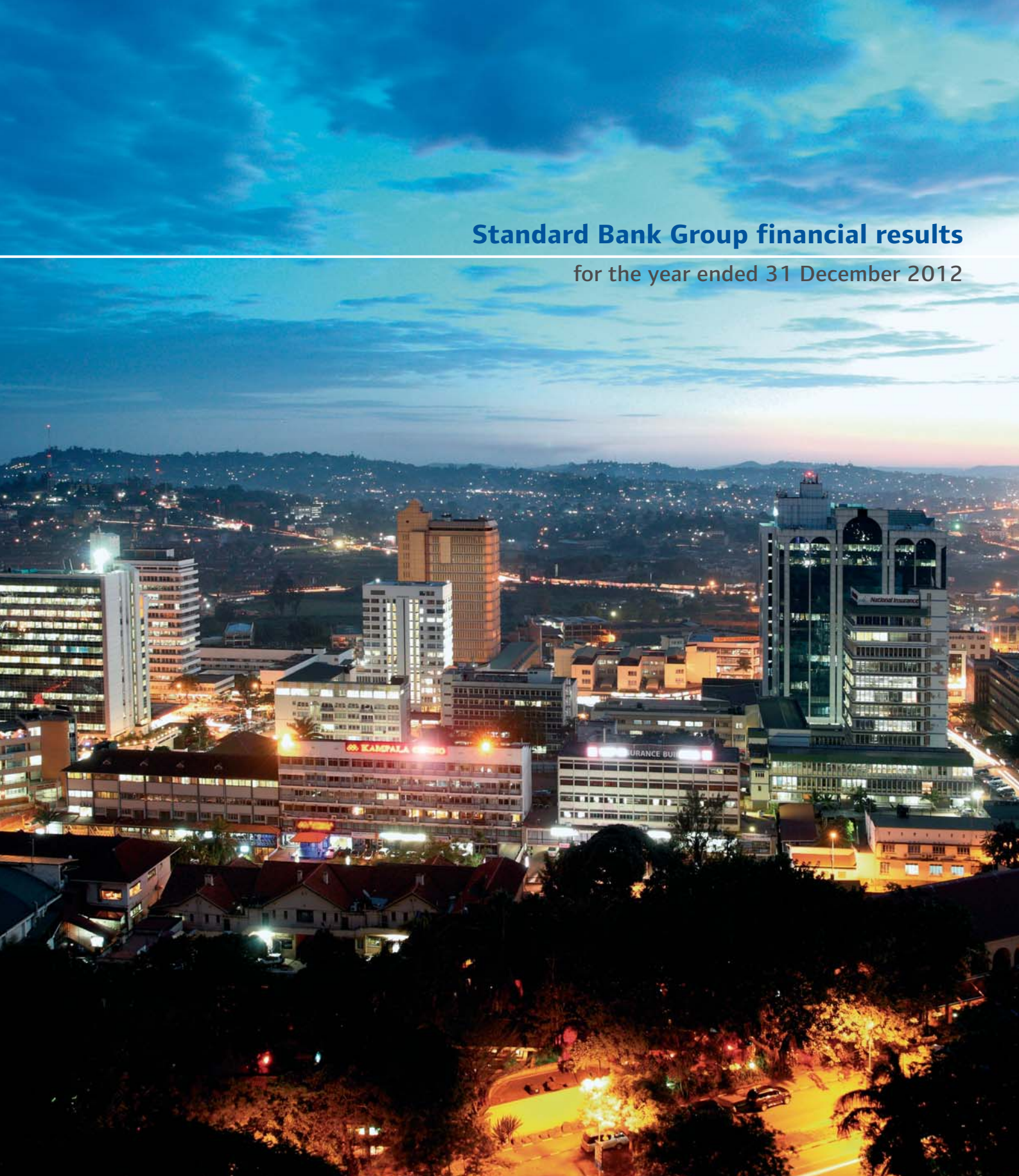


# Standard Bank Group financial results

for the year ended 31 December 2012





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# Standard Bank Group financial results presentation

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for the year ended 31 December 2012



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# Standard Bank Group analysis of financial results

for the year ended 31 December 2012

Analysis of financial results for the year ended 31 December 2012

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## Standard Bank Group is the largest African banking group by assets and earnings offering a full range of banking and related financial services

- Operates in 18 countries in sub-Saharan Africa, as well as in selected emerging markets
- Owns a controlling stake in the South African listed wealth management group, Liberty Holdings Limited
- Three business units: Personal & Business Banking, Corporate & Investment Banking and Liberty
- 150-year history in South Africa
- Listed on the Johannesburg Stock Exchange (JSE) since 1970
- Started building a franchise outside southern Africa in the early 1990s

The Standard Bank Group's analysis of financial results for the year ended 31 December 2012 has not been audited or independently reviewed and should be read in conjunction with the audited results announcement, released on the same date, 7 March 2013. The preparation of the financial results was supervised by the group financial director, Simon Ridley, BCom (Natal), CA(SA), AMP (Oxford).

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# Highlights

## Headline earnings

**R15 010 million, up 10%**

(2011: R13 599 million)

### Headline earnings per share

**941 cents, up 10%**

(2011: 857 cents)

### Return on equity

**14.2%**

(2011: 14.3%)

### Tier I capital adequacy ratio

**11.7%**

(2011: 12.0%)

### Net asset value per share

**7 092 cents, up 10%**

(2011: 6 453 cents)

### Cost-to-income ratio

**58.7%**

(2011: 58.8%)

### Credit loss ratio

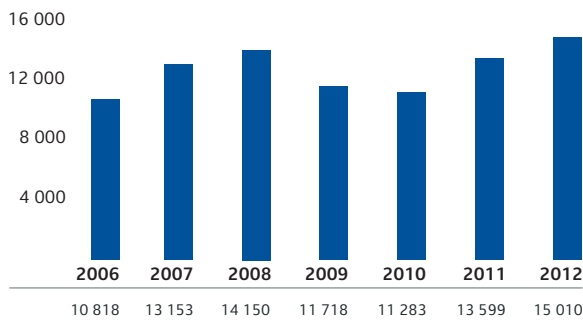
**1.08%**

(2011: 0.87%)

The results in this booklet are presented on a normalised basis, unless otherwise indicated as being on an International Financial Reporting Standards (IFRS) basis. Results are normalised to reflect the group's view of the economics of its Black Economic Empowerment Ownership initiative and by the group's share exposures entered into to facilitate client trading activities and for the benefit of Liberty policyholders that are deemed to be treasury shares. Refer to page 22 for a detailed explanation on the principal differences between normalised and IFRS results. The normalised results reflect the basis on which management manages the group and is consistent with that reported in the group's segment report.

## Headline earnings (Rm)

CAGR<sup>1</sup> (2006 – 2012): 6%



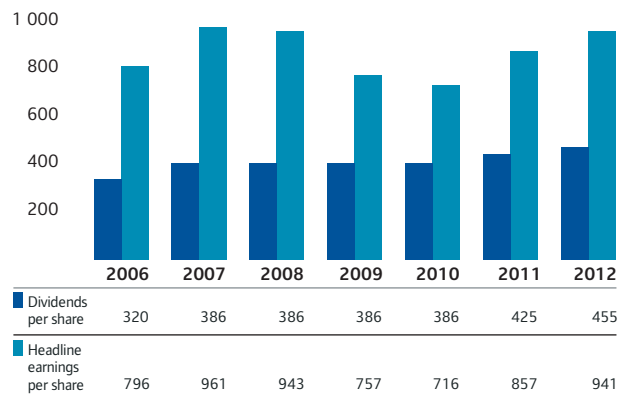
<sup>1</sup> Compound annual growth rate.

## Headline earnings and dividends per share (cents)

CAGR (2006 – 2012):

Headline earnings per share : 3%

Dividends per share : 6%



# Financial results, ratios and statistics

		Change %	2012	2011
<b>Standard Bank Group</b>				
<b>Headline earnings contribution by business unit</b>				
Total headline earnings	Rm	10	15 010	13 599
Banking activities	Rm	7	12 977	12 171
Personal & Business Banking	Rm	27	7 476	5 872
Corporate & Investment Banking	Rm	(13)	4 784	5 521
Central and other	Rm	(8)	717	778
Liberty	Rm	42	2 033	1 428
<b>Ordinary shareholders' interest</b>				
Profit attributable to ordinary shareholders	Rm	23	16 492	13 425
Ordinary shareholders' equity	Rm	11	113 905	102 523
<b>Share statistics</b>				
Headline earnings per ordinary share (EPS)	cents	10	940,7	856,9
Diluted headline EPS	cents	10	933,2	852,1
Basic EPS	cents	22	1 033,6	845,9
Diluted EPS	cents	22	1 025,3	841,2
Dividend per share	cents	7	455,0	425,0
Net asset value per share	cents	10	7 092	6 453
Tangible net asset value per share	cents	9	6 177	5 650
Dividend cover	times		2.1	2.0
<b>Number of ordinary shares in issue</b>				
– end of year	thousands	1	1 606 136	1 588 747
– weighted average	thousands	1	1 595 600	1 587 054
– diluted weighted average	thousands	1	1 608 506	1 596 006
<b>Selected returns and ratios</b>				
Return on equity (ROE)	%		14.2	14.3
<b>Capital adequacy</b>				
Total capital adequacy ratio	%		14.6	14.3
Tier I capital adequacy ratio	%		11.7	12.0
Core tier I capital adequacy ratio	%		11.0	11.3
<b>Employee statistics</b>				
Number of employees		(5)	49 017	51 656
Number of employees excluding Argentina		2	49 017	48 237
<b>Banking activities</b>				
<b>Balance sheet</b>				
Total assets	Rm	1	1 273 083	1 257 361
Loans and advances (net of credit impairments)	Rm	1	813 892	803 811
<b>Selected returns and ratios</b>				
ROE	%		13.3	13.8
Loan-to-deposit ratio	%		87.5	90.4
Net interest margin	%		3.09	2.92
Non-interest revenue to total income	%		50.2	50.6
Credit impairment charges	Rm	37	8 800	6 436
Credit loss ratio	%		1.08	0.87
Cost-to-income ratio	%		58.7	58.8
Cost-to-income ratio excluding restructure charge	%		57.6	58.8
Effective taxation rate	%		30.4	30.3
<b>Employee statistics</b>				
Number of employees		(7)	42 736	45 904
Number of employees excluding Argentina		1	42 736	42 485



## In 2012 the group experienced:

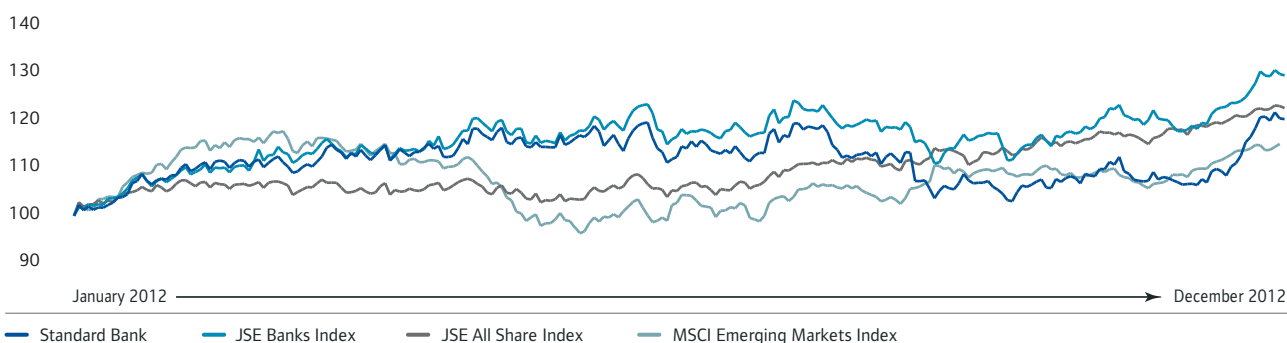
### Globally

- Continued slow economic growth due to the Eurozone debt crisis, despite refinancing plans from the European Central Bank.
- Moderate growth in key emerging markets, specifically China and India, albeit at a slower pace than in previous years.
- Downgrade of banks' credit ratings.
- Contained inflation in spite of rising energy prices.
- African markets continuing to deliver strong performances in foreign exchange, local bonds and equities.

### South Africa

- Slow economic growth on the back of contracting demand from advanced economies.
- Labour unrest and violent strikes in the mining and agricultural sectors contributing to a downgrade of sovereign credit ratings.
- Prime interest rate reduction of 50 basis points (bps) in July 2012.
- Rising inflation on the back of increased oil, food and electricity prices.

## Share price performance



		Change %	2012	2011
<b>Other economic indicators</b>				
<b>Market indicators</b>				
USD/ZAR exchange rate				
– closing		5	8,48	8,09
– average		13	8,21	7,25
SA prime overdraft rate (closing)	%		8.5	9.0
SA average prime overdraft rate	%		8.8	9.0
SA average consumer price index (CPI)	%		5.7	5.0
JSE All Share Index (closing)		23	39 250	31 986
JSE Banks Index (closing)		30	53 362	41 178
MSCI Emerging Markets Index (closing)		15	1 055	916
<b>Share statistics of the Standard Bank Group</b>				
<b>Share price</b>				
High for the year	cents	9	12 030	11 000
Low for the year	cents	13	9 876	8 775
Closing	cents	20	11 888	9 875
<b>Shares traded</b>				
Number of shares	thousands	(2)	938 187	959 375
Value of shares	Rm	9	103 232	94 649
Turnover in shares traded	%		58.8	60.5

# Overview

## of financial results

### Operating environment

Global macroeconomic conditions remained weak during 2012, especially in the major advanced economies. Emerging market economies continued to show superior growth rates, with the IMF estimating GDP growth of 5.3% in 2012, compared to 1.3% in advanced economies. The slowdown in global trade has, however, contained the growth in emerging economies.

African economic growth rebounded in 2012 after popular uprisings and political unrest in North Africa brought overall growth down to 3.4% in 2011. Although the continent is still recovering from the global financial crisis of 2008, strong growth is likely despite the difficult external environment and renewed global uncertainty. Africa's high population growth and rapid rate of urbanisation, as well as its resource wealth and deepening financial sector, are some of the main pillars providing structural support for this counter-cyclical growth pattern.

The South African economy struggled in 2012, affected by the persistently sombre global conditions. The external pressure combined with domestic difficulties weighed on GDP growth, which remained weak. Household consumption, which accounts for almost 60% of GDP, declined during the year. The bulk of South African consumer spending in the aftermath of the 2008 crisis has come as a result of personal income growth, but this support is dissipating despite above-inflation salary increases. Increases in transport costs and utility tariffs have eroded purchasing power and consumers have grown more dependent on credit to cover their monthly expenses, evident in a higher household debt-to-disposable income ratio.

South African CPI inflation averaged 5.7% in 2012 and interest rates were cut by a further 50 bps in July. The rand was highly volatile, against a backdrop of weak domestic growth and labour unrest.

### Our results

The global banking industry is facing the twin challenges of more stringent regulatory requirements and a fragile global macroeconomic environment. Notwithstanding the difficult environment, the group's financial performance has been sound and demonstrates good momentum in our businesses. The group delivered a 10% growth in headline earnings to a record R15 billion, and a 23% growth in attributable earnings to R16,5 billion, the difference largely due to the R1,5 billion profit realised on the sale of a majority stake in Standard Bank Argentina (SBA) during the year.

The group's results for 2012 reflect divergent themes. On the one hand, they indicate the considerable challenges the group has faced in scaling down areas of the group which are no longer part of the strategy and these are evident in Corporate &

Investment Banking's (CIB's) results, with headline earnings down 13% from 2011. On the other hand, the exciting prospects of our Africa-centred strategy are beginning to show in performance across our business units. Overall, the growth areas aligned to our strategic focus did very well, and the areas that we are in the process of scaling down have performed worse than expected.

### Highlights in 2012

Our focus on maintaining our position in South Africa and growing in our chosen markets in the rest of Africa paid off in 2012. Revenues from the group's banking activities increased by 17% and in the rest of Africa revenues were up an impressive 38%. This was the result of our consistent efforts over the last few years to gain new customers, win new mandates and increase our reach, underpinned by our significant investment in systems and people.

A major focus area for 2012 was on driving transactional banking revenues. In CIB, Transactional products and services (TPS) revenue grew 32%. In Personal & Business Banking (PBB), transactional banking revenues grew 14%, despite holding prices flat for personal market customers and, in some instances, reducing prices in South Africa. Transactional banking revenues now make up more than 40% of the group's banking revenues.

Income growth far exceeded cost growth in the rest of Africa, resulting in a lower cost-to-income ratio for the region, and allowing excellent revenue growth to translate into even better headline earnings growth of 68%.

Liberty results were particularly strong with headline earnings up 42% as a result of favourable investment markets and steady performance from its retail insurance business in South Africa.

### Challenges in 2012

Aligning our operations outside Africa to our Africa-centred strategy requires that we simplify and scale them optimally according to the revenue generation opportunities we can reasonably expect and capital required to produce those revenues. During the year, we continued to right-size our operations outside of Africa in a responsible and deliberate manner.

Divestitures from Russia, Turkey and Argentina completed during the year resulted in proceeds exceeding USD800 million and significantly reduced capital requirements outside Africa. Further, the refocusing of our business model in Brazil has reduced capital utilisation in that entity.

Our operations outside Africa were subject to intense management action during the year. Given the narrowed focus and the prevailing macroeconomic environment, revenues from this operation were not sufficient to cover specific credit impairments and the enlarged cost base of a small investment bank in the new

regulatory regime. Standard Bank Plc incurred a headline loss of USD351 million in 2012 after taking into account a once-off restructuring charge, significantly impacting the group's results. Of the loss incurred, only USD54 million related to continuing operations.

The impact and expected benefit of the actions we have undertaken to enhance the sustainability of our international operations are outlined below:

- A restructuring process has been undertaken in our operations outside Africa to secure a sustainable reduction in costs of approximately USD100 million a year.
- Investment banking assets and the related credit risk have been transferred to The Standard Bank of South Africa Limited (SBSA) balance sheet. Since 2011, we have been systematically reducing the risk carried on the Standard Bank Plc balance sheet, particularly investment banking credit risk, through a series of asset transfers to SBSA and by restricting new asset originated by Standard Bank Plc to the SBSA balance sheet. The last of these risk transfers took place in November 2012.

We are cognisant of the need to save costs and reduce capital requirements in London without materially affecting lines of business that generate significant revenues for our CIB franchise. Between 2010 and 2012, capital utilisation outside Africa has reduced from USD3 billion to USD1,5 billion. A release of regulatory capital out of London is likely to be a gradual process in consultation with the relevant regulatory authorities and we continue to look at opportunities to improve revenue production given a relatively fixed international cost base.

Further to our numerous existing co-operation initiatives with the Industrial and Commercial Bank of China Limited (ICBC), we are jointly exploring areas of greater co-operation, including global markets and commodities where our respective presences and strengths can be leveraged.

### Income statement analysis

Our banking activities achieved pleasing top-line growth of 17%, which is testament to our solid client franchises. Credit impairments increased by 37%, somewhat higher than we had anticipated due to impairments on loans originated in prior years by our London operation in activities which have since been closed. Costs rose 15%, following last year's flat cost growth, partially due to rand weakness and the higher cost of additional regulatory compliance in London. Excluding these effects, costs were up 10%. Net income before restructuring was up 13%, but the once-off restructure charge restricted headline earnings from banking operations to 7% growth. Liberty had a very good year, lifting headline earnings by 42%, and supporting the 10% growth in the group's headline earnings.

### Revenues

Net interest income (NII) increased 18% as a result of 10% growth in average margin earning assets and margin expansion of 31 bps. Good loan growth recorded in late 2011 which continued into 2012, drove the momentum in NII growth. Margin expansion was achieved through a combination of enhanced risk-based pricing and a greater proportion of higher margin unsecured loans in PBB. The positive endowment effect on capital and transactional balances in the rest of Africa due to higher interest rates in East Africa outweighed the negative endowment impact of the 50 bps cut in the South African prime interest rate in July 2012.

Non-interest revenue increased 16%, with net fee and commission revenue up 8%, trading revenue up 12% and other revenue significantly higher than that of the prior year.

Growth in net fee and commission revenue of 8% was achieved despite a small increase of 2% in account transaction fees which was offset by healthy volume-based increases in both card-based fees and electronic banking fees. Higher commitment, guarantee and structuring fees also assisted the growth in net fee and commission income.

Trading revenue grew 12% off the back of a strong performance in the rest of Africa, which now contributes almost 40% of the group's trading revenues. Fixed income and currency (FIC) trading grew 16% with forex and interest trading benefiting from an increased client base and activity levels. Commodity trading increased 13% following strong activity levels in base metal trading. Equity trading suffered from a provision raised on the pending outcome of a counterparty dispute under arbitration. Other revenue included the proceeds from realising a number of listed investments during the year. Insurance-related income benefited from a higher policy base but incurred higher claims due to several weather and fire-related claims in South Africa.

### Credit impairments

Credit impairment charges of R8,8 billion were 37% higher than the prior year, while gross average loans and advances increased 10%. This resulted in the group credit loss ratio rising to 1.08% from 0.87% in the prior year.

The increase in impairment charges was largely due to higher specific impairment provisioning against exposures within CIB, particularly on Middle Eastern exposures which are no longer aligned to current strategy. This added 30 bps to CIB's credit loss ratio.

The overall impairment charge for mortgages declined to 0.91% of the book (2011: 1.07%), whereas the coverage ratio on non-performing loans (NPLs) increased from 20% last year to 26%. Higher specific impairments were raised within mortgage lending in South Africa. During 2012, a review of specific and portfolio

## Overview of financial results continued

impairment methodologies in mortgage loans was undertaken. A consequence of this was that more risk is now categorised under specific impairments rather than under portfolio impairments. This resulted in a release of R748 million from portfolio impairments and an increase of a similar amount under specific impairments.

The impairment charge in personal unsecured lending (excluding card) increased to R2,3 billion (2011: R1,3 billion). This was a result of the increased incidence of default in the R3,7 billion domestic personal term loans book (loans to lower-income customers known as the inclusive banking book) and strong growth in the middle market segment in South Africa and workplace banking in the rest of Africa. Consequently the personal unsecured lending credit loss ratio rose from 5.31% to 6.47%. Scorecard thresholds for this type of lending have been raised and there has consequently been very little growth in the book since June 2012.

### Operating expenses

Operating expenses were up 15% in 2012 and, excluding the translation impact of a weaker rand, were up 11%.

Staff costs grew 16% for the year. Fixed remuneration was up 11% due to annual salary increases and higher non-permanent headcount in the branch network in South Africa due to longer branch opening hours at certain outlets. Variable staff costs were up 16%, driven largely by increased amortisation of prior year awards as incentive remuneration has been subject to an increasing proportion of deferrals over recent years. Headcount increased 1% with a 5% growth in the rest of Africa. All other regions employed tight resource management and natural attrition to restrict headcount. The effect of the restructuring process on headcount outside Africa will only be evident in 2013. Other operating expenses increased 14% largely due to higher depreciation, amortisation, premises and marketing costs across the business, and a significant increase in compliance-related costs in our operations outside Africa. IT spending for the group was up 19% – a significant cost but crucial for securing competitive advantage in customer service and business efficiency.

A restructure charge of R758 million was incurred during the year. The charge includes retrenchment costs, office lease termination costs and software intangible asset write-offs mainly in London as well retrenchment costs relating to rationalisation in Brazil undertaken earlier in the year.

Including this charge, total operating expenses were up 17% for the year and the cost-to-income ratio ended the year at 58.7%, slightly lower than the prior year.

### Attributable earnings

The group experienced several large gains in earnings attributable to shareholders in 2012, which were excluded from headline earnings. The largest was the profit on the disposal of our controlling stake in Argentina of R1 525 million. Gains of R700 million were realised on the disposal of private equity investments as well as equity stakes in a credit card processing company and a commodities exchange. Offsetting these items was an impairment of goodwill in African countries of R777 million (the largest being in Nigeria) and the impairment of software assets following the restructuring process in our operations outside Africa, of R220 million.

### Loans and advances

Loans to customers grew 5% year-on-year, and by 9% on a daily average basis. The 5% growth resulted from PBB growing advances to customers by 11% and CIB reducing its lending to customers by 2%.

Within PBB, mortgage lending grew 5% and instalment sale and finance leases rose 17%. Credit card balances and other personal unsecured loans were up by 16% and 48%, respectively. Business lending grew by 7%. Other personal unsecured lending includes a small book of unsecured lending to customers who earn less than R8 000 a month (referred to as our inclusive banking loans book), which has grown to R3,7 billion (2011: R2,0 billion). It also includes a book of revolving credit loans to middle market customers of R19,1 billion (2011: R12,4 billion) which grew strongly over the year.

In CIB, average loans to customers were up 5% year-on-year although they shrank 2% on year-end balances, due to strong loan growth in the second half of 2011 that was not repeated in 2012.

## Overview of business unit performance

### Headline earnings by business units

	Change %	2012 Rm	2011 Rm
Personal & Business Banking	27	7 476	5 872
Corporate & Investment Banking	(13)	4 784	5 521
Discontinued operation (Argentina) <sup>1</sup>	47	673	457
Central and other		44	321
<b>Banking activities</b>	7	<b>12 977</b>	12 171
Liberty	42	2 033	1 428
<b>Total</b>	10	<b>15 010</b>	13 599

<sup>1</sup> In November 2012, the group finalised the disposal of its controlling stake in SBA to ICBC. The transaction resulted in a profit of R1 525 million, which is not included above as it is accounted for outside of headline earnings. Up until November 2012 the group's 75% investment in SBA was classified as a discontinued operation and the earnings for the 11 months are recognised above.

### Personal & Business Banking (PBB)

PBB's headline earnings of R7,5 billion were 27% higher than the prior year driven mainly by strong risk-adjusted NII and good cost control. An ROE of 20.0% was achieved, a slight improvement on the 19.2% posted in the prior year. PBB in South Africa delivered an excellent performance with headline earnings of R7,6 billion up 25%, and PBB in the rest of Africa reported a loss, albeit smaller than in the prior year, despite the good momentum in revenue growth.

The mortgage business continued to perform well and generated headline earnings of R985 million (2011: R420 million). In South Africa, the mortgage business continued to grow as we took the opportunity to favourably price new business and optimise our mortgage loan portfolio. New home loans of R34,5 billion were registered during the year, assisting asset growth of 5%. We remain cognisant of future funding pressures that are likely due to Basel III and continue to price new business appropriately to accommodate estimated future regulatory impacts. The average lending rate for new mortgage business improved to 84 bps above the prime interest rate (prime) compared to 11 bps above prime in the prior year. The level of non-performing mortgage loans declined a further R3,4 billion during the year to R15,7 billion and the credit loss ratio for mortgages reduced to 0.91% from 1.07%.

Revenues in instalment sale and finance leases grew by 15% to R2,6 billion as a result of asset growth in South Africa. The growth in new business was primarily in non-motor assets, where payouts were up 23% year-on-year. Our market share in South Africa increased to 19.1% at the end of 2012, compared with 18.4% at

the end of 2011. The write back of portfolio provisioning in 2011 did not recur and a credit loss ratio of 0.85% was incurred for 2012, compared to 0.72% in the prior year. Headline earnings in South Africa improved 14% to R408 million. However, business expansion and the higher cost of funding resulted in a headline loss for instalment sale and finance leases in the rest of Africa.

Card products recorded a commendable increase in headline earnings to over a billion rand for the first time, 46% higher than in the comparable year. The number of credit card accounts in South Africa grew 7%, and the overall credit card debtors' book grew 16% to R24,1 billion, partly attributable to new account growth and improved limit utilisation on existing accounts. Increasing the number of point-of-sale devices within high-value corporate merchants in South Africa contributed to the higher sales. Fraud losses decreased as a result of improved fraud detection and prevention measures. The credit loss ratio improved to 1.73%, compared to 1.90% in the prior year, as a result of focused collection strategies.

Total income from transactional products improved by 14%, mainly driven by customer acquisition in a very competitive environment coupled with increased online banking volumes. The number of current accounts in South Africa grew 11% and other transactional and savings accounts grew 18%. Our strategy to grow our deposit base proved effective with retail-priced deposit and current account year-end balances increasing to R248 billion, 9% higher than in the prior year. Growth in the business segment was mainly as a result of public sector account acquisitions as well as an increased focus on account acquisitions through Bizlaunch.

Total income from lending products increased 27% to R6,7 billion in 2012. This was as a result of improved margins from higher pricing as well as strong balance growth in overdrafts and revolving credit facilities. Loans to inclusive banking customers grew off a low base but slowed towards the end of the year as we reduced our risk appetite for this lending. Term loans to our business banking customers grew 9% with more customers using structured working capital facilities. Good income growth was offset by an increase in credit impairment charges following strong balance growth, mainly in personal unsecured lending off a low base. The credit loss ratio weakened to 2.92% in 2012, compared to 1.91% in the prior year. Overall, headline earnings from lending products was down 33% to R557 million from R837 million in the prior year.

Bancassurance and wealth comprises insurance-related businesses across the African continent as well as wealth businesses in the Isle of Man and Jersey. As in prior years we continued to forge closer operational ties with Liberty to deliver growth in bancassurance volumes. This resulted in a 30% increase in headline earnings to R1,4 billion, with short-term underwriting and broking activities as the main contributors to this result. We

## Overview of financial results continued

continued to grow simple embedded products and short-term insurance policies in line with our focus on increasing the penetration of insurance products in our existing suite of banking products. Bancassurance in the rest of Africa continued to do well and we saw positive traction from the bancassurance product roll out in countries where bancassurance agreements have been finalised.

### Corporate & Investment Banking (CIB)

CIB had a mixed year in 2012, as a difficult operating environment placed pressure on earnings. Despite the business delivering strong revenues, with income up 20% on the prior year, this was more than offset by cost growth and several large impairment charges. The improved revenue performance reflects our focus on strengthening our capabilities and improving co-ordination to better serve our clients across Africa and selected emerging markets.

TPS was the outstanding performer, with revenues up 32%. This is a very promising result given the core role TPS plays across the wider CIB franchise, being critical to our wholesale client franchise and African growth ambitions. Cash management, trade and investor services posted good growth in South Africa. In the rest of Africa, a strong performance was achieved as we continued to build the corporate banking platform across the continent, and was supported by the positive endowment effect in the first half of the year due to higher interest rates in East Africa and Nigeria. We continued to invest in key electronic platform capability in Africa.

Within Global markets, difficult market conditions for the international activities offset a good performance across Africa. Higher volumes and increased margins benefited the foreign exchange and money market desks in Malawi, Mozambique and Kenya. In South Africa, the foreign exchange desk had a strong first half but trading slowed in the second half in an illiquid event-driven market with some large swings in the USD/ZAR rate. Revenues from the international commodities business grew, aided by a strong base metal performance, but regulatory requirements negatively impacted income as a result of the costs associated with holding larger liquidity asset buffers.

Investment banking revenues were up 11%, reflecting NII earned on a large loan book and healthy levels of activity in Africa. A number of strategically important deals were closed in the year despite difficult market conditions, and a significant effort has been made to develop our pipeline of deals across the continent. NII was well ahead of the prior year due to a larger loan book and improved interest margins.

Credit impairments rose significantly from R1,0 billion to R2,3 billion, with a credit loss ratio of 63 bps. This was as a result of a small number of large specific credit impairments on the Middle Eastern portfolio. Impairments as a percentage of total

gross loans increased from 0.91% in 2011 to 1.46%, and the balance sheet remains healthy.

Costs in CIB grew 17%, excluding the charge of R758 million arising from the restructure of our international operations. Operational cost growth in key parts of our business in the rest of Africa, primarily driven by our investment in people and technology in high inflation environments, as well as the costs of regulatory compliance incurred outside Africa, were the main contributors to this cost growth. CIB reported headline earnings of R4 784 million, down 13% on the prior year. Excluding the restructure charge, headline earnings were down 4% to R5 322 million. ROE declined to 10.4% (2011: 13.0%).

### Liberty

The financial results reported are the consolidated results of our 54.4% investment in Liberty Holdings Limited. Bancassurance results are included in PBB. Liberty's normalised headline earnings for the year ended 31 December 2012 were R3 768 million, of which R2 033 million was attributable to Standard Bank Group (2011: R1 428 million). Liberty's 2012 financial performance was positive across many indicators. All Liberty's business units are performing in line with or ahead of expectation and Liberty now has a stable platform off which to drive its strategy for growth. The 2012 performance also reflects Liberty's more cohesive nature as it begins to leverage new and current capabilities to support other businesses through innovation, risk management and knowledge sharing.

Normalised headline earnings were positively impacted by the investment performance of Liberty's shareholder capital represented by the low risk balanced shareholder investment portfolio. The operational earnings reflect a 2% increase after adjusting for investment market performance. However, the 2011 base contains a once-off positive impact of an actuarial assumption change. After adjusting for this, other once-off changes and the increase in new business strain in 2012, operating earnings increased by 15%. Assets under management across the Liberty group grew by 16% to R528 billion.

Equity value per share of R115 was 15% up on 2011 and reflected R5,9 billion of equity value profits, or a 21% return on equity value. This is not only a function of the positive investment markets, but reflects the growth in value of new business, the strong operational business unit performances and LibFin's ability to add value through its credit origination business.

## Capital management

The group maintained strong Basel II capital ratios during the year under review, due to internal capital generation and corporate actions, specifically the completion of the sale of Troika in January 2012 and the divestiture of the group's majority stake in SBA in November 2012. At 31 December 2012, our core tier I capital ratio was 11.0%, our tier I capital ratio was 11.7% and our total capital ratio was 14.6%.

We achieved our objective to strengthen SBSA's capital position in the second half of 2012. This was done through risk-weighted asset optimisation initiatives and utilising internal sources of surplus group capital, mainly the proceeds from the sale of SBA, to support the use of SBSA as the primary balance sheet of the group. Additionally, SBSA successfully placed a record R9,2 billion of subordinated debt qualifying as Basel II compliant tier II instruments in the domestic bond market.

In December 2012, the South African Reserve Bank published the amended Basel III regulations relating to banks after a consultative process. Our analysis of the regulations implies a reduction in the group's capital adequacy ratios under the proposed framework, but the group will remain adequately capitalised to meet the new Basel III requirements.

## Funding and liquidity

The group's overall liquidity position remains strong with liquidity buffers held for potential stressed conditions amounting to R144 billion at 31 December 2012 (excluding cash reserves across the group of an additional R43 billion). These levels of

liquidity are prudent given the group's liquidity stress-testing philosophy and pending regulation. We continue to maintain a robust ratio of long-term funding at 24.3% of funding-related liabilities.

The group's most stable funding source, retail deposits from PBB customers, was 9% higher than the prior year as the bank maintained market share in South Africa and continued growing its franchise in the rest of Africa. CIB also demonstrated its ability to attract transactional banking customers with current accounts and cash management deposits increasing by 12% compared to December 2011.

A number of key debt capital market and term loan funding transactions were executed, taking advantage of pockets of relatively well-priced liquidity as investor appetite for capital markets issuance remained robust. SBSA successfully placed R10 billion of senior debt in the domestic bond market and raised USD1,9 billion in syndicated loans through the EMTN programme from the international bank loan and capital markets, including USD1,35 billion in a single three-year loan in May 2012.

# Summarised group income statement

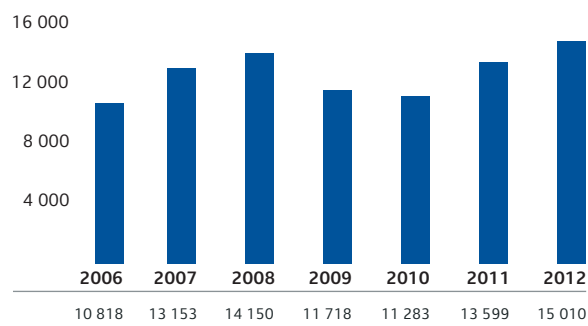
	Change %	2012 Rm	2011 Rm
Net interest income	18	34 233	29 027
Non-interest revenue	16	34 474	29 724
Net fee and commission revenue	8	21 319	19 782
Trading revenue	12	8 868	7 895
Other revenue	>100	4 287	2 047
<b>Total income</b>	17	<b>68 707</b>	58 751
Credit impairment charges	37	8 800	6 436
Specific credit impairments	55	9 040	5 849
Impaired loss	61	8 240	5 117
Discounting of expected recoveries	9	800	732
Portfolio credit impairments	(>100)	(240)	587
<b>Income after credit impairment charges</b>	15	<b>59 907</b>	52 315
Operating expenses	15	39 998	34 725
Staff costs	16	22 195	19 141
Other operating expenses	14	17 803	15 584
<b>Net income before restructure charge</b>	13	<b>19 909</b>	17 590
Restructure charge	100	758	
<b>Net income before goodwill</b>	9	<b>19 151</b>	17 590
Goodwill impairment	>100	777	61
<b>Net income before disposal of subsidiaries and equity accounted earnings</b>	5	<b>18 374</b>	17 529
Loss on disposal of subsidiaries	(100)	(86)	
Share of profit from associates and joint ventures	>100	675	257
<b>Net income before taxation</b>	7	<b>18 963</b>	17 786
Taxation	7	5 766	5 397
<b>Profit for the year from continuing operations</b>	7	<b>13 197</b>	12 389
Discontinued operation	>100	2 435	641
Profit from the discontinued operation	42	910	641
Profit from the disposal of the discontinued operation	100	1 525	
<b>Profit for the year</b>	20	<b>15 632</b>	13 030
Attributable to non-controlling interests	23	855	694
Attributable to preference shareholders	5	357	339
<b>Attributable to ordinary shareholders – banking activities</b>	20	<b>14 420</b>	11 997
Headline adjustable items – banking activities	(>100)	(1 443)	174
<b>Headline earnings – banking activities</b>	7	<b>12 977</b>	12 171
<b>Headline earnings – Liberty</b>	42	<b>2 033</b>	1 428
<b>Standard Bank Group headline earnings</b>	10	<b>15 010</b>	13 599



# Headline earnings

## Headline earnings (Rm)

CAGR (2006 – 2012): 6%



## Reconciliation of headline earnings

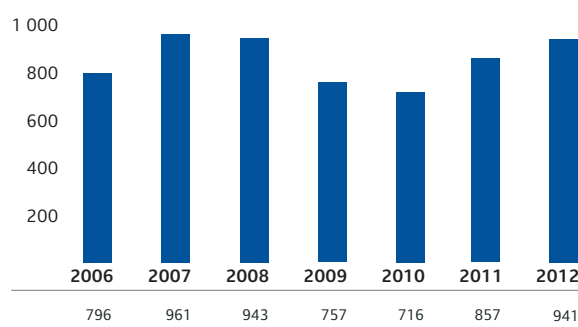
	2012				2011			
	Gross Rm	Tax <sup>1</sup> Rm	Non-controlling interest and preference shareholders Rm	Net Rm	Gross Rm	Tax <sup>1</sup> Rm	Non-controlling interest and preference shareholders Rm	Net Rm
<b>Profit for the year – banking activities</b>	<b>19 504</b>	<b>(3 872)</b>	<b>(1 212)</b>	<b>14 420</b>	17 666	(4 636)	(1 033)	11 997
<b>Headline adjustable items – banking activities (reversed)/added</b>	<b>(1 435)</b>	<b>5</b>	<b>(13)</b>	<b>(1 443)</b>	182	(16)	8	174
Profit on sale of property and equipment – IAS 16	(31)	(3)		(34)	(62)	9	1	(52)
Realised foreign currency translation reserve profit – IAS 21	(119)			(119)				
Loss on disposal of subsidiary – IAS 27	86			86				
Profit on sale of Argentina – IAS 27	(1 525)			(1 525)				
Disposal profit and reversal of impairment of associates – IAS 28/IAS 36	(356)	20		(336)	22			22
Goodwill impairment – IAS 36	777			777	61			61
Impairment of intangible assets – IAS 36	220			220	109	(28)		81
Impairment of non-current assets held for sale – IAS 36					37			37
Impairment of property and equipment – IAS 36					29	(7)		22
Loss on net investment hedge on disposal of associate – IAS 39	130	(33)		97				
Realised (gains)/losses on available-for-sale assets – IAS 39	(595)	11	(15)	(599)	35	(7)	(1)	27
Headline adjustable items – Argentina	(22)	10	2	(10)	(49)	17	8	(24)
<b>Headline earnings – banking activities</b>	<b>18 069</b>	<b>(3 867)</b>	<b>(1 225)</b>	<b>12 977</b>	17 848	(4 652)	(1 025)	12 171
<b>Headline earnings – Liberty</b>	<b>6 928</b>	<b>(2 707)</b>	<b>(2 188)</b>	<b>2 033</b>	4 325	(1 383)	(1 514)	1 428
<b>Standard Bank Group headline earnings</b>	<b>24 997</b>	<b>(6 574)</b>	<b>(3 413)</b>	<b>15 010</b>	22 173	(6 035)	(2 539)	13 599

<sup>1</sup> Excluding indirect taxes and including direct taxes attributable to Argentina.

# Headline earnings and dividends per share

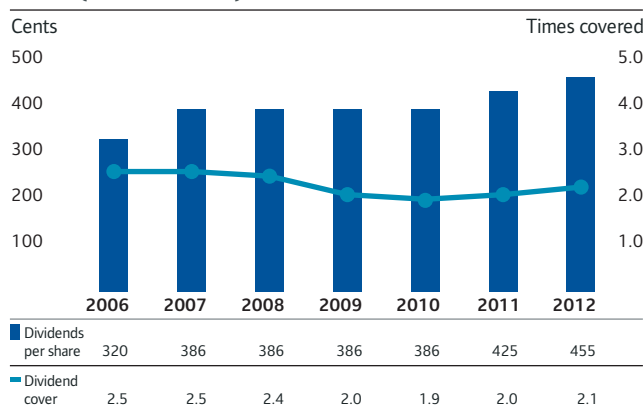
## Headline earnings per share (cents)

CAGR (2006 – 2012): 3%



## Dividends per share

CAGR (2006 – 2012): 6%



		Change %	2012	2011
Headline earnings	Rm	10	15 010	13 599
Headline EPS	cents	10	940,7	856,9
Basic EPS	cents	22	1 033,6	845,9
Total distribution per share	cents	7	455,0	425,0
Interim	cents	50	212,0	141,0
Final	cents	(14)	243,0	284,0
Dividend cover – based on normalised headline EPS	times		2.1	2.0
Dividend payout ratio – based on normalised headline EPS	%		48.4	49.6

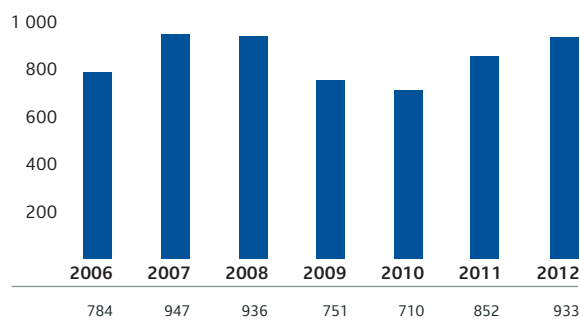
## Movement in number of ordinary and weighted average shares issued

	2012		2011	
	Issued number of shares 000's	Weighted number of shares 000's	Issued number of shares 000's	Weighted number of shares 000's
Beginning of the year	1 588 747	1 588 747	1 585 037	1 585 037
Shares issued	17 389	6 853	3 710	2 017
Shares issued for share option settlements	5 348	3 366	3 710	2 017
Shares issued through scrip distribution	12 041	3 487		
<b>End of the year – normalised</b>	<b>1 606 136</b>	<b>1 595 600</b>	1 588 747	1 587 054
<b>Reconciliation to IFRS shares in issue</b>				
End of the year – normalised	1 606 136	1 595 600	1 588 747	1 587 054
Shares held by Tutuwa special purpose entities (SPEs)	(63 479)	(63 479)	(63 479)	(63 479)
Total number of shares held initially by Tutuwa SPEs	(99 190)	(99 190)	(99 190)	(99 190)
Less: Number of Tutuwa shares financed by third parties	24 691	24 691	24 691	24 691
Less: Number of Tutuwa shares acquired by ICBC	11 020	11 020	11 020	11 020
Share exposures held to facilitate client trading activities (deemed treasury shares)	1 009	1 188	962	771
Shares held for the benefit of Liberty policyholders (deemed treasury shares)	(7 749)	(11 132)	(12 133)	(13 994)
<b>End of the year – IFRS</b>	<b>1 535 917</b>	<b>1 522 177</b>	1 514 097	1 510 352

# Diluted headline earnings per share

## Diluted headline earnings per share (cents)

CAGR (2006 – 2012): 3%



	Change %	2012 cents	2011 cents
Diluted headline EPS	10	933,2	852,1
Diluted EPS	22	1 025,3	841,2

## Diluted weighted average number of ordinary shares issued

	2012 000's	2011 000's
Weighted average shares	1 595 600	1 587 054
Dilution from equity compensation plans	12 906	8 952
Share option scheme	1 874	3 154
Equity growth scheme	9 258	5 798
Deferred bonus scheme	1 774	
<b>Diluted weighted average shares – normalised</b>	<b>1 608 506</b>	1 596 006
<b>Reconciliation to diluted weighted average IFRS shares</b>		
Diluted weighted average shares – normalised	1 608 506	1 596 006
Shares held by Tutuwa SPEs	(63 479)	(63 479)
Share exposures held to facilitate client trading activities	1 188	771
Shares held for the benefit of Liberty policyholders	(11 132)	(13 994)
Tutuwa transaction – dilutive shares	38 752	38 111
<b>Diluted weighted average shares – IFRS</b>	<b>1 573 835</b>	1 557 415

## Statement of financial position

	Standard Bank Group		
	Change %	2012 Rm	2011 <sup>1</sup> Rm
<b>Assets</b>			
Cash and balances with central banks	94	61 985	31 907
Derivative assets	(20)	120 190	150 046
Trading assets	27	114 299	90 354
Pledged assets	90	11 640	6 113
Financial investments	10	320 010	291 512
Loans and advances	1	813 892	803 811
Loans and advances to banks	(17)	108 196	130 257
Loans and advances to customers	5	705 696	673 554
Investment property	3	24 133	23 470
Other assets	38	33 898	24 523
Interest in associates and joint ventures	24	17 246	13 935
Non-current assets held for sale	(97)	960	34 085
Goodwill and other intangible assets	15	14 687	12 754
Property and equipment	5	15 733	14 920
<b>Total assets</b>	<b>3</b>	<b>1 548 673</b>	<b>1 497 430</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to ordinary shareholders	10	134 552	122 023
Preference share capital and premium	11	113 905	102 523
Non-controlling interest	-	5 503	5 503
	8	15 144	13 997
<b>Liabilities</b>			
Derivative liabilities	3	1 414 121	1 375 407
Trading liabilities	(20)	121 998	153 142
Deposit and current accounts	30	39 206	30 264
Deposits from banks	5	918 533	878 922
Deposit and current accounts from customers	(4)	124 275	129 741
Other liabilities	6	794 258	749 181
Non-current liabilities held for sale	28	66 152	51 821
Policyholder liabilities	(100)	-	27 939
Subordinated debt	13	236 684	208 565
	27	31 548	24 754
<b>Total equity and liabilities</b>	<b>3</b>	<b>1 548 673</b>	<b>1 497 430</b>

<sup>1</sup> Refer to page 97 for the prior year restatements.

<sup>2</sup> Includes elimination of balances between Liberty and banking activities.

	Banking activities			Liberty <sup>2</sup>		
	Change %	2012 Rm	2011 <sup>1</sup> Rm	Change %	2012 Rm	2011 Rm
Cash and balances with central banks	94	61 985	31 907			
Derivative assets	(21)	118 353	149 130	>100	1 837	916
Trading assets	27	114 315	90 297	(>100)	(16)	57
Pledged assets	90	11 640	6 113			
Financial investments	(3)	94 715	97 360	16	225 295	194 152
Loans and advances	1	813 892	803 811			
Loans and advances to banks	(17)	108 196	130 257			
Loans and advances to customers	5	705 696	673 554			
Investment property	3	24 133	23 470	3	24 133	23 470
Other assets	38	33 898	24 523	21	6 816	5 620
Interest in associates and joint ventures	24	17 246	13 935	20	14 436	12 054
Non-current assets held for sale	(97)	960	34 085			
Goodwill and other intangible assets	15	14 687	12 754	(42)	759	1 305
Property and equipment	5	15 733	14 920	(7)	2 330	2 495
<b>Total assets</b>	<b>1</b>	<b>1 273 083</b>	<b>1 257 361</b>	<b>15</b>	<b>275 590</b>	<b>240 069</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Equity attributable to ordinary shareholders	10	115 076	104 700	12	19 476	17 323
Preference share capital and premium	11	105 018	94 882	16	8 887	7 641
Non-controlling interest	-	5 503	5 503			
	6	4 555	4 315	9	10 589	9 682
<b>Liabilities</b>						
Derivative liabilities	3	1 158 007	1 152 661	15	256 114	222 746
Trading liabilities	(21)	120 868	152 593	>100	1 130	549
Deposit and current accounts	29	40 105	31 145	(2)	(899)	(881)
Deposits from banks	5	930 153	888 968	(16)	(11 620)	(10 046)
Deposit and current accounts from customers	(4)	124 275	129 741			
Other liabilities	6	805 878	759 227	(16)	(11 620)	(10 046)
Non-current liabilities held for sale	28	36 767	28 650	27	29 385	23 171
Policyholder liabilities	(100)	-	27 939			
Subordinated debt	13	236 684	208 565	13	236 684	208 565
	29	30 114	23 366	3	1 434	1 388
<b>Total equity and liabilities</b>	<b>1</b>	<b>1 273 083</b>	<b>1 257 361</b>	<b>15</b>	<b>275 590</b>	<b>240 069</b>

## Statement of comprehensive income

	Change %	2012		
		Ordinary shareholders' equity Rm	Non- controlling interests and preference shareholders Rm	Total equity Rm
<b>Profit for the year</b>	25	<b>16 492</b>	<b>3 400</b>	<b>19 892</b>
<b>Other comprehensive income for the year after tax</b>	(74)	<b>1 032</b>	<b>270</b>	<b>1 302</b>
Exchange rate differences on translating equity investments in foreign operations		1 056	135	1 191
Foreign currency hedge of net investments		181		181
Cash flow hedges		(219)	(8)	(227)
Available-for-sale financial assets		17	142	159
Other (losses)/gains		(3)	1	(2)
<b>Total comprehensive income for the year</b>	1	<b>17 524</b>	<b>3 670</b>	<b>21 194</b>
Attributable to non-controlling interests			3 313	3 313
Attributable to equity holders of the parent		17 524	357	17 881
Attributable to preference shareholders	5		357	357
<b>Attributable to ordinary shareholders</b>	(0)	<b>17 524</b>		<b>17 524</b>

## Statement of changes in equity

	Ordinary share capital and premium Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm	Cash flow hedging reserve Rm
<b>Balance at 1 January 2011</b>	17 522	(5 672)	6	673
Increase in statutory credit risk reserve				
Equity-settled share-based payment transactions				
Deferred tax on share-based payments				
Transfer of vested equity options				
Transactions with non-controlling shareholders		(13)		
Issue of share capital and share premium and capitalisation of reserves	213			
Transfer of owner occupied properties				
Total comprehensive income for the year		4 627	(279)	52
Dividends paid				
<b>Balance at 31 December 2011</b>	17 735	(1 058)	(273)	725
<b>Balance at 1 January 2012</b>	17 735	(1 058)	(273)	725
Increase in statutory credit risk reserve				
Equity-settled share-based payment transactions				
Deferred tax on share-based payments				
Transfer of vested equity options				
Unincorporated property partnerships capital reductions and distributions				
Disposal of property partnership				
Transactions with non-controlling shareholders				
Issue of share capital and share premium and capitalisation of reserves	357			
Transfer of owner occupied properties				
Total comprehensive income for the year		1 056	181	(219)
Dividends paid				
<b>Balance at 31 December 2012</b>	<b>18 092</b>	<b>(2)</b>	<b>(92)</b>	<b>506</b>

All balances are stated net of applicable tax.

	2011		
	Ordinary shareholders' equity Rm	Non- controlling interests and preference shareholders Rm	Total equity Rm
	13 425	2 547	15 972
	4 163	855	5 018
	4 627	1 057	5 684
	(279)		(279)
	52	5	57
	(272)	(253)	(525)
	35	46	81
	17 588	3 402	20 990
		3 063	3 063
	17 588	339	17 927
		339	339
	17 588		17 588

	Statutory credit risk reserve Rm	Available- for-sale revaluation reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Ordinary share- holders' equity Rm	Preference share capital and premium Rm	Non- controlling interest Rm	Total equity Rm
	717	382	745	273	76 109	90 755	5 503	11 952	108 210
	243				(243)				
			336		(83)	336		30	366
					41	(83)			(83)
			(41)						
		(8)			(68)	(89)		(98)	(187)
					(71)	142			142
				(1)	1				
				39	13 421	17 588	339	3 063	20 990
		(272)			(6 126)	(6 126)	(339)	(950)	(7 415)
	952	110	1 040	311	82 981	102 523	5 503	13 997	122 023
	<b>952</b>	<b>110</b>	<b>1 040</b>	<b>311</b>	<b>82 981</b>	<b>102 523</b>	<b>5 503</b>	<b>13 997</b>	<b>122 023</b>
	<b>50</b>				<b>(50)</b>	<b>282</b>		<b>46</b>	<b>328</b>
			282		69	69			69
			(181)		181				
								(182)	(182)
								(234)	(234)
			1	2	(65)	(62)		(987)	(1 049)
					(232)	125			125
				(11)	11				
		17		(70)	16 559	17 524	357	3 313	21 194
					(6 556)	(6 556)	(357)	(809)	(7 722)
	<b>1 002</b>	<b>127</b>	<b>1 142</b>	<b>232</b>	<b>92 898</b>	<b>113 905</b>	<b>5 503</b>	<b>15 144</b>	<b>134 552</b>

# Financial results, ratios and statistics

## – IFRS

		Change %	2012	2011
<b>Standard Bank Group</b>				
<b>Headline earnings contribution by business unit</b>				
Total headline earnings	Rm	9	14 664	13 400
Banking activities	Rm	7	12 781	11 965
Personal & Business Banking	Rm	27	7 476	5 872
Corporate & Investment Banking	Rm	(13)	4 784	5 521
Central and other	Rm	(9)	521	572
Liberty	Rm	31	1 883	1 435
<b>Ordinary shareholders' interest</b>				
Profit attributable to ordinary shareholders	Rm	22	16 146	13 226
Ordinary shareholders' equity	Rm	11	110 370	99 042
<b>Share statistics</b>				
Headline earnings per ordinary share (EPS)	cents	9	963,4	887,2
Diluted headline EPS	cents	8	931,7	860,4
Basic EPS	cents	21	1 060,7	875,7
Diluted EPS	cents	21	1 025,9	849,2
Dividend per share	cents	7	455,0	425,0
Net asset value per share	cents	10	7 186	6 541
Tangible net asset value per share	cents	9	6 230	5 699
Dividend cover	times		2.1	2.1
<b>Number of ordinary shares in issue</b>				
– end of year	thousands	1	1 535 917	1 514 097
– weighted average	thousands	1	1 522 177	1 510 352
– diluted weighted average	thousands	1	1 573 835	1 557 415
<b>Selected returns and ratios</b>				
ROE	%		14.4	14.6
<b>Capital adequacy</b>				
Total capital adequacy ratio	%		14.6	14.3
Tier I capital adequacy ratio	%		11.7	12.0
Core tier I capital adequacy ratio	%		11.0	11.3
<b>Banking activities</b>				
<b>Balance sheet</b>				
Total assets	Rm	1	1 270 485	1 254 953
Loans and advances (net of credit impairments)	Rm	1	811 171	801 308
<b>Selected returns and ratios</b>				
ROE	%		13.4	13.9
Loan-to-deposit ratio	%		87.2	90.1
Net interest margin	%		3.07	2.91
Non-interest revenue to total income	%		50.4	50.8
Credit impairment charges	Rm	37	8 800	6 436
Credit loss ratio	%		1.08	0.87
Cost-to-income ratio	%		59.0	59.0
Effective taxation rate	%		30.8	30.7

# Summarised group income statement – IFRS

	Change %	2012 Rm	2011 Rm
Net interest income	18	34 015	28 827
Non-interest revenue	16	34 499	29 725
Net fee and commission revenue	8	21 319	19 782
Trading revenue	13	8 893	7 896
Other revenue	>100	4 287	2 047
<b>Total income</b>	17	<b>68 514</b>	58 552
Credit impairment charges	37	8 800	6 436
Specific credit impairments	55	9 040	5 849
Impaired loss	61	8 240	5 117
Discounting of expected recoveries	9	800	732
Portfolio credit impairments	(>100)	(240)	587
<b>Income after credit impairment charges</b>	15	<b>59 714</b>	52 116
Operating expenses	15	39 998	34 725
Staff costs	16	22 195	19 141
Other operating expenses	14	17 803	15 584
<b>Net income before restructure charge</b>	13	<b>19 716</b>	17 391
Restructure charge	100	758	
<b>Net income before goodwill</b>	9	<b>18 958</b>	17 391
Goodwill impairment	>100	777	61
<b>Net income before disposal of subsidiaries and equity accounted earnings</b>	5	<b>18 181</b>	17 330
Loss on disposal of subsidiaries	(100)	(86)	
Share of profit from associates and joint ventures	>100	675	257
<b>Net income before taxation</b>	7	<b>18 770</b>	17 587
Taxation	7	5 773	5 398
<b>Profit for the year from continuing operations</b>	7	<b>12 997</b>	12 189
Discontinued operation	>100	2 435	641
Profit from the discontinued operation	42	910	641
Profit from the disposal of the discontinued operation	100	1 525	
<b>Profit for the year</b>	20	<b>15 432</b>	12 830
Attributable to non-controlling interests	23	855	694
Attributable to preference shareholders	2	352	345
<b>Attributable to ordinary shareholders – banking activities</b>	21	<b>14 225</b>	11 791
Headline adjustable items – banking activities	(>100)	(1 444)	174
<b>Headline earnings – banking activities</b>	7	<b>12 781</b>	11 965
<b>Headline earnings – Liberty</b>	31	<b>1 883</b>	1 435
<b>Standard Bank Group headline earnings</b>	9	<b>14 664</b>	13 400

## Statement of comprehensive income - IFRS

	Change %	2012		
		Ordinary shareholders' equity Rm	Non- controlling interests and preference shareholders Rm	Total equity Rm
<b>Profit for the year</b>	23	<b>16 146</b>	<b>3 265</b>	<b>19 411</b>
<b>Other comprehensive income for the year after tax</b>	(74)	<b>1 032</b>	<b>270</b>	<b>1 302</b>
Exchange rate differences on translating equity investments in foreign operations		1 056	135	1 191
Foreign currency hedge of net investments		181		181
Cash flow hedges		(219)	(8)	(227)
Available-for-sale financial assets		17	142	159
Other (losses)/gains		(3)	1	(2)
<b>Total comprehensive income for the year</b>	(0)	<b>17 178</b>	<b>3 535</b>	<b>20 713</b>
Attributable to non-controlling interests			3 183	3 183
Attributable to equity holders of the parent		17 178	352	17 530
Attributable to preference shareholders	2		352	352
<b>Attributable to ordinary shareholders</b>	(1)	<b>17 178</b>		<b>17 178</b>

## Statement of changes in equity - IFRS

	Ordinary share capital and premium Rm	Empower- ment reserve Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Foreign currency hedge of net investment reserve Rm
Increase in statutory credit risk reserve					
Transactions with non-controlling shareholders				(13)	
Equity-settled share-based payment transactions					
Deferred tax on share-based payments					
Transfer of vested equity options					
Net increase in treasury shares			301		
Issue of share capital and share premium and capitalisation of reserves	213				
Transfer of owner occupied properties					
Total comprehensive income for the year				4 627	(279)
Net dividends paid		(108)			
<b>Balance at 31 December 2011</b>	<b>17 735</b>	<b>(3 079)</b>	<b>(198)</b>	<b>(1 058)</b>	<b>(273)</b>
<b>Balance at 1 January 2012</b>	<b>17 735</b>	<b>(3 079)</b>	<b>(198)</b>	<b>(1 058)</b>	<b>(273)</b>
Increase in statutory credit risk reserve					
Transactions with non-controlling shareholders		(8)	(4)		
Equity-settled share-based payment transactions					
Deferred tax on share-based payments					
Transfer of vested equity options					
Net decrease in treasury shares			3		
Issue of share capital and share premium and capitalisation of reserves	357				
Transfer of owner occupied properties					
Unincorporated property partnerships capital reductions and distributions					
Disposal of property partnership					
Total comprehensive income for the year				1 056	181
Net dividends paid		(183)			
<b>Balance at 31 December 2012</b>	<b>18 092</b>	<b>(3 270)</b>	<b>(199)</b>	<b>(2)</b>	<b>(92)</b>

All balances are stated net of applicable tax.

	2011		
	Ordinary shareholders' equity Rm	Non- controlling interests and preference shareholders Rm	Total equity Rm
	13 226	2 558	15 784
	4 163	855	5 018
	4 627	1 057	5 684
	(279)		(279)
	52	5	57
	(272)	(253)	(525)
	35	46	81
	17 389	3 413	20 802
	17 389	3 068	3 068
		345	17 734
		345	345
	17 389		17 389

	Cash flow hedging reserve Rm	Statutory credit risk reserve Rm	Available- for-sale revaluation reserve Rm	Share- based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Preference share capital and Non- controlling interest			Total equity Rm
							Ordinary share- holders' equity Rm	and premium Rm	interest Rm	
<b>Balance at 1 January 2011</b>	673	717	382	745	273	75 897	87 073	5 503	10 622	103 198
Increase in statutory credit risk reserve		243				(243)				
Transactions with non-controlling shareholders		(8)				(68)	(89)		(98)	(187)
Equity-settled share-based payment transactions				336			336		30	366
Deferred tax on share-based payments						(83)	(83)			(83)
Transfer of vested equity options				(41)		41				
Net increase in treasury shares						8	309		237	546
Issue of share capital and share premium and capitalisation of reserves	213					(71)	142			142
Transfer of owner occupied properties					(1)	1				
Total comprehensive income for the year	52		(272)		39	13 222	17 389	345	3 068	20 802
Net dividends paid		(108)				(5 927)	(6 035)	(345)	(871)	(7 251)
<b>Balance at 31 December 2011</b>	<b>725</b>	<b>952</b>	<b>110</b>	<b>1 040</b>	<b>311</b>	<b>82 777</b>	<b>99 042</b>	<b>5 503</b>	<b>12 988</b>	<b>117 533</b>
<b>Balance at 1 January 2012</b>	<b>725</b>	<b>952</b>	<b>110</b>	<b>1 040</b>	<b>311</b>	<b>82 777</b>	<b>99 042</b>	<b>5 503</b>	<b>12 988</b>	<b>117 533</b>
Increase in statutory credit risk reserve		50				(50)				
Transactions with non-controlling shareholders				1	2	(65)	(74)		(970)	(1 044)
Equity-settled share-based payment transactions				282			282		46	328
Deferred tax on share-based payments						69	69			69
Transfer of vested equity options				(181)		181				
Net decrease in treasury shares						209	212		196	408
Issue of share capital and share premium and capitalisation of reserves	357					(232)	125			125
Transfer of owner occupied properties					(11)	11				
Unincorporated property partnerships capital reductions and distributions									(182)	(182)
Disposal of property partnership									(234)	(234)
Total comprehensive income for the year	(219)		17		(70)	16 213	17 178	352	3 183	20 713
Net dividends paid		(183)				(6 281)	(6 464)	(352)	(727)	(7 543)
<b>Balance at 31 December 2012</b>	<b>506</b>	<b>1 002</b>	<b>127</b>	<b>1 142</b>	<b>232</b>	<b>92 832</b>	<b>110 370</b>	<b>5 503</b>	<b>14 300</b>	<b>130 173</b>



# Explanation of principal differences between normalised and IFRS results

## Description of normalised adjustments

The group's consolidated financial statements are prepared in accordance with IFRS, its interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE, and the South African Companies Act 71 of 2008. This document is prepared on a basis which normalises or adjusts the IFRS results for three specific accounting circumstances to reflect the group's view of the economics and legal substance of the following arrangements (the normalised adjustments):

- the group's Tutuwa initiative
- group shares held by Liberty for the benefit of policyholders
- group share exposures entered into to facilitate client trading activities.

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. With regard to segmental and product reporting, the normalised adjustments have been made within Liberty, and central and other. The results of the other business units are unaffected.

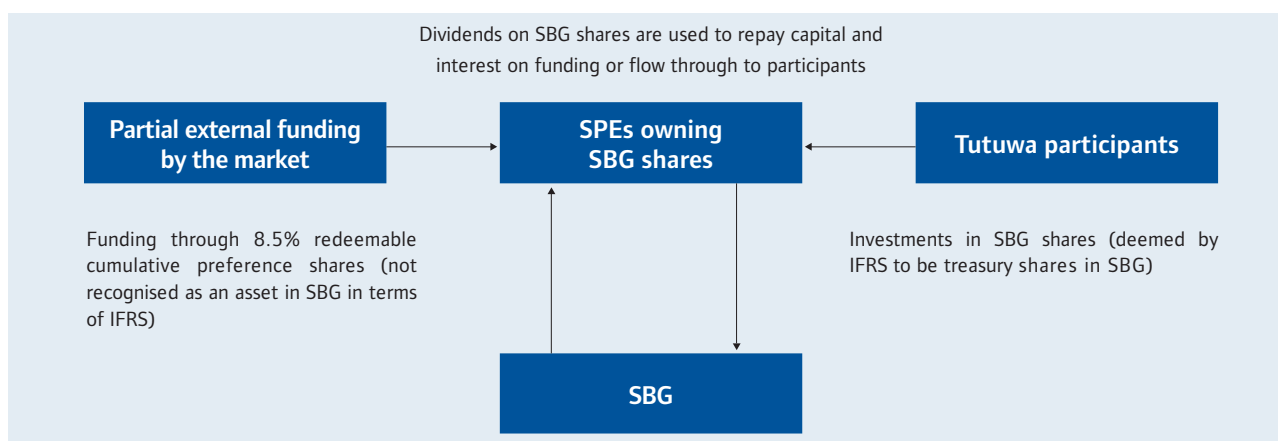
## Black Economic Empowerment Ownership (Tutuwa) initiative

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

The group obtained financing through the issue of perpetual preference shares. These funds were used to subscribe for 8.5% redeemable, cumulative preference shares issued by SPEs controlled by the Standard Bank Group (SBG). These SPEs purchased SBG shares. Subsequently, the SPEs containing these shares were sold to black participants. The capital and dividends on the redeemable preference shares issued by the SPEs are repayable from future ordinary dividends received, or the proceeds from the disposal of SBG shares held. As a result of SBG's contingent right to receive its own dividends back in the form of yield and capital on the redeemable preference shares, the subsequent sale of the SPEs and consequent delivery of the SBG shares to the black participants, although legally effected, is not accounted for as a sale. Consequently, the IFRS accounting treatment followed until full redemption or third party financing is obtained is:

- The redeemable preference shares issued by the SPEs and subscribed for by SBG are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve.
- The negative empowerment reserve represents SBG shares held by the SPEs that are deemed to be treasury shares in terms of accounting conventions.
- Preference dividends accrued but not received, due to cash distributions paid to participants, increase the empowerment reserve.
- To the extent that preference dividends are received from the SPEs, these are eliminated against the ordinary dividends paid on the SBG shares held by the SPEs.
- For purposes of the calculation of EPS, the weighted average number of shares in issue is reduced by the number of shares held by those SPEs that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party.

## Tutuwa initiative



- Perpetual preference shares issued by SBG for the purposes of financing the transaction are classified as equity. Dividends paid on the perpetual preference shares are accounted on declaration and not on an accrual basis.

The normalised adjustment:

- recognises a loan asset by reversing the elimination of the redeemable preference shares against equity
- accrues for preference dividends receivable on the loan asset within interest income
- adds back the number of shares held by the black participants to the weighted number of shares in issue, for purposes of calculating normalised per share ratios
- adjusts dividends declared on perpetual preference shares to an accrual basis.

In December 2007, the group obtained financing, external to SBG, for a portion of the financing provided to the SPEs. As a result, the negative empowerment reserve was reduced by the value of the external financing obtained of R1 billion, and a proportion of the SBG shares held by the SPEs (24,7 million shares) are no longer deemed to be treasury shares for accounting purposes.

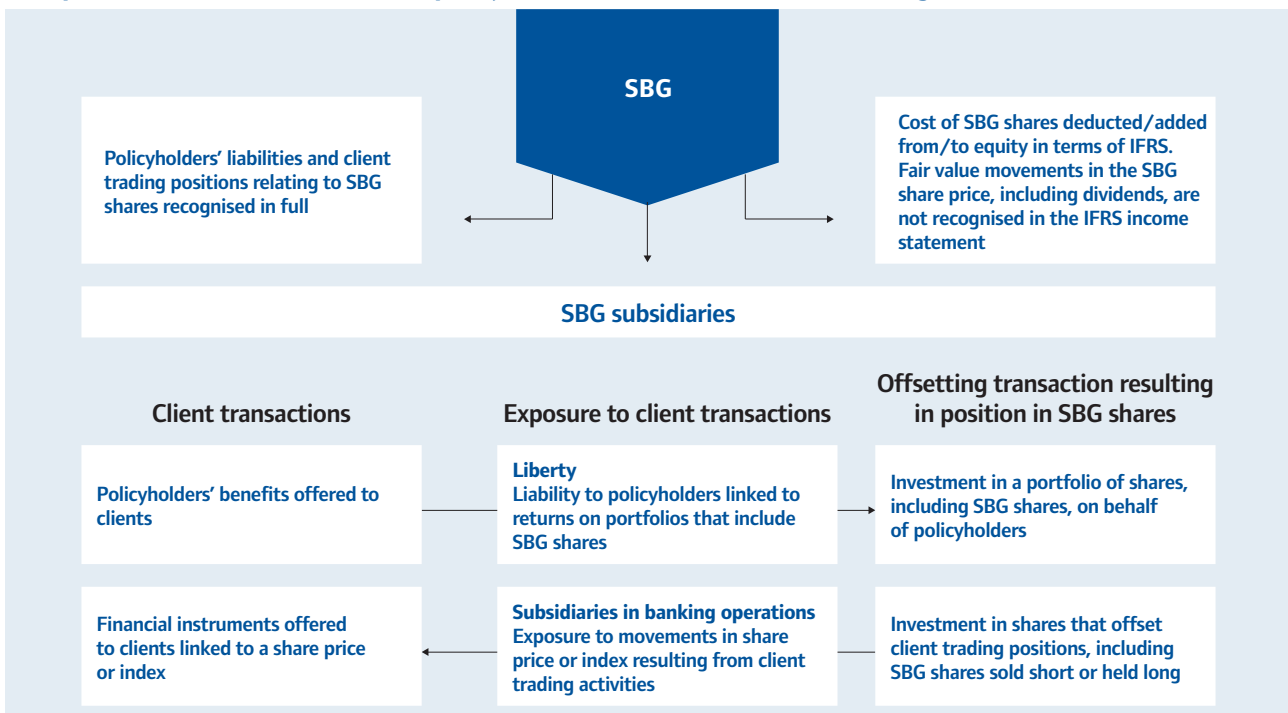
In March 2008, 11.1% of the Tutuwa participants' shares were sold to the ICBC with the proceeds being partly utilised for the repayment of their preference share liability, thereby releasing a further 11,0 million ordinary shares previously deemed by IFRS to be treasury shares.

**Group shares held for the benefit of policyholders or to facilitate client trading activities**

The group acquires or sells short shares in SBG for two distinct business reasons:

- Group companies' shares held by Liberty are invested for the risk and reward of its policyholders, not its shareholders, and consequently the group's shareholders are exposed to an insignificant portion of the fair value changes on these shares.
- The group enters into transactions in its own shares to facilitate client trading activities. As part of its normal trading operations, the group offers clients trading positions over listed shares, including its own shares. In order to hedge the risk on these trades, the group buys or sells short its own shares in the market. The group's shareholders are therefore exposed to an insignificant portion of the fair value changes on these shares.

**Group shares held for the benefit of policyholders or to facilitate client trading activities**



## Explanation of principal differences between normalised and IFRS results

continued

In terms of IAS 32 *Financial Instruments: Presentation* (IAS 32), trades by subsidiaries in the group's shares held on behalf of policyholders and group share exposures to facilitate client trading activities are deemed to be treasury shares for accounting purposes. The accounting consequences in the consolidated IFRS group financial statements are:

- the cost price of shares purchased by subsidiaries as well as any funds received by subsidiaries from selling the group's shares short are deducted from or added to ordinary shareholders' equity and non-controlling interest respectively in the group's financial statements
- all the fair value movements are eliminated from the income statement, reserves and non-controlling interests where applicable
- dividends received on group shares are eliminated against dividends paid.

No corresponding adjustment is made to the policyholders' liabilities or trading positions with clients. As a result, the application of IAS 32 gives rise to a mismatch in the overall equity and income statement of the group. The liability to policyholders and client trading positions, along with the change

in policyholders' liabilities and profit or loss recognised on the client trading positions, is therefore not eliminated, even though the corresponding interest in the group's shares is eliminated and treated as treasury shares acquired or issued.

With regard to the group shares held for the benefit of Liberty policyholders, the weighted average number of shares in issue for per share figures is calculated by deducting the full number of group shares held (100%), not the IFRS effective 54.4% owned by the group, as IAS 33 *Earnings per Share* does not contemplate non-controlling interest portions of treasury shares. This treatment exaggerates the reduction in the weighted average number of shares used to calculate per share ratios.

For purposes of calculating the normalised results, the adjustments described above are reversed, and the group shares held on behalf of policyholders and to facilitate client trading activities are treated as issued to parties external to the group.

The impact of the normalised adjustments on the issued and weighted number of shares is provided on page 12.

### Adjustments to IFRS results

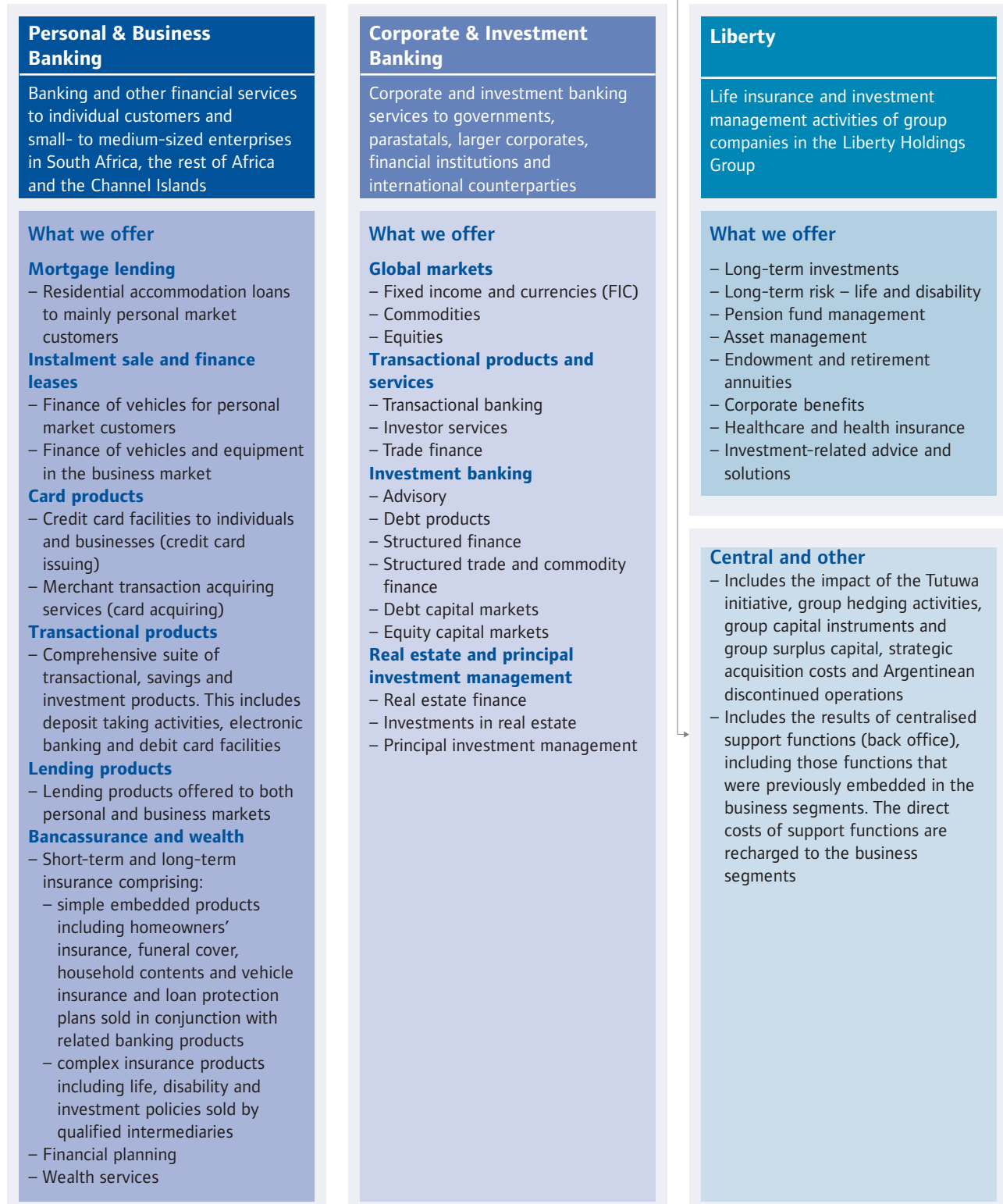
	Headline earnings			Ordinary shareholders' equity Standard Bank Group Rm
	Banking activities Rm	Liberty Rm	Standard Bank Group Rm	
<b>IFRS – 2012</b>	<b>12 781</b>	<b>1 883</b>	<b>14 664</b>	<b>110 370</b>
Tutuwa initiative	213	33	246	3 127
Shares exposures held to facilitate client trading activities	(17)		(17)	(92)
Group shares held for the benefit of Liberty policyholders		117	117	500
<b>Normalised – 2012</b>	<b>12 977</b>	<b>2 033</b>	<b>15 010</b>	<b>113 905</b>
<b>IFRS – 2011</b>	11 965	1 435	13 400	99 042
Tutuwa initiative	206	35	241	2 941
Shares exposures held to facilitate client trading activities				(94)
Group shares held for the benefit of Liberty policyholders		(42)	(42)	634
<b>Normalised – 2011</b>	<b>12 171</b>	<b>1 428</b>	<b>13 599</b>	<b>102 523</b>

# Segmental reporting

Segmental structure for key business units	26
Segmental income statement	28
Segmental statement of financial position	30
Personal & Business Banking	32
Corporate & Investment Banking	36
Liberty	40

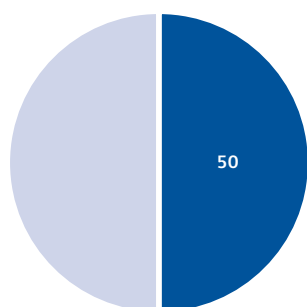
# Segmental structure for key business units

## Standard Bank Group



## Personal & Business Banking

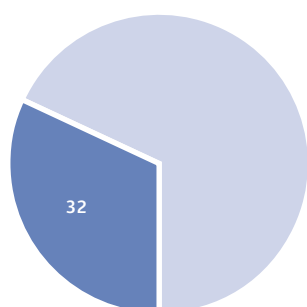
### % of group headline earnings



	2012	2011
Headline earnings	<b>R7 476 million</b>	R5 872 million
Headline earnings change	<b>increased 27%</b>	increased 35%
Headline earnings contribution	<b>50%</b>	43%
Return on equity	<b>20.0%</b>	19.2%
Cost-to-income ratio	<b>59.8%</b>	62.4%
Credit loss ratio	<b>1.39%</b>	1.24%
External net loans and advances	<b>R490 billion</b>	R447 billion

## Corporate & Investment Banking

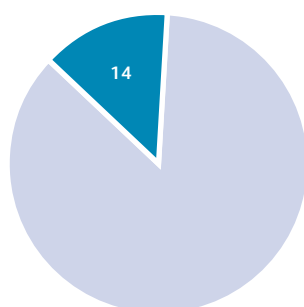
### % of group headline earnings



	2012	2011
Headline earnings	<b>R4 784 million</b>	R5 521 million
Headline earnings change	<b>decreased 13%</b>	increased 5%
Headline earnings contribution	<b>32%</b>	41%
Return on equity	<b>10.4%</b>	13.0%
Cost-to-income ratio	<b>63.4%</b>	62.1%
Cost-to-income ratio excluding restructure charge	<b>60.6%</b>	62.1%
Credit loss ratio	<b>0.63%</b>	0.31%
External net loans and advances	<b>R353 billion</b>	R380 billion

## Liberty

### % of group headline earnings



	2012	2011
Headline earnings as reported by Liberty	<b>R3 768 million</b>	R2 663 million
Headline earnings attributable to the group	<b>R2 033 million</b>	R1 428 million
Headline earnings contribution	<b>14%</b>	11%
Return on equity	<b>25.2%</b>	20.2%
Normalised equity value	<b>R33 billion</b>	R29 billion
Third party funds under management	<b>R278 billion</b>	R255 billion

# Segmental income statement

	Change %	Personal & Business Banking		Corporate & Investment Banking		Central and other			
		2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm		
<b>Income from banking activities</b>	14	42 280	37 017	20	26 938	22 479	31	(511)	(745)
Net interest income	20	23 834	19 936	14	9 938	8 742	32	461	349
Non-interest revenue	8	18 446	17 081	24	17 000	13 737	11	(972)	(1 094)
Net fee and commission revenue	7	16 677	15 629	14	5 920	5 176	(25)	(1 278)	(1 023)
Trading revenue	(>100)	(5)	34	16	9 121	7 840	(>100)	(248)	21
Other revenue	25	1 774	1 418	>100	1 959	721	>100	554	(92)
<b>Income from investment management and life insurance activities</b>									
Net insurance premiums									
Investment income and gains									
Management and service fee income									
<b>Total income</b>	14	42 280	37 017	20	26 938	22 479	31	(511)	(745)
<b>Credit impairment charges</b>	23	6 658	5 426	>100	2 340	1 021	(>100)	(198)	(11)
Specific credit impairments	38	6 719	4 885	>100	2 320	974	>100	1	(10)
Impaired loss	43	5 954	4 170	>100	2 285	957	>100	1	(10)
Discounting of expected recoveries	7	765	715	>100	35	17			
Portfolio credit impairments	(>100)	(61)	541	(57)	20	47	(>100)	(199)	(1)
<b>Benefits due to policyholders</b>									
Net insurance benefits and claims									
Liabilities under investment contracts									
Fair value adjustment on third party fund interests									
<b>Income after credit impairment charges and policyholders' benefits</b>	13	35 622	31 591	15	24 598	21 458	57	(313)	(734)
<b>Operating expenses in banking activities</b>	10	25 620	23 224	17	16 394	14 000	19	(2 016)	(2 499)
Staff costs	13	6 900	6 106	16	5 234	4 522	18	10 061	8 513
Other operating expenses	9	18 720	17 118	18	11 160	9 478	(10)	(12 077)	(11 012)
<b>Net income before restructure charge</b>	20	10 002	8 367	10	8 204	7 458	(4)	1 703	1 765
Restructure charge				100	758				
<b>Insurance activities</b>									
Acquisition costs – insurance and investment contracts									
Other operating expenses									
<b>Net income before goodwill</b>	20	10 002	8 367	(0)	7 446	7 458	(4)	1 703	1 765
Goodwill impairment	(17)	39	47	>100	38	14	100	700	
<b>Net income before disposal of subsidiaries and equity accounted earnings</b>	20	9 963	8 320	(0)	7 408	7 444	(43)	1 003	1 765
Profit/(loss) on disposal of subsidiaries				(100)	(86)				
Share of profit from associates and joint ventures	>100	562	189	82	109	60	(50)	4	8
<b>Net income before indirect taxation</b>	24	10 525	8 509	(1)	7 431	7 504	(43)	1 007	1 773
Indirect taxation	23	384	312	26	356	282	37	672	491
<b>Profit before direct taxation</b>	24	10 141	8 197	(2)	7 075	7 222	(74)	335	1 282
Direct taxation	6	2 567	2 433	5	1 416	1 349	(30)	371	530
<b>Profit for the year from continuing operations</b>	31	7 574	5 764	(4)	5 659	5 873	(>100)	(36)	752
Discontinued operation							>100	2 435	641
Profit from the discontinued operation							42	910	641
Profit from the disposal of the discontinued operation							100	1 525	
<b>Profit for the year</b>	31	7 574	5 764	(4)	5 659	5 873	72	2 399	1 393
Attributable to non-controlling interests	1	(74)	(75)	31	700	536	(2)	229	233
Attributable to preference shareholders							5	357	339
<b>Attributable to ordinary shareholders</b>	31	7 648	5 839	(7)	4 959	5 337	>100	1 813	821
Headline adjustable items	(>100)	(172)	33	(>100)	(175)	184	(>100)	(1 096)	(43)
<b>Headline earnings</b>	27	7 476	5 872	(13)	4 784	5 521	(8)	717	778
ROE (%)		20.0	19.2		10.4	13.0			
Net interest margin (%)		4.88	4.50		1.56	1.55			
Credit loss ratio (%)		1.39	1.24		0.63	0.31			
Cost-to-income ratio (%)		59.8	62.4		63.4	62.1			
Number of employees excluding Argentina	(0)	20 713	20 781	(2)	3 141	3 203	2	18 882	18 501
Number of employees – Argentina							(100)	-	3 419

<sup>1</sup> Includes adjustments on consolidation of Liberty Holdings into the Standard Bank Group.

	Change %	Banking activities		Liberty <sup>1</sup>		Normalised Standard Bank Group		IFRS adjustments		IFRS Standard Bank Group				
		2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm			
	17	68 707	58 751	(100)	(139)	17	68 568	58 751	(193)	(199)	17	68 375	58 552	
	18	34 233	29 027			18	34 233	29 027	(218)	(200)	18	34 015	28 827	
	16	34 474	29 724	(100)	(139)	16	34 335	29 724	25	1	16	34 360	29 725	
	8	21 319	19 782			8	21 319	19 782			8	21 319	19 782	
	12	8 868	7 895			12	8 868	7 895	25	1	13	8 893	7 896	
	>100	4 287	2 047	(100)	(139)	>100	4 148	2 047			>100	4 148	2 047	
						56	76 000	48 806	(284)	29	55	75 716	48 835	
						12	29 631	26 393			12	29 631	26 393	
						>100	43 656	19 994	(284)	29	>100	43 372	20 023	
						12	2 713	2 419			12	2 713	2 419	
	17	68 707	58 751	55	75 861	48 806	34	144 568	107 557	(477)	(170)	34	144 091	107 387
	37	8 800	6 436			37	8 800	6 436			37	8 800	6 436	
	55	9 040	5 849			55	9 040	5 849			55	9 040	5 849	
	61	8 240	5 117			61	8 240	5 117			61	8 240	5 117	
	9	800	732			9	800	732			9	800	732	
	(>100)	(240)	587			(>100)	(240)	587			(>100)	(240)	587	
						68	56 878	33 799			68	56 878	33 799	
						54	43 864	28 480			54	43 864	28 480	
						>100	10 035	4 089			>100	10 035	4 089	
						>100	2 979	1 230			>100	2 979	1 230	
	15	59 907	52 315	26	18 983	15 007	17	78 890	67 322	(477)	(170)	17	78 413	67 152
	15	39 998	34 725			15	39 998	34 725			15	39 998	34 725	
	16	22 195	19 141			16	22 195	19 141			16	22 195	19 141	
	14	17 803	15 584			14	17 803	15 584			14	17 803	15 584	
	13	19 909	17 590	26	18 983	15 007	19	38 892	32 597	(477)	(170)	18	38 415	32 427
	100	758				100	758				100	758		
	15	11 952	10 410			15	11 952	10 410			15	11 952	10 410	
	17	3 818	3 268			17	3 818	3 268			17	3 818	3 268	
	14	8 134	7 142			14	8 134	7 142			14	8 134	7 142	
	9	19 151	17 590	53	7 031	4 597	18	26 182	22 187	(477)	(170)	17	25 705	22 017
	>100	777	61			>100	777	61			>100	777	61	
	5	18 374	17 529	53	7 031	4 597	15	25 405	22 126	(477)	(170)	14	24 928	21 956
	(100)	(86)		100	274		100	188			100	188		
	>100	675	257	(4)	26	27	>100	701	284			>100	701	284
	7	18 963	17 786	59	7 331	4 624	17	26 294	22 410	(477)	(170)	16	25 817	22 240
	30	1 412	1 085	18	354	299	28	1 766	1 384			28	1 766	1 384
	5	17 551	16 701	61	6 977	4 325	17	24 528	21 026	(477)	(170)	15	24 051	20 856
	1	4 354	4 312	96	2 717	1 383	24	7 071	5 695	4	18	24	7 075	5 713
	7	13 197	12 389	45	4 260	2 942	14	17 457	15 331	(481)	(188)	12	16 976	15 143
	>100	2 435	641			>100	2 435	641			>100	2 435	641	
	42	910	641			42	910	641			42	910	641	
	100	1 525				100	1 525				100	1 525		
	20	15 632	13 030	45	4 260	2 942	25	19 892	15 972	(481)	(188)	23	19 411	15 784
	23	855	694	45	2 188	1 514	38	3 043	2 208	(130)	(5)	32	2 913	2 213
	5	357	339			5	357	339	(5)	6	2	352	345	
	20	14 420	11 997	45	2 072	1 428	23	16 492	13 425	(346)	(199)	22	16 146	13 226
	(>100)	(1 443)	174	(100)	(39)		(>100)	(1 482)	174			(>100)	(1 482)	174
	7	12 977	12 171	42	2 033	1 428	10	15 010	13 599	(346)	(199)	9	14 664	13 400
		13.3	13.8		25.2	20.2		14.2	14.3			14.6	14.6	
		3.09	2.92					3.09	2.92			3.07	2.91	
		1.08	0.87					1.08	0.87			1.08	0.87	
		58.7	58.8					58.7	58.8			59.0	59.0	
	1	42 736	42 485	9										

## Segmental statement of financial position

	Personal & Business Banking			Corporate & Investment Banking			Central and other		
	Change %	2012 Rm	2011 Rm	Change %	2012 Rm	2011 Rm	Change %	2012 Rm	2011 Rm
<b>Assets</b>									
Cash and balances with central banks	7	4 027	3 754	>100	47 868	20 417	30	10 090	7 736
Financial investments, trading and pledged assets	37	4 312	3 137	14	217 971	190 860	(>100)	(1 613)	(227)
Loans and advances	10	489 895	446 571	(7)	352 952	380 033	(27)	(28 955)	(22 793)
Loans and advances to banks	(5)	27 049	28 541	(17)	106 363	128 743	7	(25 216)	(27 027)
Loans and advances to customers	11	462 846	418 030	(2)	246 589	251 290	(>100)	(3 739)	4 234
Investment property									
Derivative and other assets	68	6 043	3 607	(15)	139 663	165 198	65	(271)	(772)
Non-current assets held for sale	100	960	–	(100)	–	3 010	(100)	–	31 075
Interest in associates and joint ventures	(33)	795	1 191	(3)	615	631	>100	1 400	59
Goodwill and other intangible assets	54	8 287	5 396	(24)	2 582	3 377	14	3 059	2 676
Property and equipment	10	4 824	4 389	1	1 355	1 335	8	7 224	6 701
<b>Total assets</b>	11	519 143	468 045	(0)	763 006	764 861	(>100)	(9 066)	24 455
<b>Equity and liabilities</b>									
<b>Equity</b>	29	43 844	33 992	(0)	47 323	47 467	3	23 909	23 241
Equity attributable to ordinary shareholders	29	42 298	32 835	(1)	44 856	45 457	8	17 864	16 590
Preference share capital and premium								5 503	5 503
Non-controlling interest	34	1 546	1 157	23	2 467	2 010	(53)	542	1 148
<b>Liabilities</b>	10	475 299	434 053	(0)	715 683	717 394	(>100)	(32 975)	1 214
Deposit and current accounts	9	461 343	422 231	1	471 831	467 381	(>100)	(3 021)	(644)
Deposits from banks	32	1 705	1 287	(4)	123 052	128 567	(>100)	(482)	(113)
Deposits and current accounts from customers	9	459 638	420 944	3	348 779	338 814	(>100)	(2 539)	(531)
Derivative, trading and other liabilities	>100	6 118	2 371	(3)	226 346	233 272	(49)	(34 724)	(23 255)
Non-current liabilities held for sale							(100)	–	27 939
Policyholders' liabilities									
Subordinated debt	(17)	7 838	9 451	5	17 506	16 741	>100	4 770	(2 826)
<b>Total equity and liabilities</b>	11	519 143	468 045	(0)	763 006	764 861	(>100)	(9 066)	24 455
Average assets – banking activities excluding trading derivatives		489 809	442 995		637 490	563 372		(16 515)	(13 228)
Average loans and advances (gross)		477 697	436 266		371 820	332 848		(31 990)	(29 032)
Average ordinary shareholders' equity		37 392	30 542		45 981	42 389		14 290	15 162

<sup>1</sup> Includes elimination of balances between Liberty and banking activities.

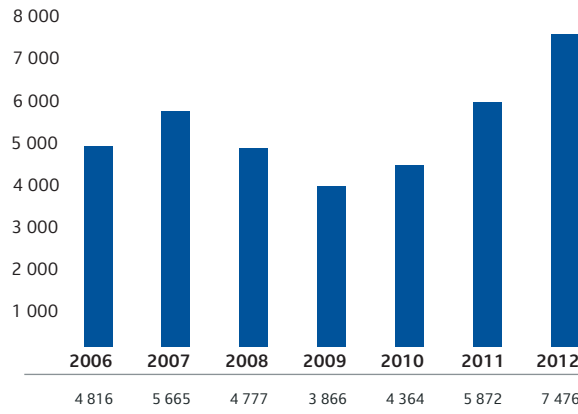
	Banking activities			Liberty <sup>1</sup>			Normalised Standard Bank Group			IFRS adjustments		IFRS Standard Bank Group		
	Change %	2012 Rm	2011 Rm	Change %	2012 Rm	2011 Rm	Change %	2012 Rm	2011 Rm	2012 Rm	2011 Rm	Change %	2012 Rm	2011 Rm
	94	61 985	31 907				94	61 985	31 907			94	61 985	31 907
	14	220 670	193 770	16	225 279	194 209	15	445 949	387 979	(1 732)	(2 098)	15	444 217	385 881
	1	813 892	803 811				1	813 892	803 811	(2 721)	(2 503)	1	811 171	801 308
	(17)	108 196	130 257				(17)	108 196	130 257			(17)	108 196	130 257
	5	705 696	673 554				5	705 696	673 554	(2 721)	(2 503)	5	702 975	671 051
				3	24 133	23 470	3	24 133	23 470			3	24 133	23 470
	(13)	145 435	168 033	32	8 653	6 536	(12)	154 088	174 569			(12)	154 088	174 569
	(97)	960	34 085				(97)	960	34 085			(97)	960	34 085
	49	2 810	1 881	20	14 436	12 054	24	17 246	13 935			24	17 246	13 935
	22	13 928	11 449	(42)	759	1 305	15	14 687	12 754			15	14 687	12 754
	8	13 403	12 425	(7)	2 330	2 495	5	15 733	14 920			5	15 733	14 920
	1	1 273 083	1 257 361	15	275 590	240 069	3	1 548 673	1 497 430	(4 453)	(4 601)	3	1 544 220	1 492 829
	10	115 076	104 700	12	19 476	17 323	10	134 552	122 023	(4 379)	(4 490)	11	130 173	117 533
	11	105 018	94 882	16	8 887	7 641	11	113 905	102 523	(3 535)	(3 481)	11	110 370	99 042
	–	5 503	5 503				–	5 503	5 503			–	5 503	5 503
	6	4 555	4 315	9	10 589	9 682	8	15 144	13 997	(844)	(1 009)	10	14 300	12 988
	0	1 158 007	1 152 661	15	256 114	222 746	3	1 414 121	1 375 407	(74)	(111)	3	1 414 047	1 375 296
	5	930 153	888 968	(16)	(11 620)	(10 046)	5	918 533	878 922			5	918 533	878 922
	(4)	124 275	129 741				(4)	124 275	129 741			(4)	124 275	129 741
	6	805 878	759 227	(16)	(11 620)	(10 046)	6	794 258	749 181			6	794 258	749 181
	(7)	197 740	212 388	30	29 616	22 839	(3)	227 356	235 227	(74)	(111)	(3)	227 282	235 116
	(100)	–	27 939				(100)	–	27 939			(100)	–	27 939
				13	236 684	208 565	13	236 684	208 565			13	236 684	208 565
	29	30 114	23 366	3	1 434	1 388	27	31 548	24 754			27	31 548	24 754
	1	1 273 083	1 257 361	15	275 590	240 069	3	1 548 673	1 497 430	(4 453)	(4 601)	3	1 544 220	1 492 829
		1 110 784	993 139					1 110 784	993 139	(2 262)	(2 098)		1 108 522	991 041
		817 527	740 082					817 527	740 082	(2 421)	(2 253)		815 106	737 829
		97 663	88 093					105 722	95 156	(3 687)	(3 638)		102 035	91 518



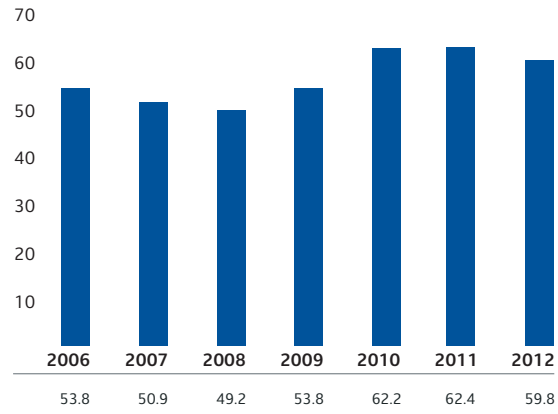
# Personal & Business Banking

## Headline earnings (Rm)

CAGR (2006 – 2012): 8%



## Cost-to-income ratio (%)



		Change %	2012	2011
Net interest income	Rm	20	<b>23 834</b>	19 936
Non-interest revenue	Rm	8	<b>18 446</b>	17 081
Total income	Rm	14	<b>42 280</b>	37 017
Credit impairment charges	Rm	23	<b>6 658</b>	5 426
Operating expenses	Rm	10	<b>25 620</b>	23 224
Taxation	Rm	8	<b>2 951</b>	2 745
Headline earnings	Rm	27	<b>7 476</b>	5 872
Headline earnings change	%		<b>27</b>	35
Headline earnings contribution to the group	%		<b>50</b>	43
ROE	%		<b>20.0</b>	19.2
Net interest margin	%		<b>4.88</b>	4.50
Cost-to-income ratio	%		<b>59.8</b>	62.4
Credit loss ratio	%		<b>1.39</b>	1.24
Effective taxation rate	%		<b>28.0</b>	32.3
Total assets	Rm	11	<b>519 143</b>	468 045
External net loans and advances	Rm	10	<b>489 895</b>	446 571
Number of employees		(0)	<b>20 713</b>	20 781

### Favourable

- Net interest income benefited from balance sheet growth at higher pricing.
- Positive endowment impact in the rest of Africa offsetting a negative impact in South Africa.
- Higher non-interest revenue following strong balance growth in the transactional, savings and investment portfolios, as well as increased electronic and card-based commission revenue.
- Increased short-term insurance policy base.
- Enhanced fraud prevention measures reducing operational risk losses.

### Adverse

- Increased credit impairment charges in South Africa following significant growth in personal term loans.
- Increased credit impairment charges in the rest of Africa, particularly Uganda and Zambia, due to high interest rate environments and inflationary pressures.
- Higher operating expenses due to increased business volumes, particularly in the rest of Africa.
- Increased amortisation and information technology costs due to the commissioning of several new IT systems.

## Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	2012 Rm	2011 Rm	Change %	2012 Rm	2011 Rm
Mortgage lending	9	5 402	4 953	>100	985	420
Instalment sale and finance leases	15	2 609	2 273	(8)	309	335
Card products	9	4 530	4 160	46	1 309	899
Transactional products	14	19 417	17 056	26	2 913	2 305
Lending products	27	6 705	5 282	(33)	557	837
Bancassurance and wealth	10	3 617	3 293	30	1 403	1 076
<b>Personal &amp; Business Banking</b>	<b>14</b>	<b>42 280</b>	<b>37 017</b>	<b>27</b>	<b>7 476</b>	<b>5 872</b>

### Mortgage lending

- Higher net interest income due to loan book growth and increased pricing in anticipation of Basel III.
- Reduced non-performing loan portfolio following several management initiatives.
- Decreased credit impairment charge.
- Effective cost containment measures.

### Instalment sale and finance leases

- Continued improvement in vehicle sales in South Africa, primarily in the personal segment.
- Margin compression in the rest of Africa due to competitive pressures and increased cost of funding, particularly in Nigeria.
- Growth in fleet revenue.
- Higher portfolio credit impairment charge due to increased levels of new business.
- Business expansion and high inflationary environments in the rest of Africa increased operating expenses.

### Card products

- Higher net interest income from loan book growth due to new account initiatives, credit limit increases and account upgrades.
- Higher turnover volumes.
- Higher card acquiring turnover due to the acquisition of high value corporate merchants and growth in existing business.
- Higher installation, maintenance and depreciation costs as a result of increased point-of-sale devices to accommodate merchant acquisitions.

### Transactional products

- Strong balance growth in the transactional, savings and investment portfolios.
- Growth in personal transactional volumes and improved business online volumes.
- Higher fee and commission revenue despite reduced pricing introduced in April 2012.
- Positive endowment effect in the rest of Africa with strong balance growth in Nigeria and Ghana, supported by product campaigns.

### Lending products

- Increased balances in overdrafts and revolving credit facilities due to marketing initiatives and limit increases.
- Increased business term loans driven by higher utilisation of working capital facilities.
- Higher credit impairment charges largely due to growth in the unsecured lending book, including personal term loans in South Africa and workplace banking in the rest of Africa.

### Bancassurance and wealth

- Increased short-term underwriting profits due to book growth and improved claims management process.
- Increased embedded products profit due to growth in the active policy base, penetration into core banking products and reduced cancellations.

## Personal & Business Banking – South Africa

		Change %	2012	2011
Net interest income	Rm	17	19 121	16 328
Non-interest revenue	Rm	5	15 810	14 987
Total income	Rm	12	34 931	31 315
Credit impairment charges	Rm	14	5 553	4 891
Operating expenses	Rm	8	19 181	17 814
Headline earnings	Rm	25	7 598	6 058
ROE	%		24.4	23.3
Cost-to-income ratio	%		54.0	56.6
Credit loss ratio	%		1.33	1.27

## Personal & Business Banking continued

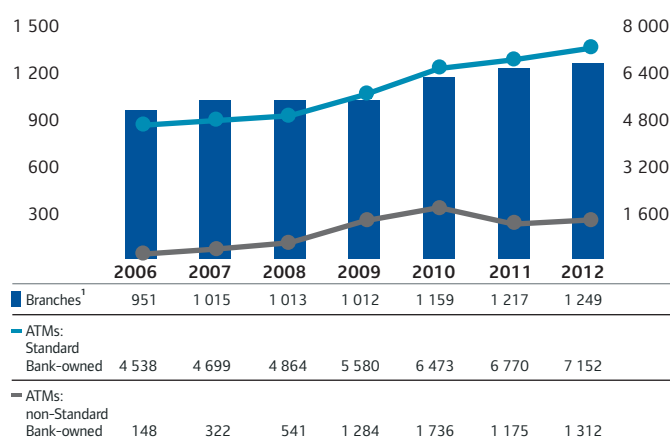
### External loans and advances by product

	Change %	2012 Rm	2011 Rm
<b>Loans and advances to banks</b>	(5)	27 049	28 541
Call loans	(28)	17 657	24 479
Balances with banks	>100	9 392	4 062
<b>Loans and advances to customers</b>	11	462 846	418 030
Gross loans and advances to customers	11	475 105	429 290
Mortgage loans	5	299 675	286 100
Instalment sale and finance leases	17	62 860	53 741
Card debtors	16	24 052	20 726
Overdrafts and other demand loans	24	29 824	23 980
Other term loans	32	54 812	41 485
Commercial property finance	17	3 429	2 932
Other loans and advances	39	453	326
Less: Credit impairments for loans and advances	9	12 259	11 260
Specific credit impairments	14	8 614	7 577
Portfolio credit impairments	(1)	3 645	3 683
<b>Net loans and advances</b>	10	489 895	446 571
<b>Comprising:</b>			
Gross loans and advances	10	502 154	457 831
Less: Credit impairments	9	12 259	11 260
<b>Net loans and advances</b>	10	489 895	446 571
<b>Securitised assets consolidated above:</b>			
Mortgage loans	(9)	11 113	12 175

### Deposit and current accounts by product

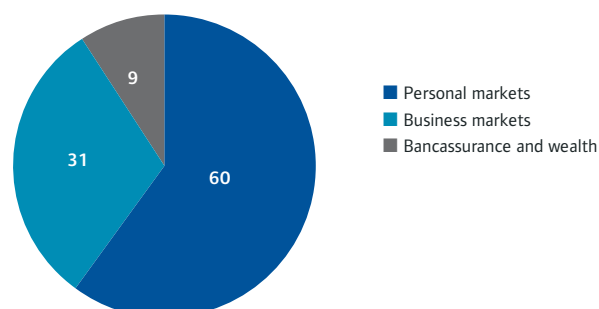
	Change %	2012 Rm	2011 Rm
<b>Wholesale priced deposit and current accounts</b>	12	64 765	57 636
Call deposits	16	52 992	45 650
Securitisation issuances	(2)	11 773	11 986
<b>Retail priced deposit and current accounts</b>	9	248 289	227 730
Current accounts	15	87 830	76 513
Cash management deposits	24	15 696	12 618
Call deposits	7	62 675	58 435
Savings accounts	4	24 201	23 330
Term deposits	2	50 956	49 779
Other funding	(2)	6 931	7 055
<b>Inter-divisional funding</b>	8	148 289	136 865
<b>Total deposit and current accounts</b>	9	461 343	422 231

## Points of representation



<sup>1</sup> Including loan centres.

## Composition of income per market segment (%)



## Key business statistics

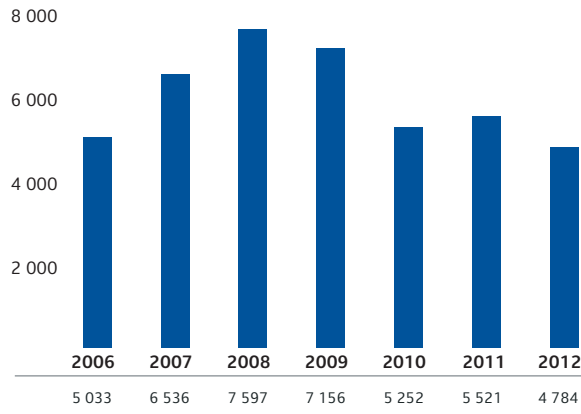
		Change %	2012	2011
<b>South Africa</b>				
<b>Mortgage loans</b>				
Number of loan applications received	thousands	(1)	291	294
Change in value of new business registered	%		2	17
Average loan-to-value (LTV) of new business registered	%		87	87
Average balance-to-original-value (BTV) of portfolio	%		66	66
Average instalment-to-income (ITI) of new business	%		19	20
Proportion of new business referred by independent mortgage originators and estate agents	%		53	53
<b>Instalment sale and finance leases</b>				
Growth in value of new loans				
– motor	%		15	52
– non-motor	%		23	26
<b>Number of accounts at year-end<sup>1</sup></b>				
Credit card accounts	thousands	7	2 319	2 159
Current accounts	thousands	11	2 569	2 308
Mzansi accounts	thousands	1	1 455	1 443
Other transaction and savings accounts	thousands	28	5 752	4 492
<b>Distribution</b>				
Change in Internet users	%		34	21
Change in automated teller machine (ATM) transactions	%		2	7
<b>Points of representation</b>				
Branches		(2)	621	635
Loan centres		47	100	68
ATMs		6	7 414	7 006
ATMs – Standard Bank – owned		5	6 102	5 831
ATMs – non-Standard Bank – owned		12	1 312	1 175
Access points (active)		(7)	4 650	4 976
<b>Rest of Africa</b>				
<b>Points of representation</b>				
Branches <sup>2</sup>		3	528	514
ATMs		12	1 050	939
Change in ATM transactions	%		35	11

<sup>1</sup> Excluding nil balances.

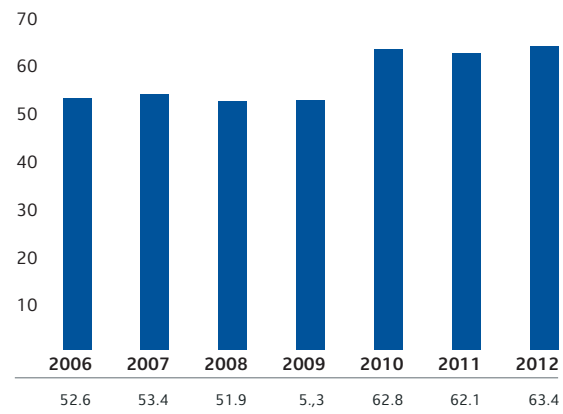
<sup>2</sup> Includes service centres, customer service trade points, agencies, in-store banking and bank at work sites.

# Corporate & Investment Banking

## Headline earnings (Rm) CAGR (2006 – 2012): (1%)

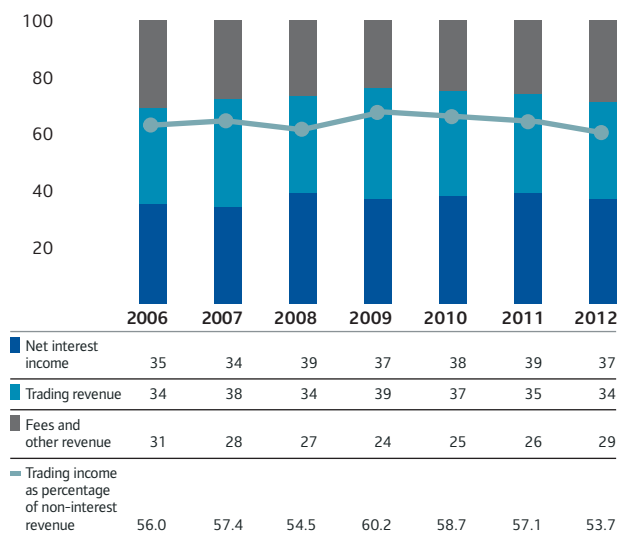


## Cost-to-income ratio (%)



	Change %	2012 Rm	2011 Rm
Net interest income	14	9 938	8 742
Non-interest revenue	24	17 000	13 737
Net fee and commission revenue	14	5 920	5 176
Trading revenue	16	9 121	7 840
Other revenue	>100	1 959	721
Total income	20	26 938	22 479
Credit impairment charges	>100	2 340	1 021
Operating expenses	17	16 394	14 000
Restructure charge	100	758	
Net income before taxation	(1)	7 431	7 504
Taxation	9	1 772	1 631
Headline earnings	(13)	4 784	5 521
Headline earnings change	%	(13)	5
Headline earnings contribution to the group	%	32	41
ROE	%	10.4	13.0
Net interest margin	%	1.56	1.55
Cost-to-income ratio	%	63.4	62.1
Cost-to-income ratio before restructure charge	%	60.6	62.1
Credit loss ratio	%	0.63	0.31
Effective taxation rate	%	23.8	21.7
Total assets	Rm	(0) 763 006	764 861
External net loans and advances	Rm	(7) 352 952	380 033
Number of employees		(2) 3 141	3 203

## Income contribution (%)



### Favourable

- Strong revenue growth across core business units in Africa, especially TPS.
- Improved origination in core strategic areas in Investment Banking and a positive endowment effect in the rest of Africa.
- Increased commitment and advisory fees.
- Strong performance in FIC trading in the rest of Africa and South Africa.
- Fair value gains on strategic investments and listed property portfolios.
- Profit on the disposal of an equity investment in a Commodities Exchange.

### Adverse

- Large specific credit impairments outside Africa on Middle Eastern exposures.
- Increased credit impairments in the rest of Africa following strong loan book growth.
- Growth in operating expenses in the rest of Africa due to increased headcount, investment in technology and a high inflationary environment.
- Significant restructuring charge together with regulatory and compliance based costs incurred outside Africa.
- No tax relief on losses outside Africa due to conservative assumptions on the future tax base.
- Challenging market conditions for trading outside Africa.

## Corporate & Investment Banking continued

### Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	2012 Rm	2011 Rm	Change %	2012 Rm	2011 Rm
Global markets	8	10 262	9 464	(37)	1 134	1 806
Investment banking	11	6 757	6 113	(21)	1 981	2 517
Transactional products and services	32	8 325	6 292	29	1 917	1 482
Real estate and principal investment management	60	1 521	951	>100	358	14
Curtailed operations	>100	73	(341)	79	(68)	(329)
Restructure charge				(100)	(538)	
Troika (held for sale)				(100)	-	31
<b>Corporate &amp; Investment Banking</b>	<b>20</b>	<b>26 938</b>	<b>22 479</b>	<b>(13)</b>	<b>4 784</b>	<b>5 521</b>

### Total profit before tax by product

	Change %	2012 Rm	2011 Rm
Global markets	2	2 799	2 757
Investment banking	(43)	1 417	2 502
Transactional products and services	28	3 267	2 552
Real estate and principal investment management	>100	704	204
Curtailed operations	>100	2	(511)
Restructure charge	(100)	(758)	
<b>Corporate &amp; Investment Banking</b>	<b>(1)</b>	<b>7 431</b>	<b>7 504</b>

#### Global markets

- Higher FIC revenue in the rest of Africa from increased demand and in South Africa due to strong client flow in interest and credit derivatives.
- Profit on the disposal of an equity investment in a Commodities Exchange (excluded from headline earnings).
- Strong performance in base metals.
- Compressed margin as regulatory requirements necessitated increased liquid asset buffers outside Africa.
- Reduced revenue outside Africa due to a challenging operating environment on the back of increased competition, tight margins and subdued trading volumes.
- Large trading counterparty provisions on the FIC desk outside Africa and the equity desk in South Africa.
- Growth in operating expenses, particularly investment in technology platforms to facilitate the utilisation of SBSA's balance sheet in booking of risk positions originated in other group entities.

#### Investment banking

- Increased net interest income due to average loan book growth across Africa at higher margins.
- Good growth in fee and commission revenue, particularly oil and gas advisory fees and renewable energy project financing.
- Gains from the sale of an unlisted equity portfolio outside Africa.
- Large specific impairments taken on the Middle Eastern portfolio originated outside Africa.

#### Transactional products and services

- Strong deposit and asset growth across all regions.
- Increased trade and investor services volumes, particularly in export confirmations, letters of credit, securities lending and derivatives clearing.
- Positive endowment effect in the rest of Africa.
- Small number of large credit impairment provisions taken in the rest of Africa following strong book growth.

#### Real estate and principal investment management

- Profit on the disposal of a listed property investment in South Africa (excluded from headline earnings).
- Fair value gains on listed property investments in South Africa.

#### Restructure charge

- Total restructuring charge outside Africa of USD88,7 million.
- Restructure charge of USD8,8 million incurred in the first half of 2012 in Brazil.
- Further costs of USD79,9 million taken in the second half of the year, mainly in London, include termination costs, onerous lease provisions and intangible assets impairment.

## External loans and advances by product

	Change %	2012 Rm	2011 Rm
<b>Loans and advances to banks</b>	(17)	<b>106 363</b>	128 743
Call loans	29	<b>21 532</b>	16 741
Loans granted under resale agreements	(67)	<b>13 776</b>	41 357
Balances with banks	1	<b>71 055</b>	70 645
<b>Loans and advances to customers</b>	(2)	<b>246 589</b>	251 290
Gross loans and advances to customers	(1)	<b>251 805</b>	254 788
Overdrafts and other demand loans	7	<b>34 618</b>	32 477
Term loans	2	<b>161 225</b>	158 116
Loans granted under resale agreements	(43)	<b>11 562</b>	20 222
Commercial property finance	1	<b>37 964</b>	37 775
Other loans and advances	4	<b>6 436</b>	6 198
Less: Credit impairments for loans and advances	49	<b>5 216</b>	3 498
Specific credit impairments	77	<b>3 901</b>	2 198
Portfolio credit impairments	1	<b>1 315</b>	1 300
<b>Net loans and advances</b>	(7)	<b>352 952</b>	380 033
<b>Comprising:</b>			
Gross loans and advances	(7)	<b>358 168</b>	383 531
Less: Credit impairments	49	<b>5 216</b>	3 498
<b>Net loans and advances</b>	(7)	<b>352 952</b>	380 033

## Deposit and current accounts by product

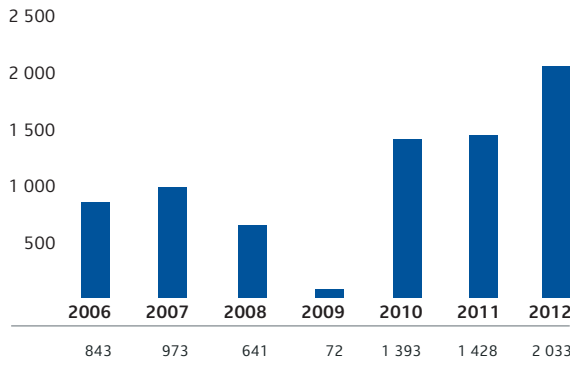
	Change %	2012 Rm	2011 Rm
<b>Wholesale priced deposit and current accounts</b>	3	<b>623 708</b>	607 726
Current accounts	29	<b>40 146</b>	31 193
Cash management deposits	6	<b>91 272</b>	85 861
Call deposits	(3)	<b>66 281</b>	68 368
Term deposits	(5)	<b>202 056</b>	211 930
Negotiable certificates of deposits	20	<b>79 966</b>	66 686
Repurchase agreements	51	<b>8 294</b>	5 496
Other funding	(2)	<b>135 693</b>	138 192
<b>Inter-divisional funding</b>	(8)	<b>(151 877)</b>	(140 345)
<b>Total deposit and current accounts</b>	1	<b>471 831</b>	467 381



# Liberty

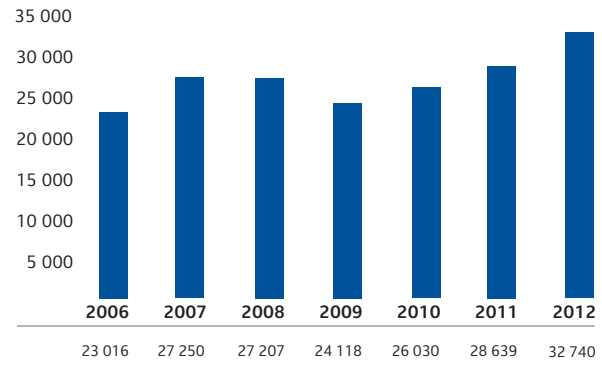
## Headline earnings – SBG share (Rm)

CAGR (2006 – 2012): 16%



## Normalised embedded value (Rm)

CAGR (2006 – 2012): 6%



		Change %	2012	2011 <sup>1</sup>
Net insurance premiums <sup>2</sup>	Rm	12	29 631	26 393
Investment income and gains <sup>2</sup>	Rm	>100	43 656	19 994
Benefits due to policyholders <sup>2</sup>	Rm	68	56 878	33 799
Management and service fee income <sup>2</sup>	Rm	12	2 713	2 419
Operating expenses <sup>2</sup>	Rm	15	11 952	10 410
BEE normalised headline earnings <sup>2</sup>	Rm	41	3 768	2 663
Headline earnings attributable to the group	Rm	42	2 033	1 428
Effective interest in Liberty at year-end	%		54.4	53.6
ROE	%		25.2	20.2
Return on Liberty group equity value <sup>3</sup>	%		20.8	15.3
Indexed new business (excluding contractual increases) <sup>3</sup>	Rm	18	6 055	5 152
New business margin <sup>3</sup>	%		2.0	1.4
Net cash inflows in insurance operations <sup>3</sup>	Rm	8	4 576	4 230
Normalised Liberty group equity value <sup>3</sup>	Rm	14	32 740	28 639
Capital adequacy requirement cover (times covered)			2.71	2.89

<sup>1</sup> Gains and losses on owner-occupied properties are, in terms of Liberty's accounting policies, measured at fair value through other comprehensive income. Liberty has restated its results for the impact of the above. The impact was considered immaterial to the group and therefore comparative results were not adjusted.

<sup>2</sup> Includes adjustments on consolidation of Liberty Holdings into the Standard Bank Group.

<sup>3</sup> Liberty as published.

### Favourable

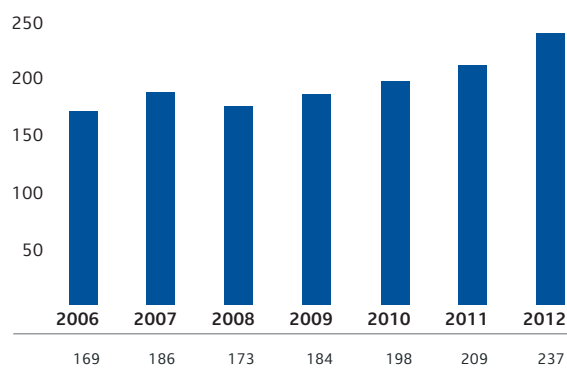
- Increased indexed long-term insurance new business and strong positive net client cash inflows.
- Improved long-term insurance new business margin due to growth in sales, positive change in sales mix and sustained improvements in persistency.
- Positive investment returns and improved investment performance.
- Increased contribution to new business volumes and earnings from our revised commercial bancassurance joint venture.
- Increase in total assets under management due to strong inflows and positive investment markets.

### Adverse

- Health client base not yet sufficient to leverage the investment in systems and processes.
- Increased property development capacity costs and delays in obtaining property development mandates.
- Build costs and high lapse rates in direct financial services.

**Policyholder liabilities (Rbn)**

CAGR (2006 – 2012): 6%

**BEE normalised summarised income statement**

	Change %	2012 Rm	2011 <sup>1</sup> Rm
Insurance premium revenue	13	30 720	27 302
Reinsurance premiums	(20)	(1 089)	(909)
<b>Net insurance premiums</b>	12	<b>29 631</b>	26 393
Investment income and gains	>100	43 679	19 972
Management and service fee income	19	2 893	2 423
Defined benefit pension fund employer deficit	(>100)	(45)	(4)
<b>Total revenue</b>	56	<b>76 158</b>	48 784
Benefits due to policyholders	68	56 878	33 799
Net insurance benefits and claims	54	43 864	28 480
Fair value adjustment to policyholders' liabilities under investment contracts	>100	10 035	4 089
Fair value adjustment on third party mutual fund interests	>100	2 979	1 230
<b>Income after policyholders' benefits</b>	29	<b>19 280</b>	14 985
Operating expenses	15	12 306	10 665
Insurance, investment and asset management acquisition costs	17	3 818	3 268
General marketing and administration expenses	15	7 445	6 498
Finance costs	(10)	243	271
Preference dividend in subsidiary	27	800	628
Equity accounted earnings from joint ventures	(67)	3	9
<b>Profit before taxation</b>	61	<b>6 977</b>	4 329
Taxation	96	2 717	1 383
<b>Total earnings</b>	45	<b>4 260</b>	2 946
Preference share dividend deducted	–	(2)	(2)
Headline earnings adjustable items	(100)	(71)	
<b>Total headline earnings</b>	42	<b>4 187</b>	2 944
Attributable to non-controlling interests <sup>2</sup>	49	419	281
<b>BEE normalised headline earnings</b>	41	<b>3 768</b>	2 663

<sup>1</sup> Gains and losses on owner-occupied properties are, in terms of Liberty's accounting policies, measured at fair value through other comprehensive income. Liberty has restated its results for the impact of the above. The impact was considered immaterial to the group and therefore comparative results were not adjusted.

<sup>2</sup> Non-controlling interest within Liberty Holdings.

## Liberty continued

### BEE normalised headline earnings by segment

	Change %	2012 Rm	2011 <sup>1</sup> Rm
Retail Insurance South Africa	(1)	1 299	1 314
Liberty corporate	>100	75	36
LibFin	88	2 116	1 124
Stanlib	18	489	414
Liberty properties	(50)	48	96
Liberty Africa	>100	69	21
Liberty health	35	(42)	(65)
Other	(3)	(286)	(277)
<b>BEE normalised headline earnings</b>	41	<b>3 768</b>	2 663

<sup>1</sup> Gains and losses on owner-occupied properties are, in terms of Liberty's accounting policies, measured at fair value through other comprehensive income. Liberty has restated its results for the impact of the above. The impact was considered immaterial to the group and therefore comparative results were not adjusted.

### External assets under management

	Change %	2012 Rbn	2011 Rbn
<b>Asset management – assets under management</b>	5	<b>42</b>	40
Segregated funds	6	38	36
Properties	–	4	4
<b>Wealth management – funds under administration</b>	10	<b>236</b>	215
Single manager unit trust	14	100	88
Institutional marketing	30	48	37
Linked and structured life products	30	43	33
Multi-manager	(40)	9	15
Rest of Africa	(14)	36	42
<b>Total external assets under management</b>	9	<b>278</b>	255

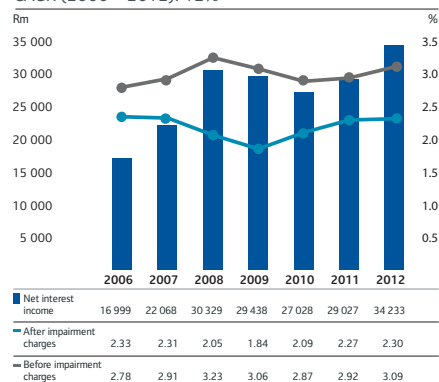
# Income statement analysis

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Credit impairment charges	48
Operating expenses	52
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## Net interest income and margin analysis

### Net interest income and net interest margin

CAGR (2006 – 2012): 12%



### Movement in average assets, net interest income and margin per business unit

	Personal & Business Banking		
	Average assets Rm	Net interest income Rm	Net interest margin %
<b>2011 as reported</b>	440 129	19 858	4.51
Reclassifications	2 866	78	(0.01)
<b>2011 restated</b>	442 995	19 936	4.50
Net non-interest earning assets	(17 724)	758	0.37
<b>Interest earning assets – 2011</b>	425 271	20 694	4.87
Impact of volume changes	<b>41 278</b>	<b>2 780</b>	
Impact of calendar variance		58	
Impact of rate changes		<b>1 476</b>	<b>0.35</b>
Lending margin		<b>1 209</b>	<b>0.28</b>
Client yield <sup>1</sup>		<b>1 743</b>	<b>0.41</b>
Cost of funding <sup>2</sup>		<b>(534)</b>	<b>(0.13)</b>
Unwinding of discount on credit impairments – IAS 39		<b>(216)</b>	<b>(0.05)</b>
Funding margin		75	0.02
Endowment – funding		362	0.09
Endowment – capital and reserves		70	0.02
Assets held for liquidity purposes		<b>(35)</b>	<b>(0.01)</b>
Other treasury and banking activities		11	0.00
Change in composition of balance sheet			0.15
<b>Interest earning assets – 2012</b>	<b>466 549</b>	<b>25 008</b>	<b>5.37</b>
Net non-interest earning assets	23 260	(1 174)	(0.49)
<b>2012</b>	<b>489 809</b>	<b>23 834</b>	<b>4.88</b>
Net interest income change (%)		19.6	
Average assets change (%)	10.6		

<sup>1</sup> Client yield changes refer to the difference in movement between average client rates and base lending rates.

<sup>2</sup> Cost of funding changes refer to the difference in movement between base lending rates and an allocated cost of funding based on the term nature of the asset.

### Favourable

- Improved pricing on new mortgage lending business, catering for anticipated liquidity requirements.
- Growth in higher margin overdrafts, revolving credit plans and other unsecured lending.
- Less expensive sources of funding in CIB and favourable movements in yield curves.
- Strong balance growth in the rest of Africa.
- Positive endowment impact on transactional balances, primarily from higher interest rates in Nigeria and East Africa.
- Increased investment banking average lending balances at higher margins in South Africa.
- Translation effect of the weaker rand.

### Adverse

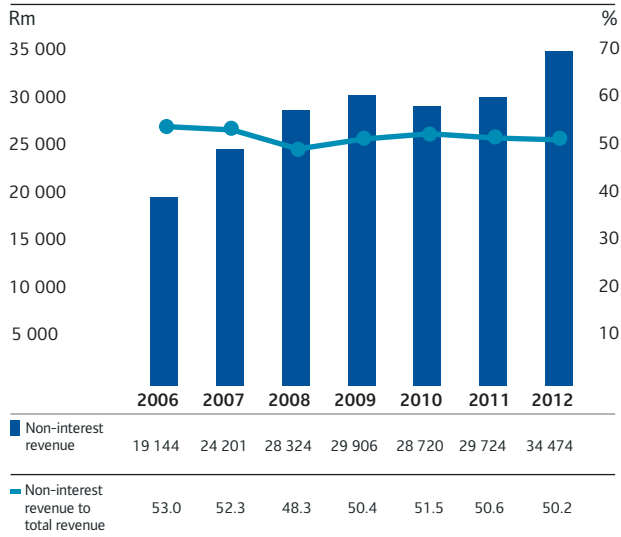
- Competitive constraints in passing the effects of higher funding costs to clients in the rest of Africa.
- Increased holding cost of prudential assets in the rest of Africa.
- Lower unwinding to interest income of the IAS 39 discount on expected recoveries of non-performing loans.
- Negative endowment impact on capital balances due to a reduction in the Euro Interbank Offer Rate and the lower average South African prime rate.
- Increased liquid asset buffer requirements outside Africa.

	Corporate & Investment Banking			Banking activities		
	Average assets Rm	Net interest income Rm	Net interest margin %	Average assets Rm	Net interest income Rm	Net interest margin %
	565 598	8 820	1.56	992 499	29 027	2.92
	(2 226)	(78)	(0.01)	640	–	0.00
	563 372	8 742	1.55	993 139	29 027	2.92
	(149 680)	1 185	0.85	(184 425)	2 968	1.04
	413 692	9 927	2.40	808 714	31 995	3.96
	<b>43 200</b>	<b>938</b>		<b>80 874</b>	<b>3 625</b>	
		24			86	
		512	0.12		2 200	0.27
		<b>(1 007)</b>	<b>(0.24)</b>		<b>149</b>	<b>0.02</b>
		218	0.05		1 918	0.24
		<b>(1 225)</b>	<b>(0.29)</b>		<b>(1 769)</b>	<b>(0.22)</b>
		5	0.00		(211)	(0.03)
		1 144	0.28		1 258	0.16
		698	0.17		1 060	0.13
		<b>(131)</b>	<b>(0.03)</b>		<b>(112)</b>	<b>(0.01)</b>
		<b>(229)</b>	<b>(0.06)</b>		<b>(42)</b>	<b>(0.01)</b>
		32	0.00		98	0.01
			<b>(0.02)</b>			<b>0.04</b>
	<b>456 892</b>	<b>11 401</b>	<b>2.50</b>	<b>889 588</b>	<b>37 906</b>	<b>4.27</b>
	<b>180 598</b>	<b>(1 463)</b>	<b>(0.94)</b>	<b>221 196</b>	<b>(3 673)</b>	<b>(1.18)</b>
	<b>637 490</b>	<b>9 938</b>	<b>1.56</b>	<b>1 110 784</b>	<b>34 233</b>	<b>3.09</b>
		<b>13.7</b>			<b>17.9</b>	
	<b>13.2</b>			<b>11.8</b>		

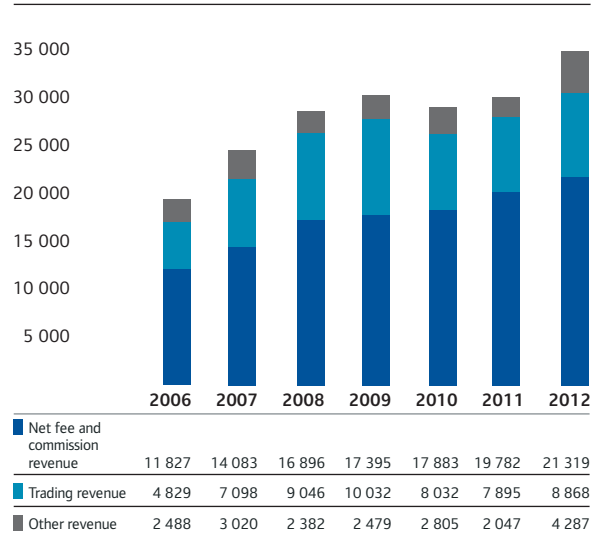
# Non-interest revenue

## Non-interest revenue

CAGR (2006 – 2012): 10%

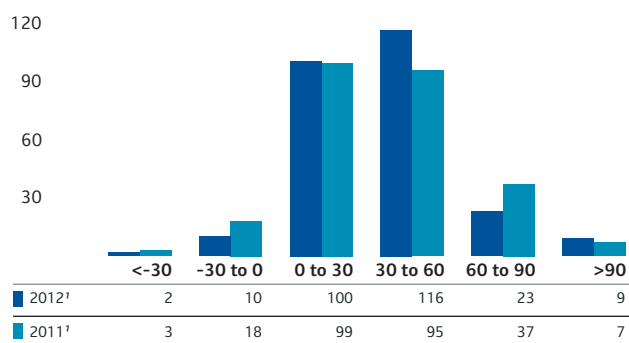


## Analysis of non-interest revenue (Rm)



	Change %	2012 Rm	2011 Rm
<b>Net fee and commission revenue</b>	8	<b>21 319</b>	19 782
Fee and commission revenue	8	<b>24 732</b>	22 957
Account transaction fees	2	<b>9 286</b>	9 101
Electronic banking	12	<b>2 082</b>	1 858
Knowledge-based fees and commission	(8)	<b>2 465</b>	2 680
Card-based commission	13	<b>4 132</b>	3 644
Bancassurance	15	<b>1 381</b>	1 203
Documentation and administration fees	37	<b>1 222</b>	890
Foreign currency service fees	8	<b>1 381</b>	1 274
Other	21	<b>2 783</b>	2 307
Fee and commission expense	(7)	<b>(3 413)</b>	(3 175)
<b>Trading revenue</b>	12	<b>8 868</b>	7 895
Fixed income and currencies	16	<b>7 280</b>	6 273
Commodities	13	<b>1 553</b>	1 376
Equities	(86)	<b>35</b>	246
<b>Other revenue</b>	>100	<b>4 287</b>	2 047
Banking and other	>100	<b>2 253</b>	296
Property-related revenue	72	<b>663</b>	386
Insurance – bancassurance income	0	<b>1 371</b>	1 365
<b>Total non-interest revenue</b>	16	<b>34 474</b>	29 724

## Distribution of daily trading profit or loss (Rm)



<sup>1</sup> Daily trading revenue.

### Favourable

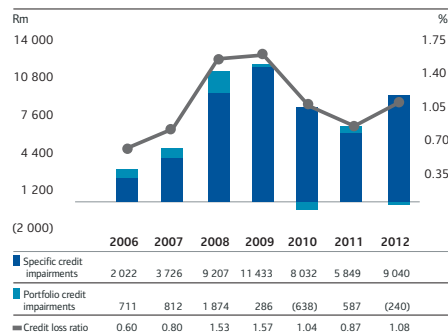
- Good growth in the customer base, transactional volumes and points of representation in the rest of Africa.
- Increased electronic banking revenue from higher business online activity and market penetration in the rest of Africa.
- Increased card-based commission due to higher turnover volumes and several large merchant acquisitions in South Africa.
- Higher documentation and administration fees due to account growth in South Africa's inclusive and personal lending portfolios, primarily overdrafts and revolving credit facilities.
- Growth in Nigeria's assets under management due to a strong equity market performance and increased volumes.
- Higher arrangement, commitment and guarantee fees.
- Increased letters of credit and export confirmations.
- High structuring fees earned on renewable energy project financing.
- Growth in bancassurance revenue due to a higher policy base and increased underwriting profits.
- Strong FIC trading performance in the rest of Africa.
- Increased client activity in base metals and gains on crude oil and carbon positions outside Africa.
- Fair value gains on the strategic investment and listed property portfolios.
- Gains in banking and other revenue on the disposal of an equity investment in a Commodities Exchange.
- Gains on the disposal of private equity and listed property investments.
- Translation effect of the weaker rand contributed 4% of the 16% growth in non-interest revenue.

### Adverse

- Increased interchange expenses and processing costs due to higher transactional volumes.
- Simplification of PBB products in April 2012 and subsequent downward adjustment of pricing.
- Equity trading provision raised on the pending outcome of a counterparty dispute under arbitration in South Africa.
- FIC counterparty provision raised outside Africa.
- Insurance claims incurred due to several hail storms and fires in South Africa.
- Lower funds income and custody fees from the offshore group following the exit of the funds business.

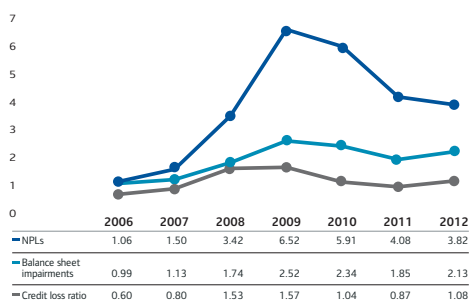
## Credit impairment charges

### Credit impairment charges



### Credit loss history (%)

(as a percentage of gross loans and advances)



### Income statement impairment charges (net of recoveries)

	Change %	2012					
		Specifically impaired loans			Portfolio credit impairment charges Rm	Total impairment charges Rm	Credit loss ratio %
		Specific impairment Rm	IAS 39 discount <sup>1</sup> Rm	Total Rm			
<b>Personal &amp; Business Banking</b>	23	5 954	765	6 719	(61)	6 658	1.39
Mortgage loans <sup>2</sup>	(11)	2 793	552	3 345	(697)	2 648	0.91
Instalment sale and finance leases	37	396	55	451	39	490	0.85
Card debtors	2	300	24	324	60	384	1.73
Other loans and advances	82	2 465	134	2 599	537	3 136	2.92
Personal unsecured lending	77	1 772	69	1 841	463	2 304	6.47
Business lending and other	96	693	65	758	74	832	1.16
<b>Corporate &amp; Investment Banking</b>	>100	2 285	35	2 320	20	2 340	0.63
Corporate loans	>100	2 188	35	2 223	62	2 285	0.69
Commercial property finance	(15)	97		97	(42)	55	0.14
<b>Central and other</b>	(>100)	1		1	(199)	(198)	
<b>Total banking activities</b>	37	8 240	800	9 040	(240)	8 800	1.08

<sup>1</sup> Discounting of expected recoveries in terms of IAS 39.

<sup>2</sup> During 2012 a review of specific and portfolio impairment methodologies was undertaken. A consequence of this was that more risk is now categorised under specific impairments rather than under portfolio impairments. This resulted in a release of R748 million from portfolio impairments and an increase of a similar amount in specific impairments. This had no effect on overall impairment charges.

### Favourable

- Continued improvements in PBB non-performing loans to 4.5% of total loans (2011: 5.5%), due to sustained low interest rates in South Africa and improved management of early arrears.
- Good performance by new secured lending vintages, aligning with most portfolio expectations.
- Increased post write-off recoveries in PBB.

### Adverse

- Increased specific provisioning in CIB, particularly against Middle Eastern exposures booked outside Africa.
- High credit impairment charges in personal unsecured lending in South Africa and workplace banking in the rest of Africa.
- Increased specific credit impairments in PBB in the rest of Africa due to loan book growth and adverse economic conditions, particularly in Uganda and Zambia.
- Higher portfolio impairment charge in most PBB portfolios due to loan book growth.

### 2011

	Specific impairment Rm	IAS 39 discount <sup>1</sup> Rm	Total Rm	Portfolio credit impairment charges Rm	Total impairment charges Rm	Credit loss ratio %
	4 170	715	4 885	541	5 426	1.24
	2 019	529	2 548	420	2 968	1.07
	440	50	490	(132)	358	0.72
	397	55	452	(77)	375	1.90
	1 314	81	1 395	330	1 725	1.91
	941	37	978	323	1 301	5.31
	373	44	417	7	424	0.64
	957	17	974	47	1 021	0.31
	870	17	887	69	956	0.32
	87		87	(22)	65	0.18
	(10)		(10)	(1)	(11)	
	5 117	732	5 849	587	6 436	0.87



## Credit impairment charges continued

## Balance sheet impairment – roll forward from December 2011

	2012 Opening balance Rm	IAS 39 discount in opening balance Rm	Net provisions raised and released <sup>1</sup> Rm
<b>Specific credit impairments</b>			
<b>Personal &amp; Business Banking</b>	7 577	713	7 848
Mortgage loans	3 772	417	3 462
Instalment sale and finance leases	1 005	34	750
Card debtors	824	95	672
Other loans and advances	1 976	167	2 964
Personal unsecured lending	1 113	66	2 129
Business lending and other	863	101	835
<b>Corporate &amp; Investment Banking</b>	2 198	33	2 353
Corporate loans	2 076	33	2 256
Commercial property finance	122		97
<b>Central and other</b>			1
<b>Total</b>	9 775	746	10 202
<b>Portfolio credit impairments</b>			
<b>Personal &amp; Business Banking</b>	3 683		(61)
Mortgage loans	1 414		(697)
Instalment sale and finance leases	489		39
Card debtors	438		60
Other loans and advances	1 342		537
Personal unsecured lending	789		463
Business lending and other	553		74
<b>Corporate &amp; Investment Banking</b>	1 300	20	20
Corporate loans	1 136	20	62
Commercial property finance	164		(42)
<b>Central and other</b>	427		(199)
<b>Total</b>	5 410	20	(240)
<b>Total impairments</b>			
<b>Personal &amp; Business Banking</b>	11 260	713	7 787
Mortgage loans	5 186	417	2 765
Instalment sale and finance leases	1 494	34	789
Card debtors	1 262	95	732
Other loans and advances	3 318	167	3 501
Personal unsecured lending	1 902	66	2 592
Business lending and other	1 416	101	909
<b>Corporate &amp; Investment Banking</b>	3 498	53	2 373
Corporate loans	3 212	53	2 318
Commercial property finance	286		55
<b>Central and other</b>	427		(198)
<b>Total</b>	15 185	766	9 962
<b>Total balance sheet impairments as a % of gross loans and advances</b>	1.85		

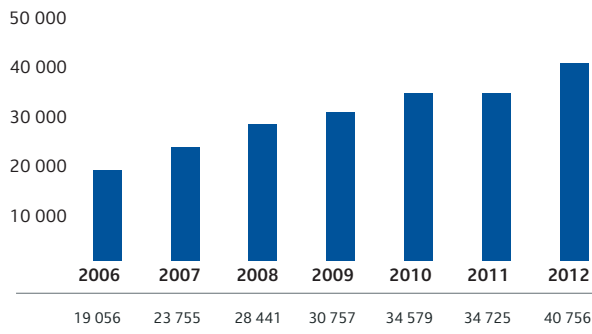
<sup>1</sup> New provisions raised less recoveries on the amounts written off in previous years equals the income statement credit impairment charge (2012: R9 962 million – R1 162 million = R8 800 million).

IAS 39 discount in new impairments raised Rm	Impaired accounts written off Rm	IAS 39 discount recycled to net interest income Rm	Currency translation and other movements Rm	2012 Closing balance Rm	IAS 39 discount in closing balance Rm	2012 Recoveries of amounts written off in previous years <sup>1</sup> Rm
765	(6 072)	(726)	(13)	8 614	752	1 129
552	(2 589)	(540)	61	4 166	429	117
55	(895)	(39)	(34)	787	50	299
24	(864)	(57)	5	580	62	348
134	(1 724)	(90)	(45)	3 081	211	365
69	(1 240)	(43)	(51)	1 908	92	288
65	(484)	(47)	6	1 173	119	77
35	(1 611)	(7)	968	3 901	61	33
35	(1 572)	(7)	968	3 721	61	33
	(39)			180		
				1		
800	(7 683)	(733)	955	12 516	813	1 162
			23	3 645		
			(1)	716		
			(8)	520		
			(4)	494		
			36	1 915		
			95	1 347		
			(59)	568		
			(5)	1 315	20	
			14	1 212	20	
			(19)	103		
				228		
			18	5 188	20	
765	(6 072)	(726)	10	12 259	752	1 129
552	(2 589)	(540)	60	4 882	429	117
55	(895)	(39)	(42)	1 307	50	299
24	(864)	(57)	1	1 074	62	348
134	(1 724)	(90)	(9)	4 996	211	365
69	(1 240)	(43)	44	3 255	92	288
65	(484)	(47)	(53)	1 741	119	77
35	(1 611)	(7)	963	5 216	81	33
35	(1 572)	(7)	982	4 933	81	33
	(39)		(19)	283		
				229		
800	(7 683)	(733)	973	17 704	833	1 162
				2.13		

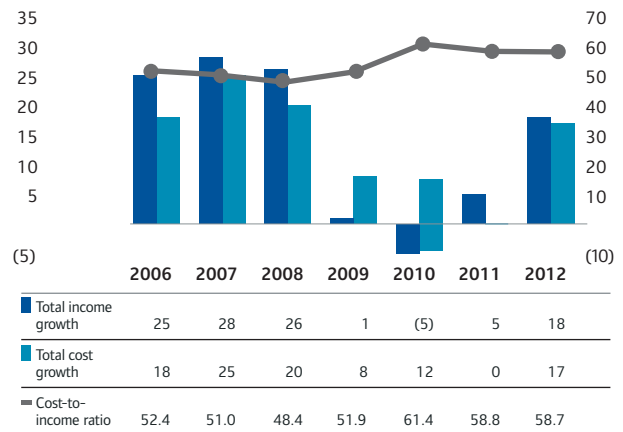
# Operating expenses

## Operating expenses (Rm)

CAGR (2006 – 2012): 14%



## Cost and income growth (%)

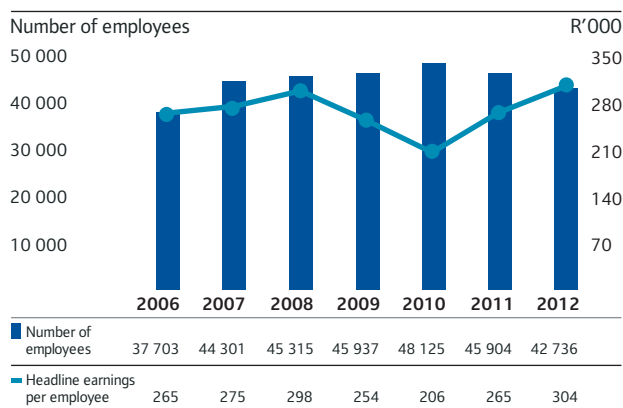


	Change %	2012 Rm	2011 Rm
<b>Staff costs</b>			
Fixed remuneration	11	15 290	13 734
Variable remuneration	16	4 513	3 903
Charge for incentive payments	13	3 443	3 057
Charge for deferred incentive schemes	54	823	535
IFRS 2 share-based payment expense	(21)	247	311
Other staff costs	59	2 392	1 504
<b>Total staff costs</b>	16	22 195	19 141
Variable remuneration as a % of total staff costs		20.3	20.4
<b>Other operating expenses</b>			
Information technology	14	3 636	3 183
Depreciation, amortisation and impairments	24	3 341	2 704
Communication	14	1 403	1 227
Premises	9	3 133	2 876
Other	12	6 290	5 594
<b>Total other operating expenses</b>	14	17 803	15 584
<b>Total operating expenses (excluding restructure charge)</b>	15	39 998	34 725
Restructure charge	100	758	
<b>Total operating expenses (including restructure charge)</b>	17	40 756	34 725
<b>Total operating expenses on a constant currency</b>	13	40 756	36 060
<b>Total income including share of profit from associates and joint ventures</b>	18	69 382	59 008
Cost-to-income ratio		58.7	58.8
Cost-to-income ratio excluding restructure charge		57.6	58.8

## Analysis of total information technology function spend

	Change %	2012 Rm	2011 Rm
Information technology licences, maintenance and related costs	14	3 636	3 183
IT staff costs	18	2 691	2 275
Depreciation and amortisation	24	2 094	1 683
Other	28	1 184	922
<b>Total</b>	19	9 605	8 063

## Headline earnings per employee



	Change %	2012	2011
<b>Headcount by business unit</b>			
Personal & Business Banking	(0)	20 713	20 781
Corporate & Investment Banking	(2)	3 141	3 203
Group enabling functions	2	18 882	18 501
<b>Total continuing operations</b>	1	<b>42 736</b>	42 485
Argentina	(100)	–	3 419
<b>Banking activities</b>	(7)	<b>42 736</b>	45 904
<b>Headcount by geography</b>			
South Africa	(1)	28 248	28 476
Rest of Africa	5	12 841	12 183
Outside Africa	(69)	1 647	5 245
Argentina	(100)	–	3 419
Other	(10)	1 647	1 826
<b>Banking activities</b>	(7)	<b>42 736</b>	45 904

### Currency translation impact

- Negative translation of a weaker rand on staff costs of 4%, other operating expenses of 5% and total operating expenses of 4%.

### Staff costs and headcount

- Higher fixed remuneration due to high inflation related annual salary increases and increased headcount from network and business expansion in the rest of Africa.
- Increased amortisation of prior years' deferred compensation.
- Higher other staff costs due to:
  - lower pension fund surplus release
  - increased number of temporary staff due to extended branch hours and change initiatives.

### Restructure charge

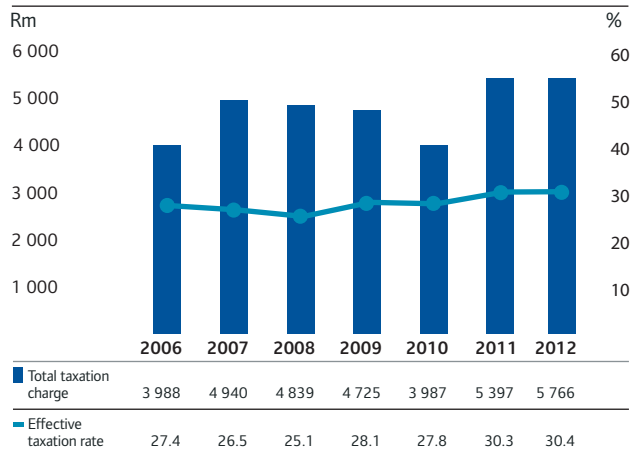
- Restructure charge of USD8,8 million, incurred by Brazil in the first half of 2012.
- Rationalisation costs outside Africa in December 2012 of USD79,9 million included termination costs, onerous lease provisions and the impairment of intangible assets.

### Other operating expenses

- Higher depreciation costs attributable to branch network expansions, particularly new loan centres and point of sale outlets.
- Increased amortisation due to the commissioning of several new IT systems.
- Higher IT spend to support business expansion, including data line charges and additional hardware.
- Higher regulatory and compliance related costs incurred outside Africa.
- Increased marketing costs due to new product and brand awareness campaigns in South Africa and in the rest of Africa.
- Increased premises, travel and communication costs due to network expansion, including investment in low cost channels in the rest of Africa and South Africa.
- Reduced operational risk losses, particularly debit and credit card fraud, due to continued fraud preventative measures.

# Taxation

## Taxation charge and effective taxation rate



## Taxation rate reconciliation

	2012 %	2011 %
<b>Effective taxation rate</b>	<b>30.4</b>	30.3
Indirect taxation	(7.4)	(6.1)
<b>Direct taxation – current and prior years</b>	<b>23.0</b>	24.2
Prior year tax	5.8	0.1
<b>Direct taxation – current year</b>	<b>28.8</b>	24.3
Adjustments to direct taxation	(1.7)	(2.1)
Capital gains tax	(0.3)	(0.2)
Foreign tax	(0.5)	(0.5)
Secondary tax benefit/(cost) on companies	(0.6)	(1.4)
Deferred tax rate adjustment	(0.3)	
<b>Direct taxation – current year – normal</b>	<b>27.1</b>	22.2
Permanent differences	0.9	5.8
Non-taxable income	8.9	8.3
Deductible indirect tax	2.0	1.7
Goodwill write-offs and other	(10.0)	(4.2)
<b>Direct taxation – statutory rate</b>	<b>28.0</b>	28.0

### Favourable rate movements

- Positive settlement of an outstanding tax appeal in South Africa.
- Decreased secondary tax on companies due to its abolishment, effective 1 April 2012.
- Increased non-taxable capital profit due the disposal of several investments.
- Increased deductible irrecoverable indirect taxes.

### Unfavourable rate movements

- Higher permanent differences primarily due to non-deductibility of losses outside Africa and a non-deductible goodwill impairment in the rest of Africa.
- Deferred tax adjustment due to a change in the capital gains tax inclusion rate, effective 1 March 2012.
- Increased capital gains tax due to the disposal of investments in South Africa.

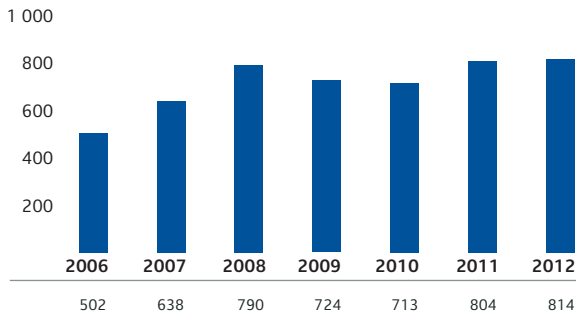
# Balance sheet analysis

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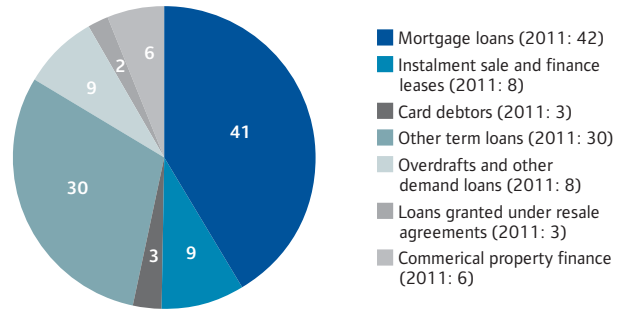
# Loans and advances

## Loans and advances (Rbn)

CAGR (2006 – 2012): 8%



## Composition of gross loans and advances to customers (%)



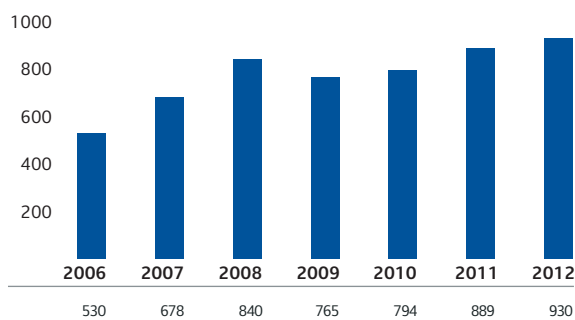
## By advance type

	Change %	2012 Rm	2011 Rm
<b>Loans and advances to banks</b>	(17)	<b>108 196</b>	130 257
Call loans	28	<b>22 328</b>	17 488
Loans granted under resale agreements	(67)	<b>13 776</b>	41 358
Balances with banks	1	<b>72 092</b>	71 411
<b>Loans and advances to customers</b>	5	<b>705 696</b>	673 554
Gross loans and advances to customers	5	<b>723 400</b>	688 739
Mortgage loans	4	<b>299 791</b>	287 597
Instalment sale and finance leases	15	<b>66 053</b>	57 373
Card debtors	16	<b>24 052</b>	20 726
Overdrafts and other demand loans	15	<b>65 008</b>	56 522
Other term loans	7	<b>213 761</b>	199 462
Loans granted under resale agreements	(43)	<b>11 562</b>	20 222
Commercial property finance	2	<b>41 393</b>	40 707
Other loans and advances	(71)	<b>1 780</b>	6 130
Less: Credit impairments for loans and advances	17	<b>17 704</b>	15 185
Specific credit impairments	28	<b>12 516</b>	9 775
Portfolio credit impairments	(4)	<b>5 188</b>	5 410
<b>Net loans and advances</b>	1	<b>813 892</b>	803 811
<b>Comprising:</b>			
Gross loans and advances	2	<b>831 596</b>	818 996
Less: Credit impairments	17	<b>17 704</b>	15 185
<b>Net loans and advances</b>	1	<b>813 892</b>	803 811
<b>Securitised assets consolidated above:</b>			
Mortgage loans	(9)	<b>11 113</b>	12 175

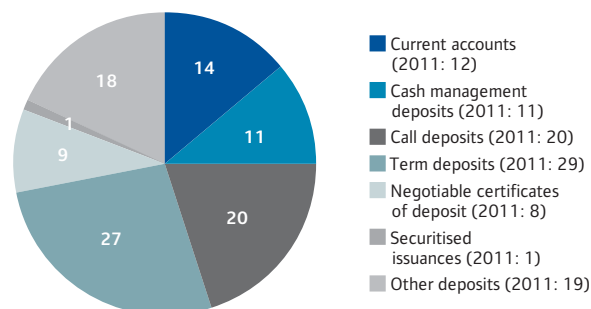
# Deposit and current accounts

## Deposit and current accounts (Rbn)

CAGR (2006 – 2012): 10%



## Composition of deposit and current accounts (%)



## By deposit type

	Change %	2012 Rm	2011 Rm
<b>Deposits from banks</b>	(4)	<b>124 275</b>	129 741
Deposits from banks and central banks	(7)	<b>117 577</b>	126 954
Deposits from banks under repurchase agreements	>100	<b>6 698</b>	2 787
<b>Deposit and current accounts from customers</b>	6	<b>805 878</b>	759 227
Current accounts	18	<b>127 618</b>	108 571
Cash management deposits	9	<b>106 968</b>	98 480
Call deposits	5	<b>182 221</b>	173 011
Savings accounts	2	<b>24 382</b>	23 893
Term deposits	(4)	<b>252 979</b>	262 441
Negotiable certificates of deposit	20	<b>79 966</b>	66 686
Repurchase agreements	(41)	<b>1 596</b>	2 709
Securitised issuances	(12)	<b>7 192</b>	8 182
Other deposits	50	<b>22 956</b>	15 254
<b>Total deposit and current accounts</b>	5	<b>930 153</b>	888 968
<b>Comprising:</b>			
Retail priced deposit and current accounts	9	<b>248 289</b>	227 730
Wholesale priced deposit and current accounts	3	<b>681 864</b>	661 238
<b>Total deposit and current accounts</b>	5	<b>930 153</b>	888 968

## Loans and advances performance

	Performing loans				
	Gross loans and advances Rm	Neither past due nor specifically impaired		Not specifically impaired	
		Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing Rm
<b>2012</b>					
<b>Personal &amp; Business Banking</b>	<b>502 154</b>	<b>430 364</b>	<b>21 053</b>	<b>28 261</b>	
Mortgage loans	299 675	255 240	11 824	16 864	
Instalment sale and finance leases	62 860	54 950	3 089	3 220	
Card debtors	24 052	19 881	2 721	558	
Other loans and advances	115 567	100 293	3 419	7 619	
Personal unsecured lending	42 633	33 741	1 438	4 908	
Business lending and other	72 934	66 552	1 981	2 711	
<b>Corporate &amp; Investment Banking</b>	<b>358 168</b>	<b>348 219</b>	<b>604</b>	<b>30</b>	<b>1 332</b>
Corporate loans	320 204	311 212	604	25	1 135
Commercial property finance	37 964	37 007		5	197
<b>Central and other</b>	<b>(28 726)</b>	<b>(28 726)</b>			
<b>Gross loans and advances</b>	<b>831 596</b>	<b>749 857</b>	<b>21 657</b>	<b>28 291</b>	<b>1 332</b>
<b>Percentage of total book (%)</b>	<b>100.0</b>	<b>90.1</b>	<b>2.6</b>	<b>3.4</b>	<b>0.2</b>
<b>2011</b>					
<b>Personal &amp; Business Banking</b>	<b>457 831</b>	<b>393 406</b>	<b>17 488</b>	<b>21 890</b>	
Mortgage loans	286 100	241 342	12 451	13 142	
Instalment sale and finance leases	53 741	48 168	1 117	2 706	
Card debtors	20 726	17 450	1 935	205	
Other loans and advances	97 264	86 446	1 985	5 837	
Personal unsecured lending	28 824	23 654	694	2 953	
Business lending and other	68 440	62 792	1 291	2 884	
<b>Corporate &amp; Investment Banking</b>	<b>383 531</b>	<b>373 088</b>	<b>1 723</b>	<b>359</b>	<b>1 183</b>
Corporate loans	345 756	336 347	1 688	178	919
Commercial property finance	37 775	36 741	35	181	264
<b>Central and Other</b>	<b>(22 366)</b>	<b>(22 366)</b>			
<b>Gross loans and advances</b>	<b>818 996</b>	<b>744 128</b>	<b>19 211</b>	<b>22 249</b>	<b>1 183</b>
<b>Percentage of total book (%)</b>	<b>100.0</b>	<b>91.0</b>	<b>2.3</b>	<b>2.7</b>	<b>0.1</b>

### Criteria for classifications of loans and advances

Non-performing loans	Those loans for which: <ul style="list-style-type: none"> <li>the group has identified objective evidence of default, such as a breach of a material loan covenant or condition, or</li> <li>instalments are due and unpaid for 90 days or more.</li> </ul>
Neither past due nor specifically impaired loans	Loans that are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21 and close monitoring loans are generally rated 22 to 25 using the group's master rating scale.
Early arrears but not specifically impaired loans	Loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

Non-performing loans										
Specifically impaired loans										
	Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross impairment coverage %	Total non-performing loans Rm	Non-performing loans %
	6 276	13 245	2 955	22 476	13 862	8 614	8 614	38	22 476	4.5
	4 966	10 088	693	15 747	11 581	4 166	4 166	26	15 747	5.3
	221	692	688	1 601	814	787	787	49	1 601	2.5
	159	233	500	892	312	580	580	65	892	3.7
	930	2 232	1 074	4 236	1 155	3 081	3 081	73	4 236	3.7
	475	1 292	779	2 546	638	1 908	1 908	75	2 546	6.0
	455	940	295	1 690	517	1 173	1 173	69	1 690	2.3
	3 238	3 783	962	7 983	4 082	3 901	3 901	49	9 315	2.6
	2 914	3 537	777	7 228	3 507	3 721	3 721	51	8 363	2.6
	324	246	185	755	575	180	180	24	952	2.5
					(1)	1	1			
	9 514	17 028	3 917	30 459	17 943	12 516	12 516	41	31 791	3.8
	1.1	2.1	0.5	3.7	2.2	1.5	1.5			
	7 232	14 933	2 882	25 047	17 470	7 577	7 577	30	25 047	5.5
	6 332	12 232	601	19 165	15 393	3 772	3 772	20	19 165	6.7
	136	633	981	1 750	745	1 005	1 005	57	1 750	3.3
	137	229	770	1 136	312	824	824	73	1 136	5.5
	627	1 839	530	2 996	1 020	1 976	1 976	66	2 996	3.1
	249	945	329	1 523	410	1 113	1 113	73	1 523	5.3
	378	894	201	1 473	610	863	863	59	1 473	2.2
	2 931	4 016	231	7 178	4 980	2 198	2 198	31	8 361	2.2
	2 765	3 638	221	6 624	4 548	2 076	2 076	31	7 543	2.2
	166	378	10	554	432	122	122	22	818	2.2
	10 163	18 949	3 113	32 225	22 450	9 775	9 775	30	33 408	4.1
	1.2	2.3	0.4	3.9	2.7	1.2	1.2			

Non-performing but not specifically impaired loans

Loans where the counterparty has failed to make contractual payments and payments are 90 days or more past due as well as those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition. These loans are not specifically impaired due to the expected recoverability of the full carrying value when considering future cash flows, including collateral.

Non-performing specifically impaired loans

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

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



## Banking activities average balance sheet

	2012			
	Trading book Rm	Non-interest earning Rm	Interest earning Rm	Total average balance Rm
<b>Assets</b>				
Cash and balances with central banks <sup>2</sup>	5 112	8 980	22 899	36 991
Trading assets	99 502	12 777		112 279
Financial investments	1 644		92 643	94 287
Net loans and advances	28 478		774 046	802 524
Loans and advances to banks	27 666		85 768	113 434
Loans and advances to customers	812		703 281	704 093
Mortgage loans			294 765	294 765
Instalment sale and finance leases			61 535	61 535
Card debtors			22 221	22 221
Overdrafts and other demand loans	812		78 447	79 259
Term loans			207 456	207 456
Commercial property finance			38 857	38 857
Gross loans and advances	28 478		789 049	817 527
Credit impairments for loans and advances			(15 003)	(15 003)
Investment property		4 286		4 286
Other assets	18 528	7 865		26 393
Interest in associates and joint ventures		9 870		9 870
Goodwill and other intangible assets		10 207		10 207
Property and equipment		13 947		13 947
<b>Total average assets and interest excluding trading derivative assets</b>	<b>153 264</b>	<b>67 932</b>	<b>889 588</b>	<b>1 110 784</b>
Trading derivative assets	184 453			184 453
<b>Total average assets and interest</b>	<b>337 717</b>	<b>67 932</b>	<b>889 588</b>	<b>1 295 237</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>5 254</b>	<b>92 409</b>		<b>97 663</b>
<b>Liabilities</b>	<b>137 957</b>	<b>27 715</b>	<b>840 785</b>	<b>1 006 457</b>
Trading liabilities	36 189			36 189
Deposit and current accounts	89 881		815 243	905 124
Deposits from banks	37 589		92 394	129 983
Deposits and current accounts from customers	52 292		722 849	775 141
Current accounts			118 525	118 525
Cash management deposits			84 299	84 299
Call deposits			157 175	157 175
Savings accounts			22 349	22 349
Term deposits	52 292		260 181	312 473
Negotiable certificates of deposit			80 320	80 320
Other liabilities	10 355	27 715		38 070
Subordinated bonds	1 532		25 542	27 074
<b>Total average equity, liabilities and interest excluding trading derivative liabilities</b>	<b>143 211</b>	<b>120 124</b>	<b>840 785</b>	<b>1 104 120</b>
Trading derivative liabilities	191 117			191 117
<b>Total average equity, liabilities and interest</b>	<b>334 328</b>	<b>120 124</b>	<b>840 785</b>	<b>1 295 237</b>
<b>Margin on total average assets excluding trading derivatives</b>	<b>153 264</b>	<b>67 932</b>	<b>889 588</b>	<b>1 110 784</b>
<b>Margin on total average loans and advances</b>	<b>28 478</b>		<b>774 046</b>	<b>802 524</b>
<b>Margin on average interest earning assets</b>			<b>889 588</b>	<b>889 588</b>

<sup>1</sup> Interest received and paid on trading derivatives instruments has been netted with interest received on derivative asset instruments used for hedging purposes allocated to the instrument being hedged thus the interest split between assets and liabilities will not equate to interest income and interest expense as per the income statement.

<sup>2</sup> Included within interest-earning cash and balances with central banks is the South African Reserve Bank interest-free deposit. This is utilised to meet liquidity requirements and is reflected in the margin as part of interest earning assets to reflect the cost of liquidity.

	2011		Trading book Rm	Non-interest earning Rm	Interest earning Rm	Total average balance Rm	Interest <sup>1</sup> Rm	Average rate %
	Interest <sup>1</sup> Rm	Average rate %						
			813	7 279	17 995	26 087		
			93 773	14 882		108 655		
	7 071	7.52	28		78 425	78 453	6 167	7.86
	60 883	7.61	12 406		712 294	724 700	54 424	7.51
	985	0.87	11 369		80 881	92 250	1 704	1.85
	59 898	8.53	1 037		646 795	647 832	52 720	8.14
	23 807	8.10			281 048	281 048	22 749	8.09
	6 338	10.33			53 185	53 185	5 477	10.30
	3 057	13.79			19 754	19 754	2 713	13.73
	6 191	7.83	1 037		79 764	80 801	5 813	7.19
	17 463	8.44			176 290	176 290	12 980	7.36
	3 042	7.85			36 754	36 754	2 988	8.13
	60 883	7.47	12 406		727 676	740 082	54 424	7.35
						(15 382)	(15 382)	
				4 408		4 408		
			10 860	11 756		22 616		
				6 519		6 519		
				9 118		9 118		
				12 583		12 583		
	67 954	6.13	117 880	66 545	808 714	993 139	60 591	6.10
			185 207			185 207		
	67 954	5.26	303 087	66 545	808 714	1 178 346	60 591	5.14
				4 069	84 024	88 093		
	33 721	3.36	108 682	36 264	758 799	903 745	31 564	3.49
				35 752		35 752		
	31 432	3.48	66 885		737 347	804 232	29 536	3.67
	2 722	2.10	30 779		68 459	99 238	2 113	2.13
	28 710	3.71	36 106		668 888	704 994	27 423	3.89
	330	0.28			102 716	102 716	379	0.37
	3 409	4.06			70 756	70 756	2 955	4.18
	6 942	4.43			136 403	136 403	6 136	4.50
	251	1.13			21 368	21 368	240	1.12
	13 381	4.29	36 106		267 346	303 452	13 284	4.38
	4 397	5.49			70 299	70 299	4 429	6.30
	2 289	8.48	4 605	36 264	21 452	40 869	2 028	8.86
			1 440			22 892		
	33 721	3.06	112 751	120 288	758 799	991 838	31 564	3.18
			186 508			186 508		
	33 721	2.61	299 259	120 288	758 799	1 178 346	31 564	2.68
	34 233	3.09	117 880	66 545	808 714	993 139	29 027	2.92
	34 233	4.28	12 406		712 294	724 700	29 027	4.01
	37 906	4.27			808 714	808 714	31 995	3.96

# Liquidity management

## Liquidity market overview

- The group's liquidity risk management framework requires the group to measure and manage its liquidity position, and ensure that pipeline funding requirements and payment obligations can be met at all times, under both normal and stressed conditions. The group's liquidity risk standard is reviewed annually by the group risk oversight committee and the board.
- The group's overall liquidity risk has remained unchanged over 2012 with continued active management of financial resources within the group's stated risk tolerance.
- New term lending volumes and investment activity are monitored and priced to take into account liquidity costs of anticipated regulatory changes that will impact the group.
- The appetite of domestic investors for capital markets issuance, such as bonds remained robust. SBSA successfully placed R19,1 billion of debt in the local bond market during 2012.
- The group continues to prepare for Basel III and other regulatory changes, as well as to assess and plan around the potential impact of events in international markets on the bank.

## Liquidity buffer

- Portfolios of highly liquid marketable securities, over and above prudential requirements, are maintained as protection against unexpected disruptions in cash flows. These holdings are considered in the context of internal stress tests and discounts assumed on certain securities in a possible stressed sale.
- The amount of contingent liquidity required by the group's liquidity risk standard is influenced by the nature of the depositor, and the contractual terms of the deposit as well as prevailing and anticipated regulation.
- Total liquidity in excess of prudential holdings amounted to R143,5 billion as at 31 December 2012 (2011: R148,1 billion).

## Total liquidity

	2012 Rbn	2011 Rbn
Total marketable assets <sup>1</sup>	140,1	143,9
Other readily accessible liquidity	3,4	4,2
<b>Total liquidity<sup>1</sup></b>	<b>143,5</b>	148,1
Prudential requirements	42,5	39,4
<b>Total liquidity</b>	<b>186,0</b>	187,5

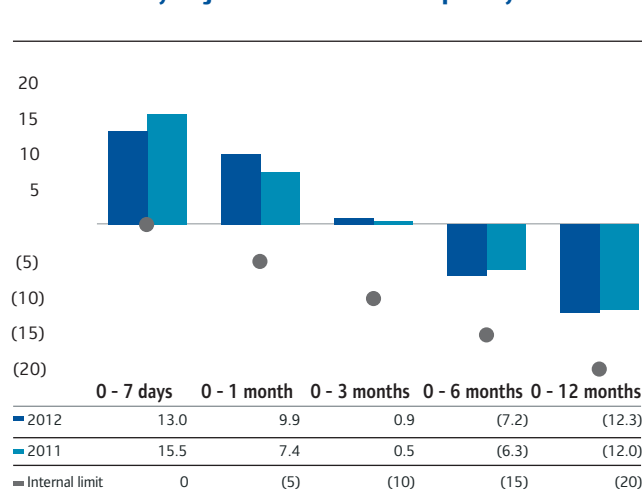
<sup>1</sup> In excess of prudential requirements.

## Structural liquidity requirements

- Behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets.
- In respect of liabilities, behavioural profiling assigns probable maturities based on historically observed customer behaviour. This process is used to identify core deposits, such as current and savings accounts. These core deposits, although repayable on demand or at short notice, can be considered stable funding based on their past behaviour.

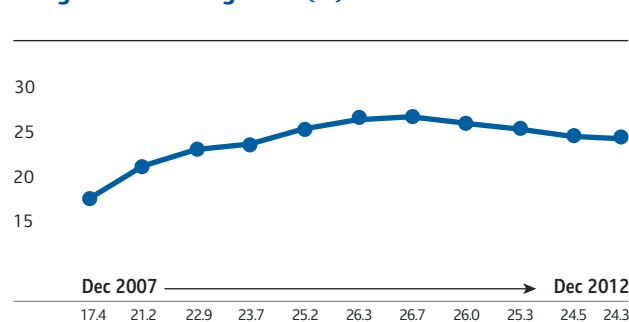
- In respect of assets, behavioural profiling is used to identify additional sources of structural liquidity in the form of liquid assets or assets that could be used to generate liquidity within a specific time frame, and certain contractually demand assets are profiled in order to recognise inflow rates in realistic amounts.
- Limits are set to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets based on contractual and behavioural analysis.
- The behaviourally adjusted cumulative liquidity mismatch remains well within liquidity risk appetite.

## Behaviourally adjusted cumulative liquidity mismatch (%)



The long-term funding ratio is used to measure funding-related liabilities with a remaining maturity greater than six months as a percentage of total funding-related liabilities. This ratio is intended to be an indicator of the stability of the total funding base.

## Long-term funding ratio (%)<sup>1</sup>



<sup>1</sup> Bi-annual long-term funding ratios.

- As at 31 December 2012, the group's long-term funding ratio was 24.3% (2011: 25.3%).
- Term liquidity spreads were compressed during 2012. In the absence of higher than expected growth in lending or stress in the banking system, we expect term liquidity spreads to remain at these levels.

### Diversified funding base

- The group's funding strategy is determined after reviewing the group's projected balance sheet, which includes taking into account business unit forecasts, the group's capital requirements, the maturity profile of existing funding and anticipated changes in the deposit base. Funding requirements and initiatives are assessed in accordance with the group asset and liability committee requirements for diversification, tenor and currency exposure, as well as the availability and pricing of alternative liquidity sources.
- Concentration risk limits are used within the group to ensure funding diversification across products, sectors, geographic regions and counterparties.

### Depositor concentrations

	2012 %	2011 %
Single depositor	1.9	2.1
Top 10 depositors	7.1	9.6

- Primary sources of funding consist of deposits from a wide range of retail and wholesale clients as well as long-term capital market funding.

### Funding-related liabilities composition

	2012 Rbn	2011 Rbn
Corporate funding	253	234
Financial institutions	192	198
Government and parastatals	99	100
Interbank funding	107	102
Retail	204	198
Senior and subordinated debt issued	66	48
Other liabilities to the public	125	118
<b>Total group funding-related liabilities</b>	<b>1 046</b>	<b>998</b>

### Liquidity stress testing and scenario analysis

- Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic liquidity stress scenarios. These stress scenarios facilitate the evaluation of the impact of unlikely but plausible stress events on liquidity positions.
- The outcomes of the stress tests are reviewed by asset and liability management committees on at least a monthly basis, and inform minimum liquid asset portfolio requirements and liquidity contingency recovery plans. The scenarios themselves are reviewed periodically to ensure they remain valid.

### Liquidity contingency and recovery planning

- Banking entities have entity-specific liquidity contingency and recovery plans in place in preparation for bank-specific and/or systemic liquidity crises.
- These plans are regularly reviewed and have been updated in accordance with the South African Reserve Bank recovery plan agenda.
- Liquidity contingency recovery plans include an extensive early warning indicator methodology supported by clear and decisive crisis response strategies. The above plans are developed at legal entity and group levels, and consider the interaction of entities should there be a group-wide crisis.
- During the year, a comprehensive liquidity stress testing exercise was undertaken where a crisis was simulated for its impact on the group and the viability of various contingent liquidity plans. The simulation provided valuable lessons and supported the enhancement of the banks existing liquidity contingency strategy, whilst highlighting the robust nature of existing plans and ample liquidity enjoyed by the group.
- Contingency and crisis response strategies are formulated around the relevant contingency and crisis management structures. These strategies address internal and external communications, liquidity generation and operations, management action required as well as heightened and additional information requirements.

### Regulatory developments

- When the Basel Committee previously proposed the two liquidity ratios, namely the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), as part of the Basel III regulations, it stated that it would observe the impact of these ratios on banks and amend them if deemed necessary. Following a series of quantitative impact studies, industry comment letters and discussions with banks, the Basel Committee published a set of revisions to the LCR in January 2013. These revisions will make it easier for banks to meet the LCR, in particular by:
  - expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage-backed securities
  - reducing the assumed outflow rates on some types of liabilities
  - phasing in the minimum LCR requirement level so that the required LCR is 60% in 2015, rising by 10 percentage points a year until it reaches 100% from 2019 onwards.
- This will have a positive impact on banks and the South African economy. However, the banking industry still expects to face some challenges in meeting the NSFR requirements and continues to engage with the relevant authorities in this regard.

# Fair value hierarchy – Standard Bank Group

	Composition %	Assets Rm	Composition %	Liabilities Rm
<b>2012</b>				
Level 1	37	206 405	9	25 965
Level 2	60	328 971	88	240 544
Level 3	3	15 259	3	7 366
<b>Financial instruments at fair value</b>	<b>100</b>	<b>550 635</b>	<b>100</b>	<b>273 875</b>
<b>Reconciled as follows:</b>				
Held for trading		244 642		161 248
Designated at fair value		288 606		112 627
Available-for-sale		17 387		
<b>Financial instruments at fair value</b>		<b>550 635</b>		<b>273 875</b>
<b>2011</b>				
Level 1	34	183 644	8	25 097
Level 2	63	342 419	89	281 787
Level 3	3	16 991	3	8 937
<b>Financial instruments at fair value</b>	<b>100</b>	<b>543 054</b>	<b>100</b>	<b>315 821</b>
<b>Reconciled as follows:<sup>1</sup></b>				
Held for trading		246 411		185 588
Designated at fair value		277 483		130 233
Available-for-sale		19 160		
<b>Financial instruments at fair value</b>		<b>543 054</b>		<b>315 821</b>

<sup>1</sup> Refer to restatements page 96.

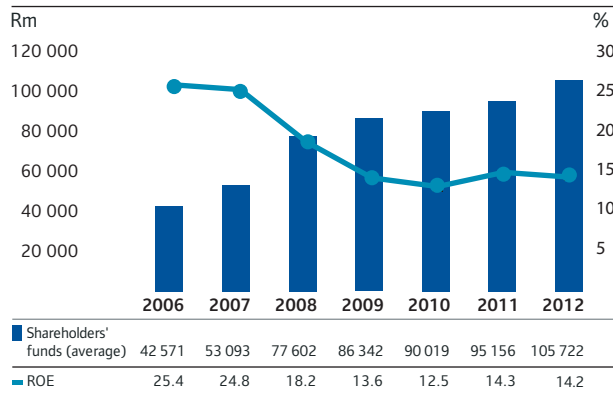
- In accordance with the group's accounting policies, certain financial assets and liabilities are measured at fair value using either quoted market prices or valuation techniques.
- Financial assets and liabilities that are measured at fair value have been categorised into the following levels:
  - Level 1: Financial instruments for which fair value is determined using quoted market prices (unadjusted) in active markets for identical instruments.
  - Level 2: Financial instruments for which fair value is determined using valuation techniques based on observable inputs, either directly, as prices or indirectly, derived from prices.
  - Level 3: Financial instruments for which fair value is determined using valuation techniques based on significant unobservable inputs.

# Capital management

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# Return on ordinary equity

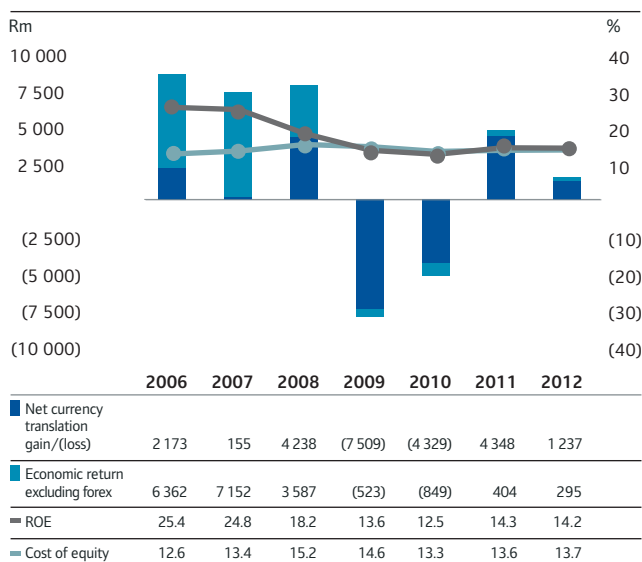
## Return on ordinary equity



	Average equity 2012 Rm	ROE 2012 %	Average equity 2011 Rm	ROE 2011 %
Personal & Business Banking	37 392	20.0	30 542	19.2
Corporate & Investment Banking	45 981	10.4	42 389	13.0
Central and other	14 290	5.0	15 162	5.1
<b>Banking activities</b>	<b>97 663</b>	<b>13.3</b>	88 093	13.8
Liberty	8 059	25.2	7 063	20.2
<b>Standard Bank Group</b>	<b>105 722</b>	<b>14.2</b>	95 156	14.3
<b>Reconciliation to IFRS</b>				
Normalised average equity	105 722		95 156	
Empowerment reserve impairment (Tutuwa SPEs' preference shares and dividends receivable)	(2 840)		(2 613)	
Central and other	(2 421)		(2 253)	
Liberty	(419)		(360)	
Deemed treasury shares (excluding Tutuwa)	(847)		(1 025)	
<b>Standard Bank Group – IFRS</b>	<b>102 035</b>	<b>14.4</b>	91 518	14.6

# Cost of equity and economic returns

## Economic return, ROE and cost of equity



## Cost of equity estimates

	Average 2012 %	Average 2011 %
<b>Standard Bank Group</b>	<b>13.7</b>	13.6
Banking activities	<b>13.8</b>	13.7
Liberty	<b>11.6</b>	11.7

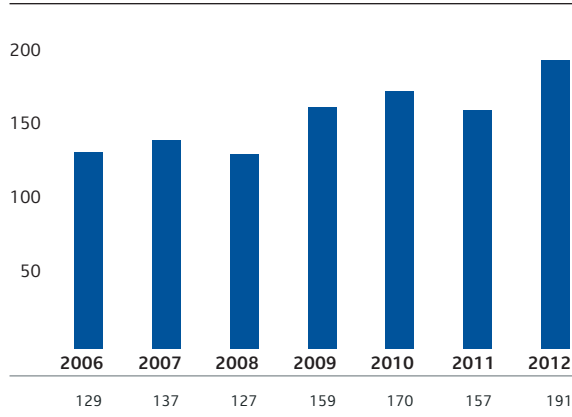
## Economic returns

	Change %	2012 Rm	2011 Rm
<b>Average ordinary equity</b>	11	<b>105 722</b>	95 156
Headline earnings	10	<b>15 010</b>	13 599
Cost of equity charge	(12)	<b>(14 448)</b>	(12 921)
<b>Economic profits on headline earnings</b>	(17)	<b>562</b>	678
Other changes in net asset value	(76)	<b>970</b>	4 074
Net currency translation movement		<b>1 237</b>	4 348
Cash flow hedge (losses)/gains		<b>(219)</b>	52
Fair value gains/(losses) on available-for-sale assets		<b>17</b>	(272)
Transactions with non-controlling shareholders		<b>(62)</b>	(89)
Other changes in equity		<b>(3)</b>	35
<b>Total economic returns</b>	(68)	<b>1 532</b>	4 752

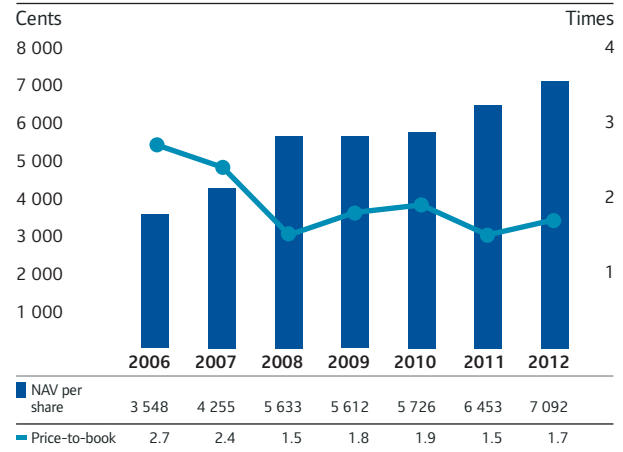
# Market capitalisation and price-to-book ratio

## Market capitalisation (Rbn)

CAGR (2006 – 2012): 7%



## Price-to-book and net asset value (NAV) per share

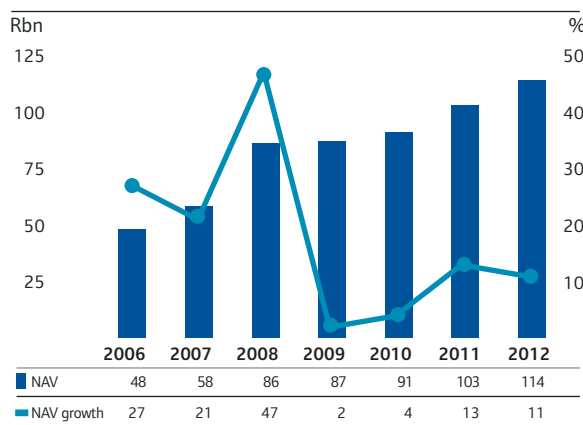


		Change %	2012	2011
Number of shares at end of the year	thousands	1	<b>1 606 136</b>	1 588 747
Net asset value	Rm	11	<b>113 905</b>	102 523
Tangible net asset value	Rm	11	<b>99 218</b>	89 769
Net asset value per share	cents	10	<b>7 092</b>	6 453
Tangible net asset value per share	cents	9	<b>6 177</b>	5 650
Share price at end of the year	cents	20	<b>11 888</b>	9 875
Market capitalisation at end of the year	Rm	22	<b>190 937</b>	156 889
Price-to-book ratio at end of the year	times		<b>1.7</b>	1.5

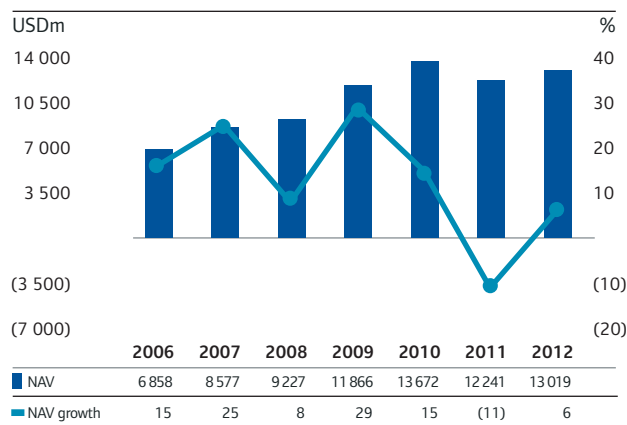


# Ordinary shareholders' equity (net asset value)

Analysis of net asset value (ZAR)



Analysis of net asset value (USD)



## Net asset value

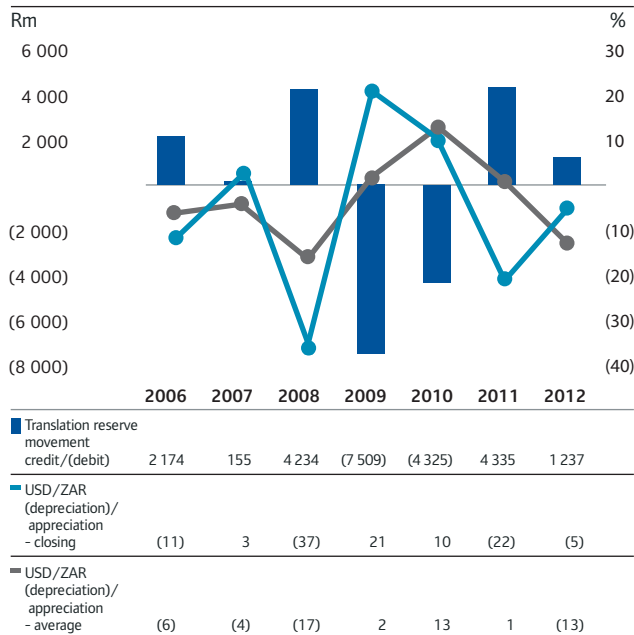
	Change %	2012 Rm	2011 Rm
Personal & Business Banking	29	42 298	32 835
Corporate & Investment Banking	(1)	44 856	45 457
Central and other	8	17 864	16 590
<b>Banking activities</b>	11	<b>105 018</b>	94 882
Liberty	16	8 887	7 641
<b>Standard Bank Group</b>	11	<b>113 905</b>	102 523

## Analysis of changes in net asset value

	Change %	2012 Rm	2011 Rm
Beginning of the year	13	102 523	90 755
Additional shareholder value	(0)	17 524	17 588
Headline earnings for the year attributable to ordinary shareholders		15 010	13 599
Other earnings attributable to ordinary shareholders		1 482	(174)
Currency translation movements, including hedging activities		1 237	4 348
Net cash flow hedges		(219)	52
Net available-for-sale movement		17	(272)
Fair value adjustments on available-for-sale instruments		607	(276)
Realised fair value adjustments transferred to the income statement		(590)	4
Other direct reserve movements		(3)	35
Transactions with ordinary shareholders	(6)	(6 080)	(5 731)
Dividends paid	(7)	(6 556)	(6 126)
Equity-settled share-based payments	(16)	282	336
Issue of share capital and premium and capitalisation of reserves	(12)	125	142
Deferred tax on share-based payments	>100	69	(83)
Transactions with non-controlling shareholders	30	(62)	(89)
<b>End of the year</b>	11	<b>113 905</b>	102 523

# Currency translation effects

## Currency translation effects



## Movement in group foreign currency translation and net investment hedging reserve

	2012 Rm	2011 Rm
Balance at beginning of the year: debit	(1 331)	(5 666)
Translation reserve increase for the year	1 237	4 348
Translation reserve increase	1 056	4 627
Rest of Africa	133	1 661
Outside Africa	912	2 934
Liberty	11	32
Currency hedge gains/(losses)	181	(279)
Change in shareholding of subsidiary	-	(13)
<b>Balance at end of the year: debit</b>	<b>(94)</b>	<b>(1 331)</b>

## Exchange rates

	Change %	Average		Change %	Closing	
		2012	2011		2012	2011
USD/ZAR	13	8,21	7,25	5	8,48	8,09
ZAR/NGN	(10)	19,33	21,49	(8)	18,41	19,99
GBP/USD	(1)	1,59	1,60	5	1,62	1,54
Euro/USD	(7)	1,29	1,39	2	1,32	1,29

# Economic capital

## Economic capital by risk type at end of the year

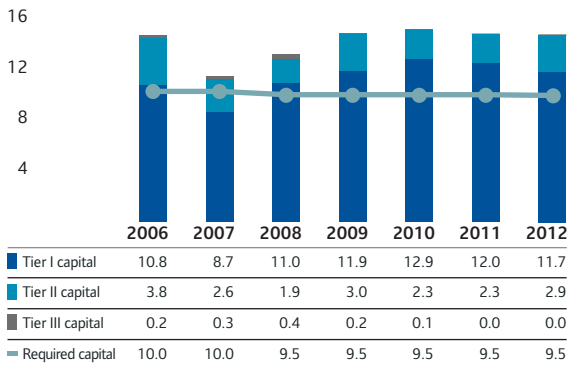
	Change %	2012 Rm	2011 Rm
Credit risk	5	47 311	44 975
Equity risk	(4)	6 738	6 992
Market risk	33	1 973	1 489
Operational risk	10	7 455	6 770
Business risk	4	5 156	4 946
Interest rate risk in the banking book	32	2 423	1 836
<b>Banking activities – economic capital requirement</b>	<b>6</b>	<b>71 056</b>	67 008
<b>Available financial resources (AFR)</b>	<b>11</b>	<b>106 426</b>	95 844
<b>Economical capital coverage ratio (times)</b>		<b>1.50</b>	1.43

## Economic capital by business unit at end of the year

	Change %	2012 Rm	2011 Rm
Personal & Business Banking	23	26 972	21 936
Corporate & Investment Banking	0	40 098	40 026
Central and other	(21)	3 986	5 046
<b>Banking activities</b>	<b>6</b>	<b>71 056</b>	67 008

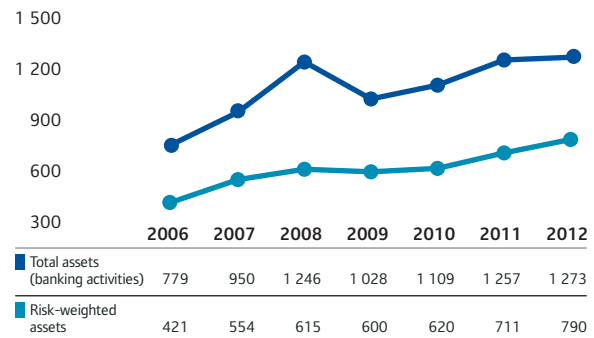
# Risk-weighted assets

## Capital adequacy<sup>1</sup> (%)



<sup>1</sup> Basel II implemented 1 January 2008. Risk-weighted assets and capital adequacy for 2007 are on a Basel II pro forma basis. 2008 to 2012 are on a Basel II basis. All other historical comparatives are on a Basel I basis.

## Risk-weighted assets (closing balances)<sup>1</sup> (Rbn)



<sup>1</sup> Basel II implemented 1 January 2008. Risk-weighted assets and capital adequacy for 2007 are on a Basel II pro forma basis. 2008 to 2012 are on a Basel II basis. All other historical comparatives are on a Basel I basis.

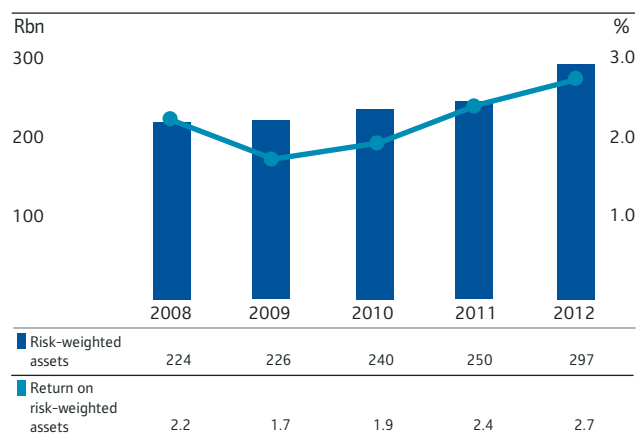
## Risk-weighted assets by business unit

	Change %	2012 Rm	2011 Rm
<b>Personal &amp; Business Banking</b>	19	<b>297 093</b>	249 691
Credit risk	22	<b>237 288</b>	194 504
Operational risk	8	<b>59 629</b>	54 962
Equity risk in the banking book	(22)	<b>176</b>	225
<b>Corporate &amp; Investment Banking</b>	14	<b>466 860</b>	410 310
Credit risk	14	<b>329 283</b>	289 348
Market risk	18	<b>69 244</b>	58 548
Operational risk	14	<b>52 722</b>	46 425
Equity risk in the banking book	(2)	<b>15 611</b>	15 989
<b>Central and other</b>	38	<b>25 660</b>	18 636
Credit risk	53	<b>17 378</b>	11 374
Operational risk	30	<b>3 387</b>	2 614
Equity risk in the banking book	5	<b>4 895</b>	4 648
<b>Continuing operations</b>	16	<b>789 613</b>	678 637
Discontinued operation	(100)	–	32 088
<b>Banking activities</b>	11	<b>789 613</b>	710 725

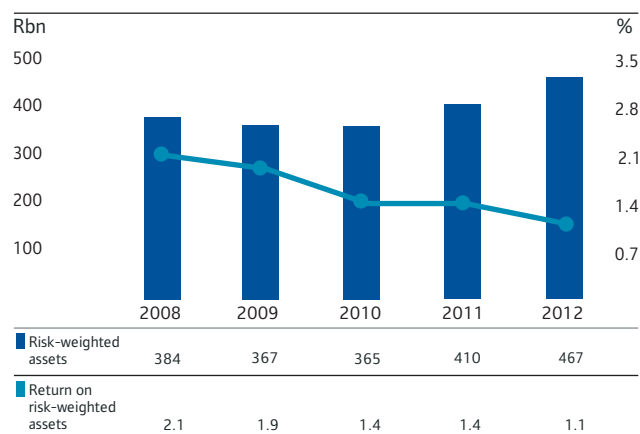
## Risk-weighted assets by risk class

	Change %	2012 Rm	2011 Rm
Credit risk	18	<b>583 949</b>	495 226
Market risk	18	<b>69 244</b>	58 548
Operational risk	11	<b>115 738</b>	104 001
Equity risk in the banking book	(1)	<b>20 682</b>	20 862
<b>Banking activities – continuing operations</b>	16	<b>789 613</b>	678 637

### PBB return on risk-weighted assets



### CIB return on risk-weighted assets



### Return on risk-weighted assets

	2012 %	2011 %
<b>Banking activities</b>	<b>1.7</b>	1.8
Personal & Business Banking	<b>2.7</b>	2.4
Corporate & Investment Banking	<b>1.1</b>	1.4

### Return on risk-weighted assets 2011 to 2012

- Average risk-weighted assets increased due to:
  - changes to the South African regulatory framework in 2012, specifically the application of a 6% scaling factor on the internal ratings based credit and equity risk portfolios and the implementation of Basel 2.5 which requires the inclusion of the stressed value at risk in the calculation of market risk
  - strong balance sheet growth in PBB and the rest of Africa.
- CIB's lower return on risk weighted assets in 2012 is an indicator of the challenging operating environment outside Africa and the substantial increase in risk weighted assets in 2012 due to the implementation of Basel 2.5.

# Capital adequacy

## Qualifying regulatory capital (excluding unappropriated profit)

	Change %	2012 Rm	2011 Rm
<b>Normalised ordinary shareholders' equity</b>	11	<b>113 905</b>	102 523
Net IFRS adjustments	(2)	<b>(3 535)</b>	(3 481)
<b>IFRS ordinary shareholders' equity</b>	11	<b>110 370</b>	99 042
Non-controlling interest	10	<b>14 300</b>	12 988
Less: Regulatory deductions	(3)	<b>(21 239)</b>	(20 698)
Investment in insurance entities (50%)	(0)	<b>(3 772)</b>	(3 756)
Investment in financial entities (50%)	(4)	<b>(944)</b>	(904)
Future expected losses exceeding provisions on incurred loss basis (50%)	27	<b>(1 054)</b>	(1 452)
Loans to SPEs (first loss credit enhancement) (50%)	95	<b>(2)</b>	(38)
Investment in banks	50	<b>(1 543)</b>	(3 099)
Goodwill and other intangible assets	(22)	<b>(13 924)</b>	(11 449)
Less: Regulatory exclusions	(34)	<b>(21 116)</b>	(15 735)
Non-qualifying entities' retained earnings	(50)	<b>(6 663)</b>	(4 440)
Non-qualifying other reserves	(>100)	<b>(1 114)</b>	40
Unappropriated profit	(2)	<b>(5 491)</b>	(5 407)
Non-qualifying minority interest	(32)	<b>(7 848)</b>	(5 928)
Less: Reserves included under tier II capital	(5)	<b>(1 002)</b>	(952)
Perpetual preference shares	–	<b>5 495</b>	5 495
<b>Tier I capital</b>	8	<b>86 808</b>	80 140
Preference share capital	–	<b>8</b>	8
Tier II subordinated debt	30	<b>27 204</b>	20 983
General allowance for credit impairments	12	<b>1 735</b>	1 552
Less: Regulatory deductions	5	<b>(6 060)</b>	(6 412)
Investment in insurance entities (50%)	(0)	<b>(3 772)</b>	(3 756)
Investment in financial entities (50%)	(4)	<b>(944)</b>	(904)
Future expected losses exceeding provisions on incurred loss basis (50%)	27	<b>(1 054)</b>	(1 452)
Loans to SPEs (first loss credit enhancement) (50%)	95	<b>(2)</b>	(38)
Investment in banks' tier II subordinated debt instruments	(10)	<b>(288)</b>	(262)
<b>Tier II capital</b>	42	<b>22 887</b>	16 131
<b>Tier III capital</b>	(100)	<b>–</b>	300
<b>Total regulatory capital</b>	14	<b>109 695</b>	96 571

## Standard Bank Group capital adequacy ratios

	Basel II minimum regulatory requirement %	Including unappropriated profits		Excluding unappropriated profits	
		2012 %	2011 %	2012 %	2011 %
Total capital adequacy ratio	9.5	<b>14.6</b>	14.3	<b>13.9</b>	13.6
Tier I capital adequacy ratio	7.0	<b>11.7</b>	12.0	<b>11.0</b>	11.3
Core tier I capital adequacy ratio	5.25	<b>11.0</b>	11.3	<b>10.3</b>	10.5
Perpetual preference shares as % of tier I	<25.0	<b>6.0</b>	6.4	<b>6.3</b>	6.9
Tier II and tier III as % of tier I	<100.0	<b>24.8</b>	19.2	<b>26.4</b>	20.5
Subordinated tier II debt as % of tier I	<50.0	<b>29.5</b>	24.5	<b>31.3</b>	26.2

## Capital adequacy ratios

	Host tier I regulatory requirements %	Host total regulatory requirements %	2012		2011	
			Tier I capital %	Total capital %	Tier I capital %	Total capital %
<b>Standard Bank Group</b>	7.0	9.5	<b>11.7</b>	<b>14.6</b>	12.0	14.3
<b>SBSA</b>	7.0	9.5	<b>11.3</b>	<b>14.8</b>	10.7	13.5
<b>Rest of Africa</b>						
CfC Stanbic Bank Kenya	8.0	12.0	<b>21.0</b>	<b>30.0</b>	11.2	16.9
Stanbic Bank Botswana	7.5	15.0	<b>8.9</b>	<b>17.3</b>	10.6	18.3
Stanbic Bank Ghana	6.7	10.0	<b>17.1</b>	<b>18.6</b>	19.1	21.4
Stanbic Bank Tanzania	10.0	12.0	<b>13.4</b>	<b>15.4</b>	12.7	14.7
Stanbic Bank Uganda	8.0	12.0	<b>15.7</b>	<b>20.0</b>	12.8	14.6
Stanbic Bank Zambia	5.0	10.0	<b>18.1</b>	<b>20.7</b>	9.8	12.9
Stanbic Bank Zimbabwe	8.0	12.0	<b>15.5</b>	<b>16.9</b>	15.2	16.4
Stanbic IBTC Bank Nigeria	5.0	10.0	<b>15.7</b>	<b>16.7</b>	18.6	18.7
Standard Bank de Angola	5.0	10.0	<b>15.6</b>	<b>15.6</b>	47.4	47.6
Standard Bank Malawi	6.0	10.0	<b>17.2</b>	<b>21.9</b>	17.5	23.2
Standard Bank Mauritius	5.0	10.0	<b>6.9</b>	<b>10.8</b>	11.7	15.9
Standard Bank Mozambique	4.0	8.0	<b>16.6</b>	<b>17.7</b>	17.5	19.0
Standard Bank Namibia	7.0	10.0	<b>10.2</b>	<b>11.8</b>	10.8	12.8
Standard Bank RDC (DR Congo)	5.0	10.0	<b>25.4</b>	<b>30.7</b>	27.8	34.8
Standard Bank Swaziland	4.0	8.0	<b>10.6</b>	<b>15.0</b>	9.3	13.4
Standard Lesotho Bank	4.0	8.0	<b>9.0</b>	<b>10.3</b>	10.7	11.4
<b>Standard International Holdings, consolidated<sup>1</sup></b>		12.3	<b>15.1</b>	<b>21.7</b>	10.9	15.9
Standard Bank Isle of Man		10.0	<b>9.6</b>	<b>11.8</b>	9.3	12.0
Standard Bank Jersey		10.0	<b>11.2</b>	<b>15.8</b>	10.1	14.7
Liberty group (calculated in terms of the Long-term Insurance Act) Capital adequacy requirement – times covered				<b>2.7</b>		2.9

<sup>1</sup> Incorporating:

- Banco Standard de Investimentos (Brazil)
- Standard Bank Argentina in 2011
- Standard Bank Asia (Hong Kong)
- Standard Bank Plc (United Kingdom)
- Standard Merchant Bank (Asia) (Singapore).

# Subordinated debt

	Redeemable/ Repayable date	Callable date	Notional value <sup>1</sup> LCm	Carrying value <sup>1</sup> 2012 Rm	Notional value <sup>1</sup> 2012 Rm	Carrying value <sup>1</sup> 2011 Rm	Notional value <sup>1</sup> 2011 Rm
<b>Subordinated bonds<sup>2</sup> – banking activities</b>							
<b>SBSA</b>				<b>22 400</b>	<b>21 550</b>	16 095	15 178
SBK 10 (Tier III)	19 Nov 2012		ZAR 300			302	300
USA private placement	31 Jul 2017	31 Jul 2012	USD 355			2 925	2 548
SBK 8	10 Apr 2018	10 Apr 2013	ZAR 1 500	<b>1 528</b>	<b>1 500</b>	1 528	1 500
SBKI 11	9 Apr 2019	10 Apr 2014	ZAR 1 800	<b>2 414</b>	<b>1 800</b>	2 206	1 800
SBK 7	24 May 2020	24 May 2015	ZAR 3 000	<b>3 033</b>	<b>3 000</b>	3 033	3 000
SBK 12	24 Nov 2021	24 Nov 2016	ZAR 1 600	<b>1 618</b>	<b>1 600</b>	1 618	1 600
SBK 13	24 Nov 2021	24 Nov 2016	ZAR 1 150	<b>1 159</b>	<b>1 150</b>	1 159	1 150
SBK 15	23 Jan 2022	23 Jan 2017	ZAR 1 220	<b>1 236</b>	<b>1 220</b>		
SBK 14	1 Dec 2022	1 Dec 2017	ZAR 1 780	<b>1 795</b>	<b>1 780</b>	1 795	1 780
SBK 16	15 Mar 2023	15 Mar 2018	ZAR 2 000	<b>2 005</b>	<b>2 000</b>		
SBK 9	10 Apr 2023	10 Apr 2018	ZAR 1 500	<b>1 529</b>	<b>1 500</b>	1 529	1 500
SBK 17	30 Jul 2024	30 Jul 2019	ZAR 2 000	<b>2 024</b>	<b>2 000</b>		
SBK 19	24 Oct 2024	24 Oct 2019	ZAR 500	<b>507</b>	<b>500</b>		
SBK 18	24 Oct 2025	24 Oct 2020	ZAR 3 500	<b>3 552</b>	<b>3 500</b>		
<b>Standard Bank Swaziland</b>	2019 – 2020	2014 – 2015	E 80	<b>80</b>	<b>80</b>	80	80
<b>Stanbic Botswana</b>	2018 – 2022	2013 – 2017	BWP 280	<b>306</b>	<b>306</b>	216	216
<b>Standard Bank Mozambique</b>	29 Jun 2017	29 Jun 2012	MT 260	<b>74</b>	<b>74</b>	78	78
<b>CfC Stanbic Bank (Kenya)</b>	2012 – 2016		KES 5 400	<b>492</b>	<b>492</b>	514	514
<b>Stanbic Bank Uganda</b>	10 Aug 2016	10 Aug 2014	UGX 30 000	<b>95</b>	<b>95</b>	98	98
<b>Standard International Holdings</b>				<b>6 307</b>	<b>5 652</b>	5 913	5 395
	27 Jul 2016	27 July 2016	USD 142	<b>1 246</b>	<b>1 201</b>	1 189	1 147
	2 Dec 2019		USD 500	<b>4 849</b>	<b>4 239</b>	4 522	4 046
	3 Dec 2019		USD 25	<b>212</b>	<b>212</b>	202	202
<b>Stanbic Bank Ghana</b>	23 Jan 2022	23 Jan 2017	GHS 7	<b>34</b>	<b>34</b>		
<b>Subordinated bonds issued to group companies</b>				<b>(603)</b>	<b>(592)</b>	(666)	(648)
<b>Total subordinated bonds – banking activities</b>				<b>29 185</b>	<b>27 691</b>	22 328	20 911
<b>Total subordinated loans – banking activities<sup>3</sup></b>				<b>326</b>	<b>326</b>	372	372
<b>Total subordinated debt – banking activities</b>				<b>29 511</b>	<b>28 017</b>	22 700	21 283
<b>Liberty (qualifying as regulatory insurance capital)</b>		2017 – 2018	ZAR 2 000	<b>2 037</b>	<b>2 000</b>	2 054	2 000
<b>Total subordinated debt</b>				<b>31 548</b>	<b>30 017</b>	24 754	23 283

<sup>1</sup> The difference between the carrying and notional value represents accrued interest together with the unamortised fair value adjustments relating to bonds hedged for interest rate risk.

<sup>2</sup> Tier II, unless otherwise stated.

<sup>3</sup> Subordinated loans have been issued in Ghana, Mauritius, Kenya and DRC.



# Key banking legal entity information

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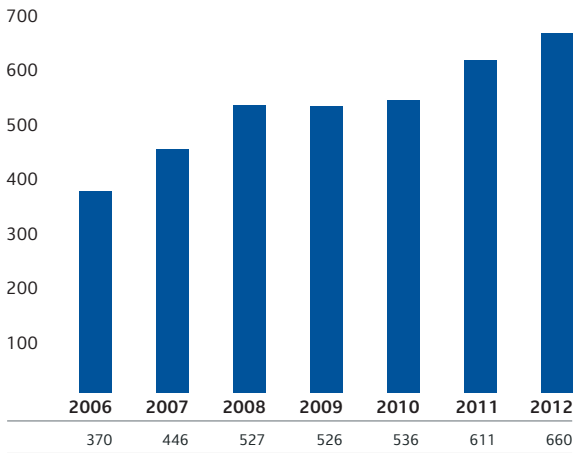
## The Standard Bank of South Africa

**Key financial results, ratios and statistics**

		Change %	2012	2011
<b>SBSA group</b>				
<b>Income statement</b>				
Headline earnings	Rm	21	<b>11 501</b>	9 530
Profit attributable to the ordinary shareholder	Rm	25	<b>11 924</b>	9 510
<b>Statement of financial position</b>				
Ordinary shareholders' equity	Rm	27	<b>69 742</b>	54 795
Total assets	Rm	6	<b>979 013</b>	921 689
Loans and advances	Rm	8	<b>659 500</b>	611 165
<b>Financial performance</b>				
ROE	%		<b>18.5</b>	18.4
Non-interest revenue to total income	%		<b>46.6</b>	46.8
Loan-to-deposit ratio	%		<b>91.9</b>	88.8
Credit loss ratio	%		<b>0.89</b>	0.80
Cost-to-income ratio	%		<b>54.4</b>	54.8
Cost-to-income ratio (excluding revenue sharing agreements)	%		<b>49.3</b>	51.2
Effective taxation rate	%		<b>21.8</b>	29.1
Number of employees		(1)	<b>28 168</b>	28 422
<b>SBSA company</b>				
Headline earnings	Rm	18	<b>11 180</b>	9 489
Total assets	Rm	7	<b>967 956</b>	908 125
ROE	%		<b>18.3</b>	18.7
<b>Capital adequacy</b>				
Total risk-weighted assets	Rm	16	<b>499 819</b>	430 484
Tier I capital adequacy ratio	%		<b>11.3</b>	10.7
Total capital adequacy ratio	%		<b>14.8</b>	13.5

**Loans and advances - SBSA group (Rbn)**

CAGR (2006 – 2012): 10%



**Revised SBSA operating model**

- Standard Bank’s African strategy is assisted by the macro prudential limit, which allows South African banks to apply up to 25% of their total liabilities in foreign assets.
- Approximately R22 billion of assets have been transferred to SBSA’s balance sheet from entities outside South Africa, and R12 billion has been originated as part of the integrated Investment Banking business model.
- As a result of this integrated business model, there is a significant increase in payments made under revenue sharing agreements with other group companies.

## The Standard Bank of South Africa

**Summarised income statement**

	Group			Company		
	Change %	2012 Rm	2011 <sup>1</sup> Rm	Change %	2012 Rm	2011 <sup>1</sup> Rm
Net interest income	18	25 249	21 348	18	25 196	21 268
Non-interest revenue	17	22 032	18 804	17	21 394	18 280
Net fee and commission revenue	12	16 364	14 582	12	15 561	13 843
Trading revenue	(2)	3 147	3 220	(2)	3 154	3 211
Other revenue	>100	2 521	1 002	>100	2 679	1 226
<b>Total income</b>	18	47 281	40 152	18	46 590	39 548
Credit impairment charges	25	5 785	4 623	25	5 751	4 584
Specific credit impairments	42	6 005	4 223	42	5 946	4 187
Portfolio credit impairments	(>100)	(220)	400	(>100)	(195)	397
<b>Income after credit impairment charges</b>	17	41 496	35 529	17	40 839	34 964
Revenue sharing agreements with group companies	(>100)	(1 642)	(230)	(>100)	(1 642)	(230)
<b>Income after revenue sharing arrangements</b>	13	39 854	35 299	13	39 197	34 734
Operating expenses	15	25 106	21 904	15	24 511	21 368
Staff costs	23	13 289	10 789	23	13 057	10 598
Other operating expenses	6	11 817	11 115	6	11 454	10 770
<b>Net income before goodwill</b>	10	14 748	13 395	10	14 686	13 366
Goodwill impairments	(100)	–	46	(100)	–	39
<b>Net income before associates and joint ventures</b>	10	14 748	13 349	10	14 686	13 327
Share of profit/(loss) from associates and joint ventures	>100	523	83	>100	155	(26)
<b>Net income before indirect taxation</b>	14	15 271	13 432	12	14 841	13 301
Indirect taxation	31	974	745	31	973	745
<b>Profit before direct taxation</b>	13	14 297	12 687	10	13 868	12 556
Direct taxation	(25)	2 362	3 167	(25)	2 266	3 035
<b>Profit for the year</b>	25	11 935	9 520	22	11 602	9 521
Attributable to non-controlling interests	10	11	10			
<b>Attributable to the ordinary shareholder</b>	25	11 924	9 510	22	11 602	9 521
Headline adjustable items	(>100)	(423)	20	(>100)	(422)	(32)
<b>Headline earnings</b>	21	11 501	9 530	18	11 180	9 489

<sup>1</sup> Refer to page 98 for prior year restatements.

## The Standard Bank of South Africa

# Statement of financial position

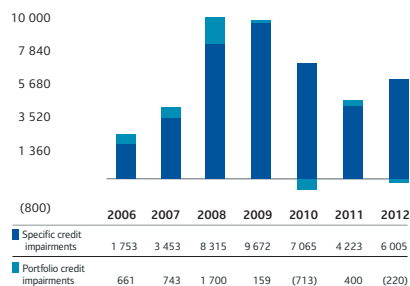
	Group			Company		
	Change %	2012 Rm	2011 <sup>1</sup> Rm	Change %	2012 Rm	2011 <sup>1</sup> Rm
<b>Assets</b>						
Cash and balances with central banks	24	25 926	20 865	24	25 926	20 865
Trading assets	45	35 685	24 626	45	35 496	24 440
Pledged assets	53	5 706	3 737	53	5 706	3 737
Financial investments	(4)	76 679	79 809	(4)	76 690	79 815
Loans and advances	8	659 500	611 165	8	643 762	593 597
Loans and advances to banks	15	69 999	60 740	16	70 033	60 573
Loans and advances to customers	7	589 501	550 425	8	573 729	533 024
Derivative and other assets	(7)	96 882	104 489	(8)	96 008	103 992
Non current assets held for sale	100	960		100	708	
Interest in group companies, associates and joint ventures	(6)	58 430	62 099	(4)	64 593	66 940
Intangible assets	60	10 350	6 469	60	10 307	6 433
Property and equipment	6	8 895	8 430	5	8 760	8 306
<b>Total assets</b>	6	979 013	921 689	7	967 956	908 125
<b>Equity and liabilities</b>						
<b>Equity</b>	27	69 805	54 847	27	68 382	53 757
Equity attributable to the ordinary shareholder	27	69 742	54 795	27	68 382	53 757
Ordinary share capital	–	60	60	–	60	60
Ordinary share premium	29	35 196	27 230	29	35 196	27 230
Reserves	25	34 486	27 505	25	33 126	26 467
Non-controlling interest	21	63	52			
<b>Liabilities</b>	5	909 208	866 842	5	899 574	854 368
Derivative liabilities	(17)	81 744	98 730	(17)	81 744	98 727
Trading liabilities	17	15 953	13 581	17	15 953	13 581
Deposit and current accounts	4	717 944	688 062	5	706 586	674 147
Deposits from banks	(0)	78 453	78 812	(0)	78 453	78 813
Deposits and current accounts from customers	5	639 491	609 250	6	628 133	595 334
Other liabilities	36	20 966	15 367	36	20 326	14 917
Subordinated debt	39	22 400	16 095	39	22 400	16 095
Liabilities to group companies	43	50 201	35 007	42	52 565	36 901
<b>Total equity and liabilities</b>	6	979 013	921 689	7	967 956	908 125

<sup>1</sup> Refer to page 98 for prior years restatement.

## The Standard Bank of South Africa

# Credit impairment charges

### Credit impairment charges (Rm)



### Income statement impairment charges (net of recoveries)

	Change %	2012					
		Specifically impaired loans			Port- folio credit impair- ment charges Rm	Total impair- ment charges Rm	Credit loss ratio %
Specific impair- ment Rm	IAS 39 dis- count <sup>1</sup> Rm	Total Rm					
<b>Personal &amp; Business Banking</b>	14	5 050	698	5 748	(208)	5 540	1.34
Mortgage loans	(8)	2 786	542	3 328	(697)	2 631	0.93
Instalment sale and finance leases	28	330	32	362	24	386	0.73
Card debtors	7	290	24	314	61	375	1.70
Other loans and advances	61	1 644	100	1 744	404	2 148	3.83
Personal unsecured lending	64	1 317	58	1 375	385	1 760	7.07
Business lending and other	48	327	42	369	19	388	1.24
<b>Corporate &amp; Investment Banking</b>	>100	263	(8)	255	180	435	0.19
Corporate loans	>100	166	(8)	158	222	380	0.20
Commercial property finance	(27)	97		97	(42)	55	0.14
<b>Other services</b>	(>100)	2		2	(192)	(190)	
<b>Total SBSA group</b>	25	5 315	690	6 005	(220)	5 785	0.89

<sup>1</sup> Discounting of expected recoveries in terms of IAS 39.

### Updated impairment methodologies

During 2012 a review of specific and portfolio impairment methodologies in mortgage loans was undertaken. A consequence of this was that more risk is now categorised under specific impairments rather than under portfolio impairments. This resulted in a release of R748 million from portfolio impairments and an increase of a similar amount under specific impairments. This had no effect on overall impairment charges.

	2011					
	Specifically impaired loans			Port- folio credit impair- ment charges Rm	Total impair- ment charges Rm	Credit loss ratio %
Specific impair- ment Rm	IAS 39 dis- count <sup>1</sup> Rm	Total Rm				
	3 745	700	4 445	419	4 864	1.27
	1 939	529	2 468	407	2 875	1.06
	400	50	450	(148)	302	0.66
	378	55	433	(82)	351	1.78
	1 028	66	1 094	242	1 336	2.87
	758	37	795	279	1 074	6.08
	270	29	299	(37)	262	0.91
	(212)		(212)	(19)	(231)	(0.12)
	(300)		(300)	(6)	(306)	(0.20)
	88		88	(13)	75	0.21
	(10)		(10)		(10)	
	3 523	700	4 223	400	4 623	0.80

## The Standard Bank of South Africa

## Loans and advances performance

	Performing loans					
	Gross loans and advances Rm	Neither past due nor specifically impaired		Not specifically impaired		
		Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-Performing Rm	
<b>2012</b>						
<b>Personal &amp; Business Banking</b>	435 434	373 561	17 502	23 397		
Mortgage loans	288 701	246 369	11 401	15 549		
Instalment sale and finance leases	56 389	51 610	1 230	2 230		
Card debtors	23 604	19 484	2 721	529		
Other loans and advances	66 740	56 098	2 150	5 089		
Personal unsecured lending	29 660	23 906	558	3 310		
Business lending and other	37 080	32 192	1 592	1 779		
<b>Corporate &amp; Investment Banking</b>	239 161	235 580		5	2 188	
Corporate loans	201 197	198 573			1 991	
Commercial property finance	37 964	37 007		5	197	
<b>Central and Other</b>	(2 628)	(2 628)				
<b>Gross loans and advances</b>	<b>671 967</b>	<b>606 513</b>	<b>17 502</b>	<b>23 402</b>	<b>2 188</b>	
<b>Percentage of total book (%)</b>	<b>100.0</b>	<b>90.3</b>	<b>2.6</b>	<b>3.5</b>	<b>0.3</b>	
<b>2011</b>						
<b>Personal &amp; Business Banking</b>	397 500	338 702	16 775	17 642		
Mortgage loans	276 909	233 564	12 392	12 011		
Instalment sale and finance leases	48 154	43 656	982	1 902		
Card debtors	20 026	16 792	1 935	179		
Other loans and advances	52 411	44 690	1 466	3 550		
Personal unsecured lending	19 174	15 652	522	1 819		
Business lending and other	33 237	29 038	944	1 731		
<b>Corporate &amp; Investment Banking</b>	227 309	225 676	35	181	313	
Corporate loans	189 534	188 934			49	
Commercial property finance	37 775	36 742	35	181	264	
<b>Central and other</b>	(1 619)	(1 619)				
<b>Gross loans and advances</b>	<b>623 190</b>	<b>562 759</b>	<b>16 810</b>	<b>17 823</b>	<b>313</b>	
<b>Percentage of total book (%)</b>	<b>100.0</b>	<b>90.2</b>	<b>2.7</b>	<b>2.9</b>	<b>0.1</b>	

## Criteria for classifications of loans and advances

Non-performing loans Those loans for which:

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

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

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

## Non-performing loans

Specifically impaired loans										
	Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total non-performing loans Rm	Non-performing loans %
	5 793	12 737	2 444	20 974	13 174	7 800	7 800	37	20 974	4.8
	4 863	9 966	553	15 382	11 287	4 095	4 095	27	15 382	5.3
	127	597	595	1 319	622	697	697	53	1 319	2.3
	157	230	483	870	310	560	560	64	870	3.7
	646	1 944	813	3 403	955	2 448	2 448	72	3 403	5.1
	341	1 154	391	1 886	456	1 430	1 430	76	1 886	6.4
	305	790	422	1 517	499	1 018	1 018	67	1 517	4.1
	340	840	208	1 388	997	391	391	28	3 576	1.5
	16	594	23	633	422	211	211	33	2 624	1.3
	324	246	185	755	575	180	180	24	952	2.5
					(2)	2	2			
	6 133	13 577	2 652	22 362	14 169	8 193	8 193	37	24 550	3.7
	0.9	2.0	0.4	3.3	2.1	1.2	1.2			
	6 946	14 644	2 791	24 381	17 119	7 262	7 262	30	24 381	6.1
	6 269	12 138	535	18 942	15 291	3 651	3 651	19	18 942	6.8
	82	599	933	1 614	699	915	915	57	1 614	3.4
	136	227	757	1 120	312	808	808	72	1 120	5.6
	459	1 680	566	2 705	817	1 888	1 888	70	2 705	5.2
	147	848	186	1 181	284	897	897	76	1 181	6.2
	312	832	380	1 524	533	991	991	65	1 524	4.6
	170	902	32	1 104	835	269	269	24	1 417	0.6
	4	525	22	551	404	147	147	27	600	0.3
	166	377	10	553	431	122	122	22	817	2.2
	7 116	15 546	2 823	25 485	17 954	7 531	7 531	30	25 798	4.1
	1.1	2.5	0.5	4.1	2.9	1.2	1.2			

Non-performing but not specifically impaired loans

Loans where the counterparty has failed to make contractual payments and payments are 90 days or more past due as well as those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition. These loans are not specifically impaired due to the expected recoverability of the full carrying value when considering future cash flows, including collateral.

Non-performing specifically impaired loans

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

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

## The Standard Bank of South Africa

# Capital adequacy

**SBSA company qualifying regulatory capital (excluding unappropriated profit)**

	Change %	2012 Rm	2011 Rm
Ordinary shareholders' equity	27	68 382	53 757
Less: Regulatory deductions	(64)	(11 661)	(7 115)
Expected losses exceeding eligible provisions (50%)	(>100)	(1 352)	(624)
Loans to SPVs (first loss credit enhancement) (50%)	95	(2)	(38)
Investment in regulated non-banking entities	100	–	(20)
Intangible assets	(60)	(10 307)	(6 433)
Less: Regulatory exclusions	(>100)	(3 932)	(1 873)
Non-qualifying foreign currency translation reserve	(33)	(156)	(117)
Non-qualifying other reserves	92	(26)	(311)
Unappropriated profit	(>100)	(3 750)	(1 445)
<b>Tier I capital</b>	18	52 789	44 769
Tier II subordinated debt	45	21 550	14 878
Impairments for performing loans	(17)	173	208
Less: Regulatory deductions	(34)	(4 449)	(3 316)
Expected losses exceeding eligible provisions (50%)	(>100)	(1 352)	(624)
Loans to SPVs (first loss credit enhancement) (50%)	95	(2)	(38)
Investment in tier II instruments in banks	(17)	(3 095)	(2 654)
<b>Tier II capital</b>	47	17 274	11 770
<b>Tier III capital</b>	(100)	–	300
<b>Total qualifying regulatory capital</b>	23	70 063	56 839

**SBSA company capital adequacy ratios**

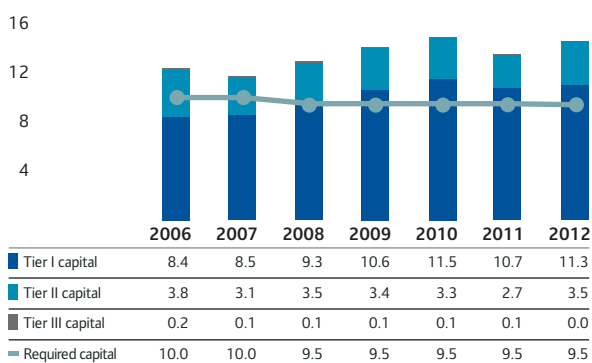
	Basel II Minimum regulatory requirement %	Including unappropriated profits		Excluding unappropriated profits	
		2012 %	2011 %	2012 %	2011 %
Total capital adequacy ratio	9.50	14.8	13.5	14.0	13.2
Tier I capital adequacy ratio	7.0	11.3	10.7	10.6	10.4
Core tier I capital adequacy ratio	5.25	11.3	10.7	10.6	10.4
Tier II and III as % of tier I	<100.0	30.6	26.1	32.7	27.0
Subordinated tier II debt as % of tier I	<50.0	38.1	32.2	40.8	33.2



## The Standard Bank of South Africa

# Risk-weighted assets

### Capital adequacy - SBSA company<sup>1</sup> (including unappropriated profit)



<sup>1</sup> Basel II implemented 1 January 2008 and 2008 to 2012 are based on Basel II basis. All other historical comparatives are based on a Basel I basis.

### SBSA company risk-weighted assets

	Change %	2012 Rm	2011 Rm
Credit risk <sup>1</sup>	18	395 472	335 215
Market risk <sup>2</sup>	40	21 099	15 020
Operational risk	7	68 817	64 480
Equity risk in the banking book	(8)	14 431	15 769
<b>Total risk-weighted assets</b>	<b>16</b>	<b>499 819</b>	<b>430 484</b>

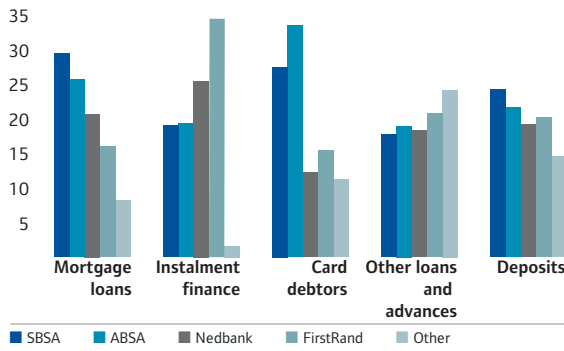
<sup>1</sup> Credit risk-weighted assets increased over the year due to the regulatory requirement to include a 6% scaling on internal ratings based portfolios from 1 January 2012, combined with book growth in PBB.

<sup>2</sup> The implementation of Basel 2.5 in 2012 required the inclusion of stressed value at risk in the calculation of market risk-weighted assets which significantly contributed to the increased market risk capital requirements.

# The Standard Bank of South Africa

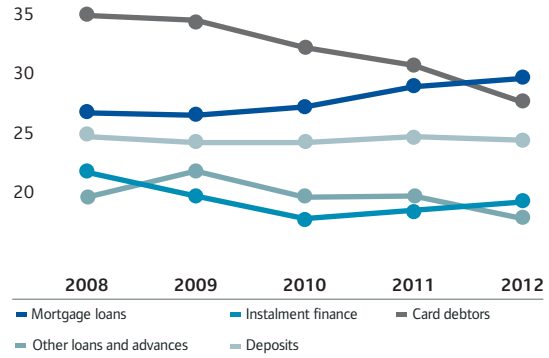
## Market share analysis

South African market share analysis (%)

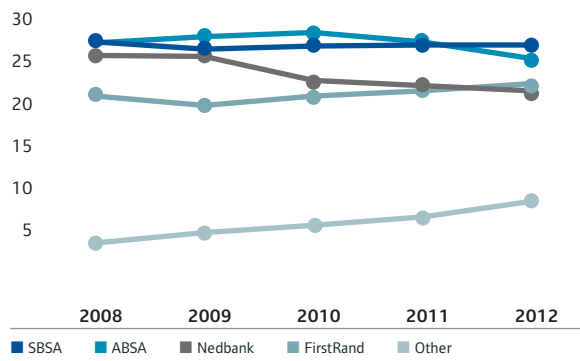


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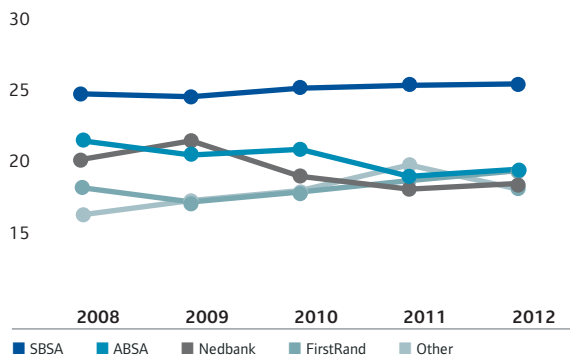
SBSA's market share movement (%)



Retail-based deposits (denominated in rands) (%)



Corporate-based deposits (denominated in rands) (%)



## Discontinued operations – Argentina

# Summarised income statement and overview of the transaction

### Summarised income statement

	Change %	2012 <sup>1</sup> USDm	2011 USDm	Change %	2012 <sup>1</sup> Rm	2011 Rm
Net interest income	17	367	315	31	3 005	2 295
Non-interest revenue	19	241	203	33	1 964	1 477
Net fee and commission revenue	9	155	142	22	1 267	1 035
Trading revenue	54	80	52	73	651	377
Other revenue	(33)	6	9	(29)	46	65
<b>Total income</b>	17	<b>608</b>	518	32	<b>4 969</b>	3 772
Credit impairment charges	>100	46	20	>100	376	152
<b>Income after credit impairment charges</b>	13	<b>562</b>	498	27	<b>4 593</b>	3 620
Operating expenses	4	332	319	18	2 716	2 311
Staff costs	12	212	189	26	1 735	1 373
Other operating expenses	(8)	120	130	5	981	938
<b>Net income before associates and joint ventures</b>	28	<b>230</b>	179	43	<b>1 877</b>	1 309
Share of profit from associates and joint ventures	0	2	2	40	21	15
<b>Net income before taxation</b>	28	<b>232</b>	181	43	<b>1 898</b>	1 324
Taxation	29	121	94	45	988	683
<b>Profit for the year from discontinued operations</b>	28	<b>111</b>	87	42	<b>910</b>	641
Attributable to non-controlling interests	33	28	21	42	227	160
<b>Attributable to ordinary shareholders</b>	26	<b>83</b>	66	42	<b>683</b>	481
Headline adjustable items	67	(1)	(3)	58	(10)	(24)
<b>Headline earnings</b>	30	<b>82</b>	63	47	<b>673</b>	457

<sup>1</sup> The 2012 income statement represents the 11 months ended 30 November 2012 that SBA was treated as a discontinued operation.

### Overview of the transaction

On 30 November 2012 the group completed the disposal of its controlling interests in Standard Bank Argentina S.A., Standard Investments S.A., Sociedad Gerente de Fondos Comunes de Inversion (SI) and Inversora Diagonal S.A. (ID) (collectively referred to as SBA) to ICBC. ICBC acquired a 55% stake in Standard Bank Argentina S.A. and a 50% stake in each of SI and ID from the group, with the group retaining a 20% shareholding and rights to board representation in each of the companies comprising SBA. The profit realised on the disposal of the group's controlling interest, after accounting for the reversal of foreign

currency translation reserve losses, net investment hedge losses and the fair valuation of the group's remaining 20% associate interest in SBA, was R1 525 million. The group continued to classify its investment in SBA as a discontinued operation in line with the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* up to the disposal date. The group retains significant influence over the financial and operating policies of SBA and hence, following the disposal date SBA was accounted for as an associate in terms of IAS 28 *Investments in Associates*.

## Standard Bank Plc

## Summarised income statement

	Change %	2012 USDm	2011 USDm	Change %	2012 Rm	2011 Rm
Net interest income	(60)	59	148	(53)	509	1 074
Non-interest revenue	0	511	511	19	4 396	3 704
Net fees, commission and revenue sharing agreements	(18)	179	218	(3)	1 538	1 592
Net fee and commission revenue	(74)	34	129	(71)	290	993
Revenue sharing and fee agreements with group companies	63	145	89	>100	1 248	599
Trading revenue	(14)	253	293	3	2 180	2 112
Other revenue	100	79		100	678	
<b>Total income</b>	(14)	<b>570</b>	659	3	<b>4 905</b>	4 778
Credit impairment charges	5	142	135	17	1 224	1 047
<b>Income after credit impairment charges</b>	(18)	<b>428</b>	524	(1)	<b>3 681</b>	3 731
Operating expenses	9	569	522	32	4 899	3 705
Staff costs	8	354	327	29	3 047	2 357
Other operating expenses	10	215	195	37	1 852	1 348
<b>Net (loss)/income before restructure charge</b>	(>100)	<b>(141)</b>	2	(>100)	<b>(1 218)</b>	26
Restructure charge	100	74		100	636	
<b>Net (loss)/income before disposal of loan portfolio</b>	(>100)	<b>(215)</b>	2	(>100)	<b>(1 854)</b>	26
(Loss)/gain on intra-group disposal of loan portfolio <sup>1</sup>	(>100)	(52)	6	(>100)	(446)	46
<b>Net (loss)/income before taxation</b>	(>100)	<b>(267)</b>	8	(>100)	<b>(2 300)</b>	72
Taxation	>100	21	(17)	>100	184	(123)
<b>(Loss)/profit for the year</b>	(>100)	<b>(288)</b>	25	(>100)	<b>(2 484)</b>	195
Loss for the year from discontinued businesses <sup>2</sup>	4	(44)	(46)	(15)	(384)	(334)
<b>Attributable to ordinary shareholders</b>	(>100)	<b>(332)</b>	(21)	(>100)	<b>(2 868)</b>	(139)
Headline adjustable items	(>100)	(19)	11	(>100)	(157)	90
<b>Headline loss</b>	(>100)	<b>(351)</b>	(10)	(>100)	<b>(3 025)</b>	(49)

<sup>1</sup> Eliminated on consolidation of group results.

<sup>2</sup> The discontinued businesses are reported as curtailed operations at a group level.

## Key issues

- In line with strategic changes, the Standard Bank Plc Investment banking portfolio was transferred to SBSA resulting in a reduction in net interest income and fee and commission revenue but an increase in income from revenue sharing agreements with SBSA. Since the start of the year all new investment banking assets have been booked onto the SBSA balance sheet.
- The remaining balance under loans to customers comprise mainly of short term placements and reverse reports with non banking financial institutions.
- Additional large specific credit impairments on Middle Eastern exposures of USD131 million.
- High regulatory and compliance related costs of USD32,5 million.
- Reduced trading losses on the discontinued Asia distressed debt portfolio.
- No tax relief on losses due to conservative assumptions on the future tax base.
- Cash deposits held with the Bank of England Sterling Monetary as excess liquidity.
- Higher trading assets were required for liquid asset buffer holdings.

## Standard Bank Plc

# Statement of financial position and key ratios

## Statement of financial position

	Change %	2012 USDm	2011 USDm	Change %	2012 Rm	2011 Rm
<b>Assets</b>						
Cash and balances with central banks	100	2 228		100	18 890	
Derivative assets	(31)	4 813	6 993	(28)	40 801	56 586
Trading assets	5	6 848	6 541	10	58 054	52 925
Pledged assets	>100	504	127	>100	4 270	1 026
Financial investments	(46)	37	68	(43)	312	552
Loans and advances	(53)	6 161	13 024	(50)	52 228	105 379
Loans and advances to banks	(58)	3 085	7 416	(56)	26 149	60 006
Loans and advances to customers	(45)	3 076	5 608	(43)	26 079	45 373
Other assets	(9)	424	464	1	3 783	3 752
Intangible assets	(48)	48	92	(45)	406	743
Property and equipment	(20)	28	35	(17)	236	286
<b>Total assets</b>	(23)	<b>21 091</b>	27 344	(19)	<b>178 980</b>	221 249
<b>Equity and liabilities</b>						
<b>Equity</b>	(19)	<b>1 375</b>	1 699	(14)	<b>11 835</b>	13 746
<b>Liabilities</b>	(23)	<b>19 716</b>	25 645	(19)	<b>167 145</b>	207 503
Derivative liabilities	(28)	5 255	7 324	(25)	44 545	59 263
Trading liabilities	7	2 274	2 133	12	19 280	17 261
Deposit and current accounts	(28)	10 409	14 484	(25)	88 240	117 191
Deposits from banks	(30)	8 032	11 533	(27)	68 091	93 315
Deposit and current accounts from customers	(19)	2 377	2 951	(16)	20 149	23 876
Other liabilities	9	733	672	14	6 218	5 438
Subordinated debt	1	1 045	1 032	6	8 862	8 350
<b>Total equity and liabilities</b>	(23)	<b>21 091</b>	27 344	(19)	<b>178 980</b>	221 249

## Key ratios

	2012 %	2011 %
ROE	(20.5)	(1.2)
Credit loss ratio – excluding discontinued businesses	1.48	0.97
Cost-to-income ratio	109.8	78.5

## Rest of Africa

## Summarised income statement

	Change %	2012 Rm	2011 Rm
Net interest income	35	7 778	5 778
Non-interest revenue	42	7 761	5 478
Net fee and commission revenue	33	4 159	3 125
Trading revenue	54	3 436	2 228
Other revenue	33	166	125
<b>Total income</b>	38	<b>15 539</b>	11 256
Credit impairment charges	>100	1 846	694
<b>Income after credit impairment charges</b>	30	<b>13 693</b>	10 562
Operating expenses <sup>1</sup>	23	10 147	8 223
Staff costs	22	4 663	3 827
Other operating expenses	25	5 484	4 396
<b>Net income before goodwill</b>	52	<b>3 546</b>	2 339
Goodwill impairment	>100	777	15
<b>Net income before associates and joint ventures</b>	19	<b>2 769</b>	2 324
Share of profit from associates and joint ventures	89	17	9
<b>Net income before taxation</b>	19	<b>2 786</b>	2 333
Taxation	36	1 185	871
<b>Profit for the year</b>	10	<b>1 601</b>	1 462
Attributable to non-controlling interests	36	576	422
<b>Attributable to ordinary shareholders</b>	(1)	<b>1 025</b>	1 040
Headline adjustable items	>100	777	35
<b>Headline earnings</b>	68	<b>1 802</b>	1 075

<sup>1</sup> Including a full attribution of central costs.

## Key features

- Record headline earnings.
- South Sudan branch opened and commenced formal banking operations during April 2012.
- Good loan growth with PBB loans up 22%, due to workplace banking and the introduction of SME quick loans, and CIB up 24%, largely in transactional products and services.
- Good growth of 25% in deposit balances due to continued focus on transactional account acquisitions.
- Revenues benefited from a larger customer and deposit base.
- Higher operating expenses to support the branch network expansion, but lower than income growth.
- Increased credit impairments in line with book growth, with several large specific impairments in CIB Nigeria, Mauritius and Uganda.

## Rest of Africa

# Statement of financial position and key ratios

## Statement of financial position

	Change %	2012 Rm	2011 Rm
<b>Assets</b>			
Cash and balances with central banks	56	17 045	10 924
Derivative assets	(12)	1 200	1 370
Trading assets	22	16 036	13 096
Pledged assets	23	1 663	1 349
Financial investments	6	16 879	15 893
Loans and advances	24	107 592	86 866
Loans and advances to banks	39	33 814	24 325
Loans and advances to customers	18	73 778	62 541
Other assets	66	4 580	2 760
Interest in associates and joint ventures	(89)	3	28
Goodwill and other intangible assets	13	4 809	4 269
Property and equipment	22	3 320	2 732
<b>Total assets</b>	24	<b>173 127</b>	139 287
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to ordinary shareholders	27	22 726	17 874
Non-controlling interest	27	18 809	14 868
	30	3 917	3 006
<b>Liabilities</b>			
Derivative liabilities	24	150 401	121 413
Trading liabilities	(2)	1 369	1 401
Deposit and current accounts	37	4 884	3 554
Deposits from banks	25	132 430	105 661
Deposits from customers	54	15 614	10 122
Deposit and current accounts from customers	22	116 816	95 539
Other liabilities	6	9 716	9 201
Subordinated debt	25	2 002	1 596
<b>Total equity and liabilities</b>	24	<b>173 127</b>	139 287

## Key ratios

	2012 %	2011 %
ROE	10.8	8.4
ROE excluding goodwill	13.0	10.8
Credit loss ratio	1.90	0.91
Cost-to-income ratio	65.2	73.0





# Other information and restatements

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# Changes in accounting policies and restatements

The accounting policies are consistent with those adopted in the previous year except as noted below and are in terms of IFRS.

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

The group adopted the following IFRS prospectively as of 1 January 2012:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (revised 2010); and
- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (revised 2010).

## Early adoption of amended standards and interpretations

The group has early adopted the following amended IFRS as of 1 January 2012:

- IAS 1 Presentation of Financial Statements (2011 Improvements to IFRS);
- IAS 16 Property, Plant and Equipment (2011 Improvements to IFRS);
- IAS 32 Financial Instruments: Presentation (2011 Improvements to IFRS);
- IAS 34 Interim Reporting (2011 Improvements to IFRS); and
- IFRS 1 First-time Adoption of International Financial Reporting Standards (2011 Improvements to IFRS).

The revised IFRS did not have any effect on the group's reported earnings or financial statement position with no material impact on the group's accounting policies.

## Restatements

The comparative statement of financial position and income statement where applicable at 31 December 2012 has been adjusted to reflect the presentation consequences of the reclassifications and restatements below, with no impact on reserves.

## Classification of financial instruments (fair value hierarchy)

During the previous financial year, comparative amounts for deposits from customers were reclassified from other amortised cost to the designated at fair value category to be consistent with the classification of such amounts that were reported in 2011. During 2012 it was determined that such reclassification was incorrect. These amounts were deposits from customers for which fair value hedge adjustments had been recognised and hence such amounts should have rather remained classified as amortised cost together with its fair value hedge adjustment. The fair value adjustments, which were historically classified in the designated at fair value category, should rather have been classified within the amortised cost category. Accordingly, in order to adjust for the

previous incorrect reclassification, an amount of R28 822 million has been reclassified from designated at fair value to other amortised cost. The reclassification reflects the original intention of management and is in accordance with IFRS. No adjustments to the carrying value of the deposits from customers arose as a result of the reclassification.

Included in the restated comparative information is the restatement of financial assets of R2 763 million from the designated at fair value category to the held-to-maturity category and financial liabilities of R2 357 million from the designated at fair value category to the amortised cost category. These restatements reflect the original intention of management and the underlying nature of the financial instruments.

## Trading liabilities to deposits from customers – SBG

Management previously classified certain customer (deposits) as trading liabilities on the basis that such deposits were used to fund trading positions. In accordance with IFRS and group accounting policies, such deposits should rather have been classified as part of deposit and current accounts. The deposits have accordingly been reclassified in previously reported financial periods from trading liabilities to customer deposit and current accounts to conform to the classification of such deposits in the current financial reporting. The reclassification amounts to R2 145 million in 2011.

## Banks to customers reclassification – SBG and SBSA

Following a review and benchmarking of the group's disclosures of loans and advances as well as deposit and current accounts, specifically cross-referencing these to regulatory and risk disclosures, certain balances that had been previously disclosed in the various categories of loans to customers or deposits from customers, have been re-categorised as to/from banks. The categorisation of the aforementioned asset and liability balances is not an IFRS requirement, but rather an industry disclosure practice. There is no change at a net loans and advances or deposit and current account level.

## Revenue sharing agreements – SBSA

During the financial year ended 31 December 2012, the group revised its transfer pricing agreements. The transfer pricing agreements have been presented in the income statement on a basis that reflects the underlying nature and substance of these transactions. Such presentation has been achieved through the inclusion of a new line item entitled "Revenue sharing agreements with group companies", as well as presenting costs paid within other operating expenses instead of staff expenses. The comparative results have been restated in order to present the result of such arrangements on a consistent basis.

# Group statement of financial position restatements

	2011		
	Normalised as previously reported Rm	Adjust- ments Rm	Normalised restated Rm
<b>Assets</b>			
Cash and balances with central banks	31 907		31 907
Derivative assets	150 046		150 046
Trading assets	90 354		90 354
Pledged assets	6 113		6 113
Financial investments	291 512		291 512
Loans and advances	803 811		803 811
Loans and advances to banks	131 155	(898)	130 257
Loans and advances to customers	672 656	898	673 554
Investment property	23 470		23 470
Other assets	24 523		24 523
Interest in associates and joint ventures	13 935		13 935
Non-current assets held for sale	34 085		34 085
Goodwill and other intangible assets	12 754		12 754
Property and equipment	14 920		14 920
<b>Total assets</b>	<b>1 497 430</b>		<b>1 497 430</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to ordinary shareholders	102 523		102 523
Preference share capital and premium	5 503		5 503
Non-controlling interest	13 997		13 997
<b>Liabilities</b>	<b>1 375 407</b>		<b>1 375 407</b>
Derivative liabilities	153 142		153 142
Trading liabilities	32 409	(2 145)	30 264
Deposit and current accounts	876 777	2 145	878 922
Deposits from banks	115 696	14 045	129 741
Deposit and current accounts from customers	761 081	(11 900)	749 181
Other liabilities	51 821		51 821
Non-current liabilities held for sale	27 939		27 939
Policyholders' liabilities	208 565		208 565
Subordinated debt	24 754		24 754
<b>Total equity and liabilities</b>	<b>1 497 430</b>		<b>1 497 430</b>

# SBSA group restatements

## Summarised income statement

	As previously reported Rm	2011 Revenue sharing agreements Rm	Restated Rm
Net interest income	21 241	107	21 348
Non-interest revenue	18 606	198	18 804
Net fee and commission revenue	14 518	64	14 582
Trading revenue	3 086	134	3 220
Other revenue	1 002		1 002
<b>Total income</b>	39 847	305	40 152
Credit impairment charges	4 623		4 623
<b>Income after credit impairment charges</b>	35 224	305	35 529
Revenue sharing agreements with group companies		230	230
<b>Income after revenue sharing agreements</b>	35 224	75	35 299
Operating expenses	21 829	75	21 904
Staff costs	11 360	(571)	10 789
Other operating expenses	10 469	646	11 115
<b>Net income before goodwill impairment and associates and joint ventures</b>	13 395	–	13 395
Goodwill impairment	(46)		(46)
Share of profits from associates and joint ventures	83		83
<b>Net income before indirect taxation</b>	13 432	–	13 432
Indirect taxation	745		745
<b>Profit before direct taxation</b>	12 687	–	12 687
Direct taxation	3 167		3 167
<b>Profit for the year</b>	9 520	–	9 520
Attributable to non-controlling interests	10		10
<b>Attributable to the ordinary shareholder</b>	9 510	–	9 510
Headline adjustable items	20		20
<b>Headline earnings</b>	9 530	–	9 530

## Key line items from the statement of financial position

	As previously reported Rm	Adjust- ments Rm	Restated Rm
Loans and advances	611 165	–	611 165
Loans and advances to banks	61 638	(898)	60 740
Loans and advances to customers	549 527	898	550 425
Deposit and current accounts	688 062	–	688 062
Deposits from banks	64 767	14 045	78 812
Deposit and current accounts from customers	623 295	(14 045)	609 250

# Financial and other definitions

## Standard Bank Group

Basic earnings per ordinary share (EPS) (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
Behaviourally adjusted cumulative liquidity mismatch	Analysis performed to anticipate any mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the group's defined liquidity risk thresholds.
Board	Standard Bank Group board of directors.
CAGR (%)	Compound annual growth rate.
Diluted headline earnings per ordinary share (DEPS) (cents)	Headline earnings divided by the weighted average number of shares, adjusted for potential dilutive ordinary shares.
Dividend cover (times)	Headline earnings per share divided by dividend per share.
Dividend per share (cents)	Total dividends to ordinary shareholders, including dividends and capitalisation shares, declared in respect of the year.
EPS (cents)	Earnings per share.
Headline earnings (Rm)	Determined by excluding from reported earnings specific separately identifiable remeasurements net of related tax and non-controlling interests.
Headline earnings per ordinary share (HEPS) (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
ICBC	Industrial and Commercial Bank of China Limited.
LCR (%)	Liquidity coverage ratio.
Long-term funding ratio (%)	Funding-related liabilities maturing in six months or longer, divided by total funding liabilities.
Market capitalisation	Ordinary share price at the end of the year, as listed at the JSE Limited, multiplied by the number of ordinary shares in issue at the end of the year.
NAV	Net asset value.
Net asset value (Rm)	Equity attributable to ordinary shareholders.
Net asset value per share (cents)	Net asset value divided by the number of ordinary shares in issue at the end of the year.
NPLs (Rm)	Non-performing loans.
NSFR (%)	Net stable funding ratio.
Price-to-book ratio (times)	Market capitalisation divided by net asset value.
Profit attributable to ordinary shareholders (Rm)	Profit for the year less dividends on non-redeemable, non-cumulative, non-participating preference shares declared before year-end, less non-controlling interests.
Profit for the year (Rm)	Income statement profit for the year attributable to ordinary shareholders, non-controlling interests and preference shareholders.
Return on equity (ROE) (%)	Headline earnings as a percentage of monthly average ordinary shareholders' funds.
Shares in issue (number)	Number of ordinary shares in issue as listed on the exchange operated by the JSE Limited.
Tangible net asset value (Rm)	Equity attributable to ordinary shareholders, excluding goodwill and other intangible assets.
Tangible net asset value per share (cents)	Tangible net asset value divided by the number of ordinary shares in issue at the end of the year.
Total capital adequacy ratio (%)	Total regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.
Turnover in shares traded (%)	Number of shares traded during the year as a percentage of the weighted average number of shares.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the year as listed on the JSE.

## Financial and other definitions continued

### Banking activities

ATM	Automated teller machine.
Available financial resources (Rm)	The amount of permanent capital that is available to the group to absorb potential losses.
Capital coverage ratio (times)	Available financial resources divided by minimum economic capital requirements.
Cost-to-income ratio (%)	Operating expenses as a percentage of total income, including profit/(loss) and disposal of subsidiaries and share of profit/(loss) from associates and joint ventures.
Credit loss ratio (%)	Total impairment charges on loans and advances, per the income statement, as a percentage of average daily and monthly gross loans and advances.
Effective taxation rate (%)	Direct and indirect taxation as a percentage of income before taxation.
FIC	Fixed income and currencies.
Gross specific impairment coverage ratio (%)	Balance sheet impairments for non-performing specifically impaired loans as a percentage of specifically impaired loans.
Loan-to-deposit ratio (%)	Net loans and advances as a percentage of deposits and current accounts.
NII	Net interest income.
Net interest margin (%)	Net interest income as a percentage of daily and monthly average total assets, excluding trading derivative assets.
Non-interest earning assets (Rm)	Includes total trading book assets and rate-insensitive banking book assets, such as cash and cash equivalents, fixed assets, goodwill and other intangible assets, investment property, current and deferred tax assets, and other assets. Cash balances with central banks are specifically excluded as they are utilised to meet liquidity requirements and are reflected as part of the interest-earning assets to reflect the cost of liquidity. Derivative assets are also excluded.
Non-interest revenue to total income (%)	Non-interest revenue as a percentage of total income.
Portfolio credit impairments (Rm)	Impairment for latent losses inherent in groups of loans and advances that have not yet been specifically impaired.
Return on equity (ROE) (%)	Headline earnings as a percentage of monthly average ordinary shareholders' funds. Liberty headline earnings and capital are to be excluded.
Risk-weighted assets (Rm)	Determined by applying prescribed risk weightings to balance sheet and off-balance sheet exposures according to the relative risk of the counterparty.
Specific credit impairments (Rm)	Impairment for loans and advances that have been classified as non-performing and specifically impaired, net of the present value of estimated recoveries.
TPS	Transactional product services.

### Other definitions

BPS	Basis points.
Consumer price index (CPI)	A South African index of prices used to measure the change in the cost of basic goods and services.
GDP	Gross domestic product.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
Liberty	Investment management and life insurance activities of companies in the Liberty Holdings Group.
MSCI Emerging Markets Index	Morgan Stanley Capital International Emerging Markets Index.
Normalised results	The financial results and ratios restated on an economic substance basis as explained on page 22.
JSE	Johannesburg Stock Exchange.
SARB	South African Reserve Bank.
SBA	Standard Bank Argentina S.A. and two of its affiliates.
SBG	Standard Bank Group Limited.
SBSA	The Standard Bank of South Africa Limited.
Special purpose entities (SPEs)	Entities where each is created to accomplish a narrow and well-defined objective.
Tutuwa	Tutuwa is the group's black economic empowerment ownership initiative entered into in terms of the Financial Sector Charter.

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# Analysis of shareholders

## Ten major shareholders<sup>1</sup>

	2012		2011	
	Number of shares (million)	% holding	Number of shares (million)	% holding
Industrial and Commercial Bank of China	322,0	20.1	318,5	20.1
Public Investment Corporation	233,7	14.6	213,5	13.4
Tutuwa participants	88,2	5.5	88,4	5.6
Staff	34,5	2.2	34,7	2.2
Strategic partners	35,8	2.2	35,8	2.3
Communities and regional businesses	17,9	1.1	17,9	1.1
Old Mutual Group	29,8	1.9	33,2	2.0
Dodge & Cox	25,9	1.6	48,1	3.0
Investment Solutions	25,2	1.6	26,4	1.7
Vanguard Emerging Markets Fund	23,9	1.5	19,7	1.2
Sanlam Group	23,2	1.4	25,0	1.6
Dimensional Emerging Markets Value Fund	16,8	1.0	14,9	0.9
Allan Gray Equity Fund	14,1	0.9	13,1	0.8
	<b>802,8</b>	<b>50.1</b>	800,8	50.3

<sup>1</sup> Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of section 56 of the Companies Act.

## Geographic spread of shareholders

	2012		2011	
	Number of shares (million)	% holding	Number of shares (million)	% holding
South Africa	864,6	53.8	860,2	54.1
Foreign shareholders	741,5	46.2	728,5	45.9
China	323,5	20.1	318,7	20.1
United States of America	217,5	13.6	224,8	14.2
United Kingdom	62,8	3.9	60,7	3.8
Singapore	17,6	1.1	20,5	1.3
Namibia	16,7	1.0	15,6	1.0
United Arab Emirates	12,8	0.8	11,7	0.7
Australia	11,1	0.7	9,7	0.6
Luxembourg	11,1	0.7	7,8	0.5
Netherlands	10,4	0.7	7,8	0.5
Saudi Arabia	10,0	0.6	10,2	0.6
Canada	9,6	0.6	8,1	0.5
Other	38,4	2.4	32,9	2.1
	<b>1 606,1</b>	<b>100.0</b>	1 588,7	100.0



# Credit ratings

Ratings as at 6 March 2013 for entities within Standard Bank Group are detailed below:

	Short term	Long term	Outlook
<b>Fitch Ratings</b>			
<b>Standard Bank Group Limited</b>			
Foreign currency issuer default rating	F3	BBB	Stable
Local currency issuer default rating		BBB	Stable
<b>The Standard Bank of South Africa</b>			
Foreign currency issuer default rating	F3	BBB	Stable
Local currency issuer default rating		BBB	Stable
National rating	F1+ (ZAF)	AA (ZAF)	Stable
<b>RSA Sovereign rating</b>			
Foreign currency issuer default rating	F3	BBB	Stable
Local currency issuer default rating		BBB+	Stable
<b>Standard Bank Plc</b>			
Foreign currency issuer default rating	F3	BBB	Stable
<b>Banco Standard de Investimentos SA (Brazil)</b>			
National rating	F1+ (BRA)	AA- (BRA)	Stable
<b>Stanbic IBTC Bank Plc (Nigeria)</b>			
National rating	F1+ (NGA)	AAA (NGA)	
<b>CfC Stanbic Bank (Kenya)</b>			
Issuer default rating	B	BB-	Stable
National rating	F1+ (KEN)	AAA (KEN)	Stable
<b>Liberty Group</b>			
National rating		AA- (ZAF)	Stable
National Insurer Financial Strength		AA (ZAF)	Stable
<b>Moody's Investor Services</b>			
<b>The Standard Bank of South Africa</b>			
Foreign currency deposit rating	P-2	Baa1	Negative
Local currency deposit rating	P-2	A3	Negative
National rating	P-1.za	Aa2.za	
<b>RSA Sovereign ratings</b>			
Foreign currency	P-2	Baa1	Negative
Local currency		Baa1	Negative
<b>Standard Bank Plc</b>			
Foreign and local currency deposit rating	P-2	Baa2	Negative
<b>Standard &amp; Poor's</b>			
<b>The Standard Bank of South Africa</b>			
Unsolicited issuer rating	A-2	BBB	Negative
<b>RSA Sovereign ratings</b>			
Foreign currency	A-2	BBB	Negative
Local currency	A-2	A-	Negative

# Dividend payment dates

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)
<b>JSE Limited</b>			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
<b>Namibian Stock Exchange (NSX)</b>			
Share code	SNB		
ISIN	ZAE000109815		
<b>Dividend number</b>	87	87	17
<b>Gross distribution/dividend per share (cents)</b>	243,00	3,25	331,96
Circular and form of election posted to ordinary shareholders on or about	<b>Friday, 22 March 2013</b>		
Announcement of the ratio applicable to the capitalisation shares, based on the five-day trading period ending Thursday, 4 April 2013, released on SENS	<b>Friday, 5 April 2013</b>		
Announcement of the ratio applicable to the capitalisation shares, based on the five day trading period ending Thursday, 4 April 2013, published in the South African and Namibian press	<b>Monday, 8 April 2013</b>		
Last day to trade in order to be eligible for the cash dividend/capitalisation shares ( <i>cum</i> distribution)	<b>Friday, 12 April 2013</b>	<b>Friday, 5 April 2013</b>	<b>Friday, 5 April 2013</b>
Shares trade <i>ex</i> the cash dividend/capitalisation shares	<b>Monday, 15 April 2013</b>	<b>Monday, 8 April 2013</b>	<b>Monday, 8 April 2013</b>
Record date in respect of the cash dividend/capitalisation shares	<b>Friday, 19 April 2013</b>	<b>Friday, 12 April 2013</b>	<b>Friday, 12 April 2013</b>
Share certificates and dividend cheques posted and CSDP/broker accounts credited/updated (payment date)	<b>Monday, 22 April 2013</b>	<b>Monday, 15 April 2013</b>	<b>Monday, 15 April 2013</b>

Ordinary share certificates may not be dematerialised or rematerialised between Monday, 15 April 2013, and Friday, 19 April 2013, both days inclusive.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Monday, 8 April 2013 and Friday, 12 April 2013, both days inclusive.

## Instrument codes

### JSE Limited

#### Deposit notes

SBR 003: ZAE000128195

#### Subordinated debt

SBK 7: ZAG000024894  
 SBK 8: ZAG000029679  
 SBK 9: ZAG000029687  
 SBKI 11: ZAG000066382  
 SBK 12: ZAG000073388  
 SBK 13: ZAG000073396  
 SBK 14: ZAG000091018  
 SBK 15: ZAG000092339  
 SBK 16: ZAG000093741  
 SBK 17: ZAG000097619  
 SBK 18: ZAG000100827  
 SBK 19: ZAG000100835

#### Senior debt

SBS 3: ZAG000030586  
 SBS 4: ZAG000035049  
 SBS 7: ZAG000051483  
 SBS 9: ZAG000069329  
 SBSI 10: ZAG000069063  
 SBSI 11: ZAG000075789  
 SBSI 12: ZAG000080847  
 SBS 13: ZAG000080839  
 SBS 14: ZAG000083940  
 SBS 15: ZAG000085556  
 SBS 16: ZAG000086729  
 SBS 18: ZAG000086745  
 SBS 19: ZAG000086752  
 SBS 20: ZAG000095365  
 SBS 21: ZAG000095373  
 SBS 22: ZAG000095514  
 SBS 23: ZAG000095522  
 SBS 24: ZAG000095530  
 SBS 25: ZAG000095548

# Contact details

## **Standard Bank Group Limited**

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#### **Kampala city centre**

In Uganda, we acted as transaction advisor, sole international book-runner and lead receiving bank for the Umeme initial public offering and listing on the Uganda Securities Exchange (USE) and as transaction advisor and lead sponsoring broker for its cross-listing on the Nairobi Securities Exchange. Umeme Limited is the primary power distributor in Uganda and the second-largest company by market capitalisation on the USE. This transaction reaffirms our position as the leading equity capital markets bank in Africa.