Annual integrated report

2011

Book I: Business review

Standard Bank

Other publications

In addition to the annual integrated report, we produce a full suite of reporting publications which includes our sustainability report and an analysis of financial results, both of which are available on the accompanying CD and online.

Feedback

We invite feedback on our report and ask that you contact us at: **Annual.Report@standardbank.co.za**

Website

Please visit our website at **www.standardbank.com** for the latest financial information, current credit ratings, recent announcements and for more information on sustainability within our organisation.

Statement of the board of directors of Standard Bank Group Limited

The board of directors (board) acknowledges its responsibility to ensure the integrity of the annual integrated report and in its opinion it addresses all material issues and presents fairly the integrated performance of the group. The annual integrated report has been prepared in line with best practice pursuant to the recommendations of the King Report on Corporate Governance for South Africa 2009 (King Code).

Jacko Maree

Fred Phaswana	**Jacko Maree**
Chairman	*Group chief executive*

Further information available on the web.

Further reading boxes refer the reader to other parts of the report that contain information relevant to the current section. Should the information be contained in a different book of the annual integrated report, specific mention is made of the book it is in.

Audited

Denotes text that forms part of the audited annual financial statements.

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Business overview

Ensuring our sustainability

Additional information

Scope and reporting frameworks

Scope of this report

Standard Bank's reporting aims to provide an accurate, balanced, complete and comparable view of our business.

The annual integrated report has been compiled in accordance with the integrated reporting principles contained in the Code of Corporate Practices and Conduct set out in the King Code. The annual integrated report has been structured and compiled to provide financial, social and environmental information aimed at a wide range of stakeholders.

This is our second annual integrated report, which aims to provide a succinct and balanced view of our organisation. We continue our journey of integrating financial and non-financial information on issues that are material to stakeholders and the group's long-term sustainability. This report is the first step towards summarised reporting. The 2011 annual integrated report consists of three sections outlined below, each contained in its own book.

- Book I: Business review
- Book II: Risk and capital management and annual financial statements
- Book III: Shareholder information

Going forward, our business review will be our primary integrated report.

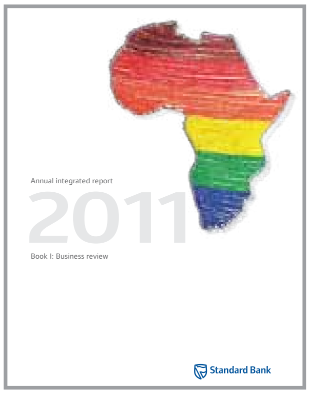
We continuously aim to reduce the amount of printing we generate in order to reduce our environmental impact and save costs. We acknowledge that we have a wide variety of stakeholders with differing needs. In future, all information presented in the full annual integrated report will continue to be available online, or on request, and only book I (with shareholder information included) will be posted to shareholders.

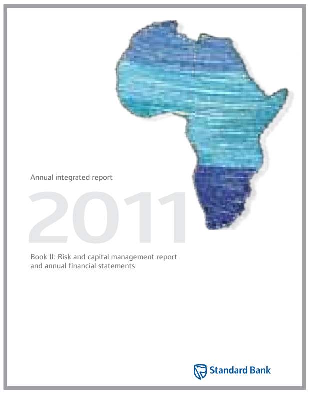
To minimise paper use this year, this annual integrated report has been distributed to stakeholders in a reduced format. A limited number of larger reports are available on request. Please contact our investor relations department, using the details at the back of this report, and we will gladly post a copy to you.

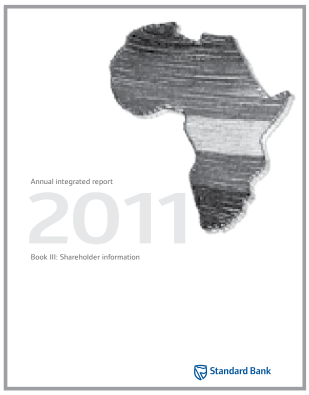
Reporting frameworks

Our annual integrated report conforms to the requirements of local and international statutory and reporting frameworks, including those of the South African Companies Act 71 of 2008 (Companies Act) and the JSE Limited (JSE) Listings Requirements.

While local and international guidelines on integrated reporting are in an early stage of development, we have considered the discussion papers of the International Integrated Reporting Committee and the Integrated Reporting Committee of South Africa in the preparation of this annual integrated report.







Corporate profile

Standard Bank Group is the largest African banking group by assets and earnings

- Total assets of **R1 497 billion** (USD185 billion)
- Headline earnings of **R13,6 billion** (USD1,88 billion)
- Market capitalisation of **R157 billion** (USD19 billion)
- Employs more than **52 000** people
- Tier I capital adequacy ratio **12,0%**
- Voted **best bank in Africa** for 2011 in *The Banker awards*
- ICBC[1], the world's biggest bank, is a **20% shareholder**

- Offers a range of banking and related financial services
- Operates in 17 countries in sub-Saharan Africa as well as selected emerging markets
- Owns a controlling stake in the South African-listed, wealth-management group, Liberty Holdings Limited (Liberty)
- Operates as three business units:
  - **Personal & Business Banking**
  - **Corporate & Investment Banking**
  - **Liberty**
- Listed on the JSE since 1970
- Started building a franchise outside southern Africa in early 1990s
- 149-year history in South Africa

[1] *Industrial and Commercial Bank of China Limited.*

The year in review

Performance

Headline earnings
R13 599 million

2010: **R11 283 million**

Increase in total operating costs
0%

2010: **12%**

Return on equity (ROE)
14,3%

2010: **12,5%**

Net asset value per share
6 453 cents

2010: **5 726 cents**

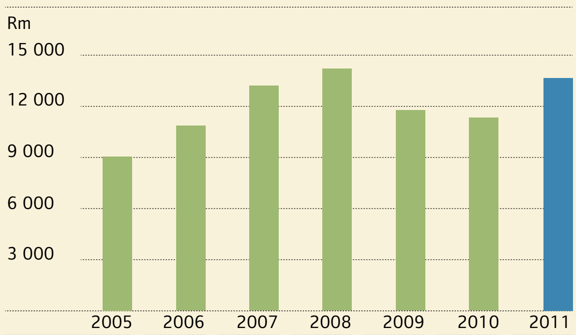
Credit loss ratio
0,87%

2010: **1,04%**

Cost-to-income ratio
58,8%

2010: **61,4%**

Headline earnings



Headline earnings and dividends per share

All results in this report are presented on a normalised basis, unless otherwise indicated as being on an International Financial Reporting Standards (IFRS) basis. Refer to page 37 for a detailed explanation of the differences between normalised and IFRS results.

Number of employees

52 127

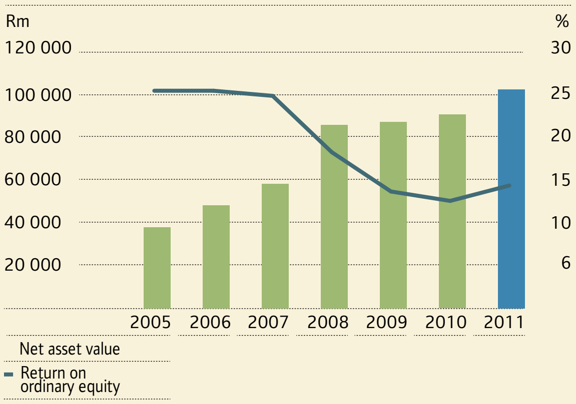
2010: **53 351**

Tier I capital adequacy

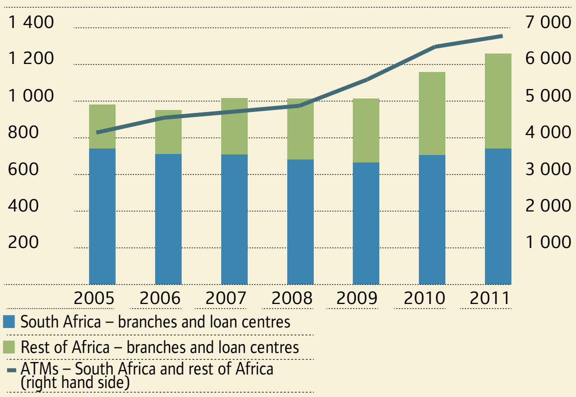
12,0%

2010: **12,9%**

Analysis of net asset value (ZAR) and return on ordinary equity



Points of representation



Transformation score[1]

92,47 out of 107

2010: **92,83 out of 107**

Carbon footprint[1]

180 403 metric tons of CO_2

2010: **177 289 metric tons of CO_2**

New loans extended to South African individuals and small businesses during the year[1]

R75 billion

2010: **R50 billion**

Customer satisfaction survey result[1,2]

9,40 out of 10

2010: **8,85 out of 10**

[1] *Specific to The Standard Bank of South Africa Limited (SBSA).*
[2] *Customer experience measurement survey result for branches.*

Highlights

We now have **519 branches** in the rest of Africa and **703 branches and loan centres** in South Africa. We have **12,3 million retail and business banking customers** across Africa

We upped our focus on operational excellence and we achieved a **0%** growth in costs

Our South African ATM system achieved **96,5%** availability

We made substantial commitments to fund a number of **renewable energy projects** both in and outside of South Africa

We invested in energy efficiency projects to the value of **R19,1 million** in our South African operations which contributed to a reduction in energy usage over the year

We **won several large transactional banking mandates** in South Africa during the year such as Unisa, City of Tshwane and Makro

We created **wealth** of **R50 billion**

Challenges

- Highly competitive environment, with a heightened focus by global banks on emerging markets resulting in increased competition
- Concerns over the European sovereign debt crisis resulted in volatility in financial markets
- Low interest rates persisted in South Africa during the year but customers remained reluctant to take on new debt
- Volatile exchange and interest rates in Nigeria, Kenya, Tanzania and Uganda
- Increasingly regulated environment and the start of the build up of the liquidity requirements under Basel III

Awards and recognition

- 2011 **Bank of the Year in Africa** in *The Banker* awards

- **Most trusted company in South Africa** and **first in the Sustainability Index** in the *Ask Afrika 2011 Trust Barometer Survey*

- **Best Investment Bank in Africa** as well as in **Botswana, Ghana, Kenya, Malawi, Nigeria, South Africa, Swaziland** and **Tanzania** in the *EMEA Finance* magazine awards

- The **Top Empowerment company in South Africa** in 2011 according to *Empowerdex*

- **Top Financial Services Brand in Africa**, according to *BrandFinance Banking 500* awards

- **African Bank of the Year** in the *African Banker* awards

- **Best Debt House in Africa** in the *Euromoney* awards

- Recognised by *Global Finance* magazine as **Best Investment Bank in Africa**, **Best Debt Bank in Africa** and **Best Investment Bank in South Africa**

We aim to build the leading African financial services organisation using all our competitive advantages to the full.

We will focus on delivering superior sustainable shareholder value by serving the needs of our customers through first-class, on-the-ground operations in chosen countries in Africa. We will also connect other selected emerging markets to Africa and to each other, applying our sector expertise, particularly in natural resources, globally.

Our key differentiator is people who are passionate about our strategy, wherever in the world they are based.

Why we believe in our strategy

- Emerging markets are growing faster than the developed world
  - Real GDP[1] in sub-Saharan Africa for 2012 is forecasted to be 5,5% according to the *International Monetary Fund*
- Great scope for expansion of banking services in sub-Saharan Africa
  - According to the *Economist Intelligence Unit*
    - Africa predicted to enjoy a banking boom in decade to 2020
    - Biggest absolute increase predicted in Nigeria
    - Strongest growth rates predicted in – Angola, Uganda, Ghana and Tanzania
    - Slowest growth rates predicted in – South Africa, Botswana and Namibia
- Trade and investment flows between emerging markets are increasing

[1] *Gross domestic product*

Why we are well placed to execute our strategy

- Our legacy, heritage and footprint put us in a prime position to capitalise on this opportunity
- We understand our clients' needs and our African strategy is in line with many of their growth aspirations
- Our strategic relationship with ICBC provides us with a strong partnership with the largest bank in China
- We have a successful track record in building businesses across sub-Saharan Africa and in natural resources
- We have experience in taking banking to the unbanked
- We are dedicated to operational excellence
- We employ people who are excited about Africa and its prospects
- We have a unified leadership team with depth of experience, committed to executing our strategy

Our social compact

Standard Bank will contribute to the socioeconomic development of the countries in which we operate in a way which is consistent with the nature and size of our operations. We will provide financial services and products responsibly, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.

Our strategy is underpinned by our strong values

- Serving our **customers**
- **Growing** our people
- Delivering to our **shareholders**
- Being **proactive**
- **Working** in teams
- **Guarding** against arrogance
- **Respecting** each other
- Upholding the highest levels of **integrity**

What we need to do to execute our strategy

Embed customer and client centricity

- Simplify products and pricing and provide ubiquitous access to our products
- Ensure a holistic view of customers to ensure we provide appropriate solutions

Inspire and motivate our people

- Create a culture of innovation and empowerment
- Ensure visible and credible leadership
- Be confident but never arrogant
- Ensure fair compensation

Achieve operational excellence

- Embed a simple operating model
- Ensure sensible cost containment while continuing to invest for growth
- Follow a standardised rollout of infrastructure in the rest of Africa
- Manage our big IT projects well
- Maintain strong independent control functions

Capitalise on our strategic partnership with ICBC

- Focus on the day-to-day banking needs of Chinese corporate clients in sub-Saharan Africa
- Participate in cross-border trade and investment between Africa and Asia

Be a relevant corporate citizen

- Reflect our commitment to the communities in which we operate through our
  - employee demographics;
  - socioeconomic impact;
  - lending;
  - procurement; and
  - access to banking products and services.
- Manage both our direct and indirect environmental impact by
  - measuring our carbon footprint;
  - implementing energy efficiency projects; and
  - embedding social and environmental risk assessments into financing decisions.

Reshape our business to take account of trends in global legislation and regulation

- Focus intensely on capital and liquidity ahead of Basel III implementation
- Place greater emphasis on corporate banking within the Corporate & Investment Banking franchise
- Recognise the increasing importance to us and our clients of good governance, social and environmental factors

Chairman's report to stakeholders

"Uncertainty will always be a factor in our lives. The challenge is to lessen its impact by understanding and preparing for those threats that are beyond our influence, carefully managing those within our control, and always seeking opportunity where others see risk. I believe Standard Bank has demonstrated its ability to respond effectively to this, the challenge of our times."

Wealth created

R50 billion

2010: **R44 billion**

Transformation score

92,47 out of 107

2010: **92,83 out of 107**

Loans and advances growth

13%

2010: **(1%)**

Fred Phaswana, *chairman*

Inclusive leadership, an ideal that underpins integrated reporting, seeks to bring an understanding of stakeholders' views and concerns to bear on a company's decision-making processes. Most importantly, this intelligence should inform decisions made in relation to the management of risk and opportunity. It makes sense that the more nuanced this understanding is, the more helpful it will be in the pursuit of sustainable value creation.

While stakeholder engagement has been emphasised in recent years as the foundation for good management, on the one hand we could argue that this is not a new realisation. Good managers have always understood the logic of serving the interests of the people on whom their businesses depend. On the other hand, it is important to acknowledge that the stakeholder engagement concept is a dynamic one.

While stakeholder relationships are certainly maturing in South Africa, we still have a long way to go. No doubt this is a hangover of our fractious past, in which we viewed one another with deep suspicion. A case in point is the fragmented approach of business in its dealings with other key stakeholders, such as government, labour and civil society organisations, in the social compact that seeks to secure sustainability for our industries, communities and country. To my mind business needs to take a far more confident and consolidated position on what it requires to meet the expectations of its stakeholders. The greater openness that will be achieved in policy debates and multilateral interventions, will pay dividends all round.

I believe this is very much in keeping with the character of the Standard Bank Group, which is borne out by the progress that has been made in the last year on many different fronts.

Responding positively to our material issues

I am pleased to report to stakeholders that in 2011 Standard Bank Group delivered a sound financial performance and made important progress in many other endeavours, which are termed non-financial but contribute materially to our sustainability. This was achieved in spite of unrelenting challenges and uncertainty in the banking environment worldwide, not least as a result of the Eurozone debt crisis and the turmoil in the Middle East.

Even in an economic downturn, the basic momentum of life continues – people continue to pursue their need for food, shelter, transport, education and work, and businesses continue to respond to these needs. Standard Bank serves its customers across the full spectrum of their financial services requirements, from those that facilitate the most basic needs to the most sophisticated. However, we operate in a world that is constantly changing and uncertain. The acknowledgement of fundamental flaws in the systems underpinning the global economy is no longer a shocking realisation. On top of this, as banks we face growing competition in all of our markets and the regulatory frameworks that govern us become ever more restrictive. Uncertainty will always be a factor in our lives. The challenge is to lessen its impact by understanding and preparing for those threats that are beyond our influence, carefully managing those within our control, and always seeking opportunity where others see risk.

I believe that Standard Bank has demonstrated its ability to respond effectively to this, the challenge of our times. In recent years the group has adapted its strategy in response to shifts in the global financial and economic landscape, the most definitive of which is the dynamic growth in emerging economies relative to the stagnation in the developed world. We have chosen a strategy that recognises and participates in the great opportunity that is unfolding on the African continent. This remains a robust and sustainable strategy.

An important factor contributing to Standard Bank's resilience is its people. I am confident, having seen this in practice, that even during the most adverse of times, our people deliver what they set out to achieve. The improved performances in all of the group's operations and the progress we have made in building a banking platform to support our growth strategy in Africa, bear testimony to their tenacity and talent.

In determining the group's strategy, the board considers the full range of issues that influence the sustainability of our business and that of the social, economic and physical environments in which we operate and which, in turn, have a direct impact on our future viability. We consider an issue to be material if it influences our ability to remain commercially viable and relevant to the environments in which we operate. After detailed engagement with our internal and external stakeholders we identified six broad material issues in 2010, which once again form the basis of my report.

Sustainable long-term financial performance

To deliver sustainable profitable growth and superior shareholder returns, we aim to build the leading African financial services organisation.

This requires that we balance prudent investment in growth and operating effectiveness with vigilant management of costs. Cost management was a key strategic initiative last year to counter the impact of global economic conditions on our ability to generate revenue, and our financial results for the year reflect the outcome of this rigorous process. Our businesses also worked hard to retain their customers, while building new sources of revenue in a fiercely competitive financial services sector.

We have redesigned our business architecture to support our ability to deliver our strategy and are in the process of renewing our IT systems to lift our operating effectiveness and strengthen our capacity to respond nimbly to change. We are satisfied that the cost of IT renewal will be more than offset by the significant benefits of efficiency and effectiveness that accrue from it.

The impact of the new global banking regulations, which are being introduced to safeguard against a repeat of the recent financial crisis, is difficult to quantify but is expected to be profound, particularly in respect of the liquidity requirements. The group remained well capitalised at December 2011, with a total capital adequacy ratio of 14,3% (2010: 15,3%) and tier I capital adequacy ratio of 12,0% (2010: 12,9%). This exceeds the current minimum Basel II requirements plus our internal buffers and positions the group well to meet potential future requirements arising from the Basel III guidelines, to come into effect in January 2013.

Governance, regulation and stakeholder engagement

Good governance practices are fundamental to creating, protecting and sustaining shareholder value. Our board's approach to governance is to stay abreast of, and implement relevant local and international best practice. We continuously monitor governance developments in all jurisdictions to ensure that local requirements are met.

We have embedded the principles of the King Code, which came into effect on 1 March 2010, in our operations. In 2011, we finalised a corporate governance framework for key subsidiaries to ensure that our governance practices and standards are adopted by our subsidiaries and operations.

We build and sustain strategic relationships with a range of stakeholders to manage social expectations, minimise reputational risk and form strategic partnerships. We seek to build partnerships with organisations that enhance our own sustainability as well as our contribution to sustainable development, and we participate in many different industry bodies and institutions that give us the opportunity to interact with our broad and diverse stakeholder base.

Sustainable and responsible financial services

To improve the quality of our service to our customers we must understand our customers' different needs and implement robust governance and risk management frameworks that facilitate responsible banking and investment practices, including the assessment of environmental and social risk. Incorporated in this is providing transparent pricing structures and fair rehabilitation and debt management policies, as well as employing mechanisms that detect and prevent financial crime and improve customer experience.

Our inclusive banking strategy is a primary example of our approach to this material issue. Standard Bank has for many years demonstrated its strong commitment to providing banking services to the low-income market, and has made significant progress in its strategy to reach millions of economically active people who fall outside the mainstream financial sector. Rather than treat the provision of inclusive banking services as a socio-political cost of doing business, we regard it as a valuable opportunity to participate responsibly in the growth potential of a transforming South African economy.

Another example, which I believe demonstrates our commitment to serve and support our customers responsibly through good times and bad, is the 50% increase in the amount we lent to our South African personal and small business customers in 2011. With loans amounting to R75 billion, we enabled almost 60 000 people to buy homes, in excess of 85 000 people to secure adequate transport, 5 000 students to fund their studies and 2 700 small businesses to either open their doors or continue operating.

Socioeconomic development

We will contribute to the socioeconomic development of the countries in which we operate in a way which is consistent with the nature and size of our operations. We can only do this effectively if we stay relevant, which requires that we understand the needs of our stakeholders.

The most fundamental contribution our group makes to the economies in which we operate is by maintaining a robust business and providing banking services to our clients and customers. This allows us to pay dividends to our shareholders, salaries to our employees and tax to governments. As a buyer of goods and services we play an important role in supporting local businesses, which provides employment and drives socioeconomic development in local communities. In addition, our corporate social investment makes a measurable difference to recipients and communities that the group depends on to remain sustainable. The total wealth we created in 2011 was R50 billion, an increase of 14% from 2010.

Standard Bank recognises that the private sector has an additional responsibility to assist governments in finding solutions to development challenges, particularly in emerging markets. We partner with organisations that lead global efforts to fight poverty and HIV/Aids and provide solutions in support of the development of important sectors such as agriculture, infrastructure and healthcare.

Our transformation progress is currently measured against the Department of Trade and Industry's (dti) Codes of Good Practice for Broad-based Black Economic Empowerment (codes). During 2011, accredited verification agencies conducted independent assessments of both Standard Bank's and Liberty's black economic empowerment performance against the dti codes. Standard Bank and Liberty qualify favourably as level two contributors in a nine-level model, with verified overall scores of 92,47 and 85,7 out of 107, respectively.

A positive and consistent employee experience

Our key differentiator in achieving our strategy is our people. Attracting, retaining and developing our people is central to our business strategy and we apply a consistent people management approach across all our operations.

In an increasingly complex financial services environment, it is critical that we equip our people with the capacity to meet the demands of our business environments. In recent years we have optimised our organisational structures to ensure that they support our people by creating centres of excellence in centralised functions and eliminating duplication of roles. In 2011, the executive team engaged with staff members across the broad spectrum of our group to ensure that they understand our strategy, and particularly their role in its execution.

The environment

The impact of climate change and other environmental risks is likely to be most severe in emerging markets, affecting their growth and development. To build the leading African financial services organisation we must address these concerns by developing systems, processes and products that reduce our environmental footprint, and those of our customers, as well as by financing the growth of the 'green economy'.

As a financial services group, we have direct and indirect impacts on the environment and we made progress in managing both in 2011. We developed and implemented environmental and social risk management tools in our Corporate & Investment Banking business, launched programmes enabling our customers to access carbon credits, installed energy efficient lighting systems throughout our head office complex in Johannesburg, installed photovoltaic systems in two office complexes, and we have worked to raise sustainability awareness among our employees and communities.

Standard Bank actively participated in the policy discussions, events and exhibitions associated with the 17th meeting of the signatories to the United Nations Framework Convention on Climate Change (UNFCCC – COP17), held in Durban at the end of 2011. We were delighted that the negotiators at COP17 agreed to a second commitment period under the Kyoto Protocol and to maintaining flexible mechanisms such as the clean development mechanism.

Corporate & Investment Banking has been actively involved in the development of a renewable energy sector in South Africa and has advised and arranged funding for a growing number of renewable energy projects both in South Africa and elsewhere on the continent.

Directorate

The board's effectiveness is assessed annually against its mandate, as is the performance of its committees. During 2011, the board and its committees materially complied with their mandates.

External consultants were engaged to conduct the annual board evaluation. The evaluation confirmed that the Standard Bank Group board continues to operate effectively. Key areas for improvement that have not already been addressed will be attended to in 2012.

The performance of the group chairman and chief executive is assessed annually, and their remuneration is determined accordingly. Specific detail is provided in the remuneration report on page 90.

Sir Paul Judge and Sam Jonah KBE are due to retire from office at the group's next annual general meeting in May 2012. Both directors will not be standing for re-election. They have been valued independent board members. The board is highly appreciative of the contributions that they have made during their time with the group and wishes them well in their future endeavours.

Appreciation

I extend my thanks to Jacko Maree and his executive team and the people of Standard Bank for their commitment and contribution to the performance and long-term wellbeing of the group in difficult conditions. My colleagues on the board have supported me with their wise counsel and valuable guidance in a period that has required a high level of involvement.

Our gratitude is due to our customers, shareholders and other stakeholders for their continued support. You can be sure that we will continue to respond to the uncertainty of our times with due consideration of your interests and dedication to our common pursuit of long-term, meaningful value.

Fred Phaswana
Chairman

Chief executive's report to stakeholders

"Standard Bank remains the largest bank in Africa by earnings and assets, with a strong balance sheet and a recognised and trusted brand.

We made good progress in the year, delivering a much improved set of results and balancing our investment for future growth with tight management of costs.

Our strategy has never been clearer. We are focused on sustaining the strength of our South African franchise and investing in our operations in the rest of Africa for future growth."

Headline earnings

R13 599 million

2010: **R11 283 million**

Return on equity

14,3%

2010: **12,5%**

Dividend per share

425 cents

2010: **386 cents**

Jacko Maree, *group chief executive*

It became clear to us early in 2011 that the operating environment was going to be even more challenging than we had anticipated. This was largely due to escalating concerns about the Eurozone debt crisis, which impaired the already fragile prospect of a global recovery.

While this exacerbated the economic and competitive pressures on the financial services sector, it also reaffirmed the strength of our core business, the validity of our strategy and our ability to respond effectively to change. Actions implemented in 2010 to reduce our cost base and improve the efficiency of our operations contributed to a stronger financial position in 2011, and we worked exceptionally hard to achieve growth in our domestic market and make steady progress in developing our banking platforms in other sub-Saharan African countries.

We delivered a strong set of results in 2011. We increased headline earnings to R13,6 billion, up 21% on the prior year, and increased dividends paid to shareholders. Our ROE of 14,3% was an improvement on the prior year ratio of 12,5%. In a difficult operating environment we were able to achieve our objective of holding total operating expenses flat year on year.

In the past two years, we have redesigned our business architecture to support our strategic objectives. This has involved streamlining our internal structures and realigning our group enabling functions across business units to eliminate duplication and improve cost efficiency and consistency. These initiatives have already contributed to an improvement in the functioning of group operations. Our focus now is firmly on the IT systems renewal process that will allow us to remain competitive in the rapidly changing world of banking. Although there are significant costs associated with this undertaking, the benefits are critical in enabling business growth, operational excellence and higher productivity. Our cost management plan will continue to play an important role in offsetting the impact of higher IT costs during this development phase.

Our people are our key differentiator. An area of strategic focus in the last few years has been to place the right people in the right positions to extract the best performance from the different parts of our business. In this regard, we made two important appointments during the year. Peter Wharton-Hood, one of three deputy group chief executives, was appointed chief operating officer in September. In his expanded role, Peter is responsible for the smooth and efficient operation of all of our enabling functions, including the systems renewal process. David Munro, previously head of Investment Banking, was appointed chief executive of Corporate & Investment Banking in July 2011 and has already contributed to revitalising the business and executing its tighter strategy.

International competition has intensified in all of our markets in Africa as major banking groups turn from weak developed markets to the growth potential in emerging markets. There are now more than 700 banks operating in South Africa and elsewhere in Africa. Our international competitors have the benefit of more efficient capital structures, and large balance sheets. We have the benefit of our African heritage, on-the-ground operations and people who are all passionate about Africa.

Tailoring solutions for the particular individual needs of our existing and potentially new customers and clients has never been more important. For instance, Personal & Business Banking has made strong progress in developing affordable banking and insurance solutions and making them more accessible to the millions of economically active people who fall outside the mainstream financial services sector. While the initial focus on inclusive banking has been limited to South Africa, a growing black middle class presents significant opportunities for us to apply the lessons we have learned further afield in Africa. Personal & Business Banking has also realised a number of other new revenue generation opportunities in the public sector and youth markets. Corporate & Investment Banking has been active in advising, arranging finance for and funding a growing number of transactions on the continent and has executed some landmark transactions involving foreign direct investment from China into South Africa.

We were acknowledged as an industry leader in numerous awards and accolades received during the year. Of particular significance was the recognition we received as the best bank in Africa by *The Banker* magazine and as the most trusted company in South Africa in the annual *Ask Afrika* Trust Barometer Survey.

Strategic focus

Standard Bank remains the largest bank in Africa by earnings and assets, with a recognised and trusted brand and a strong balance sheet. We are well capitalised with robust tier I capital, and this places us in a solid position to weather the current global economic challenges.

We are focused on sustaining the strength of our South African operation, which is fundamental if we are to succeed in executing our strategy. Africa remains at the core of our growth strategy and we will continue to serve the fast-growing needs of our customers, either by maintaining or building first-class, on-the-ground operations in chosen countries in sub-Saharan Africa. Connecting other selected emerging markets to Africa and to each other, and applying our sector expertise globally, particularly in natural resources, are key elements of our strategy, as is the capacity and capability of our people to retain existing customers and build new relationships and revenue opportunities. We are focused on using our competitive advantages to the full to achieve these objectives.

The pace of our organic build strategy in Africa has been slower than we had hoped. It is a reality that it takes time to resolve some of the practical impediments of doing business on the continent. However, we are satisfied with our strategic position and our progress to date, backed up by the long-term growth potential of Africa. It is expected that the banking sector in sub-Saharan Africa will benefit from sustained economic growth in the decade to 2020: real GDP growth in 2012 is forecast to be 5,5%, generating real per capita growth of 3,4%; and, with only about 10% of the population banked in many African countries, the scope for expansion of banking services in a growing economic environment is significant. While an acquisition would make sense in markets where we are not yet at scale, we will primarily concentrate on continuing to grow our businesses organically.

During 2011, our on-the-ground operations in the rest of Africa started showing good results with headline earnings increasing by 38%. The continued investment in infrastructure is bearing fruit as revenues benefited from a larger customer transacting and deposit base.

We continue to reshape our international activities in line with our strategic focus on Africa. We have announced the disposals of our strategic stake in Troika Dialog Group Limited (Troika) in Russia and our controlling stake in Standard Bank Argentina. The Russian transaction has been closed and the USD372 million upfront consideration received. The Argentinean transaction remains on track but subject to regulatory approvals.

Scaling back our group's banking activities internationally and in London is complex. We are in the process of changing our operating model and Standard Bank Plc, the principal banking entity, will increasingly be focused on origination of business for the purposes of the group, making less use of its own balance sheet. Standard Bank Plc will continue to act as a trading and distribution hub for Corporate & Investment Banking and a robust counterparty for our clients. The balance sheet will be refocused and de-risked over time. In line with the experience of all UK banks, significant emphasis to strengthen the risk management environment has been required and this has resulted in an increased cost of compliance both in operating expenditure and in costs of higher liquidity requirements.

Our strategic partnership with ICBC is working well. Over the past few years, we have been involved in many cooperative projects in Zambia, Nigeria, Ghana, Angola, Ethiopia, Russia and Brazil. To date, we have jointly raised in excess of USD5 billion for infrastructure projects. We welcome the commitment shown by ICBC in opening a representative office in Africa. Research has shown that trade between Africa and China grew by 39% to USD127 billion in 2010 and that direct investment by Chinese businesses in Africa grew by 47% in the first half of 2011, while more than 1 600 Chinese companies have invested or started businesses in Africa.

Managing our regulatory environment

South African financial institutions are expected to comply with 150 different statutes and in 2011 there was, on average, one new draft policy document, bill or regulation issued per week with potential implications for banks. Of all the regulations we face, the financial impact of Basel III is significantly higher than that of the other regulations. While the impact of Basel III is primarily on financial institutions' capital and liquidity ratios in an effort to reduce risk in the banking sector, it is likely to have unintended consequences. Most concerning is the higher cost of financing, which may curtail economic development at a time when this can least be afforded and may even heighten risk in the banking system.

Capital

The group's tier I capital adequacy ratio was 12,0% at year end. After taking account of the requirements of Basel II.5 and Basel III, this ratio, on a *pro forma* basis, would be 11,0%. The details of how Basel III will be adopted in South Africa, including the regulatory minimum capital requirements, are expected to be determined by the South African Reserve Bank (SARB) during 2012 and this will play a major role in determining the optimal level of capital for the group. It is anticipated, at this preliminary stage, that the group's internal target for tier I capital adequacy will be higher than the current 9% target.

From 2007 to 2010, the group's annual dividend per share was maintained at 386 cents per share, notwithstanding headline earnings per share declining over this period. Despite the resulting higher payout ratios over this period, the group's capital position is strong and will be enhanced in 2012 by releases of capital from strategic disposals. This, together with strong headline earnings per share growth in 2011, meant it was appropriate to consider an increase in the dividend for the 2011 year. This results in a total dividend for the year of 425 cents, an increase of 10% and a dividend cover ratio marginally in excess of 2,0 times. However, shareholders should anticipate that, over time and as asset growth increases, it will again become necessary for the group to retain a greater portion of earnings.

We recognise that our current ROE of 14,3% is too low and we are managing the levers of ROE aggressively to improve the ratio. However, we will not undermine our growth plans to defend short-term returns, nor will we pursue growth at levels of return that are too low. We are acutely aware that striking the right balance is integral to creating sustainable shareholder value.

Prospects

The Eurozone debt crisis looks set to continue through much of 2012 and could still worsen in spite of government efforts to stabilise the situation. The contagion risks are being felt around the world, but the BRIC economies will remain at the forefront of global growth. African economies have by no means escaped the recession but the long-term structural drivers of Africa's GDP growth remain intact. We therefore remain positive about Africa's growth prospects even though we expect cyclical headwinds in 2012. Uncertainty in the global economy has had a pronounced effect on the South African economy. Short-term indicators suggest further softening in the economy before a turnaround can be expected.

Our strategy is very clear and we know what is required of us to fulfil our aim of being the leading financial services organisation in Africa. We will continue to focus on maintaining our strong position in South Africa, and on growing in our chosen markets in the rest of Africa. We remain committed to right-sizing our operations outside of Africa in a responsible and deliberate manner.

We look forward to the finalisation of new banking regulations over the coming months. This will enable us to strike the right balance between the regulatory trends to hold more capital and liquidity, the requirements of shareholders for higher returns and the need to facilitate economic growth in our core markets. We are anticipating subdued revenue growth in 2012 but intend to maintain focus on costs and to drive further improvement in our ROE.

Jacko Maree

Jacko Maree
Group chief executive

Ensuring our sustainability

The building blocks of our sustainability

The group has a proud record of ensuring its sustainability for nearly 150 years through both benign and difficult times. Sustainability is at the heart of our business and the way we operate. Our strategy is designed to ensure the long-term sustainability of our business.

We believe our operations can only provide returns to shareholders on a sustainable basis if our people and systems can provide solutions to our customers within an environment of appropriate corporate governance, where risks are adequately identified and managed, and where we consider our impact on our stakeholders and environment. The sections that follow address these issues and form the building blocks of our sustainability. Please refer to book II for further information on risk and capital management and the full annual financial statements.

Our operations: business unit reviews on page 49

Financial and seven-year review on page 20	Information technology and operations report on page 67	Corporate governance statement on page 70
Remuneration report on page 90	Managing sustainable development on page 114	Stakeholder engagement report on page 116
Employee report on page 118	Environmental impact report on page 122	Risk and capital management summary on page 125

Executive committee

Jacko Maree (56)
Group chief executive
BCom (Stellenbosch), MA (Oxford), PMD (Harvard)
Joined the group 1980, appointed to exco 1995

Jacko Maree started his career with Standard Bank Group in 1980 in the corporate finance department (CFD) and was appointed assistant general manager CFD in 1985. He was appointed managing director of Standard Merchant Bank Limited in 1991. In 1995 he became the managing director of Standard Corporate and Merchant Bank (SCMB) and was appointed executive director of The Standard Bank of South Africa. Jacko was appointed chief executive of Standard Bank Group in 1999.

Jacko currently holds directorships of Standard Bank Group, The Standard Bank of South Africa, Standard Bank Plc, Liberty Holdings, Stanbic Africa Holdings and Stanbic IBTC Bank PLC. He is a member of the board of the Institute of International Finance.

Ben Kruger (52)
Deputy group chief executive
BCom (Hons) (Pretoria), CA (SA), AMP (Harvard)
Joined the group 1985, appointed to exco 2000

Ben Kruger joined Standard Bank Group in 1985, taking up various roles in SCMB. He was appointed deputy chief executive of SCMB in 1998 and chief executive of SCMB in 2001. From 2006 to 2008 he held the position of chief executive of global Corporate & Investment Banking, following which he assumed the position of deputy group chief executive of Standard Bank Group. In 2011, in his capacity as deputy group chief executive, Ben assumed responsibility for both the Corporate & Investment Banking and Personal & Business Banking business lines.

Ben is the chairman of Standard Bank Plc and a director of Stanbic IBTC Bank PLC.

Sim Tshabalala (44)
Deputy group chief executive
BA LLB (Rhodes), LLM (University of Notre Dame USA), HDip Tax (Wits), AMP (Harvard)
Joined the group 2000, appointed to exco 2001

Sim Tshabalala joined Standard Bank Group in 2000 in the project finance division of SCMB. From 2001 to 2006 he was managing director Stanbic Africa, and from 2003 he served concurrently as deputy chief executive of Personal & Business Banking. He was appointed chief executive of Personal & Business Banking in 2006, and in June 2008 became chief executive of The Standard Bank of South Africa. In 2009, Sim was appointed deputy chief executive of Standard Bank Group.

Sim currently also serves on the board of The Standard Bank of South Africa as well as the Banking Association of South Africa.

Peter Wharton-Hood (46)
Deputy group chief executive
BCom (Hons) (Wits), CA (SA), AMP (Harvard)
Joined the group 1997, appointed to exco 1999

Peter Wharton-Hood joined Standard Bank Group in 1997 as head of finance and head of the financial asset services division of SCMB. In 1999 he took responsibility for the group's bancassurance initiatives and was also appointed as head of group technology and e-commerce. In 2005 he was appointed chief executive of Personal & Business Banking and head of the group's African operations. In 2006 Peter led the group's integration of Bank Boston in Argentina and was appointed chief executive of global Personal & Business Banking. In 2009 Peter was appointed deputy group chief executive and in 2011 he was appointed Standard Bank Group's chief operating officer.

Peter is chairman of Stanbic Africa Holdings and a director of Standard Bank Plc, Liberty Holdings and Standard Bank Argentina SA.

1	2
3	4

1 Jacko Maree
2 Ben Kruger
3 Sim Tshabalala
4 Peter Wharton-Hood

Financial review

"The group's ability to hold costs for 2011 at the same level as in 2010 provided considerable positive leverage in the group's income statement."

Simon Ridley, *group financial director*

This report provides

- An overview of the key features of the 2011 financial results
- A general description of how the group generates its revenue and the risks it faces in doing so
- A description of the impact of the economic environment on key financial ratios
- An analysis of the results of the banking activities
- An overview of the financial performance of Liberty
- Commentary on the capital and liquidity position of the group
- Details of the dividend to shareholders
- An overview of financial priorities for 2012

The financial results and related commentary are on a normalised basis, unless indicated as being on an IFRS basis. The principal differences between normalised and IFRS results are set out on page 37. The group's financial position and performance over the past seven years is summarised in the seven-year review and key ratios are provided on both a normalised and IFRS basis. The summarised financial statements presented in accordance with IFRS are set out on page 135.

Following the August 2011 agreement entered into with ICBC whereby ICBC will acquire from the group and other shareholders an 80% shareholding in Standard Bank Argentina and its two affiliates, the group's entire investment in these entities met the criteria for classification as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). As a result, the current year results and prior year comparatives have been amended to reflect a single line item reflecting the post-tax earnings of the discontinued operation, despite the group's retention of a 20% shareholding in Standard Bank Argentina.

The group's investment in Troika was classified as a non-current asset held for sale effective 31 March 2011. As this is not deemed to be a major geographic area of operation, it is not considered to be a discontinued operation in terms of IFRS 5.

Profit from discontinued operations was R641 million, a 50% growth on 2010, and translates into a headline earnings contribution of R457 million (2010: R329 million) up 39%.

Financial results and ratios

		Change %	2011	2010
ROE	%		14,3	12,5
Headline earnings	Rm	21	13 599	11 283
Headline earnings per ordinary share	cents	20	856,9	715,9
Dividend per ordinary share	cents	10	425	386
Tier I capital adequacy ratio	%		12,0	12,9
Net asset value per share	cents	13	6 453	5 726
Net interest margin	%		2,92	2,87
Non-interest revenue to total income	%		50,6	51,5
Credit loss ratio	%		0,87	1,04
Cost-to-income ratio	%		58,8	61,4

Global operating environment

The year started on a relatively positive note with the global economic recovery showing some persistence despite fears of a double-dip recession. Developing economies continued to outperform developed economies, notwithstanding the benefits of stimulus policies introduced during the recession, making for an uneven pattern of recovery.

During the course of 2011 adverse conditions mounted. The 'Arab Spring' uprisings in the Middle East drove up the prices of oil and precious metals. The turmoil in the region also disrupted food supply and food inflation accelerated, exacerbated by droughts and floods in other parts of the world.

The pace of recovery in developed economies slowed significantly in the second quarter of the year as the fiscal crisis in the Eurozone deepened and concerns about the US debt ceiling weighed on markets.

Doubts about the ability of countries to stabilise their public finances escalated. Initial concerns about a few marginal economies in the Eurozone extended to other countries in Europe and elsewhere. The anxiety about sovereigns translated into apprehension about the solvency of banks, especially in Europe, given their exposure to sovereign bonds. This weakened financial flows as banks maintained high levels of liquidity and tightened lending.

Capital outflows from emerging market equities peaked at levels last seen at the height of the financial crisis in 2008, indicating concerns over heightened economic stress in emerging markets.

Africa's performance continued to improve on the back of strengthening internal markets and more robust external relationships and was second only to Asia in the resilience demonstrated throughout the financial crisis. However, the region was not immune from the global difficulties and in the second half of 2011 there were dramatic increases in interest rates and weakening currencies in Kenya, Uganda, Nigeria and Tanzania.

Domestic operating environment

Following the relatively brisk growth rate of 4,6% recorded in early 2011, real growth in the South African economy declined during the year to 3,1%. The declines during the year were especially visible in the main goods-producing sectors of the economy. Other contributors to the deceleration were the poor performance of the agricultural sector, due to a smaller maize crop, and the mining sector, due to safety-related production stoppages and technical problems. Activity in the manufacturing sector also contracted in 2011.

Real household disposable income continued to grow in the second and third quarters, but more slowly than in early 2011. This was reflected in weaker real household consumption spending. While households took on additional debt, growth was lower than the increase in disposable income, bringing down household debt-to-disposable income ratio to 75% from 78% in 2010. Household savings remained at very low levels.

Heightened risk aversion led international investors to withdraw funds from emerging markets, particularly towards the end of the third quarter. This weakened the rand significantly in September and October 2011 and volatility in the rand exchange rate continued for the rest of the year. The weaker rand, along with higher food, fuel and electricity prices, pushed up the prices of consumer goods, with the consumer price index (CPI) breaching the upper band of the inflation target in November and December 2011.

Nonetheless, given global uncertainty, relatively poor growth in the domestic economy and the expectation that the inflation rate would return to the target range, the Monetary Policy Committee of the SARB kept the repo rate unchanged in 2011.

The results

Overall, we delivered a strong set of results in 2011. We lifted headline earnings to R13,6 billion, up 21% on the prior year and increased the annual dividend to shareholders by 10%. ROE moved upward to 14,3%, compared to 12,5% in the prior year.

Strategically, we made good progress in growing universal banking operations in our chosen African markets. We continued to invest to ensure these operations are of sufficient scale for the opportunities available to them.

How the group generates its revenue and key risks that it faces in doing so

The group generates its revenue from four broad sources:

- net interest income;
- fee and commission revenue;
- trading revenue; and
- income from insurance activities.

Net interest income contributed around half of total income and represents the difference between interest received by the group on funds lent to customers and otherwise invested, and the interest paid by the group to depositors and other providers of finance. Funds lent to individual customers include mortgage loans, instalment sale and finance leases on vehicles and other assets, as well as credit card facilities. Corporate loans include corporate lending facilities, structured finance, project finance and trade finance.

Interest rates charged are determined by considering the factors that influence the risk that the customer will not repay the funds advanced. Deterioration in this risk, otherwise known as **credit risk**, is reflected in credit impairment charges in the group's income statement.

The group requires funding for its lending and investment activities. Funding is obtained in the form of deposits placed by customers on which interest is payable. The interest rates on deposits are dependent on the term and size of the deposits and macroeconomic variables. Interest rates on assets and liabilities do not necessarily reprice at the same time and assets and liabilities consist of both fixed rate and floating rate instruments, resulting in **interest rate risk** to the group.

In addition to supporting tier I capital adequacy, the group uses its shareholders' funds to finance both equity-related investments and a small portion of the loan book. Shareholders require a return in the form of dividends and growth in share price. No interest is paid on shareholders' funds. The benefit of this 'free funding' is a significant contributor to the **endowment effect** (refer to page 24 for a detailed explanation) and reduces during times of declining or persistently low interest rates.

Demand deposits placed can be withdrawn at any stage and banks therefore manage the **liquidity risk** that could materialise if a significant portion of total deposits is withdrawn without cash being available to settle these withdrawals, or if deposits being redeemed cannot be replaced with new deposits.

The group is required to hold minimum reserve balances with central banks, minimum amounts of liquid assets, as well as further voluntary liquidity buffers in its many licensed banking subsidiaries. Banks in most jurisdictions are typically able to access liquidity from central banks. This is normally priced at a central bank repurchase rate which is an important central bank-determined pricing trigger for managing monetary policy, and is a small component of a bank's funding base.

Non-interest revenue consists of fee and commission revenue and trading revenue, as well as a combination of diverse other non-interest revenue sources.

Fee and commission revenue is generated through transactional banking activities of corporates, small and medium businesses and individual customers. These fees and commissions are earned on banking transactions through various channels, which include branches, ATMs, telephone banking, point-of-sale devices and internet-based transactions such as online business banking, internet banking and trading products. The group also earns knowledge-based fees from corporate advisory and loan structuring activities as well as financial planning and insurance marketing and broking services.

Trading revenue is generated from trading activities on products such as foreign exchange, commodity, credit, interest rate and equity products. These trading activities are predominantly related to client flows and are managed within the group's risk tolerance levels. Through these activities the group is exposed to **market risk** as market prices on these asset classes may increase or decrease due to external factors. This risk can be reduced through offsetting trades with counterparties and other clients. The group generates revenue through the margins earned on accepting trading positions with clients and managing the net market risk trading exposure within its trading operations. To earn trading revenue, the group takes on and manages **market risk, counterparty credit risk** included in credit risk and **operational risk** arising from large and complex trading operations.

Other revenue sources include underwriting profit and investment revenue from the group's short-term insurance operations, profit-sharing arrangements relating to the group's long-term insurance operations, as well as gains on property, private equity and strategic investment activities.

Liberty is 53,6% owned by Standard Bank Group and contributed 11% to the group's 2011 headline earnings. Liberty operates primarily in South Africa and has a presence in 14 other African countries. Liberty generates underwriting profits from its long-term insurance operations. Underwriting profit is earned over the life of an insurance product based on the difference between premiums received and investment returns earned and claims paid on the life or disability risks insured. These operations expose the group to changes in mortality, longevity, morbidity and withdrawal risks that are included under **insurance risk**. Liberty also provides long-term investment products and advisory services to clients and receives fees and shares in the investment return of assets managed on behalf of third parties. It also generates revenue through property investment and health insurance activities.

Returns to shareholders

The group's shareholders are the primary providers of capital. They carry the ultimate business risk should the group's operations not be sufficiently profitable or through the erosion of value as a result of a decline in the group's share price. Shareholders are rewarded for accepting this risk through biannual distributions from the earnings of the group and the possibility of growth in share price. Share price growth is dependent on the group's ability to grow shareholders' equity on an annual basis at a rate that exceeds the rate that shareholders would expect for an investment with the risk profile of the group and expected future growth in returns. Further detail on economic returns is provided on page 35.

Impact of the economic environment on key financial ratios

The table below sets out the key financial ratios that drive the earnings and ultimately the value of the group. The table also sets out the external economic factors influencing these value drivers assuming no management action, an indication of how these economic factors influenced the performance of the group in 2011, and the expected impact of these economic factors in 2012. Economic statistics provided relate to South Africa, which is the origin of 92% of the headline earnings of the group.

Impact of economic factors on key financial ratios

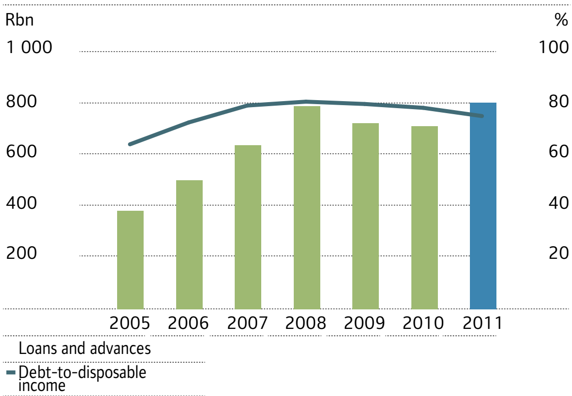
Key financial ratio	Economic factor impacting key financial ratio	Impact on 2011	Expected impact on 2012
Growth in loans and advances	Debt-to-disposable income level	▲	▲
	GDP growth	▲	▲
	Interest rates	▲	▲
Net interest margin	Interest rates	▶	▲
Credit loss ratio	Number of insolvencies and liquidations	▲	▲
	Collateral values	▲	▼
	Debt-to-disposable income level	▲	▲
Growth in non-interest revenue			
– Growth in fee and commission revenue	GDP growth and inflation	▲	▲
– Growth in trading revenue	Market trading volumes	▲	▲
	Market price volatility	▼	▲
Growth in operating expenses	GDP growth	▼	▼
	Inflation rate	▼	▶
Effective tax rate	Corporate tax rates	▶	▲
Impact of translating income from operations outside South Africa into rand	Average rand exchange rate	▶	▲
Growth in long-term insurance revenue	Equity market performance	▶	▲
	Persistency of policy revenue	▲	▲
	Debt-to-disposable income level	▲	▲
Growth in ordinary shareholders' equity in operations outside South Africa	Closing rand exchange rate	▶	▲

▲ *Improvement resulting in a positive impact on key financial ratio.*
▼ *Deterioration resulting in a negative impact on key financial ratio.*
▶ *Neutral.*

Growth in loans and advances

Loans and advances represent the largest asset class on the group's balance sheet. This asset class provides the group with its largest source of revenue in the form of interest income and creates cross-selling opportunities in the form of transactional fees and insurance-related revenues. Growth in loans and advances within the risk levels accepted by the group is therefore essential to increasing revenue.

Loans and advances



Growth in loans and advances in the personal market in particular is dependent on customers' ability to repay debt. The debt-to-disposable income ratio in South Africa provides a measure of the ability of households to service existing loans and also assume further debt. The graph above illustrates the noticeable rise in debt-to-disposable income levels up to 2008 that resulted in strong growth in loans and advances. Subsequent to 2008, consumers have begun to rebuild their balance sheets as is evident from the gradual improvement in debt-to-disposable income levels from 2008 onwards. The group has grown advances in countries outside South Africa, allowing loan growth while indebtedness levels in South Africa improve.

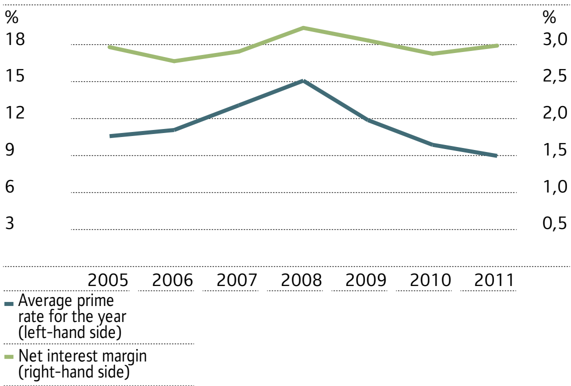
Debt-to-disposable income levels are not expected to reduce significantly over the short to medium term. It is, however, expected that a slow improvement in disposable income levels coupled with a moderate improvement in economic growth will be positive for loan growth in 2012.

Net interest margin

The net interest margin represents the profit margin between the interest rate earned on lending products and investments, and the interest rate paid on deposits and other funding. Benchmark lending rates, such as the prime interest rate in South Africa, are key factors that cause variation in the net interest margin. Within this variation, a key dynamic is the impact of interest rates on transactional balances and shareholders' equity, termed the endowment impact.

During times when interest rates decline, as experienced since December 2008 in South Africa, banks charge lower interest rates on prime-linked lending products like home loans, vehicle and asset finance, and card products. The interest rates on the deposits in transactional accounts are not prime-linked and decline to a lesser extent than the reduction in the interest rate earned on the lending products. This mismatch results in a reduction in the net interest margin. The outcome is referred to as a negative endowment impact and will take place during times of declining interest rates. When interest rates increase, the increase in the interest rate earned on the prime-linked lending products is greater than the increase in the interest rate paid on deposits in transactional accounts, resulting in an increase in the net interest margin and a resulting positive endowment impact.

Net interest margin



Equity invested by ordinary shareholders is a second form of funding that gives rise to an endowment impact. As equity bears no interest cost, and equity funding is used to partially finance lending products that are prime-linked, the margin between the interest earned on lending products and the 'free' or equity funding will increase when interest rates increase and reduce when interest rates decline.

During 2011, interest rates in South Africa remained at their lowest levels in 36 years, resulting in a negative endowment impact. This was partially offset by an increase in interest rates in East Africa and Nigeria and the resultant positive endowment. This contributed to a net negative endowment impact. The graph above illustrates the negative impact of the lower interest rates on the group's net interest margin.

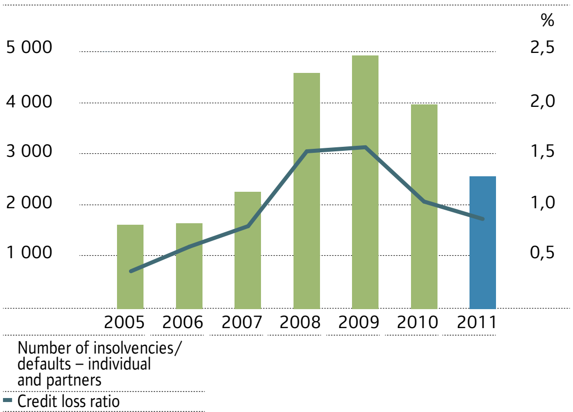
The endowment risk emanating from the anticipated turn in the economic cycle is partially hedged as and when it is considered appropriate, using derivative instruments such as swaps and interest rate swaptions. Hedging strategies also factor in the partial offset of the endowment exposure by an improvement in the credit cycle. While net interest income has been negatively impacted by the recent downturn in rates, the group is well positioned for a rate tightening cycle.

Interest rates in South Africa are expected to remain unchanged during most of 2012, with positive endowment anticipated towards the latter part of 2012.

Credit loss ratio

The credit loss ratio is the credit impairment charge expressed as a percentage of the average loan balance and indicates the loss to the group resulting from the inability of customers to repay loans during the year. For every rand owed by customers, the group on average incurred a loss of 0,87 cents (2010: 1,04 cents). Insolvencies and defaults recorded in the economy, as well as debt-to-disposable income levels described earlier, provide an indication of the stress that consumers and businesses experience. The graph below illustrates the significant increase in insolvencies and defaults in South Africa in 2008 and 2009 and the related impact on the credit loss ratio. Insolvencies and defaults reduced in 2010 and 2011 and the credit loss ratio benefited from this improvement. Further improvement in the level of insolvencies and defaults is expected in 2012 as consumers continue to strengthen their financial position.

Credit loss ratio and number of South African insolvencies



Growth in non-interest revenue

Non-interest revenue consists mainly of fee and commission revenue and trading revenue.

Growth in fee and commission revenue is dependent on transactional banking volumes, which are a function of economic activity and of the competitive environment for banking services. In addition, inflationary increases in the cost base are considered in determining increases in fee and commission tariffs. Modest increases in GDP and inflation should support growth in non-interest revenue.

Growth in trading revenue is largely dependent on trading volumes and how volatility affects trading spreads. The group's trading revenue is substantially a function of client trading volumes and the margin between offer and bid prices. The group trades products in a wide range of markets which may or may not have quoted statistics on market volumes and no single indicator can serve as a reasonable proxy for such activity levels. The key global financial markets in which the group operates have seen risk aversion and the risks attendant to the Eurozone crisis suppress levels of activity and revenues in a number of markets. However, the strength of the positioning of the group's operations in key African markets has enabled them to benefit from such volatility and continue to facilitate flows, yielding acceptable results in difficult times.

Growth in operating expenses

Inflation is one of the key external indicators that places pressure on growth in operating expenses over an extended period. Numerous internal factors affect the growth in operating expenses, such as growth in staff numbers and investments in branch and IT infrastructure and business volumes. Average CPI inflation increased from 4,3% in 2010 to 5,0% in 2011 and put slight upward pressure on cost growth. Infrastructure investment and the pursuit of organic growth opportunities in the rest of Africa placed upward pressure on operating expenditure. In this context, the group was pleased to fulfil its commitment to keeping operating costs flat in 2011 through a disciplined approach to managing headcounts, and achieving additional efficiency gains.

The inflation rate in South Africa is expected to increase and will result in moderate cost growth in 2012. The group will continue its focus of operational excellence in order to manage cost growth within acceptable levels. Ensuring the group can continue to invest for growth in markets like Angola, Kenya and Nigeria, while controlling cost growth for the group as a whole, has been a priority.

Effective tax rate

Corporate tax rates remained unchanged in most of the countries in which the group operates and no significant changes are anticipated in 2012, other than the repeal of secondary tax on companies in South Africa which should slightly reduce the group's effective tax rate from 2012.

Translation impact of the rand exchange rate on income from operations outside South Africa

The group's net income from operations outside South Africa is translated into rand at an average exchange rate for consolidation purposes. A stronger average rand exchange rate results in a reduction in the rand equivalent of foreign earnings.

Growth in earnings from long-term insurance

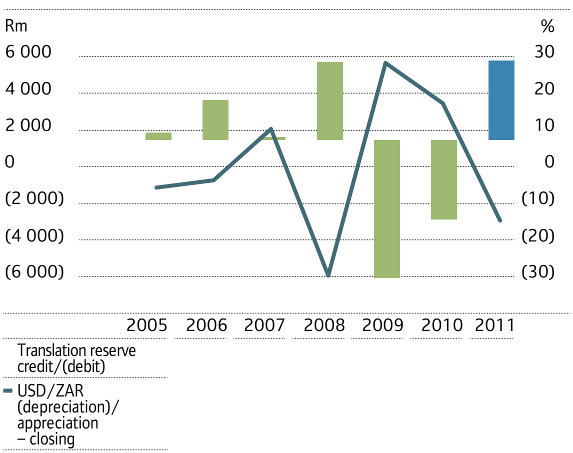
Liberty's earnings are dependent on numerous factors, including policyholder and investor behaviour and growth, which are not analysed here, as well as returns from investments. The performance of the JSE in South Africa has a direct impact on earnings from the insurance operations. The JSE All Share Index remained flat in 2011 and contributed to marginal growth of Liberty's earnings of 3%. In addition, the propensity of customers to continue making contractual payments improved due to sustained management intervention.

Growth in ordinary shareholders' equity in operations outside South Africa

The group's ordinary shareholders' funds are kept in various currencies in foreign operations and changes in the closing rates of these currencies have an impact on the rand value of ordinary shareholders' funds. The combined impact of all foreign currency movements resulted in a R4,3 billion increase in shareholders' funds, accounted for directly in equity.

The graph below illustrates the dollar movement and changes in the foreign currency translation reserve over the past seven years. The foreign currency translation reserve has benefited from the moderate rand depreciation.

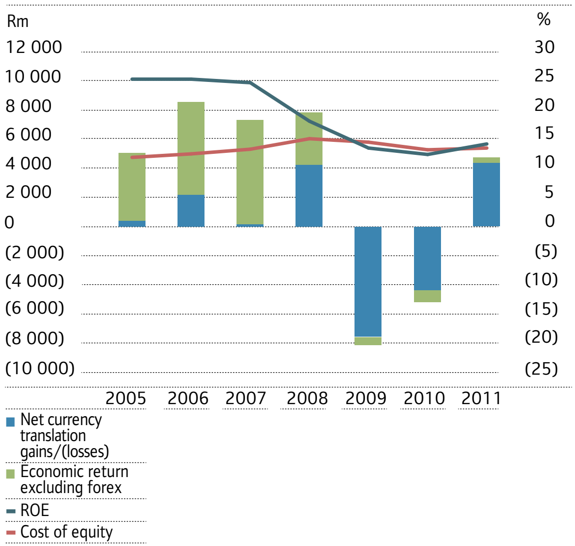
Exchange rate movement and changes in foreign currency translation reserve



Economic value added

Shareholders expect a return, measured as return on equity, in excess of the group's estimated cost of equity, in order to create shareholder value. In calculating economic value added on a comprehensive basis, the group also includes direct reserve movements, such as movements in the foreign currency translation reserve, in the calculation of economic value added.

Economic return, ROE and cost of equity



Business unit performance
Total headline earnings and ROE by business unit

		Headline earnings		ROE	
	Change %	2011 Rm	2010 Rm	2011 %	2010 %
Personal & Business Banking	40	6 092	4 364	21,6	16,9
Corporate & Investment Banking	11	5 816	5 252	13,3	13,1
Central and other	(4)	263	274		
Banking activities	23	12 171	9 890	13,8	11,8
Liberty	3	1 428	1 393	20,2	21,9
Standard Bank Group	21	13 599	11 283	14,3	12,5

Personal & Business Banking delivered headline earnings of R6,1 billion, surpassing record profits achieved in 2007 and 40% higher than the prior year. The main contributors to this result were the continued reduction in credit impairment charges, income growth that outstripped cost growth and well-priced loan growth.

Personal & Business Banking grew net interest income 9% on the back of asset growth, improved pricing and reduced funding costs, despite a negative endowment impact of R324 million mainly due to the low interest rate environment in South Africa. The results were supported by a 19% reduction in credit impairments from R6,7 billion in 2010 to R5,4 billion in 2011. The cost-to-income ratio improved slightly to 61,3% from 62,2%. An ROE of 21,6% was achieved, a strong improvement on the 16,9% recorded in the prior year.

Corporate & Investment Banking reported headline earnings of R5,8 billion, up 11% on the prior year. This robust result was delivered in a particularly challenging environment for the investment banking and global markets businesses. Total revenue grew 4% with excellent growth achieved in fee income and a more subdued result in margin and trading income, given the very competitive and uncertain environment. Our tightened strategic focus, while important for the long-term competitiveness of our business, has been a constraining factor on revenue growth in the current year. Credit impairment charges almost doubled to R1 020 million from a very low base in 2010, and the credit loss ratio increased to 0,30%. The balance sheet remains healthy with impairments as a percentage of total gross loan exposure down to 0,91% from 1,14% in the prior year. Costs reduced 1%, mainly as a result of well-managed staff costs, and the cost-to-income ratio improved from 62,8% to 60,4%. An ROE of 13,3% was recorded for the period.

The Liberty results reflect the group's 53,6% investment in Liberty. Liberty's headline earnings ended at R2 663 million, 3% higher than 2010. Of these headline earnings, R1 428 million was attributable to the Standard Bank Group.

A key positive feature has been the resolution of the policyholder persistency issue in Liberty's retail business in South Africa and the substantial improvement in the value of in-force contracts. New long-term insurance business sales were pleasing across all the operations with indexed new business up 19%. Long-term insurance client net cash flows were positive at R4,2 billion, a good result in the current consumer environment.

Investment markets were volatile, nonetheless a strong final quarter local equity performance supported a gross return of 8,1% on the shareholder investment portfolio. Normalised equity value (embedded value) improved by 10% to more than R100 per share and return on group equity value was 15,3%.

Liberty's balance sheet management capability continues to ensure reduced earnings volatility through improved asset liability management. Fund performance at Stanlib has continued to improve and headline earnings improved by 15% over 2010. Liberty's property division produced another solid result.

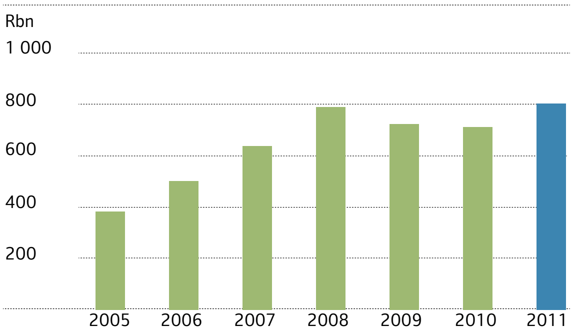
Further information on the financial performance of each business unit is provided in the business unit reviews on page 48.

Banking activities balance sheet analysis

Total assets in banking activities increased by 13% to R1 257 billion, or a 7% decrease if the impact of the weaker closing rand exchange rate is excluded. The main contributors to this growth were an increase in derivative assets, financial investments and cash balances with banks and central banks. Refer to the seven-year review on page 40 for the normalised statement of financial position and to the summarised annual financial statements for the IFRS statement of financial position on page 135.

Total loans and advances, excluding Argentina, were up 15%, with Corporate & Investment Banking reporting growth of 19% and Personal & Business Banking growth of 11%.

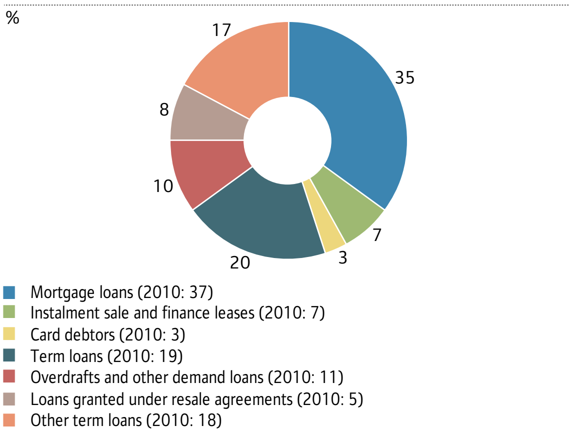
Loans and advances



Mortgage loans increased by 6%, supported by an improved credit environment, including a historically low South African prime lending rate. Refer to the Personal & Business Banking review on page 49 for more information.

Instalment sale and finance leases grew due to improved market conditions. Refer to the Personal & Business Banking review on page 49 for more information.

Composition of gross loans and advances – banking activities



Card debtors increased as the number of credit card accounts in South Africa grew 5%, and the overall credit card debtors' book grew 5% to R20,7 billion, with lower average balances as household credit uptake remained low due to high debt levels. Refer to the Personal & Business Banking review on page 49 for more information.

After the deleveraging in 2010, corporate customers regained some risk appetite and began to take up loans again. The increase of R62,4 billion was mainly due to growth in balances within South Africa of R46,6 billion, and within the rest of Africa of R13,8 billion. Approximately R20 billion of the additional loan balances in South Africa was originated by operations outside South Africa. We focused on strengthening existing client relationships and improving origination levels to reverse the decreasing trend in the loan book.

Deposits and current accounts, excluding Argentina, increased R111,1 billion, 14%. Corporate & Investment Banking contributed R71,4 billion, a 13% increase, mainly due to growth in the deposit book attributed to an increase in deposits from banks and central banks and higher balances within term deposits. Personal & Business Banking deposits increased R37,5 billion, a 15% change, mainly due to growth in both the average balance per account and the number of current accounts.

Cash and balances with banks were 11% up to R31,9 billion as a higher liability base required additional investment in government stock and balances with banks held for liquidity purposes.

Subordinated debt increased to R23,4 billion and grew by R1,6 billion or 7%, mainly due to the weaker closing rand exchange rate.

Trading assets were 12% up to R90,3 billion, mainly due to a higher bond holding and increased commodity reverse repos, driven by higher customer demand for financing transactions and a positive foreign exchange rate impact. Trading liabilities increased by 7% mainly due to higher bond holdings in South Africa at year end and a favourable foreign exchange rate.

The group's ordinary shareholders' funds grew by 13%. Shareholders' funds deployed outside South Africa are exposed to foreign currency translation movements resulting from the translation of these funds into rand. The closing rand exchange rate weakened against the dollar to R8,09, resulting in a foreign currency translation gain of R4,3 billion, which includes related hedging activities. The currency profile of the deployment of the net asset value of the group and the related hedging positions are disclosed in the table below.

Currency analysis of net asset value

	Total Rm	Rand Rm	Dollar Rm	Sterling Rm	Euro Rm	ZAR-linked Rm	Naira Rm	Other Rm
2011								
Underlying exposures	102 523	65 953	17 825	2 308	23	3 195	4 818	8 401
Changes due to hedging strategies		37	(81)	1 468			(519)	(905)
Actual exposures	102 523	65 990	17 744	3 776	23	3 195	4 299	7 496
2010								
Underlying exposures	90 755	61 275	13 107	2 304	19	2 132	4 294	7 624
Changes due to hedging strategies			1 614	1 151			(33)	(2 732)
Actual exposures	90 755	61 275	14 721	3 455	19	2 132	4 261	4 892

Closing currency profile of net asset value

	Total %	Rand %	Dollar %	Sterling %	ZAR-linked %	Naira %	Other %
2011 before hedging	100	64	17	2	3	5	9
2011 after hedging	100	64	17	4	3	4	8
2010 before hedging	100	68	14	3	2	5	8
2010 after hedging	100	68	16	4	2	5	5

Average assets grew by 5%, predominantly driven by the 15% growth in loans and advances. Refer to page 49 for further details.

The net interest margin improved by five basis points to 2,92%, excluding Argentina. The main contributors to the increase were an increase in the lending margin on client loans (14 basis points) due to improved pricing on new mortgage and other retail term loans and an increase in lower cost retail transactional deposits as a portion of the total book (6 basis points).

This was offset by lower average interest rates which have reduced the impact of unwinding of the IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) discount on expected recoveries of non-performing loans to interest income (11 basis points) and the negative endowment impact on capital and reserves (five basis points), brought about by the 90 basis points decline in the average South African prime rate, although compensated somewhat by the higher average interest rates in several African countries.

Movement in average assets, net interest income and margin for banking activities

	Average banking assets Rm	Net interest income Rm	Net interest margin %
2010 restated – continuing operations	941 208	27 028	2,87
Net non-interest-earning assets	(181 399)	3 059	1,09
Interest-earning assets – 2010	759 809	30 087	3,96
Impact of volume changes	43 243	2 166	
Impact of rate changes		(120)	(0,02)
Lending margin		1 027	0,14
– Client yield[1]		1 095	0,14
– Cost of funding[2]		(68)	0,00
Unwinding of discount on credit impairments – IAS 39		(808)	(0,11)
Funding margin		188	0,02
Endowment – funding		86	0,01
Endowment – capital and reserves		(410)	(0,05)
Assets held for liquidity purposes		136	0,02
Other treasury and banking activities		(339)	(0,05)
Change in composition of balance sheet			0,06
Interest-earning assets – 2011	803 052	32 133	4,00
Net non-interest-earning assets	189 447	(3 106)	(1,08)
2011	992 499	29 027	2,92
Net interest income change %		7,4	
Average assets change %	5,4		

[1] *Client yield changes refer to the difference in movement between average client rates and base lending rates.*
[2] *Cost of funding changes refers to the difference in movement between base lending rates and an allocated cost of funding based on the term nature of the asset.*

Income statement analysis

Net interest income

Net interest income was up by 7% as a result of the 5% growth in average assets, improved pricing on new term loans and the reduced cost of liquidity. Refer to the discussion above for more information.

Non-interest revenue

Non-interest revenue increased by 3% during the year with net fee and commission revenue up 11%, trading revenue down 2% and other revenue down 27% primarily due to valuation adjustments on equity and property investments.

Non-interest revenue

	Change %	2011 Rm	2010 Rm
Net fee and commission revenue	11	19 782	17 883
Fee and commission revenue	10	22 957	20 849
Account transaction fees	9	9 101	8 383
Electronic banking	6	1 858	1 746
Knowledge-based fees and commission	10	2 680	2 444
Card-based commission	8	3 644	3 366
Bancassurance	9	1 203	1 099
Documentation and administration fees	1	890	878
Foreign currency service fees	18	1 274	1 082
Other	25	2 307	1 851
Fee and commission expense	(7)	(3 175)	(2 966)
Trading revenue	(2)	7 895	8 032
Commodities	(3)	1 376	1 421
Forex	10	3 605	3 280
Credit	21	761	628
Interest rates	5	1 854	1 760
Equities	(69)	246	799
Other	(63)	53	144
Other revenue	(27)	2 047	2 805
Banking and other	(74)	296	1 117
Property-related revenue	(4)	386	403
Insurance – bancassurance income	6	1 365	1 285
Total non-interest revenue	3	29 724	28 720

Net fee and commission revenue grew by 11%. This growth was primarily due to the following:

- Growth in the customer base coupled with annual price increases resulted in growth of 9% in income from account transaction fees.
- Electronic banking revenue increased by 6% due to higher utilisation of Standard Bank devices and growth in the number of transactions, especially internet transactions.
- Knowledge-based fees grew by 10%, mainly due to structuring, origination, advisory and syndication fees.
- Card-based commission grew by 8% as a result of increased turnover volumes, a larger account base and higher merchant penetration.
- Foreign currency service fees increased 18% as a result of improved client flows in the second and third quarters of 2011.
- Other fee and commission revenue increased by 25% due to asset management fees received in Nigeria and growth in commitment fees.
- Higher interchange expenses following growth in volume together with increased management fees resulted in a 7% increase in fee and commission expenses. Interchange expenses are fees paid to the issuing bank on their cards used at one of our point-of-sale devices or received when our cards are used at another bank's point-of-sale device.

Trading revenue fell 2%, in the difficult trading environment, mainly due to the following:

- Commodities trading revenue decreased by 3% mainly due to losses incurred by energy desks in the first half of 2011.
- Forex trading benefited from the favourable trading environment in South Africa and the rest of Africa and grew 10%.
- Credit trading revenue grew 21% on the back of large hedging transactions arranged for clients in South Africa.
- Good performance from outside Africa within interest rate trading was offset by reduced liquidity in the interest rate market within both the rest of Africa and South Africa, resulting in only a 5% increase.
- Equities trading revenue decreased 69% due to mark downs of Asian curtailed operations assets and unfavourable volatility in equity markets pursuant to the continuing Eurozone crisis.

Credit impairment charges

Credit impairment charges decreased by 13% and the credit loss ratio improved to 0,87% (2010: 1,04%). Non-performing loans as a percentage of gross loans and advances reduced to 4,1% in 2011 from 5,9% in 2010 (excluding Argentina) with improvements across most portfolios. A detailed analysis of performing and non-performing loans is provided in the risk and capital management report on page 46 of book II.

Lower interest rates and the improvement in economic conditions assisted customers to service debt and resulted in a significantly slower flow of new defaults into impaired loans.

The group improved its rehabilitation and recovery capabilities but pressure on recovery values of distressed assets continued. The portfolio subject to debt review in South Africa has reduced due to the active management of this portfolio, together with improved clarity in the regulatory process under the National Credit Act 34 of 2005. Corporate loan impairments benefited from the non-recurrence of numerous provisions raised on specific corporate clients in the prior year.

Income statement impairment charges (net of recoveries)

	Specifically impaired loans					
	Specific impairment loss Rm	IAS 39 discount[1] Rm	Total Rm	Portfolio credit impairment charges Rm	Total impairment charges Rm	Credit loss ratio %
2011						
Personal & Business Banking	4 170	715	4 885	541	5 426	1,25
Mortgage loans	2 019	529	2 548	420	2 968	1,07
Instalment sale and finance leases	440	50	490	(132)	358	0,72
Card debtors	397	55	452	(77)	375	1,91
Other loans and advances	1 314	81	1 395	330	1 725	1,97
Corporate & Investment Banking	957	17	974	46	1 020	0,30
Corporate loans	870	17	887	68	955	0,32
Commercial property finance	87		87	(22)	65	0,16
Central and other	(10)		(10)		(10)	
Total banking activities	5 117	732	5 849	587	6 436	0,87
2010						
Personal & Business Banking	5 690	1 024	6 714	(11)	6 703	1,64
Mortgage loans	2 336	725	3 061	(40)	3 021	1,15
Instalment sale and finance leases	1 062	89	1 151	(142)	1 009	2,10
Card debtors	758	79	837	(106)	731	3,56
Other loans and advances	1 534	131	1 665	277	1 942	2,47
Corporate & Investment Banking	1 284	34	1 318	(768)	550	0,17
Corporate loans	1 172	34	1 206	(768)	438	0,15
Commercial property finance	112		112		112	0,34
Central and other				141	141	
Total banking activities	6 974	1 058	8 032	(638)	7 394	1,04

[1] *Discounting of expected recoveries in terms of IAS 39.*

Operating expenses in banking activities

The group's cost-to-income ratio improved to 58,8% from 61,4% in 2010 as revenue increased by 5% and operating expenses remained flat. Restructuring costs incurred in 2010 of R781 million were not repeated in the current year. Personal & Business Banking and Corporate & Investment Banking reported increases of 7% and a decrease of 1%, respectively, in operating expenses and cost-to-income ratios of 61,3% and 60,4%, respectively.

Operating expenses in banking activities

	Change %	2011 Rm	2010 Rm
Staff costs	4	19 141	18 440
Other operating expenses	1	15 584	15 358
Restructuring cost	(100)		781
Total operating expenses	0	34 725	34 579
Cost-to-income ratio (%)		58,8	61,4

Staff costs and headcount

Staff costs increased by 4% as a result of higher fixed remuneration due to continued branch network expansion in Africa offset by reduced number of employees following the 2010 restructuring process and careful management of headcount numbers thereafter.

The proportion of incentive remuneration which is deferred and subject to clawback increased in 2011 and, as deferral incentives are accounted for over future vesting periods, the incentive charge was lower than 2010.

Staff costs

	Change %	2011 Rm	2010 Rm
Fixed remuneration	4	13 582	13 052
Variable remuneration	(1)	3 590	3 622
Charge for incentive payments	(4)	3 055	3 181
Charge for deferred incentive schemes	21	535	441
Other staff costs	11	1 969	1 766
IFRS 2 share-based payment expense	2	311	306
Other	14	1 658	1 460
Total staff costs	4	19 141	18 440
Variable remuneration as a percentage of total staff costs		18,8	19,6

Headcount

	Change %	2011	2010
Headcount by business unit			
Personal & Business Banking	(5)	23 019	24 134
Corporate & Investment Banking	1	6 690	6 593
Central and other	(6)	13 247	14 077
Argentina	3	3 419	3 321
Banking activities	(4)	46 375	48 125
Headcount by geography			
South Africa	(6)	28 476	30 315
Rest of Africa	2	12 654	12 370
Outside Africa	(14)	1 826	2 119
Argentina	3	3 419	3 321
Banking activities	(4)	46 375	48 125

Other operating expenses and restructuring costs

The group's operating expenses decreased by 3%, with an increase of 4% in Personal & Business Banking and 6% in Corporate & Investment Banking, but a decrease in the expenses of the group enabling functions, such as the finance, risk and marketing functions.

The group continued to invest in IT and infrastructure to achieve efficiencies across its operations and increase its presence in key markets, while carefully managing these costs, resulting in a 1% reduction in IT costs.

Depreciation, amortisation and impairments increased by 10% due to impairments on leasehold and intangible assets. Higher depreciation charges as a result of branch refurbishment and costs attributable to systems recently implemented, such as the group's core banking system in South Africa and the rest of Africa.

Other operating expenses and restructuring costs

	Change %	2011 Rm	2010 Rm
Information technology	(1)	3 183	3 227
Depreciation, amortisation and impairment	10	2 704	2 448
Communication	9	1 227	1 126
Premises	12	2 876	2 576
Other	(6)	5 594	5 981
Restructuring costs	(100)		781
Total other operating expenses and restructuring costs	(3)	15 584	16 139

The group grew its presence in strategic markets in Africa, continued to invest in growing its inclusive banking offering, increased ATMs, and performed branch refurbishments in South Africa, which increased premises costs by 12%.

Other costs decreased by 6% as a result of careful management of costs, especially marketing and professional fees.

Share of profit from associates and joint ventures

The group's banking activities' share of profit from associates and joint ventures decreased by 55% to R257 million in 2011 from R572 million in 2010. This is mainly due to the removal of current year earnings from the group's Russian associate, Troika, as the investment was classified as held for sale from 31 March 2011.

Liquidity and capital

The group's capital position was sustained in 2011 due to strong internal capital generation and supported robust growth in loans and advances. At 31 December 2011, we had a core tier I capital adequacy ratio of 11,3%, a tier I capital adequacy ratio of 12,0% and a total capital adequacy ratio of 14,3% – all well above the group's internal targets. These ratios are expected to be enhanced in 2012 through the conclusion of the sale of the interest in Troika and the partial disposal of the group's majority stake in Standard Bank Argentina. After taking account of the requirements of Basel II.5 and Basel III, the tier I ratio, on a pro forma basis, would be 11,0%. During 2011 equity injections into African subsidiaries of USD110 million were done to support organic growth opportunities. Liberty's capital adequacy level at December 2011 was strong at 2,9 times the regulatory minimum. It remains our key focus to reduce capital utilisation in our activities outside Africa and ensure that business is only booked if it is in line with our refined strategy.

Following subdued asset growth during 2010, our liquidity focus during 2011 was optimisation of liquidity resources while efficiently managing buffers. Ongoing attention was applied to the implications of the latest Basel III regulations and the potential far-reaching business effects of the proposals. New term lending volumes were carefully monitored and priced to include consideration of potential costs associated with the anticipated regulatory changes.

In the South African market, the price of term liquidity was stable during the first half of the year, while conditions tightened during the second half with renewed domestic demand combined with the effects of the ongoing Eurozone sovereign debt crisis. Investor appetite for capital markets issuance remained robust and reasonably healthy. SBSA successfully placed R8,9 billion of senior debt funding in the domestic bond market. The group ended the year with an ample liquidity buffer totalling R148,1 billion (2010: R106,8 billion).

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 indicates the stability of the total funding base. As at 31 December 2011, the long-term funding ratio was 25,3% (2010: 26,6%). The long-term funding ratio remained fairly stable over 2011, but decreased towards the end of the year due to a material long-term loan deposit moving into the six-month maturity bucket.

Standard Bank Group capital adequacy ratios

			Including unappropriated profits		Excluding unappropriated profits	
	Minimum regulatory requirement %	Target ratio %	2011 %	2010 %	2011 %	2010 %
Total capital adequacy ratio	9,5	11 – 12	14,3	15,3	13,6	14,1
Tier I capital adequacy ratio	7,0	9,0	12,0	12,9	11,3	11,7
Core tier I capital adequacy ratio	5,25		11,3	12,0	10,5	10,8

Further information on regulatory and economic capital can be found on page 133, with detailed disclosure provided on page 21 of book II.

Economic returns

Risk-based performance measures are used across the group to calculate economic profit generated, and to assess and manage the creation of shareholder value. Economic profit is embedded in the group's performance measurement approaches and is used to evaluate individual transactions and business unit performance.

Economic profit is calculated as normalised headline earnings, adjusted for direct reserve movements, less a cost of capital charge. The cost of capital is based on allocated economic capital and is calculated using a cost of equity measure based on the industry standard capital asset pricing model.

The economic profit of R4,7 billion (2010: economic loss of R5,2 billion) was attributable to higher headline earnings and the favourable impact of the weaker rand on the group's foreign currency translation reserve, despite a slightly higher cost of equity of 13,6% (2010: 13,3%).

Dividends

The group has declared a total dividend per ordinary share for the year of 425 cents (2010: 386 cents).

With respect to the perpetual preference share dividends, the terms of the preference shares and our articles of association/memorandum of incorporation require that we increase the preference share dividend by the amount of the 10% benefit that Standard Bank will enjoy through the abolition of secondary tax on companies as from 1 April 2012. Going forward, the dividend calculation will accordingly be changed from 70% to 77% of the prime rate multiplied by the subscription price of the preference shares held.

Economic returns

	Change %	2011 Rm	2010 Rm
Average ordinary equity	6	**95 156**	90 019
Headline earnings	21	**13 599**	11 283
Cost of equity charge	(8)	**(12 921)**	(11 949)
Economic gains/(losses) on headline earnings	>100	**678**	(666)
Other changes in net asset value	>100	**4 070**	(4 512)
Net currency translation movement		**4 348**	(4 329)
Cash flow hedge gains/(losses)		**52**	(214)
Fair value gains/(losses) on available-for-sale assets		**(276)**	105
Change in shareholding of subsidiary		**(89)**	(37)
Other changes in equity		**35**	(37)
Total economic returns	>100	**4 748**	(5 178)

Priorities for 2011

Our priorities remain largely unchanged from 2010. The group's finance function's priorities and progress on them are detailed below.

2010 priority	Progress in 2011	Relevant for 2012
Facilitate strict control over costs to improve the group's overall profitability and enhance returns to shareholders.	During 2011, tight management of costs and rationalisation on top of action taken in 2010 resulted in flat overall costs. Cost control will remain an important focus in 2012.	✓
Evaluate and respond appropriately to proposed changes in the liquidity and capital regimes introduced by Basel III.	New term lending volumes and investment activity are monitored and priced to take into account liquidity costs relating to anticipated regulatory changes that will be incurred by the group. Improved client yield in mortgage loans reflects this progress. Although the final Basel III rules afford the group a period of time before full compliance is required, the group maintains a strong focus on achieving these liquidity and capital requirements within the specified timelines. Progress was made during 2011 to ensure the group is ready. The group also continues to engage with relevant regulators regarding these changes. Dedicated unit created in 2011 to prepare the group's financial processes and resources for all major regulatory changes.	✓
Optimise the allocation of the key financial resources of capital and liquidity in order to improve the group's return on equity.	• With respect to liquidity, funds transfer pricing was adjusted to encourage higher pricing for term lending and higher rewards for term deposit taking. • The process to constrain capital deployed in operations outside of Africa commenced during the year.	✓
Ensure the highest standards of execution are applied to the group's corporate activity in implementing the group's strategy.	The group was active during 2011 and reached agreements to divest of Troika and control of Standard Bank Argentina (subject to regulatory approval). Excellence of execution in all corporate actions will remain a priority going forward.	✓
Analyse the impact of and prepare for changes in accounting standards relating to financial instruments.	The group continues to proactively embrace these changes and will continue to do so in 2012.	✓
Evaluate opportunities for further standardisation, alignment of processes and efficiencies brought about by the creation of group enabling functions.	During 2011, the group enabling functions were optimised and centralised in order to provide the right support for business needs.	✓
Integrate the group's financial reporting systems with new banking IT platforms, implement a revised budgeting and forecasting system, automate key risk and finance processes and standardise and define the group's future general ledger.	A long-term project to integrate and improve the group's financial reporting systems continued during the year, with several components being implemented. The project will continue during 2012 and particular emphasis will be given to strengthening controls and enhancing integration with business operations.	✓
Continue to provide relevant and reliable financial information to the group's stakeholders, including regulators, tax authorities and shareholders.	The group remains committed to providing relevant and reliable information to stakeholders. Refer to **www.standardbank.com** under investor relations for more information.	✓

Explanation of principal differences between normalised and IFRS results

Description of normalised adjustments

The group's consolidated financial statements are prepared in accordance with, and comply with, IFRS as issued by both the International Accounting Standards Board (IASB) and the Accounting Practices Board of South Africa. This document is prepared on a basis which normalises or adjusts the IFRS results for three specific accounting circumstances where IFRS does not reflect the underlying economic and legal substance of the following arrangements (the normalised adjustments):

- the group's Black Economic Empowerment Ownership (Tutuwa) initiative;
- group shares held by Liberty for the benefit of policyholders; and
- 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 as a deduction against equity; and the number of shares used for per share calculation purposes is materially lower than the economic substance. We believe this IFRS treatment has an unintended consequence of overstating earnings per share and an adjustment is required to improve stakeholder understanding of the group's results. With regard to segmental and product reporting, the normalising adjustments have been made within Liberty, and central and other. The results of the other business units are unaffected.

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.

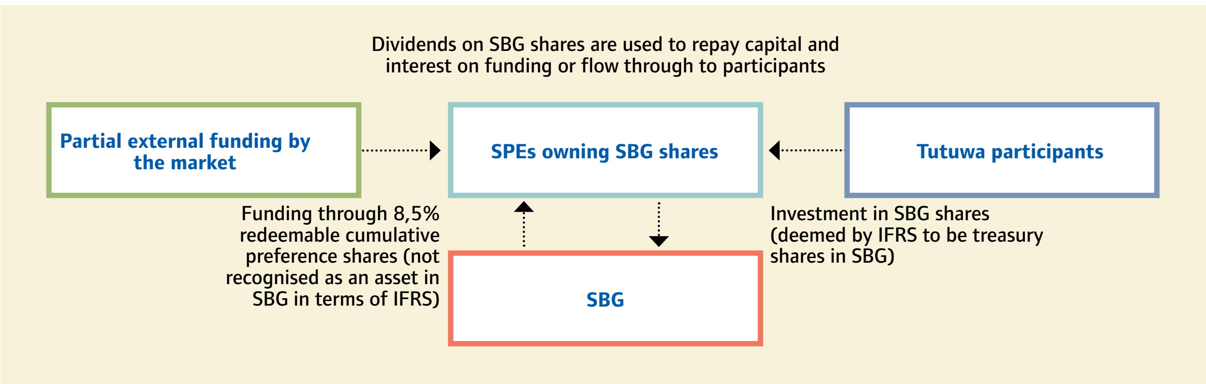
The group obtained financing through the issue of perpetual preference shares. These funds were used to subscribe for 8,5% redeemable, cumulative preference shares issued by special purpose entities (SPEs) controlled by the Standard Bank Group (SBG). These SPEs purchased SBG shares. Subsequently, the 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;
- 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;
- preference dividends accrued but not received, due to cash distributions paid to participants, increase the empowerment reserve;
- for purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those SPEs that have been sold to the black participants.

Tutuwa initiative



The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party; and
- perpetual preference shares issued by SBG for the purposes of financing the transaction are classified as equity. Dividends paid on the perpetual preference shares are recognised 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; and
- 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.

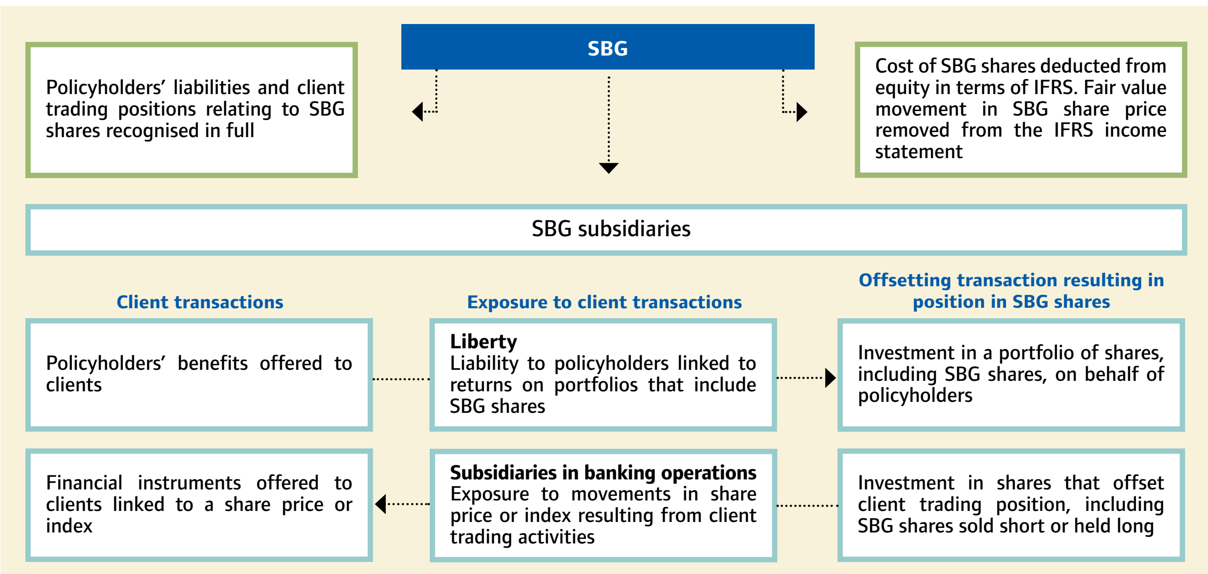
In March 2008, 11,1% of the Tutuwa participants' shares were sold to ICBC with the proceeds being partly utilised for the repayment of their preference share liability, thereby releasing a further 11,0 million ordinary shares previously deemed by IFRS to be treasury shares.

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

The group acquires or sells short its own shares 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 to clients trading positions over listed shares, including 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 fair value changes on these shares.

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.

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



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 set off against or added to ordinary shareholders' equity and non-controlling interest in the group's financial statements;
- all the fair value movements are eliminated from the income statement, reserves and non-controlling interests where applicable; and
- dividends received on group shares are eliminated against dividends paid.

No corresponding adjustment is made to the policyholders' liabilities or trading positions with customers. 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 position, along with the change in policyholders' liabilities and profit or loss recognised on the client trading position, 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% owned by the group, as IFRS (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.

Adjustments to IFRS results

	Headline earnings			Ordinary shareholders' equity
	Banking activities Rm	Liberty Rm	Standard Bank Group Rm	Standard Bank Group Rm
IFRS – 2011	11 965	1 435	13 400	99 042
Tutuwa initiative	206	35	241	2 941
Share exposures held to facilitate client trading activities				(94)
Group shares held for the benefit of Liberty policyholders		(42)	(42)	634
Normalised – 2011	12 171	1 428	13 599	102 523
IFRS – 2010	9 751	1 218	10 969	87 073
Tutuwa initiative	196	40	236	2 758
Share exposures held to facilitate client trading activities	(57)		(57)	(59)
Group shares held for the benefit of Liberty policyholders		135	135	983
Normalised – 2010	9 890	1 393	11 283	90 755

Seven-year review

Consolidated statement of financial position – normalised[1]

	2011 USDm	2011 GBPm	2011 EURm
Assets			
Banking activities	155 421	100 750	120 207
Cash and balances with central banks	3 944	2 557	3 050
Financial investments, trading and pledged assets	23 952	15 526	18 525
Loans and advances	99 359	64 408	76 846
Current and deferred taxation assets	210	136	163
Derivative and other assets	20 559	13 328	15 901
Non-current assets held for sale[3]	4 213	2 731	3 259
Interest in associates and joint ventures	233	151	180
Goodwill and other intangible assets	1 415	917	1 095
Property and equipment	1 536	996	1 188
Liberty	29 675	19 236	22 951
Total assets	185 096	119 986	143 158
Equity and liabilities			
Equity	15 083	9 777	11 666
Equity attributable to ordinary shareholders	12 673	8 215	9 802
Preference share capital and premium	680	441	526
Non-controlling interests	1 730	1 121	1 338
Liabilities	170 013	110 209	131 492
Banking activities	142 480	92 361	110 197
Deposit and current accounts	109 620	71 060	84 781
Derivative and other liabilities	22 075	14 310	17 074
Trading liabilities	4 115	2 667	3 183
Current and deferred taxation liabilities	328	213	254
Non-current liabilities held for sale[3]	3 454	2 239	2 671
Subordinated debt	2 888	1 872	2 234
Liberty	27 533	17 848	21 295
Total equity and liabilities	185 096	119 986	143 158

[1] *Figures included in the seven-year review have been restated where necessary to provide a meaningful comparison of performance over the years.*
[2] *Compound annual growth rate.*
[3] *The agreed disposal of the group's controlling interest in Standard Bank Argentina and investment in Troika, an associate of the group, resulted in the assets and liabilities of Standard Bank Argentina and the interest in the associate being classified as held for sale as at 31 December 2011.*

Exchange rates utilised to convert the 31 December 2011 statement of financial position:
USD – 8,09 (2010: 6,64)
GBP – 12,48 (2010: 10,29)
EUR – 10,46 (2010: 8,87)

	CAGR[2] %	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
	13	1 257 361	1 107 986	1 077 637	1 245 704	950 203	758 841	591 806
	17	31 907	28 675	24 983	25 697	20 618	14 343	12 636
	11	193 770	178 567	171 972	174 230	165 873	152 305	104 152
	13	803 811	713 025	723 507	790 087	637 868	501 506	383 775
	12	1 700	1 492	1 329	1 197	1 058	969	867
	12	166 333	160 437	134 025	236 554	112 046	83 767	85 772
		34 085						
	15	1 881	4 388	4 265	2 057	1 660	1 130	812
	68	11 449	8 965	7 827	8 364	5 659	1 043	517
	25	12 425	12 437	9 729	7 518	5 421	3 778	3 275
	6	240 069	229 535	220 151	212 640	222 083	202 838	171 770
	12	1 497 430	1 337 521	1 297 788	1 458 344	1 172 286	961 679	763 576
	16	122 023	108 210	104 498	105 143	77 489	64 187	50 620
	18	102 523	90 755	87 454	85 902	58 406	48 352	37 994
	11	5 503	5 503	5 503	5 503	5 503	5 503	2 991
	6	13 997	11 952	11 541	13 738	13 580	10 332	9 635
	12	1 375 407	1 229 311	1 193 290	1 353 201	1 094 797	897 492	712 956
	13	1 152 661	1 015 119	987 151	1 155 479	887 042	708 276	553 639
	14	886 823	792 736	765 161	840 465	677 730	529 726	403 807
	9	178 590	166 480	138 509	238 819	122 325	104 516	103 636
	1	33 290	31 001	54 505	51 505	62 912	54 352	31 705
	(6)	2 653	3 137	4 374	5 213	5 161	4 166	3 901
		27 939						
	14	23 366	21 765	24 602	19 477	18 914	15 516	10 590
	6	222 746	214 192	206 139	197 722	207 755	189 216	159 317
	12	1 497 430	1 337 521	1 297 788	1 458 344	1 172 286	961 679	763 576

Consolidated income statement – normalised[1]

	2011 USDm	2011 GBPm	2011 EURm
Banking activities			
Net interest income	4 004	2 498	2 880
Non-interest revenue	4 100	2 558	2 948
Net fee and commission revenue	2 729	1 702	1 962
Trading revenue	1 089	680	783
Other revenue	282	176	203
Total income	8 104	5 056	5 828
Credit impairment charges	888	554	638
Net specific credit impairment charges	807	503	580
Portfolio credit impairment charges/(reversal)	81	51	58
Income after credit impairment charges	7 216	4 502	5 190
Operating expenses	4 790	2 988	3 445
Staff costs	2 640	1 647	1 899
Restructuring costs			
Other operating expenses	2 150	1 341	1 546
Net income before goodwill impairment	2 426	1 514	1 745
Goodwill impairment/(gain)	8	5	6
Net income before associates and joint ventures	2 418	1 509	1 739
Share of profit/(loss) from associates and joint ventures	35	22	25
Net income before indirect taxation	2 453	1 531	1 764
Indirect taxation	149	94	108
Profit before direct taxation	2 304	1 437	1 656
Direct taxation	595	371	428
Profit for the year from continuing operations	1 709	1 066	1 228
Profit for the year from discontinued operations[2]	88	55	64
Profit for the year	1 797	1 121	1 292
Attributable to non-controlling interests and preference shareholders	142	89	102
Continuing operations	120	75	86
Discontinued operations	22	14	16
Banking activities profit attributable to ordinary shareholders	1 655	1 032	1 190
Liberty			
Profit for the year	406	253	292
Attributable to non-controlling interests	209	130	150
Liberty profit attributable to ordinary shareholders	197	123	142
Attributable to group ordinary shareholders	1 852	1 155	1 332
Headline earnings	1 876	1 170	1 349

[1] *Figures included in the seven-year review have been restated where necessary to provide a meaningful comparison of performance over the years.*
[2] *The income and expenses relating to Standard Bank Argentina, which is required to be disclosed as a discontinued operation, are presented as a single amount relating to its after taxation profit.*

Exchange rates utilised to convert the 31 December 2011 income statement:
USD – 7,25 (2010: 7,32)
GBP – 11,62 (2010: 11,30)
EUR – 10,08 (2010: 9,71)

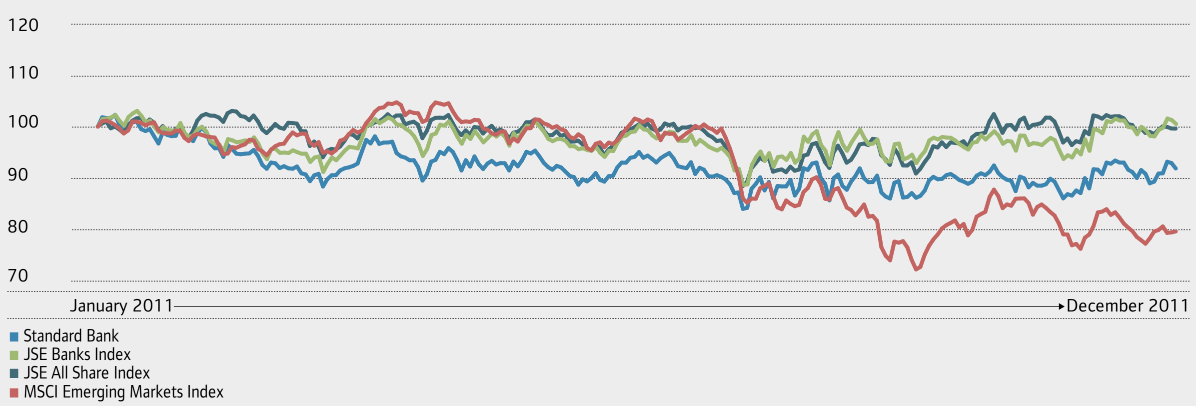
CAGR %	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
14	29 027	27 028	29 438	30 329	22 068	16 999	13 357
11	29 724	28 720	29 906	28 324	24 201	19 144	15 616
12	19 782	17 883	17 395	16 896	14 083	11 827	10 107
13	7 895	8 032	10 032	9 046	7 098	4 829	3 721
2	2 047	2 805	2 479	2 382	3 020	2 488	1 788
13	58 751	55 748	59 344	58 653	46 269	36 143	28 973
32	6 436	7 394	11 719	11 081	4 538	2 733	1 207
34	5 849	8 032	11 433	9 207	3 726	2 022	1 006
	587	(638)	286	1 874	812	711	201
11	52 315	48 354	47 625	47 572	41 731	33 410	27 766
14	34 725	34 579	30 757	28 441	23 755	19 056	16 091
13	19 141	18 440	16 636	15 762	13 939	10 971	9 370
		781					
15	15 584	15 358	14 121	12 679	9 816	8 085	6 721
7	17 590	13 775	16 868	19 131	17 976	14 354	11 675
	61	30	42	5	(376)	15	24
7	17 529	13 745	16 826	19 126	18 352	14 339	11 651
	257	572	(53)	136	283	218	200
7	17 786	14 317	16 773	19 262	18 635	14 557	11 851
12	1 085	947	1 191	922	819	602	562
7	16 701	13 370	15 582	18 340	17 816	13 955	11 289
9	4 312	3 040	3 534	3 917	4 121	3 386	2 536
6	12 389	10 330	12 048	14 423	13 695	10 569	8 753
	641	428	430	410	230	(18)	
7	13 030	10 758	12 478	14 833	13 925	10 551	8 753
25	1 033	993	1 031	1 409	817	363	274
21	873	913	925	1 313	763	363	274
	160	80	106	96	54		
6	11 997	9 765	11 447	13 424	13 108	10 188	8 479
7	2 942	2 704	320	1 892	3 480	3 372	1 949
1	1 514	1 381	248	1 251	2 505	2 412	1 447
19	1 428	1 323	72	641	975	960	502
7	13 425	11 088	11 519	14 065	14 083	11 148	8 981
7	13 599	11 283	11 718	14 150	13 153	10 818	9 013

Share statistics and market indicators – normalised[1]

	CAGR %	2011	2010	2009	2008	2007	2006	2005
Share statistics								
Dividend cover (times)		**2,0**	1,9	2,0	2,4	2,5	2,5	2,5
Dividend yield (%)		**4,3**	3,6	3,8	4,7	3,9	3,4	3,5
Earnings yield (%)		**8,7**	6,7	7,4	11,4	9,6	8,4	8,8
Price earnings ratio (times)[2]		**11,5**	15,0	13,5	8,8	10,4	11,9	11,4
Price-to-book (times)[2]		**1,5**	1,9	1,8	1,5	2,4	2,7	2,7
Number of shares traded (millions)		**959,4**	1 169,9	1 490,0	1 383,5	1 056,8	1 014,9	841,8
Turnover in shares traded (%)		**60,5**	74,2	96,2	92,2	77,2	74,7	62,2
Market capitalisation (Rm)	7	**156 889**	170 471	158 942	126 576	137 370	128 769	102 524
Market indicators at 31 December								
Standard Bank Group share price (cents)								
– high for the year	6	**11 000**	11 800	10 500	10 250	11 950	9 650	7 875
– low for the year	7	**8 775**	10 075	5 915	6 602	9 000	6 850	5 750
– closing	5	**9 875**	10 755	10 200	8 300	10 008	9 450	7 581
Prime overdraft rate (closing) (%)		**9,0**	9,0	10,5	15,0	14,5	12,5	10,5
JSE All Share Index (closing)	10	**31 986**	32 119	27 666	21 509	28 958	24 915	18 097
JSE Banks Index (closing)	6	**41 178**	40 985	36 675	30 566	35 876	36 121	29 234
ZAR exchange rates (closing)								
USD	4	**8,09**	6,64	7,37	9,31	6,81	7,05	6,36
GBP	2	**12,48**	10,29	11,88	13,64	13,64	13,80	10,95
EUR	6	**10,46**	8,87	10,61	13,02	10,00	9,29	7,52
ZAR exchange rates (average)								
USD	2	**7,25**	7,32	8,42	8,24	7,05	6,77	6,36
GBP		**11,62**	11,30	13,09	15,00	14,10	12,49	11,57
EUR	4	**10,08**	9,71	11,67	12,00	9,65	8,51	7,91

[1] *Figures included in the seven-year review have been restated where necessary to provide a meaningful comparison of performance over the years.*
[2] *Based on closing share price at 31 December.*

Share price performance



Capital adequacy, employee and other relevant statistics[1]

	CAGR %	2011	2010	2009	2008	2007	2006	2005
Capital adequacy[2]								
Risk-weighted assets (Rm)	14	**710 725**	620 064	599 822	614 960	554 473	421 187	318 279
Tier I capital[3] (Rm)	17	**85 547**	79 996	71 354	67 726	48 336	45 415	33 553
Total capital[3] (Rm)	14	**101 978**	94 805	90 712	81 597	64 301	62 468	45 328
Tier I capital to risk-weighted assets[3] (%)		**12,0**	12,9	11,9	11,0	8,7	10,8	10,5
Total capital to risk-weighted assets[3] (%)		**14,3**	15,3	15,1	13,3	11,6	14,8	14,2
Employee statistics								
Number of employees								
– banking activities[4]	4	**46 375**	48 125[5]	45 937	45 315	44 301	37 703	36 131
– group	4	**52 127**	53 351[5]	51 411	50 321	48 905	42 265	40 245
Employee turnover rate (%)		**11,6**	10,1	10,0	12,1	13,0	15,0[6]	12,7[6]
Normalised headline earnings per employee[7] (R)	2	**262 447**	205 506	253 521	298 113	274 937	264 568	232 294
Points of representation[7]								
ATMs[8]	9	**6 770**	6 473	5 580	4 864	4 699	4 538	4 131
Banking branches and service centres[8]	4	**1 222**	1 159	1 012	1 013	1 015	951	984
Customer Service								
Customer evaluation of branch service rating[6] (out of 10)		**9,4**	8,9	8,7	8,6	8,5	8,6	8,6
Social investment and environment								
Corporate social investment spend[9] (Rm)	11	**114,3**	134,0	104,4	92,4	64,9	61,9	61,2
Carbon equivalent[6] (metric tons CO_2)	10	**180 403**	177 289	154 538	168 824	122 884	n/a[10]	n/a[10]

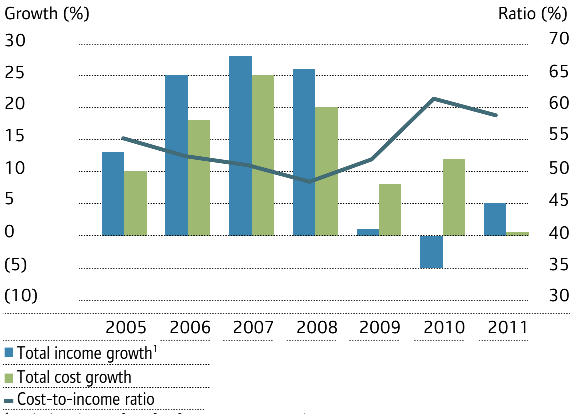
1 Figures included in the seven-year review have been restated where necessary to provide a meaningful comparison of performance over the years.
2 In accordance with Basel II principles relating to the treatment of insurance entities, insurance operations are excluded from the capital base of the banking group and its related risk-weighted assets. Capital in insurance operations in excess of statutory minimum requirements is not recognised in group capital.
3 Capital includes unappropriated profit.
4 Includes discontinued operations relating to Argentina.
5 953 permanent employees received notice of retrenchment prior to 31 December 2010, most of whom had not left the group at this date as their consultative period ended in 2011.
6 South African banking activities only, survey now known as customer experience measurement survey.
7 Banking activities.
8 Excludes discontinued operations relating to Argentina.
9 Excludes the rest of Africa.
10 Information not available.

Results and ratios – normalised[1]

	CAGR %	2011	2010	2009	2008	2007	2006	2005
Standard Bank Group								
Share statistics								
Number of ordinary shares listed on JSE (millions)								
– weighted average		1 587,1	1 576,1	1 548,2	1 501,1	1 369,2	1 358,4	1 353,4
– end of period		1 588,7	1 585,0	1 558,3	1 525,0	1 372,6	1 362,6	1 352,4
Share statistics per ordinary share (cents)								
Basic earnings	4	845,9	703,5	744,0	937,0	1 028,5	820,7	663,6
Continuing operations	3	815,6	681,4	723,1	916,0	1 015,7	822,0	663,6
Discontinued operations		30,3	22,1	20,9	21,0	12,8	(1,3)	
Headline earnings	4	856,9	715,9	756,9	942,6	960,6	796,4	666,0
Continuing operations	4	828,1	695,0	736,3	921,8	951,2	797,8	666,0
Discontinued operations		28,8	20,9	20,6	20,8	9,4	(1,4)	
Dividends	8	425,0	386,0	386,0	386,0	386,0	320,0	267,0
Net asset value	15	6 453,1	5 725,7	5 612,3	5 632,9	4 255,1	3 548,4	2 809,4
ROE (%)		14,3	12,5	13,6	18,2	24,8	25,4	25,4
Normalised headline earnings per business unit (Rm)								
Personal & Business Banking	8	6 092	4 364	3 866	4 777	5 665	4 816	3 879
Corporate & Investment Banking	6	5 816	5 252	7 156	7 597	6 536	5 033	4 185
Central and other		263	274	624	1 135	(21)	126	329
Liberty	15	1 428	1 393	72	641	973	843	620
	7	13 599	11 283	11 718	14 150	13 153	10 818	9 013
Banking activities								
Selected returns and ratios								
Headline earnings contribution (Rm)	6	12 171	9 890	11 646	13 509	12 180	9 975	8 393
Continuing operations (Rm)	6	11 714	9 561	11 327	13 196	12 051	9 994	8 393
Discontinued operations (Rm)		457	329	319	313	129	(19)	
ROE (%)		13,8	11,8	14,5	18,6	24,7	25,3	25,6
Continuing operations								
Net interest margin (%)		2,92	2,87	3,06	3,23	2,91	2,78	2,97
Non-interest revenue to total income (%)		50,6	51,5	50,4	48,3	52,3	53,0	53,9
Cost-to-income ratio (%)		58,8	61,4	51,9	48,4	51,0	52,4	55,2
Credit loss ratio (%)		0,87	1,04	1,57	1,53	0,80	0,60	0,36
Effective taxation rate (%)		30,3	27,8	28,2	25,1	26,5	27,4	26,1

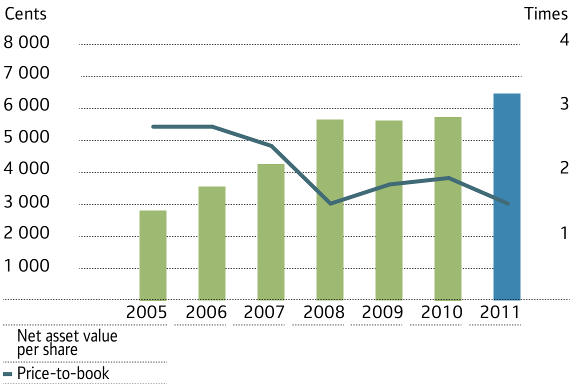
[1] *Figures included in the seven-year review have been restated where necessary to provide a meaningful comparison of performance over the years.*

Cost and income growth (%)[1]



[1] *Includes share of profits from associates and joint ventures.*

Price-to-book and net asset value per share

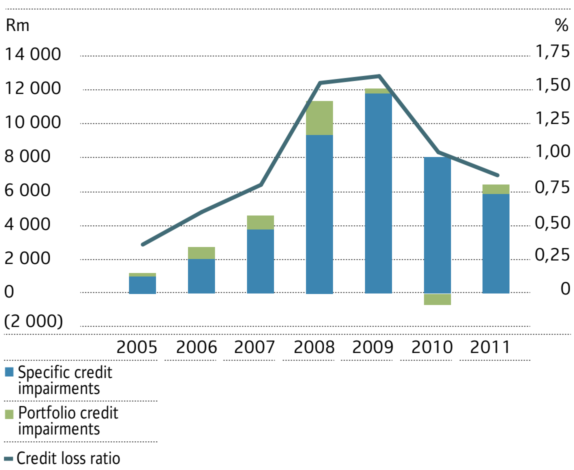


Results and ratios – IFRS[1]

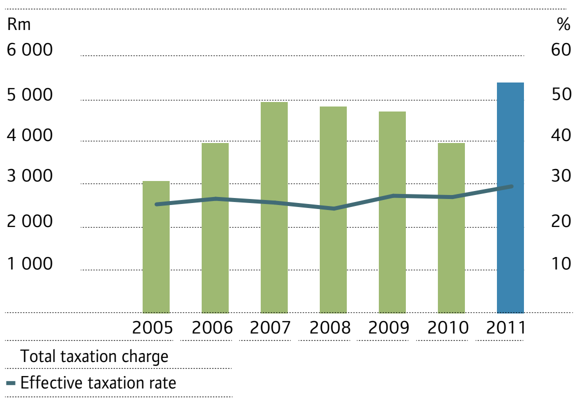
	CAGR %	2011	2010	2009	2008	2007	2006	2005
Standard Bank Group								
Share statistics								
Number of ordinary shares in issue in terms of IFRS (millions)								
– weighted average		1 510,4	1 492,0	1 459,3	1 398,9	1 231,0	1 216,7	1 205,2
– end of period		1 514,1	1 505,1	1 474,3	1 430,6	1 256,9	1 224,9	1 206,7
Share statistics per ordinary share (cents)								
Basic earnings	4	875,7	722,1	757,5	995,9	1 109,0	864,5	699,7
Continuing operations	3	843,9	698,8	735,3	973,5	1 094,7	866,0	699,7
Discontinued operations		31,8	23,3	22,2	22,4	14,3	(1,5)	
Headline earnings	4	887,2	735,2	771,1	1 002,0	1 033,4	837,4	702,3
Continuing operations	3	857,0	713,2	749,2	979,7	1 022,9	838,9	702,3
Discontinued operations		30,2	22,0	21,9	22,3	10,5	(1,5)	
Dividends	8	425,0	386,0	386,0	386,0	386,0	320,0	267,0
Net asset value	16	6 541,3	5 785,2	5 698,9	5 728,5	4 270,1	3 503,8	2 706,1
ROE (%)		14,6	12,7	13,7	19,1	26,7	27,4	27,9
IFRS headline earnings per business unit (Rm)								
Personal & Business Banking	8	6 092	4 364	3 866	4 777	5 665	4 816	3 879
Corporate & Investment Banking	6	5 816	5 252	7 156	7 597	6 536	5 033	4 185
Central and other		57	135	607	955	(347)	(208)	(16)
Liberty	23	1 435	1 218	(376)	688	867	547	416
	8	13 400	10 969	11 253	14 017	12 721	10 188	8 464
Banking activities								
Selected returns and ratios								
Headline earnings contribution (Rm)	7	11 965	9 751	11 629	13 329	11 854	9 641	8 048
Continuing operations (Rm)	6	11 508	9 422	11 310	13 016	11 725	9 660	8 048
Discontinued operations (Rm)		457	329	319	313	129	(19)	
ROE (%)		13,9	11,9	14,9	19,0	26,1	27,3	28,0
Continuing operations								
Net interest margin (%)		2,91	2,86	3,05	3,21	2,88	2,74	2,92
Non-interest revenue to total income (%)		50,8	51,8	50,8	48,5	52,7	53,5	54,5
Cost-to-income ratio (%)		59,0	61,5	51,8	48,5	51,4	52,9	55,8
Credit loss ratio (%)		0,87	1,04	1,58	1,54	0,80	0,61	0,36
Effective taxation rate (%)		30,7	28,2	28,5	25,4	27,0	28,1	26,9

[1] *Figures included in the seven-year review have been restated where necessary to provide a meaningful comparison of performance over the years.*

Credit impairment charges



Taxation charge and effective taxation rate



Segmental structure for business units

Standard Bank Group

Personal & Business Banking

Banking and other financial services to individual customers and small- to medium-sized enterprises

What we offer

Mortgage lending
- Residential accommodation loans to mainly personal market customers

Instalment sale and finance leases
- Finance of vehicles for personal market customers
- Finance of vehicles and equipment in the business market

Credit cards
- Credit card facilities to individuals and businesses (credit card issuing)
- Merchant transaction acquiring services (card acquiring)

Transactional and lending products
- Transactional products associated with the various point-of-contact channels such as ATMs, internet, telephone banking, access points and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products, coupled with debit card facilities for both personal and business market customers

Bancassurance and wealth
- Short-term and long-term insurance comprising:
  - simple embedded products including homeowners' insurance, funeral cover, household contents and vehicle insurance and loan protection plans sold in conjunction with related banking products
  - complex insurance products including life, disability and investment policies sold by qualified intermediaries
- Financial planning
- Wealth services

Corporate & Investment Banking

Corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties

What we offer

Global markets
- Foreign exchange
- Commodities
- Credit and interest rates
- Equities trading

Transactional products and services
- Transactional banking
- Investor services

Investment banking
- Advisory
- Debt products
- Structured finance
- Structured trade and commodity finance
- Debt capital markets
- Equity capital markets

Principal investment management
- Property finance
- Investments in real estate

Liberty

Life insurance and investment management activities of the Liberty Holdings group

What we offer

- Long-term investments
- Long-term risk products – life and disability
- Pension fund management
- Asset management
- Endowment and retirement annuities
- Corporate benefits
- Healthcare and health insurance
- Investment advice and solutions

Business unit reviews

Personal & Business Banking

Banking and other financial services to individual customers and small- to medium-sized enterprises

Headline earnings
R6 092 million, up 40%

2010: **R4 364 million**

Headline earnings contribution
45%

2010: **39%**

Return on equity
21,6%

2010: **16,9%**

Cost-to-income ratio
61,3%

2010: **62,2%**

Credit loss ratio
1,25%

2010: **1,64%**

External net loans and advances
R444 billion

2010: **R398 billion**

Personal & Business Banking continued

Personal & Business Banking has focused on building convenient and accessible customer channels with excellent consistent customer service, while balancing prudent cost management and investment for future growth. The division has achieved significant advances in its strategy to grow its domestic customer base and develop an extensive operational platform in selected countries in the rest of Africa.

In a challenging environment, Personal & Business Banking delivered improved performances in all of its products, which contributed to a strong performance during the year under review. We continued to make significant progress in the development of our branch network and growing our customer base in the rest of Africa, and our business banking platform on the continent is gaining momentum.

Headline earnings

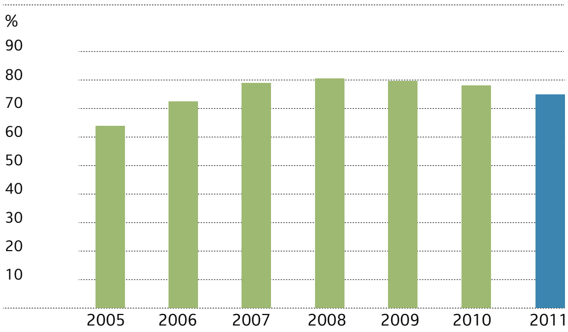
Operating environment

Domestic operating environment

Following the growth recorded in early 2011, real growth in the South African economy declined during the year and growth of 3,1% was recorded for the full year.

Real household disposable income continued to grow, however, household savings levels remained low. While households took on additional debt, growth was lower than the increase in disposable income, bringing down the household debt-to-disposable income ratio to 75,8% from 78,2% in 2010.

Debt-to-disposable income – households



The weaker rand, along with higher food, fuel and electricity prices, pushed up the prices of consumer goods and the CPI. Despite this, the repo rate remained unchanged which together with higher real disposable income, allowed customers to service debt more easily.

Rest of Africa

Africa maintained its dynamism through the crisis and was the second-most resilient region after Asia, with improved growth in GDP in most countries.

The combination of strengthening internal markets and burgeoning external relationships helped improve the continent's performance, but Africa was not remote from the world's difficulties. 2011 saw the devaluation of a number of African currencies against the rand and significant interest rate volatility in East African countries and Nigeria in the second half of the year. Many countries felt inflationary pressures due to rising energy and food prices, which caused monetary policies to tighten in response to these pressures. However, the demand for banking products and services continued to increase, providing us with ongoing opportunities in the rest of Africa.

Refer to page 21 of the financial review for more information on the operating environment during 2011.

Overview

In recent years, retail banking in South Africa has been impacted by a number of forces, including sluggish economic growth, an increasingly restrictive regulatory environment and intense competition compounded by aggressive new entrants and non-traditional competitors from other retail sectors. The phenomenon of social media is changing the way customers engage with their service providers and driving demand for ever higher levels of convenience, simplicity and accessibility.

Our response to these developments has been to focus on areas where we can compete effectively and realise opportunities for long-term growth. A key strategic thrust has been to strengthen our convenient low-cost customer distribution channels, focusing on a cohesive multi-channel offering to customers who are incentivised to use cheaper electronic channels.

South Africa

Standard Bank's strategy is to serve the full value chain of customers in our domestic operation – from the most basic to the most sophisticated of financial services needs – and to maintain high standards of customer service and cost-effective delivery channels.

The 2011 results of Personal & Business Banking in South Africa represent the culmination of a focused strategy over the last five years.

Transaction-led customer acquisition

Transactional account-holders tend to engage more actively with their bank, enabling it to develop stronger relationships which facilitate appropriate migration of customers, responsible credit granting and greater opportunity for cross-selling. An increased focus on transaction-led customer acquisition resulted in an increase in current accounts in 2011 of 21%. This contributed to growth of 5% in our primary customer relationships to 9,9 million and the migration of more than 300 000 customers to a higher proposition, supporting our strategy to gain more insights into customer needs.

Personal & Business Banking has made significant inroads into two key markets that will impact our longer-term growth prospects. The bank's youth portal interacts with 125 000 users through social networking platforms and mobile phones. Our youth strategy is an inexpensive customer acquisition strategy, with the aim to attract these customers to the bank now and as they mature to offer them the transactional and lending products and services they will require.

The division also strengthened its position in the public sector and improved its collaboration with the Corporate & Investment Banking division, securing new business contracts with two provincial governments, two tertiary educational institutions and several municipalities.

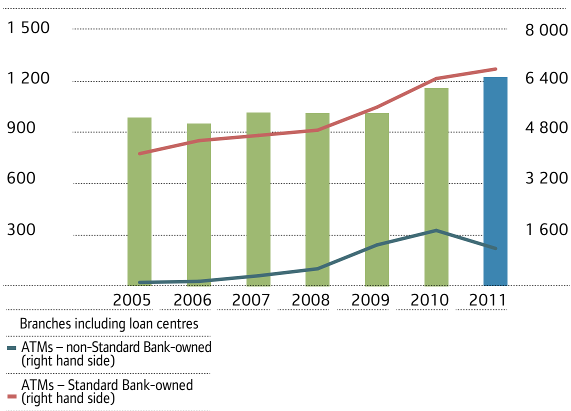
In an increasingly competitive banking environment, we need to achieve a healthy balance between cost containment and pricing to offer our customers value. We placed a freeze on our annual price increases for personal banking for 2012 and converted a number of our services, including Internet and cellphone banking and our sms notification system known as MyUpdates, to free services.

Excellent consistent customer service

Ensuring that our banking systems support continuous improvement in the quality of service to clients remained a key focus throughout our markets in South Africa. We maintained a strong focus on the development of enabling risk and IT systems and the enhancement of branch, access points and self-service networks.

To ensure accessibility and convenience for our customers we continued to invest in our branch and access points network and Autobank infrastructure, giving Standard Bank the most pervasive distribution network. In South Africa, the bank installed 266 new Standard Bank-owned ATMs while closing 561 non-owned ATMs which were not in appropriate locations. The total number of branches decreased to 635 (2010: 657) as we focused on branches which are appropriate in size and location. Following a successful pilot project in 2010, Standard Bank installed 157 ATMs in selected retail stores in 2011.

Points of representation



Personal & Business Banking continued

In South Africa, our efforts to increase awareness of and trust in self-service banking delivered good results with active mobile banking users (who conduct two or more value transfer transactions per month) increasing from just over 200 000 to 1,3 million. Combating card fraud remains a priority and the increase in MyUpdates users from 2,1 million to 4,1 million has assisted customers to detect and report any fraud early to reduce fraud losses.

Customer service received an additional boost from improved levels of IT service as ATM availability achieved record levels of 96,5%.

In South Africa, our efforts were rewarded with the highest customer satisfaction survey scores achieved since we implemented these measures 14 years ago, with a record branch score of 9,40 out of 10 and marked improvements in most other areas of customer activity.

Core banking transformation

As we invest in the replacement of ageing legacy systems in South Africa, we are using IT as a catalyst to transform the way we conduct our business. This requires standardised and integrated systems which reduce operational costs and risks and will facilitate our strategic objective of creating an excellent, consistent customer experience.

The 2011 foundation phase focused on basic transactions and lending capabilities and low-cost channels and has enabled the bank to speed up the process of opening basic transaction accounts, particularly in the inclusive banking market, where we will be able to provide inclusive banking products through traditional and alternative distribution channels, to everyone who has a need for accessible banking. This platform will offer customers improved accessibility to banking, easier banking, and faster delivery of new offerings to markets.

In 2012 we will enhance our customer relationship capability, including a single view of customers' accounts and balances, common centralised queries and complaints, and sales leads, allowing for more effective customer sales and servicing.

Inclusive banking

In 2010, to effectively serve our customers who earn less than R8 000 a month, Standard Bank developed an inclusive banking unit, dedicated to providing an integrated offering to these more than five million customers, including five financial products for this market: a basic transactional account, a low-income loan, a credit life protection policy, a funeral policy and a basic savings product. The build of this strategy continued in 2011, with a thrust to simplify product offerings and to reduce and simplify fees.

We currently offer these inclusive banking customers the most convenient banking footprint in South Africa, with almost 5 000 active bank shops available to serve bankable customers in previously disadvantaged areas and 105 inclusive banking loan centres typically located along high density commuter routes. Through these services, coupled with mobile business origination teams and retail partnerships in smaller towns and townships, we are starting to generate good growth in this segment of our customer base.

Inclusive banking however remained loss-making in 2011 with a targeted drive to increase revenues, as well as to reduce costs through migration of customers to low-cost channels. Standard Bank is committed to providing access to finance for low-income customers and the personal loans book for this market grew significantly off a very small base to R2 billion at the end of 2011 from R433 million in the prior year. Commentators have expressed concern that an unsecured lending "bubble" is developing in the industry. We remain vigilant against any such development. We have worked hard to grow our book responsibly, lending to our own transactional banking customers, using appropriate scorecards and risk appetite, pricing correctly for the loan and at the same time having a strong collections capability.

Although inclusive banking is a critical market in terms of our strategy of being able to lend across the spectrum in South Africa, the loan book represents only 0,5% of Personal & Business Banking's total loans and 3% of Personal & Business Banking's unsecured loan book.

Our inclusive banking strategy is critical to our African strategy: there are approximately 300 million unserved or underserved lower-income adults in sub-Saharan Africa and approximately 30 million unserved or underserved micro and informal enterprises in sub-Saharan Africa that would benefit from financial inclusion and can be served in commercially viable ways.

African expansion

Our full-service banking model in South Africa provides a base of knowledge and experience that informs our geographic expansion and we apply lessons learnt in our home market to growing our operations in Africa, while taking care to respond to the unique dynamics in each market.

Standard Bank's African franchise is a portfolio of businesses which are in various stages of maturity. In the mature franchises the Personal & Business Banking offering is well established and we earn high returns on equity and are the market leader in many instances. There are opportunities for growth in market share and we are optimising our distribution platform by driving cost efficiencies. In countries where we are building for scale we are selectively incurring investment spend to increase market shares and local relevance. In high growth markets, such as Nigeria and Kenya, we are incurring high levels of expenditure on establishing Personal & Business Banking franchises through the rollout of branch and IT infrastructure.

In 2011 we made further progress in our growth strategy in the rest of Africa, where our branch network now exceeds 500 branches after the completion of 65 new branches during the year, 33 of which are in Nigeria. The focus is to receive optimal returns from these branches while ensuring that exceptional service is delivered to customers. Our new core banking system was implemented in Nigeria in July 2011 and in Namibia in February 2012.

There is a strong focus on building sales capacity and on optimising the financial returns from branches (which represent our single biggest physical asset) by refurbishing existing branches and ensuring that the size and geographic location of new branches match market demand.

A number of initiatives were introduced or enhanced during the year to accelerate asset growth in Africa. An important development during the year was the completion of 42 credit centres aimed at developing the capabilities necessary to extend credit responsibly. We revised our risk appetite, based on appropriate pricing and a clear focus on our business banking lending offering to the growing market of middle income and high net worth customers, and strengthened our capacity to extend credit by leveraging our corporate relationships through workplace banking. Mobile banking was launched in Nigeria and will be rolled out in other markets.

The SME sector is an important contributor to economic growth and job creation across the continent. We have developed ways in which to be more relevant to this sector and to take advantage of the opportunities that are available in sub-Saharan Africa: we have taken banking to the customer through cash sweeping agents in the markets in Nigeria; we have a strong focus on agriculture and we have designed innovative new ways of providing finance through alternative credit techniques where traditional means of credit assessment cannot be used.

Engaged and committed people

Staff development is a critical component of our strategy to maintain excellent customer service and we implemented an increased number of interventions to improve competence levels in 2011. These included a development programme to fast-track the careers of 60 women in middle and senior management, and the development of a role-based curriculum for 62 different functions that involved 254 594 training interventions.

In South Africa almost 90% of our people participated in staff leadership surveys conducted in April and October. The results confirmed that 77% of our people are satisfied with the strategy and leadership of our business and are feeling motivated and engaged.

Personal & Business Banking continued

Leadership is essential to the effective development of our businesses in Africa. Many of our African operations have been successful in securing the services of highly qualified, local African executives with broad international experience. We have also focused on the development of our staff in Africa with the introduction of four academies which offer accreditation in the fields of personal banking, business banking, high net worth client engagement and credit.

Financial performance

Personal & Business Banking delivered headline earnings of R6 billion, surpassing the record profits achieved in 2007 and 40% higher than the prior year. The main contributors to this result were the continued reduction in credit impairment charges, income growth that outstripped cost growth, and well-priced loan growth.

Personal & Business Banking grew net interest income 9% to R19,9 billion as a result of loan growth, improved pricing and reduced funding costs, despite a negative endowment impact of R324 million mainly due to the low interest rate environment in South Africa. The results were supported by a 19% reduction in credit impairments from R6,7 billion in 2010 to R5,4 billion in 2011. The cost-to-income ratio improved slightly to 61,3% from 62,2%. An ROE of 21,6% was achieved, a strong improvement on the 16,9% recorded in the prior year.

Analysis of performance by region

Personal & Business Banking in South Africa reported headline earnings of R6 263 million, up 36% on 2010. We grew loans and advances to customers by 8% and saw further reductions in credit impairment charges, with the credit loss ratio reducing from 1,73% in the prior year to 1,27%. The cost-to-income ratio reduced slightly, as we grew revenues ahead of costs, and Personal & Business Banking in South Africa achieved an ROE of 26,9%.

The rest of Africa reflected a headline loss of R282 million, 18% smaller than the prior year. Our Personal & Business Banking operation in Uganda increased earnings and Zambia broke even after incurring a large loss in the prior year. Investment spend to expand the franchise in strategic growth markets continued and we opened our 500th branch in the rest of Africa during the year. We grew our customer base by 10% to 2,5 million customers, and number of accounts to 3,1 million, while transactional volumes on ATMs and cheques increased 11% and 56% respectively. Our loans to customers grew strongly by 52%, albeit off a low base, from R19,2 billion to R29,2 billion while at the same time deposit and current accounts grew 43% to R30,8 billion.

We no longer have ambitions to build or buy additional domestic businesses in markets outside the African continent. In line with this strategy, the group agreed to dispose of its operation in Argentina, which formed a significant portion of Personal & Business Banking outside Africa, in August 2011. Argentina is treated as a discontinued operation in the 2011 group results and does not form part of the Personal & Business Banking results. Headline earnings outside Africa is now only from the offshore banking operations in the Isle of Man and Jersey and these earnings increased by 11% to R111 million. The deposit base of the Isle of Man franchise increased 33%, and this remains a trusted destination for our private banking clients.

Analysis of performance by product

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	2011 Rm	2010 Rm	Change %	2011 Rm	2010 Rm
Mortgage lending	11	5 323	4 799	>100	639	187
Instalment sale and finance leases	11	2 588	2 329	>100	593	(41)
Credit card	(0)	4 213	4 221	6	728	686
Transactional and lending products	9	21 358	19 666	24	2 854	2 304
Bancassurance and wealth	10	3 293	3 005	4	1 278	1 228
Personal & Business Banking	8	36 775	34 020	40	6 092	4 364

Mortgage lending returned to profitability in the second half of 2010 and this trend continued in 2011 with the mortgage book generating headline earnings of R639 million. In South Africa, the number of new applications continued on an upward trend, growing by 18%, and we extended R34,5 billion of new loans to our customers during the year. This translated into encouraging asset growth of 6%, above the industry average. We continued to price new business more appropriately for term funding and credit risk. The average lending rate for new business was prime plus 11 basis points, compared to prime less 20 basis points for the prior year.

The level and ratio of non-performing mortgage loans continued to decline from its peak in September 2010. Mortgage NPLs were 6,7% at the end of the year compared to 9,4% at the end of 2010. The credit loss ratio for mortgages reduced from 1,15% to 1,07%, with room for further improvement, as the low interest rate environment assisted customers to service their debt. At the same time, we bolstered our mortgage lending coverage ratio from 17% in the prior year to 20% at the end of 2011. We are comfortable with this level given the highly collateralised nature of the portfolio, and the level of portfolio provisions accumulated during the year.

Revenues and headline earnings in instalment sale and finance leases grew as a result of asset growth and improved pricing. Payouts improved during the year with buoyant vehicle sales in South Africa and the overall book grew 13%. Market share in South Africa increased for the first time in many years to 18%, albeit from a low base. In the rest of Africa, growth in instalment sale and finance leases was particularly strong in Ghana, Nigeria and Kenya. Overall credit impairment charges reduced by 65% and the credit loss ratio returned to a more normal level of 0,72% from 2,10% in the prior year.

Although income from our credit card business was flat, an increase of 6% in headline earnings to R728 million was achieved through lower impairments. The number of credit card accounts in South Africa grew 5%, and the overall credit card debtors' book grew 5% to R20,7 billion, with lower average balances as household credit uptake remained low due to high debt levels. Sales through our own point-of-sale devices increased as a result of the acquisition of several large retail store accounts during the year. Fraud losses were curbed in the second half of the year following the rollout of more than two million EMV chip and pin cards and the good uptake of MyUpdates. Credit impairment charges almost halved, with the credit loss ratio at 1,91% at the end of the year, compared to 3,56% in 2010.

Total income from transactional and lending products improved 9% to R21,4 billion from R19,7 billion in 2010. Deposit product margins were again adversely

Personal & Business Banking continued

affected by the negative endowment effect of lower interest rates in South Africa. However, transaction and deposit products continued to generate good growth in fee income, helped by the 17% growth in the retail priced deposit base. We added over 1,3 million active accounts in Personal & Business Banking in South Africa and almost 285 000 transactional banking accounts in the rest of Africa.

In line with our inclusive banking strategy in South Africa, unsecured lending showed good growth and ended the year with outstanding balances of R2 billion, appropriately priced for risk. In the business segment, loan balances grew 3%, assisted by winning new business in the public sector. We experienced higher demand for term lending in the rest of Africa as a result of our branch network expansion and marketing campaigns. The credit loss ratio improved as the more benign economic environment for customers continued to improve their ability to service debt. Overall, headline earnings from transactional and lending products improved 24% to R2,9 billion.

Bancassurance and wealth comprises insurance-related activities across the African continent as well as wealth businesses in the Isle of Man and Jersey. Standard Bank continued to forge closer operational ties with Liberty to deliver growth in bancassurance volumes and we reported a 4% increase in headline earnings from these activities to R1,3 billion. In South Africa we grew simple embedded and short-term insurance policies in line with our focus on increasing penetration of core products. Underwriting profit benefited from improved claims loss ratios and repricing.

The year ahead

In the domestic market, we expect the trend of slow economic growth to continue and the retail banking sector to remain under pressure, particularly from subdued non-interest revenue growth. However, we believe that we will continue to achieve sustainable growth in our domestic market by adapting to the changing environment, being more responsive to our customers' needs and maintaining our focus on cost management. The implementation of our 2015 plan and enabling core banking transformation offers a clear plan of action for what we want to achieve in South Africa in the next four years.

The development of an extensive distribution network in the rest of Africa offers the capacity to transform our Personal & Business Banking franchise on the continent. We will continue to strengthen our presence in markets with higher earning potential, while maintaining a strong focus on costs and risk management.

Corporate & Investment Banking

Corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties

Headline earnings
R5 816 million, up 11%

2010: **R5 252 million**

Headline earnings contribution
43%

2010: **47%**

Return on equity
13,3%

2010: **13,1%**

Cost-to-income ratio
60,4%

2010: **62,8%**

Credit loss ratio
0,30%

2010: **0,17%**

External net loans and advances
R383 billion

2010: **R321 billion**

Corporate & Investment Banking continued

Corporate & Investment Banking serves a wide range of clients in their banking, finance, trading, investment and advisory requirements. Our presence, knowledge and experience across sub-Saharan Africa, our heritage and the extent of our operations in natural resources and our connectivity to selected markets outside Africa, together with a strong reputation and integrated core product expertise, afford the group a unique competitive position.

Operating environment

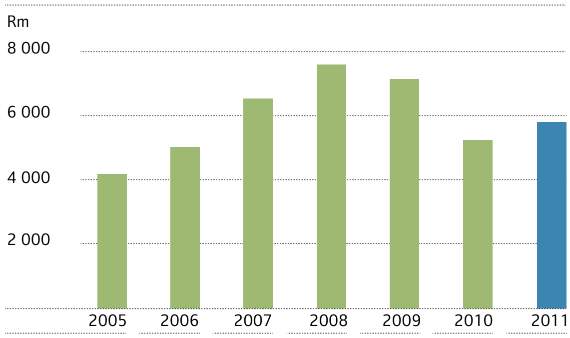
Corporate & Investment Banking operated in a difficult environment in 2011. Uncertainty in financial markets, fuelled by ongoing concerns about the solvency of certain European economies and the potential impact on the Eurozone as a whole, continued to subdue economic growth and client activity.

Financial markets became more doubtful about the ability of many countries to stabilise their public finances. Concerns about sovereigns translated into apprehension about the banks, especially in Europe, holding the debt of these sovereigns. This led to lower financial flows with banks keeping high levels of liquidity and the tightening of lending. Throughout last year, financial markets indicated that stress was also materialising in emerging markets. Outflows from emerging market equity markets reached an apex last seen at the height of the financial crisis in 2008. Refer to page 21 of the financial review for more information.

One consequence of the global economic malaise has been the fundamental shift in the competitive landscape as global and regional banks vigorously pursue opportunities in emerging markets that offer the prospect of growth. Many of our global competitors consider South Africa a gateway into Africa and have intensified their focus on our domestic and other sub-Saharan markets.

Compounding these challenges is the restrictive regulatory response to the 2008 financial crisis. Of the regulations faced by the banking environment, the financial impact of Basel III is significantly more important than that of the other global and local regulations. Standard Bank's financial intermediary role in Africa is critical to facilitate ongoing economic development. However, applying regulations proposed by or for developed countries on African economies is likely to result in numerous unintended consequences, including increasing the cost of financing and curtailing economic development as private sector growth will be constrained by the decrease in the ability of banks to finance large long-term infrastructure projects and trade finance.

Headline earnings



Strategy

Our strategy is to be the leading corporate and investment banking business in, for and across Africa, with a deep specialisation in natural resources. Our strategy is driven by where we see ourselves having sustainable competitive advantages. During 2011, we made considerable progress in executing our strategy as we continue to build first-class, on-the-ground banks in our selected markets on the African continent, and connect other selected emerging markets to Africa and each other.

A key strength of our integrated business model is our ability to serve the full range of our clients' corporate and investment banking needs, and to enable them to undertake significant cross-border transactions using the expertise we offer. Our extensive presence and experience in sub-Saharan Africa, the depth of our sector expertise in natural resources and our connectivity with the world beyond Africa, as well as our association with ICBC, completes our unique set of competitive advantages.

Within Corporate & Investment Banking, a coherent and aligned plan is emerging to optimise value for our stakeholders by placing our clients at the heart of what we do.

We have embarked on a number of initiatives to strengthen our client relationships, building on the steady improvement in the quality of our client base in recent years in our African and domestic markets. We are developing a single client engagement model, which we will rollout in 2012, with the aim of delivering consistently outstanding service to our clients. An important aspect of this is to work in a more coordinated way so our clients get the full benefit of our key strengths. As we adapted our domestic businesses to the difficult market environment in 2011, we improved collaboration across different business lines and generated significant value from a number of complex transactions. In 2012 we will continue to look for opportunities to collaborate more effectively across our geographies and business units.

Our people and culture are critical links in our efforts to strengthen client service and we engaged in a number of interventions early in 2011 to understand staff perceptions of leadership and strategic direction. We will continue to focus on developing the capacity and capability of our people across our operations in the year ahead.

Our focus on cost containment in 2011 clarified our understanding of our cost drivers and enabled us to price more aggressively in certain areas in order to compete for business. In South Africa, we were awarded a number of key transactional accounts as a result, including UNISA, the City of Tshwane and Makro. We will maintain our focus on business and operational efficiencies in 2012, ensuring that we allocate resources to areas with an optimal return on capital and which enable us to continuously deliver better service to our customers.

Our strength and expertise in Corporate & Investment Banking was recognised by a series of external institutions, both local and international. Some of the key awards included:

- **EMEAfinance** – Best Investment Bank in Africa, Best Investment Bank in South Africa and Best Investment Bank in seven other African countries including Nigeria

- **Euromoney** – Best Investment Bank in Nigeria, Best Debt House in Africa

- **Global Trade Review** – Best Trade Finance Bank in sub-Saharan Africa

- **Global Finance** – Best Debt Bank in Africa , Best Investment Bank in Africa

These awards are the result of the whole of Corporate & Investment Banking working together to achieve excellence.

Consolidating our presence in Africa

We continue to invest in our management and specialist product teams, and the infrastructure necessary to pursue our growth strategy in selected African markets. The growth achieved in our forex and transactional products and services business lines underscores the advances we have made in developing our corporate banking platforms in Africa.

We continue to strengthen our capacity in key sectors, especially natural resources (mining and metals, oil and gas). A specific area of focus is on serving the banking requirements of multinational clients which are establishing a presence in Africa to pursue the attractive growth opportunities the continent has to offer. Our services and products are geared to capture financing and advisory opportunities associated with these flows. They include structured trade and commodity finance products, advisory services and a range of risk mitigation services, such as hedging of interest rate, currency and commodity exposures.

Corporate & Investment Banking continued

Part of our contribution to supporting new trade and project finance lending in sub-Saharan Africa was in its role as joint bookrunner on the first Eurobond from an East African issuer, either sovereign or corporate, a USD300 million five-year deal from Kenya's PTA Bank. PTA Bank is also known as The Eastern and Southern African Trade and Development Bank and this transaction is the inaugural issue under the bank's new USD1 billion EMTN programme, the proceeds of which will be used to support new trade and project finance lending in Eastern and Southern Africa, building Sino-Africa relations.

China remains an important element of our strategy in Africa and our relationship with ICBC continued to translate into joint initiatives in 2011. In November, ICBC opened its first representative office in Africa in Cape Town to strengthen the financial services offered to corporate and individual clients in Africa by collaborating closely with Standard Bank across the continent. This was preceded by the successful launch of the ICBC/Standard Bank Sino-Africa Connect system with five major Chinese clients and the start of a successful transactional products and services business in China.

Corporate & Investment Banking teams in London and Johannesburg collaborated on the acquisition of a 25% stake in Shanduka by China Investment Corporation and of Metorex (South Africa) by Jinchuan (China) – one of the largest South African mining deals of the year. Our relationship with ICBC continues to strengthen and we signed two further cooperation agreements in 2011 supporting China's growing trade in emerging markets. We are also ICBC's largest precious metals trading counterparty.

Elsewhere in Asia, our commodities business performed well and our metals trading operations in Shanghai and Singapore continued to grow. Resource-rich Mongolia remains an opportunity with several significant transactions closed during the year. Our bulk commodities business continued to expand and this year traded significant amounts of coal, iron ore and steel products.

Presence in other selected emerging markets

Our strategy in markets outside Africa is to have a presence or a partnership in selected emerging markets because these markets are key to our cross-border activities.

Standard Bank announced the sale of its 36,4% shareholding in Troika to Sberbank in March 2011. The transaction was structured to enable the group to participate in the growth of the business over time and to provide a platform for enhanced cooperation with the leading banking group in Russia. This deal was successfully closed in January 2012 after receipt of all the necessary approvals. We continue to regard Russia as an important market and we are already working with Sberbank/Troika in developing business in areas of common interest, particularly in Africa and in the area of natural resources.

In August 2011, Standard Bank announced the sale of 80% of Standard Bank Argentina to ICBC by the group and its partners in Argentina. The transaction offered us the opportunity to realise value from our successful investment in Argentina and fulfil our strategic objective of scaling back on banking operations outside Africa, while continuing to develop our partnership with ICBC, through our partnership in growing the business in a country in which Standard Bank would not currently expand, in terms of its refined strategy. Our remaining 20% shareholding will enable us to continue to connect Argentina to Africa and other selected emerging markets including China and Brazil.

Financial performance

Corporate & Investment Banking reported headline earnings of R5 816 million, up 11% on the prior year. This robust result was delivered in a particularly challenging environment for our investment banking and global markets businesses. Total revenue grew 4% with strong growth achieved in fee income and a more subdued result in margin and trading income, given the very competitive and uncertain environment. Our tightened strategic focus, while important for the long-term competitiveness of our business, has been a constraining factor on revenue growth in the current year. Costs reduced by 1%, mainly as a result of well-managed staff costs, and the cost-to-income ratio for the year improved from 62,8% to 60,4%. Credit impairment charges almost doubled to R1 020 million from a very low base in 2010, and the credit loss ratio increased to 0,30%. The balance sheet remains healthy with impairments as a percentage of total gross loan exposure down to 0,91% from 1,14% in the prior year. An ROE of 13,3% was recorded and Corporate & Investment Banking contributed 43% to group headline earnings in this difficult operating environment.

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	2011 Rm	2010 Rm	Change %	2011 Rm	2010 Rm
Global markets	7	9 466	8 817	12	2 004	1 796
Investment banking	6	6 110	5 790	9	2 455	2 246
Transactional products and services	8	6 272	5 790	5	1 531	1 453
Principal investment management	(29)	1 031	1 450	(74)	124	485
Curtailed operations	(33)	(341)	(256)	70	(329)	(1 098)
Troika (held for sale)				(92)	31	370
Corporate & Investment Banking	4	22 538	21 591	11	5 816	5 252

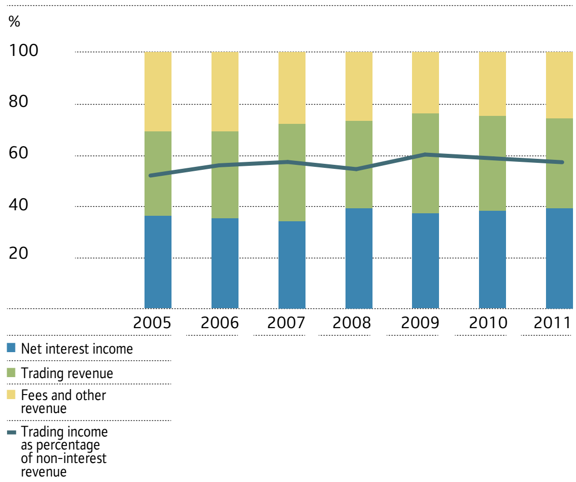
Income from transactional products and services was up 8% to R6,3 billion. The rest of Africa was the major contributor with deposit growth, coupled with increased rates and margins, leading to an improvement in net interest income. Several cross-border trade deals also supported this result. In contrast, the South African business continued to absorb the negative endowment effect of the current low interest rate environment. Despite this, the domestic franchise remains strong, winning new mandates and retaining clients during the year. Drawdowns in short-term banking facilities towards the end of the year supported net interest income recovery. The international franchise gathered momentum as the origination activities across Africa saw new mandates won and cross-border activity increasing.

The global markets business continues to be the largest contributor to Corporate & Investment Banking's revenue. Despite volatile financial markets in 2011, characterised by lower appetite for risk and intensified competition in African markets, the global markets business was able to grow revenues by 7%. Increased levels of coordination between originating teams led to several large client hedging transactions in the year. In addition we saw a substantial improvement in client activity in the second half of the year, particularly in the foreign exchange business as rand volatility increased. Revenues from our commodities franchise grew in line with the additional investment made and our focus on natural resources. A strong focus on cost containment contributed to headline earnings growth of 12% to R2 billion.

Investment banking revenues were up 6% to R6,1 billion off a high base in the prior year. This was despite volatile market conditions, which led to longer lead times and made the securing of deals more difficult, particularly outside South Africa. As a result, the teams in these regions have focused on strengthening existing client relationships and improving origination levels. Results from our mining and metals and oil and gas sector businesses have been encouraging, with increased fee and commission income following significant deal activity. Headline earnings rose 9% to R2,5 billion.

In 2011 we equity accounted our portion of Troika's earnings retrospectively for the last quarter of 2010. In terms of IFRS, the investment in Troika was classified as held for sale from 1 January 2011 and no income relating to 2011 was accrued.

Income contribution



Corporate & Investment Banking continued

The year ahead

Many of the challenges experienced in 2011 are likely to continue to place pressure on our business in 2012 and in these difficult conditions we will pursue sustainable growth by strengthening client engagement, leveraging the value of collaboration across business lines and improving the efficiency of our business operations.

We have excellent building blocks in place: we have an existing physical presence and reach into sub-Saharan Africa and a competitive natural resources business linked to Africa and China. Our capacity to redistribute risk remains compelling and we are not distracted by developed world crises.

We will maintain a strong focus on generating quality revenues in Africa and natural resources and our ability to leverage the current momentum in the commodities sector, applying disciplined use of capital and liquidity in every client transaction. We aim to grow our balance sheet with efficient allocation of all our resources and discipline in overall cost management while sustainably improving our ROE. We will look for opportunities to strengthen relationships with corporate clients to provide them with advice and financing on the African continent and in our key sectors.

Liberty

Life insurance and investment management activities of the Liberty Holdings group

Headline earnings

R1 428 million

2010: **R1 393 million**

Headline earnings contribution

11%

2010: **12%**

Return on equity

20,2%

2010: **21,9%**

Normalised equity value

R29 billion

2010: **R26 billion**

Third-party funds under management

R255 billion

2010: **R232 billion**

Liberty continued

Overview

In 2011, Liberty produced strong results from its core insurance and asset management businesses underpinned by the delivery of its key operational strategies. A positive feature of the result is the resolution of the policyholder persistency issue in Liberty's retail business in South Africa (Retail SA) and the substantial improvement in the value of in-force contracts. New long-term insurance business sales improved across all operations with indexed new business up 19%. Long-term insurance client net cash flows were a positive R4,2 billion, a good result in the current economic environment.

Investment markets were volatile, nonetheless a strong final quarter local equity performance supported a gross return of 8,1% on the shareholder investment portfolio. Normalised equity value (embedded value) improved by 10% to more than R100 per share and return on group equity value was 15,3%.

Liberty's balance sheet management capability continues to ensure reduced earnings volatility through improved asset liability management. Fund performance at Stanlib has continued to improve and earnings were up 15%, while Liberty's property division produced another sound result.

Headline earnings – Standard Bank Group share

Strategy

Liberty's focus remains on managing the core South African insurance operations within acceptable sustainable long-term assumptions, while profitably capturing a greater share of both its traditional market and the emerging consumer market. The steps taken to improve asset management capability while leveraging off the strong property, fixed income and money market franchises, started to gain traction. Liberty remains committed to diversifying its earnings through the investments it has made in the businesses housed in the growth cluster.

Insurance business

New business volumes in Retail SA recorded strong growth while margin improved significantly. The improvement in policyholder retention was sustained and allowed for positive adjustments to the actuarial long-term assumptions in the policyholders' liability and embedded value valuations at 31 December 2011. There were various developments in the products and distribution area, including the launch of a revised set of risk products independently recognised as the best in the South African market. The implementation of a new financial advisor value proposition which recognises the importance of establishing the correct balance between persistency, book size, and quality of new business was well received, and has enabled Liberty to improve the quality of new business while enhancing the value of the existing client base.

Balance sheet management

A leading risk and balance sheet management capability has been built by LibFin to manage the market risk exposure arising from the asset-liability mismatches within the life insurance business. LibFin aims to invest in assets which closely match these liability exposures and to ensure that the income from these assets meets or exceeds the cost of the underlying liabilities. LibFin also seeks to extract value by investing a portion of the underlying funds in a well diversified portfolio of government and corporate debt instruments.

Institutional and asset management

Good progress was made on delivering Stanlib's strategic projects during 2011 with the major focus being the implementation of the new operating model. In addition, Stanlib strengthened the investment team through new hires while adding new investment capabilities to its investment offering, including unlisted debt.

Despite the uncertainty and volatility in the investment markets, long-term investment performance continued to improve. Stanlib won six Raging Bull Awards in January 2012, which bears testimony to the quality of its investment capability.

Growth cluster

Liberty made good progress during 2011 on consolidating, aligning and focusing the investments it has made to drive growth.

The purchase of a 57% interest in CfC Insurance Holdings Limited was effective 1 April 2011 and provides significant growth opportunities in East Africa.

A number of operational issues were addressed in Liberty Health with management focusing its efforts on achieving acceptable margins on the medical expense risk product which is sold in Africa. Management is taking action focused on pricing, benefit structures, and risk management.

Frank.NET, which provides simple life cover products through an alternative direct distribution channel, achieved significant brand presence, but conversion of leads and persistency levels need to be improved. The IT platform built to support Frank.NET is being leveraged to drive a broader affinities strategy which will be housed under the Direct Financial Services business unit. Standard Bank is Liberty's first affinity partner, having launched in November 2011.

The revised bancassurance joint venture between Liberty and Standard Bank broadens the available distribution channels, product sets and geographies. Indexed new business from bancassurance channels was 17% higher than 2010.

Financial performance

The financial results reported are the consolidated results of our 53,6% investment in Liberty Holdings Limited. Bancassurance results are included in Personal & Business Banking. Liberty's normalised headline earnings for the year ended 31 December 2011 were R2 663 million, of which R1 428 million was attributable to Standard Bank (2010: R1 393 million). This is another strong result from Retail SA and Stanlib, which was partly offset by the lower investment market returns achieved on the shareholder investment portfolio.

Retail SA's improvement in policyholder persistency led to positive revisions to the long-term persistency assumptions, and the increase in earnings from Retail SA reflected this improvement. Other assumption changes included the strengthening of mortality assumptions on certain annuity books and increased maintenance expense reserving.

Indexed new business sales excluding contractual increases improved despite significantly lower emerging consumer market sales as a consequence of the remedial action taken to improve the quality of new business in this segment. Investment product and credit life sales increased during the year and overall new business margin improved significantly. Further improvements to margin through increased volume of quality sales and better cost efficiency is a priority.

Liberty continued

Properly considered portfolio construction and positive stock selection were key drivers in ensuring that the shareholder investment portfolio performed in line with benchmark. Earnings volatility from asset-liability positions was also well contained, and a positive asset liability management result was delivered by LibFin.

Stanlib experienced net outflows of R13 billion from its money market funds, which was a function of increasing investor risk appetite. However, retail inflows into higher margin products increased significantly to R11 billion. Stanlib's increased earnings reflected higher performance fees and better margins on higher retail assets under management. Liberty Africa's asset management operations attracted good positive net cash inflows of R5,4 billion.

The year ahead

Liberty now has a good platform off which to drive growth in its traditional markets, and the investments it has made in new businesses have established a base off which it can drive growth in new markets. In addition, the significant improvements in Liberty's core insurance and asset management businesses position the group well to manage the business through what is expected to be a period of ongoing investment market volatility.

Information technology and operations report

The group recently redesigned its business architecture to support its strategic business objectives. This involved streamlining internal structures and realigning information technology and enabling functions across business units with the aim of extracting maximum efficiencies and coordinating all support operations. We appointed Peter Wharton-Hood, deputy group chief executive, as group chief operating officer. A group operations committee, comprising all enabling functions, was tasked with controlling costs and maximising efficiencies across the high-volume business support areas. Peter chairs this committee and these enabling functions report to him on a day-to-day basis for all matters relating to efficiency and effective operations.

Information technology

The group has embarked on a comprehensive strategy to make IT an efficient asset that supports, sustains and enables growth and operational excellence. We have clear plans for large scale project delivery and productivity improvements by consolidating and standardising IT infrastructure across the regions.

A key measure of success will be the extent to which we are able to reduce the proportion of our total costs that is spent on IT.

Analysis of total information technology function spend

	Change %	2011 Rm	2010 Rm
IT staff costs	4	**2 293**	2 214
Information technology licences, maintenance and related costs	(1)	**3 183**	3 227
Depreciation and amortisation	30	**1 621**	1 247
Other	18	**664**	562
Total	7	**7 761**	7 250

The execution of the IT strategy commenced with the implementation of a revised IT organisational structure aligned to the business architecture and to the group's strategic imperatives. Key changes included the consolidation of the roles of chief information officers across Personal & Business Banking, Corporate & Investment Banking, group operations and group enabling functions. A regional information officer was appointed to coordinate the IT initiatives within Personal & Business Banking, Corporate & Investment Banking and our African operations.

The group has legacy IT infrastructure challenges. Some of the legacy systems are inflexible and not only impede new product launches, but also provide a restricted silo-based customer view. The response to this challenge is to implement standardised platforms which will provide a single customer view and enhanced product functionalities. Flexibility and speed to market will be significantly enhanced.

Enabling business growth and operational efficiency

The migration of the core banking system from legacy in-house systems to SAP in South Africa and implementation of a new core banking system, Finacle, in our operations in the rest of Africa will deliver business and operational benefits. It will improve customer service delivery and enhance system availability and stability, while allowing us to respond more effectively to new growth opportunities and to develop and deploy new products more rapidly. It will also provide the flexibility to scale up our customer acquisition throughout Africa at an appropriate pace.

In 2011, the SAP migration focused on data integrity, basic transactional and lending capabilities and the development of low-cost banking and mobile channels. In 2012, the main focus will be on the migration of products and customers to the new system. More complex customer transactions and solutions will follow thereafter. The project should complete in 2015.

The Africa core banking system was successfully deployed in Nigeria in 2011 and will go live in Namibia in February 2012 and in Uganda later in the year. Planning for the rollout in our other operations in the rest of Africa is well advanced and well progressed, in line with group affordability, appetite and prioritisation.

We are satisfied that our systems choice is appropriate as both core banking systems have been independently ranked as market leaders by Gartner.

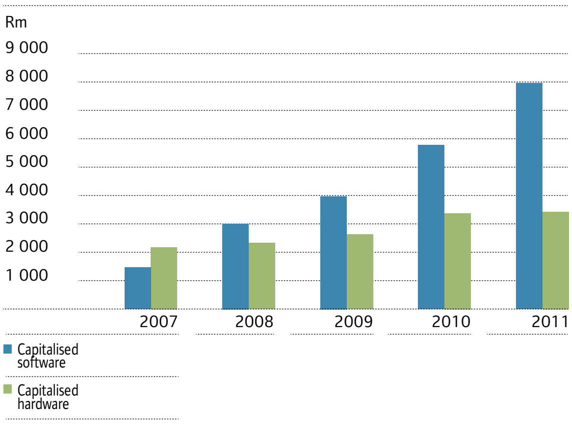
The new global markets systems that are in the process of being implemented, Murex and Calypso, are designed to provide improved and consistent trading and risk management capability as well as optimised capital utilisation and improved liquidity management for local markets trading. In 2011, 80% of the trading and risk capability for SA interest rate derivatives and 13 African countries was migrated onto these systems, with the remaining countries to migrate in 2012.

New Business Online, a refreshed version of our current corporate banking transactional platform, is in the process of being implemented and will assist our transactional products and services business in Corporate & Investment Banking to generate increased flow and revenue by providing a global cash management capability to multinational corporations. We will offer an enhanced customer experience to our corporate clients and improved product offering that delivers integrated cash, liquidity, trade and foreign exchange through electronic channels.

Apart from the IT systems renewal process, other initiatives to further operational excellence and improve our competitive advantage were undertaken. These involved further strengthening information security, maintaining stable systems and delivering predictable change.

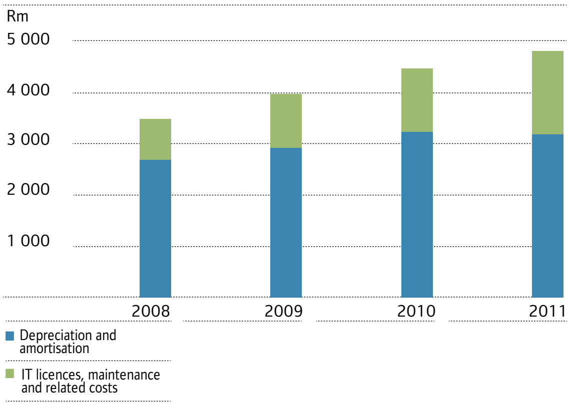
Our current total level of IT expenditure warranted comparative investigation. The Oliver Wyman benchmark, completed in 2010, and the McKinsey IT benchmark, completed in 2011, were used to assess our current levels of efficiency. Our change-the-bank development IT spend is above benchmarks and will remain so for the next few years as our core banking migration programmes continue. Our production run-the-bank IT spend is within benchmarks. Our total IT spend as a proportion of total costs will reduce over the next three years with consequential benefits for the bank's cost-to-income ratio.

IT assets at net book value



As a result of the comprehensive IT programmes Standard Bank, has a significant capitalised software asset on the balance sheet. This capitalised software is amortised on the straight line basis at rates appropriate to the expected useful lives of the assets (two to 10 years) as it is rolled out.

Analysis of IT function spend



Banking operations

Banking operations includes all our trade support, transactions processing, reconciliation and logistics functions across Personal & Business Banking and Corporate & Investment Banking.

Operations have clear prioritised objectives which focus on:

- implementing standardised procedures across all our banks;
- customer and internal service across the continent;
- improving all control environments; and
- aligning and upskilling our people.

Banking operations have traditionally been run in silos with independent operations support provided for each of the businesses and geographies. This structure, whilst agile, was more expensive with limited scale benefits and no real standardisation of processes. A plan was completed in 2011 that set out a strategy and implementation plan to align all operations to the group's revised business architecture, and enable the business architecture to support the group's strategic aims.

Common processes will be provided from a centralised unit to multiple businesses and geographies across the group.

Objectives for 2012 have been aligned to the key strategic drivers of cost and efficiency, control, service and capability, change and people. While change is largely IT driven, the coordination and alignment of the IT and operations change programmes is vital to the success of our model.

Conclusion

The redesign of the business architecture and realignment of the enabling functions presented some challenges but has now been successfully completed. The support and operations functions were instrumental in achieving the flat cost performance for the group in 2011 and diligent cost control measures will be maintained in the years ahead. Cost efficiency will provide a platform for a commercial approach to supporting the customer facing businesses through flexible and agile systems and processes of which a large proportion of the change has been driven by IT. All the group enabling functions are well coordinated, positioned and structured to make a tangible difference in 2012.

Corporate governance statement

Dear Stakeholder

It gives me great pleasure to present the group's corporate governance statement for 2011 on behalf of my fellow board members. This report contains an update on our progress, highlights and challenges we faced during the year. The chairmen of the board committees have also included an overview of their committees' functioning during 2011.

The group's code of ethics and values are imperative to how we as a board guide and lead the organisation. Corporate governance remains a dynamic issue, which requires ongoing implementation and embedding in the organisation's culture. The board's approach to governance is to keep track of developments and adopt those practices that are most relevant to the group and strengthen our competitive advantages once they become part of our operating reality. Following the release of the King Code in 2010, the group continues to implement its recommendations within the group and its subsidiaries as appropriate. Where a decision has been taken that the recommendations of the King Code will not be applied, reasons are given on page 81.

Key highlights during 2011 were the external board evaluation, finalising a governance framework for key operating subsidiary companies and director education. As part of this ongoing education, aimed at constantly improving board effectiveness, we introduced a new programme for non-executive directors of risk-related committees to deepen their understanding of the group's governance and risk processes. This programme included site visits to certain operations in the rest of Africa and plans are under way in 2012 for the non-executive directors to visit other African subsidiaries. The annual board strategy meeting was held in Nigeria, which gave the board the opportunity to experience first-hand the country and operations of this key subsidiary.

There were also challenges during 2011, most notably the procedural implications of the new Companies Act. To comply with the Companies Act, the group is in the process of revising its articles of association, now called the memorandum of incorporation, and has established a social and ethics committee. Executive remuneration remains a hot topic both locally and internationally and international developments received a significant amount of attention. This is discussed in more detail in the remuneration report on page 90.

The board's progress in 2011 against key action points raised in the previous reporting period included:

- addressing the gaps identified and ongoing alignment of the group's governance process to the King Code;
- monitoring or taking action in relation to regulatory developments such as the Consumer Protection Act 68 of 2008 (Consumer Protection Act), and the Financial Advisory and Intermediary Services Act 37 of 2002;
- implementing new or amended legislation in our South African operations, in particular the Companies Act; and
- staying abreast of local and international best practice through ongoing research.

Looking ahead, the board will continue to focus on improving its effectiveness and responding appropriately and in good time to developments in the governance environment. We remain committed to transparency and continuous improvement in our reporting as we continue on our governance journey.

Fred Phaswana
Chairman
7 March 2012

Board of directors

The board

The board is the group's highest decision-making body and is ultimately responsible for governance. The group's shareholders elect the directors. The board operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. Standard Bank Group Limited has a unitary board structure comprising 18 directors, 12 (67%) of whom are independent non-executive directors, four (22%) are non-executives and two (11%) are executives – the group chief executive and the group financial director. The chairman is an independent non-executive and the roles of chairman and chief executive are separate. This board composition ensures there is a balance of power on the board, so no individual or group can dominate board processes or decision making, and stimulates robust challenge and debate.

The governance framework, shown on page 72, enables the board to balance its role of providing risk oversight and strategic counsel with ensuring adherence to regulatory requirements and risk tolerance. During 2011, the group finalised a corporate governance framework for key operating subsidiaries to ensure that a consistent governance framework and standards apply to and are adopted by its key operating subsidiaries. In all jurisdictions, governance developments are monitored on an ongoing basis to ensure that local requirements are met.

Ethics and organisational integrity

The board provides effective leadership based on an ethical foundation and ensures that its conduct and that of management is aligned to the group's values and code of ethics. The group's code of ethics (the code) is designed to empower employees and enable effective decision making at all levels of the business according to defined ethical principles. The code interprets and defines the group's values (see page 7) and provides a values-based decision matrix to guide our conduct and interaction with our stakeholders. The code is designed to ensure that we adhere to the highest standards of responsible business practice. It is aligned with other group policies and procedures, and supports the relevant industry regulations and laws. The Ethics Institute of South Africa has certified that the code meets the highest standards of international best practice.

The code applies in all countries in which we have banking operations. Ethics incidents are reported through the ethics and fraud hotline, the group financial crime control unit, the human resources department, the ethics mailbox, business unit ethics officers and line managers. The group maintains a confidential and anonymous hotline operated by an independent service provider. Awareness building and training is undertaken throughout the organisation to ensure employees are aware of the ethics reporting options available to them.

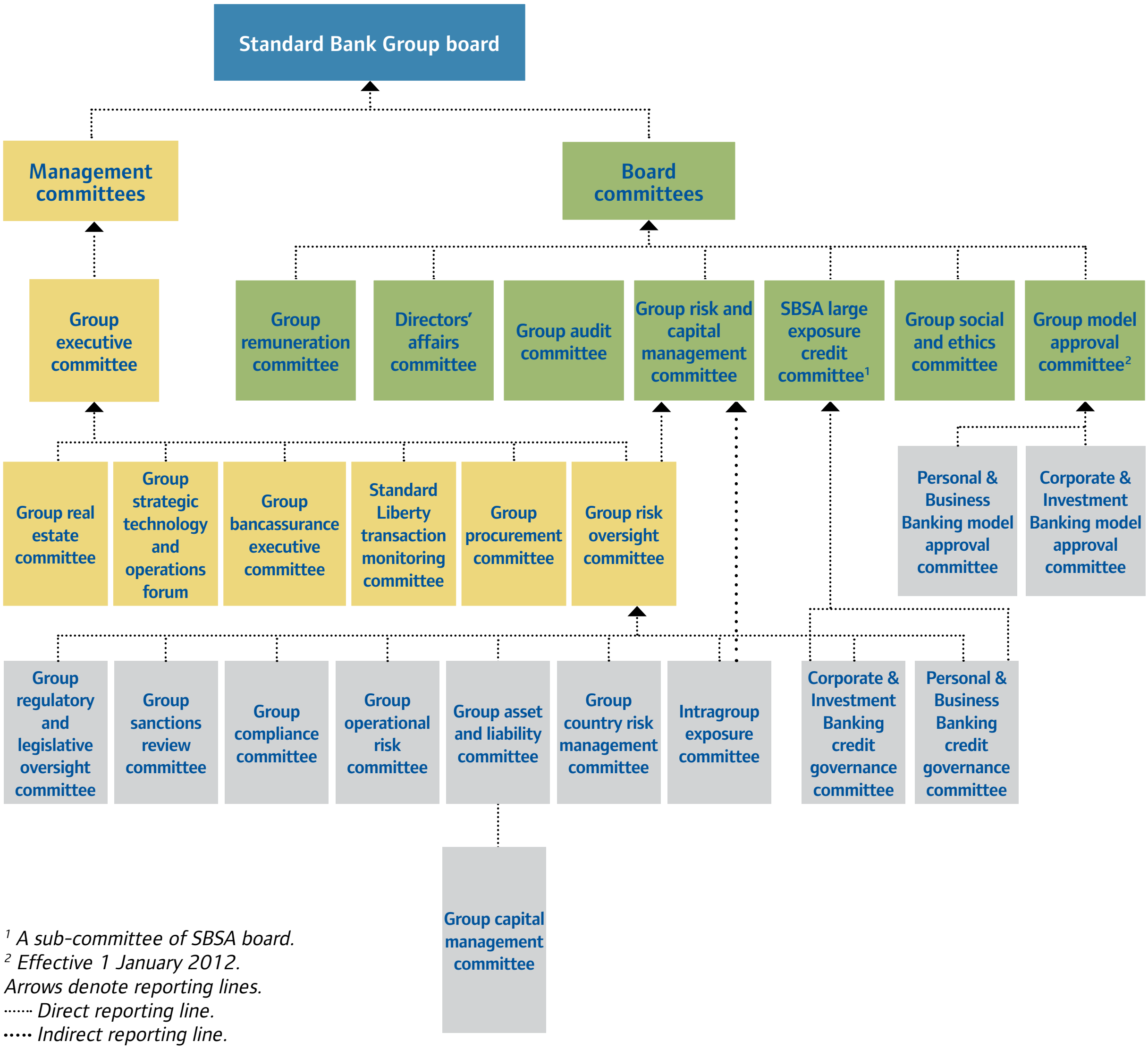
The group chief executive and group ethics officer are the formal custodians of the code and are ultimately responsible for incorporating it throughout the group. Each business unit has an ethics officer who is responsible for ensuring that there is an awareness of the code within the business units and for providing guidance on individual ethical concerns that may be raised by staff. Liberty has its own code of ethics, policy and ethics line, which is independently operated by KPMG.

Board responsibilities

In discharging its duties, the board delegates authority to relevant board committees and individuals with clearly defined mandates and delegated authorities (see page 72), although the board retains its responsibilities.

The board has reviewed the annual integrated report, and approved it.

Governance framework



[1] A sub-committee of SBSA board.
[2] Effective 1 January 2012.
Arrows denote reporting lines.
······ Direct reporting line.
····· Indirect reporting line.

Strategy

The board is responsible for the group's strategic direction. Management presents the group strategy annually, and discusses and agrees it with the board. The board ensures the strategy is aligned with the group's values and performance targets, and monitors its implementation in relation to the group's risk profile. Financial performance is monitored through quarterly management reports. With the group's refined strategy of focusing on Africa, the current socioeconomic development challenges on the continent and focus on corporate citizenship, the group has agreed a social compact statement, which demonstrates the group's social commitment to various stakeholders.

Social compact

Standard Bank will contribute to the socioeconomic development of the countries in which we operate in a way which is consistent with the nature and size of our operations. We will provide financial services and products responsibly, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.
Refer to page 121 for more information.

In line with banking regulations, the board agrees the group's corporate governance and risk management objectives for the year ahead. The group's directors' affairs committee and the relevant risk committees monitor performance against governance and risk objectives respectively, and reports are submitted to the board. The self-assessment for the period under review found that the group had materially achieved its corporate governance and risk management objectives.

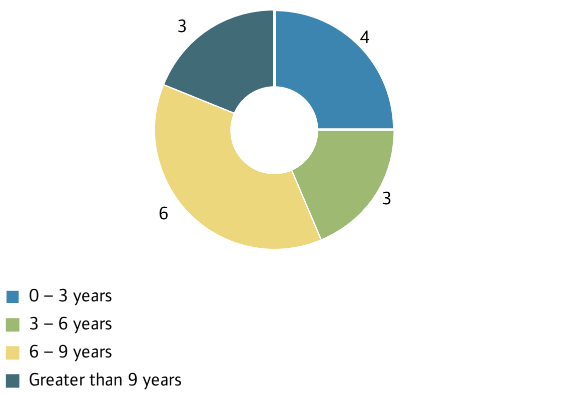
Board composition

The board's collective experience and expertise provides a balanced mix of attributes that enables the board to fulfil its duties and responsibilities. The non-executive directors bring different perspectives to board deliberations, and the constructive challenging of the views of executive directors and management is encouraged. The board monitors performance on an ongoing basis in relation to agreed strategic objectives and associated targets.

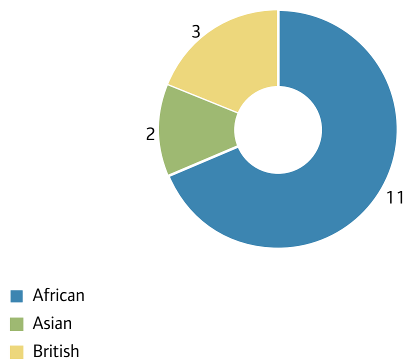
The group directors' affairs committee considers board membership both from an individual and collective perspective to ensure the board remains strategically, demographically and operationally appropriate.

Directors' qualifications and brief *curricula vitae* are provided on page 86 and page 2 of book III.

Length of tenure of non-executive directors



Mix of non-executive director nationalities



Access to information and resources

There is ongoing engagement between executive management and the board, and the group executive committee and relevant business representatives attend all board meetings. External auditors are invited to attend group audit committee and group risk and capital management committee meetings. Non-executive directors meet without the executive directors in closed sessions at each board meeting. Directors have unrestricted access to group management and company information, as well as the resources to carry out their roles and responsibilities. This includes access to external legal advice at the group's expense in terms of an approved policy.

Independent non-executive directors

The group directors' affairs committee evaluates the independence of board members for board approval. Independence is determined according to the definitions in the King Code, which includes the number of years a director has served on the board. An annual review, in terms of an agreed methodology, is conducted of all directors who have served longer than nine years. Currently there are three such directors, namely Doug Band (appointed 1 May 1997), Saki Macozoma (appointed 1 October 1998) and Myles Ruck (appointed 18 February 2002). The board concluded that Doug Band and Myles Ruck are independent both in character and judgement, notwithstanding tenure.

Saki Macozoma and Cyril Ramaphosa are not considered to be independent due to their respective interests in the group's strategic empowerment partners, Safika and Shanduka. Hongli Zhang and Yagan Liu, the non-executive directors representing ICBC, the group's largest shareholder, are similarly not considered to be independent. All other non-executive directors are considered to be independent.

Succession planning

Succession planning is a key focus and the group directors' affairs committee considers the composition of the board and its committees on an ongoing basis. This review, based on the group's strategic objectives, is aimed at ensuring that the board is able to meet these objectives.

Retaining board members with considerable experience is seen as imperative in ensuring that appropriate levels of oversight are maintained, together with an ongoing consideration of future board needs to ensure adequate board succession planning.

Sir Paul Judge and Sam Jonah KBE are, in terms of the memorandum of incorporation, due to retire from office at the group's annual general meeting on 31 May 2012. Both directors will not be standing for re-election. Sir Paul Judge was appointed to the boards of Standard Bank Group and The Standard Bank of South Africa Limited in 2003 and Sam Jonah KBE was appointed to the boards in 2006. They have been valued independent board members and the chairman and board would like to extend their appreciation for their contribution.

With regard to management, the board is satisfied that the current leadership pipeline available to the group, and the work being done to strengthen it, provide adequate succession depth over the short and long term.

Appointment policy

The board regularly reviews the group's nominations and appointments policy, which is aligned with applicable legislation and regulations. These include, but are not limited to, the requirements of the Companies Act, Banks Act 94 of 1990 (Banks Act) and JSE Listings Requirements. The policy sets out the process for nominating and appointing directors and key executives. Shareholders are provided with information on the directors' education, qualifications, experience and other key directorships. In terms of the policy, management requires permission for external board appointments, which is only granted in exceptional circumstances. This reduces potential conflicts of interest and helps ensure that management devotes sufficient time and focus to group business.

In making an appointment, the board takes cognisance of the knowledge, skills and experience of a potential director, as well as other attributes considered necessary for the role. The board also considers the need for appropriate demographic and gender representation. Board candidates are subject to a fit-and-proper enquiry, as required by the Banks Act.

Delegation of authority

The board retains effective control through a well-developed governance framework that provides for delegation of authority. Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the board reviews at least annually. The board delegates authority to the executive directors to manage the business and affairs of the group. The group executive committee assists the chief executive when the board is not in session, subject to statutory parameters and the board's limits on the delegation of authority to the chief executive. The group governance office monitors board-delegated authorities.

The group executive committee is set out on page 19. The group's corporate governance framework, which shows board and executive management reporting lines, is set out on page 72.

Board effectiveness and evaluation

The board measures its effectiveness in a number of ways. Its performance is assessed annually against its mandate, as is the performance of its committees. Findings are reported to the group directors' affairs committee after the external auditors have reviewed them. The respective committees and board consider each of the detailed reviews and feedback is provided to the board. During 2011, the board and its committees materially complied with their mandates.

External consultants were engaged to conduct the annual board evaluation. The evaluation process took the form of questionnaires completed by all board directors, followed by structured interviews. The board evaluation covered areas such as board performance, composition and dynamics, including the experience and knowledge of non-executive directors and communication between the board and board committees. In addition, the board was benchmarked against peer companies and best practices applied by financial services organisations operating in global markets.

The findings were presented to the board at a special session convened for that purpose. The evaluation confirmed that the board continues to operate effectively. Key areas for improvement that have been or are being addressed include:

- strengthening of board expertise in specified areas;
- board training;
- structure and length of board meetings; and
- improved communication between board committees and the board.

The board has agreed on a detailed work plan to ensure that agreed actions are implemented. This will be monitored by the group directors' affairs committee.

The performance of the group chairman and chief executive is assessed annually, and their remuneration is determined accordingly. Specific detail on remuneration is provided in the remuneration report on page 90.

Induction and ongoing education

Ongoing director education remains a focus. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations. The directors' education programme continued to focus on business issues and additional time was scheduled outside of board meetings for sessions on pertinent issues for the board and its committees. The programme was supplemented by on-site visits to Nigeria, Namibia and Uganda. In 2011, one of the annual board training sessions was externally facilitated and included an interactive session focusing on qualitative board effectiveness.

On appointment, each new director receives a governance manual that includes all relevant governance information such as mandates, management structures, significant reports, important legislation and policies. One-on-one meetings are scheduled with management to introduce new directors to the company and its operations. The group secretary is responsible for the induction and ongoing education of directors.

Board meetings

Five board meetings were held during 2011, with one meeting dedicated to reviewing the group's strategy. The table below shows each director's attendance at meetings of the board, group audit committee, group risk and capital management committee, group directors' affairs committee, group remuneration committee, and group social and ethics committee during 2011.

Board of directors – meeting attendance

	Board (including strategy)	Group audit committee	Group risk and capital management committee	Group directors' affairs committee	Group remuneration committee	Group social and ethics committee[1,2]
Number of meetings held	5	8	6	4	4	4
Attendance						
Chairman						
TMF Phaswana[3]	5		5	4	4	4
Deputy chairmen						
SJ Macozoma[4]	5		6	4	4	4
Hongli Zhang[4]	5		5	4		
Independent non-executive directors						
DDB Band	5		6	4	4	
RMW Dunne	5	8	6			
TS Gcabashe	5	8				
SE Jonah KBE	4					
Sir Paul Judge	5					
KP Kalyan	5					4
KD Moroka	4					
AC Nissen	4					4
MJD Ruck	5		6			
Lord Smith of Kelvin, Kt	5	7				
EM Woods	5	8			4	
Non-executive directors						
Yagan Liu[5]	5		6	4		
MC Ramaphosa	4			3		
Executive directors						
JH Maree[6]	5					3
SP Ridley	5					

[1] *Previously known as the group transformation committee.*
[2] *SK Tshabalala, deputy group chief executive and chief executive of SBSA is a member of the group social and ethics committee although not a group board member. He attended all meetings for the year.*
[3] *Independent non-executive director.*
[4] *Non-executive director.*
[5] *Alternate director to Hongli Zhang.*
[6] *Standard Bank Group chief executive.*

Board committees

Each board committee's mandate sets out the role, responsibilities, scope of authority, composition, terms of reference and procedures, some of which are set out below.

Board

- Provides effective leadership based on an ethical foundation.
- Agrees the group's objectives, strategies and plans for achieving those objectives.
- Reviews the corporate governance and risk and capital management process and assesses achievement against objectives on an annual basis.
- Delegates relevant authority to the chief executive, any director holding executive office or any senior executive.
- Determines the terms of reference and procedures of all board committees, reviews the board's and committees' performance annually and reviews their reports and minutes.
- Ensures that the audit committee is effective and independent.
- Reviews and monitors the performance of the chief executive and management.
- Ensures consideration is given to succession planning for the board, chief executive and executive management.
- Considers the remuneration of non-executive directors, based on the remuneration committee proposals, and makes recommendations to shareholders for approval.
- Ensures that an adequate budget and planning process exists, measures performance against budgets and plans, and approves annual budgets for the group.
- Considers and approves the annual financial statements and the annual integrated report, results, dividend announcements and notice to shareholders.
- Ensures that an effective and robust risk management process is in place which is linked to strategy, performance and sustainability.
- Monitors stakeholder relations.
- Approves significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances entered into by the group.
- Assumes ultimate responsibility for financial and information technology governance, operational and internal systems of control, and ensures adequate reporting on these by respective committees.

Group directors' affairs committee

- Evaluates the adequacy, efficiency and appropriateness of the corporate governance framework and practices across the group.
- Establishes director induction and training programmes.
- Approves the board evaluation methodology.
- Nominates directors as part of succession planning.
- Ensures corporate governance best practice and statutory compliance.
- Reviews and approves allocations in respect of the black ownership initiative.

Group audit committee

- Reviews and approves the group external and internal audit and compliance plan.
- Assesses annually the work done by the external auditors to ensure their independence and effectiveness.
- Oversees the appointment of external auditors, their terms of engagement and fees.
- Evaluates annually the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system.
- Considers the appointment or dismissal of the chief audit officer and head of compliance.
- Reviews the accounting policies adopted by the group and all proposed changes in accounting policies and practices.
- Considers the adequacy of disclosures to ensure shareholders and stakeholders remain appropriately informed about financial matters.
- Reviews the effectiveness of financial management including the management of financial risks, the quality of internal accounting control systems and reports produced by financial management.
- Ensures the group applies a combined assurance model to provide a coordinated approach to all assurance activities.
- Ensures compliance with all legal, regulatory and accounting standards.
- Reviews reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks.
- Ensures the use of technology and related techniques to improve audit coverage and audit efficiency and oversees IT risk as it relates to financial reporting.
- Considers the effectiveness of the group's internal financial controls.
- Reviews and makes recommendations on any potential material conflicts of interest.

Group risk and capital management committee

- Ensures independent risk and capital functions are established.
- Reviews the risk management framework and provides assurance to the board.
- Approves risk disclosure in published reports.
- Monitors all risk types.
- Approves all risk governance standards and relevant policies.
- Approves the internal capital adequacy assessment process.
- Ensures that IT policies are established and implemented to ensure effective management of information assets.
- Monitors and evaluates significant IT investment and expenditure.
- Ensures the group and individual entities are adequately capitalised.

Group social and ethics committee

- Monitors social and economic development activities including: combating corruption, corporate social investment and upliftment of the communities in which the group operates.
- Monitors environmental, health and safety activities, including the impacts of products and services.
- Monitors consumer relationships, including advertising and compliance with consumer protection laws.
- Monitors implementation, reporting, and training and awareness of ethics and code of conduct.
- Monitors transformation approach and policy, initiatives and targets.
- Reports annually to shareholders on the committee's activities.

Group remuneration committee

- Reviews and approves the group remuneration strategy and policy.
- Reviews the chairman, chief executive and senior executive remuneration in relation to performance.
- Reviews and approves incentive schemes, share-based payments and other benefits.
- Reviews and approves the mandates of subsidiary remuneration committees.

Group model approval committee

- Approves a governance and operations framework for credit modelling across the group.
- Reviews and approves all material credit risk models and revisions thereto.
- Reviews the model register to ensure it is maintained and communicated to the South African Reserve Bank.
- Reviews validation findings of material models.
- Reviews the rating criteria in order to ensure that the criteria remain predictive of risk.
- Challenges aspects of credit risk model development and validation.

Group directors' affairs committee

Members

Chairman: TMF Phaswana[1]
DDB Band[1]
TS Gcabashe[1,2]
Yagan Liu[3,4]
SJ Macozoma[3]
MC Ramaphosa[3]
Hongli Zhang[3]

[1] Independent non-executive director.
[2] Appointment effective 7 March 2012.
[3] Non-executive director.
[4] Alternate to Hongli Zhang.

Chairman's overview

The group directors' affairs committee assists the board in determining and evaluating the adequacy, efficiency and appropriateness of the group's corporate governance framework and practices. To achieve this, the committee continuously considers local and international corporate governance as well as regulatory and legislative developments.

The committee also functions as the nominations committee for directors of the group. Its role is to identify, evaluate and recommend nominees to the board and board committees, and recommend the board evaluation methodology to ensure the board is able to fulfil its duties. The committee also monitors the process to assess the effectiveness of the board and its committees against their respective mandates and oversees the induction, development and ongoing education of directors. In addition, the committee is responsible for considering and approving participants to the SMEs element of the group's Tutuwa initiative.

With the introduction of the new Companies Act in 2011, the committee focused on the implications of this new legislation including the definition of prescribed officers for the group and its subsidiaries.

The committee continued to ensure that the King Code requirements were embedded within the group and it approved the corporate governance framework for key operating subsidiaries. The framework will be implemented in 2012.

The committee has been tasked with monitoring implementation of findings from the board evaluation and this will be a focus for 2012. In reviewing its performance for 2011, the committee considered its composition. As a result, the committee recommended the appointment of a further independent non-executive director. Thulani Gcabashe was appointed by the board as a member of the committee with effect from 7 March 2012.

Fred Phaswana
Chairman of the group directors' affairs committee
7 March 2012

Group audit committee

Members
Chairman: RMW Dunne[1]
TS Gcabashe[1]
Lord Smith of Kelvin, Kt[1]
EM Woods[1]

[1] Independent non-executive director.

Chairman's overview

The role of the group audit committee is to review the group's financial position and make recommendations to the board on all financial matters, risks, internal financial controls, fraud and IT risks relevant to financial reporting. This includes assessing the integrity and effectiveness of accounting, financial, compliance, internal audit, sustainability and other control systems. The committee has a constructive working relationship with the chief audit officer, group chief risk officer and group chief compliance officer who have access to committee members as required. The committee also ensures effective communication between the board, management, internal auditors, external auditors and regulators.

In accordance with the Banks Act, the board has appointed the members of the committee, which comprises solely independent non-executive directors, with due consideration of the skills and experience necessary to fulfil the committee's role and responsibilities. There is considerable alignment in the membership of the group audit committee, the group risk and capital management committee and the group remuneration committee, which strengthens governance oversight across all finance, risk and remuneration matters.

The committee is responsible for the monitoring of the internal control framework which comprises the group's three lines of defence model. The three lines of defence model is designed to separate the relevant duties and ensure independent reporting lines to underpin effective internal control and risk management. The first line of defence includes management of business lines and legal entities. The second line of defence includes oversight functions such as finance, risk management, legal and governance and assurance. The third line of defence is that of group internal audit. This defence model is overlaid by the group's corporate governance framework. More detail is provided on the three lines of defence model in the risk and capital management report on page 16 of book II.

Internal financial controls are in place to ensure the integrity of the group's qualitative and quantitative financial information, which is used by a variety of stakeholders. The group financial director is ultimately responsible for implementing and maintaining a system of internal financial controls. Assurance of the effectiveness of internal financial controls during 2011 was firstly achieved through management confirmation that the financial governance controls and internal financial controls supporting the assertions in the financial statements operated effectively during the year, and secondly, through the audit work conducted by the internal and external auditors, which was coordinated as part of their annual risk-based audit plans.

During 2011, the committee approved the annual group internal audit plan and considered reports from group internal audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management to prevent such losses from recurring. The group internal audit mandate was approved by the committee as per the board's delegated authority.

The committee reviewed and approved the 2011 group compliance plan, with specific reference to the effectiveness of procedures and systems for monitoring compliance with laws and regulations.

The group has a formal policy on non-audit fees, which the committee reviewed and approved during the year. The purpose of this policy is to ensure that the independence and objectivity of the auditors is not impaired. The chairman of the audit committee approves, on a case-by-case basis, significant services outside the scope of the pre-approved audit plan, which are then ratified by the committee. Any engagements beyond a threshold amount require the committee's pre-approval.

The independence of the auditors and availability of alternative service providers are key factors in granting approval. The allocation between audit fees and fees for non-audit services is set out in note 28.13 on page 180 of book II.

The group audit committee reviewed the financial information published by the group including the content of the annual integrated report, which was recommended to the board for approval. The group continues to keep abreast of reporting developments, in particular around changes in accounting policies and trends in integrated reporting.

IT was a focus during the year and good progress was made in strengthening the IT governance framework with the restructuring of the group strategic technology and operations forum.

The committee reviewed reports and activities of the group's financial crime control unit, which provided comfort that the mitigation and control of fraud and related risks was adequately managed during the year. Key policies noted during 2011 included the whistle-blowing policy and the anti-bribery and corruption policy.

Further details on the committee's fulfilment of its statutory obligations are set out on page 98 of book II.

Richard Dunne
Chairman of the group audit committee
7 March 2012

Group social and ethics committee*

Members
Chairman: SJ Macozoma[1]
KP Kalyan[2]
JH Maree[3]
AC Nissen[2]
TMF Phaswana[2]
SK Tshabalala[4]

[1] *Non-executive director.*
[2] *Independent non-executive director.*
[3] *Executive director.*
[4] *Deputy group chief executive.*

Chairman's overview

The group social and ethics committee was established during 2011 in terms of the new Companies Act and Regulations. The group transformation committee's mandate was expanded to include the relevant statutory requirements.

**Previously known as the group transformation committee.*

In terms of the board-agreed mandate, the group social and ethics committee is responsible for monitoring the bank's activities in respect of: social and economic development; transformation; labour and employment policies; practices and procedures; environmental impacts; consumer relationships; and ethical conduct.

Topics considered by the committee during the period under review included: the group's social compact statement; the 2011 sustainability report and material issues; COP17; the United Nations Global Compact Principles; the United Nations Principles for Responsible Investment; the Organisation for Economic Co-operation and Development recommendations regarding corruption; the Financial Services Board's Treating Customers Fairly initiative; the group's code of ethics; corporate social investment and sponsorship spend and initiatives; support for public policy research institution; Equator Principles, training and development; Sasbo engagement; and changes to labour legislation. Topics for discussion going forward will also include consumer relations, the group's reputation management strategy, government relations strategy, brand perception, political party funding, developments around labour legislation, the group's employment equity plans and progress against the dti code pillars.

Monitoring transformation initiatives and matters relating to black economic empowerment (BEE) are key agenda items of the committee. Compliance with current and evolving legislation and related regulations such as the Financial Sector Charter (the charter), the dti codes and the Employment Equity Act 55 of 1998 will continue to be important focus areas for the committee. The process to convert the voluntary status of the charter to that of a sector code in terms of the relevant legislation was finalised at the end of 2011, with Standard Bank being an active participant in the process. The Financial Sector Code of Good Practice was gazetted for the second phase of public opinion in March 2012.

The bank continued to make good progress in its performance against the dti codes and was rated as an AA level two value-adding contributor, with an overall score of 92, 47 out of 107, as detailed on page 80. An accredited BEE verification agency conducted an independent assessment of the bank's BEE performance in terms of the dti codes. Further detail on the bank's transformation progress is contained in the group sustainability report, available at www.standardbank.com under sustainable development.

The regional business grouping element of the Tutuwa Share Scheme provides for the equity participation of SMEs through the Tutuwa Community Trust (the trust). Initial participation rights were awarded to 250 SMEs in 2006. For various reasons, a small number of our SME beneficiaries no longer qualified in terms of the rules and the bank actively looked to replace these SMEs. A list of candidates was considered, with 13 additional candidates being selected to participate in the trust. In six cases the level of black female ownership is 50% or higher, with two firms being 100% owned by black women. The original beneficiaries each hold 35,753 shares worth approximately R2 million as at 31 December 2011. The replacement beneficiaries each hold 20 000 shares worth approximately R1,1 million as at 31 December 2011.

A highlight in 2011 was the bank's involvement in COP17 where we participated in the Climate Change Response Expo, which showcased initiatives from business, government and civil society. In collaboration with the International Emissions Trading Association we also hosted a week-long programme of side events at our regional office in Durban.

	dti available points	SBSA 2011 scores[1]	SBSA 2010 scores[1]
BEE Pillars			
Ownership[2]	23	**20,18**	20,00
Management control[3]	11	**8,46**	8,25
Employment equity[4]	18	**12,44**	12,54
Skills development	15	**12,02**	12,04
Preferential procurement	20	**19,37**	20,00
Enterprise development	15	**15,00**	15,00
Socioeconomic development	5	**5,00**	5,00
Total (including seven bonus points)	107	**92,47**	92,83

[1] *Verified by Empowerdex.*
[2] *The ownership pillar includes three bonus points.*
[3] *The management control pillar includes one bonus point.*
[4] *The employment equity pillar includes three bonus points.*

We encourage you to refer to the group's sustainability report which sets out the group's social, economic and environmental intent and initiatives, which can be accessed on our website at **www.standardbank.com** under sustainable development.

Saki Macozoma
Chairman of the group social and ethics committee
7 March 2012

Group risk and capital management committee

Members
Chairman: MJD Ruck[1]
DDB Band[1]
RMW Dunne[1]
Yagan Liu[2,3]
SJ Macozoma[2]
TMF Phaswana[1]
EM Woods[1,4]
Hongli Zhang[2]

[1] *Independent non-executive director.*
[2] *Non-executive director.*
[3] *Alternate to Hongli Zhang.*
[4] *Appointment effective 7 March 2012.*

The main function of the group risk and capital management committee is to provide independent and objective oversight of risk and capital management in the group. The committee also reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are managed effectively, and contribute to a culture of discipline and control that reduces the opportunity for fraud.

Richard Dunne is also the chairman of the group audit committee. This common membership ensures effective oversight of all finance and risk issues, and that agendas are aligned and duplication is avoided.

The group risk and capital management committee and group audit committee also have strong links with the group remuneration committee, particularly with regard to ensuring that relevant finance and risk matters are factored in to the determination of appropriate levels of compensation. The chairman of the remuneration committee, Ted Woods, is a member of the group audit committee and during the course of the year attended group risk and capital management committee meetings. The board has agreed that with effect from 7 March 2012, Ted Woods will become a member of the group risk and capital management committee.

Details on this committee and the chairman's overview on its activities are set out in the risk and capital management report on page 2 of book II.

Group remuneration committee

Details on this committee and the chairman's overview on its activities are set out in the remuneration report on page 90.

Codes, regulation and compliance

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy. The board delegates responsibility for compliance to management and monitors this through the compliance function and a dedicated regulatory and legislative oversight function. Oversight of compliance risk management is delegated to the group audit committee, which reviews and approves the mandate of the group chief compliance officer, who reports on a quarterly basis on, among other issues, the status of compliance risk management in the group, significant areas of non-compliance, as well as providing feedback on interaction with regulators. The group compliance function as well as the compliance policy and governance standards are subject to review and audit by group internal audit. The regulatory and legislative oversight committee is a dedicated management committee that assesses the impact of proposed legislation and regulation. Material regulatory issues are escalated to the group risk oversight committee and the group risk and capital management committee.

Code of banking practice

A code of banking practice, endorsed by the members of the Banking Association of South Africa, of which Standard Bank is a member, safeguards the interests of consumers. The code of banking practice was revised in 2010 to take into account the recommendations of the Competition Commission's inquiry into banking in South Africa and the new Consumer Protection Act. The revised code of banking practice was agreed and published in 2011, becoming effective on 1 January 2012. The code of banking practice covers issues such as the rights of customers in bank dealings and complaints resolution procedures. The bank has embarked on a project to ensure compliance with the new requirements.

Codes of conduct

Standard Bank has adopted the Banking Association of South Africa's code for the selling of unsecured credit which governs the relationship between banks and their customers in respect of credit extension. Regular risk reviews are embedded in the credit function and provide the means to regulate credit risk appetite.

Standard Bank is regulated by various codes of conduct in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. This act regulates financial service providers who render advice and/or provide intermediary services to clients in relation to certain financial products.

The King Code

The group continues to apply the principles of the King Code. The board was satisfied with the group's compliance in this regard and that the instances of non-compliance have been considered and explained.

Exceptions to the application of the King Code

Principle 2.19 (paragraph 88.7): As part of strengthening our democracy, the group does not discourage director affiliation to political parties. A number of the group's directors are involved in various political parties although none are office bearers of any political party in South Africa.

Principle 2.25 (paragraph 153): The board considered the requirement that non-executive remuneration should comprise a base fee and an attendance fee per meeting and agreed that the current fee structure of a single comprehensive annual fee was more appropriate for the group board and committees, and would better reflect member contribution.

Principle 2.25 (paragraph 173): A detailed description of the remuneration policy is set out in the remuneration report on page 90. In terms of this, the design of the deferred bonus scheme which is equity settled has an initial vesting period shorter than three years although the average vesting period for deferred bonuses is approximately three years.

Principle 2.26 (paragraph 180): After due consideration of the provisions of the King Code, the board resolved not to disclose the remuneration of the three highest paid employees who are not directors in the 2011 integrated report because such disclosure would reveal competitively sensitive information.

Statement of difference to the King Code

Principle 3.1 (paragraph 6): The King Code recommends that the board approve the group internal audit mandate, however, the board has delegated this to the group audit committee.

Exceptions to application of the King Code are monitored and reviewed annually.

IT governance

The board is responsible for IT governance and ensures that IT strategy is aligned with the group's strategic objectives and performance targets. The group audit and risk and capital management committees assist the board in discharging its duties in respect of IT governance. The group strategic technology and operations forum, chaired by the group chief information officer, is tasked with IT governance and oversight. During 2011, the IT governance framework was further strengthened by realigning existing governance structures. These improvements focused on better supporting the group's business architecture and resulted in creating a dedicated IT function for group enabling functions and operations. This entails a single IT function across the group's business lines and geographies.

Companies Act

The introduction of the new Companies Act has necessitated changes in the group. Some of these changes included redrafting the group's memorandum of incorporation, previously known as the articles of association. The memorandum of incorporation is being recommended to shareholders for adoption at the annual general meeting on 31 May 2012.

The group directors' affairs committee deliberated the definition of prescribed officers and, together with the board, has agreed that for Standard Bank Group, prescribed officers are those key executives who are responsible for and have control over major business lines and participate in strategic decisions relating to those business lines. In addition, the remuneration disclosures have been extended to include prescribed officers. Refer to page 108.

Besides the executive directors namely Jacko Maree, group chief executive, and Simon Ridley, group financial director, the group has determined that its prescribed officers are:

- Ben Kruger, deputy group chief executive responsible for the group's two major banking business lines, Corporate & Investment Banking and Personal & Business Banking, and for optimising client relationships and revenue generation across the banking group.
- Peter Wharton-Hood, deputy group chief executive and chief operating officer for the group, responsible for operations, IT and group enabling functions across the banking group, and for the effective and efficient operation of all banks outside South Africa.
- Sim Tshabalala, deputy group chief executive and chief executive of SBSA, responsible for ensuring the preservation and growth of the group's home market franchise. South Africa remains the group's largest banking operation and the base for its expansion.
- Bruce Hemphill, the chief executive of Liberty, responsible for the management of the group's significant South African listed subsidiary.

Subsidiaries

SBSA, which conducts the group's domestic banking operations, is a major subsidiary of the group as defined in the JSE Listings Requirements. Liberty Holdings is a significant subsidiary of the group, governed by specific regulatory and legislative requirements. Liberty Holdings' compliance with the relevant requirements is documented in its annual report available at **www.liberty.co.za.**

Dealing in securities

In line with its commitment to conducting business professionally and ethically, the group has policies in place that restrict directors and embargoed employees' dealings in its securities. A personal account trading policy and directors' dealing policy are in place to prohibit employees and directors from trading in securities during closed periods, which are in effect from 1 June until the publication of the interim results, and from 1 December until the publication of year end results. Compliance with the policies is monitored on an ongoing basis.

Certain nominated employees are prohibited from trading in designated securities due to the price sensitive information they may obtain by virtue of their positions.

Connecting with our stakeholders

The group's relevance to the markets and societies in which we operate depends on continued and meaningful engagement with all our stakeholders. The group's stakeholder management approach involves the optimal application of the organisation's resources to build and maintain good relationships with stakeholders. This helps the group to understand the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Regular, pertinent communication with shareholders is part of the group's responsibility to improve shareholder relationships. In addition to the ongoing engagement facilitated by the investor relations department, the group chairman encourages shareholders to attend the annual general meeting where interaction is welcomed. The chairmen of the group's audit, remuneration and social and ethics committees are available at the meeting to respond to questions from shareholders. Voting at general meetings is conducted by ballot rather than a show of hands. The group proposes separate resolutions on each issue put forward to shareholders. The results of voting are released on SENS (the JSE's electronic news service).

Stakeholder engagement is a quarterly board agenda item. Information from various business units which engage with stakeholders is summarised in this report. The stakeholder relations management unit is tasked with ensuring consistent engagement with the group's various stakeholders. The reputation management forum, a management committee, was established in 2011 to facilitate a coordinated approach to stakeholder engagement. It looks at the bank's reputation amongst different stakeholder groups. In addition, a government engagement committee was set up in 2011 to specifically focus on the bank's interactions with government stakeholders in South Africa, focusing on policy and regulatory advocacy and public sector business development.

The group is supportive of resolving disputes in the most beneficial manner. The group has a robust dispute resolution process in place, which involves a well-developed complaints management process and an Internal Ombudsman. For cross-border transactions, every effort is made to arbitrate rather than to resort to legal action.

Numerous stakeholder engagement initiatives took place during the year. More information on these initiatives can be found in the sustainability report available at www.standardbank.com under sustainable development. In addition, issues raised by stakeholders and the bank's response can be found on page 117.

Sustainability

The group's 2011 sustainability report aims to present a balanced analysis of the group's sustainability performance in relation to issues that are relevant and material to the group and its stakeholders. The report is prepared using the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines and the group has reported against the GRI Financial Services Sector Supplement indicators. Our reporting consists of a succinct sustainability report and a more detailed website which covers:

- an overview of the group's sustainability performance in 2011;
- an overview of stakeholder interaction during the year;
- material issues affecting the group; and
- performance indicators as per the GRI G3 guidelines and relevant statistical information.

The select sustainability information contained in the annual integrated report was independently assured by external assurance providers and internally by group internal audit.

Building on the group's previous non-financial disclosure in its annual reports, the group has continued its journey of integrating non-financial information on the issues that are material to stakeholders and the group's long-term sustainability.

Printed copies of the sustainability report can be obtained from the group secretary, whose contact details can be found on the inside back cover. Alternatively, stakeholders are encouraged to visit our sustainability website at www.standardbank.com under sustainable development which provides more detail on the group's sustainability performance. This website is updated annually, and articles of interest are posted throughout the year.

Group secretary

One of the roles of the group secretary is to ensure the board remains cognisant of its duties. In addition to guiding the board on discharging its responsibilities, the group secretary keeps the board abreast of relevant changes in legislation and governance best practice. The group secretary also oversees the induction of new directors, as well as the ongoing education of directors. To enable the board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments that may affect the bank and its operations. All directors have access to the services of the group secretary.

Going concern

On the recommendation of the group audit committee, the board annually considers and assesses the going-concern basis in the preparation of the annual financial statements at year end. At the interim reporting period, a similar process is followed to enable the board to consider whether or not there is sufficient reason for this conclusion to be affirmed. In addition, the group audit committee and the board also considered the solvency and liquidity requirements of the Companies Act.

Political party contributions

As part of the group's commitment to support South Africa's democratic processes, the group makes financial contributions to political parties. In terms of the bank's policy, agreed in 2005, funds are distributed based on the Independent Electoral Commission's funding formula. In line with this formula, Standard Bank makes annual donations to political parties in proportion to their representation in the National Assembly. The board confirmed its commitment to political party funding for the 2010 to 2014 election cycle. The funding policy is reviewed after every general election cycle. The total allocation to political parties for the five-year election cycle from 2010 to 2014 will be R13,5 million. The amount donated in 2011 was R2,1 million.

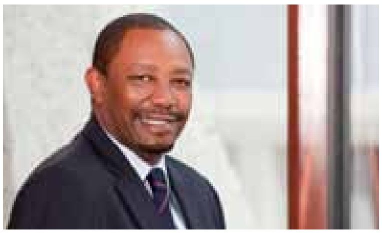
Board of directors

Fred Phaswana




1	2
3	4

1 Hongli Zhang
2 Saki Macozoma
3 Jacko Maree
4 Doug Band

5	6
7	8

5 Richard Dunne
6 Thulani Gcabashe
7 Sam Jonah KBE
8 Sir Paul Judge

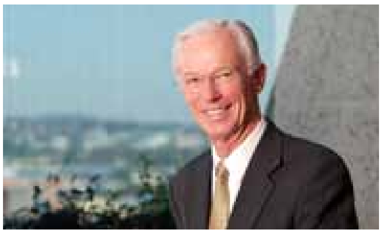



9	10
11	12

9 Koosum Kalyan
10 Yagan Liu
11 Kgomotso Moroka
12 Chris Nissen







13	14
15	16
17	

13 Cyril Ramaphosa
14 Simon Ridley
15 Myles Ruck
16 Lord Smith of Kelvin, Kt
17 Ted Woods

Fred Phaswana (67)

BA, BA (Hons) and MA (Unisa), BCom (Hons) (RAU), BA (Philosophy, Politics and Economics) (Unisa)

Appointed 2009

Fred Phaswana is chairman of Standard Bank Group and The Standard Bank of South Africa. He is also chairman of the South African Institute of International Affairs and non-executive director on the board of Naspers.

Fred was previously regional president of BP Africa and chairman of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the Advisory Board of the Cape Town Graduate School of Business. He is former vice-chairman of the World Wildlife Fund South Africa and Business Leadership South Africa, and was the honorary president of the Cape Town Press Club.

He chairs the group/SBSA directors' affairs committees and is a member of the group/SBSA risk and capital management committees, the group remuneration committee, group social and ethics committee and the SBSA large exposure credit committee.

Hongli Zhang (47)

Masters Degree in Plant Genetics (Alberta), MBA (Santa Clara)

Appointed 2010

Hongli Zhang is joint deputy chairman of Standard Bank Group. He is a senior executive vice president of ICBC. He was previously chairman of Deutsche Bank (China), executive director of Goldman Sachs (Asia) and a director of Schroders Plc.

Hongli Zhang serves on the group directors' affairs committee and group risk and capital management committee.

Saki Macozoma (54)

BA (Unisa), BA (Hons) (Boston)

Appointed 1998

Saki Macozoma is joint deputy chairman of Standard Bank Group and a non-executive director of The Standard Bank of South Africa. He is chairman of Liberty Holdings, Stanlib, Tshipi e Ntle Manganese Mining, Ntsimbintle Mining and Safika Holdings. He is a director of VW South Africa and various Safika subsidiaries including Tutuwa Strategic Holdings 2. He is the current president of Business Leadership South Africa.

Saki is chairman of the group social and ethics committee. He is a member of the group remuneration committee as well as the group/SBSA directors' affairs committees and group/SBSA risk and capital management committees.

Jacko Maree (56)

BCom (Stellenbosch), MA (Oxford), PMD (Harvard)

Appointed 1997

Jacko Maree is chief executive of Standard Bank Group and a director of The Standard Bank of South Africa, Standard Bank Plc, Liberty Holdings, Stanbic Africa Holdings and Stanbic IBTC Bank PLC. He is a member of the board of the Institute of International Finance.

Jacko is a member of the group social and ethics committee, the SBSA large exposure credit committee and the group model approval committee.

Doug Band (67)

BCom (Wits), CA (SA)

Appointed 1997

Doug Band is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He currently serves as a director of the Bidvest Group, Gymnogene Investments, Deplian Investments and MIH Holdings. Previously, Doug served as managing director of CNA Gallo, chief executive of the Argus Holdings Group and chairman and chief executive of the Premier Group.

Doug is a member of the group/SBSA directors' affairs committees and group/SBSA risk and capital management committees, as well as of the group remuneration committee and the SBSA large exposure credit committee.

Richard Dunne (63)
CTA (Wits), CA (SA)
Appointed 2009

Richard Dunne is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He currently serves on the boards of Anglo Platinum, AECI and Tiger Brands, and was previously the chief operating officer of Deloitte & Touche in South Africa.

Richard is chairman of the group/SBSA audit committees and is a member of the group/SBSA risk and capital management committees.

Thulani Gcabashe (54)
BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)
Appointed 2003

Thulani Gcabashe is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is currently chairman of Imperial Holdings and MTN Zakhele and executive chairman of BuiltAfrica Holdings, and serves on the boards of the South African Energy Association and the Passenger Rail Agency of South Africa. Previously, he was chief executive of Eskom and a director of the National Research Foundation.

Thulani is a member of the group/SBSA directors' affairs committees[1] and group/SBSA audit committees.

Sam Jonah KBE (62)
ACSM, MSc, DIC, DSc (UK)
Appointed 2006

Sam Jonah KBE is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is the chairman of Jonah Capital and Gulf Resources and deputy chairman of Iron Mineral Beneficiation Services. He serves as a non-executive director of Alkemi International, South African Titanium and Vodafone Plc, and is a director of Jonah Mining, Bayport Management and Range Resources.

Sam Jonah KBE is a member of the United Nations Global Compact on Governance and serves on the International Investment Advisory Council of President Kufuor (Ghana).

Sir Paul Judge (62)
MA (Cambridge), MBA (Pennsylvania), Honorary Degrees (Cambridge, Westminster and City University), Honorary Professor (Cyprus International Institute of Management and the Sinerghia Institute in Moscow)
Appointed 2003

Sir Paul Judge is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Schroder Income Growth Fund Plc and a director of Abraaj Capital, Eurasian Natural Resources Corporation Plc, Panoramic Lease, Tempur-Pedic International Inc., Westminster Corporate Finance and United Kingdom Accreditation Service.

Sir Paul previously undertook a number of international postings and projects with Cadbury Schweppes.

Koosum Kalyan (56)
BCom (Hons) (Durban-Westville)
Appointed 2007

Koosum Kalyan is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. She is chairman of Edgo Merap and a director of Kgontsi Holdings, MTN Group, South African Bank Note, South African Mint Company, Omega Risk Solutions, Euromax, Hayleys Energy Services and Petmin Mining.

Koosum was previously senior business development manager at Shell International Exploration and Production in London, general manager for Shell Southern Africa, senior economist at the Chamber of Mines and economist at the Electricity Commission of Victoria, Melbourne Australia.

Koosum is a member of the group social and ethics committee.

[1] *Appointment with effect from 7 March 2012.*

Yagan Liu (38)

Chinese Certified Public Accountant, International Certified Internal Auditor, MA in Accounting (Beijing Technology Business University), Doctorate in Accounting (Research Institute for Fiscal Science, Ministry of Finance)

Appointed 2008

Dr Yagan Liu is a non-executive director of Standard Bank Group. He is currently chief representative of ICBC African Representative Office, and is the leader of the ICBC work team in Standard Bank Group.

Dr Yagan Liu serves as an alternate director to Hongli Zhang on the group directors' affairs committee and group risk and capital management committee.

Kgomotso Moroka (57)

BProc (University of the North), LLB (Wits)

Appointed 2003

Kgomotso Moroka is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. She is chairman of Gobodo Forensic & Investigative Accounting and is a director of Multichoice South Africa Holdings, Netcare and South African Breweries.

Kgomotso is a senior advocate. She has acted as a judge in the Witwatersrand Local Division and was past chairperson of Advocates for Transformation (Johannesburg branch). She is currently a trustee of the Nelson Mandela Children's Fund, Project Literacy, the Market Theatre, the Apartheid Museum and Tswaranang Legal Advocacy Centre.

Chris Nissen (53)

BA (Hons), MA Humanities (Cape Town), Diploma in Theology

Appointed 2003

Chris Nissen is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Boschendal, Cape Empowerment and Ascension Properties, and is a director of Woolworths.

Chris is a member of the group social and ethics committee.

Cyril Ramaphosa (59)

BProc (Unisa)

Appointed 2004

Cyril Ramaphosa is a non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Shanduka Group, Auram Restaurants Company (t/a McDonalds SA), the Bidvest Group and MTN Group. He is co-chairman of Macsteel Services Centre SA and Mondi Plc.

Cyril is a director of Alexander Forbes Equity Holdings, Kangra Coal, Lonmin Plc, SABMiller Plc, TBWA Hunt Lascaris and Tutuwa Strategic Holdings 1.

Cyril is a member of the group/SBSA directors' affairs committees.

Simon Ridley (56)

BCom (Natal), CA (SA), AMP (Oxford)

Appointed 2009

Simon Ridley is an executive director of Standard Bank Group and The Standard Bank of South Africa. He serves as a director of Standard Bank Argentina SA, Standard International Holdings SA, Stanbic Africa Holdings and SBIC Investments, as well as Tutuwa Staff Holdings and Tutuwa Community Holdings.

Simon is a member of the SBSA large exposure credit committee.

Myles Ruck (56)

BBusSc (Cape Town), PMD (Harvard)

Appointed 2002

Myles Ruck is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Standard Bank Argentina SA and a director of Aveng, Mr Price Group and Thesele Group.

Myles was previously chief executive of Standard Corporate and Merchant Bank, deputy chief executive of Standard Bank Group and chief executive of Liberty Group.

Myles is chairman of the group/SBSA risk and capital management committees and the SBSA large exposure credit committee.

Lord Smith of Kelvin, Kt (67)
CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)
Appointed 2003

Lord Smith is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Scottish and Southern Energy Plc, The Weir Group Plc and 2014 Commonwealth Games Organising Committee.

Lord Smith was formerly chairman and chief executive of Morgan Grenfell Private Equity and chief executive of Morgan Grenfell Asset Management, before becoming vice chairman of Deutsche Asset Management. He has also held a number of other positions in the financial services industry. He is a past president of the Institute of Chartered Accountants of Scotland.

Lord Smith is a member of the group/SBSA audit committees.

Ted Woods (65)
BCom (Wits), MBA (Cape Town), CA (SA), CFA
Appointed 2003

Ted Woods is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He was previously chairman of Deutsche Securities in South Africa.

Ted is chairman of the group remuneration committee and is a member of the group/SBSA audit committees and the group/SBSA risk and capital management committees[1].

[1] *Appointment with effect from 7 March 2012.*

Dear Shareholder

Rewards to bankers are of deep concern to shareholders, regulators and taxpayers across much of the world. Correctly, a spotlight is on remuneration that is inappropriately high when measured against sustainable value created.

Two issues, among many, are sharply highlighted. Firstly, remuneration designs and levels of pay affect human motivations and decisions, and consequently, risk outcomes that are ultimately borne by shareholders. Pay must therefore reflect value delivered, adjusted appropriately for risk assumed. This is not negotiable.

Secondly, risk in a bank is also shaped by the calibre of human abilities that the bank can attract and retain. Top level financial skills are in demand globally, and the price for such talent is a function of supply and demand. The cost to a bank and its stakeholders of losing highly skilled and experienced people should not be downplayed. Remuneration scheme designs and levels of pay must therefore be competitive in the international marketplace.

Conservatism and competitiveness confront each other in banking remuneration. Standard Bank has not been constructed upon a bonus-centric culture with all its distortions. It rewards good people well, but strives to build teams of people who are energised by the strategic potential and human values of the group. These are the foundations of intrinsic motivation and loyalty.

Loyalty is, of course, reciprocal. The group remuneration committee (remco) works to reward all our people in a manner that is fair to both the individual and to shareholders, that is competitive in the marketplace and acceptable to regulators. These are bedrock principles in our remuneration designs.

In this context, remco resolved in 2011 to commission an external assessment of the fairness and competitiveness of our deferred remuneration vehicles. Deloitte Consulting was mandated to conduct a full, groupwide review of those schemes.

The findings of that review, together with remco's own analysis, have led to improvements in our remuneration designs. I should like briefly to touch on several of those changes, although more details are given in the remuneration report that follows.

Senior executive personal shareholdings in Standard Bank Group effectively place our leaders in the same risk-reward environment as shareholders. Consequently, our key senior executives will, from 2012, be required to maintain shareholdings valued at least at the average of their last three years' total reward. This is a long-term requirement and shareholdings may be accumulated over time. Where valuation shortfalls occur, the full after-tax value of deferred compensation that vests will be applied in acquiring additional shares until the required shareholding is in place. This provision applies to incentive awards granted from March 2012.

These personal shareholdings will be in addition to the exposure our leaders have to the Standard Bank share price through deferred remuneration schemes. Remco believes that the principle underlying these requirements is correct at this time.

Our deferred bonus schemes, with some design amendments, remain the default vehicle for retaining deferred remuneration. Deferral percentages have been increased and standardised on a marginal percentage basis across the group, subject to local regulatory requirements. Vesting will now be in three equal tranches at 18, 30 and 42 months across all African-based employees, replacing a single vesting at 36 months.

'Clawback' of deferred remuneration, triggered in specific circumstances, continues unchanged.

From 2011 we give senior executives the choice at award date to have the value of their deferred remuneration, or part thereof, invested in the equity growth scheme (EGS), which is an option-type scheme, rather than in the deferred bonus scheme (DBS). Freedom for each executive to choose is, we believe, a positive and constructive feature.

As a shareholder, you may have a particular interest in the performance conditions attached to our EGS and group share incentive scheme (GSIS) awards to senior executives. The primary condition is that the group delivers real compound headline earnings growth over the vesting period. The purpose is clear. Those executives who are accountable for our group's performance should pay a personal price for low earnings growth.

But such conditionality can be a double-edged sword. Penalising strongly performing executives for unusually adverse external environments can erode motivation and morale. For this specific reason, failure to achieve real earnings growth over any vesting period triggers two consequences. Firstly, vesting is delayed by one year. Secondly, the period of the real compound earnings growth test is extended by one year. If that longer test fails, vesting is lost, subject to partial mitigation at remco's sole judgement should specific circumstances be present.

Each year remco performs detailed evaluations of the performances of the group chief executive, the deputy chief executives and other senior executives. Criteria emphasise a range of financial performance measures, but also include sound judgement, integrity, human leadership, innovation and delivery against board-approved strategy. We do not slavishly correlate with current year performance, but analyse multi-year evidence. Remco's decisions on senior executive remuneration are anchored in this process.

The group chief executive was awarded no annual incentive in the banking environments of 2009 and 2010. Remco members were unanimous in resolving that this was no longer appropriate in 2011. A high standard of excellence has characterised the chief executive's leadership of your group in remco's evaluation, and this reflects in variable remuneration awarded to Jacko Maree in 2011. Your board of directors fully endorses this assessment.

Feedback from shareholders and other stakeholders on our remuneration policies and practices is highly valued. One suggestion, for example, was that variable remuneration should be formulaically capped at a multiple of fixed remuneration. Another was that a ceiling should be placed on the ratio of the chief executive's pay to the average employee's pay. Such subjects are thoroughly analysed by remco members. Our objective is to take decisions in the best long-term interests of a sustainable, growing business, for the benefit of shareholders.

I trust that the remuneration report which follows will give you a clear, high-level understanding of our remuneration governance. The integrity of our remuneration system is paramount. Beneath that overarching demand, we seek to harmonise our people costs with our competitiveness for vital skills and the returns delivered to you and other stakeholders over time.

Yours sincerely,

Ted Woods

Ted Woods
Chairman, remco
7 March 2012

Introduction

Executive remuneration continued to attract scrutiny internationally during 2011. The year began with the Financial Services Authority (FSA) in the United Kingdom (UK) implementing its Remuneration Code. During March, the Securities and Exchange Commission (SEC) in the United States adopted rules requiring listing standards for board remuneration committees and remuneration advisers. In October, the Institute of International Finance together with Oliver Wyman published a report titled 'Compensation Reform in Wholesale Banking 2011: Assessing Three Years of Progress.' The report provided an overview of steps taken by the industry in applying the Financial Stability Board's Principles for Sound Compensation Practices and establishing risk-aligned compensation systems. Its findings indicated that although much progress had been made, the practical implementation of standards was complex.

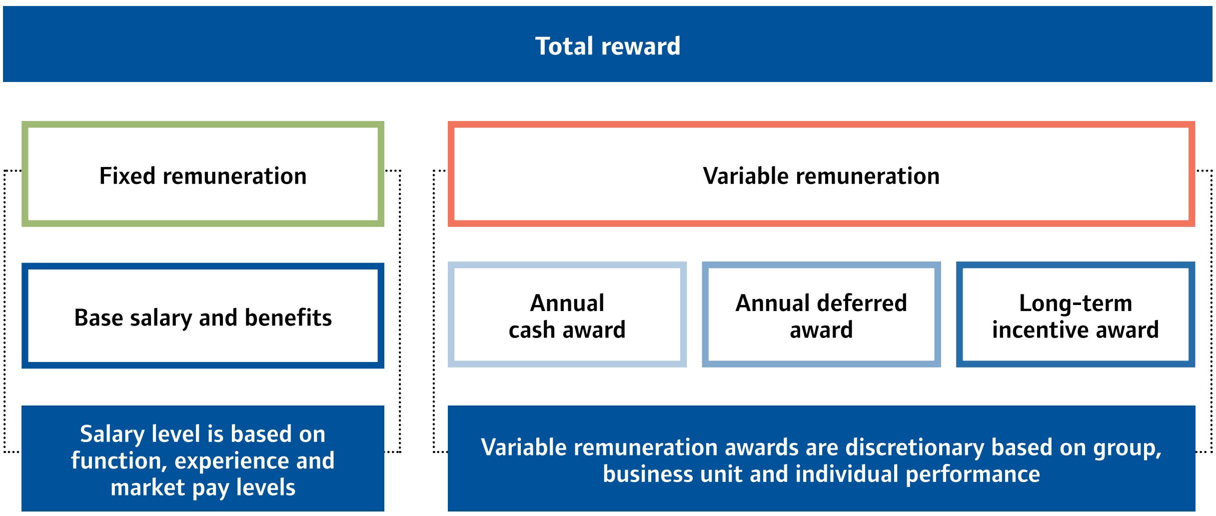
Locally, the SARB requested banks to complete a questionnaire based on the Financial Stability Board's compensation document and provide further disclosure based on the Basel Committee's requirements for remuneration (pillar 3 disclosure).

Standard Bank continues to engage with regulators in South Africa and the UK to ensure that the group's remuneration philosophy and practices meet or surpass developing requirements, maintain market competitiveness and promote effective risk management. Specific responses have included increasing the rates of deferral on annual incentives and ongoing refinement of the group's approach to risk-adjusted remuneration.

This remuneration report contains greater detail than in prior years, without compromising the need to protect competitive information.

Remuneration structure

Our reward strategies and remuneration structure are designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Consideration is given to total reward and the appropriate balance between fixed and variable pay for all employees, depending on seniority and roles.



Fixed remuneration

Given the range of countries in which we operate, local statutory and regulatory requirements often dictate how we structure our reward and benefits programmes. The table below summarises the key components of our typical reward arrangements.

Element	Purpose	Detail
Base salary	To attract and retain employees.	We seek to remain competitive and our annual review takes into account available market data. Increases take effect on 1 March each year and are based on individual and business unit performance. We are moving towards a cost-to-company approach where benefits, both compulsory and optional, are deducted from fixed pay.
Compulsory benefits	To encourage retirement savings[1] and to cater for unforeseen life events.	Pension and disability plans, death cover[2] and medical insurance take into account in-country practices and requirements[3].
Optional benefits	To enhance the package available to employees.	These benefits (for example, car allowances) vary and take into account in-country practices and requirements.

[1] The majority of the group's defined benefit fund arrangements have been replaced by defined contribution arrangements, except where local legislation requires otherwise or members enjoy ongoing defined benefits under old scheme rules.

[2] Death benefit cover is provided in almost all countries, either through self-insurance from within the pension funds or through external underwriting.

[3] Healthcare is provided in most countries. The level of cover varies according to local market practice. In South Africa, employees recruited from 1 March 2000 do not receive post-retirement healthcare benefits. Employees recruited prior to 1 March 2000 have post-retirement healthcare funding through a post-employment healthcare benefit fund. In a limited number of countries, post-retirement medical aid subsidies may be provided, usually for a limited period. Typically, retiring employees may secure, at their own expense, continued cover through the existing provider.

Variable remuneration

The group provides annual incentives to reward performance appropriately. Major business units and enabling functions make incentive pools available for this purpose.

Remco annually approves the group's primary incentive pools and oversees the principles applied in allocating these pools to divisions and individual employees. These pools are derived from a combination of group and divisional profitability and multi-year financial metrics, taking into account capital utilised, risks taken to generate profits and, where appropriate, an evaluation of future development and growth prospects.

Incentive pools for group enabling functions (for example risk, compliance and finance) are derived independently of business units. The heads of the respective functions make incentive recommendations, which are reviewed by the chief executive and discussed by a formal internal review committee comprising senior executives before being approved by remco.

The reward process is not an isolated event; it is integrated into the individual performance management process and, at a business unit and group level, into the annual planning and reporting processes.

Element	Purpose	Detail
Annual incentive award comprising of: • Annual cash award • Annual deferred award	To incentivise the delivery of our objectives, balancing short-term performance and risk taking with sustainable value creation for shareholders.	All awards are discretionary. Individual awards are based on a combination of group, business unit and individual performance (both financial and non-financial metrics over a multi-year period) and include effective risk management and compliance. Awards above R1 million (or equivalent) are subject to deferral.
Long-term incentive award	To incentivise key senior executives and critical mid-level talent to take decisions based on the long-term interests of the group.	All awards are discretionary. Awards for senior executives take into account the importance of long-term performance and are thus conditional.

Discretionary incentive scheme for South African general staff

In 2011 the previous value-sharing scheme, based on the achievement of financial and other targets, was replaced by an annual incentive award scheme. The incentive pool for the new scheme is derived on the same basis as for managers and executives. Individual awards are based on a combination of group, business unit and personal performance across both financial and non-financial measures. Effectively this means that the domestic business has the same annual incentive award system covering all employees.

Deferral schemes

In principle, remco wants senior executives to be significantly invested in the Standard Bank Group over time, thereby strengthening alignment between management and shareholders. Therefore, all incentive awards, above a minimum level, are deferred in part and the deferred portion linked in value to the Standard Bank share price during the deferral period. The percentage of deferred remuneration has been increasing and varies with the amount and by geography. Vesting conditions attached to deferred awards and long-term incentives make provision for clawback and forfeit of unvested awards, as detailed below.

Deferred bonus scheme (DBS) award

From the 2008 financial year, the bank implemented the DBS for management and executives based in South Africa and this has now been extended across Africa. Remco reviews the deferral threshold, rates and vesting periods annually. The deferral levels have been increased this year and are now set at a maximum marginal rate of 50%.

Quanto stock unit plan award

Our business outside Africa operates a deferred share plan in the form of the Quanto stock unit plan. The scheme was developed in 2007 to retain employees and promote equity ownership. The scheme will continue as the deferral mechanism for staff outside Africa in 2012.

Details of our deferral schemes

Scheme	Purpose	Detail
DBS – employees in Africa including South Africa	To encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.	Employees granted an annual performance award over a threshold have part of their award deferred over a 42-month period. The award is indexed to the group's share price and accrues notional dividends during deferral, which are payable at vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. Clawback is triggered under certain conditions. Additional incremental payments will continue for legacy DBS awards made up to and including 2011. Final payout is determined with reference to the group's share price at the vesting dates. The maximum marginal DBS deferral rates have been increased this year to 50%.
Quanto stock unit scheme – employees in businesses outside Africa	To encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.	Employees are granted an annual performance award in Quanto stock units linked to the group's share price denominated in US dollars. The awards vest in three equal annual increments starting 12 months after the award. For Code Staff however, payment of the vested portion is then subject to a further six month retention. Clawback is triggered under certain conditions. Final payout is determined with reference to the group's share price at the exercise date. The maximum deferral rates remain at 60% for UK and international employees (including Code Staff). For the residual cash portion, half is deferred into Quanto units for a further six months, with half paid in cash at award time.

The release of deferred incentive awards under the DBS for employees in South Africa and the rest of Africa is illustrated below.

Performance period	Deferral period			
	March award	September 1st vesting date 1/3	September 2nd vesting date 1/3	September 3rd vesting date 1/3
2011	**2012**	**2013**	**2014**	**2015**

Schedule of DBS payments

Award value	Payment method	September 2012	September 2013	September 2014	September 2015
<R500 000	Cash in March 2012				
≥R500 000, ≤R1 million	First R500 000 in cash in March 2012	Balance in cash			
>R1 million, ≤R3 million	Cash to R1 million, over R1 million deferred at 30%		1/3 of deferred amount indexed to group share price plus notional dividends	1/3 of deferred amount indexed to group share price plus notional dividends	1/3 of deferred amount indexed to group share price plus notional dividends
>R3 million, ≤R5,5 million	Cash to R1 million, R1 million up to R3 million deferred at 30%, over R3 million deferred at 40%		1/3 of deferred amount indexed to group share price plus notional dividends	1/3 of deferred amount indexed to group share price plus notional dividends	1/3 of deferred amount indexed to group share price plus notional dividends
>R5,5 million	Cash to R1 million, R1 million up to R3 million deferred at 30%, R3 million to R5,5 million deferred at 40%, over R5,5 million deferred at 50%		1/3 of deferred amount indexed to group share price plus notional dividends	1/3 of deferred amount indexed to group share price plus notional dividends	1/3 of deferred amount indexed to group share price plus notional dividends

Clawback provision

A clawback provision on all deferral schemes was introduced with effect from 2009 and amended in 2011. The revised clawback conditions are that unvested awards may be reduced or forfeited, in full or in part, in remco's judgement if:

- there is reasonable evidence of material error or culpability for a breach of group policy by the participant;
- the group or relevant business unit suffers a material downturn in its financial performance for which the participant can be seen to have some responsibility;
- the group or relevant business unit suffers a material failure of risk management for which the participant can be seen to have some responsibility; or
- any other circumstance, at remco's discretion, applies.

Remco ensures that judgements on clawbacks are equitable and take account of all relevant evidence.

Long-term incentive award

In recent years the group has granted qualifying employees, including executive directors, participation rights under EGS (for South African operations) and share options under GSIS (for non-South African operations). Key senior executives were subject to additional performance conditions, detailed below.

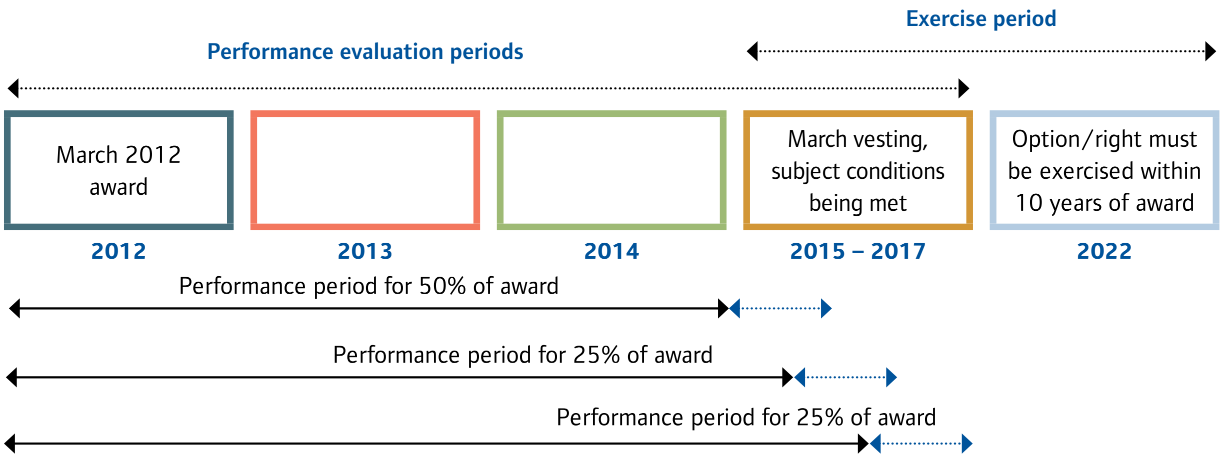
The table alongside sets out the general vesting conditions of the various options or participation rights issued. Remco has the discretion to vary the vesting categories but not the expiry periods.

New EGS and GSIS awards will be restricted from the 2011 performance year to key senior executives and a small number of persons regarded as critical mid-level talent. Future awards to these key senior executives will continue to be conditional and will be subject to vesting category A.

Vesting category	Year	Cumulative vesting percentage	Expiry
A	3, 4, 5	50, 75, 100	10 years
B	5, 6, 7	50, 75, 100	10 years
C	2, 3, 4	50, 75, 100	10 years
D[1]	2, 3, 4	33, 67, 100	10 years

[1] New vesting category. Awards under category D are similar in vesting to category C but with a longer average duration over the cumulative vesting period.

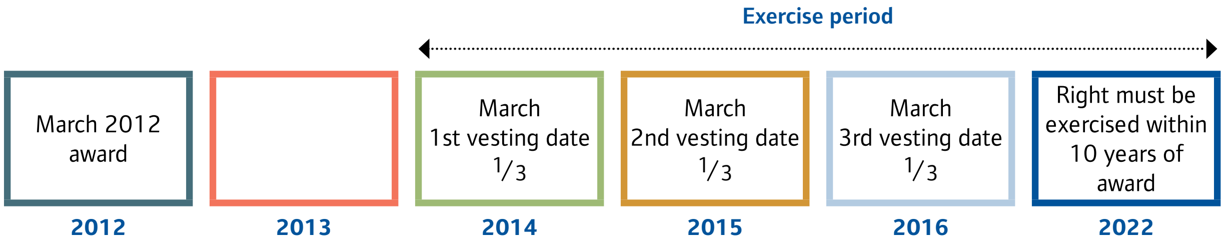
The release of EGS rights subject to conditions under vesting category A is illustrated below.



Potential one year extension to vesting period.

Where employees (within South Africa and the rest of Africa) have deferred awards above R2 million (or equivalent), they are offered a choice on award date to have the value of their deferred award, or part thereof, invested in the EGS (vesting category D), rather than the default DBS. To the extent that they select EGS they receive a premium of 10% of the value of the award. This premium encourages executives to accept 10-year exposure to the Standard Bank share price and compensates for a longer vesting period in relation to DBS.

The release of EGS for staff in South Africa and the rest of Africa, under vesting category D, who elect EGS, is illustrated below.



The combined maximum award to an employee, in terms of the EGS and GSIS, is not more than 2,5% of the total number of shares reserved for both schemes.

Performance criteria for 2011

Remco believes that the setting of performance criteria needs to balance the desire for consistent financial growth with the recognition of the inherent complexity and diversity of the group's operations. Remco incorporates both quantitative and qualitative measures into performance criteria. Variable remuneration is not linked to revenue or profit targets in a formulaic way.

In general, performance criteria for individual employees are set at the start of each year as part of the performance management process. These are monitored during the year with adjustments made if an individual's role changes.

Performance criteria for annual incentive awards

The incentive award offered to the group chief executive, group financial director and the group's prescribed officers is subject to remco's assessment of performance against various predetermined criteria.

As a general principle these criteria are weighted as follows:

- 70% financial (against a range of financial metrics, together with delivery of financial objectives related to strategic initiatives); and
- 30% non-financial (targets cover qualitative aspects of leadership and delivery against board-approved strategy).

The financial criteria applied by remco to the executive directors and the prescribed officers for 2011 included performance against earnings growth objectives, achieving rigorous cost control targets and increasing return on equity.

Performance conditions for long-term incentive awards

Long-term incentive awards granted to key senior executives are subject to a vesting condition over and above duration of service. The condition is that real growth in group normalised headline earnings per share, calculated on a compound annual growth basis, must be achieved during each of the vesting periods in question. Should this condition not be met, the vesting period is extended by one year and the vesting condition must be met across the extended vesting period.

Should the condition not be met across the extended vesting period, remco may exercise its discretion over specific individuals in allowing a percentage of the award to vest. Remco may exercise such discretion if it determines that the reasons for the failed condition were beyond the control of specific executives. Such discretion is limited in aggregate to 50% of the award which is due to vest.

Risk management and remuneration

The risk and capital management summary on page 125, and the risk and capital management report on page 1 of book II provides comprehensive detail on all the risk types the group is exposed to and describes the methods used to measure, manage and report them.

The group chief risk officer reports annually to remco on the application of the group's risk framework across major business lines and on significant breaches of risk management policies by individuals. This report provides a qualitative measure that informs remco's determination of the overall incentive pools for business units and the individual incentive awards of senior managers and executives. The group chief risk officer is consulted when changes are made to the design of remuneration plans.

The group financial director reports annually to remco on risk-adjusted performance and remuneration. The report includes an analysis of group and business unit risk-adjusted metrics across a range of risk types and their relationships to incentive pools. Remco thus considers risk-adjusted return information when setting and approving business unit incentive pools. Specific risk-adjusted performance targets are not formulaically applied in determining these pools.

The group head of human resources reports annually to remco on all significant governance breaches and their impacts on individual remuneration.

Remco pays specific attention to:

- adverse internal audit findings on weaknesses in the internal control environment;
- breaches of the regulatory requirements applicable to operations;
- operational risk losses;
- risk appetite breaches;
- limit breaches, particularly by trading desks; and
- breaches of the credit risk control environment.

Remco ensures that individuals, particularly senior employees, are not rewarded for exposing the bank to unnecessary or excessive levels of risk.

During 2011, remco found no evidence to implement clawbacks.

Distribution of material risk takers and employees with deferred remuneration

The Financial Stability Board's Principles for Sound Compensation Practices defines material risk takers as those employees (including Code Staff) whose professional activities could have a material impact on the group's risk profile. A total of 103 individuals (of a population of 1 280 employees with deferred remuneration) were identified as material risk takers in 2011.

	Number
Senior executives and prescribed officers	5
Other senior executives	23
Other employees whose individual actions have a material impact on risk exposure	75
The most highly paid employees not covered above	–
Material risk takers	**103**
All other employees who received deferred remuneration	1 177
Total	**1 280**

Refer to page 107 for more information.

Reward decisions made in respect of the past performance period

Following its detailed evaluation of all relevant aspects of the group's 2011 financial and risk-adjusted performance and delivery against board-approved strategy, remco approved an increase in the total group incentive pool, excluding Liberty, of 18%.

Remco oversees both principles and practices relating to the allocation of the group pool to the main business units and group enabling functions.

Remco scrutinises total reward proposals, with underlying elements of fixed and variable remuneration, for over 300 senior executives across the group. Remco interrogates responsible executives for the motivations underlying individual proposals. The purpose of this analysis is to ensure consistency of approach and appropriate recognition of individual performance.

Non-executive directors

In determining the fees for non-executive directors, some of whom are members of board committees, remco considers the extent and nature of their responsibilities. It also reviews comparative remuneration offered by other major South African and international banks and top South African listed companies.

Fees

Non-executive directors receive fixed fees for service on boards and board committees. There are no contractual arrangements for compensation for loss of office for either executives or non-executive directors. Non-executive directors do not receive annual incentive awards, nor do they participate in any long-term incentive schemes. Remco reviews the fees paid to non-executive directors annually and makes recommendations to the board for consideration and shareholder approval.

Proposed fees, effective from 1 January 2012, are based on a carefully considered assessment of the increased responsibility placed on non-executive directors, due to:

- increased requirements for regulatory and legislative oversight;
- increased time required; and
- increased risk assumed.

The board agreed that the current fee structure of a single annual fee, rather than a retainer and meeting attendance fee, was more appropriate for the group board and committees and the contribution of members.

Fees are paid quarterly in arrears, with any increased fee amount only being paid once approved by shareholders.

Directors' and prescribed officers' emoluments 2011

	Fixed remuneration				
	Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Cash portion of package R'000	Other benefits R'000
Non-executive directors					
DDB Band	171	389	302		
RMW Dunne	171	711	172		
TS Gcabashe	171	194	172		
SE Jonah KBE	171		172		
Sir Paul Judge	430		430		
KP Kalyan	171	77	172		
Yagan Liu	430	163			
SJ Macozoma	171	544	2 066		
KD Moroka	171		172		
AC Nissen	171	77	172		
TMF Phaswana	4 000				284[1]
MC Ramaphosa	171	74	172		
MJD Ruck	171	822	1 071		
Lord Smith of Kelvin, Kt	430	194	430		
EM Woods	171	486	172		
Hongli Zhang	430	284			
Subtotal	7 601	4 015	5 675		284
Former non-executive directors					
RP Menell[2]	16	28	15		
Subtotal	16	28	15		
Executive directors					
JH Maree				5 595	423
SP Ridley				4 087	212
Subtotal				9 682	635
Subtotal board	7 617	4 043	5 690	9 682	919
Prescribed officers					
BJ Kruger				5 268	143
SK Tshabalala				4 713	227
PG Wharton-Hood				5 337	152
JB Hemphill				4 208	110
Subtotal				19 526	632
Total	7 617	4 043	5 690	29 208	1 551

[1]*Use of motor vehicle.*
[2]*Resigned on 4 February 2011.*
[3]*In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.*
[4]*In terms of the DBS 2012 described on page 109, the amount finally payable is dependent on the performance of the group's share price.*
[5]*Awards granted to key senior executives in March 2012 for the EGS are valued using the Black Scholes methodology and are subject to a performance condition as set out on page 98, over and above the duration of service.*
[6]*Awards are made in terms of the Liberty Group Deferred Bonus Scheme and Equity Growth Scheme. Details are available in the Liberty Holdings Limited integrated annual report.*

		Variable remuneration			
Pension contri-butions R'000	Total fixed remuner-ation R'000	Cash award R'000	Deferred award R'000	Value of options/ rights granted (EGS) R'000	Total remuner-ation for the year R'000
	862				862
	1 054				1 054
	537				537
	343				343
	860				860
	420				420
	593				593
	2 781				2 781
	343				343
	420				420
	4 284				4 284
	417				417
	2 064				2 064
	1 054				1 054
	829				829
	714				714
	17 575				17 575
	59				59
	59				59
895	6 913	8 786[3]	9 043[4]	2 500[5]	27 242
514	4 813	5 881[3]	5 600[4]	1 500[5]	17 794
1 409	11 726	14 667	14 643	4 000	45 036
1 409	29 360	14 667	14 643	4 000	62 670
858	6 269	9 506[3]	9 763[4]	2 500[5]	28 038
454	5 394	8 200[3]	7 900[4]	2 500[5]	23 994
840	6 329	8 631[3]	8 888[4]	2 500[5]	26 348
394	4 712	7 332[3]	2 713[6]	6 000[6]	20 757
2 546	22 704	33 669	29 264	13 500	99 137
3 955	52 064	48 336	43 907	17 500	161 807

Directors' and prescribed officers' emoluments 2010

	Fixed remuneration				
	Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Cash portion of package R'000	Other benefits R'000
Non-executive directors					
DDB Band	161	464	253		
RMW Dunne	161	527	161		
TS Gcabashe	161	182	161		
SE Jonah KBE	161		161		
Sir Paul Judge	392		392		
KP Kalyan	161	72	161		
Yagan Liu	392	188			
SJ Macozoma	161	548	1 971		
RP Menell[1]	161	280	161		
KD Moroka	161		161		
AC Nissen	161	72	161		
TMF Phaswana[2]	2 293	190	65		102[3]
MC Ramaphosa	161	57	161		
MJD Ruck	161	411	944		
Lord Smith of Kelvin, Kt	392	182	392		
EM Woods	161	410	222		
Hongli Zhang[4]	91	72			
Subtotal	5 492	3 655	5 527		102
Former non-executive directors					
DE Cooper (chairman)[5]	1 522		342		65[3]
MJ Shaw[7]	21	486	21		
Kaisheng Yang[8]	300	216			
Subtotal	1 843	702	363		65
Executive directors					
JH Maree				5 428	246
SP Ridley				3 184	178
Subtotal				8 612	424
Subtotal board	7 335	4 357	5 890	8 612	591
Prescribed officers					
BJ Kruger				5 138	232
SK Tshabalala				4 668	161
PG Wharton-Hood				4 456	171
JB Hemphill				4 002	101
Subtotal				18 264	665
Total	7 335	4 357	5 890	26 876	1 256

1 Resigned on 4 February 2011.
2 Appointed chairman of the group effective from 27 May 2010.
3 Use of motor vehicle.
4 Appointed on 8 October 2010.
5 Retired as chairman of the group effective from 27 May 2010.
6 Mr Cooper received a gratuity of R7 500 000 on retirement and R15 000 as a pro-rated payment as a trustee of the pension fund.
7 Retired with effect from 27 May 2010.
8 Resigned with effect from 8 October 2010.
9 In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.
10 In terms of the DBS described on page 109, the amount finally payable is dependent on the performance of the group's share price.
11 Awards granted to key senior executives in March 2011 for the EGS are valued using the Black Scholes methodology and are subject to a performance condition as set out on page 98, over and above the duration of service.
12 The deferral amount was awarded in the Liberty Group Scheme. In addition, an amount of R3 500 000 was awarded in the Liberty Group share unit rights plan. Details are available in the Liberty Holdings Limited integrated annual report.
13 Awards made in the Standard Bank Equity Growth Scheme amounted to R1 000 000 and in the Liberty Equity Growth Scheme R1 900 000.

			Variable remuneration			
Pension contributions R'000	Otherwise in connection with the affairs of SBG and its subsidiaries R'000	Total fixed remuneration R'000	Cash award R'000	Deferred award R'000	Value of options/rights granted (EGS) R'000	Total remuneration for the year R'000
		878				878
		849				849
		504				504
		322				322
		784				784
		394				394
		580				580
		2 680				2 680
		602				602
		322				322
		394				394
		2 650				2 650
		379				379
		1 516				1 516
		966				966
		793				793
		163				163
		14 776				14 776
	7 515[6]	9 444				9 444
		528				528
		516				516
	7 515	10 488				10 488
851		6 525				6 525
432		3 794	2 623[9]	553[10]	8 000[11]	14 970
1 283		10 319	2 623	553	8 000	21 495
1 283	7 515	35 583	2 623	553	8 000	46 759
824		6 194	8 666[9]	2 310[10]	8 000[11]	25 170
448		5 277			8 000[11]	13 277
624		5 251	7 492[9]	5 185[10]	6 000[11]	23 928
363		4 466	4 850[9]	4 650[12]	2 900[13]	16 866
2 259		21 188	21 008	12 145	24 900	79 241
3 542	7 515	56 771	23 631	12 698	32 900	126 000

The King Code calls for disclosure of the remuneration of the three highest paid employees. The Companies Act requires disclosure of the remuneration of executive directors and prescribed officers; this disclosure is provided on pages 100 to 103 and pages 108 to 113. In light of the individual remuneration information that is reported and the cost of revealing competitive information, the board has resolved that it will not report specifically on the remuneration of the three highest earning persons.

Remuneration framework

Remuneration strategy

Standard Bank Group is building the leading African financial services organisation. At the heart of our strategy is the value we place on our people as our primary differentiator. Highly skilled and experienced people, both business generators and enablers, are essential in delivering sustainable growth for shareholders within prudent risk boundaries.

A strategic focus is therefore continually to build the depth, breadth and calibre of human capital required to deliver group strategy. Effective leadership and reward of our human resources is considered a core competency for the group.

The primary imperative of our remuneration strategy is to implement designs and practices that only reward value delivered, adjusted appropriately for risk assumed.

A second objective in strategy is to be competitive in remuneration in the global marketplace for skills. We seek to reward all our people in a manner that is fair, both to the individual and to shareholders, while avoiding a bonus-centric culture that distorts motivations and may encourage excessive risk-taking.

Promoting effective teamwork is a third vital component of remuneration strategy. Remuneration scheme designs and performance evaluation processes must motivate strong and sustained performance within teams.

Within this wider strategic context, remco seeks to design and implement structures and practices that are specifically tailored to the group's business strategy. It does not, therefore, emulate designs and practices used by competitor groups.

Principles that underpin our remuneration strategy

The key principles that underpin our reward strategy, reward structures and individual reward are as follows:

- We reward sustainable, long-term business results.
- We do not discriminate against employees based on diversity or physical difference.
- The reward focus is on total reward, being fixed and variable remuneration. We seek to be competitive in both elements, but annual incentives are not a function of guaranteed package.
- We create an appropriate balance between the fixed and variable elements of total reward. A deferral policy affects annual incentives above predetermined levels. Deferred amounts are indexed to the share price and vesting is subject to specific conditions.
- We determine all elements of pay based on an understanding of market remuneration levels and internal relative remuneration.
- Remuneration structures encourage a focus on achieving agreed deliverables and behaviours, rather than hours worked.
- Individual performance appraisals identify talent at all levels in the organisation, enabling fair and competitive remuneration.
- Individual rewards are determined according to group, business unit and individual performance.
- We reward experience, performance relative to others doing similar work and performance against the market.
- The principles of individual reward differentiation are transparent and are based on quantitative and behavioural performance, as well as retention.
- We ensure that key senior executives are significantly invested in the group share price over time.
- Remuneration designs optimise corporate tax efficiency and comply with all legal and regulatory requirements.

Remco is firmly committed to appropriate disclosure of reward principles and structures to all relevant stakeholders, including employees, unions and shareholders. This is aimed at enabling stakeholders to make a reasonable assessment of reward strategy, structures and associated governance processes. In seeking to inform stakeholders, remco takes account of the need to protect competitive information.

Changes to remuneration structure

During the year remco approved a number of important changes to the remuneration structure:

- The DBS will now be applied across Africa.
- Deferral rates under the DBS will be increased up to a 50% maximum marginal rate.
- Notional dividends under the DBS will be paid at vesting.
- Vesting under the DBS will now be in three equal tranches at 18, 30 and 42 months. This replaces a single vesting at 36 months.

- The use of long-term incentive awards (EGS and GSIS) will now be restricted to key senior executives and a small number of persons regarded as critical mid-level talent.
- Deferred share type programmes (DBS or Quanto stock unit scheme) will primarily be used for employees with deferred awards above R1 million (or equivalent) although they will be offered the choice, for awards above R2 million (or equivalent), to have the value of their deferred awards, or part thereof, invested in the EGS instead of the default DBS.
- The value sharing scheme for general staff in South Africa has been converted to a discretionary bonus scheme, to align with the existing incentive award scheme for managers and executives.

Governance

Remco composition

The majority of remco members are independent non-executive directors without any business or other relationships that could materially interfere with the exercise of their independent judgements. All remco members are also members of key oversight committees to ensure that they are able to monitor risk trends across the group.

Members of remco have unrestricted access to information that informs their independent judgement on the possible effects that remuneration may have on compliance with risk, regulatory and behavioural controls.

There were not changes to the composition of remco during the year.

Attendance at scheduled meetings of remco and other committee memberships in 2011 is set out below.

Member	Feb	Aug	Nov	Other committees
EM Woods (chairman)[a]	✓✓	✓	✓	1, 2
DDB Band[a]	✓✓	✓	✓	2, 3, 4
SJ Macozoma[b]	✓✓	✓	✓	2, 4, 5*
TMF Phaswana[a]	✓✓	✓	✓	2, 3, 4, 5

[a]Independent non-executive member.
[b]Non-executive member.

[1]Group/SBSA audit committees.
[2]Group/SBSA risk and capital management committees.
[3]SBSA large exposure credit committee.
[4]Group/SBSA directors' affairs committees.
[5]Group social and ethics committee, previously known as the group transformation committee.
**Chairman of committee.*

The group chief executive and deputy chief executives attend meetings by invitation. Other members of executive management are invited to attend when appropriate to assist the committee in fulfilling its mandate. No individual, irrespective of position, is present when his or her remuneration is discussed.

Terms of reference

During the course of the year, the remco mandate was reviewed in light of global regulatory developments, the adoption of the new Companies Act in South Africa and with reference to the recommendations of the King Code. No changes were made to the terms of reference, which are to:

- Review and recommend to the board for approval the overall remuneration philosophy, policy and practices of the group, with the policy being put to shareholders for approval.
- Based on a review of performance, agree the individual remuneration packages of the chairman, group chief executive, SBSA chief executive and other key senior executives.
- Review and recommend the fees payable to the chairman and non-executive directors that are subject to board and shareholder approval.

- Review and approve any major changes to the design of employee remuneration throughout the Standard Bank Group.
- Review remuneration structures for subsidiary companies and ensure that their approaches and policies are in line with group policy and practice.
- Consider the fixed and variable remuneration of the group's highest-paid executives and managers.
- Consider the average percentage increase of the fixed remuneration of executive management across the group, as well as variable incentives.
- Agree incentive schemes and awards across the group.
- Review the performance measures and criteria used in variable remuneration awards for all employees.

Advisers

In 2011, remco and management sought guidance on, and benchmarking of, remuneration from a number of advisers, in relation both to international and South African remuneration and benefits. Information and guidance was received from Deloitte, Hay Group, Remchannel (now part of PricewaterhouseCoopers), Employment Conditions Abroad, McLagan and Towers Watson. In terms of market comparisons and benchmarking, reviews are made against other major South African, African and international banks and top listed companies.

Remco uses the input from these firms to inform the appropriate remuneration philosophy and policies and investigate market practice in relation to fixed and variable remuneration. The board approves remco's proposals and, where necessary, submits proposals to shareholders for approval.

Certain specialist divisions in the group, for example risk, compliance, human resources, group finance, governance and assurance, provide supporting information and documentation relating to matters considered by remco.

Overview of subsidiaries and group operations

Remco takes overall responsibility for remuneration policies and structures across the group and oversees the remuneration practices of the group's subsidiaries. Where appropriate or required by regulation, subsidiary remuneration committees operate according to local or industry-specific requirements.

Terms of employment for executive directors and prescribed officers

The notice period for the group chief executive, group financial director and the prescribed officers is one month. In line with other internationally mobile executives in the group, some executive directors and prescribed officers receive a portion of their remuneration internationally under a separate offshore contract. In terms of the memorandum of incorporation, executive directors are not subject to rotational requirements.

Retention agreements

Retention agreements are only entered into in exceptional circumstances. Retention payments have to be repaid should the individual concerned leave within a stipulated period. None of the executive directors or prescribed officers is subject to a retention agreement.

Severance payments

Local legislation and market practice and, where applicable, agreements with recognised trade unions or other employee forums determine severance payments. It is not bank policy to make substantial severance payments.

Restrictive covenants

Executive employment contracts include restrictive covenants on poaching of employees or customers. No other restraints are included in contracts.

Sign-on payments

To attract key employees it is sometimes necessary to compensate for the loss of unvested awards in their previous company. This would normally be through the appropriate group scheme subject to normal vesting terms. In certain situations a cash sign-on payment may be made on joining, subject to repayment if the employee leaves the group within a certain period.

Terms for non-executive directors

All non-executive directors receive a letter setting out the terms of their appointment.

In terms of the memorandum of incorporation, non-executive directors are required to retire at 70. The board is able to extend the tenure of directors who have not completed five years of service by the time they turn 70 to a period of five years of service.

Shareholders appoint directors at the annual general meeting (AGM). Between AGMs, the board may make interim appointments on the recommendation of the directors' affairs committee. These interim appointees are required to retire at the following AGM where they may stand for re-election. In addition, one third of the number of non-executive directors are required to retire at each AGM and may stand for re-election. If recommended by the directors' affairs committee and supported by the board, the board proposes their re-election to shareholders.

There is no limitation on the number of times a non-executive director may stand for re-election. Proposals for re-election are based on individual performance and contribution, which the directors' affairs committee reviews.

The corporate governance statement provides a review of independence of those directors who have served on the board for more than nine years.

Quantitative disclosures on variable remuneration

Employees considered material risk-takers	Number of employees	Variable remuneration as a percentage of total remuneration	Percentage of variable remuneration deferred[1]	Deferral period (years)	Percentage of variable remuneration in shares or share-linked instruments	Percentage of variable remuneration subject to risk adjustment
Senior executives and prescribed officers[2]	5	76,1	56,1	1 – 7	56,1	56,1
Other senior executives[3]	23	72,9	67,2[4]	1 – 7	67,2	67,2
Other employees whose individual actions have a material impact on risk exposure[5]	75	72,0	53,9	1 – 7	53,9	53,9
The most highly paid employees not covered above[6]	–	–	–	–	–	–
All other employees[7]	1 177	53,3	33,0	1 – 7	33,0	33,0
Total	1 280	58,0	40,7		40,7	40,7

[1] Includes long-term incentive.
[2] The executive directors and prescribed officers of Standard Bank Group Limited and The Standard Bank of South Africa Limited.
[3] Heads of major business units, major geographic regions and heads of risk and control and other enabling functions.
[4] This percentage is higher due to the inclusion of Code Staff outside Africa.
[5] This group includes staff with an ability to commit a significant amount of the bank's risk capital, an ability to significantly influence the bank's overall liquidity position, an ability to significantly influence other material risks and managers of significant business units.
[6] The most highly paid employees not included in 2, 3 or 5 above.
[7] All other employees receiving any deferred remuneration and for whom the variable pay award is linked to personal or business unit performance.

Share incentives

Group Share Incentive Scheme (GSIS)

The GSIS confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group share price at the date the option is granted.

Standard Bank Equity Growth Scheme (EGS)

The EGS allocates participation rights to participate in the future growth of the Standard Bank Group share price. The eventual value of the right is settled by the receipt of Standard Bank Group shares equivalent to the full value of the participation rights.

Director's or prescribed officer's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited for the performance year	Number of share incentives exercised or accepted during the year
JH Maree	**GSIS**					
	2011	**325 000**				**25 000**
	2010	1 300 000				975 000[1]
	EGS					
	2011	**1 625 000**				
	2010	1 250 000	500 000	05/03/2010	125 000	
SP Ridley	**GSIS**					
	2011	**77 500**				**17 500**
						60 000
	2010	117 500				20 000
						20 000
	EGS					
	2011	**525 000**	**200 000**	**04/03/2011**		
	2010	450 000	100 000	05/03/2010	25 000	

[1]The share incentives exercised or accepted in 2010 were delivered to JH Maree's family trust as the beneficial owner following the rules of the relevant scheme. As disclosed on SENS in March 2010, the share incentives were awarded in 2001, soon after Mr Maree's appointment as group chief executive. Mr Maree's family trust could have taken delivery or sold the share incentives after vesting in 2004, 2005 and 2006, but elected to hold the share incentives as a long-term investment. The expiry date for delivery or sale was March 2011.

[2]Conditional awards.

Deferred Bonus Scheme

Employees who are granted an annual incentive award over a R1 million (or equivalent) are subject to a mandatory deferral of percentage of their incentive into the Deferred Bonus Scheme. The final payment is calculated with reference to the number of units multiplied by the Standard Bank Group share price at that date.

Deferred Bonus Scheme 2012

Employees are granted a deferred award, as a mandatory deferral of their short-term incentive or as discretionary award, into the Deferred Bonus Scheme. The final value due to the employee is calculated with reference to the number of units multiplied by the Standard Bank Group share price at that date, and is delivered in shares.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2011	Issue date	Issue or offer price (R)	Vesting category	Expiry date
33,50	1 621 250	300 000	300 000	11/03/2004	40,65	C	11/03/2014
31,90	78 367 250	325 000					
		1 625 000	375 000	10/03/2006	79,50	A	10/03/2016
		1 625 000	125 000	10/03/2006	79,50	B	10/03/2016
			125 000[2]	06/03/2008	92,00	A	06/03/2018
			250 000[2]	06/03/2008	92,00	B	06/03/2018
			125 000[2]	06/03/2009	62,39	A	06/03/2019
			125 000[2]	06/03/2009	62,39	B	06/03/2019
			500 000[2]	05/03/2010	111,94	A	05/03/2020
27,90	1 232 350						
40,65	3 460 200						
27,80	1 750 200	77 500					
27,90	1 748 200						
		725 000	50 000	10/03/2005	65,60	B	10/03/2015
		525 000	150 000	10/03/2006	79,50	B	10/03/2016
			15 000	07/03/2007	98,00	A	07/03/2017
			15 000	07/03/2007	98,00	B	07/03/2017
			25 000[2]	06/03/2008	92,00	A	06/03/2018
			50 000[2]	06/03/2008	92,00	B	06/03/2018
			60 000[2]	06/03/2009	62,39	A	06/03/2019
			60 000[2]	06/03/2009	62,39	B	06/03/2019
			100 000[2]	05/03/2010	111,94	A	05/03/2020
			100 000[2]	04/03/2011	98,80	A	04/03/2021
			100 000[2]	04/03/2011	98,80	B	04/03/2021

Share incentives continued

Director's or prescribed officer's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited for the performance year	Number of share incentives exercised or accepted during the year
PG Wharton-Hood	**GSIS**					
	2011	**300 000**				**50 000**
	2010	500 000				50 000
						100 000
						50 000
	EGS					
	2011	**1 100 000**	**150 000**	**04/03/2011**		
	2010	950 000	200 000	05/03/2010	50 000	
SK Tshabalala[2]	**GSIS**					
	2011	**25 000**				
	2010	25 000				
	EGS					
	2011	**595 000**	**200 000**	**04/03/2011**		
	2010	495 000	125 000	05/03/2010	25 000	
BJ Kruger	**GSIS**					
	2011	**15 700**				**15 700**
	2010	118 900				31 300
						46 900
						25 000
	EGS					
	2011	**1 062 500**	**200 000**	**04/03/2011**		**31 000**
	2010	975 000	200 000	05/03/2010	50 000	62 500

[1] *Conditional awards.*
[2] *SK Tshabalala has a right to 698 339 shares as a beneficiary of the Tutuwa Managers' Trusts. There is a current liability of R40,82 per share. Special conditions apply to the shares.*

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2011	Issue date	Issue or offer price (R)	Vesting category	Expiry date
27,80	3 408 200	250 000	125 000	06/03/2003	27,90	A	06/03/2013
27,80	3 860 000	300 000	125 000	11/03/2004	40,65	A	11/03/2014
35,10	7 928 500						
31,90	3 655 756						
		1 250 000	125 000	10/03/2005	65,60	B	10/03/2015
		1 100 000	300 000	10/03/2006	79,50	B	10/03/2016
			125 000	07/03/2007	98,00	B	07/03/2017
			50 000[1]	06/03/2008	92,00	A	06/03/2018
			100 000[1]	06/03/2008	92,00	B	06/03/2018
			100 000[1]	06/03/2009	62,39	A	06/03/2019
			100 000[1]	06/03/2009	62,39	B	06/03/2019
			100 000[1]	05/03/2010	111,94	A	05/03/2020
			100 000[1]	05/03/2010	111,94	B	05/03/2020
			75 000[1]	04/03/2011	98,80	A	04/03/2021
			75 000[1]	04/03/2011	98,80	B	04/03/2021
		25 000	25 000	11/03/2004	40,65	A	11/03/2014
		25 000					
		795 000	50 000	10/03/2005	65,60	B	10/03/2015
		595 000	22 500	10/03/2006	79,50	A	10/03/2016
			22 500	10/03/2006	79,50	B	10/03/2016
			25 000	07/03/2007	98,00	A	07/03/2017
			25 000	07/03/2007	98,00	B	07/03/2017
			25 000[1]	06/03/2008	92,00	A	06/03/2018
			100 000[1]	06/03/2008	92,00	B	06/03/2018
			50 000[1]	06/03/2008	92,00	B	06/03/2018
			75 000[1]	06/03/2009	62,39	A	06/03/2019
			75 000[1]	06/03/2009	62,39	B	06/03/2019
			62 500[1]	05/03/2010	111,94	A	05/03/2020
			62 500[1]	05/03/2010	111,94	B	05/03/2020
			100 000[1]	04/03/2011	98,80	A	04/03/2021
			100 000[1]	04/03/2011	98,80	B	04/03/2021
40,65	960 309						
40,65	2 059 227	15 700					
27,90	3 683 526						
27,80	1 966 000						
7 243	262 341	1 231 500	31 500	10/03/2005	65,60	B	10/03/2015
13 577	2 620 000	1 062 500	300 000	10/03/2006	79,50	B	10/03/2016
			150 000	07/03/2007	98,00	B	07/03/2017
			50 000[1]	06/03/2008	92,00	A	06/03/2018
			100 000[1]	06/03/2008	92,00	B	06/03/2018
			100 000[1]	06/03/2009	62,39	A	06/03/2019
			100 000[1]	06/03/2009	62,39	B	06/03/2019
			100 000[1]	05/03/2010	111,94	A	05/03/2020
			100 000[1]	05/03/2010	111,94	B	05/03/2020
			100 000[1]	04/03/2011	98,80	A	04/03/2021
			100 000[1]	04/03/2011	98,80	B	04/03/2021

Share incentives continued

Director's or prescribed officer's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited for the performance year	Number of share incentives exercised or accepted during the year
JB Hemphill	**GSIS**					
	2010	22 500				7 500
						15 000
	EGS					
	2011	**225 000**	**25 000**	**04/03/2011**		
	2010	75 000	150 000	05/03/2010		

[1] Conditional awards

Deferred Bonus Scheme (prior year awards)

The table below reflects incentive awards made in prior years which have been deferred and which will be paid in future years in terms of their respective conditions. The incentive awards payable and incentive awards deferred for 2011 are reflected in the table on page 100.

	Performance year	Issue date	Amount deferred (R)	Award price (R)	DBS units	Expiry date
JH Maree	2008	06/03/2009	2 593 000	62,39	41 561	30/11/2013
SP Ridley	2008	06/03/2009	887 500	62,39	14 226	30/11/2013
	2009	05/03/2010	817 500	111,94	7 303	30/11/2014
	2010	04/03/2011	552 875	98,80	5 596	30/11/2015
PG Wharton-Hood	2008	06/03/2009	967 500	62,39	15 508	30/11/2013
	2009	05/03/2010	887 500	111,94	7 928	30/11/2014
	2010	04/03/2011	5 184 600	98,80	52 476	30/11/2015
SK Tshabalala	2008	06/03/2009	1 750 000	62,39	28 050	30/11/2013
	2009	05/03/2010	1 930 000	111,94	17 241	30/11/2014
BJ Kruger	2008	06/03/2009	1 870 000	62,39	29 973	30/11/2013
	2009	05/03/2010	1 075 000	111,94	9 603	30/11/2014
	2010	04/03/2011	2 310 000	98,80	23 381	30/11/2015
JB Hemphill[1]	–	–	–	–	–	–

[1] JB Hemphill was awarded a deferred bonus awarded in Liberty Holdings Limited. Full details are available in the Liberty Holdings Limited annual financial statements.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2011	Issue date	Issue or offer price (R)	Vesting category	Expiry date
40,65	532 200						
60,35	810 750						
		250 000	**5 000**	**21/04/2005**	**60,35**	**A**	**21/04/2015**
		225 000	**20 000**	**21/04/2005**	**60,35**	**B**	**21/04/2015**
			25 000[1]	**06/03/2009**	**62,39**	**A**	**06/03/2019**
			25 000[1]	**06/03/2009**	**62,39**	**B**	**06/03/2019**
			75 000[1]	**05/03/2010**	**111,94**	**A**	**05/03/2020**
			75 000[1]	**05/03/2010**	**111,94**	**B**	**05/03/2020**
			12 500[1]	**04/03/2011**	**98,80**	**A**	**04/03/2021**
			12 500[1]	**04/03/2011**	**98,80**	**B**	**04/03/2021**

Managing sustainable development

Sustainability as an integral part of our business strategy

We aspire to build the leading African financial services organisation. Our strategic focus on serving the needs of our customers and connecting selected emerging markets to Africa and each other, positions us to deliver superior sustainable shareholder value.

As a financial services group, our most important contribution to sustainable development is to support and facilitate economic growth and development. Through access to credit, savings and insurance products, individuals are able to improve their quality of life and enhance their financial security. By providing finance to large and small businesses we facilitate economic growth and job creation, and by financing infrastructure and the development of key sectors, we assist in solving global challenges such as energy and food security, resource depletion and climate change.

These social and environmental challenges present risks to both our own sustainability and to the development and growth prospects of economies, particularly in emerging markets. However, the very nature of our business positions us to help our customers and stakeholders manage risk and invest for the future, which in turn contributes to the sustainable growth of local markets and national economies. Responding effectively to these prevailing challenges, therefore, provides the group with opportunities to protect its existing revenue streams and grow new revenue streams.

We understand that we can only generate sustainable profits and superior shareholder returns if we conduct our business in a responsible and inclusive way. Strengthening our reputation and building trust through ethical conduct and maintaining good relationships with customers, employees and other stakeholders enables us to create value over the long term. For more information please refer to **www.standardbank.com** under sustainable development.

Managing sustainable development

Ultimate accountability and responsibility for sustainable development rests with the board. Through the group's governance structures, this responsibility is delegated to appropriate board and management committees.

The group social and ethics committee also guides and monitors the social, ethical, economic, environmental and transformation initiatives of the group.

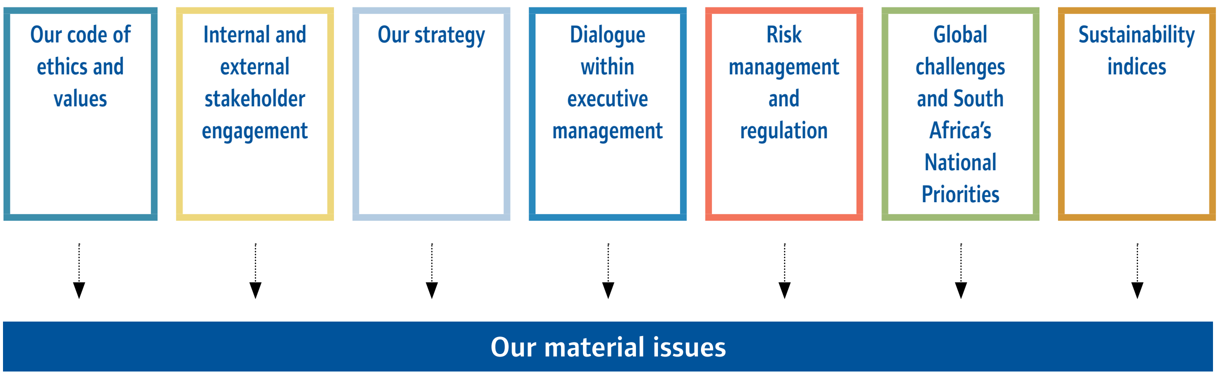
Risk management

Further information on how we manage our environmental and social risks can be found in the environmental impact report and in the risk and capital management report.

Our material issues

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the communities in which we operate. In particular, material issues are those that have a strong bearing on our stakeholders' assessments and decisions about the group's long-term sustainability and its commitment to their needs. How effectively we manage these issues affects our ability to execute our strategy. Our material issues are reviewed annually and are approved by the group executive committee. Inputs into the identification of our material issues are set out in the diagram below.

How we identify our material issues



Our material issues are:

- Sustainable long-term financial performance
- Governance, regulation and stakeholder engagement
- Sustainable and responsible financial services
- Socioeconomic development
- A positive and consistent employee experience
- The environment

Benchmarking

We participate in various indices to benchmark our economic, social and environmental performance against local and international banks, to assist us in identifying areas for improvement.

Sustainability indices

Standard Bank and Liberty met the criteria for inclusion in the JSE's Socially Responsible Investment (SRI) Index in 2011. Of the 100 companies assessed, 74 were included in the index and 22 companies identified as best performers.

Standard Bank has again been identified as a best performer in the JSE SRI Index making us one of only six companies to achieve this level of performance for five consecutive years.

Our 2011 score in the Dow Jones Sustainability Index was 69%. While this score was above the global banking industry average of 53%, we did not meet the threshold for inclusion in the index.

Carbon Disclosure Project

The group participates in the Carbon Disclosure Project (CDP), an independent initiative encouraging transparency on all climate change-related issues and emissions performance. In the 2011 CDP, Standard Bank and Liberty scored 74% (2010: 74%) and 71% (2010: 76%), respectively. Both companies are included in the South African CDP Leadership Index.

Assurance

The King Code advocates that sustainability reporting and disclosure should be independently assured. The group's sustainability report has been independently assured since 2005. The 2011 group sustainability report was independently assured by KPMG Services (Pty) Limited. Assurance was provided over 12 key performance indicators with seven of these indicators assured at a reasonable assurance level and the remaining five at a limited assurance level. The full assurance statement can be found in the sustainability report. The summarised sustainability information included on the following pages has been extracted from the sustainability report and is a fair reflection. For a comprehensive understanding of the assurance performed and our sustainability performance please refer to the full sustainability report.

Assurance report

The summarised sustainability information as set out in the sustainability reviews of this integrated annual report has been extracted from the 2011 group sustainability report. KPMG Services (Pty) Limited has provided assurance over selected sustainability information as contained in the 2011 group sustainability report in which we express an unmodified opinion on the identified sustainability information.

For a better understanding of the group's sustainability performance, as well as the scope of our assurance process, the extracted sustainability information in this report should be read in conjunction with the full 2011 group sustainability report containing our assurance statement.

KPMG Services

KPMG Services (Pty) Limited
Per Neil Morris
Director
Johannesburg
7 March 2012

Stakeholder engagement report

The group's operations directly and indirectly impact on and are impacted by social, political, economic, environmental, legal and regulatory factors. We have developed systems that help us to deal proactively with our broad business environment and maintain strategic relationships with a range of stakeholders to manage social expectations, minimise reputational risk and form strategic partnerships.

Our stakeholder relations management strategy is to continuously improve the alignment between the group and its key stakeholders. Stakeholder expectations regarding social, environmental and economic issues are identified and researched, followed by discussions with internal stakeholders. Detailed quarterly reports on stakeholder relationships and related issues are provided to the board. We have broad and diverse stakeholders. Our major stakeholders are depicted below. The South African Government, including national, provincial and local government, is a priority stakeholder and as such we have introduced a government relations committee to share information and coordinate our engagement with government across all business units and functions.

During 2011, the group engaged with key stakeholders in both the political and civil arenas, the highlights of which are included in the table on the following page for a detailed list of issues raised by our stakeholders, refer to the group sustainability report at **www.standardbank.com** under sustainable development.

Example of interactions with our stakeholders during 2011

Stakeholder	Issues raised	Our response
Shareholders and investment community	Concerns raised regarding the group's relatively low ROE and relatively high cost-to-income ratio	• The group's ROE improved in 2011 but we acknowledge that it is still too low. We have committed to managing the levers of ROE aggressively to improve the ratio. However, we will not undermine our growth plans to achieve short-term returns. We understand that striking the right balance between growth and returns is integral to creating sustainable shareholder value. • We committed to keep costs flat in 2011 which we achieved and which helped reduce the cost-to-income ratio. A strong focus on costs will be maintained in the group going forward given that revenue growth is still expected to be somewhat subdued.
Employees	Effectively engaging with our employees	• We have begun implementing employee engagement sessions in certain business units and similar approaches are being considered across the group. • A number of employee surveys are planned for 2012 to measure engagement and organisational culture. • The most common issues raised through Independent Counselling and Advisory Services, a confidential support service, are increased stress levels, legal and relationship problems, and issues related to the workplace. We have a comprehensive employee wellness programme that helps employees deal with these concerns.
Government	The financial services sector's contribution to the development of South Africa's economy and partnerships with government on these development initiatives	• We provide government with a wide range of advisory and financial services. • We facilitate infrastructure development and build capacity by sharing our knowledge and experience. • We work with government on areas of common interest. Some of the projects we sponsored or partnered with government include: the Department of International Relations and Cooperation Heads of Mission Conference; the City of Tshwane Investment Seminar; the African Renaissance Conference; and the launch of the South African Local Government Association Gauteng Induction Programme for new councillors.
Government, and non-governmental organisations	Climate change, rising greenhouse gas emissions, the shortage of energy and funding coal-fired power stations	• During 2011, we participated in the COP17 international climate change conference. • Energy scarcity remains a challenge and it is not possible for a developing country to stop using coal-fired power stations at this time. In the first bidding phase of the Renewable Energy Independent Power Producer Procurement (REIPPP) programme, together with our clients we won 13 bids with an installed renewable capacity of 605 megawatts, a total financing requirement of R8,2 billion. • We have also been involved in large-scale wind power projects in Brazil and Kenya. • During 2011, we spent R19,1 million on energy efficiency projects in our South African operations including photovoltaic systems in two office complexes and a national relamping project which resulted in a 5% reduction in energy used. • We have developed and implemented environmental and social risk management tools to ensure that companies we lend to mitigate these risks. • We launched programmes enabling our customers to access carbon credits to reduce their own carbon footprint. • As a member of the Equator Principles Steering Committee and chair of the African outreach working group, we engage with government and other financial institutions in emerging markets on environmental and social risk management measures in their debt and equity business. During 2011, we presented at the Nigerian Sustainable Finance week and engaged with the China Banking Regulatory Commission, thereby contributing towards the respective development of the Nigerian Sustainable Banking Principles and the Chinese Green Credit Guidelines.
Governments	Working responsibly in emerging markets	• Through our partnership with ICBC we have been involved in many cooperative projects in emerging markets. To date we have jointly raised in excess of USD5 billion (R36,3 billion) for infrastructure projects in Africa.

Employee report

Employees are the key differentiator in achieving our strategy. We aim to achieve superior business results through a positively contributing workforce. We seek, retain and reward individuals who are passionate about our strategy wherever in the world they are based. By establishing strong people practices and processes that support and enable the contributions and diversity of our people, our employees enjoy an improved experience in all their interactions and engagements within the group.

Key indicators

	2011	2010
Employee headcount[1]	52 127	53 351
Women employees (%)[1]	57	57
Employee total turnover rate (%)[1]	11,6[2]	10,1
Attendance in leadership and graduate development programmes[3]		
Leadership development programme participants	1 004	3 965
Graduate development programme participants	153	205
Skills development		
Total training spend (Rm)	484	612
Training spend as a % of staff costs (%)	2,2	2,8

[1] Externally assured, please refer to page 115
[2] The total turnover for 2011 is much higher than the previous year due to retrenchment exits.
[3] Tough economic times and stringent austerity measures within the group have meant that fewer leaders participated in formal training programmes during 2011. However, this has allowed us to review and enhance our leadership programmes to ensure customer centricity, that we are capable to compete in our chosen markets, and have the ability to lead and execute change. These revised programmes will be implemented in 2012.

In order to achieve our strategy we have identified five strategic imperatives with regards to our people practices, which are as follows:

- Ensure the right talent supply for the right positions
- Develop leadership capability as a key differentiator
- Maximise the ability of our employees to contribute to business performance through personal development and learning
- Create an engaged environment where high performance is demanded and rewarded
- Uphold sustainable and responsible employment practices

Talent resourcing

The shortage of specialist skills in the financial market sector is a major challenge for the group, especially in our African operations. We seek to redeploy and develop internally, as we believe moving people within the group provides our employees with the requisite skills and experience to operate in a multi-national, multi-cultural environment. When sourcing people from outside the group, wherever possible, we reflect the markets within which we operate by hiring locally. In our operations in the rest of Africa, 98% of our employees have been hired locally, with the remaining two percent being South African expatriates.

We believe in developing our talent pipeline and as such employ top calibre graduates. In 2011, there were 153 (2010: 205) participants in our graduate programmes with representation from Africa, Asia, Europe, and North and South America. Of these participants, 44% were women, and of our South African graduates, 87% were black. In 2011, our graduates were introduced to the group's executives during an induction programme which provided an overview of the group's strategy and business unit operations, and facilitated global networking. Looking forward, we will extend our graduate programmes into East and West Africa.

Leadership capability

We take a global approach to leadership development, with tailored implementation depending on business area and region. The Global Leadership Centre is an innovative, high quality and comprehensive learning facility, that provides managers with leadership development opportunities. During 2011, over 50% of the leaders that participated in formal training programmes in South Africa were black employees.

We have successfully implemented a more consolidated learning approach by combining traditional classroom-based training with practical learning, both at the centre and in our country operations. As we said in our 2010 report, we have reviewed our leadership programmes and enhanced them to focus on customer centricity, competing in our chosen markets, driving effective execution and leading change. These will be implemented in 2012.

Maximising our human capital

Skills development

In 2011, the group's training spend amounted to R484 million, 2,2% (2010: 2,8%) of staff costs. Our South African operation spent a total of R358 million (2010: R450 million) on skills development, with R242 million (2010: R250 million) spent on black employees, in line with empowerment objectives. Liberty's training spend amounted to R21 million (2010: R21 million) with 77% (2010: 68%) of this spent on black employees. We adopt a global approach, but we tailor our implementation to meet the diverse needs of our business areas, geographies, services and customers.

Diversity and inclusion

Being able to service a diverse customer base contributes significantly to our continued success. Our employees must be able to understand and reflect the diverse requirements of these customers and the societies in which we operate. In addition, as an organisation we must be able to understand and value the diversity of our employees. This means:

- driving racial equity across the group building inclusive and enabling environment for employees with disabilities;
- developing and creating an inclusive environment for more women; and
- collaborating with businesses and non-governmental organisations to understand how to manage sexual orientation in a business context.

Employment equity in South Africa

Economic conditions have impacted our ability to achieve our employment equity targets as prescribed in the dti codes. We have therefore implemented a longer-term view of this key business imperative and have put in place a three-year action plan to address identified challenges.

Personal & Business Banking and Corporate & Investment Banking have clearly defined recruitment and promotion principles. These principles aim to ensure that 80% of all new recruits are black and that 50% of all new recruits and candidates promoted are women. The 80% target has already been achieved at junior staff level across SBSA.

Of Liberty's newly appointed staff in 2011, almost 90% were black candidates and 54% were women, with 48% being black women. The achievement of our goal of accelerating the recruitment of people with disabilities is a continuing challenge. Our 2016 target is to have 3% of our workforce in South Africa comprising of black employees with disabilities. As at December 2011, 1,0% (2010: 0,8%) of our black South African workforce disclosed that they had disabilities.

In South Africa, we support our employees and our customers with disabilities to provide access and a supportive environment was demonstrated through initiatives like an online disability awareness tool, a disability website and a disability helpline.

Creating a more inclusive environment for women has been an essential focus across the group. Our memberships include Women in Banking and Finance, Women in Finance and the African Women Chartered Accountants Forum. These networks provide professional support for women in the industry. We also run a number of development programmes targeted at women. For example, Blue Heels, our 11-month development programme, aims to contribute to increasing the representation of women in managerial positions. During 2011, there were 60 participants. In 2012, the programme will be rolled out to 120 delegates from across all provinces in South Africa. Liberty will launch a year-long programme for approximately 15 women in top and senior management levels in 2012.

Performance and reward

We believe that defined responsibilities, clear accountability and effective performance management helps each individual add value. Our performance management process encourages managers and employees to agree clear performance objectives for the year, providing frameworks within which employees understand how they contribute to the objectives of their business area and the overall success of the group. This evaluation of contribution allows us to reward our people for superior performance, and to identify and address development needs.

Remuneration

We believe in merit-based remuneration and do not discriminate against employees based on diversity or physical difference (refer to the detailed remuneration report). In our South African business, we have undertaken a statistical analysis to identify areas where there are significant differences in remuneration. Factors such as race, gender, age, length of service, performance score, division and level were taken into account. The statistical technique used was rigorous with a 95% confidence level. The analysis indicated that performance ranking is by far the most important factor in most cases, together with the length of service and age. In most cases race and gender were not significant factors for explaining the remuneration variance. From this we have been able to ascertain that most of the adverse exception cases can be rectified through training specifically aimed at increasing the ability to perform which will ultimately directly reflect in higher remuneration.

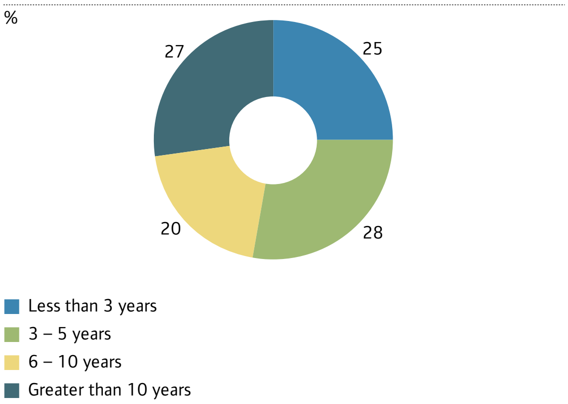
Employee wellness

Elements of our wellness initiatives include policies, employee wellness champions, health interventions, advice and counselling services, private medical insurance and global wellness campaigns. During 2011, we re-evaluated our wellness activities, with the objective of improving our processes, programmes and monitoring systems. The group's wellness initiatives are at a more mature stage within our domestic South African business, where 71% of our workforce is based.

Implementation within our other African operations varies, due to the general lack of available health and wellness resources, as well as differing business requirements and staff needs. Standard Bank has over 750 trained employee wellness champions across Africa, including South Africa. These champions are tasked with increasing employee awareness regarding wellness support structures and benefits available to them. In addition, they provide HIV/Aids and general wellness education and support to the bank's customers and the broader community. In 2012, a peer educator programme will be introduced to train Liberty employees to become wellness champions.

We regularly analyse our absenteeism data, identifying employees whose sick leave records indicate potential health and wellness issues that might require support and assistance. HIV/Aids affects our business directly through loss of skills, increased resource requirements and cost of managing the health of our workforce and loss of business due to customer mortality or destitution. In South Africa, we regularly undertake HIV testing and counselling drives. As a result of our 2010 malaria campaign efforts to raise awareness on malaria and the provision of double-sized insect repellent bed nets to all employees in 15 countries, we have seen an overall drop in malaria cases across the continent of approximately 10%. In Nigeria, the drop has been more than 30% . We are motivated to continue this fight and during 2011 we once again campaigned to raise awareness.

Employee length of service

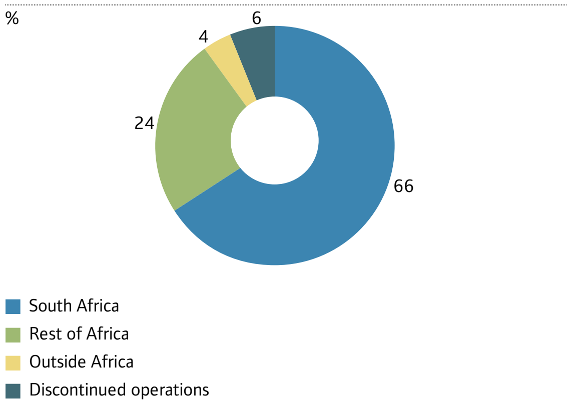


Sustainable employment practices

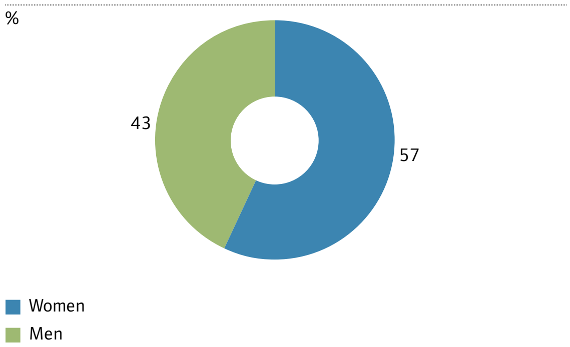
Employee community involvement

We support the personal philanthropy of our employees and encourage them to become involved in their communities and be part of creating real change in the lives of the people they serve. Where relevant, we match their donations and during 2011, a total of R6,5 million was donated to various beneficiaries through the group's employee matching schemes.

Breakdown of employees by geography



Employee gender profile



Socioeconomic impact report

Our social compact

Standard Bank will contribute to the socioeconomic development of the countries in which we operate in a way which is consistent with the nature and size of our operations. We will provide financial services and products responsibly, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.

Distribution of wealth created[1]

	2011		2010[2]	
	Rm	%	Rm	%
Distribution of wealth[3]				
Employees	23 109	46	21 872	49
Government	7 862	16	6 563	15
Ordinary shareholders	6 035	12	5 974	14
Non-controlling interests and preference shareholders	2 558	5	2 233	5
Corporate social investment spend	114		134	
Retentions to support future business growth	10 218	21	7 589	17
Wealth applied	49 896	100	44 365	100

[1] *Externally assured. Refer to page 115.*
[2] *Restated.*
[3] *Including discontinued operations relating to Argentina.*

- R3 billion in affordable housing loans granted to low income earners.

- R75 billion worth of personal and small business loans provided to our customers in South Africa.

- R167 million of dividends paid out to black managers and black SMEs participating in our Tutuwa trusts.

- We have partnered with the United Nations Environment Programme and the German Government to establish the African Carbon Asset Development (ACAD) facility. The ACAD facility provides financial and technical assistance to low carbon development projects in sub-Saharan Africa. In 2010, it selected 14 projects for targeted grants, with a combined total of USD850 000 (R6,2 million). Currently there are some 72 projects in the application pipeline.

- Since 2007, Standard Bank has helped place more than 300 000 South African low income earning households into homes.

- 1 356 636 new customers that had previously been unbanked.

- 41 000 distressed customers in South Africa were assisted so that they were able to retain their homes and vehicles.

- The Financial Literacy Outreach programme increased its reach in South Africa to approximately 2 500 schools and approximately 500 000 grade 10 and 11 learners.

- Assisted 37 415 families by paying out R299 million in funeral claims during 2011.

Environmental impact report

As a financial services group, we have both direct and indirect impacts on society and the environment. Our indirect impacts arise out of the projects and companies we finance, as well as the products and services we provide. Our direct impacts arise out of our daily business activities in which we consume natural resources and generate waste. Our greatest opportunity to have meaningful impact on environmental concerns lies in our indirect impact. We have the ability to finance innovation and turn the climate challenge into market opportunities. We can responsibly lend to companies ensuring that social and environmental risks are mitigated and we can finance products that assist our customers to reduce their own carbon footprint.

During 2011, we made progress in managing both our direct and indirect impacts. We developed and implemented environmental and social risk management tools in our Corporate & Investment Banking business, launched programmes enabling our customers to access carbon credits, installed energy efficient lighting systems throughout our head office complex in Johannesburg, installed photovoltaic systems in two office complexes, and we worked hard to raise sustainability awareness among our employees and communities.

2011 highlights

- Launched the **environmental and social appraisal system** in our corporate lending business in addition to Equator Principles screening.
- Established a number of **Programmatic Clean Development Mechanism (CDM)** projects, a new type of CDM registration that is more accessible.
- Committed to mandates for 605 megawatts of **planned renewable capacity** particularly in the wind and solar energy generation. This equates to 38% and 58% of the megawatts available from solar and wind projects accepted in the first phase of the programme.
- Financed four **renewable energy projects** in African countries outside of South Africa, including wind energy generation and mini-hydro projects.
- **Spent R19,1 million** on projects to increase the energy efficiency of our South African operations, including photovoltaic plants at Standard Bank Centre and our regional office in Durban with peak power production of 105 kilowatts and 45 kilowatts, respectively.

Environmental and social risk management

The environmental and social risks associated with our business operations and lending activities include the threat of adverse effects on the natural environment, as well as risks to the livelihoods, health, rights, and cultural heritage of communities. In addition, climate change poses a risk to the development and growth of emerging market economies, could increase the costs of complying with regulatory requirements and cause damage to assets as a consequence of extreme weather events. We are proactive in our management of environmental and social risk, going beyond the minimum requirement of compliance with legislation by working towards best practice performance.

The group uses two approaches to screen and process projects, namely the Equator Principles for project finance loans and an internally developed appraisal system for other financial product types. Environmental and social risk screening evaluates a transaction's potential environmental and social risks, and its impacts in its area of influence. In Africa, differing legislation and lack of environmental specialisation pose challenges for businesses operating on the continent. We have fully integrated the Equator Principles performance assessment tool into the credit approval process and transaction life cycle of our project financing deals. These apply to all new project finance loans of USD10 million or more. All category A (high risk) and, where relevant, category B (medium risk) projects financed are monitored to ensure that the project-specific conditions set as part of the loan agreement are adhered to. During 2011, we financed nine Equator Principle projects and played an advisory role in a further 20 projects. Our environmental and social appraisal system provides a risk management measure to protect against possible financial, credit, reputational, regulatory and operational risk and links directly with lender liability associated with environmental and social mismanagement.

Environmental impact of our operations

Energy

Managing and reducing our energy consumption is key both as part of our climate change mitigation efforts and in response to rising electricity costs and energy supply concerns across Africa. During 2011, the group spent R19,1 million (2010: R9,3 million) on energy efficiency projects in its South African operation. The energy efficiency projects implemented in our head office complex in Johannesburg, in which approximately 42% of our South African employees are situated, have amounted to a reduction of 900 kilowatts of electricity. This was achieved by using a hybrid thermal solar water heating system and installing alternative power photovoltaic plants at our head office and our regional office in Durban with peak power production of 105 kilowatts and 45 kilowatts, respectively. Photovoltaic technology takes light energy from the sun and converts it to electrical energy.

A national relamping project to replace approximately 20 650 lamps with energy efficient light-emitting diodes (LEDs), also provided an 86% energy saving per lamp fitting.

It is expected that during 2012 the South African electricity supply will be under tremendous strain. We will continue to implement energy efficiency projects to decrease our usage so that we comply with the South African Government's power conservation programme when it is implemented. The programme is designed to provide a demand-side solution to the energy challenges facing South Africa by introducing excess tariffs should a company use more than its allocated monthly energy allowance.

Carbon footprint

Our South African carbon equivalent emissions measured for 2011 was 180 403 (2010: 177 289) tons. Our consumption figures cover about 63% of our South African operations. We have begun the installation of electrical energy metering systems across our national footprint. This will enable us to calculate the carbon footprint of our branch network in 2012.

During 2011, we concentrated on rolling out our environmental and social policy into our operations in the rest of Africa. As part of this, we have expanded our carbon footprint of this business by including the electricity purchased for eight out of 16 African operations. Argentina's electricity purchased is also included. Our carbon emissions measured for our operations beyond South Africa was 44 005 metric tons in 2011.

Our targets

The following environmental efficiency targets have been set for Standard Bank South Africa using 2009 as a base year. In calculating the 2011 progress against targets, we have used the same scope that was used in 2009.

Category	Target	Progress
Energy consumed	15% reduction by 2015	✓
Water consumed	20% reduction by 2015	✓
General waste produced	20% reduction by 2015	✓
Paper consumed	10% reduction by 2015	✗
Paper recycled	5% increase by 2012	Not applicable

✓ on track
✗ not on track

Climate change and COP17

Africa is highly vulnerable to the effects of climate change. As the majority of our operations are based in sub-Saharan Africa, we need to identify the impacts of this global challenge and develop action plans to reduce our own impact, as well as assist our customers to reduce their impact and adapt to a changing world. Sustainability and climate change are increasingly becoming core areas in which our customers require financial services. Our approach to addressing these challenges is to develop and implement innovative business solutions that are both commercially attractive and make a broader contribution to action on climate change.

Our direct impact

Key indicators	2011	2010	2009
Carbon equivalent[1]			
Standard Bank South Africa (metric tons)	180 403	177 289	154 538
Energy			
Standard Bank South Africa			
Diesel[2] (litres)	3 868 631	4 701 699	Not applicable
Electricity purchased[3] (kWh)	152 561 816[4]	145 015 178	132 361 054
Water			
Standard Bank South Africa[5] (kilolitres)	295 807	340 889	336 986
Waste			
Paper[6] (tons)	3 337	2 755	1 217

[1] Externally assured. Refer to page 115.
[2] Diesel consumption includes branches, the Standard Bank and data centres and fuel used in vehicles throughout South Africa.
[3] Electricity consumption covers approximately 63% of Standard Bank sites.
[4] This figure excludes the branch network but has increased due to a new data centre being commissioned.
[5] Water consumption covers approximately nine head office and regional buildings.
[6] Paper consumption includes the whole of South Africa.

We are developing products and services that enable our customers to lower their footprint without creating financial burdens, such as the rollout of solar water heating systems to low-income communities, and we are using our position as a leader in carbon trading to provide access to carbon credits for smaller companies that would otherwise not be able to access them.

The lack of certainty around a global approach to the future management of climate change is a concern. The group actively participated in the policy discussions, events and exhibition associated with the 17th meeting of the signatories to the UNFCCC – COP17 which was held in Durban at the end of 2011. We were delighted that the negotiators at COP17 agreed to a second commitment period under the Kyoto Protocol and to maintaining flexible mechanisms such as the CDM. Use of the CDM is gaining momentum in Africa as capacity to use its methodologies is growing. We believe it to be an important vehicle for assisting in switching emerging markets to lower carbon growth trajectories. The potential for a new legal instrument which will include all parties in the difficult task of setting and achieving targets for reducing anthropogenic impacts on the climate are to be welcomed.

We hosted a number of technical side events during COP17, enabling government negotiators and technical specialists to engage around topical issues, such as funding lower carbon growth in Africa, advanced mechanisms to combat Deforestation and Degradation (REDD +), the ACAD facility. We also hosted a series of events organised by the International Emissions Trading Association, including their daily Durban update which provided analysis of the progress of the negotiations.

Climate finance and carbon trading

We have been pioneering climate finance and carbon trading since 2002. Our business has a broad set of capabilities across the range of climate finance and carbon trading disciplines.

CDM projects are particularly suited to the African continent and during 2011 we made progress in the development of a wide range of programmatic CDM activities.

Climate finance and carbon trading disciplines

Clean energy and energy efficiency

Balancing the need for significant increases in base load energy while protecting the environment is an ongoing challenge. The need for energy security means that Africa's future energy mix is likely to include coal-fired power stations for some time, however, South Africa has a high level of renewable energy potential and government's renewable energy independent power producer programme is a mechanism to promote the deployment of renewable energy sources. South Africa aims to secure a total of 17 800 megawatts of renewable energy by 2030.

Carbon market development

In line with our focus on commercial solutions to climate change, we actively contribute to the development and growth of carbon markets and climate finance in Africa. Key initiatives include our contribution to the African Carbon Asset Development facility, the commission of a scoping report on cross-border emissions factor issues and the provision of carbon experts to give training in carbon and climate finance at a number of capacity building workshops.

Bank footprint
Improving sustainability of our own operations

Clean energy
Large African financing and arrangement commitment

Advisory
Advice on environmental risk management

Carbon trading
One of top banks in global CDM market

Energy efficiency
New energy efficiency incentives and financing

Market development
Actively contributing to policy and market development

Climate finance
Pioneering climate finance instruments

Risk and capital management summary

Effective capital and risk management is fundamental to the sustainability of the group. The role of the risk management function is to identify, assess, measure and manage those risks that arise in the pursuit of the group's strategic goals.

We aim to earn sustainable shareholder returns. This requires the careful balancing of performance, growth, and risk and capital management for the long term.

This review provides a snapshot of the major risks the group faced during 2011, how these were managed and mitigated, as well as an overview of our capital management during the year. The full risk and capital management report contained in book II commencing on page 1, which complies with the requirements of Basel II pillar 3 and IFRS, provides a detailed analysis of the group's approach to risk and capital management.

The changing regulatory environment

During the year the proposals for Basel III were finalised. Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:

- improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the sources;
- improve risk management and governance; and
- strengthen banks' transparency and disclosures.

Basel III comprises the following building blocks:

- higher quality and levels of capital to ensure banks can better absorb losses during a stress period;
- better coverage of risk, especially for capital market activities;
- an internationally consistent leverage ratio to constrain excessive risk taking and to complement the risk-based capital measure;
- capital buffers, which should be built up in good times so that they can be drawn upon in periods of stress;
- minimum global liquidity standards to improve banks' resilience to acute short-term stress and to improve longer-term funding; and
- enhanced standards for supervision, public disclosures and risk management.

Basel III proposes the introduction of two new liquidity ratios, namely the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). Both the LCR and NSFR calculations are subject to an observation period prior to implementation to address any unintended consequences. Banks are required to submit semi-annual Quantitative Impact Study reports to the Basel Secretariat under the Basel liquidity framework.

The South African banking industry expects to face significant challenges in meeting the new liquidity ratio requirements and continues to engage with the relevant authorities. Term funding remains a constrained and costly resource. Basel III is expected to increase this cost as supply and demand imbalances are exacerbated. New term lending volumes and investment activity are monitored and priced to take into account liquidity costs relating to anticipated regulatory changes that will be incurred by the group.

The details of South Africa's implementation of Basel III are expected to be finalised in 2012 by the SARB. 2012 will be a critical year for the group in terms of how we position ourselves under this new framework. The new requirements will be phased in from January 2013 to December 2019. The final Basel III rules afford the group a period of time before full compliance is required, and we maintain a strong focus on achieving these liquidity and capital requirements within the specified timelines.

We remain mindful of the changing regulatory environment beyond the Basel III initiatives. Refer to the full risk and capital management report for a detailed explanation of the other regulatory developments affecting the group.

Continued concerns over the Eurozone

The year was characterised by continued economic volatility and uncertainty. As the extent and severity of the Eurozone crisis became increasingly apparent, proactive management was required.

Direct exposure

The group has negligible direct exposure to troubled Eurozone and peripheral countries, typically in the form of short-term trading book exposures. We also have modest exposures to sovereigns and banks in the rest of the Eurozone area, primarily as a result of the group selectively placing or investing its surplus liquidity. Our exposure to the Eurozone is subject to continual review to ensure it remains in line with our risk appetite and, where necessary, adjustments are made.

Impact on our operations

While our South African operations were largely insulated from the direct effects of the Eurozone crisis, our international operations and those in the rest of Africa were negatively affected.

In our international operations, interbank markets tightened and have remained challenging. The tight bond market and spreads on bank credit continue to make it expensive to refinance debt. In response we enhanced our liquidity planning and stress-testing capabilities, and our scenario planning incorporated these developments.

Furthermore, instability from the crisis resulted in reduced investor risk appetite and a general increase in risk aversion. Certain African countries experienced volatile exchange and interest rates as a by-product of the crisis, which required close monitoring and management.

The direct effects of the Eurozone crisis have been and will continue to be actively managed on a day-to-day basis, and we remain cognisant of the risk of contagion. Should the economic situation continue to deteriorate in Europe, it is expected to have a longer-term effect on our portfolios. Many of the emerging markets in which we operate, including our home base South Africa, have strong export links to Europe. A decline in demand from European countries as a result of their weakening economic situation would affect corporates which export to Europe. This reduced economic activity could result in deteriorating corporate credit profiles. To the extent that corporates are put under strain, downsizing could occur and in turn negatively impact on personal banking customers.

Our risk appetite

The group anticipates and proactively responds to macroeconomic challenges through careful management and planning. Recognising the weaker external environment, we adjusted our stress testing to take into account the increased probability and intensity of stress scenarios. We also reviewed our capital adequacy and liquidity positions and performed reviews across our portfolios. We are comfortable that our risk profile and tendency remain in line with our risk appetite. We continue to price for risk and focus on originating assets with the appropriate risk and return characteristics.

The major risk types we face

The group's risk management framework comprises three components:

- risk governance committees at a board and management level;
- a management organisation structure to support the three lines of defence model;
- governance standards; and
- policies to support the governance standards.

For each risk type the group faces, there is a tailored governance standard in place which sets out the principles and minimum control requirements to ensure the risk is adequately and consistently addressed.

The pages that follow describes the major risk types facing the group:

- credit risk;
- country and cross-border risk;
- liquidity risk;
- market risk;
- insurance risk; and
- operational risk.

Those risks pertaining to employees and the environment are detailed in the environmental impact report and employee report on page 122 and 118 respectively.

We are alert to the demands of the coming year and remain positioned to manage and mitigate our risks in order to achieve our long-term strategy.

Credit risk

What is this risk and how does it arise?

Credit risk is the risk of loss arising out of failure of counterparties to meet their financial or contractual obligations when due, for any reason.

Exposure to credit risk predominantly arises through the group's lending and trading operations. It is actively originated and managed in order to earn a return commensurate with the risks incurred.

How do we manage it?

New business originated is assessed to ensure the credit quality and pricing aligns to our risk appetite.

Credit policies, procedures and measures are continually improved and aligned in order to ensure best practice throughout the group.

Responsibility for credit risk management for banking operations resides within the group's business lines supported by the credit risk function with executive oversight by the credit governance committees and group risk oversight committee (GROC).

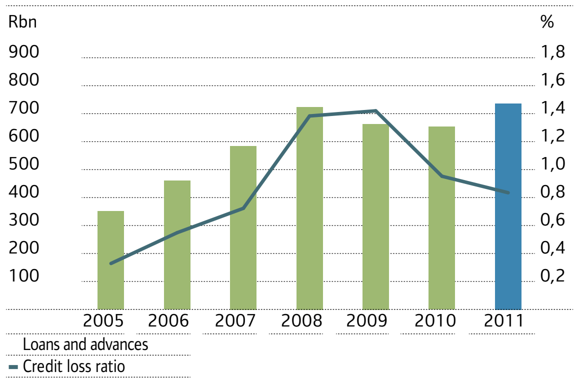
What happened during 2011?

Demand for credit improved as consumers gained some confidence in the economic environment, particularly in South Africa. However, market volatility and ongoing turmoil in the Eurozone continued to dampen performance.

The quality of the credit portfolio improved as a result of improving fundamentals in our key markets, focused credit management practices and the implementation of enhanced monitoring tools. We continued to focus on originating assets with the appropriate risk and return characteristics.

Significant progress was made in the standardisation and enhancement of credit policies, procedures and measures across the group, particularly in the rest of Africa and Liberty.

Credit loss ratio



Looking ahead to 2012

We will focus on:

- continuing to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated economic conditions and our risk appetite;
- standardising credit risk methodologies and processes across the group, with particular focus on African operations and Liberty, to enable integrated management of credit risk across the group;
- continuing to refine the credit risk framework and supporting tools to manage current and anticipated levels of risk against the agreed group credit risk appetite;
- further enhancing the group's active credit portfolio management capabilities, leveraging the foundations implemented during 2011;
- extending the application of credit value adjustment measures to increase sophistication in the pricing and management of counterparty credit risk as it relates to derivative transactions;
- performing stress testing to assess the impact of potential adverse economic conditions; and
- managing risk concentrations across counterparties, portfolios and geographic regions with an increased focus on our distribution strategy.

Country and cross-border risk

What is this risk and how does it arise?

Country risk is the risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet financial obligations to the group.

Country risk events may include sovereign defaults, banking or currency crises, social instability and governmental policy changes or interventions such as expropriation, nationalisation and asset confiscation.

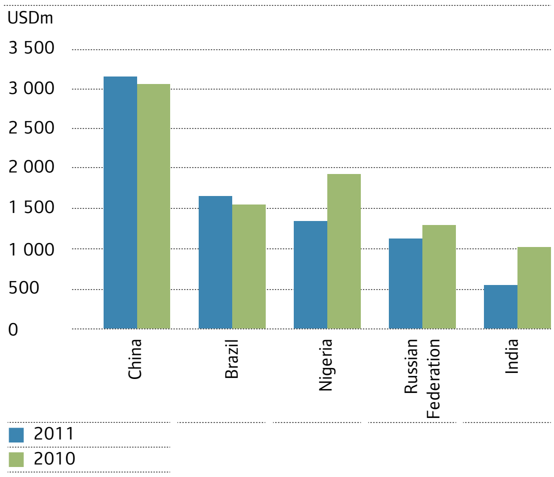
Country risk encompasses cross-border risk, which is the risk that government actions may restrict convertibility (of local currency into non-local currency) and the transfer of funds, thereby impacting the ability of counterparties to meet financial obligations to the group.

Country risk arises by virtue of our exposures to counterparties outside of the sovereign jurisdiction in which the exposure is incurred. It is a by-product of our lending and trading activities.

How do we manage it?

Executive oversight of country risk is undertaken by the group country risk management committee which in turn delegated certain decision rights to a sub-committee. This committee recommends to GROC the country risk appetite for individual countries and ensures, through compliance with the country risk governance standard, that country risk exposures are effectively governed, identified, measured, managed and reported in the group.

Top five medium- and high-risk country risk EAD[1]



[1] *Exposure at default.*

What happened during 2011?

Consistent with a sharpened strategic focus on sub-Saharan Africa, the relative concentration of cross-border exposure to the region increased from 12,3% in 2010 to 19,3% in 2011. Outside of sub-Saharan Africa, significant exposures to select countries (Brazil, China, India and Russia) feature in the cross-border emerging markets portfolio.

Direct exposures to troubled European periphery economies were limited and tightly managed.

To support a more targeted Corporate & Investment Banking strategy on key sectors, a sector risk team has been embedded within the country risk function.

Looking ahead to 2012

We will focus on:

- proactively managing country risk appetite and mitigating country-specific risks in response to a potentially adverse global economic environment;
- reviewing the risk appetite setting framework to account for a more geographically focused strategy; and
- enhancing the country risk modelling suite to account for structural changes in the global economy, especially in developed markets, and provide for more targeted measures of industry, transfer and convertibility risk.

Liquidity risk

What is this risk and how does it arise?

Liquidity risk is the risk that the bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption, as well as the risk that the bank will not be able to effectively meet both expected and unexpected current and future cash flow and collateral requirements without negatively affecting the daily operations or financial condition of the bank.

Inherent in the nature of banking and trading is the continuous exposure to liquidity risk. Liquidity risk arises when the group, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms.

This inability to maintain or generate sufficient cash resources occurs when counterparties who provide the group with funding withdraw or do not rollover that funding, or as a result of a general disruption in asset markets that renders normally liquid assets illiquid.

Looking ahead to 2012

Although the final Basel III proposals afford the group a period of time before full compliance is required, the group maintains a strong focus on achieving these liquidity and capital requirements within the specified timelines.

We will focus on:

- optimising liquidity so that financial resources are allocated in a manner that enhances the overall group economic profit and return on equity;
- embedding risk-adjusted performance measurement into the performance measurement and reporting processes of the group; and
- extending the SBSA asset and liability management system to include the group's rest of Africa banking entities.

How do we manage it?

The group manages liquidity in accordance with applicable regulations, international best practice and within the group's risk appetite for liquidity risk. The management of liquidity risk is undertaken by the group asset and liability committee which reports into GROC.

The group's liquidity management framework, consisting of the three components described below, is designed to measure and manage liquidity positions to ensure that payment obligations can be met at all times, under both normal and stressed conditions.

Tactical liquidity risk management includes managing and monitoring shorter-term liquidity concerns.

Structural liquidity risk management includes longer term and structural concerns.

Contingency liquidity risk management is the monitoring and measuring of liquidity risk in terms of possible extreme events.

What happened during 2011?

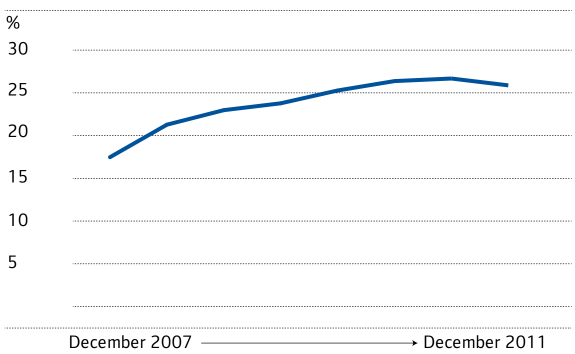
The group's liquidity positions were maintained within approved limits. Appropriate liquidity buffers were held, taking into account ongoing global risk aversion and market volatility.

The implications of the proposed Basel III liquidity and capital framework continued to be evaluated.

Pricing of long-term loans such as mortgages already takes into account an estimated component of Basel III impact.

During the course of the year, SBSA successfully implemented a new asset and liability management system.

Long-term funding ratio



Market risk

What is this risk and how does it arise?

Market risk consists of four components described below.

Trading book market risk arises from the group's trading activities. Trading activities comprise market making, arbitrage and proprietary trading, with proprietary trading constituting a small proportion of trading revenues.

Interest rate risk in the banking book results from the different repricing characteristics of banking assets and liabilities.

Equity investments in the banking book risk results from price changes in listed and unlisted equity investments.

Foreign currency risk in the banking book arises from the group's primary exposures to foreign currency risk arising as a result of the translation effect on the group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures.

How do we manage it?

Market risk is managed in accordance with the applicable governance standard. Oversight is exercised by the group asset and liability committee (ALCO), various ALCO sub-committees and GROC.

Looking ahead to 2012

We will focus on:

- monitoring and managing the banking book interest rate risk and associated hedges in the context of current market volatility and monetary policy expectations;
- consolidating and aligning trading book market risk processes across the banking operations;
- enhancing market risk processes within insurance operations;
- enhancing banking book equity risk monitoring; and
- continuing to focus on credit and market risk overlap and adapting processes, where necessary, to ensure these are fit for purpose.

What happened during 2011?

The banking operations' interest rate risk remained within approved limits. The group's largest exposure is within the SBSA balance sheet which is positioned to benefit from an interest rate hiking cycle.

The trading book market risk remained within approved limits with a positively skewed profit distribution reflective of the client flow business model. Global markets were volatile during 2011 but with value-at-risk (VaR) highs and lows which were less extreme than levels experienced in 2010.

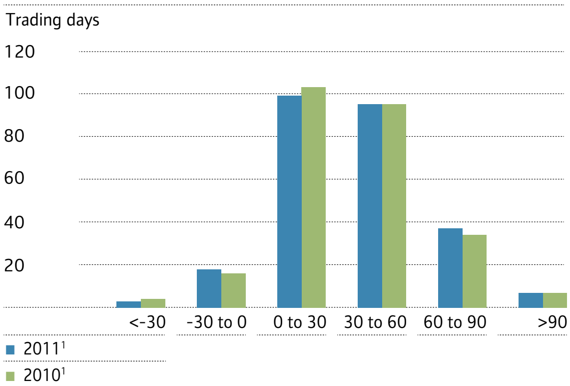
The SARB and UK Financial Services Authority granted extension of the approval for the use of internal models to cover trading book stress VaR which is effective from January 2012.

The group's primary banking book interest rate risk exposure is within the SBSA balance sheet. The banking operations' interest rate risk remained within approved limits.

Banking book equity risk committees were consolidated into a single committee thereby ensuring a consistent approach to the evaluation, approval, management, monitoring and reporting of equity risk.

An additional area of focus for both credit and market risk management was the enhancement of the management, monitoring and reporting of the combined risk profile where credit and market risk overlap.

Distribution of daily trading profit or loss



[1] *Daily trading revenue in Rm.*

Insurance risk

What is this risk and how does it arise?

Insurance risk is the risk that future demographic, policyholder behaviour (such as discontinuances) and related expense experience will exceed the expected allowances for such experience as determined by the product pricing basis.

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity or persistency experience in the case of life products, or claims incidence and severity assumptions in the case of short-term insurance products.

What happened during 2011?

The specialised customer management unit, in the Liberty retail business unit, focused on implementing a broad programme of initiatives to address the increase in discontinuance rates. These initiatives have continued to bear fruit in 2011 and Liberty has experienced a reduction in discontinuance rates on its major product lines. These improvements are broadly in line with targets.

How do we manage it?

The management and staff in all insurance business units are responsible for the day-to-day identification, management and monitoring of insurance risk. Management is also responsible for reporting any material insurance risks, risk events and issues identified to senior management through certain predefined escalation procedures.

The statutory actuaries and the Liberty chief risk officer provide independent oversight of compliance with risk management policies and procedures and the effectiveness of the companies' insurance risk management processes.

Short-term insurance risk is managed through underwriting limits, approval procedures for transactions that involve new products or that exceed limits, pricing guidelines and centralised management of reinsurance and monitoring of emerging issues.

The management of insurance risk is essentially the management of deviations of actual experience from the assumed best estimate of future experience, on which product pricing is based. On the published reporting basis, earnings are expected as a result of the release of margins that have been added to the best estimate assumptions. The risk is that these earnings are less than expected due to adverse actual experience.

Insurance risk is managed by GROC.

Looking ahead to 2012

We will focus on:

- continuing with the implementation of the programme of initiatives to address discontinuance rates;
- continuing to focus on detailed mortality and morbidity investigations to gain insight into trends and causes of death and disablement; and
- introducing a new group governance standard to facilitate the establishment of consistent minimum control criteria for the management of insurance risk across all group entities.

Operational risk

What is this risk and how does it arise?

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes a variety of risk sub-types.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor indeed possible.

How do we manage it?

The group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile in line with the group's risk tolerance, while maximising their operational performance and efficiency.

Operational risk management is undertaken by the group operational risk committee which in turn reports into GROC.

Looking ahead to 2012

We will focus on:

- further embedding the improved operational risk framework within the major business areas and introducing quantification tools into the management of operational risk;
- enhancing the articulation of operational risk appetite and tolerance;
- approving and rolling out of an enhanced set of global minimum standards for business continuity management;
- enhancing and embedding of information risk policies in partnership with the information security officers in the business lines;
- evaluating global trends in financial crime and developing threat assessments per country;
- implementing minimum standards and performing assessments of adherence to the standards for financial crime control;
- assessing country competence and capabilities and utilising centres of excellence to mitigate capabilities into the rest of Africa; and
- launching globally our South African FraudStop programme, which rewards staff who proactively identify instances of financial crime and assist the bank in preventing it across the group.

What happened during 2011?

In December 2011, the group submitted an application to the SARB to use the advanced measurement approach (AMA) for the calculation of regulatory capital requirements as these apply to operational risk. This application is to adopt the AMA selectively across the group and the initial rollout is focused on the SBSA legal entity.

During 2011, banks globally faced increased levels of financial crime, with fraudsters using increasingly sophisticated techniques. With the increase in attempted financial crimes, banks realised that safe banking will become a competitive differentiator. The group continued to consider financial crime holistically, incorporating all types of financial crime (including money laundering and physical security threats) into its risk assessment.

Group financial crime control supported the group in minimising the overall impact of financial crime and established global structures across the group to ensure the safety of our people and assets and to retain the trust of our stakeholders. The group's global approach to financial crime was enhanced by creating a holistic framework as well as consistent policies, standards and methodologies.

Changes in environmental legislation in South Africa continue to place increasing pressure on the bank's lending and operational activities exacerbated by increased expectations from funding organisations and other stakeholders around environmental and social risks.

Capital management

What is capital management and what are its objectives?

Capital management is a key contributor to shareholder value. The capital management framework is designed to ensure that the group and its principal subsidiaries are capitalised in line with the risk profile, regulatory requirements, economic capital standards and target ratios approved by the board.

The objectives of capital management are to:

- **maintain sufficient capital resources** to support the group's risk appetite and economic capital requirements, internal and external regulatory capital requirements in the form of management's target ratios, the SARB's minimum ratios set in accordance with Basel II and future Basel III requirements and minimum requirements set by foreign regulators for the group's foreign-regulated subsidiaries;
- **allocate capital** to businesses using risk-based capital allocation, to support the group's strategic objectives, including optimising returns on economic and regulatory capital;
- **manage the dividend policy** and dividend declarations of the group while taking into consideration shareholder and regulatory expectations; and
- develop, review and approve the **internal capital adequacy assessment process** including short- to medium-term capital planning and stress testing.

How is regulatory capital measured?

Regulatory capital adequacy is measured through three risk-based ratios:

- core tier I;
- tier I; and
- total capital adequacy.

All these ratios are a measure of the supply relative to the total risk-weighted assets and are measured against internal targets and regulatory minimum requirements.

Core tier I capital represents ordinary share capital, share premium and appropriated retained earnings. **Tier I** capital comprises core tier I and perpetual, non-cumulative preference shares. **Total capital** includes other items such as subordinated debt, the general allowance for credit impairments and revaluation reserves.

Risk-weighted assets are determined on a granular basis by using risk weights calculated from internally derived risk parameters within the regulatory requirements:

- both on- and off-balance sheet exposures are included in the overall credit risk-weighted assets of the group;
- risk-weighted assets for equity risk are modelled on the standardised, market-based and probability of default/ loss given default approaches; and
- capital requirements for market, operational and other risks are converted into notional risk-weighted assets for the purpose of determining total risk-weighted assets.

Capital management continued

What happened to regulatory capital in 2011?

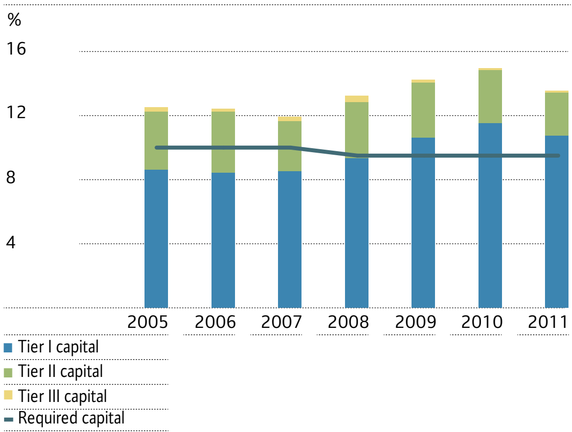
During the period under review and the comparative period in 2010, the group complied with all externally imposed capital requirements on its banking and insurance operations.

The group's tier I capital, including unappropriated profit, was R85,6 billion at 31 December 2011 (31 December 2010: R80,0 billion) and total capital, including unappropriated profit, was R102,0 billion at 31 December 2011 (31 December 2010: R94,8 billion).

The change in the group's capital was primarily due to an increase in retained earnings. The group maintained a well-capitalised position based on core tier I, tier I and total capital ratios.

The implications of the proposed Basel III capital framework continue to be evaluated.

Capital adequacy[1]
(including unappropriated profit)



[1] Basel II implemented 1 January 2008, thus subsequent periods are shown on a Basel II basis.
All other historical comparatives are shown on a Basel I basis.

How is economic capital measured?

Economic capital is the basis for measuring and reporting all quantifiable risks faced by the group on a consistent risk-adjusted basis. The group assesses its economic capital requirements by measuring its risk profile using both internally and externally developed models which are independently validated by the central validation function. Economic capital is used for risk management, capital management, capital planning, capital allocation, evaluation of new business and performance measurement. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst-case loss commensurate with the group's target rating of A- translating to a confidence level of 99,92%.

How do we manage capital?

Capital is managed through the group capital management committee which reports directly into the group ALCO and then into GROC.

What happened to economic capital in 2011?

Economic capital required to support the economic risk profile of the group increased from R57,8 billion in December 2010 to R64,3 billion in December 2011. The group was capitalised above its current A- target rating.

Looking ahead to 2012

Although the final Basel III rules afford the bank a period before full compliance is required, the bank maintains a strong focus on achieving the capital requirements within the specified timelines.

Specific areas of focus are:

- optimising capital allocation between product lines, trading desks, industry sectors and legal entities that result in financial resources being allocated in a manner that enhances the overall group economic profit and return on equity;
- supporting the group's refined strategy for growth in the rest of Africa through the enhancement of capital management practices in the rest of Africa legal entities; and
- ensuring that the group is adequately positioned to respond to changing regulatory capital rules under Basel III.

Summarised annual financial statements

Consolidated statement of financial position – IFRS

at 31 December 2011

	Change %	2011 Rm	2010[1] Rm	2009[1] Rm
Assets				
Cash and balances with central banks	11	31 907	28 675	24 983
Financial investments, trading and pledged assets	5	385 881	366 465	355 287
Non-current assets held for sale[2]	100	34 085		
Loans and advances	13	801 308	710 722	721 389
Derivative and other assets	3	174 569	169 203	140 601
Interest in associates and joint ventures	32	13 935	10 533	9 529
Investment property	9	23 470	21 521	19 058
Goodwill and other intangible assets	23	12 754	10 383	9 409
Property and equipment	0	14 920	14 907	12 250
Total assets	12	1 492 829	1 332 409	1 292 506
Equity and liabilities				
Equity	14	117 533	103 198	99 369
Equity attributable to ordinary shareholders	14	99 042	87 073	84 022
Preference share capital and premium	–	5 503	5 503	5 503
Non-controlling interest	22	12 988	10 622	9 844
Liabilities	12	1 375 296	1 229 211	1 193 137
Deposit and current accounts	12	876 777	785 601	765 161
Derivative, trading and other liabilities	7	237 261	222 594	217 020
Non-current liabilities held for sale[2]	100	27 939		
Policyholders' liabilities	5	208 565	197 878	184 300
Subordinated debt	7	24 754	23 138	26 656
Total equity and liabilities	12	1 492 829	1 332 409	1 292 506

[1] *Restated.*

[2] *The agreed disposal of the group's investments in Standard Bank Argentina and Troika, an associate of the group, resulted in the assets and liabilities of Standard Bank Argentina and the interest in the associate being classified as held for sale as at 31 December 2011.*

Consolidated income statement – IFRS

for the year ended 31 December 2011

	Change %	2011 Rm	2010 Rm
Income from banking activities	5	58 552	55 644
Net interest income	7	28 827	26 843
Non-interest revenue	3	29 725	28 801
Income from investment management and life insurance activities	(5)	48 835	51 149
Total income	1	107 387	106 793
Credit impairment charges	(13)	6 436	7 394
Benefits due to policyholders	(9)	33 799	37 335
Income after credit impairment charges and policyholders' benefits	8	67 152	62 064
Operating expenses in banking activities	0	34 725	34 579
Operating expenses in investment management and life insurance activities	11	10 410	9 388
Net income before goodwill impairment	22	22 017	18 097
Goodwill impairment	(58)	61	144
Net income before associates and joint ventures	22	21 956	17 953
Share of profit from associates and joint ventures	(54)	284	621
Net income before indirect taxation	20	22 240	18 574
Indirect taxation	15	1 384	1 204
Profit before direct taxation	20	20 856	17 370
Direct taxation	19	5 713	4 791
Profit for the year from continuing operations	20	15 143	12 579
Profit for the year from discontinued operations[1]	50	641	428
Profit for the year	21	15 784	13 007
Attributable to non-controlling interests	20	2 213	1 846
Attributable to preference shareholders	(11)	345	387
Attributable to ordinary shareholders	23	13 226	10 774
Basic earnings per share (cents)	21	875,7	722,1
Continuing operations	21	843,9	698,8
Discontinued operations	36	31,8	23,3
Diluted earnings per share (cents)	22	849,2	696,0
Continuing operations	21	818,3	673,5
Discontinued operations	37	30,9	22,5

[1] *The income and expenses relating to Standard Bank Argentina, which qualifies as a discontinued operation, have been presented as a single amount relating to its after tax profit for 2011 and 2010.*

Consolidated statement of other comprehensive income – IFRS

for the year ended 31 December 2011

	2011 Ordinary shareholders' equity Rm	2011 Non-controlling interests and preference shareholders Rm	2011 Total equity Rm	2010 Total equity Rm
Profit for the year	13 226	2 558	15 784	13 007
Other comprehensive income/(loss) after tax for the year from continuing operations	4 080	776	4 856	(5 125)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	4 551	980	5 531	(4 162)
Net change on hedges of net investments in foreign operations	(279)		(279)	(768)
Cash flow hedges	55	6	61	(214)
Available-for-sale financial assets	(282)	(256)	(538)	100
Items that may not be reclassified to profit or loss				
Revaluation and other gains/(losses)	35	46	81	(81)
Other comprehensive income/(loss) after tax for the year from discontinued operations	83	79	162	(228)
Total comprehensive income for the year	17 389	3 413	20 802	7 654
Attributable to non-controlling interests		3 068	3 068	1 002
Attributable to equity holders of the parent	17 389	345	17 734	6 652
Attributable to preference shareholders		345	345	387
Attributable to ordinary shareholders	17 389		17 389	6 265

Consolidated statement of changes in equity – IFRS

for the year ended 31 December 2011

	Ordinary shareholders' equity Rm	Preference share capital and premium Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2010	84 022	5 503	9 844	99 369
Total comprehensive income for the year	6 265	387	1 002	7 654
Transactions with shareholders, recorded directly in equity	(3 214)	(387)	(224)	(3 825)
Equity-settled share-based payment transactions	412		32	444
Deferred tax on share-based payment transactions	2			2
Transactions with non-controlling shareholders	(37)		36	(1)
Issue of share capital and share premium and capitalisation of reserves	205		30	235
Net (increase)/decrease in treasury shares	(23)		449	426
Net dividends paid	(3 773)	(387)	(771)	(4 931)
Balance at 31 December 2010	87 073	5 503	10 622	103 198
Balance at 1 January 2011	**87 073**	**5 503**	**10 622**	**103 198**
Total comprehensive income for the year	**17 389**	**345**	**3 068**	**20 802**
Transactions with shareholders, recorded directly in equity	**(5 420)**	**(345)**	**(702)**	**(6 467)**
Equity-settled share-based payment transactions	**336**		**30**	**366**
Deferred tax on share-based payment transactions	**(83)**			**(83)**
Transactions with non-controlling shareholders	**(89)**		**(98)**	**(187)**
Issue of share capital and share premium and capitalisation of reserves	**142**			**142**
Net decrease in treasury shares	**309**		**237**	**546**
Net dividends paid	**(6 035)**	**(345)**	**(871)**	**(7 251)**
Balance at 31 December 2011	**99 042**	**5 503**	**12 988**	**117 533**

Consolidated cash flow information – IFRS

for the year ended 31 December 2011

	2011 Rm	2010[1] Rm
Net cash flows from operating activities	24 605	26 840
Net cash flows used in investing activities	(10 138)	(13 867)
Net cash flows used in financing activities	(8 388)	(7 531)
Effect of exchange rate changes on cash and cash equivalents	2 002	(1 750)
Net increase in cash and cash equivalents	8 081	3 692
Cash and cash equivalents at the beginning of the year	28 675	24 983
Cash and cash equivalents at the end of the year	36 756	28 675
Comprising:		
Cash and balances with central banks	31 907	28 675
Cash and balances with central banks held for sale	4 849	
Cash and cash equivalents at the end of the year	36 756	28 675

[1] *Restated.*

Segment report – IFRS

for the year ended 31 December 2011

	Change %	2011 Rm	2010 Rm
Revenue contribution by business unit			
Personal & Business Banking	8	36 775	34 020
Corporate & Investment Banking	4	22 538	21 591
Central and other	(>100)	(562)	137
Banking activities	5	58 751	55 748
Liberty	(5)	48 806	51 466
Standard Bank Group – normalised	0	107 557	107 214
Adjustments for IFRS		(170)	(421)
Standard Bank Group – IFRS	1	107 387	106 793
Profit or loss attributable to ordinary shareholders			
Personal & Business Banking	39	6 059	4 362
Corporate & Investment Banking	8	5 632	5 213
Central and other	61	306	190
Banking activities	23	11 997	9 765
Liberty	8	1 428	1 323
Standard Bank Group – normalised	21	13 425	11 088
Adjustments for IFRS		(199)	(314)
Standard Bank Group – IFRS	23	13 226	10 774

Headline earnings – IFRS
for the year ended 31 December 2011

	Change %	2011 Rm	2010 Rm
Profit for the year from continuing operations	22	12 745	10 426
Headline adjustable items added		231	334
Goodwill impairment – IFRS 3		61	144
Loss on deemed disposal of associate – IFRS 3		22	10
Profit on sale of property and equipment – IAS 16		(62)	(23)
Impairment of property and equipment – IAS 16		29	
Impairment of non-current assets held for sale – IFRS 5		37	
Realised foreign currency translation reserve on foreign operations – IAS 21			21
Losses on the disposal of businesses and divisions – IAS 27			30
Impairment of associates – IAS 28			29
Reversal of impairment of associates – IAS 28			(19)
Impairment of intangible assets – IAS 38		109	179
Realised losses/(gains) on available-for-sale assets – IAS 39		35	(37)
Taxation on headline earnings adjustable items		(33)	(41)
Non-controlling interests' share of headline earnings adjustable items			(79)
Standard Bank Group headline earnings from continuing operations	22	12 943	10 640
Profit for the year from discontinued operations	38	481	348
Headline adjustable items reversed		(49)	(38)
Profit on sale of property and equipment – IAS 16		(1)	
Realised gains on available-for-sale assets – IAS 39		(48)	(38)
Taxation on headline earnings adjustable items		17	13
Non-controlling interests' share of headline earnings adjustable items		8	6
Standard Bank Group headline earnings from discontinued operations	39	457	329
Standard Bank Group headline earnings	22	13 400	10 969

Contingent liabilities and capital commitments – IFRS
at 31 December 2011

	2011 Rm	2010 Rm
Letters of credit and bankers' acceptances	15 345	10 407
Guarantees	36 307	29 327
Contingent liabilities	51 652	39 734
Contracted capital expenditure	2 846	2 662
Capital expenditure authorised but not yet contracted	7 901	8 415
Capital commitments	10 747	11 077

Private equity associates and joint ventures – IFRS
at 31 December 2011

	2011 Rm	2010 Rm
Cost	287	382
Carrying value	613	641
Fair value	591	651
Loans to/(from) associates and joint ventures	195	(37)
Attributable income before impairment	83	43

Additional information

Directorate of key subsidiaries

The Standard Bank of South Africa Limited

TMF Phaswana
Chairman

SK Tshabalala[1]
Chief executive

DDB Band

RMW Dunne[2]

TS Gcabashe

SE Jonah KBE[3]

Sir Paul Judge[2]

KP Kalyan

SJ Macozoma

JH Maree[1]

KD Moroka

AC Nissen

MC Ramaphosa

SP Ridley[1]

MJD Ruck

Lord Smith of Kelvin, Kt[2]

EM Woods

Standard Bank Plc

BJ Kruger
Chairman

JK Knott[1,2]
Chief executive

GM Vogel[1]

ME Austen[2]

DPH Burgess[2]

JH Maree

CJ Sheridan[2]

HE Staunton[2]

PG Wharton-Hood

Liberty Holdings Limited

SJ Macozoma
Chairman

JB Hemphill[1]
Chief executive

AWB Band

AP Cunningham[2]

JH Maree

MP Moyo

L Patel

TDA Ross

SP Sibisi

JH Sutcliffe[2]

CG Troskie[1]

BS Tshabalala

PG Wharton-Hood

Stanbic IBTC Bank PLC

ANA Peterside[4]
Chairman

S David-Borha[1,4]
Chief executive

Y Sanni[1,4]
Deputy chief executive

PO Solola[1,4]

M Adedoyin[4]

AS Cookey[4]

I Esiri[4]

AG Gain

BJ Kruger

RI Mahtani[4]

JH Maree

M Uwais[4]

[1] *Executive*
[2] *British*
[3] *Ghanaian*
[4] *Nigerian*

Credit ratings

Ratings as at 7 March 2012 for entities within Standard Bank Group are detailed below:

	Short term	Long term	Outlook
Fitch Ratings			
Standard Bank Group Limited			
Foreign currency issuer default rating	F2	BBB+	Negative
Local currency issuer default rating		BBB+	Negative
The Standard Bank of South Africa			
Foreign currency issuer default rating	F2	BBB+	Negative
Local currency issuer default rating		BBB+	Negative
National rating	F1+ (ZAF)	AA (ZAF)	Stable
RSA Sovereign rating			
Foreign currency issuer default rating	F2	BBB+	Negative
Local currency issuer default rating		A	Negative
Standard Bank Plc			
Foreign currency issuer default rating	F2	BBB+	Negative
Banco Standard de Investimentos SA (Brazil)			
National rating	F1+ (BRA)	AA+ (BRA)	Stable
Standard Bank Argentina SA			
National rating		AA+ (ARG)	Stable
Stanbic IBTC Bank PLC (Nigeria)			
National rating	F1+ (NGA)	AAA (NGA)	
CfC Stanbic Bank (Kenya)			
Issuer default rating	B	BB-	Stable
Liberty Group			
National rating		AA- (ZAF)	Stable
National Insurer Financial Strength		AA (ZAF)	Stable
Moody's Investor Services			
The Standard Bank of South Africa			
Foreign currency deposit rating	P-2	A3	Negative
Local currency deposit rating	P-1	A2	Negative
RSA Sovereign ratings			
Foreign currency		A3	Negative
Local currency		A3	Negative
Standard Bank Plc			
Foreign and local currency deposit rating	P-2	Baa2	Negative
Standard Bank Argentina SA			
Foreign currency deposit rating	NP	Caa1	Stable
Local currency deposit rating	NP	Ba1	Stable
Standard & Poor's			
The Standard Bank of South Africa			
Unsolicited issuer rating[1]	A-2	BBB+	Stable
RSA Sovereign ratings			
Foreign currency[1]	A-2	BBB+	Stable
Local currency[1]	A-1	A	Stable

[1] *On 28 March 2012 Standard & Poor's Ratings Services revised its outlook on the South African sovereign to negative from stable. Accordingly, the outlook on SBSA was revised on 29 March 2012 to negative from stable.*

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.
Board	Standard Bank Group board of directors
CAGR (%)	Compound annual growth rate.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Diluted earnings per ordinary share (DEPS) (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of shares, adjusted for potential dilutive ordinary shares resulting from share-based payments.
Dividend cover (times)	Headline earnings per share divided by dividend per share.
Dividend per share (cents)	Total dividends to ordinary shareholders in respect of the year. Dividend is calculated using the cash component of any distribution where an election to receive scrip was available.
Dividend yield (%)	Dividend per share as a percentage of the closing share price.
Earnings yield (%)	Headline earnings as a percentage of the closing share price.
Headline earnings (Rm)	Earnings attributable to ordinary shareholders excluding goodwill gain or impairment, capital profits and losses, and recycled profits or losses on available-for-sale financial instruments.
Headline earnings per ordinary share (HEPS) (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
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 year end.
Price earnings ratio (times)	Closing share price divided by headline earnings per share.
Price-to-book (times)	Market capitalisation divided by net asset value.
Profit attributable to ordinary shareholders (Rm)	Profit for the year attributable to ordinary shareholders, calculated as 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 attributable to ordinary shareholders, non-controlling interests and preference shareholders for the year.
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 (JSE).
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.

Banking activities

Cost-to-income ratio (%)	Operating expenses as a percentage of total income including share of profit 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 tax rate (%)	Direct and indirect taxation as a percentage of income before taxation.
Gross specific impairment coverage ratio (%)	Specific credit impairments as a percentage of specifically impaired loans.

Net interest margin (%)	Net interest income as a percentage of daily and monthly average total assets, excluding trading derivative assets.
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, excluding Liberty, as a percentage of monthly average ordinary shareholders' funds, after deducting capital relating to Liberty.
Risk-weighted assets (Rm)	Determined by applying prescribed risk weightings to on- and off-balance sheet exposures according to the relative credit risk of the counterparty.
Specific credit impairments (Rm)	Impairment for specific identified credit losses on loans and advances, net of the present value of estimated recoveries.

Other definitions

Additional increment payments	To enhance the retention component of the DBS, additional increments of the deferred award become payable at vesting and one year thereafter. This feature was replaced by notional dividends for awards in respect of the 2011 financial year.
Black	African, Coloured, Indian and South African Chinese people (who fall within the ambit of the definition of black people in the relevant legislation as determined by court ruling).
Broad-based black economic empowerment (BBBEE)	Socioeconomic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups to participate gainfully and equitably in the mainstream economy.
Code Staff	In terms of the UK FSA regulations, all staff members who have a material impact on the firm's risk profile, including a person who performs a significant influence function for a firm, risk takers and a person given responsibility for management and supervision by the entity's governing body. Code Staff are identified as those business units outside Africa that fall under the jurisdiction of the FSA.
CPI (%)	A South African index of prices used to measure the change in the cost of basic goods and services.
Deferred acquisition costs	The direct and indirect costs incurred during the financial period arising from the writing or renewing of investment contracts without DPF, which are deferred to the extent that these costs are recoverable out of future premiums.
Deferred revenue liability (DRL)	Initial and other front-end fees received for the rendering of future investment management services relating to investment contracts without DPF, which are deferred and recognised as revenue when the related services are rendered.
Discretionary participation features (DPF)	A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits that are: – likely to be a significant portion of the total contractual benefits; – whose amount or timing is contractually at the discretion of the issuer; and – that are contractually based on the: • performance of a specified pool of contracts or a specified type of contract; • realised and or unrealised investment returns on a specified pool of assets held by the issuer; or • profit or loss of the company, fund or other entity that issues the contract.

Embedded value (EV)	The net worth of an insurer plus the value of in-force business less the cost of solvency capital. The net worth of an insurer includes financial services subsidiaries, other than life companies, at fair value.
Exposure at default (EAD)	Counterparty's expected exposure to the group at the time a default occurs.
Financial soundness valuation (FSV)	The valuation methodology used to value insurance contracts and investment contracts with DPF as described in PGN 104 issued by the Actuarial Society of South Africa.
Incurred but not reported	Claims expected to be made by policyholders in respect of events that have already occurred at the insurer's year end but have not yet been reported to it.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
Loss given default (LGD)	Amount of counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the EAD.
Normalised results	The financial results and ratios restated on an economic substance basis – refer to page 37.
Probability of default (PD)	Probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon.
Reinsurance	Insurance or investment risk that is ceded to another insurer in return for premiums. The ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Risk appetite	An expression of the maximum level of residual risk that the group is prepared to accept in order to deliver its business objectives.
Special purpose entity (SPE)	An entity 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.
Value of in-force business	The present value of the projected stream of after tax profits for all business in force at the reporting date.

Acronyms and abbreviations

Acronyms and abbreviations

ACAD	African Carbon Asset Development
AGM	Annual general meeting
AIRB	Advanced internal ratings based
ALBI	All Bond Index
ALCO	Asset and liability committee
AMA	Advanced management approach
ATM	Automated teller machine
AUD	Australian dollar
Banks Act	South African Banks Act 94 of 1990
Basel	Basel Capital Accord
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
board	Standard Bank Group Board of Directors
BSD	Bank Supervision Department
BWC	The rate for three-month Botswana certificates
BWP	Botswana pula
CAGR	Compound annual growth rate
CAR	Capital adequacy requirement
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CFD	Corporate finance department
CGT	Capital gains tax
CoE	Cost of equity
Companies Act/the Act	South African Companies Act 71 of 2008
Consumer Protection Act	South African Consumer Protection Act 68 of 2008
CR	Credit risk grade under country risk
CRO	Chief risk officer
CSDP	Central Securities Depository Participant
CVA	Credit valuation adjustment
DAC	Deferred acquisition costs
DBS	Deferred bonus scheme
DPF	Discretionary participation features
DRL	Deferred revenue liability
dti	Department of Trade and Industry of the Government of South Africa
dti codes	Department of Trade and Industry Codes of Good Practice for Broad-Based Black Economic Empowerment
E	Swazi emalangeni
EAD	Exposure at default
EGS	Equity growth scheme
exco	Group executive committee
FIRB	Foundation internal ratings-based
FSA	Financial Services Authority
FSB	Financial Services Board
FSV	Financial Soundness Valuation
FTSE/JSE Top 40 Index	Capitalisation weighted index including 40 largest companies by market capitalisation
GAC	Group audit committee
GBP	British pound sterling
GDP	Gross domestic product
GIA	Group internal audit
Gilt rate	60% of the risk-free rate
GORC	Group operational risk committee
GRI	Global Reporting Initiative
GRCMC	Group risk and capital management committee
GROC	Group risk oversight committee
GSIS	Group share incentive scheme
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal capital adequacy assessment process
ICBC	Industrial and Commercial Bank of China
IFRS	International Financial Reporting Standards
Income Tax Act	South African Income Tax Act 68 of 1962
IRB	Internal ratings-based
ISDA	Institute of Swap Dealers Association
IT	Information technology
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited, the licensed securities exchange in Johannesburg
KES	Kenyan shilling
King Code	The Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2009
LCm	Millions of local currency
LCR	Liquidity coverage ratio
LEDs	Light-emitting diodes
LGD	Loss given default
LGL	Liberty Group Limited
LibFin	Liberty Financial Services
Liberty	Liberty Holdings Limited and its subsidiaries
LIBOR	London Interbank Offered Rate
Long-Term Insurance Act	South African Long-Term Insurance Act 52 of 1998
MSCI	An index created by Morgan Stanley Capital International (MSCI) which is designed to measure equity market performance in global emerging markets
MT	Mozambican metical
NAD	Namibian dollar
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OCAR	Ordinary capital adequacy requirement
OCI	Other comprehensive income

OTC	Over-the-counter
PD	Probability of default
PGN	Professional Guidance Note
Pillar 3	Basel II pillar 3
PVIF	Present value in-force
QRRE	Qualifying revolving retail exposures
R	South African rand
RAPM	Risk-adjusted performance measurement
Rbn	Billions of rand
REIPPP	Renewable Energy Independent Power Producer Procurement
remco	Remuneration committee
Retail SA	Liberty's retail business in South Africa
Rm	Millions of rand
ROE	Return on equity
RY	Real yield
SAM	Solvency assessment and management
SARB	South African Reserve Bank
SBA	Collectively refers to the group's shareholding in Standard Bank Argentina S.A. and Standard Bank Argentina's affiliates namely, Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversion (SI) and Inversora Diagonal S.A. (ID)
Sberbank	Sberbank of Russia
SBG	Standard Bank Group
SBGRF	Standard Bank Group Retirement Fund
SBSA	The Standard Bank of South Africa Limited
SEC	The Securities and Exchange Commission
SENS	Securities exchange news service of the JSE Limited
Short-Term Insurance Act	South African Short-Term Insurance Act 53 of 1998
SIH	Standard International Holdings
SIFI	Systemically important financial institution
SIL	Standard Insurance Limited
SME	Small and medium enterprises
SPE	Special purpose entity
SRI	Socially responsible investment
STC	Secondary tax on companies
STRATE	Strate Ltd – Central Securities Depository for electronic settlement of financial instruments in South Africa
TCF	Treating customers fairly
TCM	Treasury and capital management
TDMP	TDM Limited Partnership
The charter	Financial Sector Charter
The code	The group's code of ethics
The company	Standard Bank Group Limited
The group	Standard Bank Group
The trust	The Tutuwa Community Trust
Tier I	Primary capital
Tier II	Secondary capital
Tier III	Tertiary capital
Troika	Troika Dialog Group Limited
Tutuwa	Black economic empowerment ownership initiative
UK	United Kingdom
UNFCCC – COP17	United Nations Framework Convention on Climate Change
US	United States of America
USD	United States dollar
UGX	Ugandan shilling
VaR	Value-at-risk
VAT	Value added tax
WA	The rate on Mozambican bonds which carry a floating rate equal to the weighted average of the last six treasury bills maturing at 60 or more days
ZAR	South African rand

International representation

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