financial investments	3 255	3 255
Loans and advances	3 922	3 922
Other assets	784	784
Property and equipment	361	361
Intangible assets	118	3
Deposit and current accounts	(4 171)	(4 171)
Other liabilities	(3 110)	(3 110)
Current and deferred taxation liability	(278)	(244)
Net asset value	2 395	2 314
Less: Minority interest	(1 195)	
Goodwill	2 998	
Total purchase consideration	4 198	
Cost of acquisition	4 198	
Less: Fair value of 49,9% of subsidiary effectively disposed to minorities	(1 377)	
Cash consideration paid	2 821	
Less: Cash and cash equivalents in subsidiary acquired	(1 514)	
Cash outflow on acquisition	1 307	

With effect from 24 September 2007, IBTC Chartered Bank Plc (IBTC) and Stanbic Bank Nigeria Limited (SBN) have merged their business operations in Nigeria. Through the structure of the deal, Stanbic Africa Holdings Limited (SAHL) acquired the majority shareholding in IBTC. SAHL was allotted 6,25 billion new IBTC shares in exchange for SBN, representing 33,33% of the combined entity. All assets and liabilities of SBN were transferred to IBTC and the entity's share capital was cancelled without being wound up. The fair value of the SBN shares was based on the total value of the IBTC shares acquired as SBN shares are not traded on an active market. SAHL made a simultaneous tender offer to all existing shareholders to acquire 3,14 billion IBTC shares at Naira 16 per share to obtain control of IBTC. This offer represented an additional 16,78% of IBTC, taking SAHL's shareholding to 50,1%. The goodwill arose due to the control obtained in IBTC and the allocation between goodwill and intangible assets is based on preliminary calculations.

	Fair value Rm	Carrying amount Rm
33. Business acquisitions (continued)		
Other acquisitions		
Cash and balances with central banks	75	75
Trading assets	24	24
Other assets	29	29
Current and deferred taxation assets	12	12
Intangible assets	372	–
Other liabilities	(339)	(60)
Current and deferred taxation liabilities	(1)	(1)
Net asset value	172	79
Less: Minority interest and interest previously held	(30)	
Goodwill	198	
Total purchase consideration paid	340	
Cost of acquisitions	340	
Less: Cash and cash equivalents in subsidiaries acquired	(75)	
Cash outflow on acquisitions	265	

Other acquisitions include the purchase of 61,33% in Dundas Ünlü Menkul Degerler A.S. and 61,35% of Dundas Ünlü Partners S.A. (Luxembourg) with effect from 1 September 2007 as well as the acquisition of the remaining 76% of Fountainhead Property Trust on 31 May 2007.

34. Change in accounting policy

The effects of the changes in accounting policies are as follows. Refer to accounting policy 1 in the accounting policies section for detailed descriptions of the nature of each change in accounting policy:

34.1 Transactions with minority shareholders

These transactions relate to where the group purchases an additional interest from minority shareholders or sells a portion of its interest to minority shareholders, while the group controls the entities both before and after the transaction. Any excess of the purchase consideration over the group's proportionate share of the additional net asset value of a subsidiary acquired is now accounted for directly in retained earnings. Previously, the group accounted for the excess as goodwill. Any profit or loss on the partial disposal of the group's interest in a subsidiary is also accounted for directly in retained earnings. Previously, the group accounted for the profit or loss on partial disposal in the income statement.

	2007 Rm	2006 Rm

34. Change in accounting policy (continued)

34.1 Transactions with minority shareholders (continued)

The change in accounting policy had the following impact on the consolidated financial statements:

34.1.1 Income statement for the year ended 31 December

	2007 Rm	2006 Rm
Decrease in profit on partial disposal of subsidiaries included in other non-interest revenue	(664)	–
Decrease in income tax expense	99	–
Decrease in profit for the year	(565)	–

The change in accounting policy resulted in a decrease in basic earnings per share and diluted earnings per share as follows:

	2007	2006
Basic earnings per share (cents)	45,9	–
Diluted earnings per share (cents)	43,2	–

34.1.2 Statement of changes in equity for the year ended 31 December

	2007 Rm	2006 Rm
Increase/(decrease) in retained earnings as a result of transactions with minority shareholders recognised directly in equity	531	(133)
Decrease in foreign currency translation reserve	–	(1)
Decrease in profit for the year	(565)	–
Decrease in total recognised income and expense for the year	(34)	(134)

34.1.3 Balance sheet at 31 December

	2007 Rm	2006 Rm
Cumulative decrease in goodwill	(570)	(536)
Cumulative decrease in foreign currency translation reserve	1	1
Cumulative decrease in minority interest	126	126
Cumulative decrease in retained earnings	(443)	(409)

This change in accounting policy is considered appropriate as it results in transactions with minority shareholders, which are presented as equity holders, being accounted for in the statement of changes in equity and not in the income statement. The policy has been applied on a retrospective basis and consequently the 2006 results have been restated. 2006 opening ordinary shareholders' equity has accordingly been restated by R276 million.

34.2 Measurement of certain insurance contracts

34.2.1 Investment guarantees

The revised PGN 110 was issued by the ASSA effective for valuation dates on or after 31 December 2007. As a result, the group has moved from a real-world stochastic model (a model that projects investment returns for various asset classes according to the estimated probability distribution based on historical observations and future expectations) to a market-consistent stochastic model (a model that reproduces the market prices of tradeable assets as closely as possible). The new model will result in investment guarantees being reflected at fair value.

The cumulative effect as at 1 January 2006 is not provided as it is not practicable as a result of data not being collected in a way that permits retrospective application of the new policy. In addition, the cumulative impact at 31 December 2006 is not material as the change was anticipated and additional reserves were created in the insurance liability valuation to approximate the difference between a real-world valuation and a market-consistent valuation.

The net cumulative impact at 31 December 2006 is a R136 million increase in retained earnings. However, as the amount is not considered material to the group's prior year results, no restatement has been made to retained earnings.

34. Change in accounting policy (continued)

34.2 Measurement of certain insurance contracts (continued)

34.2.2 Changes to existing insurance liability valuation models

The group changed the liability valuation models in respect of its Lifestyle series of products. This has had the effect of altering the timing and extent of future best estimate cash flows. These changes do not affect the ultimate profitability of the business, only the timing of the release of that profit. Consequently these changes were considered to be accounting policy changes. The more significant changes related to maturity dates and recognition of management fees.

The modelling was refined to make allowances for universal life policies continuing after their review term. Previously, only cash flows up to the review date were valued. The valuation now allows for all expected best estimate cash flows up to termination of the contracts. This change is in line with the group's observed experience.

The group also amended its policy on the recognition pattern of management fees charged to recoup initial expenses incurred when issuing these contracts. Previously, the valuation method resulted in a portion of the future fees being recognised upfront to offset initial expenses incurred. Going forward, the fees will be recognised when earned. The results will therefore reflect more accurately the actual earnings on a year by year basis.

Cumulatively, the financial impact at 1 January 2006 is R155 million and at 31 December 2006 R140 million reduction to policyholders' liabilities. Both amounts are not considered material to the group's prior year results or the value of policyholders' contracts and consequently, restatements have not been processed. After taxation the amounts are R110 million and R99 million respectively.

	2007 Rm	2006 Rm
35. Third party funds under management		
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 the income statement. Assets managed on behalf of third parties include:		
Asset management	**93 097**	71 445
Fund management	**375 552**	333 702
	468 649	405 147
Geographical area		
Africa (including Stanlib)	**220 073**	207 460
Outside Africa	**248 576**	197 687
	468 649	405 147

36. Related party transactions

36.1 Group entities and related parties

36.1.1 Parent

Standard Bank Group Limited is the ultimate holding company for the Standard Bank Group of companies.

36.1.2 Subsidiaries

Details of effective interest, investments and loans to subsidiaries are disclosed in Annexure B on page 280.

Following an approach by the Liberty Group Limited (Liberty Life) board of directors, Standard Bank Group Limited disposed of its investment in Stanlib (37,4%) to its subsidiary, Liberty Life, effective 29 January 2007. Further details of this transaction are provided in the directors' report on page 167.

36.1.3 Associates and joint ventures

Details of effective interest, investments and loans to associates and joint ventures are disclosed in Annexure C on page 284.

36.1.4 Key management personnel

Key management personnel has been defined as: Standard Bank Group Limited board of directors and Standard Bank Group Limited executive committee. The definition of key management includes the close members of family of key management personnel. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Standard Bank Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependents of the individual or the individual's domestic partner.

	2007 Rand	2006 Rand
Key management compensation		
Salaries and other short-term benefits	**187 455 451**	125 595 142
Post-employment benefits	**4 536 436**	3 864 429
Other long-term benefits	**4 597 674**	3 781 655
IFRS 2 value of share options and rights expensed	**14 665 134**	12 029 857
	211 254 695	145 271 083
Mortgage loans		
Loans outstanding at beginning of the year	**9 615 360**	8 084 155
Loans granted during the year	**23 338 138**	9 594 296
Loan repayments during the year	**(16 869 564)**	(8 899 321)
Interest earned	**2 132 121**	836 230
Loans outstanding at end of the year	**18 216 055**	9 615 360
Interest rate range for the year	**11% – 14%**	9% – 11,5%

No impairment has been recognised in respect of loans granted to key management (2006: Rnil). Mortgage loans are repayable monthly over 20 years. These loans are secured by properties with a total fair value of R58 914 968 (2006: R21 741 000).

36. Related party transactions (continued)
36.1 Group entities and related parties (continued)
36.1.4 Key management personnel (continued)

	2007 Rand	2006 Rand
Vehicle and asset finance		
Loans outstanding at beginning of the year	**7 422 201**	5 358 324
Net new loans granted	**2 641 047**	4 821 781
Net repayments	**(3 681 805)**	(3 298 328)
Net interest earned	**663 964**	540 424
Loans outstanding at end of the year	**7 045 407**	7 422 201
Interest rate range for the year	**9% – 16,5%**	8% – 12,5%
Credit cards		
Balance at beginning of the year	**2 162 981**	820 029
Net credit card (repayments)/spend	**(1 657 382)**	1 311 399
Total annual fees	**10 277**	6 121
Total net interest	**12 158**	25 432
Balance at end of the year	**528 034**	2 162 981
Interest rate range for the year	**0% – 22%**	0% – 17%

No impairments have been recognised in respect of credit cards held by key management (2006: Rnil). These loans are unsecured. The interest rate range disclosed for credit cards starts at 0% as interest is only charged on amounts not settled in the month following the card transactions. This is in line with the normal rates charged to customers.

	2007 Rand	2006 Rand
Cheque and current accounts		
Credit balance at beginning of the year	**59 924 359**	36 047 851
Key management changes	**(641 227)**	(218 947)
Interest paid	**1 704 070**	3 064 590
Interest earned and service fee charges	**(177 480)**	(1 103 380)
Net (withdrawals)/deposits	**(14 608 102)**	11 438 604
Exchange difference	**2 323 516**	10 695 641
Credit balance at end of the year	**48 525 136**	59 924 359
Interest rate range for the year	**0% – 4%**	0% – 3%
Savings accounts		
Credit balance at beginning of the year	**8 339 698**	20 034 210
Key management changes	**97 036**	622 812
Interest paid	**1 487 235**	466 631
Net new deposits/(withdrawals)	**2 600 096**	(12 783 955)
Credit balance at end of the year	**12 524 065**	8 339 698
Interest rate range for the year	**0% – 9,2%**	4,5% – 5,9%

36. Related party transactions (continued)

36.1 Group entities and related parties (continued)

36.1.4 Key management personnel (continued)

Insurance and investment

Details of key management personnel's investment transactions and balances with Standard Bank Group.

	2007 Rand	2006 Rand
Insurance:		
Life and disability insurance		
Aggregate insured cover	30 865 734	30 025 155
Premiums received	400 866	459 144
Claims paid	–	–
Surrender value	3 058 124	2 180 802
Other insurance		
Aggregate insured cover	206 529 246	71 936 018
Premiums received	93 723	425 743
Claims paid	133 854	516
Investment products		
Fund value at the beginning of the year	470 691 978	229 717 943
Key management changes	235 000	77 975 765
Deposits	239 991 675	80 592 372
Net investment return credited	15 270 627	84 848 193
Commission and other transaction fees	(2 993 887)	(2 442 295)
Fund value at end of the year	723 195 393	470 691 978
Third party funds under management		
Fund value at beginning of the year	762 923 757	495 771 167
Net deposits including commission and other transaction fees	106 291 794	267 152 590
Fund value at end of the year	869 215 551	762 923 757
Other fees		
Financial consulting fees and commission	23 201	8 265

Shares and share options held

Aggregate details of Standard Bank Group Limited shares and share options held by key management personnel.

	2007 Rand	2006 Rand
Shares beneficially owned (number)	12 428 388	12 778 081
Share options held (number)	8 392 482	8 664 882

36. Related party transactions (continued)

36.1 Group entities and related parties (continued)

36.1.4 Key management personnel (continued)

Details of contracts with key management personnel is disclosed in the directors' report under management by third parties on page 167 and contracts on page 169.

	2007 R'000	2006 R'000
36.1.5 Post-employment benefit plans		
Details of transactions between Standard Bank Group Limited and the group's post-employment benefit plans are listed below:		
Fee income	**53 709**	38 836
Deposits held with the bank	**789 039**	311 318
Interest paid	**139 791**	68 642
Value of assets under management	**20 035 691**	17 982 212
Deposits held in bonds and money market	**417 636**	528 698
Standard Bank Group shares held (number)	**3 171 951**	6 837 247

37. Pensions and other post-retirement benefits

	2007 Rm	2006 Rm
Amounts recognised as a liability in the balance sheet (note 20.2)		
Standard Bank operations		
Retirement funds (note 37.1)	**497**	323
Post-retirement healthcare benefits (note 37.2)	**742**	493
– Provider fund	**(22)**	(2)
– Other funds	**764**	495
Liberty Life	**293**	285
Post-retirement healthcare benefits (note 37.3)	**293**	273
Retirement funds (note 37.4)	**–**	12
	1 532	1 101

The total amount recognised as an expense for the defined contribution plans operated by the group amounted to R839 million (2006: R670 million).

37. Pensions and other post-retirement benefits (continued)

37.1 Standard Bank retirement funds

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF), exceeds 95% of Standard Bank operations' permanent staff in South Africa. The fund, one of the largest in South Africa, is a trustee-administered defined contribution fund governed by the Pension Funds Act, 1956. Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently of the group's assets.

The fund is subject to statutory financial review by actuaries at an interval of not more than three years. The latest full actuarial valuation was performed on 31 December 2007 and, in the opinion of the actuary, the fund is considered to be financially sound. The next actuarial valuation is to be performed on 31 December 2008.

Employees who were members of the fund on 31 December 1994 have guaranteed benefits available under the rules of the defined benefit fund. A specific liability has been recognised within the fund to provide for the guaranteed benefits which may arise under the rules of the scheme. New members from 1 January 1995 participate only in the benefits of the defined contribution fund. There have been no alterations to the contribution rate recommended by the actuary during the year.

At 31 December 2007, the valuation of the fund, the determination of its financial position and the determination of any shortfall or surplus position are still to be finalised and approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001. Consequently no account has been taken of a potential shortfall or surplus.

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.

	2007 Rm	2006 Rm
The amounts recognised in the balance sheet in respect of the retirement funds are determined as follows:		
Present value of funded obligations	22 875	20 449
Fair value of plan assets	(22 858)	(20 409)
Unfunded obligation	17	40
Unrecognised actuarial gains deferred	480	283
Included in other liabilities and provisions in the balance sheet	497	323
Unrecognised actuarial gains or losses are deferred and recognised in the income statement over a period not exceeding the estimated service lives of the employees, except in the case of retired employees in which case it is recognised immediately.		
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	20 449	17 190
Current service cost and interest cost	2 422	1 774
Contributions paid by employees	335	285
Actuarial losses	813	2 342
Benefits paid	(1 144)	(1 142)
Balance at end of the year	22 875	20 449

	2007 Rm	2006 Rm
37. Pensions and other post-retirement benefits (continued)		
37.1 Standard Bank retirement funds (continued)		
Movement in the fair value of plan assets		
Balance at beginning of the year	**20 409**	17 141
Expected return on plan assets	**1 874**	1 550
Contributions received	**682**	582
Actuarial gains	**1 037**	2 278
Benefits paid	**(1 144)**	(1 142)
Balance at end of the year	**22 858**	20 409
Plan assets consist of the following:		
Cash	**142**	1 206
Equities	**12 708**	10 787
Government bonds	**4 798**	4 416
Property and other	**5 210**	4 000
	22 858	20 409
The group expects to pay R365 million in contributions to defined benefit plans in 2008 (2007: R314 million).		
The amounts recognised in the income statement are determined as follows:		
Current service cost	**715**	308
Interest cost	**1 707**	1 466
Expected return on plan assets	**(1 874)**	(1 550)
Net actuarial gain recognised in the year	**(16)**	(28)
Included in staff costs	**532**	196
Actual return on plan assets	**2 915**	3 760

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 retirement funds tax and expenses.

Historical information

	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Present value of defined benefit obligations	**22 875**	20 449	17 190	13 138	10 167
Fair value of plan assets	**(22 858)**	(20 409)	(17 141)	(13 217)	(10 499)
Unfunded obligation/(surplus)	**17**	40	49	(79)	(332)
Experience adjustments arising on plan liabilities	**(1 582)**	(2 279)	(2 506)	(1 844)	518
Experience adjustments arising on plan assets	**1 041**	2 210	2 487	1 790	(2)

37. Pensions and other post-retirement benefits (continued)

37.2 Standard Bank post-retirement healthcare benefits

The bank provides the following post-retirement healthcare benefits to its employees:

Provider fund

A post-retirement healthcare benefit fund provides eligible employees, who were employed in South Africa on 1 March 2000, with a lump sum benefit on retirement enabling them to purchase an annuity to be applied towards their post-retirement healthcare costs. This benefit is pre-funded in a provident fund. Any shortfall in the payment to be made by these employees towards their healthcare costs subsequent to retirement is not the responsibility of the bank. The last actuarial valuation was performed on 1 March 2007 and reflected an excess in the fund.

In the prior year, the group received approval from the Financial Services Board to transfer the excess to an employer reserve.

Other

The largest portion of this liability represents a South African post-retirement 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 on 31 December 2007. The next actuarial valuation is to be performed on 31 December 2008.

	2007 Rm	2006 Rm
The amounts recognised in the balance sheet in respect of post-retirement healthcare benefits are determined as follows:		
Present value of unfunded obligations	646	615
Present value of funded obligations	765	990
Total present value of obligations	1 411	1 605
Fair value of plan assets	(1 374)	(1 196)
Unfunded obligation	37	409
Unrecognised actuarial gains	705	84
Included in other liabilities and provisions in the balance sheet	742	493
Movement in the present value of defined benefit obligations		
Balance at beginning of the year	1 605	1 389
Current service cost and interest cost	197	154
Contributions paid by employees	3	3
Actuarial (gains)/losses	(277)	184
Benefits paid	(117)	(125)
Balance at end of the year	1 411	1 605
Movement in the fair value of plan assets		
Balance at beginning of the year	1 196	1 051
Expected return on plan assets	110	94
Contributions received	12	15
Actuarial gains	134	126
Benefits paid	(78)	(90)
Balance at end of the year	1 374	1 196

	2007 Rm	2006 Rm

37. Pensions and other post-retirement benefits (continued)

37.2 Standard Bank post-retirement healthcare benefits (continued)

	2007 Rm	2006 Rm
Plan assets consist of the following:		
Cash	145	76
Equities	950	854
Government bonds	128	127
Property and other	151	139
	1 374	1 196

The group expects to pay R59 million in contributions to post-retirement healthcare benefit plans in 2008 (2007: R51 million).

	2007 Rm	2006 Rm
The amounts recognised in the income statement are determined as follows:		
Current service cost	59	36
Interest cost	138	118
Expected return on plan assets	(110)	(94)
Net actuarial gain recognised in the year	(19)	(3)
Included in staff costs	68	57
Actual return on plan assets	244	262

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in the medical inflation rate would have the following effects on amounts recognised in 2007:

	2007 1% increase Rm	2007 1% decrease Rm	2006 1% increase Rm	2006 1% decrease Rm
Effect on the aggregate of the current service cost and interest cost	12	(8)	6	(5)
Effect on the defined benefit obligation	101	(79)	69	(59)

Historical information

	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Present value of obligations	1 411	1 605	1 389	1 145	892
Fair value of plan assets	(1 374)	(1 196)	(1 051)	(846)	(652)
Unfunded obligation	37	409	338	299	240
Experience adjustments arising on plan liabilities	280	(81)	(129)	(138)	143
Experience adjustments arising on plan assets	134	122	152	114	37

37. Pensions and other post-retirement benefits (continued)

37.3 Liberty Life post-retirement healthcare benefits

Liberty operates an unfunded post-retirement 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-retirement medical aid employer contributions on an accrual basis using the projected unit credit method.

	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
Movement in the liability recognised in the balance sheet					
Present value of unfunded obligation at beginning of the year	**273**	206	170	165	152
Income statement charge	**20**	67	36	5	13
Present value of unfunded obligation at end of the year	**293**	273	206	170	165

	2007 Rm	2006 Rm
The amounts recognised in the income statement are determined as follows:		
Current service cost	**5**	6
Interest cost	**21**	18
Net actuarial (gain)/loss recognised in the year	**(6)**	43
Included in staff costs	**20**	67

A one percentage point change in medical inflation rates would have the following effect on the post-retirement medical aid recognised in 2007:

	2007 1% increase Rm	**2007 1% decrease Rm**	2006 1% increase Rm	2006 1% decrease Rm
Increase/(decrease) in the liability	**56**	**(44)**	52	(40)

37.4 Liberty Life retirement funds

The Liberty Life 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. Employees joining after 1 March 2001 automatically become members of the defined contribution schemes. The ACA and Rentmeester defined benefit pension funds are all fully funded. All funds are governed by the Pension Funds Act, 1956.

	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
37. Pensions and other post-retirement benefits (continued)					
37.4 Liberty Life retirement funds[1] (continued)					
The amounts recognised in the balance sheet in respect of the retirement benefit obligation are determined as follows:					
Present value of funded obligations	**1 379**	624	688	569	520
Fair value of plan assets	**(1 838)**	(1 662)	(1 372)	(1 108)	(914)
Surplus	**(459)**	(1 038)	(684)	(539)	(394)
Excess not recognised[2]	**459**	1 050	707	539	394
Included in other liabilities in the balance sheet	**–**	12	23	–	–
Fund assets recognised in the balance sheet	**162**	–	–	–	–

	2007 Rm	2006 Rm
Movement in the defined benefit funded obligations		
Balance at beginning of the year	**624**	688
Disposals[3]	**(23)**	–
Adjustments[4]	**688**	–
Current service cost and interest cost	**64**	65
Actuarial losses/(gains)	**133**	(68)
Benefits paid	**(107)**	(61)
Balance at end of the year	**1 379**	624
Movement in the fair value of plan assets		
Balance at beginning of the year	**1 662**	1 372
Disposals[3]	**(10)**	–
Expected return on plan assets	**138**	90
Contributions received	**12**	17
Actuarial gains	**143**	244
Benefits paid	**(107)**	(61)
Balance at end of the year	**1 838**	1 662

[1] *This includes the Liberty Group defined benefit pension fund, ACA defined benefit fund and Rentmeester defined benefit fund.*

[2] *The excess not recognised has arisen for the period after 1 January 2003 which was the date of application of the surplus apportionment now approved. The trustees have yet to decide how to utilise this additional surplus.*

[3] *The group is no longer obligated or related to the Alnet Defined Benefit Fund.*

[4] *The adjustment in 2007 represents the effect of the Financial Services Board approved surplus apportionment. The surplus apportionment scheme of the Liberty Pension Fund was approved by the Financial Services Board on 31 August 2007. As part of the surplus apportionment scheme, an amount of R162 million was allocated to the employer surplus account. This was immediately recognised as income.*

	2007 Rm	2006 Rm

37. Pensions and other post-retirement benefits (continued)

37.4 Liberty Life retirement funds (continued)

Plan assets consist of the following:

	2007 Rm	2006 Rm
Cash	**684**	323
Equities	**908**	935
Government bonds	**80**	203
Property and other	**166**	201
	1 838	1 662

The group's best estimate of contributions expected to be paid to the Liberty Pension Fund during 2008 is nil as it is anticipated that the contributions will be decreased to utilise the employer portion of the surplus apportionment approval.

The amounts recognised in the income statement are determined as follows:

	2007 Rm	2006 Rm
Current service cost	**14**	19
Interest cost	**50**	46
Expected return on plan assets	**(138)**	(90)
Net actuarial gain recognised in the year	**(10)**	(312)
Included in staff costs	**(84)**	(337)

The principal actuarial assumptions used for accounting purposes were:

	Standard Bank			Liberty	
	Retirement fund %	Provider fund %	Other funds %	Defined benefit pension fund %	Post-retirement medical aid %
2007					
Discount rate	**8,50**	**8,50**	**8,50**	**9,0**	**8,0**
Return on investments	**9,75**	**9,00**		**9,0**	**8,0**
Salary/benefit inflation	**6,25**	**7,25**		**6,0**	**6,0**
CPI inflation	**5,25**	**5,25**	**5,25**		
Medical inflation			**7,25**		**6,0**
Remaining service life of employees (years)	**14,47**	**17,0**			
2006					
Discount rate	8,25	8,25	8,25	8,0	8,0
Return on investments	9,25	8,75		8,0	8,0
Salary/benefit inflation	6,25	7,25		6,0	
CPI inflation	5,25	5,25	5,25		
Medical inflation			7,25		6,0
Remaining service life of employees (years)	14,95	18,0			

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Balance sheet at 31 December

	Note	Company 2007 Rm	Company 2006 Rm
Assets			
Derivative assets	38	3	–
Financial investments		106	73
Current taxation	39	12	75
Deferred taxation	39	13	11
Other assets		305	73
Interest in subsidiaries	40	33 195	27 507
Interest in associate	41	142	131
Total assets		33 776	27 870
Equity and liabilities			
Equity		33 725	27 832
Share capital and premium	15	6 871	7 942
Reserves		26 854	19 890
Liabilities		51	38
Derivative liabilities	38	41	–
Other liabilities		10	38
Total equity and liabilities		33 776	27 870

Income statement for the year ended 31 December

	Note	Company 2007 Rm	Company 2006 Rm
Distributions from subsidiaries		9 012	9 357
Interest income		111	33
Other income	43	811	61
Total income		9 934	9 451
Interest expense		–	29
Net income		9 934	9 422
Operating expenses		51	16
Net income before indirect taxation		9 883	9 406
Indirect taxation	44	–	7
Profit before direct taxation		9 883	9 399
Direct taxation	45	278	61
Profit for the year		9 605	9 338

Cash flow statement for the year ended 31 December

	Note	Company 2007 Rm	Company 2006 Rm
Net cash flows from operating activities	46.1	**9 127**	9 406
Interest and other income		**166**	94
Interest and other expenses		**(51)**	(45)
Distributions received		**9 012**	9 357
Net cash flows used in operating funds	46.2	**(260)**	(36)
Taxation paid	46.3	**(217)**	(23)
Net cash flows used in investing activities		**(4 964)**	(7 246)
Increase in associates and financial investments		**(44)**	(65)
Proceeds on disposal of subsidiary		**384**	–
Increase in interest in subsidiaries	46.4	**(5 304)**	(7 181)
Net cash flows used in financing activities		**(3 686)**	(2 101)
Proceeds from issue of share capital		**300**	2 811
Decrease in loans from other banks		**–**	(900)
Decrease in treasury shares		**1 000**	–
Share buy-backs		**–**	(102)
Net distributions paid	46.5	**(4 986)**	(3 910)
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		**–**	–

	Note	Company					
		Share capital and premium Rm	Revaluation reserve Rm	Cash flow hedging reserve Rm	Empower-ment reserve Rm	Retained earnings Rm	Total Rm
Statement of changes in equity for the year ended 31 December							
Balance at 1 January 2006		5 233	3 100	–	(4 017)	15 379	19 695
Profit for the year						9 338	9 338
Dividends paid	31					(4 197)	(4 197)
Dividends received in terms of the Tutuwa initiative						287	287
Issue of share capital and share premium	15	2 817					2 817
Share issue cost	15	(6)					(6)
Share buy-backs	15	(102)					(102)
Balance at 31 December 2006		7 942	3 100	–	(4 017)	20 807	27 832
Balance at 1 January 2007		**7 942**	**3 100**	**–**	**(4 017)**	**20 807**	**27 832**
Profit for the year						**9 605**	**9 605**
Distributions paid	31	**(1 371)**				**(3 969)**	**(5 340)**
Dividends received in terms of the Tutuwa initiative						**354**	**354**
Issue of share capital and share premium	15	**300**					**300**
Fair value adjustments on cash flow hedges				**(26)**			**(26)**
Net decrease in treasury shares					**1 000**		**1 000**
Balance at 31 December 2007		**6 871**	**3 100**	**(26)**	**(3 017)**	**26 797**	**33 725**

	Company			
	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
38. Derivative assets and liabilities				
Derivatives designated as cash flow hedges	(38)	3	(41)	6 925

The net fair value of derivatives designated as cash flow hedges matures after five years.

Forward exchange contracts have been entered into in terms of a cash flow hedging relationship for a forecasted foreign investment in a group company. The forecast on which the expected cash flows both arise and affect profit or loss and will result in the release of the cash flow hedging reserve at 31 December 2007 is R26 million after five years.

	2007 Rm	2006 Rm
39. Current and deferred taxation		
Current taxation asset	12	75
Deferred taxation asset	13	11
– STC credits	29	22
– Mark-to-market adjustment on assets	(16)	(11)
	25	86
39.1 Deferred tax analysis		
Deferred tax asset at beginning of the year	11	19
Originating/(reversing) temporary differences for the year		
Secondary tax on companies	7	3
Fair value adjustment	(5)	(11)
Deferred tax asset at end of the year	13	11
40. Interest in subsidiaries		
Shares at cost	33 682	26 364
Indebtedness to the company	121	2 365
	33 803	28 729
Indebtedness by the company	(608)	(1 222)
	33 195	27 507
Subsidiaries and investments and loans therein are listed in Annexure B on pages 280 to 283.		
41. Interest in associate		
Carrying value at beginning of the year	131	131
Net acquisitions	11	–
Carrying value at end of the year	142	131

Directors' valuation

The directors' valuation of the investments in associates is R142 million (2006: R131 million).

The associate comprises an investment in South African Home Loans (Proprietary) Limited, refer Annexure C on page 284.

42. 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 for IFRS 7 purposes. Investment securities consist of R102 million investments held at fair value. These investments are subject to market risk, however any reasonable possible changes in the underlying equity price on which these investments are valued are not significant for the company.

	Company	
	2007 Rm	2006 Rm
43. Other income		
Profit on disposal of Stanlib	**768**	–
Other	**43**	61
	811	61

In 2007 the company sold its stake in Stanlib to Liberty Group for R1 014 million and realised a profit of R768 million. The proceeds were made up of a cash element (R384 million) as well as ordinary shares received in Liberty Group which had a fair value of R630 million at the time of the sale.

Other revenue includes negative mark-to-market adjustments on derivatives held at fair value of R12 million.

	2007 Rm	2006 Rm
44. Indirect taxation		
Regional services council levies	**–**	6
Value added tax	**–**	1
Indirect taxation	**–**	7
45. Direct taxation		
Current year		
South African normal tax	**94**	32
Deferred tax	**7**	11
Foreign and withholding taxes	**6**	13
Secondary tax on companies	**171**	5
Direct taxation	**278**	61
Total taxation	**278**	68
South African tax rate reconciliation (%)		
The total tax charge for the year as a percentage of net income before direct taxation:	**3**	1
Secondary tax on companies	**(2)**	–
Foreign and withholding tax	**–**	–
Net tax charge	**1**	1
The charge for the year has been reduced as a consequence of:		
– Distributions received	**26**	28
– Other non-taxable income	**2**	–
Standard rate of South African tax	**29**	29

	Company	
	2007 Rm	2006 Rm

46. Cash flow statement

46.1 Net cash flows from operating activities

	2007 Rm	2006 Rm
Net income before indirect taxation	**9 883**	9 406
Less: Profit on disposal of Stanlib	**(768)**	–
Add: Negative fair value adjustments on derivatives	**12**	–
	9 127	9 406

46.2 Net cash flows used in operating funds

	2007 Rm	2006 Rm
Increase in other assets	**(232)**	(60)
Decrease in other liabilities	**(28)**	24
	(260)	(36)

46.3 Taxation paid

	2007 Rm	2006 Rm
Taxation payable and deferred taxation at beginning of the year	**86**	131
Income statement charge	**(278)**	(68)
Taxation payable and deferred taxation at end of the year	**(25)**	(86)
	(217)	(23)

46.4 Increase in interest in subsidiaries

	2007 Rm	2006 Rm
Cost of acquisition of subsidiaries net of disposal	**(6 934)**	(5 257)
Movement in net indebtedness	**1 630**	(1 924)
	(5 304)	(7 181)

46.5 Net distributions paid

	2007 Rm	2006 Rm
Amounts unpaid at beginning of the year	**–**	–
Distributions paid to ordinary shareholders	**(4 890)**	(3 928)
Dividends paid to preference shareholders	**(450)**	(269)
Dividends received in terms of Tutuwa initiative	**354**	287
Amounts unpaid at end of the year	**–**	–
	(4 986)	(3 910)

Annexure A – restatements

Group balance sheet reclassifications and restatements at 31 December 2006

	As previously reported Rm	Change in accounting policy[1] Rm	IFRS 7[2] Rm	Restated Rm
Assets				
Cash and balances with central banks	74 154		(59 811)	14 343
Short-term negotiable securities	29 175		(29 175)	–
Derivative assets	100 832			100 832
Trading assets	81 569		(2 225)	79 344
Pledged assets	–		7 782	7 782
Financial investments	186 896		29 321	216 217
Loans and advances	448 411		54 108	502 519
Loans and advances to banks	35 677		54 108	89 785
Loans and advances to customers	412 734			412 734
Investment property	13 200			13 200
Current and deferred taxation	1 043			1 043
Other assets	16 975			16 975
Interest in associates and joint ventures	8 584			8 584
Goodwill and other intangible assets	2 910	(536)		2 374
Property and equipment	5 242			5 242
Total assets	968 991	(536)	–	968 455
Equity and liabilities				
Equity	55 244	(536)		54 708
Equity attributable to ordinary shareholders	43 326	(410)		42 916
Ordinary share capital	136			136
Ordinary share premium	2 303			2 303
Reserves	40 887	(410)		40 477
Preference share capital and premium	5 503			5 503
Minority interest	6 415	(126)		6 289
Liabilities	913 747			913 747
Derivative liabilities	103 122			103 122
Trading liabilities	36 790			36 790
Deposit and current accounts	545 164			545 164
Deposits from banks	48 374		2 719	51 093
Deposits from customers	496 790		(2 719)	494 071
Current and deferred taxation	7 880			7 880
Other liabilities	34 323			34 323
Policyholders' liabilities	168 898			168 898
Subordinated debt	17 570			17 570
Total equity and liabilities	968 991	(536)	–	968 455

[1]Goodwill relating to the acquisition of additional interests in subsidiaries controlled before these transactions has been reclassified to equity.
[2]Following the adoption of IFRS 7 the following reclassifications have been performed on results previously disclosed:
- *balances with banks previously included in cash and balances with banks have been reclassified to loans and advances to banks;*
- *short-term negotiable securities have been reclassified to financial investments;*
- *non-cash financial assets pledged, where the counterparty has the right to sell or repledge the assets to a third party, have been reclassified to pledged assets; and*
- *certain deposits from banks have been reclassified from deposits from customers.*

Group income statement reclassifications and restatements for the year ended 31 December 2006

	As previously reported Rm	Reclassification[1] Rm	IFRS 7[2] Rm	Restated Rm
Income from banking activities	36 366		(547)	35 819
Net interest income	16 654			16 654
Interest income	50 855	(4 288)		46 567
Interest expense	34 201	(4 288)		29 913
Non-interest revenue	19 712		(547)	19 165
Net fee and commission revenue	12 372		(547)	11 825
Fee and commission revenue	12 372		1 026	13 398
Fee and commission expense			1 573	1 573
Trading revenue	4 852			4 852
Other revenue	2 488			2 488
Income from investment management and life insurance activities	59 344			59 344
Net insurance premiums	20 066			20 066
Investment income and gains	37 568			37 568
Management and service fee income	1 710			1 710
Total income	95 710		(547)	95 163
Credit impairment charges	2 733			2 733
Benefits due to policyholders	47 896			47 896
Net insurance benefits and claims	38 140			38 140
Fair value adjustment to policyholders' liabilities under investment contracts	8 276			8 276
Fair value adjustment on third party fund interests	1 480			1 480
Income after credit impairment charges and policyholders' benefits	45 081		(547)	44 534
Operating expenses in banking activities	19 652		(547)	19 105
Staff costs	11 001			11 001
Other operating expenses	8 651		(547)	8 104
Operating expenses in investment management and life insurance activities	6 486			6 486
Acquisition costs – insurance and investment contracts	2 413			2 413
Other operating expenses	4 073			4 073
Net income before goodwill	18 943			18 943
Goodwill impairment	15			15
Net income before associates and joint ventures	18 928			18 928
Share of profit from associates and joint ventures	275			275
Net income before indirect taxation	19 203			19 203
Indirect taxation	841			841
Profit before direct taxation	18 362			18 362
Direct taxation	5 852			5 852
Profit for the year	12 510			12 510
Attributable to minorities	1 723			1 723
Attributable to preference shareholders	269			269
Attributable to ordinary shareholders	10 518			10 518

[1]Following a review of interest rate swap transactions, interest income has now been set-off against corresponding interest expense amounts.

[2]Following the adoption of IFRS 7, fee and commission expenses relating to financial assets or liabilities that are not at fair value through profit or loss and fee and commission expenses relating to trust and fiduciary activities have been included in a separate line item in the income statement.

Annexure B – subsidiaries

Standard Bank Group

The Standard Bank of South Africa

- Diners Club (SA)
- Blue Bond Investments
- Standard Bank Insurance Brokers

- Melville Douglas Investment Management
- Standard Insurance
- Standard Executors and Trustees
- Stanvest

- Standard Lesotho Bank (80,0%)
- Standard Bank Namibia
- Standard Bank Swaziland (65%)

Stanbic Africa Holdings

- IBTC Chartered Bank Plc (Nigeria) (50,1%)
- Stanbic Bank Botswana
- Stanbic Bank Congo
- Stanbic Bank Ghana (97,5%)
- Stanbic Bank Kenya (96,3%)
- Stanbic Bank Tanzania
- Stanbic Bank Uganda (80%)
- Stanbic Bank Zambia
- Stanbic Bank Zimbabwe
- Standard Bank Limited (Malawi) (60,1%)
- Standard Bank Mauritius Offshore Banking Unit
- Standard Bank s.a.r.l. (Moçambique) (96%)

Standard International Holdings

UK
Standard Bank Plc

Asia
Standard Bank Asia
Standard Merchant Bank (Asia)
Standard London (Asia) SB

USA
Standard Americas
Standard New York
Standard New York Securities

Brazil
Banco Standard de Investimentos

China
Standard Resources (China)

Turkey
Standard Yatirim
Standard Ünlü (61,3%)

Russia
ZAO Standard Bank

Argentina
Standard Bank Argentina (76,7%)

Liberty Holdings (59,2%)[1]

2,56%

Liberty Group (51,2%)[1] Effective 32,8%

- Liberty Active
- Liberty Group Properties
- Capital Alliance Holdings

Stanlib (100%) Effective 32,8%

- Stanlib Collective Investments
- Stanlib Multi-manager
- Stanlib Wealth Management
- Stanlib Asset Management

Standard Bank Group International

Isle of Man
Stanbic International Insurance
Standard Finance
SBIC Finance
SML

Standard Bank Offshore Group

Jersey
Standard Bank Jersey
Standard Bank Fund Administration Jersey
Standard Bank Fund Managers Jersey
Standard Bank Offshore Trust Company Jersey

Isle of Man
Standard Bank Isle of Man

Mauritius
Standard Bank Trust Company (Mauritius)

British Virgin Islands
Melville Douglas International

This diagram depicts principal subsidiaries only.
The holding in subsidiaries is 100% unless otherwise indicated.
[1]*Representative of legal effective holding.*

	Nature of operation	Nominal share capital issued Rm	Effective holding 2007 %	Effective holding 2006 %	Book value of shares 2007 Rm	Book value of shares 2006 Rm	Net indebtedness 2007 Rm	Net indebtedness 2006 Rm
Standard Bank Group will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries denoted by #, are able to meet their contractual liabilities.								
Banking subsidiaries								
Banco Standard de Investimentos S.A. (Brazil)[1]	Investment bank	365	100	100				
IBTC Chartered Bank Plc (renamed Stanbic IBTC Chartered Bank Plc)[1]	Commercial bank	259	50	–				
Stanbic Bank Botswana Limited (Botswana)[1]	Commercial bank	31	100	100				
Stanbic Bank Congo s.a.r.l (D R Congo)[1]	Commercial bank	41	100	100				
Stanbic Bank Ghana Limited (Ghana)[1]	Commercial bank	78	98	97				
Stanbic Bank Kenya Limited (Kenya)[1]	Commercial bank	205	96	96				
Stanbic Bank Tanzania Limited (Tanzania)[1]	Commercial bank	29	100	100				
Stanbic Bank Uganda Limited (Uganda)[1]	Commercial bank	19	80	90				
Stanbic Bank Zambia Limited (Zambia)[1]	Commercial bank	21	100	100				
Stanbic Bank Zimbabwe Limited (Zimbabwe)[1]	Commercial bank	**	100	100				
Standard Bank Argentina S.A.[1]	Investment bank	1 918	77	–				
Standard Bank Asia Limited (Hong Kong)[1]	Investment bank	642	100	100				
Standard Bank Isle of Man Limited (Isle of Man)[1]	Merchant bank	25	100	100				
Standard Bank Jersey Limited (Jersey)[1]	Merchant bank	51	100	100				
Standard Bank Limited (Malawi)[1]	Commercial bank	13	60	60				
Standard Bank Mauritius Limited (Mauritius)[1]	Commercial bank	226	100	100				
Standard Bank Namibia Limited (Namibia)	Commercial bank	2	100	100	444	444	50	–
Standard Bank Plc (United Kingdom)[2]	Investment bank	3 313	100	100	929	929		
Standard Bank s.a.r.l. (Moçambique)[1]	Commercial bank	54	96	96				
Standard Bank Swaziland Limited (Swaziland)	Commercial bank	9	65	65	33	33	18	–
Standard Lesotho Bank Limited (Lesotho)	Commercial bank	17	80	–	13	13	–	42
Standard Merchant Bank (Asia) Limited (Singapore)[1]	Investment bank	56	100	100				
The Standard Bank of South Africa Limited	Commercial bank	60	100	100	21 097	15 614	–	1 484
ZAO Standard Bank (Russia)[1]	Investment bank	277	100	100				
Non-banking subsidiaries								
Accelerator Fund 1 (Pty) Limited[3]	Securitisation vehicle							
Accelerator Fund 2 (Pty) Limited[3]	Securitisation vehicle							
Alisier Investments (Pty) Limited[1]	Investment holding company	**	100	100				
Blue Banner Securitisation Vehicle RC1 (Pty) Limited[3]	Mortgage financing							
Blue Bond Investments Limited[1]	Participation mortgage bond finance	**	100	100				
Blue Granite Investments No. 1 (Pty) Limited[3]	Securitisation vehicle							
Blue Granite Investments No. 2 (Pty) Limited[3]	Securitisation vehicle							
Blue Granite Investments No. 3 (Pty) Limited[3]	Securitisation vehicle							
Blue Granite Investments No. 4 (Pty) Limited[3]	Securitisation vehicle							
Blue Titanium Conduit Limited[3]	Asset backed commercial paper conduit							

	Nature of operation	Nominal share capital issued Rm	Effective holding 2007 %	Effective holding 2006 %	Book value of shares 2007 Rm	Book value of shares 2006 Rm	Net indebtedness 2007 Rm	Net indebtedness 2006 Rm
Non-banking subsidiaries (continued)								
Diners Club (S.A) (Pty) Limited[1 #]	Travel and entertainment card	**	100	100				
Erf 224 Edenburg (Pty) Limited	Property owning and investing company	**	100	100				
Gleneagles Retail Centre (Pty) Limited	Property owning and investing company	**	100	100				
Grand Central Shopping Centre (Pty) Limited	Property owning company	**	100	100				
Liberty Group Limited[2, 4]	Insurance company	29	33	30				
Liberty Holdings Limited[4]	Insurance holding company	14	59	58	3 162	2 649		
Melville Douglas International Limited (British Virgin Islands)[1#]	Portfolio management	**	100	100				
Melville Douglas Investment Management (Pty) Limited[#]	Portfolio management	**	100	100	53	53		
SBIC Finance Limited (Isle of Man)[1]	Project finance	**	100	100				
SBIC Investments S.A. (Luxembourg)[1 #]	Investment holding company	287	100	100				
SBN Holdings Limited	Bank holding company	**	100	–				
SML Limited (Isle of Man)[1]	Investment holding company	**	100	100				
SMT Limited (Isle of Man)[1]	Investment holding company	**	100	100				
Stanbic Africa Holdings Limited (United Kingdom)[2]	Investment holding company	351	100	100	1 930	500		
Stanbic International Insurance Limited (Isle of Man)[1]	Insurance company	1	100	100				
Standard Americas, Inc (United States of America)[1 #]	Trading company	**	100	100				
Standard Aval s.r.o. (Czech Republic)[1]	Trade and other finance	1	100	100				
Standard Bank Fund Administration Jersey Limited (Jersey)[1]	Portfolio management	1	100	100				
Standard Bank Fund Managers Jersey Limited[1 #]	Fund administration	**	100	100				
Standard Bank Group International Limited (Isle of Man)	Investment holding company	**	100	100	5 220	5 220		
Standard Bank Insurance Brokers (Pty) Limited[1 #]	Insurance broking	**	100	100				
Standard Bank London Holdings Plc (United Kingdom)[1]	Investment holding company	817	100	100				
Standard Bank Manx Holdings Limited (Isle of Man)[1]	Investment holding company	1	100	100				
Standard Bank Offshore Group Limited (Jersey)[2]	Investment holding company	18	100	100	49	49		
Standard Bank Offshore Trust Company Jersey Limited (Jersey)[1 #]	Trust company	3	100	100				
Standard Bank Trust Company (Isle of Man) Limited (Isle of Man)[1 #]	Trust company	1	100	100				
Standard Bank Trust Company (Mauritius) Limited (Mauritius)[1 #]	Trust company	**	100	100				

	Nature of operation	Nominal share capital issued Rm	Effective holding 2007 %	Effective holding 2006 %	Book value of shares 2007 Rm	Book value of shares 2006 Rm	Net indebtedness 2007 Rm	Net indebtedness 2006 Rm
Non-banking subsidiaries (continued)								
Standard Capital Japan Co. Limited[1]	Loan origination and money lending	**	100	100				
Standard Commodities (Asia) Limited (Hong Kong)[1]	Commodities trading	**	100	100				
Standard Executors and Trustees Limited[#]	Trust company	**	100	100				
Standard Finance (Isle of Man) Limited (Isle of Man)[1,#]	Finance company	**	100	100				
Standard Financial Markets (Pty) Limited[#]	Stockbrokers	**	100	100	–	3		
Standard Insurance Limited[#]	Short-term insurance	15	100	100	30	30		
Standard International Holdings S.A. (Luxembourg)[2,#]	Investment holding company	157	100	100	99	99		
Standard London (Asia) Sendirian Berhad (Malaysia)[1]	Introducing broker	1	70	100				
Standard New York, Inc (United States of America)[1,#]	Investment holding company	**	100	100				
Standard New York Securities, Inc (United States of America)[1,#]	Securities broker/dealer	**	100	100				
Standard Resources (China) Limited[1]	Trading company	1	100	100				
Standard Securities (Asia) Limited (Hong Kong)[1]	Securities company	156	100	100				
Standard Ünlü Menkul Degerler A.S.[1]	Securities broker/dealer	**	61	–				
Standard Yatirim Menkul Kiymetler A.S. (Turkey)[1,#]	Securities broker/dealer	41	100	100				
Stanlib Limited[1]	Wealth and asset management	**	33	48	341	687	27	29
Stanvest (Pty) Limited	Investment holding company	**	100	100				
Triskelion Trust Company Limited[1]	Trust company	1	100	100				
Miscellaneous	Finance companies		100	100	282	41	(582)	(412)
					33 682	26 364	(487)	1 143

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 provision of capital. Detailed information is not given in respect of subsidiaries which are not material to the financial position of the group.

[1] *Held indirectly.*
[2] *Effective holding comprises direct and indirect holdings.*
[3] *Special purpose entity, no shareholding.*
[4] *Listed on the JSE.*

Annexure C – associates and joint ventures

	Edu-Loan (Proprietary) Limited		Safika Holdings (Proprietary) Limited		South African Home Loans (Proprietary) Limited	
Ownership structure	Associate		Associate		Associate	
Nature of business	Student loans		Investment holding company		Finance	
Year end	December		February		February	
Date to which equity accounted	31 December 2007		31 December 2007		31 December 2007	
	2007	2006	**2007**	2006	**2007**	2006
Effective holding	**25%**	45%	**16,5%**	16,5%	**44%**	43%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**23**	23	**164**	84	**234**	149
Balance sheet						
Non-current assets	**35**	25	**3 594**	2 821	**194**	172
Current assets	**202**	173	**557**	46	**697**	483
Non-current liabilities	**(34)**	(77)	**(1 929)**	(1 356)	**(59)**	(71)
Current liabilities	**(149)**	(45)	**(408)**	(190)	**(294)**	(219)
Loans to entity	**70**	41	**–**	–	**–**	–
Income statement						
Attributable income	**8**	7	**89**	13	**73**	70

	Defy (Proprietary) Limited		RCS Investment Holdings (Proprietary) Limited		Dairy Belle (Proprietary) Limited	
Ownership structure	Associate		Associate		Associate	
Nature of business	Manufacturing		Finance		Dairy products	
Year end	March		March		September	
Date to which equity accounted	31 December 2007		31 December 2007		31 December 2007	
	2007	2006	**2007**	2006	**2007**	2006
Effective holding	**43%**	50%	**45%**	35%	**50%**	0%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**–**	100	**860**	593	**91**	
Balance sheet						
Non-current assets	**–**	429	**87**	45	**409**	
Current assets	**246**	813	**1 838**	1 622	**285**	
Non-current liabilities	**–**	(646)	**(1 161)**	(1 045)	**(339)**	
Current liabilities	**(246)**	(413)	**(184)**	(176)	**(177)**	
Loans to entity	**–**	172	**503**	367	**279**	
Income statement						
Attributable income	**53**	53	**85**	73	**8**	

	Credit Suisse Standard Securities (Proprietary) Limited		The Standard Bank African Bank partnership		The Cullinan Hotel (Proprietary) Limited	
Ownership structure	Joint venture		Joint venture		Joint venture	
Nature of business	Stockbroker		Banking		Leisure	
Year end	February		September		March	
Date to which equity accounted	31 December 2007		31 December 2007		31 December 2007	
	2007	2006	**2007**	2006	**2007**	2006
Effective holding	**50%**	50%	**60%**	60%	**50%**	50%
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**80**	53	**95**	142	**294**	258
Balance sheet						
Non-current assets	**24**	13	**287**	671	**302**	267
Current assets	**423**	550	**118**	96	**22**	23
Non-current liabilities	**–**	–	**(227)**	(533)	**(52)**	(53)
Current liabilities	**(334)**	(506)	**(22)**	(23)	**(24)**	(19)
Loans to entity	**–**	–	**101**	250	**46**	39
Income statement						
Attributable income	**27**	4	**3**	67	**40**	49

	Other associates		Other joint ventures		Total associates and joint ventures	
Ownership structure	Associates		Joint ventures			
Nature of business	Various		Various			
Year end	Various		Various			
Date to which equity accounted	31 December 2007		31 December 2007			
	2007	2006	**2007**	2006	**2007**	2006
Effective holding	**Various**	Various	**Various**	Various		
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**105**	(21)	**50**	46	**1 996**	1 427
Balance sheet						
Non-current assets	**573**	472	**1**	–	**5 506**	4 915
Current assets	**592**	486	**27**	36	**5 007**	4 328
Non-current liabilities	**(437)**	(140)	**–**	(16)	**(4 238)**	(3 937)
Current liabilities	**(559)**	(553)	**(11)**	(5)	**(2 408)**	(2 149)
Loans to entities	**421**	200	**–**	–	**1 420**	1 069
Income statement						
Attributable income	**(63)**	(69)	**32**	8	**355**	275

	Private equity/venture capital associates and joint ventures[1]	
Ownership structure	Various	
Nature of business	Various	
Year end	Various	
Date to which equity accounted	31 December 2007	
	2007	2006
Effective holding	**Various**	Various
	Rm	Rm
Cost	**198**	99
Carrying value	**317**	254
Fair value	**383**	274
Balance sheet		
Non-current assets	**4 470**	3 628
Current assets	**1 576**	1 239
Non-current liabilities	**(2 444)**	(2 127)
Current liabilities	**(1 230)**	(898)
Loans to entity	**442**	204
Income statement		
Attributable income	**144**	72
Other income from associates	**–**	–
Profit or loss on disposal of associates	**–**	–

All investments in associates and joint ventures, other than those recognised at fair value through profit and loss in accordance with IAS 39, made by a private equity organisation are ring-fenced for headline earnings purposes. On the disposal of these associates and joint ventures held by the private equity division of the group, profit or loss on the disposal will be included in headline earnings in terms of Circular 8/2007, Headline Earnings, issued by the South African Institute of Chartered Accountants.

[1]*Included in total associates and joint ventures on page 285.*

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Annexure D – group share incentive schemes

Equity compensation plans

Equity-settled share-based payments

The group's share incentive schemes enable key management personnel and senior employees to benefit from the performance of Standard Bank Group Limited and Liberty Group Limited shares.

Standard Bank Group has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group (SBG) share at the date the option is granted. This scheme is being phased out. The Equity Growth Scheme was implemented in 2005 and allocates appreciation rights to employees. The eventual value of the right is settled by receipt of shares equivalent to the full value of the rights.

The two schemes have three different sub-types of vesting categories as illustrated by the table below:

Vesting category	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years

Refer to the remuneration report, page 45 for a detailed schedule of movements in share options issued to executive directors during the year.

A reconciliation of the movement of all share options and appreciation rights is detailed below.

Group Share Incentive Scheme	Option price range (rands) 2007	Number 2007	2006
Reconciliation			
Options outstanding at beginning of the year		35 203 500	46 554 439
Granted	92,05 – 107,91	1 331 400	1 547 500
Exercised	13,50 – 50,91	(9 900 850)	(11 489 839)
Lapsed	25,00 – 98,00	(1 041 400)	(1 408 600)
Options outstanding at end of the year		**25 592 650**	35 203 500

Share options were exercised regularly throughout the period. The weighted average share price for the year was R104,61 (2006: R80,35).

The following options granted to employees, including executive directors, had not been exercised at 31 December 2007:

Number of ordinary shares	Option price range (rands)	Weighted average price (rands)	Option expiry period
1 280 600	13,50 – 28,90	19,42	Year to 31 December 2008
1 166 200	17,15 – 26,40	18,63	Year to 31 December 2009
1 316 100	25,00 – 28,15	25,30	Year to 31 December 2010
3 540 800	27,70 – 35,90	31,89	Year to 31 December 2011
2 537 500	27,25 – 35,70	28,09	Year to 31 December 2012
5 325 100	27,70 – 34,85	27,97	Year to 31 December 2013
6 893 750	39,90 – 62,00	41,03	Year to 31 December 2014
784 400	59,90 – 65,60	64,89	Year to 31 December 2015
1 447 800	76,40 – 85,80	79,52	Year to 31 December 2016
1 300 400	92,05 – 107,91	98,26	Year to 31 December 2017
25 592 650			

The following options granted to employees, including executive directors, had not been exercised at 31 December 2006:

Number of ordinary shares	Option price range (rands)	Weighted average price (rands)	Option expiry period
605 600	18,30 – 27,80	20,76	Year to 31 December 2007
1 746 800	13,50 – 32,69	19,17	Year to 31 December 2008
1 671 900	17,15 – 26,40	18,50	Year to 31 December 2009
2 197 500	25,00 – 28,15	25,21	Year to 31 December 2010
4 556 100	27,70 – 35,90	31,88	Year to 31 December 2011
4 431 500	27,25 – 35,70	28,08	Year to 31 December 2012
7 699 200	27,70 – 34,85	27,97	Year to 31 December 2013
9 950 700	39,70 – 62,00	41,02	Year to 31 December 2014
833 900	59,90 – 65,60	65,01	Year to 31 December 2015
1 510 300	76,40 – 85,80	79,52	Year to 31 December 2016
35 203 500			

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

	Type A		Type B		Type C	
	2007	2006	**2007**	2006	**2007**	2006
Number of options granted	**627 150**	647 600	**699 250**	899 900	**5 000**	
Weighted average fair value at grant date (R)	**32,32**	24,59	**33,65**	25,75	**27,50**	
The principal inputs are as follows:						
Weighted average share price (R)	**98,22**	79,52	**98,29**	79,52	**98,00**	
Weighted average exercise price (R)	**98,22**	79,52	**98,29**	79,52	**98,00**	
Expected life (years)	**6,1**	6,1	**7,0**	7,0	**4,0**	
Expected volatility (%)	**31,0-33,3**	30,0	**31,0-33,3**	30,0	**31,0**	
Risk-free interest rate (%)	**8,5-9,6**	7,8	**8,5-9,5**	7,9	**8,7**	
Dividend yield (%)	**3,5**	3,5	**3,5**	3,5	**3,5**	

The options granted during the year which are expected to vest, have an estimated fair value of R32 million (2006: R30 million).

Equity Growth Scheme	Average price range (rands) 2007	Number 2007	2006
Reconciliation			
Rights outstanding at beginning of the year		**15 644 487**	7 481 100
Granted	**94,50 – 117,30**	**7 078 945**	9 135 550
Exercised[1]	**99,20 – 116,60**	**(56 218)**	(15 906)
Lapsed	**60,35 – 98,00**	**(1 946 372)**	(956 257)
Rights outstanding at end of the year[2]		**20 720 842**	15 644 487

[1]*During the year 12 042 (2006: 2 141) SBG shares were issued to settle the appreciated rights value.*
[2]*At the end of the year the group would need to issue 3 874 005 (2006: 3 502 274) SBG shares to settle the outstanding appreciated rights value.*

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2007:

Number of rights	Option price range (rands)	Weighted average price (rands)	Option expiry period
6 150 494	**60,35 – 75,01**	**65,50**	**Year to 31 December 2015**
7 889 647	**74,00 – 87,00**	**79,58**	**Year to 31 December 2016**
6 680 701	**94,50 – 117,30**	**98,40**	**Year to 31 December 2017**
20 720 842			

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2006:

Number of rights	Option price range (rands)	Weighted average price (rands)	Option expiry period
6 913 354	60,35 – 75,01	65,50	Year to 31 December 2015
8 731 133	73,79 – 87,00	79,58	Year to 31 December 2016
15 644 487			

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

	Type A		Type B		Type C	
	2007	2006	**2007**	2006	**2007**	2006
Number of appreciation rights granted	**3 422 072**	4 189 075	**3 646 873**	4 946 475	**10 000**	
Weighted average fair value at grant date (rands)	**32,41**	24,60	**33,72**	25,77	**27,50**	
The principal inputs are as follows:						
Weighted average share price (R)	**98,39**	79,55	**98,36**	79,59	**98,00**	
Weighted average exercise price (R)	**98,39**	79,55	**98,36**	79,59	**98,00**	
Expected life (years)	**6,1**	6,1	**7,0**	7,0	**4,0**	
Expected volatility (%)	**31,0 – 33,7**	30,0	**31,0 – 33,7**	30,0	**31,0**	
Risk-free interest rate (%)	**8,5 – 9,6**	7,8	**8,4 – 9,5**	7,9	**8,7**	
Dividend yield (%)	**3,5**	3,5	**3,5**	3,5	**3,5**	

The appreciation rights granted during the year which are estimated to vest have a fair value of R173 million (2006: R166 million).

Tutuwa initiative

The group entered into a Black Economic Empowerment (BEE) transaction during 2004, which also resulted in the recognition of a share-based payment expense. The instrument was valued using a number of valuation techniques including the Black-Scholes and discounted cash flow methods. Due to the uniqueness of the instrument, the mid-point of the range of valuations was used arriving at a value of R8,50 per Standard Bank Group share.

Total expense recognised

Standard Bank has recognised a total expense of R199 million (2006: R174 million) relating to equity-settled share-based payments, comprising R135 million (2006: R108 million) for share options and appreciation rights, and R64 million (2006: R66 million) relating to the Tutuwa initiative. Standard Bank has recognised R63 million (2006: R51 million) relating to cash-settled share-based payments on the SIH Shadow Share Scheme discussed on the following page.

Liberty Life has similar share-based payment transactions and has recognised a total expense of R54 million (2006: R51 million) relating to the share-based payments, comprising R26 million (2006: R26 million) for share options and R25 million (2006: R24 million) relating to the Tutuwa initiative.

Cash-settled share-based payments

Standard International Holdings SA (SIH) has a long-term incentive scheme (the Scheme) whereby certain employees, including certain executive directors of the bank, are granted notional 'shadow' share options. The Scheme, which was set up in 1998, provides for eligible employees to be rewarded in cash, the value of which is derived from current and future performance of SIH. Throughout the life of the Scheme, the liability is valued based on a defined formula. The notional share options which have a 10 year life are generally exercisable as follows: 50% after three years, up to 75% after four years and 100% after five years.

Up until March 2004 the Scheme options were underpinned by share options issued by Standard Bank Group Limited. From March 2005 Scheme options have been issued without funding from Standard Bank Group options.

The change in liability under the Scheme is accounted for through the income statement over the vesting period of the shadow share options and includes assumptions about future performance and leavers.

The provision in respect of liabilities under the Scheme amounts to USD44,5 million at 31 December 2007 (2006: USD35,5 million), and the amount charged for the year is USD9,0 million (2006: USD7,6 million).

SIH Shadow Share Scheme	2007 Option price range (USD cents)	2007 Number ('000)	2006 Number ('000)
Reconciliation			
Options outstanding at beginning of the year		**30 201 712**	30 216 541
Granted	**0 – 248**	**11 261 090**	5 937 000
Exercised	**0 – 283**	**(2 825 727)**	(849 509)
Lapsed	**0 – 159**	**(469 378)**	(5 102 320)
Options outstanding at end of the year		**38 167 697**	30 201 712

During the year 51 200 SBG shares were issued to settle the underpinning SIH Shadow Scheme liability.

The following options granted to employees had not been exercised at 31 December 2007:

Number of shadow share options	Option price range (USD cents)	Weighted average exercise price (USD cents)	Option expiry period
2 928 023	**0 – 115**	**98**	**Year to 31 December 2008**
1 686 414	**221**	**158**	**Year to 31 December 2009**
2 149 303	**279**	**279**	**Year to 31 December 2010**
3 080 902	**238**	**238**	**Year to 31 December 2011**
3 094 175	**159**	**159**	**Year to 31 December 2012**
2 923 548	**283**	**283**	**Year to 31 December 2013**
6 744 371	**0 – 220**	**138**	**Year to 31 December 2014**
4 167 328	**179 – 189**	**179**	**Year to 31 December 2015**
11 253 133	**0 – 199**	**177**	**Year to 31 December 2016**
140 500	**248**	**248**	**Year to 31 December 2017**
38 167 697			

The following options granted to employees had not been exercised at 31 December 2006:

Number of shadow share options	Option price range (USD cents)	Weighted average exercise price (USD cents)	Option expiry period
3 075 542	0 – 115	97	Year to 31 December 2008
1 766 879	221	158	Year to 31 December 2009
2 345 995	279	279	Year to 31 December 2010
3 340 177	238	238	Year to 31 December 2011
3 715 541	159	159	Year to 31 December 2012
3 218 585	283	283	Year to 31 December 2013
7 499 122	0 – 220	136	Year to 31 December 2014
4 517 328	179 – 189	179	Year to 31 December 2015
722 543	0	0	Year to 31 December 2016
30 201 712			

Shareholder information

Directorate

Standard Bank Group Limited

DE Cooper
Chairman

SJ Macozoma
Deputy chairman

JH Maree[1]
Chief executive

DDB Band

E Bradley

TS Gcabashe

DA Hawton

SE Jonah KBE[3]

Sir Paul Judge[2]

KP Kalyan

RP Menell

Adv KD Moroka

AC Nissen

MC Ramaphosa

MJD Ruck

MJ Shaw

Sir Robert Smith[2]

EM Woods

The Standard Bank of South Africa Limited

DE Cooper
Chairman

JH Maree[1]
Chief executive

DDB Band

E Bradley

TS Gcabashe

DA Hawton

SE Jonah KBE[3]

Sir Paul Judge[2]

KP Kalyan

SJ Macozoma

RP Menell

Adv KD Moroka

AC Nissen

MC Ramaphosa

SP Ridley[1]

MJD Ruck

MJ Shaw

Sir Robert Smith[2]

EM Woods

Standard Bank Plc

JH Maree
Chairman

RAG Leith[1, 2]
Chief executive (International)

DJ Duffy[1, 4]
Chief executive

ME Austen[2]

DPH Burgess[2]

DE Cooper

JK Knott[2]

BJ Kruger

CJ Sheridan[2]

HE Staunton[2]

Liberty Holdings Limited

DE Cooper
Chairman

DA Hawton

SJ Macozoma

JH Maree

A Romanis[2]

MJ Shaw

Liberty Group Limited

SJ Macozoma
Chairman

JB Hemphill[1]
Chief executive

RG Tomlinson[1]
Deputy chief executive

HI Appelbaum

AWB Band

DA Hawton

JH Maree

Prof L Patel

A Romanis[2]

TDA Ross

Dr SP Sibisi

BS Tshabalala

[1]*Executive director*
[2]*British*
[3]*Ghanaian*
[4]*Irish*

Shareholders' diary

2007 financial year	
Annual general meeting	28 May 2008
2008 financial year	
Financial year end	31 December
Reports	
Interim report and declaration of interim dividend	August 2008
Summarised annual financial statements and declaration of final dividend	March 2009
Publication of annual report	April 2009
Dividend payments	
Ordinary shares:	
– Interim	September 2008
– Final	April 2009
6,5% first cumulative preference shares	
Six months ending 30 June 2008	September 2008
Six months ending 31 December 2008	April 2009
Non-redeemable, non-cumulative, non-participating preference shares	
Six months ending 30 June 2008	September 2008
Six months ending 31 December 2008	April 2009
Annual general meeting	May 2009

Shareholder analysis

Ten major shareholders[1]

	2007 Number of shares (million)	2007 % holding	2006 Number of shares (million)	2006 % holding
Public Investment Corporation	**202,0**	**14,7**	181,2	13,3
Tutuwa participants	**102,3**	**7,5**	102,3	7,5
– Staff	**42,0**	**3,1**	42,0	3,1
– Strategic partners	**40,2**	**2,9**	40,2	2,9
– Communities and regional businesses	**20,1**	**1,5**	20,1	1,5
Old Mutual Group	**72,0**	**5,2**	121,1	8,9
Dodge & Cox	**47,5**	**3,4**	28,6	2,1
Liberty Group[2]	**41,2**	**3,0**	38,6	2,8
Sanlam Group	**39,2**	**2,9**	36,1	2,7
Investment Solutions	**37,2**	**2,7**	40,3	3,0
ABP Investments	**13,2**	**1,0**	11,2	0,8
	554,6	**40,4**	559,4	41,1

International shareholders held 25,9% (2006: 23,2%) of the Standard Bank Group shares.

Spread of ordinary shareholders

	2007 Number of shares (million)	2007 % holding	2006 Number of shares (million)	2006 % holding
Public[3]	**1 056,7**	**77,0**	1 069,1	78,5
Non-public[3]	**315,9**	**23,0**	293,5	21,5
Directors of Standard Bank Group, its subsidiaries and embargoed employees[4]	**4,5**	**0,3**	2,6	0,2
Public Investment Corporation	**202,0**	**14,7**	181,2	13,3
Standard Bank Group and Liberty Group retirement funds	**6,6**	**0,5**	6,9	0,5
Tutuwa participants[5]	**102,3**	**7,5**	102,3	7,5
Associates of directors	**0,5**		0,5	
	1 372,6	**100,0**	1 362,6	100,0

	2007 Number of shares	2007 % holding	2006 Number of shares	2006 % holding
Spread of 6,5% cumulative preference shareholders				
Public[3]	**7 952 800**	**99,4**	7 953 000	99,4
Non-public[3]				
Directors of Standard Bank, its subsidiaries and embargoed employees	**47 200**	**0,6**	47 000	0,6
	8 000 000	**100,0**	8 000 000	100,0
Spread of non-redeemable, non-cumulative, non-participating preference shareholders				
Public[3]	**52 606 720**	99,3	52 567 206	99,2
Non-public[3]	**375 528**	0,7	415 042	0,8
Directors of Standard Bank, its subsidiaries and embargoed employees	**368 661**	0,7	388 763	0,7
Associates of directors	**6 867**		26 279	0,1
	52 982 248	100,0	52 982 248	100,0

[1] *Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of S140A of the Companies Act.*
[2] *Policyholders' funds.*
[3] *As per S4.25 of the JSE Limited Listings Requirements.*
[4] *Excludes indirect holdings of strategic partners which are included in the Tutuwa participants.*
[5] *Includes Tutuwa Strategic Holdings 1 and 2, Tutuwa Staff Holdings 1, 2 and 3, Tutuwa Community and General Staff Share Trust.*

Group shareholder information

	2007	2006
Number of shareholders		
Ordinary shareholders	56 360	41 958
– Public	56 042	41 874
– Non-public	318	84
6,5% first cumulative preference shareholders	408	387
– Public	405	386
– Non-public	3	1
Non-redeemable, non-cumulative, non-participating preference shareholders	9 990	8 050
– Public	9 946	8 003
– Non-public	44	47

Share statistics

JSE Limited

	2007	2006
Share prices (cents)		
– High for the year	11 950	9 650
– Low for the year	9 000	6 850
– Closing	10 008	9 450
Shares traded		
– Number of shares (thousands)	1 056 767	1 014 873
– Value of shares (Rm)	110 552	81 541
– Turnover in shares traded (%)	77,2	74,7
Number of shares in issue (million)		
– End of period	1 373	1 363
– Weighted average	1 369	1 358

Instrument codes

JSE Limited

Ordinary shares
Share code: SBK
ISIN code: ZAE000109815

6,5% cumulative preference shares

Share code: SBKP
ISIN code: ZAE000038881

Non-redeemable, non-cumulative, non-participating preference shares

Share code: SBPP
ISIN code: ZAE000056339

Deposit notes

SBR001: ZAE000077780
SBR002: ZAE000083853

Bond Exchange of South Africa

Subordinated debt
SBK 3: ZAG000018086
SBK 5: ZAG000023078
SBK 7: ZAG000024894
SBK 8: ZAG000029679
SBK 9: ZAG000029687
SBK 10: ZAG000046640
SBS 1: ZAG000023235
SBS 2: ZAG000024522
SBS 3: ZAG000030586
SBS 4: ZAG000035049
SBS 5: ZAG000035650

Namibian Stock Exchange (NSX)

Ordinary shares
Share code: SNB
ISIN code: ZAE000109815

Credit ratings

	Short-term	Long-term	Outlook
The latest credit ratings for entities within Standard Bank Group are detailed below:			
The Standard Bank of South Africa			
Fitch Ratings (July 2007)			
Foreign currency	F2	A-	Stable
Local currency		A-	Stable
National	F1+(zaf)	AA+(zaf)	Stable
Standard & Poor's (November 2007) public information rating			
Local currency		BBBpi	
Moody's Investors Services (November 2007)			
Bank deposit rating	P-2	Baa1	Stable
Standard International Holdings S.A.			
Fitch Ratings (September 2007)			
Issuer default rating	F2	A-	Stable
Moody's Investors Services (January 2008)			
Issuer rating		Baa1	Stable
Standard Bank Plc			
Fitch Ratings (September 2007)			
Issuer default rating	F2	A-	Stable
Moody's Investors Services (January 2008)			
Bank deposits	P-2	A3	Stable
Liberty Life			
Fitch Ratings (December 2007)			
National Insurer Financial Strength		AA(zaf)	Positive
National Long-term		AA-(zaf)	Positive
Sovereign ratings			
RSA Sovereign ratings: Foreign currency			
Fitch Ratings		BBB+	
Standard & Poor's		BBB+	
Moody's Investors Services		Baa1	
RSA Sovereign ratings: Local currency			
Fitch Ratings		A	
Standard & Poor's		A+	
Moody's Investors Services		A2	

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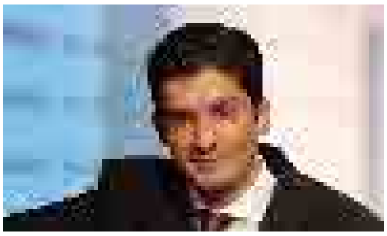

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Standard Bank

Designed by motiv
Printed by Ince

Notice to members

Chairman's letter to shareholders

Dear Shareholder

I extend an invitation to you to attend the 39th annual general meeting (AGM) of Standard Bank Group Limited to be held in the HP de Villiers Auditorium, Ground Floor, Standard Bank Centre, 6 Simmonds Street, Johannesburg on Wednesday, 28 May 2008 at 09h30.

This is your opportunity to meet and question members of the Standard Bank Group Limited board regarding the group's performance for the year ended 31 December 2007.

If you hold certificated shares or if you have dematerialised your shares and have elected "own-name" registration through a Central Securities Depository Participant (CSDP) or broker, and you are not able to attend the meeting, I would urge you to complete the proxy form in accordance with the instructions and return it to the address indicated.

If you have dematerialised your shares on STRATE, and you have not elected "own-name" registration and cannot attend the meeting, you should submit voting instructions to your CSDP or broker. You will need to contact them regarding their particular cut-off time for votes to be lodged with us. If you wish to attend the meeting, you will have to approach your CSDP or broker to provide you with the necessary authority in terms of the agreement that you have entered into with them.

Explanatory note on resolutions to be tabled at the AGM

The AGM will deal with the following ordinary business:

- to receive and adopt the annual financial statements for the year ended 31 December 2007 as required in terms of the Companies Act (ordinary resolution number 1);
- in line with the recommendations of King II, you will be requested to approve the non-executive directors' fees in respect of 2008, which have been considered by the group remuneration committee and recommended by the board (ordinary resolution number 2); and
- the company's articles of association make provision for the annual retirement of a certain proportion of the board of directors. Those directors retiring in terms of this provision as well as directors appointed for the first time to the board since the previous AGM, offer themselves for re-election. Their abridged *curriculum vitae* have been included in the notice (ordinary resolution number 3).

Ordinary resolution 4.1 proposes the participation by Koosum Kalyan in Tutuwa Managers Trust 1 in terms of the black ownership initiative. Standard Bank Group proposed that black non-executive directors should be beneficiaries of the Managers Trusts. The directors propose that, subject to the reappointment of Ms Kalyan as a director of the company, she be offered 125 000 Standard Bank Group ordinary shares acquired by the Managers Trust.

Ordinary resolutions 4.2 to 4.5 deal with placing certain authorised share capital under the control of the directors until the following AGM:

- ordinary resolutions 4.2 and 4.3 provides the directors with the ability to allot and issue ordinary shares for the practical functioning of the Standard Bank Equity Growth and Standard Bank Group Share Incentive Schemes. Please note that in terms of the rules of both schemes, an individual employee may not acquire in the aggregate in excess of 2,5% of the maximum number of shares reserved for the operation of both schemes;
- ordinary resolution 4.4 provides the directors with the ability to allot and issue ordinary shares (other than those required for the operation of the schemes as dealt with in ordinary resolutions 4.2 and 4.3) up to a maximum of 5% of the ordinary shares in issue at 31 December 2007. The directors do not intend to issue shares for cash during the year; and
- the directors' ability to allot and issue non-redeemable, non-cumulative, non-participating preference shares is contained in the provisions of ordinary resolution 4.5.

You will also be requested to give authority to the directors to make payments to shareholders on a pro-rata basis, in compliance with the provisions of the Companies Act and the Listings Requirements of the JSE Limited (Listings Requirements) (ordinary resolution 4.6). The annual renewal of this resolution is necessary pursuant to the Listings Requirements to enable the directors to pay capital distributions in lieu of dividends and should such payment(s) be made in any one financial year, they may not exceed 20% of the company's issued share capital.

Ordinary resolution 4.7 proposes an amendment to the provisions of the Standard Bank Equity Growth Scheme to allow for flexibility of movement of employees around the group. This will enable management to deploy resources in the group to other entities where they may be needed without any prejudicial remuneration consequences for the individual.

The following special resolutions will be tabled for consideration at the AGM:

- a renewal of the authority given by shareholders at the previous AGM that will allow the repurchase of the company's securities by the company or any subsidiary during the course of the year should the directors feel that the circumstances are appropriate. Any repurchases made will be in accordance with the Companies Act, the Banks Act and the Listings Requirements (special resolution 5.1); and
- an amendment to the company's articles of association, to permit the company to increase or decrease the percentage of the prime rate in respect of the non-redeemable, non-cumulative, non-participating preference shares as a result of any reform of South African tax legislation (special resolution 5.2).

I look forward to welcoming you at the AGM.

Derek Cooper
Group chairman
29 April 2008

Notice to members

Notice is hereby given that the 39th annual general meeting of Standard Bank Group Limited (Standard Bank Group or the company) will be held in the HP de Villiers Auditorium, Ground Floor, Standard Bank Centre, 6 Simmonds Street, Johannesburg on Wednesday, 28 May 2008 at 09h30.

In terms of the articles of association of the company the holders of non-redeemable, non-cumulative, non-participating, variable rate, par-value preference shares (non-redeemable preference shares) are entitled to receive notice and be present and vote at any meeting if a resolution is proposed at such meeting which directly affects the rights attached to, or the interests of, holders of the non-redeemable preference shares. In such event the holders of the non-redeemable preference shares are entitled to vote only on such resolution. As special resolution number 5.2 directly affects the rights attaching to non-redeemable preference shares and/or interests of the holders of non-redeemable preference shares this notice is also given to the holders of non-redeemable preference shares and the holders of non-redeemable preference shares shall be entitled to vote only on special resolution number 5.2.

The meeting will deal with the following business:

Ordinary resolutions

1. To receive and adopt the annual financial statements for the year ended 31 December 2007, including the reports of the directors and auditors.

2. To approve the proposed fees payable to the non-executive directors for 2008[1]:

   2.1 Chairman of Standard Bank Group – R3 272 947 per annum[2].

   2.2 Director of Standard Bank Group – R128 000 per annum.

   2.3 International director of Standard Bank Group – £30 100 per annum.

   2.4 Group credit committee:
   Member – R12 500 per meeting.

   2.5 Directors' affairs committee:
   Chairman – R80 000 per annum;
   Member – R40 000 per annum.

   2.6 Group risk and capital management committee:
   Chairman – R200 000 per annum;
   Member – R100 000 per annum.

   2.7 Group remuneration committee:
   Chairman – R136 000 per annum;
   Member – R62 500 per annum.

   2.8 Group transformation committee:
   Chairman – R108 000 per annum;
   Member – R54 000 per annum.

   2.9 Group audit committee:
   Chairman – R254 000 per annum;
   Member – R117 000 per annum.

   2.10 Ad hoc meeting attendance[3] – R12 500 per meeting.

3. To elect directors in place of those retiring in accordance with the provisions of the company's articles of association

   Messrs DDB Band, SJ Macozoma, RP Menell, MC Ramaphosa, MJ Shaw and Adv KD Moroka retire by rotation while Ms KP Kalyan and Messrs K Yang and Y Liu are required to retire at the annual general meeting following their appointment. All being eligible offer themselves for re-election. Mr DA Hawton retires at the conclusion of this meeting.

   RP Menell, MJ Shaw, Adv KD Moroka and Ms KP Kalyan are independent non-executive directors. Details of the directors offering themselves for re-election are as follows:

   3.1 **Kaisheng Yang**
   Age: 58
   Appointed: 2008
   Educational qualifications: Chinese Certified Public Accountant, Doctorate in economics (Wuhan University)
   Directorships: Standard Bank Group (deputy chairman), ICBC Credit Suisse Asset Management Company, Industrial and Commercial Bank of China (vice chairman and president)

[1] 1 January 2008 to 31 December 2008.
[2] Standard Bank Group chairman's fees include the board, subsidiary board and all committee memberships but do not include fees for Liberty Holdings Limited or Standard Bank Plc. A company motor vehicle, against which fringe benefit tax is levied, is made available for use by the chairman. The chairman is currently the chairman of the directors' affairs and group credit committees and is a member of the group remuneration, group risk and capital management and group transformation committees.
[3] Fee per meeting for attendance by non-executive director or person acting in an alternate capacity (not a member of the committee). This same fee is applicable to all committees where attendance is on an ad hoc or in an alternate capacity.

3.2 **Yagan Liu**
Age: 34
Appointed: 2008
Educational qualifications: Chinese Certified Public Accountant, MA in accounting (Beijing Technology Business University)
Directorships: Standard Bank Group, Seng Heng Bank Limited

3.3 **Doug Band**
Age: 63
Appointed: 1997
Educational qualifications: BCom (Wits), CA(SA)
Directorships: Standard Bank Group, The Standard Bank of South Africa, MTN Group, The Bidvest Group, Tiger Brands
Committee member: Directors' affairs, group audit, group credit, group remuneration, large exposures credit

3.4 **Koosum Kalyan**
Age: 52
Appointed: 2007
Educational qualifications: BCom (Honours)
Directorships: Standard Bank Group, The Standard Bank of South Africa, MTN Group, South African Airways, South African Bank Note Company, South African Mint Company

3.5 **Saki Macozoma**
Age: 50
Appointed: 1998
Educational qualifications: BA (Unisa), BA (Honours) (Boston)
Directorships: Standard Bank Group (deputy chairman), The Standard Bank of South Africa, Andisa Capital (chairman), Iliso Consulting (chairman), Liberty Group (chairman), Liberty Holdings, Safika Holdings (deputy chairman), Stanlib (chairman), Tutuwa Strategic Holdings 2, VW South Africa
Committee member: Allocation (chairman), directors' affairs, group audit, group credit, group remuneration, group risk and capital management, group transformation (chairman)

3.6 **Rick Menell**
Age: 52
Appointed: 1997
Educational qualifications: MA (Cambridge), MSc (Stanford)
Directorships: Standard Bank Group, The Standard Bank of South Africa, African Rainbow Minerals, Anglovaal Holdings, Bateman Engineering (chairman), Mutual & Federal, Teal Exploration & Mining (president and chief executive)
Committee member: Group remuneration, group risk and capital management

3.7 **Adv Kgomotso Moroka**
Age: 53
Appointed: 2003
Educational qualifications: BProc (University of the North), LLB (Wits)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Fidelity Security Group, Gobodo Forensic & Investigative Accounting (chairman), Network Healthcare Holdings, New Seasons Investments Holdings, Schindler Lifts (SA), South African Breweries

3.8 **Cyril Ramaphosa**
Age: 55
Appointed: 2004
Educational qualifications: BProc (Unisa)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Alexander Forbes, Assore, BDFM, Macsteel Global, Mondi South Africa, MTN Group (chairman), MTN Holdings (chairman), SAB Miller, Shanduka Group (chairman), The Bidvest Group (chairman), Tutuwa Strategic Holdings 1

3.9 **Martin Shaw**
Age: 69
Appointed: 2004
Educational qualifications: CA(SA)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Illovo Sugar, JD Group, Liberty Holdings, Murray & Roberts Holdings, Pretoria Portland Cement (chairman), Reunert (chairman)
Committee member: Group audit (chairman), group risk and capital management (chairman)

4. To consider and if deemed fit to pass, with or without modification, the following resolutions as ordinary resolutions:

4.1 Standard Bank Group facilitated the conclusion of various agreements during 2004, which resulted in the acquisition of an effective 10% interest in its South African banking operations by a broad-based grouping of black entities, which is referred to as the "black ownership initiative", consisting of the Tutuwa Consortium, the Community Trust (a trust formed for the benefit of local businesses and established community and charitable organisations in the different regions of South Africa), the Managers Trusts (trusts formed for the benefit of Standard Bank Group's current and future black managers) and black employees.

In terms of the black ownership initiative, Standard Bank Group proposed that black non-executive directors should be beneficiaries of the Managers Trusts. Shareholders approved the allocation of shares to three qualifying black non-executive directors on 6 December 2004. Similarly, it is now being proposed that Koosum Kalyan be offered 125 000 Standard Bank Group ordinary shares acquired by the Managers Trusts, subject to similar terms and conditions as the black managers.

"Resolved as an ordinary resolution that, subject to the reappointment of Koosum Parsotam Kalyan (Kalyan) as a director of the company, the participation by Kalyan in the Tutuwa Managers Trust 1 (Masters reference number IT 7153/2004) as a beneficiary in respect of a maximum of 125 000 Standard Bank Group ordinary shares be and is hereby approved."

4.2 "Resolved that all the ordinary shares required for the purpose of carrying out the terms of the Standard Bank Equity Growth Scheme (the Equity Growth Scheme), other than those which have specifically been appropriated for the Equity Growth Scheme in terms of ordinary resolutions duly passed at previous annual general meetings of the company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to allot and issue those shares in terms of the Equity Growth Scheme."

4.3 "Resolved that all the ordinary shares required for the purpose of carrying out the terms of the Standard Bank Group Share Incentive Scheme (the Scheme), other than those which have specifically been appropriated for the Scheme in terms of ordinary resolutions duly passed at previous annual general meetings of the company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to allot and issue those shares in terms of the Scheme."

4.4 "Resolved as an ordinary resolution that the unissued ordinary shares in the authorised share capital of the company (other than those specifically identified in ordinary resolutions number 4.2 and 4.3) be and are hereby placed under the control of the directors of the company who are authorised to allot and issue the ordinary shares at their discretion until the next annual general meeting of the company, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Limited and subject to the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution being limited to five percent (5%) of the number of ordinary shares in issue at 31 December 2007."

4.5 "Resolved as an ordinary resolution that the unissued non-redeemable, non-cumulative, non-participating preference shares (non-redeemable preference shares) in the authorised share capital of the company be and are hereby placed under the control of the directors of the company who are authorised to allot and issue the non-redeemable preference shares at their discretion until the next annual general meeting of the company, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Limited."

4.6 "Resolved that the directors of the company be and are hereby authorised and given a renewable general authority to make payments to shareholders in terms of section 5.85(b) of the Listings Requirements of the JSE Limited (the Listings Requirements), subject to the provisions of the Companies Act, 61 of 1973, as amended (the Companies Act), the Banks Act, 94 of 1990, as amended and the Listings Requirements, including, amongst others, the following requirements:

(a) payments to shareholders in terms of this resolution shall be made in terms of section 90 of the Companies Act and be made pro rata to all shareholders;

(b) in any one financial year, payments to shareholders in terms of this resolution shall not exceed a maximum of 20% of the company's issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE Limited prepared within the last six months, measured as at the beginning of such financial year; and

(c) this general authority to make payments to shareholders shall be valid until the next annual general meeting of the company or for 15 months from the date of this resolution, whichever period is the shorter."

The directors of the company are of the opinion that, taking into consideration the effect of the maximum payment in terms of this authority:

– the company and the group would be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the notice of this annual general meeting ("the Next Year");

– the assets of the company and group, fairly valued in accordance with International Financial Reporting Standards (IFRS), would be in excess of the liabilities of the company and the group for the Next Year; and

– the share capital and reserves of the company and the group for the Next Year will be adequate.

The purpose of this general authority is to authorise the company's directors to return excess cash resources to shareholders on a pro rata basis if they deem it appropriate.

4.7 The Equity Growth Scheme does not make provision for employees who transfer from Standard Bank Group Limited or one of its subsidiaries or associates to Liberty Holdings Limited or one of its subsidiaries or associates (as defined in the Equity Growth Scheme) to retain their rights under the Equity Growth Scheme.

The purpose of this resolution is to allow for flexibility of movement of employees around the group. This will enable management to deploy resources in the group to other entities where they may be needed without any prejudicial remuneration consequences for the individual.

"Resolved as an ordinary resolution that the Standard Bank Equity Growth Scheme (the Equity Growth Scheme) be amended by deleting the following wording in the definition of "the Group" in clause 1.22 of the Equity Growth Scheme: "excluding Liberty Holdings Limited and its Subsidiaries"."

Special resolutions

5. To consider and if deemed fit, to pass, with or without modification, the following resolutions as special resolutions:

5.1 The directors of the company intend, if the circumstances are appropriate, to implement a repurchase of the company's ordinary shares as permitted in terms of the Companies Act, 61 of 1973, as amended (the Companies Act), the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Limited (the Listings Requirements) either by the company or one of its subsidiaries.

The reason for and effect of this special resolution is to generally approve, in terms of section 85(2) of the Companies Act and, in terms of section 89 of the Companies Act, the acquisition by the company and/or a subsidiary of the company, of ordinary shares issued by it subject to the Listings Requirements.

The directors of the company are of the opinion that, taking into consideration the maximum number of ordinary shares that could be repurchased:

– the company and the group would be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the notice of this annual general meeting ("the Next Year");

– the assets of the company and group, fairly valued in accordance with IFRS, would be in excess of the liabilities of the company and the group for the Next Year; and

– the share capital and reserves of the company and the group for the Next Year will be adequate.

"Resolved as a special resolution that the company approves, with effect from the date of this annual general meeting, as a general approval in terms of section 85(2) of the Companies Act, 61 of 1973, as amended (the Companies Act), the acquisition by the company and, in terms of section 89 of the Companies Act, the acquisition by any subsidiary of the company from time to time, of such number of ordinary shares issued by the company and at such price and on such other terms and conditions as the directors may from time to time determine, subject to the requirements of the Companies Act, the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Limited (the Listings Requirements), which include, amongst others, the following:

– the authority shall be valid only until the next annual general meeting of the company or 15 months from the date on which this resolution is passed, whichever is the earlier;

– any such acquisition will be implemented through the order book operated by the trading system of the JSE Limited and done without any prior understanding or arrangement between the company and the counterparty (reported trades being prohibited);

– the acquisition must be authorised by the company's articles of association;

– the authority is limited to the purchase of a maximum of 10% of the company's issued ordinary share capital in any one financial year;

– acquisition must not be made at a price more than 10% above the weighted average of the market value for the ordinary shares of the company for the five business days immediately preceding the date of acquisition;

- at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company may only acquire its ordinary shares if, after such acquisition, it still complies with the shareholder spread requirements as set out in the Listings Requirements;
- the company or its subsidiary may not repurchase securities during a prohibited period, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- that an announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, three percent (3%) of the number of shares in issue at the date of the general meeting at which this special resolution is considered and, if approved, passed, and for each three percent (3%) in aggregate of the initial number acquired thereafter; and
- in the case of an acquisition by a subsidiary of the company, the authority shall be valid only if:
  - the subsidiary is authorised by its articles of association;
  - the shareholders of the subsidiary have passed a special resolution authorising the acquisition; and
  - the number of shares to be acquired, is not more than 10% in the aggregate of the number of issued shares of the company."

5.2 The reason for and effect of this special resolution is to amend the articles of association of the company to permit the company to increase or decrease the percentage of the prime rate in respect of the non-redeemable preference shares as a result of any reform of South African tax legislation.

"Resolved as a special resolution that the articles of association of the company be amended by the deletion of article 184.2.7 and replacing it with the following new article 184.2.7:

'*184.2.7* If there is any amendment to the Income Tax Act, or if there is any reform of South African tax legislation (including an amendment or reform that results in the preference dividend being taxable in the hands of the preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the company), which results:

184.2.7.1 in the costs and/or taxes incurred by the company in relation to servicing of the preference shares being reduced, the directors shall be entitled to increase the preference dividend rate to the extent to which the costs and/or taxes of the company are so reduced, with effect from the date that such reduction in the costs and/or taxes takes effect; and

184.2.7.2 in the costs and/or taxes incurred by the company in relation to servicing the preference shares being increased, the directors shall be entitled to reduce the preference dividend rate to the extent to which the costs and/or taxes of the company are so increased, with effect from the date that such increase in the costs and/or taxes takes effect,

provided that:

(i) any reduction or increase in costs and/or taxes is uniformly applicable to all South African resident corporate taxpayers or to all of a class of such taxpayers (the banking sector being one such class) and not only because of the particular circumstances of the company or any preference shareholder; and

(ii) any increase in the preference dividend rate shall be limited to an amount sufficient to bring the effective return to a preference shareholder, after any tax borne by such preference shareholder on the preference dividend, up to the effective preference dividend rate prevailing at the time of the allotment and issue of the preference shares.

The directors shall be entitled to request the company's auditors to give an opinion to the directors on the amount of the increase or reduction. The costs of such auditors shall be borne and paid by the company.' "

Notes in regard to other Listings Requirements applying to ordinary resolutions 4.1 to 4.5 and to the special resolutions

1. **Details of directors**
   Director's details as required by the Listings Requirements are set out on pages 3 and 4 of this Notice to Members and pages 26 and 27 of the annual report that accompanies this notice of annual general meeting.

2. **Directors' responsibility statement**
   The directors, whose names are given on pages 3 and 4 of this Notice to Members and pages 26 and 27 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given in these notes 1-7 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement in these notes 1-7 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the Listings Requirements.

3. **Interests of directors**
   The interests of the directors in the share capital of the company are set out on pages 164 and 165 of the annual report.

4. **Major shareholders**
   Details of major shareholders of the company are set out on page 296 of the annual report.

5. **Share capital of the company**
   Details of the share capital of the company are set out on pages 228 to 230 of the annual report.

6. **Material change**
   There has been no material change in the financial or trading position of the company and its subsidiaries since the date of publication of the company's annual results on 5 March 2008.

7. **Litigation**
   The company and its subsidiaries are not, and have not, in the 12 months preceding the date of this notice of the annual general meeting been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the company and its subsidiaries, nor is the company aware of any such proceedings that are pending or threatened.

Standard Bank Group shareholders holding certificated shares and shareholders of the company who have dematerialised their shares and have elected "own-name" registration in the sub-register maintained by the CSDP, may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of such shareholder. A proxy form is attached to this notice of annual general meeting. Duly completed proxy forms must be returned to the transfer secretaries of Standard Bank Group or the registered office of the company to the addresses set out below, to be received by not later than 09h30 on Tuesday, 27 May 2008.

Standard Bank Group shareholders who have dematerialised their shares through a CSDP or broker and who have not elected "own-name" registration in the sub-register maintained by a CSDP and who wish to attend the annual general meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the annual general meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

On behalf of the board

L Wulfsohn
Group secretary

29 April 2008

Registered office
9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg 2001
(PO Box 7725, Johannesburg 2000)
Fax No. +27 11 636 4207

Transfer secretaries in South Africa
Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)
Fax No. +27 11 688 5238

Transfer secretaries in Namibia
Transfer Secretaries (Proprietary) Limited
Shop 8, Kaiserkrone Centre
Post Street Mall
Windhoek 9000
(PO Box 2401 Windhoek)
Fax No. +264 61 248 531

Designed by motiv
Printed by Ince

Proxy form: ordinary shares

Standard Bank

Standard Bank Group Limited
(Registration number 1969/017128/06)
(the company)
JSE share code: SBK
NSX share code: SNB
ISIN: ZAE000109815

To be completed by certificated ordinary shareholders and dematerialised ordinary shareholders with "own-name" registrations only.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

I/We ______________________________ (Name in block letters)

of ______________________________ (Address in block letters)

being a shareholder(s) and the holder(s) of ________ ordinary shares of 10 cents each and entitled to vote hereby appoint (see note 1)

1 ______________________________ **or, failing him/her**

2 ______________________________ **or, failing him/her**

the chairman of the annual general meeting,
as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of shareholders to be held at 09h30 on Wednesday, 28 May 2008, in the HP de Villiers Auditorium, Standard Bank Centre, 6 Simmonds Street, Johannesburg, and at any adjournment thereof as follows:

		Number of votes		
		For[1]	**Against**[1]	**Abstain**[1]
	Ordinary resolution to:			
1	**Adopt annual financial statements**			
2	**Remuneration:** Approve non-executive directors' fees (2008):			
2.1	Standard Bank Group chairman			
2.2	Standard Bank Group director			
2.3	Standard Bank Group International director			
2.4	Group credit committee			
2.5	Directors' affairs committee			
2.6	Group risk and capital management committee			
2.7	Group remuneration committee			
2.8	Group transformation committee			
2.9	Group audit committee			
2.10	Ad hoc meeting attendance			
3	**To elect directors:**			
3.1	Kaisheng Yang			
3.2	Yagan Liu			
3.3	Doug Band			
3.4	Koosum Kalyan			
3.5	Saki Macozoma			
3.6	Rick Menell			
3.7	Kgomotso Moroka			
3.8	Cyril Ramaphosa			
3.9	Martin Shaw			

[1] *Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.*

Proxy form continued

	Number of votes		
	For[1]	Against[1]	Abstain[1]
4 Ordinary resolution to: 4.1 subject to the reappointment of Koosum Kalyan as a director of the company, offer 125 000 Standard Bank Group ordinary shares acquired by the Managers Trust			
4.2 place shares for the Standard Bank Equity Growth Scheme under control of directors			
4.3 place shares for the Group Share Incentive Scheme under control of directors			
4.4 place unissued ordinary shares (5%) under control of directors			
4.5 place unissued preference shares under control of directors			
4.6 give directors general authority to make payments to shareholders			
4.7 to amend clause of the Standard Bank Equity Growth Scheme			
5 Special resolution to: 5.1 give general authority until the next annual general meeting for the company or subsidiaries to repurchase the company's shares			
5.2 amend the articles of association of the company to permit the company to increase or decrease the percentage of the prime rate in respect of the non-redeemable, non-cumulative, non-participating preference shares as a result of any reform of South African tax legislation			

[1]*Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.*

Signed at on 2008

Signature

Assisted by (where applicable) (State capacity and full name)

Please provide contact details: Tel: ( )

Fax: ( )

e-mail:

Please read the notes below.

Notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. To be effective, completed proxy forms must be lodged by not later than 09h30 on Tuesday, 27 May 2008 with either the transfer secretaries or the registered office:

   South Africa:
   Computershare Investor Services (Pty) Limited
   Ground Floor, 70 Marshall Street
   Johannesburg
   PO Box 61051, Marshalltown 2107
   Fax number +27 11 688 5238

   Namibia
   Transfer Secretaries (Pty) Limited
   Shop 8, Kaiserkrone Centre
   Post Street Mall, Windhoek
   PO Box 2401 Windhoek
   Fax number +264 61 248 531

   Registered office:
   9th Floor, Standard Bank Centre
   5 Simmonds Street, Johannesburg
   PO Box 7725, Johannesburg 2000
   Fax number +27 11 636 4207.
3. The completion and lodging of this form of proxy will not prevent the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person at the annual general meeting instead of the proxy.
4. The chairman of the annual general meeting may accept or reject any proxy form which is completed and/or received other than in compliance with these notes.
5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.
6. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company.
7. Where there are joint holders of ordinary shares:
   (a) any one holder may sign the proxy form; and
   (b) the vote of the senior ordinary shareholder (for that purpose seniority will be determined by the order in which the names of the ordinary shareholders who tender a vote (whether in person or by proxy) appear in the company's register) will be accepted as to the exclusion of the vote(s) of the other joint shareholders.
8. All beneficial shareholders of ordinary shares who have dematerialised their shares through a CSDP or broker, other than those shareholders who have elected to dematerialise their shares in "own-name" registrations, must provide their CSDP or broker with their voting instructions. Voting instructions must reach the CSDP or broker in sufficient time to allow the CSDP or broker to advise the company or its transfer secretaries of this instruction by no later than 09h30 on Tuesday, 27 May 2008. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   If you have dematerialised your shares and wish to attend the meeting in person, you may do so by requesting your CSDP or broker to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP or broker. Letters of representation must be lodged with the company's transfer secretaries or at the registered office of the company by no later than 09h30 on Tuesday, 27 May 2008. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   Shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own-name" registrations, must lodge their completed proxy forms with the company's transfer secretaries or at the registered office of the company by not later than 09h30 on Tuesday, 27 May 2008.

Proxy form: non-redeemable, non-cumulative, non-participating preference shares (non-redeemable preference shares)

Standard Bank Group Limited
(Registration number 1969/017128/06)
(the company)
JSE share code: SBPP
ISIN: ZAE000056339

To be completed by certificated non-redeemable preference shareholders and dematerialised non-redeemable preference shareholders with "own-name" registrations only.

A non-redeemable preference shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

I/We ______________________________ (Name in block letters)

of ______________________________ (Address in block letters)

being a shareholder(s) and the holder(s) of ________ non-redeemable preference shares of 1 cent each and entitled to vote hereby appoint (see note 1)

1 ______________________________ **or, failing him/her**

2 ______________________________ **or, failing him/her**

the chairman of the annual general meeting,
as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of shareholders to be held at 09h30 on Wednesday, 28 May 2008, in the HP de Villiers Auditorium, Standard Bank Centre, 6 Simmonds Street, Johannesburg, and at any adjournment thereof as follows:

		Number of votes		
		For[1]	**Against**[1]	**Abstain**[1]
5	**Special resolution to:**			
5.2	amend the articles of association of the company to permit the company to increase or decrease the percentage of the prime rate in respect of the non-redeemable, non-cumulative, non-participating preference shares as a result of any reform of South African tax legislation			

[1]*Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.*

Signed at ______________________________ on ______________________________ 2008

Signature ______________________________

Assisted by (where applicable) (State capacity and full name) ______________________________

Please provide contact details: Tel: ( ) ______________________________

Fax: ( ) ______________________________

e-mail: ______________________________

Please read the notes on the reverse side.

Notes

1. A non-redeemable preference shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. To be effective, completed proxy forms must be lodged by not later than 09h30 on Tuesday, 27 May 2008 with either the transfer secretaries or the registered office:

   South Africa:
   Computershare Investor Services (Pty) Limited
   Ground Floor, 70 Marshall Street
   Johannesburg
   PO Box 61051, Marshalltown 2107
   Fax number +27 11 688 5238

   Registered office:
   9th Floor, Standard Bank Centre
   5 Simmonds Street, Johannesburg
   PO Box 7725, Johannesburg 2000
   Fax number +27 11 636 4207.
3. The completion and lodging of this form of proxy will not prevent the relevant non-redeemable preference shareholder from attending the annual general meeting and speaking and voting in person at the annual general meeting instead of the proxy.
4. The chairman of the annual general meeting may accept or reject any proxy form which is completed and/or received other than in compliance with these notes.
5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.
6. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company.
7. Where there are joint holders of non-redeemable preference shares:

   (a) any one holder may sign the proxy form; and

   (b) the vote of the senior non-redeemable preference shareholder (for that purpose seniority will be determined by the order in which the names of the non-redeemable preference shareholders who tender a vote (whether in person or by proxy) appear in the company's register) will be accepted as to the exclusion of the vote(s) of the other joint shareholders.
8. All beneficial shareholders of non-redeemable preference shares who have dematerialised their shares through a CSDP or broker, other than those shareholders who have elected to dematerialise their shares in "own-name" registrations, must provide their CSDP or broker with their voting instructions. Voting instructions must reach the CSDP or broker in sufficient time to allow the CSDP or broker to advise the company or its transfer secretaries of this instruction by no later than 09h30 on Tuesday, 27 May 2008. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   If you have dematerialised your shares and wish to attend the meeting in person, you may do so by requesting your CSDP or broker to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP or broker. Letters of representation must be lodged with the company's transfer secretaries or at the registered office of the company by no later than 09h30 on Tuesday, 27 May 2008. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   Shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own-name" registrations, must lodge their completed proxy forms with the company's transfer secretaries or at the registered office of the company by not later than 09h30 on Tuesday, 27 May 2008.