Standard Bank Group interim unaudited results and dividend announcement

for the six months ended 30 June 2014

Standard Bank

The Standard Bank Group Limited's (group) condensed consolidated interim results for the six months ended 30 June 2014 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS), as issued 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 and the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act 71 of 2008. The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of IFRS and 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 49.

The interim results have not been audited or independently reviewed by the group's external auditors. The group's 2013 annual financial information has been correctly extracted from the underlying consolidated annual financial statements.

The interim results are presented on a normalised basis, unless otherwise indicated as being on an IFRS basis. For further explanation, refer to page 10.

1H14 refers to the first half year results for 2014.
1H13 refers to the first half year results for 2013.
FY13 refers to the full year results for 2013.
Change % reflects 1H14 growth on 1H13.

The preparation of the group's results was supervised by the group financial director, Simon Ridley, BCom (Natal), CA(SA), AMP (Oxford). The results were made publically available on 14 August 2014.

Contents

Financial highlights

Headline earnings

R8 306 million, up 2%

1H13: R8 149 million

Headline earnings — continuing operations

R9 338 million, up 12%

1H13: R8 359 million

Headline earnings per share (HEPS)

513 cents

1H13: 506 cents

Return on equity (ROE)

12.7%

1H13: 13.8%

Tier I capital adequacy ratio

12.7%

FY13: 13.2%

Dividend per share

259 cents

1H13: 233 cents

Cost-to-income ratio

55.3%

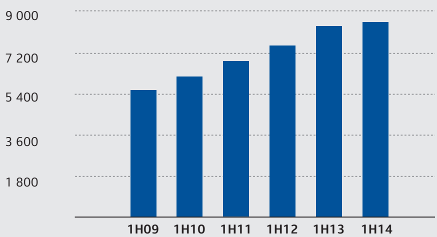
1H13: 55.5%

Credit loss ratio

1.13%

1H13: 1.24%

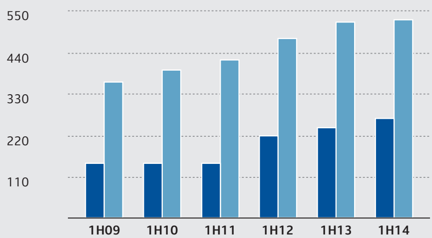
Headline earnings (Rm)
CAGR[1] (1H09 – 1H14): 9%



1H09	1H10	1H11	1H12	1H13	1H14
5 407	5 989	6 637	7 315	8 149	8 306

[1]Compound annual growth rate

Headline earnings and dividends per share (cents)
CAGR (1H09 – 1H14): Headline earnings per share: 8% Dividends per share: 13%



	1H09	1H10	1H11	1H12	1H13	1H14
Dividends per share	141	141	141	212	233	259
Headline earnings per share	351	382	418	460	506	513

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 and Standard Bank Plc, can be found. Scan the barcode to be taken there directly.

Overview of financial results

Group results

Group headline earnings increased by 2% to R8 306 million and HEPS increased by 1% to 513 cents per share. Headline earnings from continuing operations increased by 12% to R9 338 million. Net asset value per share increased by 8% and group ROE decreased to 12.7% from 13.8% in 1H13. An interim dividend of 259 cents per share has been declared, an 11% increase on 1H13.

As a result of the intended sale of 60% of the group's interest in the global markets business outside Africa, as communicated to shareholders on 29 January 2014, IFRS requires the results from this business to be reflected as a single line item in the group's income statement, being profit/loss from discontinued operation. Prior period comparatives have been restated accordingly. The assets and liabilities for this business for 1H14 and FY13 are each disclosed in single line items in the statement of financial position, being non-current assets/liabilities held for sale. The commentary which follows refers to the group's continuing banking operations and hence excludes unless otherwise indicated, the discontinued operation's results. Liberty's results are discussed separately.

Total income and expenses grew by 12% while credit impairments declined by 1% due to lower corporate credit losses. Net income before taxation grew by 20% and profit from continuing operations was 15% higher after accounting for the higher group tax rate. The net loss from discontinued operations of R1 032 million (1H13: R210 million loss) includes the valuation adjustment described below.

As communicated on the Stock Exchange News Service (SENS) of the JSE during June and July 2014, the group has commenced investigations and legal proceedings against several parties with respect to the group's rights to physical aluminium held in bonded warehouses in China.

The aluminium represents the group's collateral held for a series of commodity financing arrangements, otherwise referred to as reverse repurchase agreements (repos). There is emerging evidence that the financing arrangements were impacted by fraudulent activities in respect of the physical aluminium. The exposure on the group's statement of financial position as at 30 June 2014 in respect of the repos is USD167 million, against which USD210 million of aluminium collateral is held and is subject to this legal process. As at 30 June 2014 the group recognised a valuation adjustment of USD80 million (R854 million) against the repos representing management's best estimate of the risk adjustment required in determining the fair value of the group's net exposure. The adjustment was recognised within the discontinued operation line in the income statement.

Operating environment

Global growth moderated from an annual rate of 3.7% in the second half of 2013 to 2.7% in the first quarter of 2014. In the US, the inventory overhang at the end of 2013 turned out to be larger than expected, leading to a correction exacerbated by a harsh winter. In other emerging market economies, weaker-than-projected growth resulted both from weaker external demand, notably from the US and China, and, in a number of cases, softer domestic demand with weaker investment growth. With euro area inflation in April below expectations, the European Central Bank cut its policy rate and deployed other easing measures at its June meeting. However, leading indicators point to the global recovery having regained strength in the second quarter of 2014.

In South Africa, GDP growth in the first quarter of 2014 slowed to 1.6% and was affected by lost output in the mining sector due to prolonged industrial action. Private consumption expenditure growth slowed to 1.8% in the first quarter of 2014, the slowest quarterly growth rate since the third quarter of 2009. The South African Reserve Bank (SARB) hiked the repo rate unexpectedly in

January this year by 50bps and followed up with another 25bps increase at its July meeting as inflation moved outside the target band for three consecutive months. Consequently the ratio of household debt-to-disposable income trended sideways during the period.

Strong growth in sub-Saharan Africa continued into 2014 supported by foreign direct investment flows in the resource sectors, public investment in infrastructure, and improved agricultural production. Growth of approximately 5% is expected by the International Monetary Fund for 2014, similar to the growth rate attained for 2013, accompanied by a positive inflation outlook.

Revenue

Total income grew by 12% in 1H14, with net interest income (NII) increasing 14% primarily due to margin expansion of 14bps that benefited from higher South African interest rates, and growth in deposits and advances in the rest of Africa.

Non-interest revenue (NIR) grew by 10% with fees and commissions 12% higher than in 1H13 due to good growth in the rest of Africa that was assisted by a fall of the average value in the rand relative to most African currencies.

Trading revenue increased by 17% due mainly to a strong performance in fixed income and currency (FIC) trading, while other revenue fell by 16% due to the non-recurrence of a 1H13 fair value gain on a contingent interest held in Troika.

Credit impairments

Total credit impairments declined by 1% to R4 952 million and the credit loss ratio decreased to 1.13% from 1.24% in the prior period. Credit impairments in Corporate & Investment Banking (CIB) fell to R450 million from R917 million in the prior period with its credit loss ratio improving to 0.25% from 0.57% due mainly to the non-recurrence of a small number of high value impairments on exposures originated outside of South Africa.

In Personal & Business Banking (PBB), credit losses increased from R4 083 million to R4 502 million and its credit loss ratio increased marginally to 1.58% from 1.57% in the prior period. A significant reduction in the required charge against the inclusive personal lending book in South Africa due to reduced risk profile and lower average lending was offset by increased impairments in other portfolios in South Africa. In particular, instalment sale and finance leases and card debtors required higher provisioning due to higher levels of customer default in the period.

Impairments in PBB's operations in the rest of Africa fell due to a significantly lower level of impairments in Tanzania off the high base in the prior period with the credit loss ratio declining to 2.13% at 1H14 from 3.75% in 1H13.

Operating expenses

Operating expenses increased by 12% and by 8% on a constant currency basis relative to the prior period and the group's cost-to-income ratio improved to 55.3% from 55.5%. Staff expenses increased by 7% while other operating expenses increased by 19%, and by 15% on a constant currency basis. Growth in other operating expenses was affected by increased amortisation of capitalised systems taken into production and continued investment in information technology platforms, an escalation in premises costs, increases in both marketing costs and costs associated with the group's UCount customer loyalty programme which was launched in the second half of 2013, and further investment activity to support revenue growth in the rest of Africa.

Loans and advances

Gross loans and advances to customers grew by 6% from 1H13 to 1H14. PBB balances with customers grew by 7% and CIB balances grew by 7%. Marginal growth was recorded in secured lending with 2% growth in residential mortgages and 4% in instalment sale and finance leases. Higher growth of 13% was recorded in card debtors while lower growth in term loans was offset by higher demand, mainly in CIB, for overdraft and other demand loans.

Capital, funding and liquidity

The group's tier I and total capital levels remain strong at 12.7% (FY13: 13.2%) and 15.2% (FY13: 16.2%) respectively. Required regulatory capital levels will rise through to 2016 and the group is in a good position to meet the progressively higher requirements as prescribed by regulatory authorities across all presence markets.

Deposits from customers increased by 11% from 1H13 to 1H14 with the majority of the increase sourced from retail priced deposits which grew strongly by 17%, much of this growth being from customer current accounts. More expensive wholesale deposits grew by just 3%.

The group's liquidity position remains resilient, with contingent liquidity in excess of specific prudential requirements amounting to R169,3 billion as at 1H14 (FY13: R154,2 billion). As at 1H14, the group's long-term funding ratio was 19.1% (FY13: 19.4%). The group's long-term funding ratio declined slightly over the first half of 2014 but has now stabilised over the last few months. Notwithstanding the reduction of the long-term funding ratio, the overall balance sheet liquidity mismatch position is stable with sufficient term lending capacity.

The liquidity coverage ratio (LCR) proposed by the Basel Committee on Banking Supervision (BCBS) is due to come into effect on 1 January 2015. SARB has confirmed that a committed liquidity facility will also be made available, at a fee, to assist banks in meeting this ratio. This is in the process of being finalised ahead of the LCR implementation on 1 January 2015. Following a two-year observation period, the BCBS issued a consultative document on 12 January 2014 proposing modifications to the net stable funding ratio (NSFR) calculation. It remains the intention of the BCBS to implement the NSFR, including any revisions, as a minimum standard by 1 January 2018. Notwithstanding the changes, further term funding will have to be raised by all South African banks to fully meet the proposed Basel III liquidity regime in South Africa and other emerging markets.

Overview of business unit performance

Headline earnings by business unit

	Change %	**1H14 Rm**	1H13 Rm	FY13 Rm
Personal & Business Banking	13	**4 193**	3 700	8 363
Corporate & Investment Banking – continuing operations	1	**3 853**	3 809	6 974
Central and other	>100	**271**	(74)	65
Banking activities – continuing operations	12	**8 317**	7 435	15 402
Liberty	10	**1 021**	924	2 211
Standard Bank Group – continuing operations	12	**9 338**	8 359	17 613
Discontinued operation – Global markets outside Africa	(>100)	**(1 032)**	(210)	(419)
Standard Bank Group	2	**8 306**	8 149	17 194

Personal & Business Banking

PBB recorded headline earnings of R4 193 million, 13% higher than in the prior period. This was assisted by good growth of 14% and 13% respectively in NII and NIR, and slightly lower growth in credit impairments of 10%. PBB's cost-to-income ratio declined marginally to 59.7%, while ROE declined to 16.0% from 16.9% in the prior period due to higher capital allocated. PBB South Africa headline earnings grew by 6%, impacted by the difficult economic conditions affecting personal customers. PBB rest of Africa recorded headline earnings of R53 million from a loss of R201 million in 1H13 supported by broad-based improvement across most of its African operations.

Transactional products grew headline earnings by 11% over the prior period to R1 195 million. Good balance growth in savings, transactional and investment portfolio balances and the effect of higher domestic interest rates and higher transaction volumes, particularly in business banking, supported income growth.

Mortgage lending headline earnings grew by 16% to R900 million, supported by moderate growth in new business registrations, tight concession management and resilient NIR growth that helped total income grow by 12%. Credit impairments were 9% higher in the period due mainly to higher losses on accounts written off and limited opportunity to renegotiate customer accounts. Non-performing loans increased by 3%, broadly in line with total portfolio growth.

Instalment sale and finance leases recorded a headline loss of R29 million in spite of growing revenue by 14% to R1 585 million. Substantially higher impairments of R727 million (1H13: R388 million) reflects a decline in the quality of the lending portfolio within personal markets and was the major reason for the fall in performance in this product.

Card product headline earnings grew by 5% to R615 million. Good income growth of 14% was supported by higher average balances and higher interest rates as well as increased activity by card holders and merchants. Higher non-performing loan formation in this product led to a 47% increase in credit impairments that affected an otherwise good operating performance.

Lending products headline earnings more than doubled to R510 million mainly due to credit impairments declining significantly as risk appetite in the low income segment of the unsecured loan market was reduced. Total revenue increased by 11%, supported by higher business lending, overdraft and revolving credit balances and lower credit impairments. Inclusive personal term loans have declined significantly due to reduced risk appetite in that market. The blended lending product credit loss ratio fell to 2.24% from 3.26% in 1H13.

Bancassurance and wealth delivered headline earnings of R1 002 million, 10% up year-on-year, and driven by growth in total income of 16%. The value of insurance new business has improved against prior year and the introduction of higher benefit funeral plans boosted revenue. The significant growth in assets under management in Nigeria's pension fund business further assisted revenues. Underwriting margins came under sustained pressure due to claims arising from adverse weather conditions but was partially offset by good control over operating expenses.

Corporate & Investment Banking

CIB's continuing operations delivered headline earnings of R3 853 million, 1% higher than the comparative R3 809 million achieved in the prior year. The discontinued operation, including the fair value adjustment on repo positions relating to aluminium financing in China described earlier, recorded a headline loss of R1 032 million. Total income grew 8% with good NII growth of 16% and moderate fee and commission and trading income growth, which was partly offset by a fall in other income due to the non-recurrence of a fair value gain on a contingent interest in Troika in the prior year. Credit impairment charges were substantially lower as expected but costs increased by 13% including 7% as a result of the weaker rand and strategic investment to protect and grow the franchise.

Transactional products and services business delivered another excellent performance, growing earnings 29% to R1 387 million off revenue growth of 16%. Good revenue growth was experienced across the main product areas of cash management, trade finance and investor services with particularly strong growth in the rest of Africa that was assisted by average rand depreciation over the prior period. Significant client mandates were won during the period reflecting the benefit to clients of our positioning across the continent.

Global markets' continuing operations grew earnings by 5% over the prior period to R1 585 million off an overall increase of 13% in revenue to R5 270 million. Continued strong revenue growth in the rest of Africa was moderated by somewhat lower growth in South Africa. Good FIC trading was offset by difficult conditions in commodities.

Investment banking total revenue fell by 6% off the high base generated in 1H13, resulting in a reduction in credit risk from the de-risking of off-strategy assets and reduced advisory fees from lower client activity and extended time to deal closure. Although the effect of this was somewhat offset by lower credit impairments, the effect of higher expenses inflated by rand depreciation and the need to develop the franchise in the rest of Africa impacted short-term profitability and headline earnings declined by 25% from the prior period.

Real estate and principal investment management (PIM) revenue declined 33% on prior year due to lower property revenue and losses in the PIM investment portfolio. The PIM portfolio and private equity activity continues to be wound-down with minimal remaining distressed debt net exposure.

Central and other

Headline earnings of R271 million improved from the loss of R74 million recorded in the prior period. The improvement was largely due to the attributable income from the 20% associate investment that the group retains in Argentina amounting to R275 million compared with R88 million in 1H13.

Liberty

The financial results reported are the consolidated results of our 54% investment in Liberty Holdings Limited. Bancassurance results are included in PBB. Liberty's headline earnings for the six months to 30 June 2014 increased by 10% to R1 881 million of which R1 021 million was attributable to the group.

Liberty's long-term insurance operations indexed new business grew 10% to R3 437 million, supported by very strong single premium investment sales. Net customer cash inflows were R4,5 billion, including a R912 million contribution from the recently launched retail linked investment services platform. Corporate business customer flows of R0,9 billion were positive for the first time since 2007. New business margin at 1.8% has been negatively impacted by a 25bps increase in the risk discount rate and reflects the typical lower first half sales seasonality. The business continues to manage within the long-term actuarial expense and policyholder behaviour assumptions.

LibFin Markets produced a strong result, due to the ongoing build of the credit book and a positive asset liability management contribution which benefited from low realised volatility in equity and interest rate markets. The group asset management operations have attracted net external customer cash inflows of R11,6 billion which are 29% up compared to 1H13, over R7,5 billion of which were invested in its money market offerings. Assets under management across the group grew by 5% from FY13 to R639 billion.

Prospects

Global economic growth in 2014 is likely to improve, albeit only modestly, rising from around 3.2% in 2013 to 3.4% in 2014. Growth is expected to be influenced by developed market countries, while emerging markets are expected to struggle to match the growth rates achieved in 2013. While the US is expected to grow in 2014, momentum in the Eurozone economy is still weak. Global monetary policy is expected to tighten relative to 2013.

Sluggishness in the South African economy is expected to persist for the remainder of 2014 which is likely to hamper domestic revenue growth and may affect the confidence of our customer base. However, the group's positioning in South Africa is strong and our selected exposure to expanding economies in sub-Saharan Africa provides a robust platform on which to maintain the operational and financial momentum in our continuing operations. We remain firmly committed to delivering improved returns on equity to shareholders over the medium term while investing in our people and systems to meet the demands of a rapidly evolving environment.

Sim Tshabalala
Group chief executive

Ben Kruger
Group chief executive

Fred Phaswana
Chairman

13 August 2014

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 of directors (the board) has resolved to declare an interim gross cash dividend No. 90 of 259,00 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 12 September 2014. The last day to trade to participate in the dividend is Friday, 5 September 2014. Ordinary shares will commence trading *ex* dividend from Monday, 8 September 2014. No STC credits were utilised as part of the ordinary dividend declaration.

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 Monday, 8 September 2014, and Friday, 12 September 2014, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited or updated on Monday, 15 September 2014.

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 distributions:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 90 of 3,25 cents (gross) per first preference share, payable on Monday, 8 September 2014, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 5 September 2014. The last day to trade to participate in the dividend is Friday, 29 August 2014. First preference shares will commence trading *ex* dividend from Monday, 1 September 2014. No STC credits were utilised as part of the dividend declaration in respect of the first preference shares.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 20 of 340,58 cents (gross) per second preference share, payable on Monday, 8 September 2014, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 5 September 2014. The last day to trade to participate in the dividend is Friday, 29 August 2014. Second preference shares will commence trading *ex* dividend from Monday, 1 September 2014. No STC credits were utilised as part of the dividend declaration in respect of the second preference shares.

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

Preference share certificates (first and second) may not be dematerialised or rematerialised between Monday, 1 September 2014 and Friday, 5 September 2014, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 8 September 2014.

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	**90**	**90**	**20**
Gross distribution/dividend per share (cents)	**259,00**	**3,25**	**340,58**
Last day to trade in order to be eligible for the cash dividend	**Friday, 5 September 2014**	**Friday, 29 August 2014**	**Friday, 29 August 2014**
Shares trade *ex* the cash dividend	**Monday, 8 September 2014**	**Monday, 1 September 2014**	**Monday, 1 September 2014**
Record date in respect of the cash dividend	**Friday, 12 September 2014**	**Friday, 5 September 2014**	**Friday, 5 September 2014**
Dividend cheques posted and CSDP/broker accounts credited/updated (payment date)	**Monday, 15 September 2014**	**Monday, 8 September 2014**	**Monday 8 September 2014**

The above dates are subject to change. Any changes will be released on 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 Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividend withholding tax (DT) that was introduced with effect from 1 April 2012. South African resident ordinary and preference shareholders that are not exempt from DT, will be subject to DT at a rate of 15% 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 220,15000 cents per ordinary share, 2,76250 cents per first preference share and 289,49090 cents per second preference share. Non-resident ordinary and preference shareholders may be subject to DT at a rate of less than 15% 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 declaration date, is as follows:

- 1 618 210 308 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.

Normalised results

With effect from 2004, the group's results reported under IFRS have been normalised to reflect the group's view of the economic and legal substance of the following arrangements (normalised results):

- Preference share funding for the group's Tutuwa transaction is deducted from equity and reduces the shares in issue in terms of IFRS.
- Group company shares held for the benefit of Liberty policyholders result in a reduction of the number of shares in issue and the exclusion of fair value adjustments and dividends on these shares. The IFRS requirement causes an accounting mismatch between income from investments and changes in policyholders' liabilities.
- The group also enters into transactions on its own shares to facilitate client trading activities. As part of its normal trading operations, a group subsidiary offers to its clients trading positions over listed shares, including its own shares. To hedge the risk on these trades, the group buys (sells short) its own shares in the market. Although the share exposure on the group's own shares is deducted/(added) from/(to) equity and the related fair value movements are reversed in the income statement, the client trading position and fair value movements are not eliminated, resulting in an accounting mismatch.

A common element in these transactions relates to shares in issue which are deemed by IFRS to be treasury shares. Consequently, the net value of the shares is recognised in equity and the number of shares used for per-share calculation purposes is materially lower than the economic substance, resulting in inflated per-share ratios.
The normalisation adjustments reinstate the shares as issued, recognise the related transaction in the statement of financial position as an asset or liability (as appropriate) and recognise the changes in the value of the related transaction (together with dividend income) in the income statement.

The normalised results reflect the basis on which management manages the group and is consistent with that reported in the group's segmental report, where the normalised adjustments have been made within Liberty, and central and other. The results of the other business units are unaffected.

The result of these normalised adjustments is shown in the table below.

Normalised headline earnings

for the six months ended 30 June 2014

	Weighted average number of shares '000	**Headline earnings Rm**	Growth on 1H13 %
Disclosed on an IFRS basis	**1 585 915**	**8 230**	2
Tutuwa initiative	**27 726**	**63**	
Group shares held for the benefit of Liberty policyholders	**7 100**	**61**	
Share exposures held to facilitate client trading activities	**(1 973)**	**(48)**	
Normalised	**1 618 768**	**8 306**	2

Pro forma constant currency information

The *pro forma* constant currency 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 results of operations. In determining the change in constant currency terms, the comparative financial reporting period's results 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, being the US dollar, Nigerian naira, Kenyan shilling, Zambian kwacha and Ugandan shilling.

The following average exchange rates were used in the determination of the *pro forma* constant currency information.

	US dollar	Nigerian naira	Kenyan shilling	Zambian kwacha	Ugandan shilling
1H14 average exchange rate	**10,70**	**0,07**	**0,12**	**0,0018**	**0,0042**
1H13 average exchange rate	9,22	0,06	0,11	0,0017	0,0035

Interim unaudited results in accordance with IFRS

Financial statistics

for the six months ended 30 June 2014

	Change %	1H14 Unaudited	1H13[1] Unaudited	FY13 Audited
Number of ordinary shares in issue (000's)				
End of period	0	**1 588 000**	1 586 514	1 584 449
Weighted average	3	**1 585 915**	1 546 914	1 566 694
Diluted weighted average	2	**1 621 109**	1 594 734	1 606 782[2]
Cents per ordinary share				
Headline earnings	(0)	**518,9**	520,1	1 084,2
Continuing operations	9	**584,0**	533,7	1 110,9
Discontinued operation	>100	**(65,1)**	(13,6)	(26,7)
Diluted headline earnings	1	**507,7**	504,5	1 057,1
Continuing operations	10	**571,3**	517,7	1 083,2
Discontinued operation	>100	**(63,6)**	(13,2)	(26,1)
Dividend	11	**259,0**	233,0	533,0
Net asset value	8	**8 333**	7 712	8 138
Financial performance (%)				
ROE		**12.7**	14.0	14.2
Net interest margin on continuing banking operations		**3.75**	3.60	3.67
Credit loss ratio on continuing banking operations		**1.13**	1.24	1.12
Cost-to-income ratio on continuing banking operations		**55.2**	55.6	56.8
Capital adequacy ratios (%)				
Basel III				
Tier I capital		**12.7**	12.3	13.2
Total capital		**15.2**	15.4	16.2

[1] Restated. Refer to pages 49 to 51.
[2] Updated to reflect diluted weighted average shares as reported in the group's 2013 annual financial statements.

Condensed consolidated statement of financial position

as at 30 June 2014

	Change %	1H14 Unaudited Rm	1H13[1] Unaudited Rm	FY13 Audited Rm
Assets				
Cash and balances with central banks	(17)	**46 786**	56 041	53 310
Financial investments, trading and pledged assets	1	**498 449**	494 697	457 018
Non-current assets held for sale[2]	100	**189 032**		183 284
Loans and advances	(3)	**886 615**	910 332	839 620
Derivative and other assets	(53)	**82 536**	175 486	90 634
Interest in associates and joint ventures	(33)	**3 422**	5 109	4 797
Investment property	6	**25 645**	24 259	27 299
Goodwill and other intangible assets	19	**19 719**	16 594	18 085
Property and equipment	(1)	**16 073**	16 200	16 882
Total assets	4	**1 768 277**	1 698 718	1 690 929
Equity and liabilities				
Equity	9	**157 110**	144 123	152 648
Equity attributable to ordinary shareholders	8	**132 332**	122 348	128 936
Preference share capital and premium		**5 503**	5 503	5 503
Non-controlling interest	18	**19 275**	16 272	18 209
Liabilities	4	**1 611 167**	1 554 595	1 538 281
Deposit and current accounts	(1)	**976 348**	989 319	921 738
Derivative, trading and other liabilities	(33)	**197 129**	292 906	193 579
Non-current liabilities held for sale[2]	100	**137 016**		134 504
Policyholders' liabilities	16	**278 898**	241 414	263 944
Subordinated debt	(30)	**21 776**	30 956	24 516
Total equity and liabilities	4	**1 768 277**	1 698 718	1 690 929

[1] Restated. Refer to pages 49 to 51.
[2] Refer to page 24 for further explanation.

Condensed consolidated income statement

for the six months ended 30 June 2014

	Change %	**1H14 Unaudited Rm**	1H13[1] Unaudited Rm	FY13 Audited Rm
Continuing operations				
Income from banking activities	13	**39 838**	35 303	73 406
Net interest income	15	**21 615**	18 834	39 095
Non-interest revenue	11	**18 223**	16 469	34 311
Income from investment management and life insurance activities	36	**42 019**	30 835	85 240
Total income	24	**81 857**	66 138	158 646
Credit impairment charges	(1)	**4 952**	5 002	9 158
Benefits due to policyholders	46	**31 579**	21 593	63 295
Income after credit impairment charges and policyholders' benefits	15	**45 326**	39 543	86 193
Revenue sharing agreements with group companies	>100	**40**	15	142
Income after revenue sharing agreements with group companies	15	**45 286**	39 528	86 051
Operating expenses in banking activities	12	**22 222**	19 776	42 055
Staff costs	7	**12 063**	11 235	23 087
Other operating expenses	19	**10 159**	8 541	18 968
Operating expenses in investment management and life insurance activities	16	**7 216**	6 200	14 226
Net income before goodwill impairment and gains on disposal of subsidiaries	17	**15 848**	13 552	29 770
Goodwill impairment	100	**4**		
Gains on disposal of subsidiaries				64
Net income before share of profits from associates and joint ventures	17	**15 844**	13 552	29 834
Share of profit from associates and joint ventures	49	**388**	260	685
Net income before indirect taxation	18	**16 232**	13 812	30 519
Indirect taxation	19	**1 026**	862	1 911
Profit before direct taxation	17	**15 206**	12 950	28 608
Direct taxation	27	**3 915**	3 076	7 580
Profit for the period from continuing operations	14	**11 291**	9 874	21 028
Discontinued operation[2]	>100	**(1 032)**	(210)	(1 022)
Profit for the period	6	**10 259**	9 664	20 006
Attributable to non-controlling interests	30	**1 845**	1 422	3 451
Attributable to preference shareholders	(1)	**175**	176	349
Attributable to ordinary shareholders	2	**8 239**	8 066	16 206
Basic earnings per share (cents)	(0)	**519,5**	521,4	1 034,4
Continuing operations	9	**584,6**	535,0	1 099,6
Discontinued operation	>100	**(65,1)**	(13,6)	(65,2)
Diluted earnings per share (cents)	0	**508,2**	505,8	1 008,6
Continuing operations	10	**571,9**	519,0	1 072,2
Discontinued operation	>100	**(63,7)**	(13,2)	(63,6)

[1] Restated. Refer to pages 49 to 51.

[2] Gains and losses relating to the group's global markets outside Africa business has been presented as a single amount relating to their after-tax profits.

Headline earnings

for the six months ended 30 June 2014	Change %	**1H14 Unaudited Rm**	1H13[1] Unaudited Rm	FY13 Audited Rm
Profit for the period from continuing operations	12	**9 271**	8 276	17 228
Headline adjustable items (reversed)/added		**(20)**	(36)	350
Goodwill impairment – IAS 36		**4**		
Loss/(profit) on sale of property and equipment - IAS 16		**6**	(1)	(4)
Realised foreign currency translation profit on foreign operations – IAS 21				(16)
Gains on the disposal of businesses and divisions - IAS 27				(91)
Impairment of intangible assets – IAS 36				477
Realised gains on available-for-sale assets - IAS 39		**(30)**	(35)	(16)
Taxation on headline earnings adjustable items		**(4)**		(88)
Non-controlling interests' share of headline earnings adjustable items		**15**	16	(85)
Standard Bank Group headline earnings from continuing operations	12	**9 262**	8 256	17 405
Loss for the period from discontinued operation	>100	**(1 032)**	(210)	(1 022)
Headline adjustable item added				
Impairment of non-current assets held for sale – IFRS 5				603
Standard Bank Group headline earnings from discontinued operation	>100	**(1 032)**	(210)	(419)
Standard Bank Group headline earnings	2	**8 230**	8 046	16 986

[1] Restated. Refer to pages 49 to 51.

Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2014

	1H14			1H13	FY13
	Ordinary shareholders' equity Unaudited Rm	**Non-controlling interests and preference shareholders Unaudited Rm**	**Total equity Unaudited Rm**	Total equity Unaudited Rm	Total equity Audited Rm
Profit for the period	**8 239**	**2 020**	**10 259**	9 664	20 006
Other comprehensive income (OCI) after tax for the period	**(847)**	**(41)**	**(888)**	4 702	7 903
Items that may be reclassified subsequently to profit or loss:					
Exchange rate differences on translating equity investments in foreign operations	**(753)**	**(12)**	**(765)**	5 512	8 085
Foreign currency hedge of net investments	**112**		**112**	(239)	(176)
Cash flow hedges	**(42)**	**(22)**	**(64)**	(54)	239
Available-for-sale financial assets	**9**	**(2)**	**7**	(83)	91
Items that may not be reclassified to profit or loss:					
Defined benefit fund adjustments	**(177)**	**(5)**	**(182)**	(468)	(186)
Other gains/(losses)	**4**		**4**	34	(150)
Total comprehensive income for the period	**7 392**	**1 979**	**9 371**	14 366	27 909
Attributable to non-controlling interests		**1 804**	**1 804**	2 550	5 149
Attributable to equity holders of the parent	**7 392**	**175**	**7 567**	11 816	22 760
Attributable to preference shareholders		**175**	**175**	176	349
Attributable to ordinary shareholders	**7 392**		**7 392**	11 640	22 411

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2014

	Ordinary shareholders' equity Rm	Preference share capital and premium Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2013 (audited)	111 085	5 503	14 301	130 889
Total comprehensive income for the period	11 640	176	2 550	14 366
Transactions with owners, recorded directly in equity	(377)	(176)	(502)	(1 055)
Equity-settled share-based payment transactions	218		20	238
Deferred tax on share-based payment transactions	63			63
Transactions with non-controlling shareholders	(19)		57	38
Issue of share capital and share premium and capitalisation of reserves	2			2
Net decrease in treasury shares	301		38	339
Redemption of preference shares	1 676			1 676
Net dividends paid	(2 618)	(176)	(617)	(3 411)
Unincorporated property partnerships capital reductions and distributions			(77)	(77)
Balance at 30 June 2013 (unaudited)	122 348	5 503	16 272	144 123
Balance at 1 July 2013 (unaudited)	122 348	5 503	16 272	144 123
Total comprehensive income for the period	10 771	173	2 599	13 543
Transactions with owners, recorded directly in equity	(4 183)	(173)	(733)	(5 089)
Equity-settled share-based payment transactions	24		18	42
Deferred tax on share-based payment transactions	13			13
Transactions with non-controlling shareholders	(31)		(53)	(84)
Issue of share capital and share premium and capitalisation of reserves	163			163
Share buy-back	(343)			(343)
Net increase in treasury shares	(278)		(2)	(280)
Net dividends paid	(3 731)	(173)	(696)	(4 600)
Unincorporated property partnerships capital reductions and distributions			71	71
Balance at 31 December 2013 (audited)	128 936	5 503	18 209	152 648

Condensed consolidated statement of changes in equity continued

for the six months ended 30 June 2014

	Ordinary share-holders' equity Rm	Preference share capital and premium Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2014 (audited)	128 936	5 503	18 209	152 648
Total comprehensive income for the period	7 392	175	1 804	9 371
Transactions with owners, recorded directly in equity	(3 996)	(175)	(675)	(4 846)
Equity-settled share-based payment transactions	326		24	350
Deferred tax on share-based payment transactions	183			183
Transactions with non-controlling shareholders	(74)		(72)	(146)
Issue of share capital and share premium and capitalisation of reserves	283			283
Share buy-back	(382)			(382)
Net decrease in treasury shares	468		4	472
Net dividends paid	(4 800)	(175)	(631)	(5 606)
Unincorporated property partnerships capital reductions and distributions			(63)	(63)
Balance at 30 June 2014 (unaudited)	132 332	5 503	19 275	157 110

Condensed consolidated statement of cash flows

for the six months ended 30 June 2014

	1H14 Unaudited Rm	1H13 Unaudited Rm	FY13 Audited Rm
Net cash (outflow)/inflow from operating activities	**(863)**	(6 455)	24 020
Operational cash flows	**2 860**	(2 418)	31 079
Direct taxation paid	**(3 723)**	(4 037)	(7 059)
Net cash flows used in investing activities	**(4 693)**	(602)	(17 345)
Capital expenditure on property, equipment and intangible assets	**(3 218)**	(3 295)	(8 143)
Other investing cash flows	**(1 475)**	2 693	(9 202)
Net cash flows used in financing activities	**(8 691)**	(3 285)	(9 238)
Proceeds from the issue of share capital	**283**	2	165
Share buy-back	**(382)**		(343)
Release of empowerment reserve		1 676	1 676
Net subordinated debt cash flows	**(1 906)**	(1 499)	(1 890)
Other financing cash flows	**(6 686)**	(3 464)	(8 846)
Effect of exchange rate changes on cash and cash equivalents	**573**	4 398	7 987
Net (decrease)/increase in cash and cash equivalents	**(13 674)**	(5 944)	5 424
Cash and cash equivalents at beginning of the period	**67 409**	61 985	61 985
Cash and cash equivalents at the end of the period	**53 735**	56 041	67 409
Comprising:			
Cash and balances with central banks	**46 786**	56 041	53 310
Cash and balances with central banks held for sale	**6 949**		14 099
Cash and cash equivalents at the end of the period	**53 735**	56 041	67 409

Interim results

Notes

Segment report

for the six months ended 30 June 2014

	Change %	**1H14 Unaudited Rm**	1H13[1,2] Unaudited Rm	FY13[2] Unaudited Rm
Revenue contribution by business unit				
Personal & Business Banking	14	**26 111**	23 002	48 570
Corporate & Investment Banking	8	**13 901**	12 879	25 914
Central and other	(60)	**(191)**	(481)	(979)
Banking activities	12	**39 821**	35 400	73 505
Liberty	37	**42 163**	30 836	85 406
Standard Bank Group – normalised	24	**81 984**	66 236	158 911
Adjustments for IFRS	30	**(127)**	(98)	(265)
Standard Bank Group – IFRS	24	**81 857**	66 138	158 646
Profit or loss attributable to ordinary shareholders				
Personal & Business Banking	13	**4 190**	3 705	8 276
Corporate & Investment Banking	(22)	**2 815**	3 620	6 488
Central and other	>100	**289**	(80)	(503)
Banking activities	1	**7 294**	7 245	14 261
Liberty	10	**1 021**	924	2 153
Standard Bank Group – normalised	2	**8 315**	8 169	16 414
Adjustments for IFRS	(26)	**(76)**	(103)	(208)
Standard Bank Group – IFRS	2	**8 239**	8 066	16 206
Total assets by business unit				
Personal & Business Banking	10	**603 132**	549 092	571 583
Corporate & Investment Banking	(1)	**853 503**	863 816	805 204
Central and other	>100	**(42 392)**	(18 884)	(18 930)
Banking activities	1	**1 414 243**	1 394 024	1 357 857
Liberty	16	**356 391**	307 104	335 826
Standard Bank Group – normalised	4	**1 770 634**	1 701 128	1 693 683
Adjustments for IFRS	(2)	**(2 357)**	(2 410)	(2 754)
Standard Bank Group – IFRS	4	**1 768 277**	1 698 718	1 690 929
Total liabilities by business unit				
Personal & Business Banking	9	**546 354**	503 130	522 583
Corporate & Investment Banking	(1)	**802 829**	813 438	757 473
Central and other	46	**(71 427)**	(48 958)	(55 360)
Banking activities	1	**1 277 756**	1 267 610	1 224 696
Liberty	16	**333 484**	287 055	313 615
Standard Bank Group – normalised	4	**1 611 240**	1 554 665	1 538 311
Adjustments for IFRS	4	**(73)**	(70)	(30)
Standard Bank Group – IFRS	4	**1 611 167**	1 554 595	1 538 281

[1] Refer to pages 49 to 51.
[2] Where responsibility for individual cost centres and divisions within business units change, the comparative figures are reclassified accordingly.

Contingent liabilities and capital commitments

as at 30 June 2014

	1H14 Unaudited Rm	FY13 Audited Rm
Letters of credit and bankers' acceptances	**9 482**	17 303
Guarantees	**38 398**	50 287
Contingent liabilities	**47 880**	67 590
Contracted capital expenditure	**4 774**	1 315
Capital expenditure authorised but not yet contracted	**8 796**	11 411
Capital commitments	**13 570**	12 726

Private equity associates and joint ventures

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 Circular 2/2013 *Headline Earnings*, issued by SAICA at the request of the JSE. 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.

	1H14 Unaudited Rm	FY13 Audited Rm
Cost	**88**	150
Carrying value	**559**	631
Fair value	**559**	579
Attributable income before impairment	**1**	92

Equity securities

During the year the group issued nil shares (FY13: 10 281 204 shares) as a scrip dividend distribution, allotted 3 008 952 shares (FY13: 4 304 866 shares) in terms of the group's share incentive schemes and repurchased 2 642 773 shares (FY13: 2 877 768 shares). The total equity securities held as treasury shares at the end of the period was 2 483 491 shares (FY13: 5 669 530 shares).

Subordinated debt

During the period the group issued nil (FY13: R1 billion) and redeemed R1,9 billion (FY13: R1,9 billion) subordinated debt instruments.

Related party transactions

The group entered into the following transactions with related parties:

Tutuwa initiative refinancing

The group concluded its Tutuwa initiative in October 2004 when it sold an effective 10% interest in its South African banking operations to a broad-based grouping of black-owned entities. The group subscribed for 8.5% redeemable, cumulative preference shares that were issued by structured entities, including Tutuwa Strategic Holdings 1 Proprietary Limited (Tutuwa 1) and Tutuwa Strategic Holdings 2 Proprietary Limited (Tutuwa 2) that used the funds to acquire shares in the group. These two entities were in turn acquired by Shanduka Group Proprietary Limited and Safika Holdings Proprietary Limited, respectively. From an IFRS perspective, all of the preference shares subscribed for by the group were accounted for as a negative empowerment reserve. During 2013, Tutuwa 1 and Tutuwa 2 obtained third party financing and repaid their outstanding preference share funding in full and accrued dividends thereon of R668 million and R1 007 million respectively, to the group.

In terms of IFRS, the redemption of the preference share funding resulted in a release of the group's negative empowerment reserve relating to Tutuwa 1 and Tutuwa 2 and resulted in 35,8 million ordinary shares being recognised by IFRS as issued shares during 2013.

Other significant related party transactions

At 30 June 2014, the ICBC, a 20.1% shareholder, had a deposit with the group of R66 million (FY13: R161 million). The group earned net income of R51 million (FY13: R50 million) from transactions with the ICBC.

Post-employment benefit plans

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

	1H14 Unaudited Rm	FY13 Audited Rm
Fee income	**21**	33
Deposits held with the group	**379**	363
Interest paid	**37**	47
Value of assets under management	**12 124**	11 276
Investments held in bonds and money market instruments	**854**	797
Value of ordinary SBG shares held	**7 240**	7 281

Aluminium reverse repurchase agreements

As communicated on the SENS of the JSE during June and July 2014, Standard Bank Plc (SB Plc) commenced investigations and legal proceedings against several parties with respect to SB Plc's rights to physical aluminium held in bonded warehouses in China. The aluminium represents SB Plc's collateral held for a series of commodity financing arrangements, otherwise characterised as repos. The gross exposure in SB Plc's statement of financial position as at 30 June 2014 in respect of the repos is USD167 million, against which USD210 million of aluminium collateral is held and is subject to this legal process. As at 30 June 2014, SB Plc recognised a valuation adjustment of USD80 million against the repos, representing management's best estimate of the risk adjustment required in determining the fair value of SB Plc's net exposure. The valuation adjustment was recognised within the discontinued operation line item in the income statement. Consequently, the exposure has been reclassified into level 3 in the fair value hierarchy. In determining the valuation adjustment, SB Plc considered the collateral, the client's ability to perform and the obligation of the custodians to account for the collateral. The group also maintains insurance for such loss events and will recognise the value of its rights to compensation once the applicable IFRS recognition criteria have been met.

Change in group directorate

The following changes in directorate took place during the six months ended 30 June 2014:

Appointments

Kaisheng Yang	as director	16 January 2014
Wenbin Wang	as director	16 January 2014
F du Plessis	as director	14 March 2014
AC Parker	as director	14 March 2014
BS Tshabalala	as director	14 March 2014

Resignations and retirements

Hongli Zhang	as director	16 January 2014
Yagan Liu	as director	16 January 2014
KP Kalyan	as director	3 March 2014
AC Nissen	as director	29 May 2014
DDB Band	as director	29 May 2014

Non-current assets and liabilities held for sale

RCS Investment Holdings Proprietary Limited (RCS)

On 9 April 2014 the group concluded an agreement to dispose of its 45% investment in RCS to BNP Paribas, subject to regulatory approval, at a selling price of approximately R1,0 billion (to be adjusted by the movement in RCS's attributable net asset value from July 2013 to the effective date of the transaction).

The investment has accordingly been classified as held for sale. In terms of IFRS, equity accounting has been suspended from the date of classification as held for sale.

The profit on sale will be recognised on the completion date of the transaction and will be excluded from headline earnings.

Brazil

During March 2014, the group announced that it reached an agreement with Grupo Financiero Inbursa SAB, the listed Mexican banking group, (Inbursa) in terms of which Inbursa will acquire the group's Brazilian licensed banking subsidiary, Banco Standard de Investimentos SA (BSI), subject to regulatory approvals, for a price to be determined, with reference to the closing net asset value of BSI which was approximately USD45 million.

The group has accordingly included BSI in the statement of financial position within non-current assets and liabilities held for sale.

Standard Bank Plc

During 2013, the group announced that it was in discussions regarding the disposal of a controlling interest in its global markets business outside Africa through the sale of a controlling interest in SB Plc, the group's London banking operation (disposal of OA GM). This was followed by an announcement during 2014 that transaction agreements had been signed with the ICBC. Standard Bank shareholder approval for the transaction was obtained on 28 March 2014.

Accordingly, the group's IFRS results have been adjusted as follows:

- Presentation of OA GM in the statement of financial position within non-current assets and liabilities held for sale.
- Presentation of OA GM's results as a single line item in the group's discontinued operations in the income statement. In addition, the previously eliminated intercompany transactions between the group's continuing and discontinued operations have been presented separately within the group's continuing and discontinuing operations as applicable.
- Recognition of an impairment loss, being the difference between OA GM's fair value less costs to sell and its recognised carrying value. The impairment loss has been limited to the value of OA GM's non-financial assets. The remaining loss will be recognised in the income statement at the time at which the transaction is completed.

The fair value of OA GM was determined using valuation techniques that incorporate unobservable inputs. Accordingly, the non-current assets and liabilities held for sale have been classified within level 3 of the fair value hierarchy. However, for disclosure purposes, the financial assets and financial liabilities within the non-current assets and liabilities held for sale classification that are measured at fair value have been categorised as level 1, 2, and 3 as appropriate in these results' fair value disclosures.

Day one profit or loss

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

	Derivative instruments Rm	Trading assets Rm	Total Rm
Unrecognised net profit – 1 January 2013 (audited)	384	13	397
Additional net profit on new transactions	13		13
Recognised in profit or loss during the year	(153)		(153)
Exchange differences		3	3
Unrecognised net profit – 1 January 2014 (audited)	**244**	**16**	**260**
Additional net loss on new transactions	**(137)**		**(137)**
Recognised in profit or loss during the year	**29**		**29**
Unrecognised net profit – 30 June 2014 (unaudited)	**136**	**16**	**152**

Fair value disclosures

Financial assets and liabilities measured at fair value

Fair value hierarchy of instruments measured at fair value

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is therefore 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 the fair value is therefore 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 derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible.

Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs) . Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments.

Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. In making appropriate valuation adjustments, the group follows methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's 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.

Fair value hierarchy

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

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Significant unobservable inputs

The fair value of level 3 financial assets and liabilities is determined using valuation techniques which include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. These inputs include, but are not limited to, credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates, and other illiquid risk drivers. Exposure to such illiquid risk drivers is typically managed by:

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

Fair value disclosures continued

Accounting classifications and fair values of financial assets and liabilities

The unaudited table below categorises the group's assets and liabilities as at 30 June 2014 between that which is financial and non-financial. All financial assets and liabilities have been classified according to their measurement category with disclosure of the fair value being provided for those items.

	Held-for-trading[1] Rm	Designated at fair value Rm	Held-to-maturity Rm
Assets			
Cash and balances with central banks			
Derivative assets	55 282		
Trading assets	65 458		
Pledged assets	2 465	6 364	
Non-current assets held for sale	116 441		
Financial investments		366 135	15 576
Loans and advances to banks		1 443	
Loans and advances to customers		482	
Interest in associates and joint ventures			
Investment property			
Other financial assets[4]			
Other non-financial assets			
	239 646	374 424	15 576
Liabilities			
Derivative liabilities	60 950		
Trading liabilities	43 487		
Non-current liabilities held for sale	60 280	1 039	
Deposits from banks			
Deposits from customers		24 555	
Policyholders' liabilities		79 997	
Subordinated debt			
Other financial liabilities[4]		42 456	
Other non-financial liabilities			
	164 717	148 047	

[1] Includes derivative assets or liabilities designated as hedging instruments in hedge relationships.
[2] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[3] Carrying value has been used where it closely approximates fair value, excluding non-financial assets and liabilities.
[4] The carrying value of other financial assets/liabilities approximates fair value due to their short-term nature.

Loans and receivables[2] Rm	Available-for-sale Rm	Other amortised cost[2] Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[3] Rm
46 786				46 786	46 786
				55 282	55 282
				65 458	65 458
217	2 014			11 060	11 066
70 647	32		1 912	189 032	182 020
7 891	32 329			421 931	422 686
102 813				104 256	104 099
781 877				782 359	786 425
			3 422	3 422	
			25 645	25 645	
6 661				6 661	
			56 385	56 385	
1 016 892	34 375		87 364	1 768 277	
				60 950	60 950
				43 487	43 487
		75 174	523	137 016	132 096
		83 851		83 851	84 460
		867 942		892 497	913 839
			198 901	278 898	79 997
		21 776		21 776	19 626
		20 243		62 699	
			29 993	29 993	
		1 068 986	229 417	1 611 167	

Fair value disclosures continued

Accounting classifications and fair values of financial assets and liabilities (audited) continued

as at 31 December 2013

	Held-for-trading[1] Rm	Designated at fair value Rm	Held-to-maturity Rm
Assets			
Cash and balances with central banks			
Derivative assets	64 474		
Trading assets	54 588		
Pledged assets	3 324	1 348	
Non-current assets held for sale	107 306		
Financial investments	506	342 896	13 264
Loans and advances to banks		668	
Loans and advances to customers	1 074	181	4
Interest in associates and joint ventures			
Investment property			
Other financial assets[4]			
Other non-financial assets			
	231 272	345 093	13 268
Liabilities			
Derivative liabilities	69 244		
Trading liabilities	35 368		
Non-current liabilities held for sale	57 194	294	
Deposits from banks		961	
Deposits from customers		24 377	
Policyholders' liabilities		74 146	
Subordinated debt			
Other financial liabilities[4]		39 983	
Other non-financial liabilities			
	161 806	139 761	

[1] Includes derivative assets or liabilities designated as hedging instruments in hedge relationships.
[2] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[3] Carrying value has been used where it closely approximates fair value, excluding non-financial assets and liabilities.
[4] The carrying value of other financial assets/liabilities approximates fair value due to their short-term nature.

Loans and receivables[2] Rm	Available-for-sale Rm	Other amortised cost[2] Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[3] Rm
53 310				53 310	53 310
				64 474	64 474
				54 588	54 588
	2 041			6 713	6 713
74 871	29		1 078	183 284	180 051
11 162	27 889			395 717	396 243
94 236				94 904	95 034
743 457				744 716	736 389
			4 797	4 797	
			27 299	27 299	27 299
8 365				8 365	
			52 762	52 762	
985 401	29 959		85 936	1 690 929	
				69 244	69 244
				35 368	35 368
		75 505	1 511	134 504	130 031
		67 689		68 650	68 877
		828 711		853 088	858 875
			189 798	263 944	74 146
		24 516		24 516	22 096
		31 347		71 330	
			17 637	17 637	
		1 027 768	208 946	1 538 281	

Fair value disclosures continued

Financial assets and liabilities measured at fair value (unaudited)

as at 30 June 2014

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets				
Measured on a recurring basis				
Derivative assets	781	53 708	793	55 282
Trading assets	21 169	40 913	3 376	65 458
Pledged assets	6 636	4 207		10 843
Financial investments	187 650	201 475	9 339	398 464
Loans and advances to banks	707	736		1 443
Loans and advances to customers	7	468	7	482
Measured on a non-recurring basis				
Non-current assets held for sale[1]	34 228	76 444	5 801	116 473
	251 178	377 951	19 316	648 445
Comprising:				
Held-for-trading				239 646
Designated at fair value				374 424
Available-for-sale				34 375
				648 445
Financial liabilities				
Measured on a recurring basis				
Derivative liabilities		53 520	7 430	60 950
Trading liabilities	27 862	15 091	534	43 487
Deposits from customers	297	24 258		24 555
Policyholders' liabilities		79 997		79 997
Other financial liabilities		42 456		42 456
Measured on a non-recurring basis				
Non-current liabilities held for sale[1]	11 251	43 977	6 091	61 319
	39 410	259 299	14 055	312 764
Comprising:				
Held-for-trading				164 717
Designated at fair value				148 047
				312 764

[1] While the disposal group has been classified as held for sale and has been measured to its fair value less costs to sell, the disposal group's fair value measured assets and liabilities have been categorised within the fair value hierarchy.

Financial assets and liabilities measured at fair value (audited) continued

as at 31 December 2013

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets				
Measured on a recurring basis				
Derivative assets	91	62 293	2 090	64 474
Trading assets	19 477	33 001	2 110	54 588
Pledged assets	3 525	3 180	8	6 713
Financial investments	178 044	189 066	4 181	371 291
Loans and advances to banks	668			668
Loans and advances to customers	7	1 205	43	1 255
Measured on a non-recurring basis				
Non-current assets held for sale[1]	24 942	76 780	5 613	107 335
	226 754	365 525	14 045	606 324
Comprising:				
Held-for-trading				231 272
Designated at fair value				345 093
Available-for-sale				29 959
				606 324
Financial liabilities				
Measured on a recurring basis				
Derivative liabilities	162	61 207	7 875	69 244
Trading liabilities	18 384	16 552	432	35 368
Deposits from banks		961		961
Deposits from customers	389	23 988		24 377
Policyholders' liabilities		74 146		74 146
Other financial liabilities		39 983		39 983
Measured on a non-recurring basis				
Non-current liabilities held for sale[1]	7 981	42 579	6 928	57 488
	26 916	259 416	15 235	301 567
Comprising:				
Held-for-trading				161 806
Designated at fair value				139 761
				301 567

[1] While the disposal group has been classified as held for sale and has been measured to its fair value less costs to sell, the disposal group's fair value measured assets and liabilities have been categorised within the fair value hierarchy.

Fair value disclosures continued

Level 2 and 3 – valuation techniques and inputs

Derivative financial instruments

Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships. Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Inputs used in the valuation process include spot prices of the underlying, dividend yields, risk-free rates, risk-premiums, timing of settlement, storage/services costs, credit risks, volatilities, prepayment risk/ surrender risk and recovery rates/loss given default.

Trading assets and liabilities, pledged assets and financial investments

Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.

Pledged assets comprise instruments that may be sold or repledged by the group in the absence of default by the group. Pledged assets are non-trading assets that include sovereign and corporate debt, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.

Financial investments are non-trading financial assets and comprise of listed and unlisted equity instruments, listed sovereign or corporate debt, investments in debentures issued by SARB, investments in mutual fund investments and unit-linked investments.

Where there are no recent transactions, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value for the financial investment is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment. Where proxies are not available, then fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.

Loans and advances

Loans and advances comprise:

- **Loans and advances to banks:** call loans, loans granted under resale agreements and balances held with other banks.
- **Loans and advances to customers:** mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment 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.

Deposits from banks and customers and other financial liabilities

Deposits from banks and customers comprise amounts owed to depositors, deposits under repurchase agreements, negotiable certificates of deposit 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. Where the financial liabilities designated at fair value through profit or loss under the fair value option are collateralised, such as securities loaned and securities pledged under repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.

The fair value 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.

Policyholder liabilities

Policyholder liabilities comprise unit-linked policies and annuity certains. The fair value for these items is derived as follows:

- **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 and incorporate parameter inputs for interest rate risk, liquidity and credit risk as appropriate.

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/technique	**Main inputs and assumptions**
Derivative instruments	Discounted cash flow, Black-Scholes and combination technique models	Discount rate*, spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples.
Trading assets	Discounted cash flow model	Discount rate* and spot price of the underlying.
Pledged assets	Discounted cash flow model	Discount rate* and spot price of the underlying.
Financial investments	Discounted cash flow, combination technique models and adjusted quoted exit price model	Discount rate*, spot price of the underlying, notice period, dividend yield, earnings yield and valuation multiples.
Loans and advances to banks and customers	Discounted cash flow model	Discount rate*
Trading liabilities	Discounted cash flow model	Discount rate* and spot price of the underlying.
Deposits from banks and customers	Discounted cash flow model	Discount rate*
Policyholder liabilities.	Discounted cash flow model and unit-linked underlying asset value method	Discount rate* and spot price of the underlying.
Other financial liabilities	Quoted put (exit) price provided by the fund manager	N/A

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

Fair value disclosures continued

Level 3 financial assets and financial liabilities

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

Reconciliation of level 3 financial assets measured on a recurring basis

	Derivative assets Rm	Trading assets Rm	Pledged assets Rm
Balance at 1 January 2013 (audited)	3 397	6 344	
Classified as held for sale	(1 914)	(5 992)	
Total gains/(losses) included in profit or loss	1 282	(60)	
Interest income			
Trading revenue	1 282	(60)	
Other revenue			
Investment gains			
Total gains/(losses) included in OCI	1		
Originations and purchases	499	3 087	6
Sales and settlements[1]	(1 182)	(2 019)	
Transfers into level 3[3]	12	798	
Transfers out of level 3[2]	(7)	(13)	
Exchange movements	2	(35)	2
Balance at 1 January 2014 (audited)	**2 090**	**2 110**	**8**
Total (losses)/gains included in profit or loss	**(9)**	**(50)**	
Interest income			
Trading revenue	**(9)**	**(50)**	
Other revenue			
Investment gains			
Total losses included in OCI			
Originations and purchases	**264**	**2 160**	
Sales and settlements[1]	**(1 797)**	**(296)**	**(8)**
Transfers into level 3[3]	**245**		
Transfers out of level 3[2]			
Reclassifications (IAS 39)[4]		**(546)**	
Exchange movements		**(2)**	
Balance at 30 June 2014 (unaudited)	**793**	**3 376**	

[1] Derivative fair values represent the net present value of positive and/or negative future cash flows. Settlements may increase or decrease the carrying value of derivative assets.
[2] The valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred into level 3.
[3] The valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.
[4] Certain trading assets were, as permitted by IAS 39, reclassified to loans and receivables.

	Measured on a recurring basis		Measured on a non-recurring basis	
	Loans and advances to customers Rm	Financial investments Rm	Non-current assets held for sale Rm	Total Rm
	215	5 528		15 484
		(5)	7 911	
	132	207	(1 589)	(28)
		(2)		(2)
	132	(22)	(1 589)	(257)
		225		225
		6		6
		(1)		
		1 325	961	5 878
	(291)	(3 267)	(2 748)	(9 507)
		118		928
	(21)	(36)		(77)
	8	312	1 078	1 367
	43	**4 181**	**5 613**	**14 045**
	(13)	**42**	**527**	**497**
		10		**10**
	(13)	**(12)**	**527**	**443**
		23		**23**
		21		**21**
		(5)		**(5)**
		5 868	**315**	**8 607**
	(31)	**(596)**	**(1 070)**	**(3 798)**
			1 045	**1 290**
		(139)	**(705)**	**(844)**
				(546)
	8	**(12)**	**76**	**70**
	7	**9 339**	**5 801**	**19 316**

Fair value disclosures continued

Level 3 financial assets and financial liabilities

The table below 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 periods:

	Measured on a recurring basis			Measured on a non-recurring basis	
	Derivative assets Rm	**Trading assets Rm**	**Financial investments Rm**	**Non-current assets held for sale Rm**	**Total Rm**
30 June 2014 (unaudited)					
Interest income			**10**		**10**
Trading revenue	**(63)**	**(38)**		**913**	**812**
Other revenue			**(9)**		**(9)**
	(63)	**(38)**	**1**	**913**	**813**
31 December 2013 (audited)					
Trading revenue	1 271	(35)		913	2 149
Other revenue			76		76
	1 271	(35)	76	913	2 225

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).

Reconciliation of level 3 financial liabilities

	Measured on a recurring basis			Measured on a non-recurring basis	
	Derivative liabilities Rm	Trading liabilities Rm	Policyholders' liabilities Rm	Non-current assets held for sale Rm	Total Rm
Balance at 1 January 2013 (audited)	2 335	5 021	10		7 366
Classified as held for sale	(898)	(5 021)		5 919	
Total losses/(gains) included in profit or loss – trading revenue	4 084	(27)		(434)	3 623
Originations and purchases	3 050	458		590	4 098
Sales and settlements[3]	(633)			(856)	(1 489)
Transfers into level 3[2]	58			378	436
Transfers out of level 3[1]	(8)				(8)
Net change in policyholders' liabilities			(10)		(10)
Exchange movements	(113)	1		1 331	1 219
Balance at 1 January 2014 (audited)	**7 875**	**432**		**6 928**	**15 235**
Total losses/(gains) included in profit or loss – trading revenue	**1 025**	**(9)**		**655**	**1 671**
Originations and purchases		**89**		**166**	**255**
Sales and settlements[3]	**(1 711)**			**(1 199)**	**(2 910)**
Transfers into level 3[2]	**244**	**23**			**267**
Transfers out of level 3[1]	**(2)**			**(556)**	**(558)**
Exchange movements	**(1)**	**(1)**		**97**	**95**
Balance at 30 June 2014 (unaudited)	**7 430**	**534**		**6 091**	**14 055**

[1] The valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.

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

[3] Derivative fair values represent the net present value of positive and/or negative future cash flows. Settlements may increase or decrease the carrying value of derivative liabilities.

Fair value disclosures continued

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

	Measured on a recurring basis		Measured on a non-recurring basis	
	Derivative liabilities Rm	**Trading liabilities Rm**	**Non-current assets held for sale Rm**	**Total Rm**
30 June 2014 (unaudited)				
Trading revenue	**897**	**(9)**	**400**	**1 288**
31 December 2013 (audited)				
Trading revenue	3 862	(32)	436	4 266

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments. The table that follows indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured at fair value on a recurring basis. 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 and OCI (where viable) 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 on the next page 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.

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 3 (unaudited)

as at 30 June 2014

	Valuation basis/ technique	Main inputs and assumptions	Variance in fair value measurement	Effect on profit or loss Favourable Rm	Effect on profit or loss (Unfavourable) Rm
Derivative instruments	Discounted cash flow, Black-Scholes and combination technique models	Discount rate*, spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples	(1%) – 1%	269	(269)
Trading assets	Discounted cash flow model	Discount rate* and spot price of the underlying	(1%) – 1%	436	(438)
Financial investments	Discounted cash flow and combination technique models	Discount rate*, spot price of the underlying, dividend yield, earnings yield and valuation multiples	(1%) – 1%	376	(317)
Loans and advances to customers	Discounted cash flow model	Discount rate*	(1%) – 1%	–	–
Trading liabilities	Discounted cash flow model	Discount rate* and spot price of the underlying	(1%) – 1%	2	(314)
				1 083	(1 338)

* Discount rates, where applicable, include risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as per appropriate) timing of settlement, service costs, pre-payment and surrender risk assumptions.

Level 3 non-current assets and liabilities are included in the separate asset classes, inputs and changes in assumptions above.

Fair value disclosures continued

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 3 (unaudited) continued

as at 31 December 2013[1]

	Valuation basis/ technique	Main inputs and assumptions	Variance in fair value measurement	Effect on profit or loss Favourable Rm	(Unfavourable) Rm
Derivative instruments	Discounted cash flow, Black-Scholes and combination technique models	Discount rate*, spot price of the underlying, volatility and correlation factors, dividend yield, earnings yield and valuation multiples	(1%) – 1%	207	(209)
Trading assets	Discounted cash flow model	Discount rate* and spot price of the underlying	(1%) – 1%	548	(548)
Financial investments	Discounted cash flow and combination technique models	Discount rate* spot price of the underlying, dividend yield, earnings yield and valuation multiples	(1%) – 1%	235	(205)
Loans and advances to customers	Discounted cash flow model	Discount rate*	(1%) – 1%	1	(1)
Trading liabilities	Discounted cash flow model	Discount rate* and spot price of the underlying	(1%) – 1%	126	(126)
				1 117	(1 089)

* Discount rates, where applicable, include risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as per appropriate) timing of settlement, service costs, pre payment and surrender risk assumptions.

[1] Additional detail provided based on the group's existing valuation techniques and model inputs.

Level 3 non-current assets and liabilities are included in the separate asset classes, inputs and changes in assumptions above.

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

IFRS requires financial assets and a financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no instances where the group has a current legally enforceable right to offset, without the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The following table sets out the impact of offset, as well as financial assets and financial liabilities that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they have been offset in accordance with IFRS. There are no items measured on different measurement basis within the line items in the tables

It should be noted that the information below is not intended to represent the group's actual credit exposure, nor will it agree to that presented in the statement of financial position.

	Gross amount of recognised financial assets[1] Rm	Gross amounts of recognised financial liabilities offset in the statement of financial position[2] Rm	Net amounts of financial assets[3] Rm	Financial instruments, financial collateral and cash collateral received[4] Rm	Net amount Rm
30 June 2014 (unaudited)					
Assets					
Derivative assets	104 244	(24 941)	79 303	(55 115)	24 188
Trading assets	14 191		14 191	(14 191)	
Loans and advances[5]	131 276	(32 750)	98 526	(95 519)	3 007
	249 711	(57 691)	192 020	(164 825)	27 195

Refer to page 46 for the footnotes.

Fair value disclosures continued

	Gross amount of recognised financial liabilities[1] Rm	Gross amounts of recognised financial assets offset in the statement of financial position[2] Rm	Net amounts of financial liabilities[3] Rm	Financial instruments, financial collateral and cash collateral received[6] Rm	Net amount Rm
30 June 2014 (unaudited)					
Liabilities					
Derivative liabilities	106 791	(24 941)	81 850	(56 173)	25 677
Trading liabilities	4 858		4 858	(4 781)	77
Deposit and current accounts[5]	48 374	(32 750)	15 624	(5 732)	9 892
	160 023	(57 691)	102 332	(66 686)	35 646

Refer to page 46 for the footnotes.

	Gross amount of recognised financial assets[1] Rm	Gross amounts of recognised financial liabilities offset in the statement of financial position[2] Rm	Net amounts of financial assets[3] Rm	Financial instruments, financial collateral and cash collateral received[4] Rm	Net amount Rm
31 December 2013 (audited)					
Assets					
Derivative assets	104 088	(16 236)	87 852	(73 437)	14 415
Trading assets	19 079		19 079	(18 506)	573
Loans and advances[5]	116 322	(33 743)	82 579	(79 294)	3 285
	239 489	(49 979)	189 510	(171 237)	18 273

Refer to page 46 for the footnotes.

Fair value disclosures continued

	Gross amounts of recognised financial liabilities[1] Rm	Gross amounts of recognised financial assets offset in the statement of financial position[2] Rm	Net amounts of financial liabilities[3] Rm	Financial instruments, financial collateral and cash collateral received[6] Rm	Net amount Rm
31 December 2013 (audited)					
Liabilities					
Derivative liabilities	107 339	(16 236)	91 103	(72 749)	18 354
Trading liabilities	7 879		7 879	(7 879)	
Deposit and current accounts[5]	47 696	(33 743)	13 953	(3 932)	10 021
	162 914	(49 979)	112 935	(84 560)	28 375

[1] Gross amounts are disclosed for recognised assets and liabilities that are either offset in the statement of financial position or subject to a master netting arrangement or a similar agreement, irrespective of whether the IFRS offsetting criteria is met.

[2] The amounts that qualify for offset in accordance with the IFRS criteria.

[3] Refer to the reconciliation on page 47.

[4] Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement, including financial collateral (whether recognised or unrecognised) and cash collateral. In most cases, the group is allowed to sell/repledge collateral received.

[5] The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking current accounts of multiple legal entities within a group. This allows for cash balances of the different legal entities to be offset against each other to arrive a net balance for those groups. The cash management accounts are offset in the statement of financial position in terms of IFRS.

[6] Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement, including financial (whether recognised or unrecognised) and cash collateral. In most instances, the counterparty may not sell or repledge collateral pledged by the group.

Reconciliation of net amounts included in the statement of financial position after application offset

	Net amounts presented in the statement of financial position Rm	Amounts not subject to offset Rm	Total Rm	Held for sale Rm	Amounts disclosed in the statement of financial position Rm
30 June 2014 (unaudited)					
Assets					
Cash and balances with central banks		**53 735**	**53 735**	**6 949**	**46 786**
Derivative assets	**79 303**	**16 463**	**95 766**	**40 484**	**55 282**
Trading assets	**14 191**	**118 134**	**132 325**	**66 867**	**65 458**
Pledged assets		**20 150**	**20 150**	**9 090**	**11 060**
Financial investments		**421 962**	**421 962**	**31**	**421 931**
Loans and advances	**98 526**	**846 632**	**945 158**	**58 543**	**886 615**
Non-current assets held for sale				**(189 032)**	**189 032**
Other financial and non-financial assets		**99 181**	**99 181**	**7 068**	**92 113**
	192 020	**1 576 257**	**1 768 277**		**1 768 277**
Liabilities					
Derivative liabilities	**81 850**	**21 533**	**103 383**	**42 433**	**60 950**
Trading liabilities	**4 858**	**56 476**	**61 334**	**17 847**	**43 487**
Deposit and current accounts	**15 624**	**1 024 410**	**1 040 034**	**63 686**	**976 348**
Subordinated debt		**29 445**	**29 445**	**7 669**	**21 776**
Policyholders' liabilities		**278 898**	**278 898**		**278 898**
Non-current liabilities held for sale				**(137 016)**	**137 016**
Other financial and non-financial liabilities		**98 073**	**98 073**	**5 381**	**92 692**
	102 332	**1 508 835**	**1 611 167**		**1 611 167**
31 December 2013 (audited)					
Assets					
Cash and balances with central banks		67 409	67 409	14 099	53 310
Derivative assets	87 852	16 042	103 894	39 420	64 474
Trading assets	19 079	96 856	115 935	61 347	54 588
Pledged assets		13 252	13 252	6 539	6 713
Financial investments		395 746	395 746	29	395 717
Loans and advances	82 579	815 597	898 176	58 556	839 620
Non-current assets held for sale				(183 284)	183 284
Other financial and non-financial assets		96 517	96 517	3 294	93 223
	189 510	1 501 419	1 690 929		1 690 929
Liabilities					
Derivative liabilities	91 103	17 362	108 465	39 221	69 244
Trading liabilities	7 879	45 462	53 341	17 973	35 368
Deposit and current accounts	13 953	972 828	986 781	65 043	921 738
Subordinated debt		31 963	31 963	7 447	24 516
Policyholders' liabilities		263 944	263 944		263 944
Non-current liabilities held for sale				(134 504)	134 504
Other financial and non-financial liabilities		93 787	93 787	4 820	88 967
	112 935	1 425 346	1 538 281		1 538 281

Fair value disclosures continued

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

Financial asset/liability	Nature of agreement	Related rights to offset
Derivative assets and liabilities	International swaps and derivatives	The agreement allows for offset in the event of default
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default
Loans and advances to banks	Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to Banks Act requirements being met.
Deposit and current accounts	Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to Banks Act requirements being met.

Accounting policies and restatements

Basis of preparation

The interim 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.

The accounting policies applied in the preparation of the consolidated financial statements from which the interim results have been derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous consolidated annual financial statements, except for changes as required by the mandatory and early adoption of new and revised IFRS, as set out below:

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

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

- IAS 32 *Financial Instruments: Presentation – Amendment to Offsetting Financial Assets and Financial Liabilities* (IAS 32)
- IFRS 10 *Consolidated Financial Statements – Investment Entities* amendment (IFRS 10)
- IFRIC 21 *Levies* (IFRIC 21).

Early adoption of revised standards

- Amendment to IAS 16 *Property, Plant and Equipment* (IAS 16) and IAS 38 *Intangible Assets* (IAS 38) – *Clarification of Acceptable Methods of Depreciation and Amortisation* (2014 amendment)
- IFRS 14 *Regulatory Deferral Accounts* (2014 issued) (IFRS 14).

Restatements

The abovementioned IFRS standards and interpretation adopted on 1 January 2014 did not have any effect on the group's previously reported financial results or disclosures.

Other restatements and reclassifications

The comparative income statement and statement of financial position as at 30 June 2013 has been adjusted to reflect the presentation consequences of the following restatements and reclassifications:

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)

Following the announcement in 2013 regarding the intended disposal of the group's controlling interest in the global markets business outside Africa, the group's previously reported income statement has, in accordance with IFRS 5, been restated in order to present the discontinued operation's results as a separate line item.

Deposits from customers to trading liabilities

Liabilities of R6 805 million that are part of a portfolio of assets and liabilities that are managed together and for which there is evidence of a recent actual pattern of short-term profit, were previously classified as designated at fair value through profit or loss within deposits from customers. In accordance with IFRS and the group's accounting policies, these liabilities should have been classified as trading liabilities. The liabilities have accordingly been reclassified from deposits from customers to trading liabilities. The restatement aligns to the presentation in the group's 2013 annual financial statements. The restatement had no impact on the group's reserves or profit and loss.

IFRS 10: Restatement between interests in associates and financial investments

An amount of R15 088 million relating to interests in associates that were measured at fair value and that were, in the group's June 2013 statement of financial position, classified within interests in associates have been reclassified to financial investments, which now includes interests in associates measured on a fair value basis. The restatement aligns to the presentation in the group's 2013 annual financial statements. The restatement had no impact on the group's reserves or profit and loss.

Restatements of 30 June 2013 financial results

Consolidated income statement

for the six months ended 30 June 2013

	As previously reported Unaudited Rm	Restatement Rm	Restated Unaudited Rm
Continuing operations			
Income from banking activities	36 541	(1 238)	35 303
Net interest income	18 809	25	18 834
Non-interest revenue	17 732	(1 263)	16 469
Income from investment management and life insurance activities	30 835		30 835
Total income	67 376	(1 238)	66 138
Credit impairment charges	5 065	(63)	5 002
Benefits due to policyholders	21 593		21 593
Income after credit impairment charges and policyholders' benefits	40 718	(1 175)	39 543
Revenue sharing agreements with group companies		(15)	(15)
Income after revenue sharing agreements with group companies	40 718	(1 190)	39 528
Operating expenses in banking activities	21 129	(1 353)	19 776
Staff costs	12 082	(847)	11 235
Other operating expenses	9 047	(506)	8 541
Operating expenses in investment management and life insurance activities	6 200		6 200
Net income before share of profits from associates and joint ventures	13 389	163	13 552
Share of profit from associates and joint ventures	260		260
Net income before indirect taxation	13 649	163	13 812
Indirect taxation	892	(30)	862
Profit before direct taxation	12 757	193	12 950
Direct taxation	3 093	(17)	3 076
Profit for the period from continuing operations	9 664	210	9 874
Discontinued operation		(210)	(210)
Profit for the period	9 664		9 664
Attributable to non-controlling interests	1 422		1 422
Attributable to preference shareholders	176		176
Attributable to ordinary shareholders	8 066		8 066

Consolidated statement of financial position

as at 30 June 2013

	As previously reported Unaudited Rm	Restatements Rm	Restated Unaudited Rm
Assets			
Cash and balances with central banks	56 041		56 041
Financial investments, trading and pledged assets	479 609	15 088	494 697
Loans and advances	910 332		910 332
Derivative and other assets	175 486		175 486
Interest in associates and joint ventures	20 197	(15 088)	5 109
Investment property	24 259		24 259
Goodwill and other intangible assets	16 594		16 594
Property and equipment	16 200		16 200
Total assets	1 698 718		1 698 718
Equity and liabilities			
Equity	144 123		144 123
Equity attributable to ordinary shareholders	122 348		122 348
Preference share capital and premium	5 503		5 503
Non-controlling interest	16 272		16 272
Liabilities	1 554 595		1 554 595
Deposit and current accounts	996 124	(6 805)	989 319
Deposits from banks	162 450		162 450
Deposits from customers	833 674	(6 805)	826 869
Derivative, trading and other liabilities	286 101	6 805	292 906
Policyholders’ liabilities	241 414		241 414
Subordinated debt	30 956		30 956
Total equity and liabilities	1 698 718		1 698 718

Abbreviations and acronyms

BCBS	Basel Committee on Banking Supervision
bps	Basis points
BSI	Banco Standard de Investimentos SA
CAGR	Compound annual growth rate
CDS	Credit default swaps
CIB	Corporate & Investment Banking
CSDP	Central Securities Depository Participant
DT	Dividend withholding tax
FIC	Fixed income and currency
GDP	Gross domestic product
HEPS	Headline earnings per share
IAS	International Accounting Standards
ICBC	Industrial and Commercial Bank of China
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JSE	JSE Limited
LCR	Liquidity coverage ratio
Liberty	Liberty Holdings Group
NII	Net interest income
NIR	Non-interest revenue
NSFR	Net stable funding ratio
OA GM	Outside Africa global markets business
OCI	Other comprehensive income
PBB	Personal & Business Banking
PIM	Principal investment management
RCS	RCS Investment Holdings Proprietary Limited
repos	Reverse repurchase agreements
ROE	Return on equity
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SB Plc	Standard Bank Plc
SBG	Standard Bank Group
SENS	Stock Exchange News Service
STC	Secondary tax on companies
the group	Standard Bank Group
Troika	Troika Dialog Group Limited
Tutuwa	Black economic empowerment ownership initiative
USD	United States Dollar

Administrative and contact details

Standard Bank Group Limited

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Kaisheng Yang** (Deputy chairman)
SJ Macozoma (Deputy chairman)
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†Australian

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Share transfer secretaries in Namibia

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JSE independent sponsor

Deutsche Securities (SA) 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
NSX share code: SNB ZAE000109815
SBKP ZAE000038881 (First preference shares)
SBPP ZAE000056339 (Second preference shares)
JSE bond codes: SBS, SBK, SBN, SBR, 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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Facilitating stronger African economics

Our network of on-the-ground operations across sub-Saharan Africa is positioned to serve the anticipated growth in demand for banking and non-banking financial services. By facilitating access to financial services we enable socioeconomic development and personal wealth creation in the countries in which we operate.

Pictured is CfC Stanbic Bank Limited's (Kenya) head office in Nairobi.

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