Standard Bank Group

Audited results and dividend announcement for the year ended 31 December

2011

Standard Bank

Table of contents

Overview

Abridged audited results in accordance with IFRS

"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 and Africa remains at the core. 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."
– Jacko Maree, group chief executive

The Standard Bank Group's consolidated financial results for the year ended 31 December 2011 have been audited by the group's external auditors. The preparation of the group's consolidated financial results was supervised by the group financial director, Simon Ridley, BCom (Natal), CA (SA), AMP (Oxford). These results were made publicly available on 8 March 2012.

Financial highlights

Headline earnings
- normalised **R13 599 million,** up 21% on 2010
- IFRS **R13 400 million,** up 22% on 2010

Dividends per ordinary share
- **425 cents** (2010: 386 cents)

Capital adequacy
- tier I capital adequacy ratio of **12,0%** (2010: 12,9%)

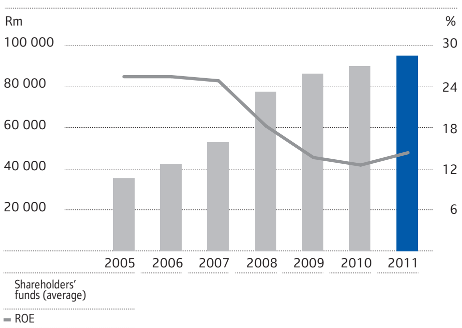
Cost-to-income ratio
- normalised **58,8%** (2010: 61,4%)
- IFRS **59,0%** (2010: 61,5%)

Credit loss ratio
- normalised and IFRS **0,87%** (2010: 1,04%)

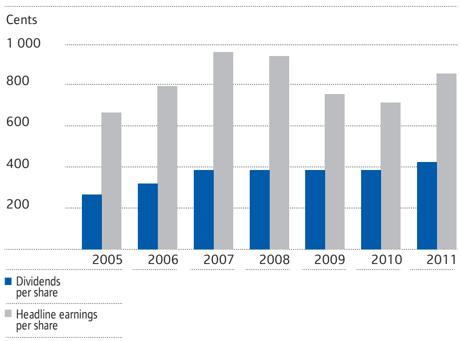
Return on equity (ROE)
- normalised **14,3%** (2010: 12,5%)
- IFRS **14,6%** (2010: 12,7%)

Net asset value (NAV) per share
- normalised **6 453 cents** (2010: 5 726 cents)
- IFRS **6 541 cents** (2010: 5 785 cents)

Return on ordinary equity



Headline earnings and dividends per share



The results discussed in the following commentary are presented on an unaudited normalised basis, unless otherwise indicated as being on an International Financial Reporting Standards (IFRS) basis. Results are normalised to correct the distortions caused by IFRS's treatment of the Black Economic Empowerment Ownership initiative and by group share exposures entered into to facilitate client trading activities and for the benefit of Liberty policyholders that are deemed to be treasury shares. Refer to normalised results that follow for a detailed explanation. The abridged audited results in accordance with IFRS are presented separately in the announcement.

Overview of financial results

Global operating environment

The year started on a relatively positive note with the global economy showing some signs of recovery 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, gold and silver. 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 of currencies in Kenya, Uganda and Nigeria.

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 and growth of 3,1% was recorded for the year. 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 significantly.

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 the 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 breaching the upper band of the inflation target in November and December 2011.

Nonetheless, given global uncertainty, relatively poor domestic growth and the expectation that the inflation rate would return to the target range, the Monetary Policy Committee of the South African Reserve Bank (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, an increase of 21% on the prior year and increased the annual dividend to shareholders by 10%. Return on equity (ROE) improved 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 right-size our activities outside of Africa.

Reflecting on 2011

- **Macro and regulatory uncertainty**

  The group's strong performance should be seen in the context of ongoing economic uncertainty, particularly in developed countries, and regulatory upheaval worldwide as policymakers grappled with widespread social dissent on the one hand, and finding appropriate responses to the financial crisis on the other. The ripple effects across the financial system were profound.

- **Keeping costs flat, while investing for growth**

  In March last year we committed to keep costs flat, which we achieved through a disciplined approach to managing headcounts, and achieving additional efficiency gains. Our efforts to control cost growth across the group as a whole were balanced with our strategic priority to invest for growth in markets such as Angola, Kenya and Nigeria.

- **Organic growth in the rest of Africa**

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

- **Right-sizing our operations outside Africa**

  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 (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. Standard Bank Plc will be fully integrated to deliver the Corporate & Investment Banking and group strategy.

- **Our partnership with the Industrial and Commercial Bank of China (ICBC)**

  Our strategic partnership with ICBC continues to develop and grow, especially in the many projects we have undertaken together in key African markets as well as other emerging markets. ICBC has opened a representative office in Africa, which will facilitate further co-operation in the rapidly growing trade between China and Africa.

- **Determining the optimal level of capital for the group**

  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 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.

  The sale of our strategic stake in Troika and the partial disposal of our stake in Standard Bank Argentina has helped inform the board's decision to increase our full year dividend by 10% to 425 cents per share compared with our 2010 dividend of 386 cents per share, reflecting a dividend cover of slightly more than 2,0 times.

- **Balancing ROE and growth**

  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.

Income statement analysis

Net interest income rose 7% for the year on the back of a 5% increase in average margin earning assets and a slight margin expansion of five basis points. The South African balance sheet absorbed the residual impact of the negative endowment effect on transactional balances and capital, with the prime interest rate at an average of 90 basis points lower than the prior year. This was offset by the repricing benefit of new business written at higher margins.

Non-interest revenue was up 3% for the year. Within this result, fee and commission revenue held up well, growing by 11%. Account transaction fees grew 9% reflecting an increased customer base and higher transactional volumes. Good growth in advisory and structuring fees was achieved particularly in natural resources. Card-based commissions were up 8% as a result of higher merchant penetration and higher levels of activity.

Trading revenue declined 2%. The largest components were forex up 10%, interest rates up 5% and commodities down 3%. Forex trading benefited from rand volatility in the second half of 2011 and a larger corporate customer base in key African markets. Interest rates trading benefited from the good take up of local currency rates products in the rest of Africa executed in London. Within commodities trading, precious and base metals fared well but the energy desk was negatively impacted by extreme volatility in oil prices. Equity trading was down significantly on the prior year given turbulent equity markets and the mark down of an equity position within the group's Asian curtailed operations.

Other revenue fell 27% largely due to the non-recurrence of positive adjustments on unlisted equity in the prior year as well as negative adjustments to private equity investments during 2011, both of these items reported within other income from banking activities. Bancassurance revenue grew 6% as a result of an increased policy base in South Africa in short- and long-term insurance products. Property-related revenue was down 4% due to unfavourable fair value adjustments on the listed property portfolio.

Credit impairment charges were 13% lower at R6 436 million (credit loss ratio of 0,87%) from R7 394 million (credit loss ratio of 1,04%) in 2010, reflecting an improved credit environment. Non-performing loans reduced to 4,1% of the book at year end (2010: 5,8%) as the ability of households and businesses to service their debt stabilised, particularly in South Africa. After experiencing a net reversal in portfolio impairments in 2010, the group incurred a more normal portfolio charge during 2011. Specific impairments amounting to USD105 million in Corporate & Investment Banking arose from exposures in the Middle East and related to client sectors which are no longer being serviced.

Total costs were flat on the prior year. Staff costs were up 4%, other operating expenses increased by only 1% and, together with the non-recurrence of retrenchment costs, this allowed the group to achieve its objective of no cost growth in 2011. The cost-to-income ratio improved to 58,8%.

Headcount was 4% lower than the prior year following the 2010 restructuring process, which took final effect in early 2011, combined with natural attrition and tight headcount management. The combination of lower headcount and salary increases resulted in fixed remuneration growing by 4%. Variable remuneration was slightly lower than the prior year due to a higher component of deferred incentives in line with worldwide trends to strengthen the link between risk and incentive remuneration.

Given the relative inflexibility of the IT depreciation charge which grew by 30%, much focus was placed on containing other operating expenses during the year, which ended the year 1% up. The biggest savings were in marketing and professional fees.

Overview of business unit performance

Headline earnings by business unit

	Change %	2011 Rm	2010 Rm
Personal & Business Banking	40	6 092	4 364
Corporate & Investment Banking	11	5 816	5 252
Discontinued operations (Argentina)[1]	39	457	329
Central and other		(194)	(55)
Banking activities	23	12 171	9 890
Liberty	3	1 428	1 393
Total	21	13 599	11 283

[1] Following the agreement reached with ICBC in August 2011, in terms of which ICBC will acquire 80% of Standard Bank Argentina – 55% from Standard Bank Group and 25% from non-controlling interests – the group's full 75% investment in Standard Bank Argentina is classified as a discontinued operation. The transaction remains subject to regulatory approval and, once implemented, the group's remaining 20% investment in Standard Bank Argentina will be accounted for on the equity basis.

Personal & Business Banking

Personal & Business Banking delivered headline earnings of R6,1 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 by 9% to R19,9 billion on the back of asset growth, improved pricing and reduced funding costs, despite a negative endowment impact 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 substantial improvement on the 16,9% recorded in the prior year.

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 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 of non-performing mortgage loans continued to decline from its peak in September 2010 to 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. 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 in instalment finance 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 by 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 roll out of more than two million EMV chip-and-pin cards and the good uptake of our SMS notification system known as 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 affected by the negative endowment effect of lower interest rates in South Africa. However, transaction and deposit accounts 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 a loan book 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 to 1,97% as the more benign economic environment for customers continued to improve their ability to service debt. Overall, headline earnings from transactional lending products improved 24% to R2 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 Holdings Limited (Liberty) to deliver growth in bancassurance volumes resulting in a 4% increase in headline earnings 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. Headline earnings in the Channel Islands increased by 11% to R111 million. The deposit base in the Isle of Man increased by 33%, and this remains a trusted destination for our private banking clients across Africa.

Corporate & Investment Banking

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 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. 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 loan book 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 by 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 Global Markets business continues to be the larger element of 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%. The driver of this performance was the South African business, where increased levels of co-ordination 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. 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 to reverse the declining trend in the loan book. Results from our mining sector business have been encouraging, with increased fees and commission income following significant deal activity. Headline earnings rose 9% to R2,5 billion.

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 large 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 a recovery in net interest income.

Principal investment management comprises investments in private equity, real estate and debt funds. Fair value mark downs of the listed property portfolio and lower fair value gains on the equity portfolio compared to 2010 impacted this business and headline earnings fell from R485 million in 2010 to R124 million for 2011.

Certain activities considered to be non-core to the group's strategy were curtailed in 2010 and are still in the process of being wound down. These activities incurred a headline loss of R329 million for the year (2010: R1 098 million) following further fair value losses on the Asian distressed debt portfolio, including a write down of an equity component of this portfolio. The remaining exposure of this debt portfolio is USD176 million at the end of 2011.

In 2011 we equity accounted our portion of Troika's earnings retrospectively for the last quarter of 2010 until the date of sale. 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.

Liberty

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. Bancassurance results are included under Personal & Business Banking.

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 and Liberty's property division produced another solid result.

Capital management and liquidity

The group's capital position was sustained in 2011 due to strong internal capital generation which supported robust growth in loans and advances. At 31 December we had a common equity tier I ratio of 11,3%, a tier I capital ratio of 12,0% and a total capital 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 Troika and the partial disposal of the group's majority stake in Standard Bank Argentina. During 2011, equity injections into African subsidiaries of USD110 million were concluded to support organic growth opportunities. Liberty's capital adequacy level at December 2011 was strong at 2,89 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, the 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 funding 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 reasonably healthy and The Standard Bank of South Africa successfully placed R8,9 billion of 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).

Dividends

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, 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. A final cash dividend of 284 cents per share has been declared. This declaration 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. 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.

Both the group's final ordinary dividend and the group's preference share dividends (which were declared on 29 February) will have record dates in March and will be subject to the secondary tax on companies regime prior to the introduction of dividend withholding tax.

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.

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.

Stakeholders should note that any forward-looking information in this announcement has not been reviewed or reported on by the group's external auditors.

Jacko Maree
Chief executive
7 March 2012

Fred Phaswana
Chairman

Declaration of dividends

Notice is hereby given that the following final dividend has been declared:
Ordinary dividend No. 85 of 284 cents per ordinary share (share codes: SBK and SNB, ISIN: ZAE000109815), payable on Monday, 2 April 2012, to ordinary shareholders recorded in the books of the company at the close of business on the record date, Friday, 30 March 2012. The last day to trade to participate in the dividend is Friday, 23 March 2012. Ordinary shares will commence trading ex-dividend from Monday, 26 March 2012.

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

	Ordinary shares
JSE Limited (JSE)	
Share code	SBK
ISIN	ZAE000109815
Namibian Stock Exchange (NSX)	
Share code	SNB
ISIN	ZAE000109815
Dividend per share (cents)	284,0
Last day to trade "CUM" dividend	Friday, 23 March 2012
Shares trade "EX" dividend	Monday, 26 March 2012
Record date	Friday, 30 March 2012
Payment date	Monday, 2 April 2012

Ordinary share certificates may not be dematerialised or rematerialised between Monday, 26 March 2012 and Friday, 30 March 2012, both days inclusive.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 2 April 2012.

On behalf of the board
Loren Wulfsohn
Group secretary

Normalised results (unaudited)

With effect from 2004, we have adjusted the group's results reported under IFRS for required accounting conventions that do not reflect the underlying economic substance of transactions. To arrive at the normalised results the IFRS results have been adjusted for the following items:

- preference share funding for the group's Black Economic Empowerment Ownership initiative (Tutuwa) transaction that is deducted from equity and reduces the shares in issue in terms of IFRS; and
- group companies shares held for the benefit of Liberty policyholders that result in a reduction of the number of shares in issue and the exclusion of fair value adjustments and dividends on these shares. The IFRS requirement causes an accounting mismatch between income from investments and changes in policyholders' liabilities.

The group also enters into transactions on its own shares to facilitate client trading activities. As part of the normal trading operations, a group subsidiary offers to its clients trading positions of listed shares, including its own shares. In order to hedge the risk on these shares the subsidiary buys or sells short group shares in the market. Although the share exposure on the group's own shares is deducted from equity and the related fair value movements are reversed in the income statement on consolidation, the client trading position and fair value movements are not eliminated, resulting in an accounting mismatch. In addition to the two anomalies described above, the group has adjusted for this accounting mismatch resulting from the application of IFRS in preparing the normalised results.

The result of these adjustments is shown in the table below:

Normalised headline earnings

	Weighted average number of shares '000	Headline earnings Rm	Growth on 2010 %
Disclosed on an IFRS basis	1 510 352	13 400	22
Tutuwa initiative	63 479	241	
Group shares held for the benefit of Liberty policyholders	13 994	(42)	
Share exposures held to facilitate client trading activities	(771)		
Normalised	1 587 054	13 599	21

Abridged audited results in accordance with IFRS

Financial statistics

for the year ended 31 December 2011

	Change %	2011	2010
Number of ordinary shares in issue (000's)			
– end of year	1	1 514 097	1 505 093
– weighted average	1	1 510 352	1 491 956
– diluted weighted average	1	1 557 415	1 548 001
Cents per ordinary share			
Headline earnings	21	887,2	735,2
– Continuing operations	20	857,0	713,2
– Discontinued operations	37	30,2	22,0
Diluted headline earnings	21	860,4	708,6
– Continuing operations	21	831,1	687,3
– Discontinued operations	38	29,3	21,3
Dividends	10	425,0	386,0
Basic earnings	21	875,7	722,1
– Continuing operations	21	843,9	698,8
– Discontinued operations	36	31,8	23,3
Diluted earnings	22	849,2	696,0
– Continuing operations	21	818,3	673,5
– Discontinued operations	37	30,9	22,5
Net asset value per share	13	6 541	5 785
Financial performance (%)			
ROE		14,6	12,7
Net interest margin on continuing operations		2,91	2,86
Credit loss ratio on continuing operations		0,87	1,04
Cost-to-income ratio on continuing operations		59,0	61,5
Capital adequacy (%)			
Capital ratios (unaudited)			
– tier I capital		12,0	12,9
– total capital		14,3	15,3

Abridged audited results in accordance with IFRS continued

Consolidated income statement

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 .*

Headline earnings

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 loss 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

Consolidated statement of financial position

as 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.*

Contingent liabilities and capital commitments

as 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**

Consolidated cash flow information

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)
Effects 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 beginning of the year	28 675	24 983
Cash and cash equivalents at 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.*

Consolidated statement of other comprehensive income

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 after tax for the year – continuing operations	4 080	776	4 856	(5 125)
Exchange rate differences on translating equity investment in foreign operations	4 551	980	5 531	(4 162)
Foreign currency hedge of net investments	(279)		(279)	(768)
Cash flow hedges	55	6	61	(214)
Available-for-sale financial assets	(282)	(256)	(538)	100
Revaluation and other gains/(loss)	35	46	81	(81)
Other comprehensive income after tax for the year – 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

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 owners, 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 owners, 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**

Abridged audited results in accordance with IFRS continued

Segment report

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

Private equity associates and joint ventures

as 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)
Equity accounted income	**83**	43

Reports of the independent auditors

The unmodified audit reports of KPMG Inc. and PwC Inc., the independent auditors, on the annual financial statements and the abridged financial statements contained herein for the year ended 31 December 2011, dated 7 March 2012, are available for inspection at the registered office of the company.

Accounting policies

Basis of preparation

These audited results are a summary of the consolidated financial statements and are prepared in accordance with the recognition and measurement criteria of IFRS, its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and the disclosure requirements of IAS 34 *Interim Financial Reporting*, the AC 500 standards as issued by the Accounting Practices Board or its successor, the Listings Requirements of the JSE Limited and the South African Companies Act 71 of 2008, as amended. The consolidated financial results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The consolidated financial statements are presented in South African rand. All amounts are stated in millions of rand (Rm), unless indicated otherwise.

Changes in accounting policies

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

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

The group has adopted the following revised IFRS prospectively as of 1 January 2011:

- IAS 1 *Presentation of Financial Statements* (2011 Improvements to IFRS);
- IAS 24 *Related Party Transactions* (revised);
- IAS 34 *Interim Financial Reporting* (2010 Improvements to IFRS); and
- IFRS 7 *Financial Instruments: Disclosures* (2010 Improvements to IFRS).

None of the revised IFRS have had any effect on the group's reported earnings or financial statement position but have affected the group's disclosures.

Restatements

Following a review of the group's commodity transactions in terms of IFRS and group accounting policies, certain commodity transactions that had previously been classified as deposits from banks were reclassified to trading liabilities in 2009. The subsequent settlement of those trading liabilities reduced pledged assets and deposits from banks in 2010. The group believes that this restatement better reflects the nature of the underlying transactions. The restatement had no impact on reserves or the income statement.

Investors are referred to www.standardbank.com for more information.

Administrative information

Standard Bank Group Limited

Registration No. 1969/017128/06
Incorporated in the Republic of South Africa

Registered office

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Hongli Zhang** (Deputy chairman),
SJ Macozoma (Deputy chairman),
JH Maree* (Chief executive),
DDB Band, RMW Dunne#, TS Gcabashe,
SE Jonah KBE##, Sir Paul Judge#, KP Kalyan,
Yagan Liu**, Adv KD Moroka, AC Nissen,
MC Ramaphosa, SP Ridley*, MJD Ruck,
Lord Smith of Kelvin, Kt#, EM Woods
*Executive director **Chinese #British ##Ghanaian

Group secretary

L Wulfsohn

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Share transfer secretaries in Namibia

Transfer Secretaries Proprietary Limited
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JSE independent sponsor

Deutsche Securities Proprietary Limited

Namibian sponsor

Simonis Storm Securities Proprietary Limited

JSE joint sponsor

Standard Bank

Share and bond codes

JSE share code:
SBK ZAE000109815
SBKP ZAE000038881 (first preference shares)
SBPP ZAE000056339 (second preference shares)
NSX share code:
SNB ZAE000109815
JSE bond codes:
SBS, SBK, SBN, SBR, SBSI, ETN series, SSN series and CLN series (all JSE listed bonds issued in terms of The Standard Bank of South Africa Limited's Domestic Medium Term Note Programme and Structured Note Programme)

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