Standard Bank Group

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND DIVIDEND ANNOUNCEMENT

for the six months ended
30 June 2019

Standard Bank Moving Forward™
Also trading as Stanbic Bank

CONTENTS

The Standard Bank Group Limited's (the group) condensed consolidated interim results, including the statement of financial position, income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows, for the six months ended 30 June 2019 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of International Accounting Standards (IAS) 34 *Interim Financial Reporting* and the requirements of the South African Companies Act, 71 of 2008 applicable to condensed financial statements.

The group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. This report is presented in South African rand, which is the presentation currency of the group. All amounts are stated in millions of rand (Rm), unless indicated otherwise. 1H19 refers to the first half year results for 2019. 1H18 refers to the first half year results for 2018. FY18 refers to the full year results for 2018. Change % reflects 1H19 change on 1H18. All amounts relate to the group's consolidated results, unless otherwise specified.

The 1H19 results, including comparatives for 1H18, where applicable, have not been audited or independently reviewed by the group's external auditors. The group's FY18 financial information has been correctly extracted from the underlying audited consolidated annual financial statements for the year ended 31 December 2018, unless otherwise specified.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim results are in terms of IFRS, including IFRS 16 Leases (IFRS 16), which is effective for the group from 1 January 2019. These accounting policies are consistent with the accounting policies applied in the preparation of the group's previous consolidated annual financial statements with the exception of changes referred to on page 40.

The group has, as permitted by IFRS 16, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared based on IAS 17 *Leases* (IAS 17). The impact of adopting IFRS 16 has been applied retrospectively with an adjustment to the group's opening 1 January 2019 reserves. The application of IAS 17 for the group's 2018 financial year was unaffected by the application of IFRS 16. Refer to page 41 for more details on IFRS 16.

The board of directors (the board) of the group take full responsibility for the preparation of this report. The preparation of the group's results was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP.

The results were made publicly available on 8 August 2019.

This report contains *pro forma* constant currency financial information. Refer to page 47 for further detail.

In terms of the JSE's Listings Requirements, the group no longer posts a physical copy of this announcement to its shareholders. Investors are referred to www.standardbank.com/reporting where a detailed analysis of the group's financial results, including an income statement and a statement of financial position for The Standard Bank of South Africa Limited (SBSA), can be found. Scan the image on the inside back cover of this report to be taken there directly.

Shareholders are reminded that should they wish to make use of the group's electronic communication notification system to receive all shareholder entitled communication electronically as opposed to delivery through physical mail and have not already done so, this option can still be elected by advising the group's transfer secretaries at the following email address ecomms@computershare.co.za or fax to +27 11 688 5248 or contact the call centre on +27 861 100 933. Other related queries can be sent to electroniccommunication@standardbank.co.za.

HIGHLIGHTS

HEADLINE EARNINGS

6% ↑ R13 361m

1H18: R12 663 million

HEADLINE EARNINGS PER SHARE

5% ↑ 837c

1H18: 794 cents

DIVIDEND PER SHARE

6% ↑ 454c

1H18: 430 cents

COMMON EQUITY TIER 1 RATIO[1]

↑ 14.0%

1H18: 13.8%

CREDIT LOSS RATIO

↑ 0.76%

1H18: 0.62%

JAWS

↑ 1.1%

1H18: (2.8%)

COST-TO-INCOME RATIO

↓ 57.0%

1H18: 57.6%

RETURN ON EQUITY

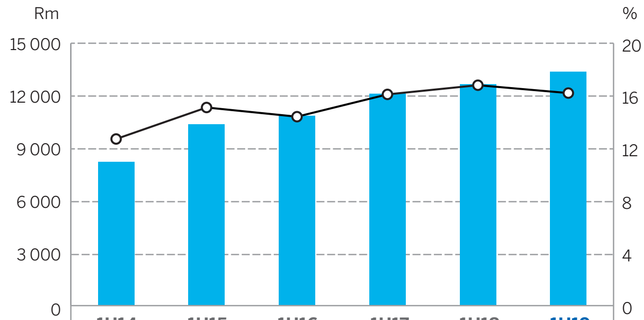
↓ 16.2%

1H18: 16.8%

[1] This ratio is reported after applying the IFRS 9: *Financial Instruments* (IFRS 9) phase-in transition adjustment allowed by the South African Reserve Bank (the SARB). For further details regarding the ratio assuming the no phase-in provision (fully loaded ratio), refer to page 38 for more detail.

Headline earnings and return on equity

CAGR[1] (1H14 – 1H19): 10%

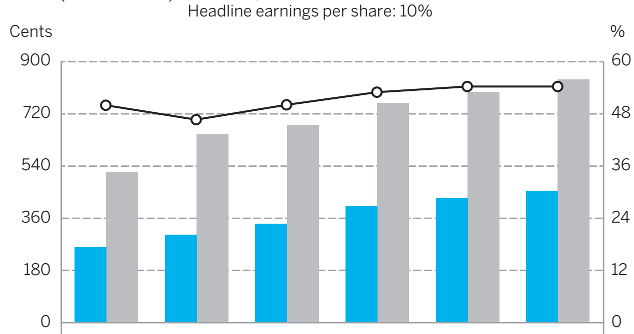


	1H14	1H15	1H16	1H17	1H18	1H19
Headline earnings	8 230	10 373	10 861	12 111	12 663	**13 361**
Return on equity (ROE)	12.7	15.1	14.4	16.1	16.8	**16.2**

[1] Compound annual growth rate

Headline earnings and dividend per share

CAGR (1H14 – 1H19): Dividend per share: 12%
Headline earnings per share: 10%



	1H14	1H15	1H16	1H17	1H18	1H19
Dividend per share	259	303	340	400	430	**454**
Headline earnings per share	519	650	680	756	794	**837**
Dividend payout ratio	49.9	46.6	50.0	52.9	54.2	**54.2**

OVERVIEW OF FINANCIAL RESULTS

Group results

Standard Bank Group's African-focused strategy has delivered continued headline earnings growth, driven by the strong underlying momentum in our core operations. For the period ended 30 June 2019 (1H19) headline earnings were R13.4 billion, an increase of 6% on the prior period (1H18), and return on equity (ROE) was 16.2%. The group's capital position remained strong, with a common equity tier 1 (CET1) ratio of 14.0%, which supported an interim dividend of 454 cents per share, an increase of 6% on the prior period.

Banking activities recorded strong growth in headline earnings, increasing 10% to R12.8 billion. ROE was 17.5% in line with the prior corresponding period. Strong balance sheet growth period on period supported net interest income (NII). Pressure on fees and continued customer migration to digital channels dampened non-interest revenue (NIR) growth. Credit impairment charges increased from a low base in 1H18. Stringent cost management resulted in positive jaws of 109 basis point (bps).

After adjusting for currency impacts, in particular the weaker South African Rand (ZAR), group headline earnings grew 5% on a constant currency (CCY) basis. On the back of continued strong earnings growth, Africa Regions' (AR) contribution to banking headline earnings grew to 34% from 32% in 1H18. The top six contributors to AR's headline earnings were Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda.

Operating environment

The persistent uncertainty associated with the US-China trade war and the threat of a global slow-down weighed on markets in 1H19. A change in the US interest rate outlook provided some support to Emerging Markets (EM) flows in 2Q19, as investors searched for yield.

In sub-Saharan Africa (SSA), inflation decelerated, currencies stabilised, and interest rates moderated. Inflation averaged 9% across the markets in which the group operates. Although Angola and Nigeria recorded inflation in the double digits, period-on-period inflation eased in both countries. In Angola, the continued depreciation of the Angolan Kwanza (AOA) kept inflation at elevated levels. Zimbabwe transitioned to the Real-Time Gross Settlement (RTGS) Dollar as its primary currency in February 2019. Since its introduction, the RTGS has devalued significantly resulting in a spike in inflation. Electricity shortages further exacerbated a difficult operating environment.

In South Africa, ongoing uncertainty weighed on confidence, spending and investment. In 1Q19 GDP declined 3.2%. Despite a weaker average ZAR in 1H19, inflation remained well anchored, allowing for an interest rate cut in July 2019.

Loans and advances

Gross loans and advances to customers grew 9% from 30 June 2018 to 30 June 2019, of which Personal & Business Banking's (PBB) advances to customers grew 5% and Corporate & Investment Banking's (CIB), 14%. The portfolios continued to be managed well, resulting in a marginal decline in provisions period on period.

Within PBB SA, the mortgage loan portfolio grew in line with the market. Average monthly mortgage disbursements equated to more than R3.7 billion, 17% higher than 1H18. The investment in our Vehicle and asset finance (VAF) capability led to an increase in motor disbursements of 18%, to R17 billion, period on period and positive market share gains. The personal unsecured lending portfolio grew 6% supported by the successful launch of our online origination capability to existing customers in February 2019. In June 2019 online disbursements represented 23% of the total personal unsecured disbursements. The business lending portfolio grew at a slower pace of 4%, as low levels of business confidence translated into lower business lending demand.

PBB AR's loans to customers grew 17% in CCY to R70 billion, underpinned by the successful execution of its business-led strategy. Business lending remains the largest contributor, at roughly a third of the portfolio, followed closely by mortgages, primarily in Namibia, and personal unsecured lending.

Robust new business disbursements in VAF and personal unsecured lending led to higher stage 1 and 2 provisions relative to December 2018, partially offset by model enhancements in mortgages and early arrears collection capability improvements in the card and personal unsecured businesses. While the NPL ratio remained stable period on period, the protracted legal processes in mortgages and challenging property environment resulted in an increase in mortgage lending NPL ratio. NPL coverage showed a marginal reduction on the back of changes in mix and loss expectations.

In CIB, Investment Banking's (IB) momentum continued from 2018, resulting in double digit loan book growth from 30 June 2018 to 30 June 2019. The business originated R92 billion in loans in 1H19, supporting SA corporate expansion into Africa and clients in East and West Africa. Underlying growth in CIB gross loans and advances to customers, including HQLA, was 16%. CIB provisions declined 7% due to lower stage 3 provisions. The main sectors impacted were Consumer, Power & Infrastructure (P&I) and Telecoms & Media. In AR, impairments were raised in East Africa in the P&I and Consumer sectors.

Gross loans and advances to customers[1]

	CCY %	Change %	1H19 Rm	1H18 Rm	FY18 Rm
Personal & Business Banking	6	5	**666 741**	632 088	649 968
Mortgage loans	4	4	**368 143**	353 357	362 006
Vehicle and asset finance	9	9	**92 800**	85 327	89 410
Card debtors	1	1	**33 610**	33 336	33 216
Other loans and advances	9	8	**172 188**	160 068	165 336
Corporate & Investment Banking	15	14	**416 304**	364 148	398 425
Global markets	55	53	**27 038**	17 653	26 967
Investment banking	10	10	**340 748**	308 540	324 615
Transactional products and services	34	28	**48 518**	37 955	46 843
Central and other	12	12	**(3 786)**	(3 379)	(1 892)
Gross loans and advances to customers	9	9	**1 079 259**	992 857	1 046 501

[1] The above loans and advances disclosures have been presented at a segment level for customers only, whereas the other loans and advances disclosures within these results are disclosed on a group consolidated view, unless stated otherwise.

Deposits from customers

	CCY %	Change %	1H19 Rm	1H18 Rm	FY18 Rm
Personal & Business Banking	7	5	**593 335**	563 592	591 318
Retail priced deposits	5	4	**464 956**	448 553	467 989
Wholesale priced deposits	12	12	**128 379**	115 039	123 329
Corporate & Investment Banking	18	15	**710 269**	615 986	667 845
Central and other	6	6	**(5 237)**	(4 935)	(3 971)
Deposits from customers	12	11	**1 298 367**	1 174 643	1 255 192
Comprising:					
Retail priced deposits	5	4	**464 956**	448 553	467 989
Wholesale priced deposits	17	15	**833 411**	726 090	787 203
Deposits from customers	12	11	**1 298 367**	1 174 643	1 255 192

Deposits and funding

Deposits from customers grew 11% period on period to R1.3 trillion, supported by 15% growth in CIB deposits. CIB's deposit growth was driven by client wins and greater share of wallet in SA and a growing franchise in AR. PBB customer deposits grew 5%, with stronger growth in savings and investment products as customers switched to higher yielding product offerings. SBSA's retail deposit market share declined marginally following the roll-off of fixed deposits raised in a 2017 campaign. Growth in PBB AR's deposits from customers, (CCY, 16%), was underpinned by continued strong current and savings account inflows in 1H19 (CCY, 17%). Our offshore operations in the Isle of Man and Jersey continued to provide the group with access to hard currency funding, totalling GBP5 billion as at 30 June 2019.

During 1H19, the group successfully raised R20.3 billion of longer-term funding. The group also issued a USD400 million Tier II Eurobond, R1.0 billion tier II capital and R1.9 billion Additional Tier 1 notes, the proceeds of which were invested in SBSA.

Revenue

Group revenue grew 7% to R54.3 billion. NII grew 9% to R31.3 billion, whilst NIR grew 4% to R23.0 billion. NII growth was supported by strong loan and deposit growth across the portfolio. Net interest margin (NIM) decreased marginally to 440 bps (1H18, 443 bps). Stronger growth in higher-margin unsecured lending, AR growing loans and advances faster than SA, positive endowment and effective margin management in our offshore operations helped buffer margins from the negative impact of lower average rates in some of the AR markets, higher cash reserving costs in Nigeria and a competitive South African loan pricing environment.

NIR growth was driven by strong underlying volumes; in particular, new loan originations and electronic banking, card and FX transactions. As clients continued to shift their transactional banking from traditional to digital platforms, growth in electronic banking fees continued to outpace account transaction fees. As we continue to digitise our current capabilities, we expect the contribution from electronic banking to continue to grow.

In addition, the roll-out of new digital products will drive new revenue streams. CIB balance sheet growth supported IB-related asset-based fees, whilst knowledge-based fee growth was muted. Trading revenue growth remained subdued, particularly in SA, constrained by low levels of market activity.

Credit impairment charges

Credit impairment charges increased 20%, off a low base in the prior period, to R4.2 billion. The group credit loss ratio (CLR) increased to 76 bps (1H18, 62 bps), entering the group's revised through-the-cycle CLR range of 70 – 100 bps. Higher post write-off recoveries reduced impairment charges.

Operating expenses

The strong focus on cost continued into 1H19. The group contained growth in operating expenses to 6% period on period and delivered positive jaws of 109 bps. This was a good result considering the customer experience initiatives and staff re-skilling and upskilling programmes under way, as well as the costs associated with the branch reconfiguration exercise in SA. Staff costs grew 5% and other operating expenses, 8%. IT costs grew 12%, on the back of higher software licensing and maintenance costs, to support increased capacity, and a lower capitalisation of costs. The adoption of IFRS 16 (accounting standard on leases), gave rise to an increase in depreciation and decrease in premises costs.

Capital management

The group maintained strong capital adequacy ratios, with an IFRS 9 phased-in CET1 ratio of 14.0% (1H18, 13.8%) and a total capital adequacy ratio of 17.3% (1H18, 16.2%). The group raised tier II funding in 1H19 ahead of redemptions in 2H19, which resulted in an increase in tier II and total capital.

The group's liquidity position remained strong and within approved risk appetite and tolerance limits. The group's second quarter average Basel III liquidity coverage ratio amounted to 124%, exceeding the minimum phased-in regulatory requirement of 100%. The group maintained its net stable funding ratio in excess of the 100% regulatory requirement.

OVERVIEW OF FINANCIAL RESULTS CONTINUED

Headline earnings by business unit

	CCY %	Change %	1H19 Rm	1H18 Rm	FY18 Rm
Personal & Business Banking	7	8	**7 201**	6 697	15 557
Corporate & Investment Banking	6	9	**6 169**	5 676	11 168
Central and other	(19)	(19)	**(564)**	(699)	(878)
Banking activities	8	10	**12 806**	11 674	25 847
Other banking interests	(>100)	(>100)	**(320)**	132	418
Liberty	2	2	**875**	857	1 600
Standard Bank Group	5	6	**13 361**	12 663	27 865

Overview of business unit performance

Personal & Business Banking

PBB's headline earnings grew 8% to R7.2 billion, underpinned by balance sheet and customer franchise growth. NII increased 9% to R21.7 billion, as balance sheet growth offset the impact of IFRS 16. Active cost containment resulted in positive jaws of 87 bps. Credit impairment charges increased 12% to R3.7 billion (1H18, R3.3 billion) and the CLR increased marginally to 105 bps (1H18, 99 bps). ROE improved to 19.9% from 19.6% for the same period last year.

PBB SA delivered headline earnings of R6.1 billion, flat period on period, reflecting the impact of the branch reconfiguration costs combined with the continued difficult macroeconomic backdrop and an increasingly competitive environment. In the six months to June 2019, the number of branches in SA declined by 98 to 531 branches and square meterage declined 16% to approximately 314 000 square metres.

In 1H19, the business digitised key branch activities (EAP limits, debit order reversals, real-time clearance, pin view and statements older than six months) and launched a number of new products (MyMo, My360, SimplyBlu and BizFlex) and product enhancements (tiered-priced mortgages, Shyft for non-Standard Bank customers, personal lending and current account online origination), aimed at improving customer experience, driving retention and attracting new-to-bank customers.

Customers continued to migrate to our digital platforms, in particular the SBG mobile app. SBG mobile app active users increased 55% to 1.8 million and the value of transactions executed via our mobile banking increased 47% to R172 billion. Instant Money, our digital wallet and money transfer platform, continued to gain traction with customers; transactional volumes increased 20% to 12.6 million, and turnover increased 27% to R9.3 billion.

PBB AR more than doubled its headline earnings once again to R471 million (1H18, R211 million), driven by ongoing customer acquisition, increased activity levels, as well as growth in loans and deposits. The business was negatively impacted by declining rates and regulatory pressure on fees, most notably in Angola, Lesotho, Malawi, Nigeria and Zambia.

PBB AR active customers increased to 5.2 million, driven by client acquisition in Ghana, Malawi, Nigeria, Uganda and Zimbabwe. Transaction volumes increased 18% driven by digital channels which increased 23%, while branch transactions declined 15%. Digital transaction volumes increased to 92% of total volumes. A growing customer base, combined with strong take up of mobile banking, resulted in an increase in mobile banking transaction volumes of 57% to 36.9 million transactions. The group's market leading digital solutions, e.g. remote onboarding, digital and paperless channel fulfilment (Moby Banker), digital card/wallet container (SlydePay) and instant unsecured personal loans (launched in eSwatini and Zambia), assisted in driving customer and balance sheet growth.

Wealth International produced an exceptional result, growing headline earnings 54% (42% in CCY) to R664 million. The performance was driven by ongoing client acquisition, effective margin optimisation and positive endowment from higher rates in the US and UK.

Corporate & Investment Banking

CIB delivered headline earnings of R6.2 billion, an increase of 9% (6% in CCY). This is a pleasing result considering the subdued market activity levels in key markets, the difficult business environment in SA and the legislative changes and currency-related headwinds faced in some of the AR markets. CIB's strong underlying operational performance is a testament to its growing client franchise, effective credit management and continued cost control. Revenue increased by 7% (5% in CCY). Impairment charges increased off a low base in 1H18 resulting in a CLR to customers of 40 bps (1H18, 4bps), on the lower end of CIB's through-the-cycle range of 40 – 60bps. Cost growth of 5% (3% in CCY) lead to positive jaws of 156 bps an improvement in cost-to-income ratio to 52.3% (1H18, 53.1%). During the period, CIB closed the Hong Kong office and took steps to rightsize the London office. Higher capital demand, on the back of strong growth in IB assets, higher capital requirements in Global Markets (GM) and portfolio ratings downgrades in SA, resulted in a dip in ROE to 19.3% (1H18, 20.5%).

Client revenues increased 12% (10% in CCY), underpinned by strong underlying client activities. In 1H19, revenues from large domestic corporates grew 24%, driven by SA, West and East Africa, whilst multinational corporates grew 7%. From a sector perspective, client revenue growth was driven by client activities in the Financial Institutions, Oil & Gas (O&G), TMT and Sovereign Public Sector. At a regional level, client revenues in SA grew 9% and in AR, 15%.

Transactional Products and Services (TPS) delivered a solid set of results with headline earnings up 11% to R1.8 billion (1H18, R1.6 billion). Strong growth in loans and deposits, driven by client acquisitions and increased share of wallet, more than offset some of the headwinds from declining interest rates, the depreciation of the AOA and higher cash reserving requirements in Nigeria.

IB headline earnings increased 10% to R2.0 billion (1H18, R1.9 billion). Revenue growth was driven by double digit average loan book and NII growth and fees from participation in several landmark deals and client activity in the O&G and Telecoms & Media sectors. Impairment charges increased, but remained well below historic levels.

Despite a difficult start to the year, GM remains a sizeable business that contributed R2.3 billion of headline earnings in the period. The Equities, Interest Rate Trading and Structured Solutions desks experienced headwinds, in line with markets businesses globally. The AR GM businesses performed well, providing some respite to those in SA.

Central and other

This segment includes costs associated with corporate functions, as well as the group's treasury and capital requirements, and central hedging activities. In 1H19, the segment recorded a cost of R564 million, 19% less than the prior period as costs previously held centrally were allocated to business. We continue to proactively manage the costs recorded in the centre.

Other banking interests

Other banking interests recorded a headline loss of R320 million. ICBC Standard Bank Plc (ICBCS) recorded a loss of USD129.5 million in the period. This disappointing result comprises two primary components i) an operating loss of USD19.5 million and ii) a provision of USD110 million arising from a single client relationship. The operating loss should be viewed in the context of the difficult environment in which the business operated in the period. The single-client loss arose as a result of Philadelphia Energy Solutions (PES) operations being severely disrupted after an industrial incident, which in turn impacted its ability to fulfil its contractual obligations. PES has since filed for bankruptcy and the matter is in the courts. Standard Bank is comfortable that ICBCS is following due process and ICBCS is keeping Standard Bank updated as appropriate. The group's 40% share of ICBCS' loss equated to R752 million.

ICBC Argentina continued to perform well, delivering a headline earnings contribution from the group's 20% stake of R432 million (1H18, R202 million).

Liberty

The financial results reported are the consolidated results of the group's 56% investment in Liberty, adjusted for Standard Bank Group shares held by Liberty for the benefit of Liberty policyholders which are deemed to be treasury shares in the group's consolidated accounts.

Liberty continued to make progress against its strategic objectives and delivered a pleasing improvement in its normalised operating earnings, up 14% to R1.1 billion. Liberty's shareholder investment portfolio returns improved significantly, supported by better market conditions. Liberty's new business margin improved. ROE and return on embedded value moved up into their respective target bands and capital levels remained robust. Liberty's IFRS headline earnings, after the adjustments for the impact of the BEE preference share income and the Liberty Two Degrees listed Real Estate Investment Trust accounting mismatch, increased 31% on the prior period, to R2.0 billion. Investors are referred to the full Liberty announcement dated 1 August 2019 for further detail.

Headline earnings attributable to the group, adjusted down by R248 million for the impact of deemed treasury shares, was R875 million, 2% higher than in 1H18.

Prospects

Whilst flagging global growth and the US-China trade war remain key risks to the global macro economic outlook, SSA is expected to remain on its recovery path in 2019 and into 2020. Higher consumption and looser monetary policy will provide support. Regional real GDP is expected to grow 3.5% in 2019 and stabilise at around 4% over the medium term.

East Africa should continue to see robust growth. West Africa is expected to experience a sustained pick up, driven by a recovery in Angola and Nigeria and continued strong growth in Ghana. Mozambique's economic recovery should continue, largely shrugging off the impact of the cyclones earlier in the year. Zambia's growth is expected to slow to 3% but recover again into 2020. The environment in Zimbabwe is expected to remain constrained.

On 26 July 2019, Fitch downgraded SA's outlook from stable to negative, citing the country's deteriorating fiscal metrics; more specifically, the poor revenue outlook and the growing burden of Eskom on the fiscus. Given SA's fiscal constraints and weak consumer and business confidence, consumption and investment are likely to remain subdued. Against a backdrop of a deteriorating fiscal position, increasing unemployment and slower than expected reform, GDP growth expectations have been reduced to 0.6% for 2019.

Whilst there may be headwinds in certain markets, the diversity of our businesses and breadth of our footprint provide us with some shelter. In addition, our on-the-ground presence and deep understanding of the macro, political and regulatory dynamics in each of these markets, enable the group to continue to support our customers and our employees, whilst managing risk appropriately. We expect balance sheet growth in AR to continue to outpace that in SA, NII to outpace NIR and the CLR to remain at the lower end of our new target range of 70 – 100 bps. We remain committed to driving operational efficiencies, whilst continuing to invest judiciously to deliver a future-ready Standard Bank Group. We remain committed to our medium-term targets of delivering sustainable earnings growth and an ROE in our 18% – 20% target range.

Recognising that the group's sustainability, over the medium to long term, is inextricably linked to that of all our stakeholders, we remain committed to our shared value model and steadfast in delivering on our purpose of driving Africa's growth.

The 1H19 results, including comparatives for 1H18, where applicable, together with any forward-looking information in this announcement, have not been reviewed and reported on by the group's external auditors.

Sim Tshabalala
Group chief executive

Thulani Gcabashe
Chairman

7 August 2019

DECLARATION OF DIVIDENDS

Shareholders of Standard Bank Group Limited (the company) are advised of the following dividend declarations out of income reserves in respect of ordinary shares and preference shares.

Ordinary shares

Ordinary shareholders are advised that the board has resolved to declare an interim gross cash dividend No. 100 of 454 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 13 September 2019. The last day to trade to participate in the dividend is Tuesday, 10 September 2019. Ordinary shares will commence trading ex dividend from Wednesday, 11 September 2019.

The salient dates and times for the cash dividend are set out in the table that follows.

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 11 September 2019, and Friday, 13 September 2019, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Monday, 16 September 2019.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

Preference shares

Preference shareholders are advised that the board has resolved to declare the following interim dividends:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 100 of 3.25 cents (gross) per first preference share, payable on Monday, 9 September 2019, to holders of first preference shares recorded in the books of the company at the close of business on the record date,Friday, 6 September 2019. The last day to trade to participate in the dividend is Tuesday, 3 September 2019. First preference shares will commence trading ex dividend from Wednesday, 4 September 2019.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 30 of 391.38 cents (gross) per second preference share, payable on Monday, 9 September 2019, to holders of second preference shares recorded in the books of the company at the close of business on the record date,Friday, 6 September 2019. The last day to trade to participate in the dividend is Tuesday, 3 September 2019. Second preference shares will commence trading ex dividend from Wednesday, 4 September 2019.

The salient dates and times for the preference share dividend are set out in the table that follows.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 4 September 2019, and Friday, 6 September 2019, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 9 September 2019.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

The relevant dates for the payment of dividends are as follows:

	Ordinary shares	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)
JSE Limited			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
Namibian Stock Exchange (NSX)			
Share code	SNB		
ISIN	ZAE000109815		
Dividend number	100	100	30
Dividend per share (cents)	454	3.25	391.38
Last day to trade in order to be eligible for the cash dividend	Tuesday, 10 September 2019	Tuesday, 3 September 2019	Tuesday, 3 September 2019
Shares trade ex the cash dividend	Wednesday, 11 September 2019	Wednesday, 4 September 2019	Wednesday, 4 September 2019
Record date in respect of the cash dividend	Friday, 13 September 2019	Friday, 6 September 2019	Friday, 6 September 2019
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Monday, 16 September 2019	Monday, 9 September 2019	Monday, 9 September 2019

The above dates are subject to change. Any changes will be released on the Stock Exchange News Service (SENS) and published in the South African and Namibian press.

Tax implications

The cash dividend received under the ordinary shares and the preference shares is likely to have tax implications for both resident and non-resident ordinary and preference shareholders. Such shareholders are therefore encouraged to consult their professional tax advisers.

In terms of the South African Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividends tax that was introduced with effect from 1 April 2012. South African resident ordinary and preference shareholders that are not exempt from dividends tax, will be subject to dividends tax at a rate of 20% of the cash dividend, and this amount will be withheld from the cash dividend with the result that they will receive a net amount of 363.20 cents per ordinary share, 2.60 cents per first preference share and 313.104 cents per second preference share. Non-resident ordinary and preference shareholders may be subject to dividends tax at a rate of less than 20% depending on their country of residence and the applicability of any Double Tax Treaty between South Africa and their country of residence.

The issued share capital of the company, as at the date of declaration, is as follows:

- 1 619 235 231 ordinary shares
- 8 000 000 first preference shares
- 52 982 248 second preference shares.

The company's tax reference number is 9800/211/71/7 and registration number is 1969/017128/06.

FINANCIAL STATISTICS

for the six months ended 30 June 2019

	1H19 Unaudited	1H18 Unaudited	FY18 Audited
Number of ordinary shares in issue, net of deemed treasury shares (000's)			
End of period	**1 598 671**	1 595 280	1 590 217
Weighted average	**1 595 577**	1 594 993	1 593 719
Diluted weighted average	**1 612 076**	1 615 112	1 609 901
Cents per ordinary share			
Basic earnings	**827.0**	796.6	1 722.6
Diluted earnings	**818.5**	786.7	1 705.3
Headline earnings	**837.4**	793.9	1 748.4
Diluted headline earnings	**828.8**	784.0	1 730.9
Dividend per share	**454**	430	970
Net asset value	**10 511**	9 768	10 380
Financial performance (%)			
ROE	**16.2**	16.8	18.0
Net interest margin on banking activities[1,2]	**4.40**	4.43	4.58
Credit loss ratio on banking activities[2]	**0.76**	0.62	0.56
Cost-to-income ratio on banking activities[1,2]	**57.0**	57.6	57.0
Jaws on banking activities[1,2]	**1.1**	(2.8)	(2.8)
Capital adequacy ratios (%)[3]			
CET1 capital adequacy ratio	**14.0**	13.8	13.5
Tier 1 capital adequacy ratio	**14.8**	14.4	14.1
Total capital adequacy ratio	**17.3**	16.2	16.0

[1] The group has, as permitted by IFRS 16, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 17 basis. Refer to page 41 for more detail on the adoption of IFRS 16.

[2] Please refer to page 45 for more detail on the restated ratios.

[3] The ratios are reported after applying the IFRS 9 phase-in transition adjustment allowed by the SARB, for further details regarding the ratio assuming the no phase-in provision (fully loaded ratio) please refer to page 38.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	1H19 Unaudited Rm	1H18 Unaudited Rm	FY18 Audited Rm
Assets			
Cash and balances with central banks	**70 978**	72 104	85 145
Derivative assets	**52 104**	71 205	51 678
Trading assets	**184 201**	165 230	181 112
Pledged assets	**20 667**	22 371	19 879
Financial investments	**559 088**	531 883	547 405
Current and deferred tax assets	**4 757**	4 572	4 519
Disposal group assets held for sale	**605**		762
Loans and advances	**1 187 130**	1 064 680	1 120 668
Policyholders' assets	**6 569**	7 159	6 708
Other assets	**34 219**	25 274	22 514
Interest in associates and joint ventures	**9 946**	9 961	10 376
Investment property	**33 551**	32 185	33 326
Property, equipment and right of use assets[1]	**23 606**	16 354	19 194
Goodwill and other intangible assets	**22 830**	23 954	23 676
Total assets	**2 210 251**	2 046 932	2 126 962
Equity and liabilities			
Equity	**204 510**	189 078	199 063
Equity attributable to ordinary shareholders	**168 034**	155 834	165 061
Equity attributable to other equity instrument holders	**10 989**	9 047	9 047
Equity attributable to non-controlling interests	**25 487**	24 197	24 955
Liabilities	**2 005 741**	1 857 854	1 927 899
Derivative liabilities	**53 707**	73 217	55 057
Trading liabilities	**79 611**	61 744	59 947
Current and deferred tax liabilities	**8 616**	8 556	8 015
Disposal group liabilities held for sale	**215**		237
Deposits and debt funding	**1 384 216**	1 266 584	1 357 537
Policyholders' liabilities	**322 820**	319 280	310 994
Subordinated debt	**33 380**	23 187	26 359
Provisions and other liabilities[1]	**123 176**	105 286	109 753
Total equity and liabilities	**2 210 251**	2 046 932	2 126 962

[1] The group has, as permitted by IFRS 16, elected not to restate its comparative financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 17 basis. Refer to page 41 for more detail on the adoption of IFRS 16.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2019

	1H19 Unaudited Rm	1H18 Unaudited Restated[1] Rm	FY18 Audited Rm
Income from banking activities	**54 277**	50 710	105 331
Net interest income[1,2]	**31 265**	28 680	59 622
Non-interest revenue	**23 012**	22 030	45 709
Income from investment management and life insurance activities	**11 784**	11 360	21 722
Total income	**66 061**	62 070	127 053
Credit impairment charges[1]	**(4 247)**	(3 529)	(6 489)
Net income before operating expenses	**61 814**	58 541	120 564
Operating expenses from banking activities[2]	**(30 941)**	(29 205)	(60 084)
Operating expenses from investment management and life insurance activities	**(8 130)**	(8 691)	(16 404)
Net income before capital items and equity accounted earnings	**22 743**	20 645	44 076
Non-trading and capital related items	**(254)**	46	(641)
Share of post tax (loss)/profit from associates and joint ventures	**(169)**	360	912
Net income before indirect taxation	**22 320**	21 051	44 347
Indirect taxation	**(1 255)**	(1 208)	(2 609)
Profit before direct taxation	**21 065**	19 843	41 738
Direct taxation	**(5 238)**	(4 510)	(9 095)
Profit for the period	**15 827**	15 333	32 643
Attributable to ordinary shareholders	**13 195**	12 706	27 453
Attributable to other equity instrument holders	**423**	371	738
Attributable to non-controlling interests	**2 209**	2 256	4 452
Earnings per share (cents)			
Basic earnings per ordinary share	**827.0**	796.6	1 722.6
Diluted earnings per ordinary share	**818.5**	786.7	1 705.3

[1] For detail on the restatement to net interest income and credit impairment charges, refer to page 45.

[2] The group has, as permitted by IFRS 16, elected not to restate its comparative financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 17 basis. Refer to page 41 for more detail on the adoption of IFRS 16.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019

	1H19 Unaudited Rm	1H18 Unaudited Rm	FY18 Audited Rm
Profit for the period	**15 827**	15 333	32 643
Other comprehensive (loss)/income after tax for the period	**(4 045)**	4 352	5 056
Items that may be subsequently reclassified to profit or loss	**(4 101)**	4 247	5 104
Exchange differences on translating foreign operations[1]	**(4 034)**	4 225	5 217
Movement in the cash flow hedging reserve and foreign currency hedge reserves		(25)	(108)
Net change in debt financial assets measured at fair value through other comprehensive income (OCI)	**(67)**	47	(5)
Items that may not be subsequently reclassified to profit or loss	**56**	105	(48)
Total comprehensive income for the period	**11 782**	19 685	37 699
Attributable to ordinary shareholders	**9 468**	16 354	31 877
Attributable to other equity instrument holders	**423**	371	738
Attributable to non-controlling interests	**1 891**	2 960	5 084

[1] For the six months ended 30 June 2019, this primarily comprised of the change in the Zimbabwean functional currency, refer to page 39 for more detail.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019

	Ordinary shareholders' equity Rm	Equity attributable to other equity holders Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2018 (audited)	150 759	9 047	23 574	183 380
Total comprehensive income for the period	16 354	371	2 960	19 685
Transactions with owners and non-controlling interests recorded directly in equity	(11 279)	(371)	(2 229)	(13 879)
Equity-settled share-based payment transactions[1]	(1 253)		4	(1 249)
Deferred tax on share-based payment transactions	58			58
Transactions with non-controlling interests	(1 477)		(879)	(2 356)
Net dividends paid	(8 214)	(371)	(1 029)	(9 614)
Net increase in treasury shares	(194)		(353)	(547)
Other equity movements	(199)		28	(171)
Unincorporated property partnerships' capital reductions and distributions			(108)	(108)
Balance at 30 June 2018 (unaudited)	155 834	9 047	24 197	189 078
Balance at 1 July 2018 (unaudited)	155 834	9 047	24 197	189 078
Total comprehensive income for the period	15 523	367	2 124	18 014
Transactions with owners and non-controlling interests recorded directly in equity	(6 296)	(367)	(1 252)	(7 915)
Equity-settled share-based payment transactions[1]	1 853		22	1 875
Deferred tax on share-based payment transactions	(186)			(186)
Transactions with non-controlling interests	(132)		(507)	(639)
Net dividends paid	(6 899)	(367)	(696)	(7 962)
Net increase in treasury shares	(1 101)		(59)	(1 160)
Other equity movements	169		(12)	157
Unincorporated property partnerships' capital reductions and distributions			(114)	(114)
Balance at 31 December 2018 (audited)	165 061	9 047	24 955	199 063
IFRS 16 transition[2]	**190**			**190**
Balance at 1 January 2019 (unaudited)	**165 251**	**9 047**	**24 955**	**199 253**
Total comprehensive income for the period	**9 468**	**423**	**1 891**	**11 782**
Transactions with owners and non-controlling interests recorded directly in equity	**(6 685)**	**1 519**	**(1 205)**	**(6 371)**
Equity-settled share-based payment transactions[1]	**810**			**810**
Deferred tax on share-based payment transactions	**91**			**91**
Transactions with non-controlling interests	**8**		**(303)**	**(295)**
Issue of share capital and share premium and capitalisation of reserves	**124**	**1 942**		**2 066**
Net decrease in treasury shares	**942**		**61**	**1 003**
Net dividends paid	**(8 680)**	**(423)**	**(969)**	**(10 072)**
Other equity movements	**20**		**6**	**26**
Unincorporated property partnerships' capital reductions and distributions			**(154)**	**(154)**
Balance at 30 June 2019 (unaudited)	**168 034**	**10 989**	**25 487**	**204 510**

[1] Includes hedges of the group's equity-settled share incentive schemes.
[2] Refer to page 41 for detail on the impact of the IFRS 16 transition adjustment.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

	1H19 Unaudited Rm	1H18 Unaudited Restated[1] Rm	FY18 Audited Rm
Net cash flows from operating activities[1]	**2 089**	14 311	34 647
Direct taxation paid	**(4 761)**	(6 856)	(10 256)
Other operating activities	**6 850**	21 167	44 903
Net cash flows used in investing activities[1]	**(6 858)**	(1 139)	(8 728)
Capital expenditure	**(11 007)**	(1 379)	(9 426)
Other investing activities	**4 149**	240	698
Net cash flows used in financing activities	**(1 908)**	(12 959)	(18 335)
Dividends paid[2]	**(10 072)**	(9 676)	(17 701)
Equity transactions with non-controlling interests	**(818)**	(2 356)	(1 843)
Issuance of other equity instruments[2]	**1 942**		
Issuance of subordinated debt	**6 926**	3 100	6 100
Redemption of subordinated debt		(4 550)	(4 550)
Other financing activities	**114**	523	(341)
Effect of exchange rate changes on cash and cash equivalents	**(7 490)**	(3 419)	2 251
Net (decrease)/increase in cash and cash equivalents	**(14 167)**	(3 206)	9 835
Cash and cash equivalents at the beginning of the period	**85 145**	75 310	75 310
Cash and cash equivalents at the end of the period	**70 978**	72 104	85 145
Cash and balances with central banks	**70 978**	72 104	85 145

[1] Refer to page 45 for details about the restatement to the statement of cash flows.
[2] Refer to page 38 for detail on the issued Additional Tier 1 (AT1) equity as well as the dividends paid to AT1 equity holders.

NOTES

Loans and advances

as at 30 June 2019

	1H19 Unaudited Rm	FY18 Audited Rm
Loans and advances measured at fair value through profit or loss	**1 227**	1 204
Net loans and advances measured at amortised cost	**1 185 903**	1 119 464
Gross loans and advances measured at amortised cost	**1 222 435**	1 156 149
Mortgage loans	**368 143**	361 830
Vehicle and asset finance	**92 800**	89 651
Card debtors	**33 610**	32 395
Corporate and sovereign lending	**416 304**	397 261
Bank lending	**144 403**	110 852
Other loans and advances	**167 175**	164 160
Credit impairments on loans and advances (including interest in suspense)	**(36 532)**	(36 685)
Net loans and advances	**1 187 130**	1 120 668

Loans and advances continued

Reconciliation of expected credit losses (ECL) for loans and advances measured at amortised cost (unaudited)

	Opening ECL 1 January 2019 Rm	Total transfers between stages Rm	Net ECL raised/ (released)[1] Rm	Impaired accounts written off Rm	Exchange and other movements[2] Rm	Closing ECL 30 June 2019 Rm
Mortgage loans	10 130		744	(488)	465	10 851
Stage 1	1 037	349	(389)		(8)	989
Stage 2	2 018	(332)	170		(21)	1 835
Stage 3[3]	7 075	(17)	963	(488)	494	8 027
Vehicle and asset finance	3 402		705	(414)	(1)	3 692
Stage 1	770	104	(41)			833
Stage 2	948	(191)	206		(51)	912
Stage 3[3]	1 684	87	540	(414)	50	1 947
Card debtors	3 067		822	(1 091)	67	2 865
Stage 1	643	135	(143)			635
Stage 2	980	(205)	247		(1)	1 021
Stage 3[3]	1 444	70	718	(1 091)	68	1 209
Corporate lending	8 495		878	(2 276)	14	7 111
Stage 1	950	7	233		(80)	1 110
Stage 2	1 041	140	22		(107)	1 096
Stage 3[3]	6 504	(147)	623	(2 276)	201	4 905
Sovereign lending	80		3		1	84
Stage 1	73		3		1	77
Stage 2	2					2
Stage 3[3]	5					5
Bank lending	63		(11)		(19)	33
Stage 1	60		(11)		(16)	33
Stage 2	3				(3)	
Other loans and advances	11 448		2 007	(1 890)	331	11 896
Stage 1	2 207	81	141		(14)	2 415
Stage 2	2 152	(296)	535		(109)	2 282
Stage 3[3]	7 089	215	1 331	(1 890)	454	7 199
Total	36 685		5 148	(6 159)	858	36 532
Stage 1	5 740	676	(207)		(117)	6 092
Stage 2	7 144	(884)	1 180		(292)	7 148
Stage 3[3]	23 801	208	4 175	(6 159)	1 267	23 292

[1] Net ECL raised/(released) less interest recovered on cured accounts as well as recoveries of amounts written off in previous years equals to the income statement impairment charge (refer credit impairment charges note on page 34).
[2] Includes the impact of time value of money unwind and movements in includes interest in suspense (IIS) for credit impairment loans and advances.
[3] Stage 3 including IIS

NOTES CONTINUED

Loans and advances continued

Loans and advances measured at amortised cost performance

	Gross loans and advances Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm
1H19 (unaudited)					
Loans and advances measured at amortised cost					
Personal & Business Banking	718 392	271 094	1 045	338 839	9 610
Mortgage loans	368 143	183 871	85	124 222	7 951
Vehicle and asset finance	92 800	6 388	72	73 854	935
Card debtors	33 610	884	24	26 500	173
Other loans and advances	223 839	79 951	864	114 263	551
Personal unsecured lending	61 625	1 149		46 749	48
Business lending and other	162 214	78 802	864	67 514	503
Corporate & Investment Banking	562 565	323 121	4 211	199 817	20 830
Corporate and sovereign lending	416 304	185 004	4 199	193 220	20 072
Bank lending	146 261	138 117	12	6 597	758
Central and other	(58 522)	(58 522)			
Gross carrying amount	1 222 435	535 693	5 256	538 656	30 440
Loans and advances measured at fair value	1 227				
Total gross loans and advances	1 223 662				

The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table above. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolios.

	SB 21 – 25		Default				
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Securities and expected recoveries on default exposures Rm	Balance sheet ECL on default exposures and IIS on stage 3 Rm	Gross default coverage %	Stage 3 exposures %
	10 465	50 133	37 206	18 824	18 382	49	5.2
	4 821	26 534	20 659	12 632	8 027	39	5.6
	702	6 907	3 942	1 995	1 947	49	4.2
	382	4 080	1 567	358	1 209	77	4.7
	4 560	12 612	11 038	3 839	7 199	65	4.9
	2 406	6 150	5 123	1 018	4 105	80	8.3
	2 154	6 462	5 915	2 821	3 094	52	3.6
	2 952	2 822	8 812	3 902	4 910	56	1.6
	2 177	2 820	8 812	3 902	4 910	56	2.1
	775	2					
	13 417	52 955	46 018	22 726	23 292	51	3.8

NOTES CONTINUED

Loans and advances continued

Loans and advances measured at amortised cost performance continued

	Gross loans and advances Rm	SB 1 – 12 Stage 1 Rm	SB 1 – 12 Stage 2 Rm	SB 13 – 20 Stage 1 Rm	SB 13 – 20 Stage 2 Rm
FY18 (audited)					
Loans and advances measured at amortised cost					
Personal & Business Banking	701 723	191 602	1 815	407 955	7 083
Mortgage loans	362 006	108 575	1 786	196 795	4 332
Vehicle and asset finance	89 410	1 250	11	75 939	1 214
Card debtors	33 216	1 604	8	25 382	174
Other loans and advances	217 091	80 173	10	109 839	1 363
Personal unsecured lending	59 459	961		46 457	8
Business lending and other	157 632	79 212	10	63 382	1 355
Corporate & Investment Banking	510 113	291 386	4 912	179 889	17 965
Corporate and sovereign lending	397 261	187 111	4 910	174 045	17 727
Bank lending	112 852	104 275	2	5 844	238
Central and other	(55 687)	(55 687)			
Gross carrying amount	1 156 149	427 301	6 727	587 844	25 048
Loans and advances measured at fair value	1 204				
Total gross loans and advances	1 157 353				

The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table above. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolios.

SB 21 – 25		Default				
Stage 1	Stage 2	Stage 3	Securities and expected recoveries on default exposures	Balance sheet ECL on default exposures and IIS on stage 3	Gross default coverage	Stage 3 exposures
Rm	Rm	Rm	Rm	Rm	%	%
8 220	50 589	34 459	17 167	17 292	50	4.9
4 261	27 840	18 417	11 342	7 075	38	5.1
347	7 138	3 511	1 827	1 684	48	3.9
317	3 882	1 849	405	1 444	78	5.6
3 295	11 729	10 682	3 593	7 089	66	4.9
1 556	5 625	4 852	900	3 952	81	8.2
1 739	6 104	5 830	2 693	3 137	54	3.7
3 833	2 394	9 734	3 225	6 509	67	1.9
1 340	2 394	9 734	3 225	6 509	67	2.5
2 493						
12 053	52 983	44 193	20 392	23 801	54	3.8

NOTES CONTINUED

Right of use assets (unaudited)

as at 30 June 2019

Leased assets	Buildings Rm	Branches Rm	ATM spacing and other Rm	Total Rm
Balance at 1 January 2019	2 001	3 064	329	5 394
Cost	2 001	3 064	329	5 394
Movements	(418)	(602)	(28)	(1 048)
Additions	35	20	53	108
Terminations and modifications	(53)	(78)	(4)	(135)
Depreciation	(358)	(462)	(74)	(894)
Exchange and other movements	(42)	(82)	(3)	(127)
Balance at 30 June 2019	1 583	2 462	301	4 346
Cost	1 940	2 908	372	5 220
Accumulated depreciation and impairment	(357)	(446)	(71)	(874)

Reconciliation of lease liability (unaudited)

as at 30 June 2019

	Balance at 1 January 2019 Rm	Additions Rm	Terminations and modifications Rm	Interest expense[1] Rm	Payments Rm	Exchange and other movements Rm	Balance at 30 June 2019 Rm
Buildings	1 887	33	(49)	67	(328)	(45)	1 565
Branches	2 745	6	(87)	107	(457)	(50)	2 264
ATM spacing and other	322	34	(4)	13	(69)	(5)	291
Total	4 954	73	(140)	187	(854)	(100)	4 120

[1] As at 30 June 2019, R175 million of this interest expense was included in income from banking activities and R12 million was included in operating expenses in investment management and life insurance activities.

Contingent liabilities and commitments

as at 30 June 2019

	1H19 Unaudited Rm	FY18 Audited Rm
Letters of credit and bankers' acceptances	17 655	17 802
Guarantees	82 816	85 576
Contingent liabilities	100 471	103 378
Investment property	959	748
Property and equipment	608	620
Other intangible assets	251	270
Commitments	1 818	1 638

Loan commitments of R73 641 million (FY18: R77 253 million) are either irrevocable over the life of the facility or revocable only in response to material adverse changes.

Fair value

Financial instruments

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

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

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

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, through consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals and research information, with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions including correlations, prepayment spreads, default rates and loss severity. Changes in these assumptions would affect the reported fair values of these financial instruments.

When possible, such inputs are corroborated by reference to independent data such as quotes, recent transaction prices or suitable proxies.

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

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

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

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

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

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

NOTES CONTINUED

Fair value continued

Accounting classifications and fair values of financial assets and liabilities

The table below categorises the group's assets and liabilities as at 30 June 2019 between that which is financial and non-financial.

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

	Fair value through profit or loss		
	Held-for-trading Rm	Designated at fair value Rm	Fair value through profit or loss default Rm
Assets			
Cash and balances with central banks			65 609
Derivative assets	52 104		
Trading assets	184 201		
Pledged assets	8 881		8 705
Financial investments		9 287	343 459
Disposal group assets held for sale			272
Loans and advances			1 099
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Other financial assets[3]			
Other non-financial assets			
Total assets	245 186	9 287	419 144
Liabilities			
Derivative liabilities	53 707		
Trading liabilities	79 611		
Deposits and debt funding		6 847	
Policyholders' liabilities[4]		105 337	
Subordinated debt		5 542	
Other financial liabilities[3]		68 305	
Disposal group liabilities held for sale			
Other non-financial liabilities			
Total liabilities	133 318	186 031	

Refer to footnotes on page 24.

Fair value through OCI						
Debt instruments Rm	Equity instruments Rm	Total assets and liabilities measured at fair value Rm	Amortised cost[1] Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		65 609	5 369		70 978	70 978
		52 104			52 104	52 104
		184 201			184 201	184 201
2 411		19 997	670		20 667	20 655
49 110	1 319	403 175	155 913		559 088	558 206
		272		333	605	272
128		1 227	1 185 903		1 187 130	1 188 297
				6 569	6 569	
				9 946	9 946	
				33 551	33 551	33 551
			27 876		27 876	
				57 536	57 536	
51 649	1 319	726 585	1 375 731	107 935	2 210 251	
		53 707			53 707	53 707
		79 611			79 611	79 611
		6 847	1 377 369		1 384 216	1 384 730
		105 337		217 483	322 820	105 337
		5 542	27 838		33 380	33 668
		68 305	35 990		104 295	
				215	215	
				27 497	27 497	
		319 349	1 441 197	245 195	2 005 741	

NOTES CONTINUED

Fair value continued

Accounting classifications and fair values of financial assets and liabilities

The table below categorises the group's assets and liabilities as at 31 December 2018 between that which is financial and non-financial.

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

	Fair value through profit or loss		
	Held-for-trading Rm	Designated at fair value Rm	Fair value through profit or loss default Rm
Assets			
Cash and balances with central banks			76 095
Derivative assets	51 678		
Trading assets	181 112		
Pledged assets	6 266		12 661
Financial investments		19 740	329 183
Disposal group assets held for sale			265
Loans and advances			1 204
Policyholders' assets			
Interest in associates and joint ventures			
Investment property			
Other financial assets[3]			
Other non-financial assets			
Total assets	239 056	19 740	419 408
Liabilities			
Derivative liabilities	55 057		
Trading liabilities	59 947		
Deposits and debt funding		6 439	
Policyholders' liabilities[4]		99 813	
Subordinated debt		5 540	
Other financial liabilities[3]		67 822	
Disposal group liabilities held for sale			
Other non-financial liabilities			
Total liabilities	115 004	179 614	

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
[3] The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.
[4] The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

Fair value through OCI						
Debt instruments	Equity instruments	Total assets and liabilities measured at fair value	Amortised cost[1]	Other non-financial assets/ liabilities	Total carrying amount	Fair value[2]
Rm	Rm	Rm	Rm	Rm	Rm	Rm
		76 095	9 050		85 145	85 145
		51 678			51 678	51 678
		181 112			181 112	181 112
263		19 190	689		19 879	19 863
53 083	1 254	403 260	144 145		547 405	548 578
		265		497	762	265
		1 204	1 119 464		1 120 668	1 123 115
				6 708	6 708	
				10 376	10 376	
				33 326	33 326	33 326
			13 624		13 624	
				56 279	56 279	
53 346	1 254	732 804	1 286 972	107 186	2 126 962	
		55 057			55 057	55 057
		59 947			59 947	59 947
		6 439	1 351 098		1 357 537	1 358 058
		99 813		211 181	310 994	99 813
		5 540	20 819		26 359	25 431
		67 822	20 530		88 352	
				237	237	
				29 416	29 416	
		294 618	1 392 447	240 834	1 927 899	

NOTES CONTINUED

Fair value continued

Financial assets and liabilities measured at fair value

as at 30 June 2019

Fair value hierarchy

The table that follows analyses the group's financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability.

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

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs.

	1H19 (unaudited)				FY18 (audited)			
Measured on a recurring basis[1]	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash and balances with central banks	53 960	11 649		65 609	64 680	11 415		76 095
Derivative assets	18	50 360	1 726	52 104	42	48 227	3 409	51 678
Trading assets	100 320	80 524	3 357	184 201	97 350	81 395	2 367	181 112
Pledged assets	19 724	273		19 997	18 272	918		19 190
Financial investments	208 879	183 146	11 150	403 175	202 574	189 780	10 906	403 260
Disposal group assets held for sale	272			272	265			265
Loans and advances		1 227		1 227		1 204		1 204
Total financial assets at fair value	**383 173**	**327 179**	**16 233**	**726 585**	383 183	332 939	16 682	732 804
Financial liabilities								
Derivative liabilities		48 167	5 540	53 707	52	48 854	6 151	55 057
Trading liabilities	54 204	22 347	3 060	79 611	41 753	15 437	2 757	59 947
Deposits and debt funding		6 847		6 847		6 439		6 439
Policyholders' liabilities		105 337		105 337		99 813		99 813
Subordinated debt		5 542		5 542		5 540		5 540
Other financial liabilities		60 162	8 143	68 305		61 636	6 186	67 822
Total financial liabilities at fair value	**54 204**	**248 402**	**16 743**	**319 349**	41 805	237 719	15 094	294 618

[1] Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

Fair value continued

Financial assets and liabilities measured at fair value continued

Level 2 and 3 – valuation techniques and inputs		
Item and description	**Valuation technique**	**Main inputs and assumptions**
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • discounted cash flow model • Black-Scholes model • combination technique models.	**For level 2 and 3 fair value hierarchy items:** • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • earnings yield • valuation multiples.
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities. **Pledged assets** Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties. **Financial investments** Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial instrument being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Loans and advances to banks and customers Loans and advances comprise: Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	**For level 2 and 3 fair value hierarchy items:** • discount rate*

NOTES CONTINUED

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Level 2 and 3 – valuation techniques and inputs continued		
Item and description	**Valuation technique**	**Main inputs and assumptions**
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	**For level 2 and 3 fair value hierarchy items** • discount rate*
Policyholders' assets and liabilities Policyholders' assets and liabilities comprise unit-linked policies and annuity.	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certains: discounted cash flow models are used to determine the fair value of the stream of future payments.	**For level 2 and 3 fair value hierarchy items** • discount rate* • spot price of underlying
Third-party financial liabilities arising on the consolidation of mutual funds (included in other liabilities) These are liabilities that arise on the consolidation of mutual funds.	The fair values of third-party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	**For level 2 and 3 fair value hierarchy items** • discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage or service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Reconciliation of level 3 financial assets

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

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
Balance at 1 January 2018 (audited)	4 350	5 084	10 586	20 020
IFRS 9 adjustment	(301)		(1 816)	(2 117)
Total (losses)/gains included in profit or loss	(453)	154	1 329	1 030
Non-interest revenue	(453)	154	506	207
Investment gains			823	823
Total losses included in OCI			(19)	(19)
Issuances and purchases	800	504	448	1 752
Sales and settlements	(1 465)	(3 375)	(276)	(5 116)
Transfers into level 3[1]	418		5	423
Transfers out of level 3[2]	(83)		(312)	(395)
Reclassification			831	831
Exchange differences	143		130	273
Balance at 31 December 2018 (audited)	3 409	2 367	10 906	16 682
Balance at 1 January 2019 (audited)	**3 409**	**2 367**	**10 906**	**16 682**
Total (losses)/gains included in profit or loss	**(868)**	**432**	**(68)**	**(504)**
Non-interest revenue	**(868)**	**432**	**(38)**	**(474)**
Investment losses			**(30)**	**(30)**
Total gains included in OCI			**104**	**104**
Issuances and purchases	**429**	**1 096**	**580**	**2 105**
Sales and settlements	**(937)**	**(538)**	**(667)**	**(2 142)**
Transfers into level[3.1]	**6**			**6**
Transfers out of level[3.2]	**(295)**			**(295)**
Reclassification			**63**	**63**
Exchange differences	**(18)**		**232**	**214**
Balance at 30 June 2019 (unaudited)	**1 726**	**3 357**	**11 150**	**16 233**

[1] Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred during the reporting period. During the period, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred to level 3.

[2] During the period, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.

Level 3 financial assets

The following table provides disclosure of the unrealised (losses)/gains included in profit or loss for level 3 financial assets that are held at the end of the respective reporting years:

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
30 June 2019 (unaudited)				
Non-interest revenue	**(1 250)**	**432**	**(65)**	**(883)**
31 December 2018 (audited)				
Non-interest revenue	(456)	159	404	107

NOTES CONTINUED

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Reconciliation of level 3 financial liabilities

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

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
Balance at 1 January 2018 (audited)	5 406	3 039	1 229	9 674
Total losses included in profit or loss – non-interest revenue	1 465	102	329	1 896
Issuances and purchases		738	4 628	5 366
Sales and settlements	(789)	(195)		(984)
Transfers out of level 3[1]	(34)	(1 112)		(1 146)
Transfers into level 3[2]	103	185		288
Balance at 31 December 2018 (audited)	6 151	2 757	6 186	15 094
Balance at 1 January 2019 (audited)	**6 151**	**2 757**	**6 186**	**15 094**
Total (gains)/losses included in profit or loss – non-interest revenue	**(1 054)**	**271**	**27**	**(756)**
Issuances and purchases	**459**	**505**	**1 930**	**2 894**
Sales and settlements	**(2)**	**(527)**		**(529)**
Transfers out of level 3[2]	**(19)**	**(65)**		**(84)**
Transfers into level 3[1]	**5**	**119**		**124**
Balance at 30 June 2019 (unaudited)	**5 540**	**3 060**	**8 143**	**16 743**

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

[2] During the period, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.

Level 3 financial liabilities

The following table provides disclosure of the unrealised (gains)/losses included in profit or loss for level 3 financial liabilities that are held at the end of the respective reporting periods.

	Derivative liabilities Rm	Trading liabilities Rm	Other financial liabilities Rm	Total Rm
30 June 2019 (unaudited)				
Non-interest revenue	**(1 052)**	**276**	**27**	**(749)**
31 December 2018 (audited)				
Non-interest revenue	1 568	101	329	1 998

Fair value disclosures continued

Financial assets and liabilities measured at fair value continued

Sensitivity and interrelationships of inputs

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

The table that follows indicates the sensitivity of valuation techniques used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input of risk factor (i.e. assumes that all risks are mutually exclusive).

	Change in significant unobservable input	Effect on profit or loss Favourable Rm	Effect on profit or loss (Unfavourable) Rm
30 June 2019 (unaudited)			
Derivative instruments	**From (1%) to 1%**	**277**	**(277)**
Trading assets	**From (1%) to 1%**	**58**	**(58)**
Financial investments	**From (1%) to 1%**	**42**	**(41)**
Trading liabilities	**From (1%) to 1%**	**77**	**(77)**
Total		**454**	**(453)**
31 December 2018 (audited)			
Derivative instruments	From (1%) to 1%	309	(315)
Trading assets	From (1%) to 1%	59	(58)
Financial investments	From (1%) to 1%	94	(94)
Trading liabilities	From (1%) to 1%	68	(68)
Total		530	(535)

As at 30 June 2019 (unaudited), a 1% change of the significant unobservable inputs relating to the measurement of an equity investment resulted in a R221 million favourable and unfavourable effect recognised in OCI (FY18 (audited): R145 million).

NOTES CONTINUED

Day one profit or loss

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

	Derivative instruments Rm	Trading assets Rm	Total Rm
Unrecognised net profit at 1 January 2018 (audited)	160	642	802
Additional net profit on new transactions during the year	299	339	638
Recognised in trading revenue during the year	(307)	(136)	(443)
Exchange differences	24		24
Unrecognised net profit at 31 December 2018 (audited)	176	845	1 021
Unrecognised net profit at 1 January 2018 (audited)	**176**	**845**	**1 021**
Additional net profit on new transactions during the period	**163**	**25**	**188**
Recognised in trading revenue during the period	**(173)**	**3**	**(170)**
Exchange differences	**(3)**		**(3)**
Unrecognised net profit at 30 June 2019 (unaudited)	**163**	**873**	**1 036**

Headline earnings

for the six months ended 30 June 2019

	1H19 Unaudited Rm	1H18 Unaudited Rm	FY18 Audited Rm
Profit for the period	**13 195**	12 706	27 453
Headline adjustable items added/(reversed)	**254**	(46)	641
IAS 16 – Gain on sale of property and equipment		(11)	(15)
IAS 27/IAS 28 – Gains on disposal of businesses		(35)	(47)
IAS 36 – Impairment of goodwill	**11**		
IAS 28/IAS 36 – Impairment of associate			5
IAS 36 – Impairment of intangible assets	**118**		449
IFRS 5 – Impairment of disposal group assets held for sale	**125**		249
Taxation on headline earnings adjustable items	**(33)**	1	(122)
Non-controlling interests' share of headline earnings adjustable items	**(55)**	2	(107)
Standard Bank Group headline earnings	**13 361**	12 663	27 865
Headline earnings per ordinary share (cents)			
Headline earnings per ordinary share	**837.4**	793.9	1 748.4
Diluted headline earnings per ordinary share	**828.8**	784.0	1 730.9

Private equity associates and joint ventures

as at 30 June 2019

The following table provides disclosure of those private equity associates and joint ventures that are equity accounted in terms of IAS 28 *Investments in Associates and Joint Ventures* and have been ring-fenced in terms of the requirements of the circular titled *Headline Earnings* issued by SAICA, and amended from time to time. On the disposal of these associates and joint ventures held by the group's private equity division, the gain or loss on the disposal will be included in headline earnings.

	1H19 Unaudited Rm	FY18 Audited Rm
Cost	**56**	48
Carrying value	**607**	619
Fair value	**607**	619
Attributable income before impairment		93

NOTES CONTINUED

Non-interest revenue

for the six months ended 30 June 2019

	1H19 Unaudited Rm	1H18 Unaudited Restated[1] Rm	FY18 Audited Restated[1] Rm
Net fee and commission revenue	**15 112**	14 813	30 375
Fee and commission revenue	**18 338**	17 763	36 592
Account transaction fees	**5 665**	5 599	11 669
Card-based commission	**3 436**	3 263	6 760
Documentation and administration fees	**1 174**	1 097	2 273
Electronic banking	**2 116**	1 848	3 829
Foreign currency service fees	**1 095**	1 036	2 244
Insurance – fees and commission	**907**	964	1 904
Knowledge-based fees and commission	**1 199**	1 236	2 350
Other	**2 746**	2 720	5 563
Fee and commission expense	**(3 226)**	(2 950)	(6 217)
Trading revenue[1]	**5 809**	5 471	10 799
Other revenue[1]	**1 787**	1 653	3 863
Other gains and losses on financial instruments	**304**	93	672
Total non-interest revenue[2]	**23 012**	22 030	45 709

[1] For more detail on the restatement of trading revenue and other revenue refer to page 46.
[2] For more detail on the split of non-interest revenue category per key business unit, please refer to the group's analysis of financial results available at **www.standardbank.com/reporting**.

Credit impairment charges

for the six months ended 30 June 2019

	1H19 Unaudited Rm	1H18 Unaudited Restated[1] Rm	FY18 Audited Rm
Net ECL raised and released:	**4 928**	3 748	7 515
Financial investments[1]	**6**	72	101
Loans and advances[2]	**5 148**	3 563	7 237
Letters of credit and guarantees	**(226)**	113	177
Modification losses on distressed financial assets	**100**	98	145
Recoveries on loans and advances previously written off	**(781)**	(317)	(1 171)
Total credit impairment charge	**4 247**	3 529	6 489

[1] Included in the ECL for other financial assets is a R64 million charge (FY18: R82 million charge, 1H18: R85 million charge) relating to financial investments measured at amortised cost and a R58 million release (FY18: R19 million charge, 1H18: R13 million release) from financial investments measured at fair value through OCI.
[2] For more detail on the restatement of 1H18 credit impairment charges, refer to page 45.

Related party balances and transactions

Tutuwa related parties

Tutuwa participants were allowed to access their underlying equity value post the expiry of the lock-in period on 31 December 2014. The number of shares in issue that is financed by the group as at 30 June 2019 is 2 780 971 (FY18: 2 985 513). The weighted number of these shares for the period ended 30 June 2019 equated to 2 898 497 (FY18: 4 178 422).

Post-employment benefit plans

The group manages R8 339 million (FY18: R8 754 million) of the group's post-employment benefit plans' assets. Other significant balances between the group and the group's post-employment benefit plans are listed below:

	1H19 Unaudited Rm	FY18 Audited Rm
Investments held in bonds and money market instruments	**655**	778
Value of ordinary group shares held	**3 226**	2 969

Balances and transactions with ICBCS

The following significant balances and transactions were entered into between the group and ICBCS, an associate of the group.

Amounts included in the group's statement of financial position	**1H19 Unaudited Rm**	FY18 Audited Rm
Derivative assets	**1 249**	905
Trading assets		9
Loans and advances	**12 465**	28 726
Other assets	**666**	245
Derivative liabilities	**(3 222)**	(3 260)
Trading liabilities	**(3 133)**	(2 933)
Deposits and debt funding	**(402)**	(282)
Other liabilities	**(1 205)**	(437)

Services

The group entered into certain transitional service level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of Standard Bank Plc (SB Plc). In terms of these arrangements, services are delivered to and received from ICBCS for the account of each respective party. As at 30 June 2019 the expense recognised in respect of these arrangements amounted to R64 million (FY18: R229 million).

NOTES CONTINUED

Related party balances and transactions continued

Balances and transactions with the Industrial and Commercial Bank of China Limited (ICBC)

The group, in the ordinary course of business, receives term funding from, and provides loans and advances to, ICBC for strategic purposes. These monies are renegotiated and settled on an ongoing basis on market-related terms. The following balances and transactions were entered into between the group and ICBC, a 20.1% shareholder of the group, excluding those with ICBCS.

Amounts included in the group's statement of financial position	1H19 Unaudited Rm	FY18 Audited Rm
Loans and advances	**18 157**	15 539
Other assets[1]	**380**	345
Deposits and debt funding	**(5 057)**	(3 724)

[1] The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the sale and purchase agreement, relating to SB Plc (now ICBCS) with ICBC. As a consequence of the sale and purchase agreement, the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 30 June 2019, a balance of USD27 million (R380 million) is receivable from ICBC in respect of this arrangement (FY18: USD24 million; R345 million).

The group has off-balance sheet letters of credit exposure issued to ICBC as at 30 June 2019 of R2 655 million (FY18: R1 952 million). The group received R10 million in fee and commission revenue relating to these transactions (FY18: R63 million).

Mutual funds

The group invests in various mutual funds that are managed by Liberty. Where the group has assessed that it has control (as defined by IFRS) over these mutual funds, it accounts for these mutual funds as subsidiaries. Where the group has assessed that it does not have control over these mutual funds, but has significant influence, it accounts for them as associates.

The following significant balances and transactions were entered into between the group and the mutual funds which the group does not control:

Amounts included in the group's statement of financial position and income statement	1H19 Unaudited Rm	FY18 Audited Rm
Trading liabilities	**(315)**	(592)
Deposits and debt funding	**(24 347)**	(24 896)
Trading losses	**8**	26
Interest expense	**1 190**	2 689

Condensed segment report

for the six months ended 30 June 2019

The group's primary segments comprise the group's banking activities (comprising PBB, CIB and central and other), the group's other banking interests (comprising the group's interest in ICBC Argentina and ICBCS) and Liberty (comprising the group's investment management and life insurance activities).

Contribution by business unit	1H19 Unaudited Rm	1H18 Unaudited Restated[1] Rm	FY18 Audited Restated[1] Rm
Net interest income			
PBB	21 653	19 917	41 767
CIB	10 193	9 403	19 189
Central and other	(581)	(640)	(1 334)
Standard Bank Group	31 265	28 680	59 622
Non-interest revenue and income from investment management and life insurance activities			
PBB	14 066	13 640	28 038
CIB	8 944	8 556	17 785
Central and other	2	(166)	(114)
Banking activities	23 012	22 030	45 709
Liberty	11 784	11 360	21 722
Standard Bank Group	34 796	33 390	67 431
Revenue			
PBB	35 719	33 557	69 805
CIB	19 137	17 959	36 974
Central and other	(579)	(806)	(1 448)
Banking activities	54 277	50 710	105 331
Liberty	11 784	11 360	21 722
Standard Bank Group	66 061	62 070	127 053
Profit or loss attributable to ordinary shareholders			
PBB	7 201	6 736	15 548
CIB	6 074	5 676	10 891
Central and other	(565)	(695)	(865)
Banking activities	12 710	11 717	25 574
Other banking interests	(320)	132	418
Liberty	805	857	1 461
Standard Bank Group	13 195	12 706	27 453
Total assets			
PBB	776 282	739 433	767 328
CIB	1 026 840	912 934	970 739
Central and other	(33 440)	(34 798)	(33 732)
Banking activities	1 769 682	1 617 569	1 704 335
Other banking interests	7 169	7 598	7 852
Liberty	433 400	421 765	414 775
Standard Bank Group	2 210 251	2 046 932	2 126 962
Total liabilities			
PBB	698 685	663 728	690 187
CIB	956 589	849 606	902 652
Central and other	(54 932)	(49 881)	(51 933)
Banking activities	1 600 342	1 463 453	1 540 906
Liberty	405 399	394 401	386 993
Standard Bank Group	2 005 741	1 857 854	1 927 899

[1] Where responsibility for individual cost centres and divisions within business units change, the comparative figures have been reclassified accordingly.

NOTES CONTINUED

Other reportable items

Additional Tier 1 capital

The group issued Basel III compliant AT1 capital bonds that qualify as Tier 1 capital during the period to the value of R1 942 million (1H18: Rnil, FY18: Rnil). During the period, coupons to the value of R300 million (1H18: R222 million, FY18: R447 million) were paid to AT1 capital bond holders. Current tax of R84 million (1H18: R62 million, FY18: R125 million) relating to the AT1 capital bonds was recognised directly in equity resulting in an aggregate net equity impact of R216 million (1H18: R160 million, FY18: R322 million). The AT1 capital bonds have been recognised within other equity instruments in the statement of financial position.

Capital management

The group manages its capital levels to support business, growth, maintain depositor and creditors' confidence, create value for its shareholders and ensure regulatory compliance. The main regulatory requirements to be complied with are those specified in the Banks Act No. 94 of 1990 and related regulations, which are aligned with Basel III. Regulatory capital adequacy is measured through the CET1, Tier 1 and total capital adequacy.

The group has elected the three year phase-in as outlined in the SARB's Directive 5/2017. This phase-in results in the IFRS 9 impact being amortised on a straight-line basis, from 25% in 2018 to reach 100% by 2021. The group's capital adequacy ratios based on a phased-in and fully loaded basis are shown in the table below:

	Phased-in (IFRS 9)		Fully loaded (IFRS 9)	
Capital ratio	**1H19 Unaudited %**	FY18 Audited %	**1H19 Unaudited %**	FY18 Audited %
CET1	**14.0**	13.5	**13.7**	13.1
Tier 1	**14.8**	14.1	**14.5**	13.6
Total capital adequacy	**17.3**	16.0	**17.2**	15.8

Change in group directorate

The following changes in directorate took place during the period up to 7 August 2019:

Appointments		
MA Erasmus	As non-executive director	12 July 2019

Equity securities

During the period, the group allotted 721 013 shares (FY18: 1 729 572 shares) in terms of the group's share incentive schemes and repurchased no shares (FY18: 2 483 523 shares).

The equity securities held as treasury shares at the end of the period was a long position of 19 292 410 shares and a short position of 1 509 213 shares (FY18: long position of 25 310 447 shares with no short positions). These treasury shares exclude group shares that are held by certain structured entities (SEs) relating to the group's Tutuwa initiative (refer to the related party balances and transactions note for more detail) since those SEs hold the voting rights on such shares and are accordingly not treasury shares as defined by the JSE Listings Requirements.

Legal proceedings

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

Competition Commission – trading of foreign currency

On 15 February 2017, South Africa's Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against The Standard Bank of South Africa Limited (SBSA) and two against a former subsidiary of the group, Standard New York Securities Inc (SNYS), in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group has, with the help of external counsel, conducted its own internal investigations and found no evidence that supports the complaints. Both SBSA and SNYS, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. These applications were heard in July 2018. The complaint against SNYS was dismissed on the grounds that South Africa's competition regulators lack jurisdiction over it. In the case of SBSA, the Competition Commission was directed to file an amended complaint containing sufficient facts to evidence the collusion alleged within 40 business days of the ruling or risk dismissal of the complaint. The allegations against SBSA are confined to USD/ZAR trading activities within SBSA and do not relate to the conduct of the group more broadly. A number of respondents have filed an appeal to the ruling raising various grounds, which will impact the 40 business day deadline imposed on the Competition Commission for the filing of the amended complaint against SBSA.

Indemnities granted following disposal of SB Plc

Under the terms of the disposal of Standard Bank Plc on 1 February 2015, the group provided ICBC with certain indemnities to be paid in cash to ICBC or, at ICBC's direction, to any Standard Bank Plc (now ICBCS) group company, a sum equal to the amount of losses suffered or incurred by ICBC arising from certain circumstances. Where an indemnity payment is required to be made by the group to the ICBCS group, such payment would be grossed up from ICBC's shareholding at the time in ICBCS to 100%. These payments may, inter alia, arise as a result of an enforcement action, the cause of which occurred prior to the date of disposal. Enforcement actions include actions taken by regulatory or governmental authorities to enforce the relevant laws in any jurisdiction. While there have been no material claims relating to these indemnification provisions during 2018, the indemnities provided are uncapped and of unlimited duration as they reflect that the pre-completion regulatory risks attaching to the disposed-of business remain with the group post completion.

Post-balance sheet event

The group's strategy with respect to its associate investment in Industrial and Commercial Bank of China (Argentina) S. A. will be the subject of a separate announcement in due course.

Subordinated debt

During the period, the group issued R6.6 billion (1H18: R3.0 billion, FY18: R5.0 billion) Basel lll compliant bonds that qualify as Tier 2 capital. The capital notes constitute direct, unsecured and subordinated obligations. The notes may be redeemed prior to their respective maturity dates at the option of the issuer and subject to regulatory approval, after a minimum period of five years.

The terms of the Basel III compliant Tier 2 capital bonds include a regulatory requirement which provides for the write-off, in whole or in part, on the earlier of a decision by the relevant regulator, the Prudential Authority, that a write-off without which the issuer would have become non-viable is necessary, or a decision to make a public sector injection of capital or equivalent support, without which the issuer would have become non-viable.

None of the group's Basel III and Basel II compliant Tier 2 notes were eligible for redemption during the period (1H18 and FY18: R3.5 billion Basel II compliant notes were eligible for redemption and were redeemed).

During the period, the group did not issue any subordinated debt instruments that qualify as regulatory insurance capital (1H18: Rnil, FY18: R1.0 billion) and there were no subordinated debt instruments that qualify as regulatory insurance capital redeemed (1H18: R1.0 billion, FY18: R1.0 billion).

SBN Holdings business acquisition

Effective 1 April 2019, SBN Holdings Limited,Standard Bank Group's Namibian holding company, acquired 50.91% of the issued shares in MobiCash Payment Solutions (Pty) Ltd (MobiPay), a Namibian company that provides payments solutions to service providers, such as banks, financial institutions, retailers, and mobile network operators, for a consideration of R53.2 million. The SBN Holdings group intends to use MobiPay's technology to enhance its service to its customer base through the ability to transact easier. Goodwill of R38 million has been recognised as a result of this acquisition and is attributable to SBN Holdings group's intention to have influence and control over the services provided by MobiPay due to the significant risk it creates should MobiPay cease to operate. The group has chosen to recognise the non-controlling interest at their proportionate share of the net assets value of MobiPay.

Stanbic Bank Zimbabwe functional currency

The only legal exchange mechanism that Stanbic Bank Zimbabwe (SBZ) had access to in the financial period since the change in functional currency, on 1 October 2018, was the official exchange mechanism. This led to SBZ concluding that the appropriate exchange rate to use at the date of the change in functional currency and subsequent to the change in functional currency up until the end of the 2018 reporting period was the official rate of 1:1.

The Reserve Bank of Zimbabwe implemented certain key monetary policy measures during February 2019. The most significant change was the establishment of a new foreign interbank market and this interbank market will complement the existing official foreign exchange mechanism with the RBZ. The establishment of this interbank market has created an additional legal exchange mechanism whereby the bank is able to trade RTGS dollars. The starting rate of trade in this interbank market was 2.5 RTGS:USD. As at 30 June 2019, this rate had deteriorated to 6.6 RTGS:USD from 1 RTGS:USD as at 31 December 2018, which resulted in a foreign currency translation reserve (FCTR) loss of R2.1 billion for the group.

ACCOUNTING POLICY ELECTIONS

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

The accounting policies are consistent with those reported in the previous year except for the adoption of the following standards and amendments effective for the current period:

- IFRS 9 *Financial Instruments (amendment)* (IFRS 9), the amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively.
- IAS 19 *Employee Benefits (amendments)* (IAS 19), the amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively.
- IAS 28 *Interest in Associates and Joint Ventures (amendment)* (IAS 28), this amendment clarifies that an entity should apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The amendments will be applied retrospectively.
- IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23), this interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight. The impact on the annual financial statements is not expected to be significant.
- Annual improvements 2015-2017 cycle, the IASB has issued various amendments and clarifications to existing IFRS.

Early adoption of revised standards:

- IAS 1 *Presentation of Financial Statements* (IAS 1) and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8), the amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively.

The adoption of new and amended standards on 1 January 2019 did not affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results upon transition.

IFRS 16 with effect from 1 January 2019, replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for a lessees which impacted the group's results upon transition and materially impacted the group's accounting policies for lessees, refer to the page 41 for more detail on IFRS 16 transition.

IFRS 16 *LEASES*

Background

With effect from 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, and as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17.

Adoption and transition

The group retrospectively adopted IFRS 16 on 1 January 2019 with an adjustment to the group's opening 1 January 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the group's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated for each legal entity in the group utilising the internal funding rate of each entity.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Practical expedients applied:

In applying IFRS 16 for the first time, the group used the following practical expedients permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases provided there was no option to extend the term
- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease.*

The group's leasing activities and how these are accounted for:

The group leases various offices, branch space and ATM space. Rental contracts are typically made for fixed average periods of between three – ten years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right of use asset and a corresponding lease liability.

Extension and termination options:

Extension and termination options are included in a number of building and branch space leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IFRS 16 *LEASES* CONTINUED

IFRS 16 key financial impacts

The single lessee accounting model which comprises IFRS 16's most material impact for the group results in an increase of R4 886 million in total assets, R4 696 million increase in total liabilities and an increase in reserves of R190 million due to the release of the IAS 17 straight-line lease liability provision. The total undiscounted operating lease commitments as at 31 December 2018 amount to R7 271 million, the lease liability as at 1 January 2019 amounted to R4 954 million, this difference primarily relates to discounting the operating lease commitments balance at the group's weighted average incremental borrowing rate which ranges from 2% – 15%, due to the multiple jurisdictions the group operates within.

Table 1: Impact on the group's summarised statement of financial position on 1 January 2019

	31 December 2018 Rm	IFRS 16 transition adjustment at 1 January 2019 Rm	1 January 2019 Rm
Assets			
Property, equipment and right of use asset	19 194	**5 394**	**24 588**
Other financial and non-financial assets[1]	2 107 768	**(508)**	**2 107 260**
Total assets	2 126 962	**4 886**	**2 131 848**
Equity and liabilities			
Equity	199 063	**190**	**199 253**
Equity attributable to ordinary shareholders	165 061	**190**	**165 251**
Equity attributable to other equity holders	9 047		**9 047**
Equity attributable to non-controlling interests	24 955		**24 955**
Liabilities[2]	1 927 899	**4 696**	**1 932 595**
Total equity and liabilities	2 126 962	**4 886**	**2 131 848**

[1] Materially relates to the derecognition of the IAS 17 prepaid lease asset.
[2] Materially relates to the recognition of lease liabilities of R4 954 million and the release of the IAS 17 straight-line lease provision.

Table 2: Impact on the group's summarised statement of changes in equity on 1 January 2019

	31 December 2018 Rm	IFRS 16 transition adjustment at 1 January 2018 Rm	1 January 2019 Rm
Ordinary share capital and share premium	17 860		**17 860**
Retained earnings	149 118	**190**	**149 308**
Other	(1 917)		**(1 917)**
Total ordinary shareholders' equity	165 061	**190**	**165 251**
Other equity instruments	9 047		**9 047**
Non-controlling interests	24 955		**24 955**
Total equity	199 063	**190**	**199 253**

IFRS 16 significant accounting policies

<table>
<tr><th>Type and description</th><th>Statement of financial position</th><th>Income statement</th></tr>
<tr><td colspan="3">IFRS 16 – Lessee accounting policies</td></tr>
<tr><td rowspan="3">Single lessee accounting model
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
• leases of low value assets; and
• leases with a duration of twelve months or less.</td><td>Lease liabilities:
Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:
• Amounts expected to be payable under any residual value guarantee;
• The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised;
• Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.</td><td>Interest expense on lease liabilities:
A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.</td></tr>
<tr><td>Right of use assets:
Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
• lease payments made at or before commencement of the lease;
• initial direct costs incurred; and
• the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

The group applies the cost model subsequent to the initial measurement of the right of use assets.</td><td>Depreciation on right of use assets:
Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.</td></tr>
<tr><td>Termination of leases:
When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.</td><td>Termination of leases:
On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.</td></tr>
</table>

IFRS 16 *LEASES* CONTINUED

IFRS 16 significant accounting policies continued

Type and description	Statement of financial position	Income statement
IFRS 16 – Lessee accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised as an asset or liability.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease. **Lease modifications that are accounted for as a separate lease:** When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.	
IFRS 16 – Lessor lease modifications		
Finance leases	When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

RESTATEMENTS

Restatement of IIS on cured financial assets and correction of net modification gains and losses

The IFRS Interpretations Committee during December 2018 issued a clarification whereby previously unrecognised interest earned on loans and advances which cured out of stage 3, referred to as released IIS on cured financial assets, is required to be recognised as a reduction in credit impairment charges. For the six months ended 30 June 2018, IIS on cured financial assets was recognised in net interest income and amounted to R525 million (this amount was originally estimated as R545 million in 1H18; in the second half of 2018, further work was performed to validate the amount of IIS). This has since been restated and recognised as a reduction in credit impairment charges and net interest income.

During the second half of 2018, the group undertook a review of the modification adjustments recognised on the amortised cost portfolio. This review identified that interest income on certain modified assets was incorrectly recognised within credit impairments. The correction of this error has resulted in an increase in net interest income and credit impairment charges of R55 million.

FY18 correctly reported both the above mentioned items. The impact on the group's condensed consolidated income statement for 1H18 is as follows:

	1H18 (unaudited)		
	As previously presented income/ (expense) Rm	Restatement Rm	Restated income/ (expense) Rm
Net interest income	29 150	(470)	28 680
Credit impairment charges	(3 999)	470	(3 529)

The above restatement had the following effect on key financial statistics:

	1H18 (unaudited)		
	As previously reported	Restatement	Restated
Net interest margin on banking activities	4.50	(0.07)	4.43
Credit loss ratio on banking activities	0.70	(0.08)	0.62
Cost-to-income ratio on banking activities	57.1	0.5	57.6
Jaws on banking activities	(1.8)	(1)	(2.8)

Restatement of statement of cash flows

During 2018 a comprehensive review of the group's long-term insurance business model was undertaken due to various regulatory changes including the new regulatory capital regime effective 1 July 2018 and the enterprise risk management framework. This review supported a change in key judgement relating to the appropriateness of all cash flows relating to investment portfolios backing policyholder liabilities and supporting regulatory and group risk adjusted minimum capital levels. Management is of the opinion that these should be reflected as cash flows from operating activities rather than as previously reflected as cash flows from investing activities. This provides more relevant information as it more accurately reflects the nature of the cash flows, as a result the statement of cash flows for 1H18 has been restated. FY18, as reported, included this reclassification. The impact of the restatement on the group's statement of cash flows is as follows:

	1H18 (unaudited)		
	As previously presented cash inflow/ (cash outflow) Rm	Restatement Rm	Restated cash inflow/ (cash outflow) Rm
Cash flows presented within operating activities			
Other operating activities	17 366	3 801	21 167
Cash flows presented within investing activities			
Capital expenditure	(1 652)	273	(1 379)
Other investing activities	4 313	(4 074)	239

RESTATEMENTS CONTINUED

Correction of prior period income statement presentation error

In terms of the group's accounting policy, trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends. The group determined that certain other gains/losses were erroneously presented within trading revenue. Therefore, during 2019, the group restated trading revenue to exclude these gains and losses as it does not comprise of gains and losses (including related interest income, expense and dividends) from changes in the fair value of trading assets and liabilities. These gains and losses have been presented within Other revenue as it is more representative of the nature of the gains and losses and better aligns to the group's gains and losses presentation policy. This correction has no impact on the group's condensed consolidated income statement, total income, profit for the year and earnings per share. The impact on the non-interest revenue disclosure is as follows:

	1H18 (unaudited)			FY18 (unaudited)		
	As previously presented income Rm	Restatement Rm	Restated income Rm	As previously presented income Rm	Restatement Rm	Restated income Rm
Trading revenue	5 570	(99)	5 471	11 129	(330)	10 799
Other revenue	1 554	99	1 653	3 533	330	3 863

OTHER INFORMATION

Pro forma constant currency financial information

The *pro forma* financial information disclosed in these results is the responsibility of the group's directors. The *pro forma* constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results and may not fairly present the group's financial position, changes in equity, results of operations or cash flows. In determining the change in constant currency terms, the comparative financial reporting period's have been adjusted for the difference between the current and prior period's average exchange rates (determined as the average of the daily exchange rates). The measurement has been performed for each of the group's material currencies. The *pro forma* constant currency financial information contained in this announcement has not been reviewed by the group's external auditors.

The following average exchange rates were used in the determination of the *pro forma* constant currency information and were calculated using the average of the average monthly exchange rates (determined on the last day of each of the six months in the period).

	1H19 average exchange rate	1H18 average exchange rate
Angolan kwanza	0.04	0.06
Argentinian peso	0.34	0.58
Kenyan shilling	0.14	0.12
Mozambique metical	0.23	0.20
Nigerian naira	0.04	0.03
Pound sterling	18.36	16.92
US dollar	14.20	12.30
Zambian kwacha	1.15	1.25

Refer to page 39 for more detail on the Zimbabwean currency impact.

ADMINISTRATIVE AND CONTACT DETAILS

www.standardbank.com/reporting

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JP Morgan Equities South Africa Proprietary Limited

NAMIBIAN SPONSOR
Simonis Storm Securities (Proprietary) Limited

JSE JOINT SPONSOR
The Standard Bank of South Africa Limited

SHARE AND BOND CODES
JSE share code: SBK ISIN: ZAE000109815
NSX share code: SNB ZAE000109815
A2X share code: SBK
SBKP ZAE000038881 (first preference shares)
SBPP ZAE000056339 (second preference shares)
JSE bond codes: SBS, SBK, SBN, SBR, SBT, ETN series

SSN series and CLN series (all JSE-listed bonds issued in terms of The Standard Bank of South Africa Limited's Domestic Medium Term Note Programme and Credit Linked Note Programme)

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Refer to **www.standardbank.com/reporting** for a list of definitions, acronyms and abbreviations

Disclaimer
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