Analysis of financial results

for the year ended 31 December 2006

Standard Bank

Analysis of financial results 2006

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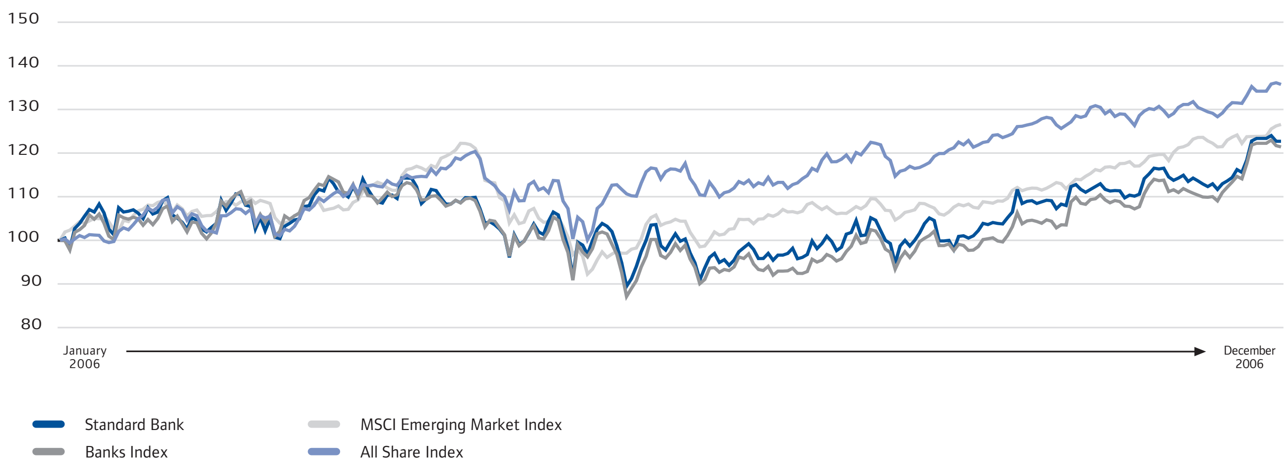
Standard Bank share price performance



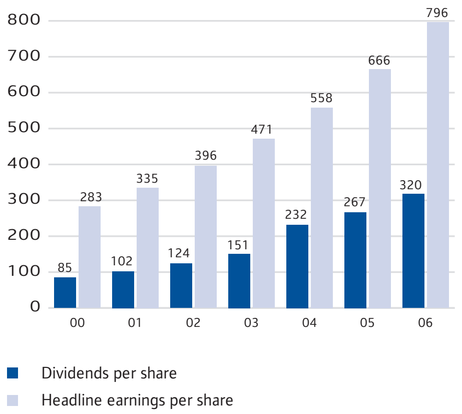
Group results in brief

All results in this booklet are presented on an unaudited normalised basis, unless otherwise indicated as being on the audited IFRS (International Financial Reporting Standards) basis. Results are normalised to correct the distortions caused by IFRS's treatment of the Black Economic Empowerment Ownership initiative and deemed treasury shares held for the benefit of Liberty Life policyholders. Refer to page 74 for a detailed explanation of principal differences between normalised and IFRS results and from page 76 to 83 for results reported on an IFRS basis.

	Financial objectives 2006
Headline earnings of R10 818 million, 20% up	
Headline earnings per ordinary share, 796,4 cents, 20% up	14,6% (10% above average CPIX of 4,6%)
Dividend covered 2,5 times by headline earnings per share	
Dividends per ordinary share 320 cents, 20% up	
Net asset value per ordinary share, 3 579 cents, 26% up	
Credit loss ratio 0,67% (2005: 0,40%)	<0,75%
Cost-to-income ratio 53,5% (2005: 56,1%)	≤55,5%
Cost-to-income ratio 53,8% excluding capital profit on MasterCard	
Net currency translation gain recognised in reserves, R2 174 million (2005: R397 million)	
ROE 25,2% (2005: 25,2%)	24,0%

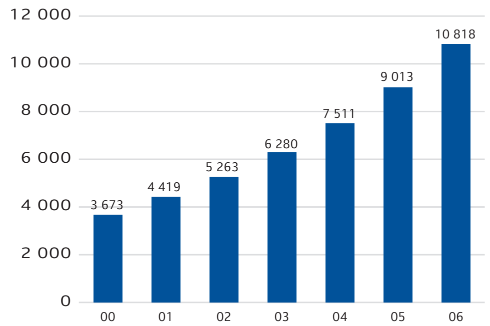
Headline earnings and dividends per share (cents)

CAGR (2000 – 2006): Headline earnings per share 19%
Dividends per share 25%



Headline earnings (Rm)

CAGR (2000 – 2006): 20%



Major business areas

Standard Bank Group

Personal & Business Banking
Peter Wharton-Hood

Banking and other financial services to individual customers and small- to medium-sized enterprises throughout South Africa and in the rest of Africa.

	2006	2005
External net advances (Rm)	264 516	200 321
Headline earnings (Rm)	4 828	3 879
Headline earnings growth (%)	24	22
ROE (%)	31,7	30,8
Cost-to-income ratio (%)	55,2	59,2
Credit loss ratio (%)	1,00	0,71
Headline earnings contribution (%)	45	43

Corporate & Investment Banking
Ben Kruger

Commercial and investment banking services to larger corporates, financial institutions and international counterparties, focused on South Africa and other emerging markets.

	2006	2005
External net advances (Rm)	183 872	139 367
Headline earnings (Rm)	5 033	4 185
Headline earnings growth (%)	20	8
ROE (%)	27,7	27,2
Cost-to-income ratio (%)	53,1	53,7
Credit loss ratio (%)	0,19	(0,06)
Headline earnings contribution (%)	46	46

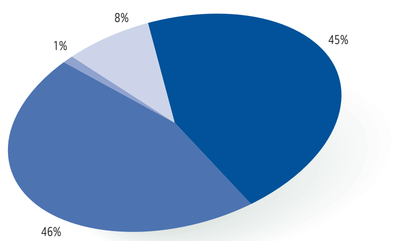
Investment Management & Life Insurance
Bruce Hemphill

Life insurance and asset management activities by group companies Liberty Life and Stanlib.

	2006	2005
Total assets (Rm)	203 147	172 079
Third party funds under management (Rm)	169 000	178 000
Normalised embedded value[1] (Rm)	23 017	20 404
Headline earnings (Rm)	843	620
Headline earnings growth (%)	36	51
ROE (%)	25,1	21,0
Headline earnings contribution (%)	8	7

[1]*Liberty Life as published.*

Headline earnings contributions by business unit



- Personal & Business Banking 45% (2005: 43%)
- Corporate & Investment Banking 46% (2005: 46%)
- Central and other 1% (2005: 4%)
- Investment Management & Life Insurance 8% (2005: 7%)

Executive management

Craig Bond (45)
Chief executive
Standard Bank Africa

BCom, LLB, HDip Tax (Wits), SEP (Harvard)

Joined the group 2000, appointed to exco 2006

Tina Eboka (47)
Corporate Affairs

BS Applied Mathematics (New York), BS Textile Engineering (Philadelphia), MBA (Philadelphia), SEP (Harvard)

Joined the group 2005, appointed to exco 2005

Arnold Gain (52)
Credit

BCom (Hons) (Cape Town)

Joined the group 1994, appointed to exco 2005

Bruce Hemphill (43)
Chief executive
Liberty Life

BSoc (Cape Town), CPE (College of Law, London)

Joined the group 1993, appointed to exco 2006

Ben Kruger (47)
Chief executive
Corporate & Investment Banking

BCom (Hons) (Pretoria), CA (SA), AMP (Harvard)

Joined the group 1985, appointed to exco 2000

Rob Leith (44)
Chief executive
Corporate & Investment Banking – International

BCom (Hons) (Cape Town), CA (SA)

Joined the group 1991, appointed to exco 2003

Chris Lombard (60)
Leadership Development and Training

BA (Hons) (Stellenbosch), PMD (Harvard)

Joined the group 1978, appointed to exco 1995

Jacko Maree (51)
Group chief executive

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

Joined the group 1980, appointed to exco 1995

David Munro (36)
Chief executive
Corporate & Investment Banking – SBSA

BCom (PGDA) (Cape Town), CA (SA), AMPC (Harvard)

Joined the group 1996, appointed to exco 2004

Sipho Ngidi (51)
Human Resources

BAdmin (Zululand), BCom (Hons) (Natal)

Joined the group 2001, appointed to exco 2001

Sarah-Anne Orphanides (38)
Marketing and Communications

BSocSci (Hons) (Cape Town), MBA (London)

Joined the group 2002, appointed to exco 2006

Simon Ridley (51)
Finance

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

Joined the group 1999, appointed to exco 2002

Paul Smith (52)
Risk

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

Joined the group 1997, appointed to exco 1999

Sim Tshabalala (39)
Chief executive
Personal & Business Banking – SBSA

BA LLB (Rhodes), LLM (University of Notre Dame USA), HDip Tax (Wits)

Joined the group 2000, appointed to exco 2001

Peter Wharton-Hood (41)
Chief executive
Personal & Business Banking

BCom (Hons) (Wits), CA (SA)

Joined the group 1997, appointed to exco 1999

Notes

Key financial results and ratios – normalised

		Change %	2006	2005
Standard Bank Group				
Earnings				
Headline earnings	Rm	20	10 818	9 013
Profit attributable to ordinary shareholders	Rm	24	11 148	8 981
Other indicators				
Headline EPS	cents	20	796,4	666,0
Diluted headline EPS	cents	20	783,7	654,5
Basic EPS	cents	24	820,7	663,6
Diluted EPS	cents	24	807,6	652,2
Dividend cover	times		2,5	2,5
Total dividends per share	cents	20	320,0	267,0
Net asset value per share	cents	26	3 579	2 830
Ordinary shareholders' funds	Rm	27	48 762	38 270
Return on equity (ROE)	%		25,2	25,2
Capital adequacy	%		14,8	14,2
Number of ordinary shares in issue				
– weighted average	thousands		1 358 415	1 353 382
– fully diluted weighted average	thousands		1 380 416	1 377 085
Number of employees		3	42 265	40 867
Banking activities				
Earnings				
Headline earnings	Rm	19	9 975	8 393
Balance sheet				
Total assets	Rm	29	775 447	603 052
Loans and advances (net of credit impairments)	Rm	32	452 612	342 914
Other indicators of banking activities				
ROE	%		25,2	25,6
Net interest margin	%		2,79	2,97
Non-interest revenue to total income	%		53,7	54,4
Credit impairment charges	Rm	>100	2 733	1 207
Credit loss ratio	%		0,67	0,40
Cost-to-income ratio	%		53,5	56,1
Cost-to-income ratio excluding capital profit on MasterCard	%		53,8	56,1
Effective tax rate (including indirect taxation)	%		27,4	26,1
Number of employees		4	37 703	36 131

In 2006 the group experienced:

Globally

- Robust economic growth with growth in developing countries outpacing that of developed markets.
- Some weakness in emerging market currencies and increasing inflation rates.
- Higher energy prices.
- Rising prices and volatility in commodity markets.
- Generally buoyant equity markets.

In South Africa

- Strong domestic consumer activity continuing for most of the year.
- Moderately rising inflation and tighter monetary policy.
- Higher volatility in foreign exchange and interest rate markets coupled wiith a slightly weaker South African rand.
- Sustained growth in mortgage values and volumes driven by strong demand for housing.
- Continued growth in the number of new vehicle sales, but trending lower in the fourth quarter of the year.
- Low propensity of consumers to save restricting retail funding.
- Strong equity markets.

Extracts from Financial Sector Charter report contained in the Sustainability and BEE report

		Target 2008	Actual 2006	Actual 2005
Human resources development				
Proportion of Black management	%		44	37
Origination				
Affordable housing lending	Rm	13 500	7 665	5 585
Black SME lending	Rm	3 300	3 250	2 535
Empowerment financing				
BEE transaction financing	Rm	3 857	12 517	7 577
Procurement from black controlled suppliers	%	50	46	38
Control				
Proportion of Black directors	%	33	33	33
Proportion of Black executives	%	25	22	22
Overall score	%	100	91,28	80,43

Overview of financial results

Standard Bank Group is pleased to report another year of strong financial performance, a year in which all financial targets were met. The group grew headline earnings per share 19% to 837,4 cents per share and generated a return on equity of 27,1% based on audited results prepared in accordance with International Financial Reporting Standards (IFRS).

Certain of the accounting conventions under IFRS distort the results from an economic perspective. On an unaudited normalised basis, headline earnings per share grew 20% and a return on equity of 25,2% was achieved. The relevant adjustments are more fully discussed on page 74 and all figures quoted below are on a normalised basis.

The group's diverse spread of businesses were buoyed by a widely favourable operating environment and measured against a high base, the group's earnings growth target of 10% above CPIX inflation was exceeded by a substantial margin.

Globally, economic growth continued to be robust and growth in developing countries outpaced that of the developed world. As a result of heightened risk aversion among investors, capital inflows to emerging economies reduced during May and June. Equity markets recoiled sharply, but soon stabilised and generally, earlier losses were recovered.

In South Africa the rand weakened and, against the backdrop of heightened economic activity, inflation edged upwards. In response, monetary policy was tightened and interest rates were increased by 200 basis points between June and December 2006, moderating growth in consumer demand towards the end of the year. A shift in the primary thrust of economic growth from households to corporates became evident late in the year. Brisk growth in total private sector credit extension masked a moderate deceleration in household borrowings and there was an increased uptake in corporate debt.

Key factors impacting the results

The factors impacting the group's results for the 2006 year are, to a large extent, a continuation of those highlighted at the interim reporting stage.

- Healthy asset growth
  Corporate & Investment Banking loans and advances grew by 32%, as a result of renewed demand for corporate term lending in South Africa and collateralised lending outside of Africa. Personal & Business Banking reflected strong growth in lending assets of 32%, as a result of record home loan registration volumes driven by strong demand for housing. Focused customer acquisition strategies in the card business have been successful.

- Strong revenue growth
  Robust asset growth in both current and prior periods and buoyant transactional activity from both consumers and corporates contributed to total banking income rising 25% for the period under review. All revenue streams contributed to this performance.

- Increased trading volumes and strong equity markets
  Revenues from client related activities were positively impacted by rising prices and volatility in commodity markets. Higher volatility in foreign exchange and interest rate markets also spurred client trading volumes. Investment Management & Life Insurance benefited from a strong South African equity market and achieved a 33% weighted average investment return.

- Increased credit impairment charges
  As expected, the low level of credit losses experienced in 2005 was not sustained in 2006. The return to a net credit impairment charge in Corporate & Investment Banking contrasts with the substantial credit recoveries made in the prior period. Personal & Business Banking's credit loss ratio increased significantly in card debtors following the group's focus on higher risk and higher yielding segments.

- Continued reliance on wholesale funding
  The increasing need to utilise wholesale-priced funding to support asset growth contributed to the contraction in the group's overall margin despite maintaining domestic market share of retail savings deposits. Although our securitisation efforts have achieved funding diversification, driving retail deposit growth through innovative savings and investment products remains a priority.

- Continued investment in operations outside of South Africa
  The group continues to scale up its operations outside of South Africa, investing heavily in talent and infrastructure both in existing and new operations. This investment has had the immediate impact of increasing cost growth in 2006 while meaningful revenue benefits from this incremental spend are expected to become apparent from 2007 onwards.

Income statement analysis

Net interest income

Growth of 27% was achieved with strong increases recorded across the group's operations: Personal & Business Banking was up 25% and Corporate & Investment Banking up 29% boosted by good growth in operations outside Africa. Net interest income benefited from strong growth in average assets of 36%.

The group's net interest margin reflects an 18 basis points decline for the year to 2,79% mainly due to the fast growing portfolio of lower margin corporate assets, R115 billion of trading assets compared to R74 billion the previous year and an R11 billion increase in surplus liquidity assets.

In banking activities related to lending and funding, the endowment benefits of higher interest rates on shareholders' funds and transactional deposits more than compensated for the negative margin pressure caused by increased reliance on wholesale funding.

Non-interest revenue

Non-interest revenue comprised 53,7% (2005: 54,4%) of total banking income and rose 23% following growth in fee and commission revenue of 18%, trading revenue of 30%, and other revenue of 39%.

Personal & Business Banking increased fee and commission revenue by 17%. Growth of 23% was achieved in card-based fees as cardholder turnover rose by 21% following a 21% increase in the number of credit card accounts. The largest contributors to fees and commission revenue were fees initiated through customer interactions with the branch and ATM network (point of representation fees), which grew 11%. This growth was mainly driven by higher transaction volumes and values off a larger current account base while price increases were generally sub-inflation. Corporate & Investment Banking fees increased by 25%. Strong growth occurred in arranging and underwriting fees in specialised and project finance following the completion of a number of large transactions.

The group benefited from the robust commodity cycle coupled with increased customer flows, and commodity trading revenue grew by 50%. A good performance was recorded in base metal trading as volatility was spurred by significant increases in demand. Precious metal trading enjoyed increased client volumes as silver and gold prices touched 25-year highs. Foreign exchange trading was 20% higher, benefiting from rand volatility, increased trading volumes and market share gains outside South Africa. Trading revenue in debt securities was higher as volatility in emerging market debt encouraged clients to divest or hedge their exposures.

Growth in other revenue is attributable to higher bancassurance income and an improved short-term insurance underwriting performance. Other income was further increased by fair value gains from infrastructure funds and dividends from project finance and property related investments. These gains were partly offset by reduced fair value gains in the group's listed property portfolio. The group realised R157 million capital profit on the sale of 59% of its investment in MasterCard as part of its initial public offering. This investment is considered to be of an infrastructural nature and is classified as an available-for-sale asset thereby excluding the realised gain from headline earnings.

Credit impairment charges

Credit impairment charges rose 126% off a low base following large corporate recoveries in 2005. This resulted in a credit loss ratio of 0,67% (2005: 0,40%).

Credit impairment charges in Personal & Business Banking comprise 85% of the group's charge and this unit's credit loss ratio increased from 0,71% to 1,00%. As anticipated, the credit loss ratio for card products increased from 3,32% to 7,03% as higher yielding customer accounts comprised a larger portion of the card portfolio. Lending balances which grew rapidly in prior periods are now maturing and this contributed to the increase. Credit losses for mortgages increased at a slightly lower rate than asset growth resulting in a slight reduction in the credit loss ratio from 0,29% to 0,27%, and instalment sale and finance leases increased from 0,78% to 1,09% following the impact of higher interest rates and specific impairments in some African countries. Impairments against performing portfolios were impacted by the anticipated effects of longer recovery periods given the requirements of the National Credit Act, and closer alignment with Basel II in defining the concept of default.

Corporate & Investment Banking's credit loss ratio increased to 0,19% following net recoveries in 2005. The increase reflects a credit loss more in line with expectations and includes impairments in agriculture, fishing, construction and mining exposures in operations outside South Africa. Portfolio provisions against performing loans in Corporate & Investment Banking reflect the larger advances book and take account of the recent changes in domestic interest rates.

Total non-performing loans increased by 29% but remained unchanged as a percentage of the lending book at 1,2%.

Operating expenses

Operating expenses in the group's banking operations grew by 20% against income growth of 25%. The resultant "jaws" gap of 5% improved the group's normalised cost-to-income ratio from 56,1% to 53,5%. Staff costs were 17% higher and other operating expenses rose 22%.

Staff cost growth was driven mainly by the investment in skills in Corporate & Investment Banking outside Africa. In this operation staff numbers grew by 21% compared with 4% growth for the banking operations in total. Domestically, additional staff were employed to accelerate the implementation of IT systems to meet regulatory requirements and to boost collection capability. This growth was partly offset by a lower staff complement in the local branch network. In South Africa, the net increase in people employed by the bank was 840. Staff incentive costs were higher across the bank in line with business performance. Non-guaranteed payments as a percentage of basic salary costs across the bank are now 28%, up from 25% in 2005.

The larger cost categories within other operating expenses which outpaced average growth over the year were IT costs, premises costs, marketing and advertising costs and professional fees, which together comprise 53% of the banking operation's cost base. IT costs grew by 22% as a result of spending on systems relating to regulatory compliance (including the National Credit Act and Basel II); analysis relating to the implementation of SAP core banking systems in Personal & Business Banking in South Africa; initial investment in an integrated new test environment in Personal & Business Banking in South Africa and continued standardisation of systems in the rest of Africa. In Corporate & Investment Banking in South Africa, IT spend included the development of market risk management systems and a credit trading system. Premises costs grew by 27% on higher rentals, expansion of the ATM network, refurbishment of points of representation and costs relating to new signage following the modernisation of the bank's logo. Marketing and advertising costs grew by 25% as a result of increased sponsorship commitments, including the Africa Cup of Nations, and marketing campaigns outside South Africa. Expenses were also increased by professional fees related to the preparation for Basel II and the National Credit Act.

Business units

Personal & Business Banking contributed 45% to group headline earnings (2005: 43%); Corporate & Investment Banking 46% (2005: 46%); and Investment Management & Life Insurance 8% (2005: 7%).

Personal & Business Banking grew headline earnings by 24%. The business unit benefited from continued strong growth across most consumer lending products. Interest margins were tighter due to competitive pressures, higher origination costs and pricing concessions, and increased levels of wholesale-priced funding. Credit loss impairments increased sharply following high growth in card debtors and the alignment of impairment policies in the rest of Africa with the domestic operation. Buoyant domestic economic activity led to strong growth in transactional fee income and countered the impact of lower price increases. Income from short-term insurance activities grew strongly following low loss ratios and increased policy sales. Income from associates and joint ventures grew marginally off the high base set in 2005. During the year the joint venture with ABIL in microlending was terminated, which will allow Standard Bank to drive its lending strategy more independently in the mass market, where it is believed substantial growth potential exists.

Corporate & Investment Banking achieved a 20% increase in headline earnings, with good contributions across all revenue streams. Net interest income grew by 29% during 2006, largely attributable to higher current account balances, structured finance transactions, growth in the term and property lending books in South Africa and significant growth in collateralised lending business outside Africa. A strong trading

Overview of financial results continued

performance was achieved on the back of turbulent base metal, precious metal and energy markets, in addition to increased volumes and volatility in the forex and interest rate trading desks. Overall trading revenue grew by 33%. Fee and commission income benefited from increased transaction volumes across the operations and fees earned on specialised and energy finance transactions. Other income grew by 35%, off a high base, following increased dividend flows and favourable fair value adjustments on infrastructure and unlisted equity investments, partly offset by lower gains on a listed property portfolio. Earnings were adversely impacted by higher impairments on non-performing loans outside South Africa and an increase in the performing loan portfolio impairment in South Africa. Staff costs grew by 31% due to increased headcount, primarily outside Africa, and incentive provisions in line with business growth.

Investment Management & Life Insurance grew its contribution to headline earnings by 36% to R843 million, despite the significant changes the industry is facing. Recurring expenses directly attributable to insurance operations remained flat year on year. BEE normalised return on embedded value increased to 22,4% from 20,1% in 2005. This higher return is a consequence of improved capital management combined with sustained positive investment market performance. Notwithstanding cash returned to shareholders through dividends and a capital reduction during the year, the BEE normalised embedded value per share grew by 12,5% to R82,55.

Acquisition of BankBoston Argentina

Approval from both the South African and Argentinian regulators for the proposed acquisition by Standard Bank of BankBoston Argentina has been received and the three-month formal process for the transfer of the agreed assets and liabilities has commenced. The effective date of the transaction is expected to be 1 April 2007 and the prospects for this operation continue to improve. Due to acquisition and initial rebranding costs, the impact on the group’s financial performance is not expected to be significant in 2007.

Balance sheet analysis

Banking assets increased by 29%, driven by a 32% growth in loans and advances in both Personal & Business Banking and Corporate & Investment Banking.

Personal & Business Banking’s mortgage book grew 37% due to a still buoyant residential market. The value of registrations for the year was up 43% following growth of 16% in both average registration values and number of new registrations. The instalment finance book increased by 23% benefiting from a growth of 14% in the number of new vehicle sales in South Africa. Growth of 13% was achieved in new business volumes and the average deal size was up 4%. The card debtors book was up 42% as new accounts increased due to strategic partnerships, a higher level of revolving facilities and increased consumer activity.

The group's South African market share in mortgage lending and instalment finance remained stable during 2006, at 26% and 21% respectively. Market share in credit card debtors increased marginally to 36% from 35% in the prior year.

Corporate & Investment Banking experienced 32% loan growth largely due to growth of 54% in operations outside Africa. This strong growth, though somewhat flattered by a weakening exchange rate, occurred in trade finance lending, collateralised lending and structured commodity finance following the conclusion of a number of large new deals. In South Africa, term loan growth benefited from the conclusion of a number of large corporate transactions including empowerment financing transactions. Overnight lending decreased by 31% as clients moved to fixed rate lending in a firming interest rate environment and decreased use of overdraft facilities.

The group's ordinary shareholders' equity grew by 27% on a normalised basis. This resulted from retained earnings growth and a R2,2 billion increase in the foreign currency translation reserve. Included in retained earnings is the R157 million capital profit realised on the sale of a portion of shares held in MasterCard. The remaining unrealised portion is marked to market and resulted in a R354 million gain accounted for directly in equity for the period, bringing the total gross gain for the period to R511 million.

Capital management

The group has made considerable progress in preparing for the implementation of Basel II and ensuring capital management processes meet global standards. During the year the group issued preference share capital in two tranches to the value of R2,5 billion and subordinated debt qualifying as Tier II banking capital to the value of R4,7 billion.

Dividends

The dividend cover ratio of 2,5 times normalised headline earnings per share has been maintained. A final dividend of 176 cents per share (2005: 145 cents) has been declared, an increase of 21%. The total dividends declared in respect of the 2006 year increased by 20% to 320 cents per share (2005: 267 cents).

Financial Sector Charter progress

Standard Bank’s overall Financial Sector Charter (charter) score (audited) has improved to 91,28 points as at 31 December 2006 from 52,94 points as at 31 December 2004 (out of a maximum available 100 points), as the group’s efforts in this regard have gained traction. Notably, given the importance to sustainable economic development of developing black small and medium enterprises (BSMEs), 10 million ordinary shares were allocated to 250 qualifying BSMEs. This formed part of the group’s Tutuwa Community Trust initiative. The bank has made progress in employment equity and black managers now represent 44% of the bank’s management compared with 37% the previous year. A full, audited Financial Sector Scorecard will be available in the group’s Sustainability and BEE Report to be published at the same time as the group’s annual report. This scorecard will be submitted to the Charter Council for verification.

Summarised group income statement

	Change %	2006 Rm	2005 Rm
Net interest income	27	17 001	13 357
Non-interest revenue	23	19 712	15 966
Fee and commission revenue	18	12 372	10 457
Trading revenue	30	4 852	3 721
Other revenue	39	2 488	1 788
Total income	25	36 713	29 323
Credit impairment charges	>100	2 733	1 207
Impairments for non-performing loans	>100	2 022	1 006
Impairments for performing loans	>100	711	201
Income after credit impairment charges	21	33 980	28 116
Operating expenses	20	19 652	16 441
Staff costs	17	11 001	9 370
Other operating expenses	22	8 651	7 071
Net income before goodwill	23	14 328	11 675
Goodwill impairment	(38)	15	24
Net income before associates and joint ventures	23	14 313	11 651
Share of profit from associates and joint ventures	9	218	200
Net income before taxation	23	14 531	11 851
Taxation	28	3 980	3 098
Profit for the year	21	10 551	8 753
Attributable to minorities	59	81	51
Attributable to preference shareholders	26	282	223
Attributable to ordinary shareholders – banking activities	20	10 188	8 479
Headline adjustable items – banking activities	>100	(213)	(86)
Headline earnings – banking activities	19	9 975	8 393
Headline earnings – Investment Management & Life Insurance	36	843	620
Investment Management & Life Insurance share of attributable profit	91	960	502
Headline adjustable items – Investment Management & Life Insurance	(>100)	(117)	118
Standard Bank Group headline earnings	20	10 818	9 013

Notes

Notes

Detailed group income statement

(Includes grossed up life insurance components of income and expense)

	Standard Bank Group Change %	2006 Rm	2005 Rm
Income from banking activities	25	36 713	29 323
Net interest income	27	17 001	13 357
Interest income	31	51 202	38 967
Interest expense	34	34 201	25 610
Non-interest revenue	23	19 712	15 966
Income from investment management and life insurance activities	12	60 410	53 847
Net insurance premiums	6	20 066	18 979
Investment income and gains	17	38 634	33 021
Management and service fee income	(7)	1 710	1 847
Total income	17	97 123	83 170
Credit impairment charges	>100	2 733	1 207
Benefits due to policyholders	15	47 896	41 529
Net insurance benefits and claims	16	38 140	32 816
Fair value adjustment to policyholders' liabilities under investment contracts	21	8 276	6 834
Fair value adjustment on third party fund interests	(21)	1 480	1 879
Income after credit impairment charges and policyholders' benefits	15	46 494	40 434
Operating expenses in banking activities	20	19 652	16 441
Staff costs	17	11 001	9 370
Other operating expenses	22	8 651	7 071
Operating expenses in investment management and life insurance activities	(19)	6 486	8 006
Acquisition costs – insurance and investment contracts	(33)	2 413	3 594
Other operating expenses	(8)	4 073	4 412
Net income before goodwill	27	20 356	15 987
Goodwill impairment	(96)	15	421
Net income before associates and joint ventures	31	20 341	15 566
Share of profit from associates and joint ventures	22	275	226
Net income before indirect taxation	31	20 616	15 792
Indirect taxation	8	841	778
Profit before direct taxation	32	19 775	15 014
Direct taxation	36	5 852	4 312
Profit for the year	30	13 923	10 702
Attributable to minorities	66	2 493	1 498
Attributable to preference shareholders	26	282	223
Attributable to ordinary shareholders	24	11 148	8 981

	Banking activities			Investment Management & Life Insurance	
Change	2006	2005	Change	2006	2005
%	Rm	Rm	%	Rm	Rm
25	36 713	29 323			
27	17 001	13 357			
31	51 202	38 967			
34	34 201	25 610			
23	19 712	15 966			
			12	60 410	53 847
			6	20 066	18 979
			17	38 634	33 021
			(7)	1 710	1 847
25	36 713	29 323	12	60 410	53 847
>100	2 733	1 207			
			15	47 896	41 529
			16	38 140	32 816
			21	8 276	6 834
			(21)	1 480	1 879
21	33 980	28 116	2	12 514	12 318
20	19 652	16 441			
17	11 001	9 370			
22	8 651	7 071			
			(19)	6 486	8 006
			(33)	2 413	3 594
			(8)	4 073	4 412
23	14 328	11 675	40	6 028	4 312
(38)	15	24	(100)	–	397
23	14 313	11 651	54	6 028	3 915
9	218	200	>100	57	26
23	14 531	11 851	54	6 085	3 941
7	604	562	10	237	216
23	13 927	11 289	57	5 848	3 725
33	3 376	2 536	39	2 476	1 776
21	10 551	8 753	73	3 372	1 949
59	81	51	67	2 412	1 447
26	282	223	–	–	–
20	10 188	8 479	91	960	502

Notes

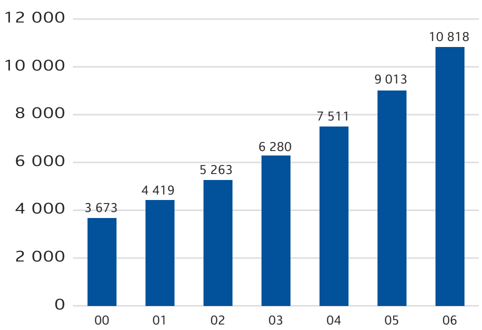
Headline earnings

Reconciliation to headline earnings

	2006 Banking activities Rm	2006 Investment Management & Life Insurance Rm	2006 Standard Bank Group Rm	2005 Banking activities Rm	2005 Investment Management & Life Insurance Rm	2005 Standard Bank Group Rm
Profit attributable to ordinary shareholders	10 188	960	11 148	8 479	502	8 981
Headline adjustable items (reversed)/added back	(227)	(374)	(601)	(106)	399	293
Goodwill impairment	15	–	15	24	397	421
Gains on the disposal of business and divisions	–	(374)	(374)	–	–	–
Profit on sale of properties and equipment	(53)	–	(53)	(64)	–	(64)
Impairment of intangibles	9	–	9	–	–	–
Recycled investment gains on available-for-sale assets	(198)	–	(198)	(64)	–	(64)
Other capital (profits)/losses	–	–	–	(2)	2	–
Taxation on headline adjustable items	14	–	14	20	–	20
Minority share of headline adjustable items	–	257	257	–	(281)	(281)
Headline earnings	9 975	843	10 818	8 393	620	9 013

Headline earnings (Rm)

CAGR (2000 – 2006): 20%



- Adjustments to headline earnings mainly comprise a R157 million capital profit on sale of a portion of MasterCard shares (included in recycled investment gains) and net gains on disposal of Liberty Life subsidiaries.

Headline earnings by business unit

Notes

	Change %	2006 Rm	2005 Rm
Personal & Business Banking	24	4 828	3 879
Corporate & Investment Banking	20	5 033	4 185
Central and other	(65)	114	329
Banking activities	19	9 975	8 393
Investment Management & Life Insurance	36	843	620
Standard Bank Group headline earnings	20	10 818	9 013

Personal & Business Banking

- Higher net interest income due to continued strong growth across all lending products, coupled with the positive endowment effect of increasing average interest rates.
- Margin compression due to greater reliance on wholesale priced funding, increased competition in mortgage loan pricing and Usury Act constraints.
- Higher fee and commission revenue as higher volumes overcame sub-inflation price increases.
- Higher short-term insurance income due to low claims loss ratios and increased policy sales.
- Increased credit impairments, resulting from strong growth in advances book, particularly card lending in line with the changed portfolio mix, and the anticipated impact of new legislation.
- Higher operating expenditure mainly due to business growth and increased regulatory compliance costs.

Corporate & Investment Banking

- High net interest income due to strong growth in all lending businesses and positive mismatch benefit of term deposits as rates increased.
- Strong trading performance driven by higher volumes of customer led activity and favourable market conditions in foreign exchange, base and precious metals.
- Higher fee and commission income from securitisation, structuring and corporate finance advisory fees.
- Impairment charges reverted to a loss experience more in line with expectations, in contrast with a net recovery in 2005.
- Significant investment in IT and other infrastructure.
- Higher performance related remuneration costs and increase in headcount to support business growth.

Investment Management & Life Insurance

- Strong South African equity market performance.
- Improved mortality risk experience.
- Sluggish growth in new insurance business volumes as investor preference for off-balance sheet products remains strong.

Central and other

- Increased central portfolio country risk provision.
- Higher net central tax charge.
- Excludes profit on the sale of investments of R198 million (mainly MasterCard) which are reflected outside of headline earnings.

Notes

Group balance sheet

	Standard Bank Group Change %	2006 Rm	2005 Rm
Assets			
Cash and balances with banks	4	74 154	71 244
Short-term negotiable securities	13	29 175	25 931
Derivative assets	(1)	100 832	101 502
Trading assets	>100	81 569	38 387
Investments	26	192 298	152 446
Investment property	4	13 200	12 637
Loans and advances	32	452 612	342 914
Loans and advances to banks	20	35 677	29 805
Loans and advances to customers	33	416 935	313 109
Current and deferred taxation	5	1 043	990
Other assets	28	16 975	13 237
Non-current assets for disposal	(100)	–	2 380
Interest in associates and joint ventures	34	8 584	6 417
Goodwill and other intangible assets	19	2 910	2 453
Property and equipment	14	5 242	4 593
Total assets	26	978 594	775 131
Equity and liabilities			
Equity	27	64 723	51 022
Equity attributable to ordinary shareholders	27	48 762	38 270
Preference share capital and premium	84	5 503	2 991
Minority interest	7	10 458	9 761
Liabilities	26	913 871	724 109
Derivative liabilities	–	103 122	103 482
Trading liabilities	71	36 790	21 462
Deposit and current accounts	32	545 164	413 623
Deposits from banks	75	48 374	27 584
Deposits from customers	29	496 790	386 039
Current and deferred taxation	14	7 880	6 926
Other liabilities	44	34 447	23 870
Non-current liabilities for disposal	(100)	–	1 267
Policyholder liabilities	20	168 898	140 835
Subordinated debt	39	17 570	12 644
Total equity and liabilities	26	978 594	775 131

	Banking activities			Investment Management & Life Insurance	
Change	2006	2005	Change	2006	2005
%	Rm	Rm	%	Rm	Rm
17	68 451	58 390	(56)	5 703	12 854
13	29 175	25 931			
(1)	100 832	101 502			
>100	81 569	38 387			
10	24 618	22 393	29	167 680	130 053
			4	13 200	12 637
32	452 612	342 914			
20	35 677	29 805			
33	416 935	313 109			
12	969	867	(40)	74	123
39	11 043	7 971	13	5 932	5 266
			(100)	–	2 380
39	1 130	812	33	7 454	5 605
>100	1 270	610	(11)	1 640	1 843
15	3 778	3 275	11	1 464	1 318
29	775 447	603 052	18	203 147	172 079
33	50 792	38 260	9	13 931	12 762
28	45 101	35 122	16	3 661	3 148
84	5 503	2 991			
28	188	147	7	10 270	9 614
28	724 655	564 792	19	189 216	159 317
–	103 026	103 447	>100	96	35
71	36 790	21 462			
32	545 164	413 623			
75	48 374	27 584			
29	496 790	386 039			
7	4 166	3 901	23	3 714	3 025
70	19 993	11 769	19	14 454	12 101
			(100)	–	1 267
			20	168 898	140 835
47	15 516	10 590	–	2 054	2 054
29	775 447	603 052	18	203 147	172 079

Notes

Statement of changes in shareholders' funds

	Ordinary share capital and premium Rm	Foreign currency trans-lation reserve Rm	Foreign currency hedge of net investment reserve Rm	Statutory credit risk reserve Rm
Balance at 1 January 2005 as previously reported	2 676	(947)	156	3
Minority interests in property partnerships and mutual funds				
Restated balance at 1 January 2005	2 676	(947)	156	3
Currency translation movement and hedging		626	(229)	
Increase in statutory credit risk reserve				23
Fair value adjustments				
Realised fair value adjustments recycled to the income statement				
Net increase in treasury shares				
Change in shareholding of subsidiaries				
Increase in minorities resulting from acquisitions				
Issue of share capital and share premium	246			
Share buy-backs	(677)			
Share issue and repurchase costs	(3)			
Equity-settled share-based payment transactions				
Other				
Attributable earnings for the year				
Dividends paid				
Balance at 31 December 2005	2 242	(321)	(73)	26
Balance at 1 January 2006	2 242	(321)	(73)	26
Currency translation movement and hedging		1 915	259	
Increase in statutory credit risk reserve				58
Fair value adjustments				
Realised fair value adjustments recycled to the income statement				
Change in shareholding of subsidiaries				
Decrease in minorities resulting from disposals				
Issue of share capital and share premium	299			
Share buy-backs	(102)			
Share issue and repurchase costs				
Equity-settled share-based payment transactions				
Other				
Attributable earnings for the period				
Dividends paid				
Balance at 31 December 2006	2 439	1 594	186	84

All balances are stated net of applicable tax.

Cash flow hedging reserve Rm	Available-for-sale revaluation reserve Rm	Re-valuation and other reserves Rm	Treasury shares Rm	Share-based payment reserve Rm	Retained earnings Rm	Ordinary share-holders' funds Rm	Preference share capital and premium Rm	Minority interest Rm	Total equity Rm
39	100	305		93	30 908	33 333	2 991	7 505	43 829
								2 449	2 449
39	100	305		93	30 908	33 333	2 991	9 954	46 278
						397		(21)	376
		(28)			5	–			–
(140)	126					(14)			(14)
18	(64)					(46)			(46)
			(5)		(6)	(11)		(11)	(22)
								(1 142)	(1 142)
								161	161
						246		71	317
						(677)			(677)
						(3)			(3)
				160		160		31	191
		21			(10)	11		18	29
					8 981	8 981	223	1 498	10 702
					(4 107)	(4 107)	(223)	(798)	(5 128)
(83)	162	298	(5)	253	35 771	38 270	2 991	9 761	51 022
(83)	162	298	(5)	253	35 771	38 270	2 991	9 761	51 022
						2 174		10	2 184
					(58)	–			–
178	787					965			965
(66)	(185)					(251)			(251)
					(14)	(14)		(160)	(174)
								(166)	(166)
						299	2 518	57	2 874
						(102)			(102)
							(6)		(6)
				185	5	190		35	225
		9			2	11		25	36
					11 148	11 148	282	2 493	13 923
					(3 928)	(3 928)	(282)	(1 597)	(5 807)
29	764	307	(5)	438	42 926	48 762	5 503	10 458	64 723

Accounting policies

Basis of preparation

The group's financial results in this booklet are prepared on a normalised basis which adjusts the IFRS results for accounting conventions that do not reflect the economic substance of transactions. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of assets and liabilities in terms of IFRS.

The adjustments made to IFRS to determine the normalised results are discussed and disclosed in detail on pages 74 to 75 and 82 to 83. In summary, the adjustments to normalise the IFRS treatment affect mainly transactions which, in terms of IFRS, result in treasury shares. Affected transactions currently include the Black Economic Empowerment Ownership initiative and shares held for the benefit of policyholders.

Changes in accounting policies and reclassifications

The accounting policies are consistent with those adopted in the previous year except for the adoption of accounting standards and interpretations issued with an effective date of 1 January 2006. The adoption of these standards and interpretations has not had a material effect on the results, nor has it required any restatements of the results.

Reclassifications

The group reclassified certain balance sheet and income statement items relating to 2005 to more appropriate line items to conform with presentation in the current year.

Details of reclassifications of the normalised results are set out on pages 66 and 67 and reclassifications of the IFRS results are set out on pages 84 and 85.

These reclassifications did not impact profit or equity attributable to ordinary shareholders of the group.

Analysis of group results

Standard Bank

Notes

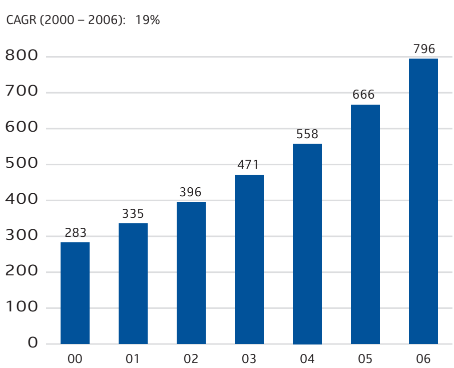
Headline earnings and dividends per share

	Change %	2006	2005
Headline earnings (Rm)	20	10 818	9 013
Headline earnings per share (cents)	20	796,4	666,0
Basic earnings per share (cents)	24	820,7	663,6
Total dividends per share (cents)	20	320,0	267,0
Interim	18	144,0	122,0
Final	21	176,0	145,0
Dividend cover (times) – based on normalised HEPS		2,5	2,5

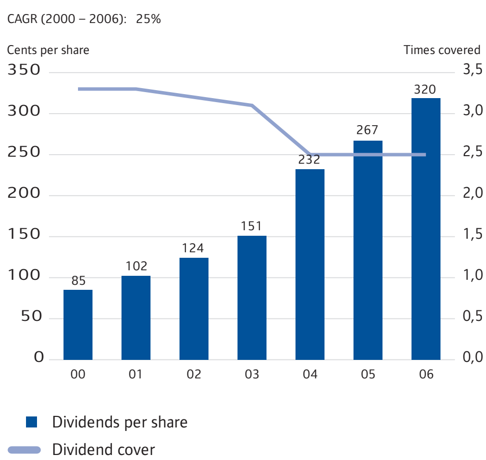
Movement in number of ordinary shares issued and weighted average number of ordinary shares issued

	2006		2005	
	Issued number of shares 000's	Weighted number of shares 000's	Issued number of shares 000's	Weighted number of shares 000's
Beginning of the year	1 352 383	1 352 383	1 352 108	1 352 108
Shares issued for share option settlements	11 555	6 795	10 439	5 694
Share buy-backs	(1 305)	(763)	(10 164)	(4 420)
Standard Bank Group – end of year	1 362 633	1 358 415	1 352 383	1 353 382
Reconciliation to IFRS shares in issue				
Standard Bank Group (SBG) – end of period – normalised	1 362 633	1 358 415	1 352 383	1 353 382
Adjustments:				
SBG shares held by Tutuwa SPVs	(99 190)	(99 190)	(99 190)	(99 190)
SBG shares held for the benefit of Liberty Life policyholders (deemed treasury shares)	(38 587)	(42 538)	(46 489)	(49 023)
Standard Bank Group – end of year – IFRS	1 224 856	1 216 687	1 206 704	1 205 169

Headline earnings per share (cents)



Dividends per share



Diluted headline earnings per share

Notes

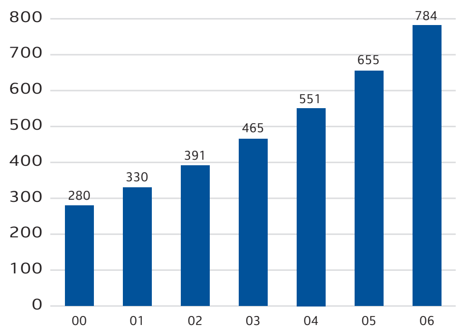
	Change %	2006 cents	2005 cents
Diluted headline earnings per share	20	783,7	654,5
Diluted earnings per share	24	807,6	652,2

Diluted weighted average number of ordinary issued shares

	2006 000's	2005 000's
Weighted average shares	1 358 415	1 353 382
Adjustments:		
Dilution from equity compensation plans	22 001	23 703
Share option scheme	19 197	23 010
Equity growth scheme	2 804	693
Standard Bank Group diluted weighted average shares	**1 380 416**	**1 377 085**
Reconciliation to diluted weighted average IFRS shares		
Diluted weighted average shares – normalised	1 380 416	1 377 085
Adjustments for deemed treasury shares:		
SBG shares held by Tutuwa SPVs	(99 190)	(99 190)
SBG shares held for the benefit of policyholders	(42 538)	(49 023)
Tutuwa transaction – dilutive shares	43 790	32 655
Standard Bank Group diluted weighted average shares – IFRS	**1 282 478**	**1 261 527**

Diluted headline earnings per share (cents)

CAGR (2000 – 2006): 19%

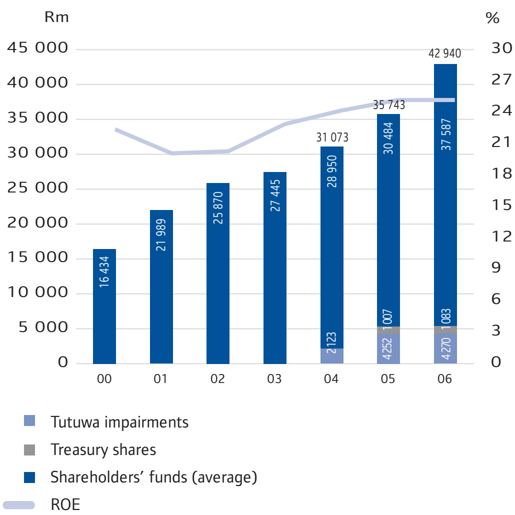


Notes

Return on ordinary equity

	Average equity 2006 Rm	ROE 2006 %	Average equity 2005 Rm	ROE 2005 %
Personal & Business Banking	15 224	31,7	12 606	30,8
Corporate & Investment Banking	18 200	27,7	15 361	27,2
Central and other	6 156		4 817	
Banking activities	39 580	25,2	32 784	25,6
Investment Management & Life Insurance	3 360	25,1	2 959	21,0
Standard Bank Group	42 940	25,2	35 743	25,2
Reconciliation to IFRS				
Standard Bank Group normalised average equity	42 940		35 743	
Empowerment reserve impairment (Tutuwa SPVs preference shares and dividends receivable)	(4 270)		(4 252)	
Central and other	(4 056)		(4 024)	
Investment Management & Life Insurance	(214)		(228)	
Group company shares held in policyholders' funds	(1 083)		(1 007)	
Standard Bank Group – IFRS	37 587	27,1	30 484	27,8

Return on ordinary equity



- Normalised return on equity of 25,2% is in excess of the 24% target set for the year, despite R3,2 billion gains taken to equity and not recognised in headline earnings.
- Personal & Business Banking ROE improved due to strong earnings growth, offset to some extent by increased capital requirements arising from strong asset growth.
- Corporate & Investment Banking ROE increased due to improved operating performance partly offset by currency translation gains in equity.
- Improved ROE from Liberty Life, assisted by the impact of a return of excess capital in Investment Management & Life Insurance.

Cost of equity and economic returns

Notes

Cost of equity estimates

	Average 2006 %	Average 2005 %
Personal & Business Banking	13,5	13,0
Corporate & Investment Banking	14,8	14,2
Central and other	12,6	12,0
Banking activities	13,7	13,1
Investment Management & Life Insurance	11,6	11,0
Standard Bank Group	12,6	12,0

Economic returns generated by Standard Bank Group

	Change %	2006 Rm	2005 Rm
Average ordinary equity	20	42 940	35 743
Headline earnings	20	10 818	9 013
Cost of equity charge	26	(5 410)	(4 289)
Economic profits on headline earnings	14	5 408	4 724
Other changes in net asset value	>100	3 215	316
Net currency translation gains	>100	2 174	397
Other gains excluded from headline earnings	(>100)	1 041	(81)
Total economic return	71	8 623	5 040

Notes

Ordinary shareholders' equity (net asset value)

Net asset value

	Change %	2006 Rm	2005 Rm
Personal & Business Banking	20	16 598	13 838
Corporate & Investment Banking	34	21 130	15 728
Central and other	33	7 317	5 500
Banking activities	28	45 045	35 066
Investment Management & Life Insurance	16	3 717	3 204
Standard Bank Group	27	48 762	38 270

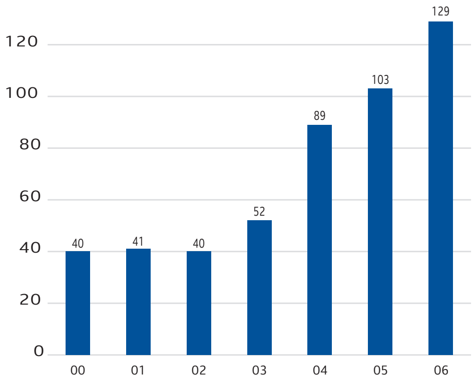
Analysis of changes in net asset value

	Change %	2006 Rm	2005 Rm
Net asset value at beginning of year	15	38 270	33 333
Group earnings for the period attributable to ordinary shareholders	24	11 148	8 981
Dividends	(4)	(3 928)	(4 107)
Currency translation movements, net of hedging	>100	2 174	397
Share buy-backs	(85)	(102)	(677)
Issue of ordinary share capital and share premium (net)	23	299	243
Other direct movements	>100	901	100
Standard Bank Group net asset value	27	48 762	38 270

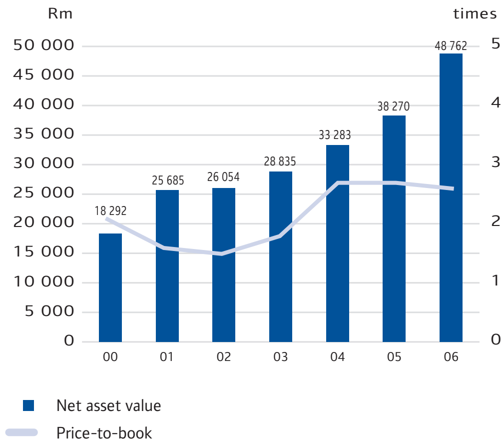
- Strong risk-weighted asset growth in Personal & Business Banking led to increased allocation of equity.
- Growth in equity in Corporate & Investment Banking due to substantial risk-weighted asset growth in the banking book coupled with higher translated value of equity in foreign operations.
- Increase in equity within Central and other mainly due to currency translation gains.
- Growth in Investment Management & Life Insurance net asset value was partly offset by a R271 million group share of capital reduction in Liberty Life.

Notes

Market capitalisation (Rbn)



Price-to-book and net asset value



Notes

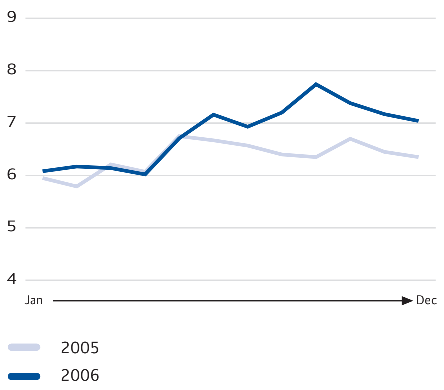
Currency analysis of net asset value

	Total Rm	Rand Rm	Dollar Rm	Sterling Rm	Euro Rm	ZAR linked Rm	Other Rm
2006							
Underlying exposures	48 762	32 030	7 116	2 151	2 226	966	4 273
Currency profile changes due to hedging strategies			(2 843)	2 876	705		(738)
Actual exposures	48 762	32 030	4 273	5 027	2 931	966	3 535
2005							
Underlying exposures	38 270	25 527	5 162	1 194	2 317	854	3 216
Currency profile changes due to hedging strategies			(1 601)	2 191	(526)		(64)
Actual exposures	38 270	25 527	3 561	3 385	1 791	854	3 152

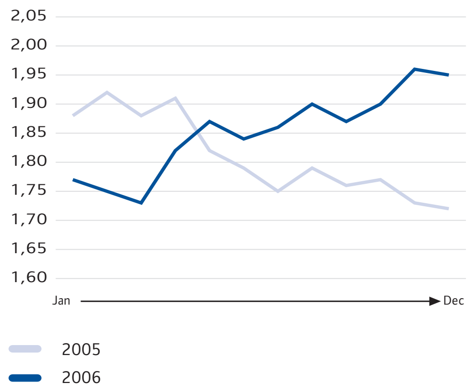
Closing currency profile of NAV

	Total %	Rand %	Dollar %	Sterling %	Euro %	ZAR linked %	Other %
2006 before hedging	100	66	15	4	5	2	8
2006 after hedging	100	66	9	10	6	2	7
2005 before hedging	100	67	14	3	6	2	8
2005 after hedging	100	67	9	9	5	2	8

Closing USD/ZAR exchange rate



Closing GBP/USD exchange rate



Currency translation effects

Notes

Exchange rates

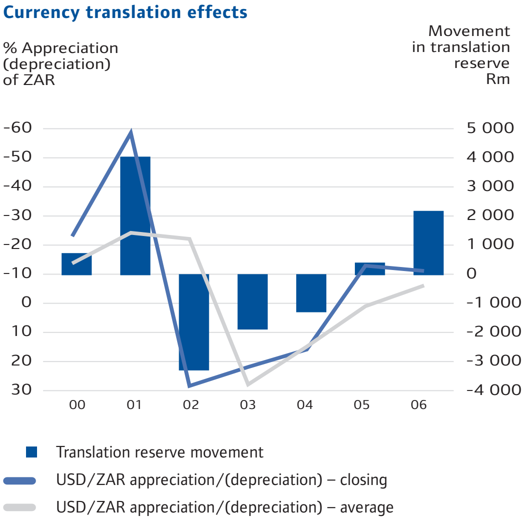
	Rate change %		Rates	
	2006	2005	2006	2005
Average USD/ZAR	(6)	1	6,77	6,36
Closing USD/ZAR	(11)	(13)	7,05	6,36
Average GBP/ZAR	(8)	2	12,49	11,57
Closing GBP/ZAR	(26)	(1)	13,80	10,95
Average Euro/ZAR	(8)	1	8,51	7,91
Closing Euro/ZAR	(24)	2	9,29	7,52
Rand (depreciation)/appreciation (weighted for the group) vs African currencies				
Average for the period	(4)	2		
Closing	(5)	(5)		

Movement in group currency translation reserve

	2006 Rm	2005 Rm
Balance at the beginning of the year: debit	(394)	(791)
Translation movement for the year	2 174	397
Gross translation movements	1 915	626
Corporate & Investment Banking SA	63	67
Rest of Africa	213	85
Outside Africa	817	544
Central and other	807	(64)
Liberty Life	15	(6)
Currency hedges gains/(losses)	259	(229)
Balance of the net translation reserve: credit/(debit)	1 780	(394)

- The depreciation of the rand resulted in positive translation reserve movement of R2 174 million.
- Gains on currency hedging activities mainly comprise those that lessened exposure to USD in favour of GBP and EUR resulting in gains of R259 million accounted for within the translation reserve.

Currency translation effects



Notes

Risk-weighted assets

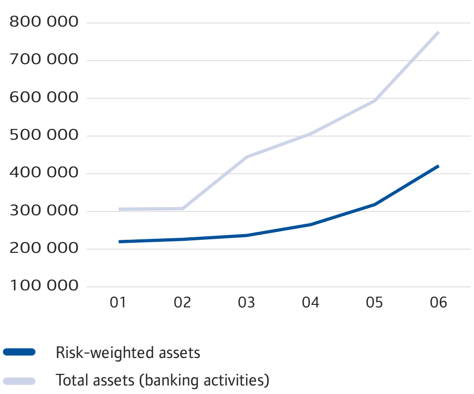
Risk-weighted assets by business unit

	Change %	Closing 2006 Rm	Closing 2005 Rm	Change %	Average 2006 Rm	Average 2005 Rm
Personal & Business Banking	21	197 055	162 853	25	175 124	140 136
Corporate & Investment Banking	42	219 354	154 156	27	192 891	151 950
Banking book	45	165 616	114 135	28	142 681	111 306
Trading book	34	53 738	40 021	24	50 210	40 644
Central and other	>100	3 002	728	4	3 644	3 490
Banking activities	32	419 411	317 737	26	371 659	295 576
Stanlib	>100	1 776	542	35	1 749	1 294
Standard Bank Group (excluding Liberty Life)	32	421 187	318 279	26	373 408	296 870

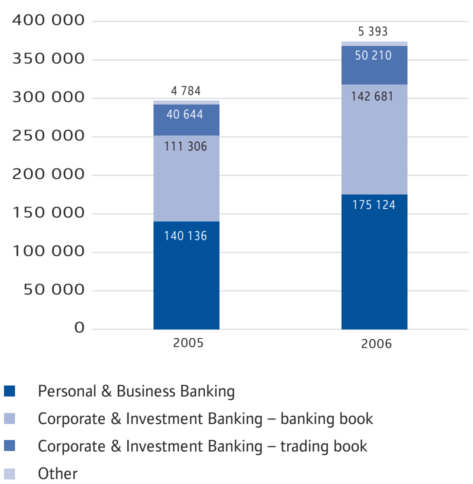
Risk-weighted assets

	Change %	Closing 2006 Rm	Closing 2005 Rm	Change %	Average 2006 Rm	Average 2005 Rm
On-balance sheet	32	339 273	257 424	28	306 617	238 650
Off-balance sheet	35	28 176	20 834	(6)	16 581	17 576
Trading activity notional assets	34	53 738	40 021	24	50 210	40 644
Risk-weighted assets	32	421 187	318 279	26	373 408	296 870

Risk-weighted assets trend (closing balances) (Rm)



Risk-weighted assets by risk class (average) (Rm)



- Personal & Business Banking growth reflects a continuation of strong South African retail advances growth, particularly in mortgages and credit cards.
- Corporate & Investment Banking growth reflects the strong underlying growth in both the banking and trading books, which include positive currency translation effects and increased commodity activity.

Capital adequacy – regulatory capital and risk-weighted assets

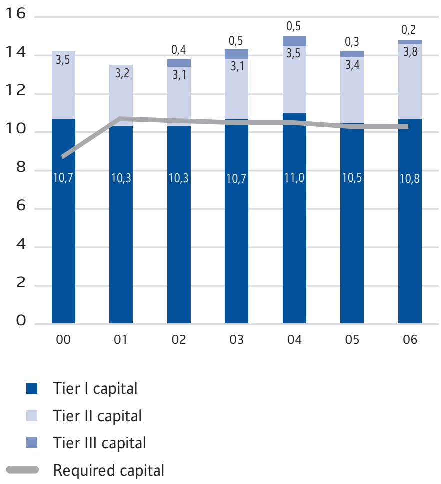
	Change %	2006 Rm	2005 Rm
Normalised ordinary shareholders' equity	27	48 762	38 270
Reversal of normalised adjustments		(5 436)	(5 339)
IFRS ordinary shareholders' equity	32	43 326	32 931
Minority interest	42	398	281
Perpetual preference shares	84	5 495	2 983
Less: elimination of insurance operations[1]	46	(3 098)	(2 122)
Less: impairments and other	36	(706)	(520)
Tier I capital	35	45 415	33 553
Preference share capital	–	8	8
Tier II subordinated debt	51	14 276	9 467
Provision for performing loans	35	1 672	1 236
Revaluation reserve	2	215	210
Tier II capital	48	16 171	10 921
Tier III capital	3	882	854
Total regulatory capital	38	62 468	45 328

Capital adequacy ratios and targets

Standard Bank Group	Effective group constraint (including buffers) %	Regulatory constraint %	2006 %	2005 %
Total capital adequacy ratio	13,4	10,0	14,8	14,2
Tier I capital adequacy ratio	9,4	6,0	10,8	10,5
Preference shares as % of Tier I		20,0	12,1	8,9
Tier II and III as % of Tier I		100,0	37,5	35,1
Lower Tier II as % of Tier I		50,0	31,4	28,2
Ordinary equity as % of capital			63,9	67,4
Preference shares as % of capital			8,8	6,6
Tier II and III as % of capital			27,3	26,0

[1] *In accordance with Basel II principles relating to the treatment of insurance entities, insurance operations are excluded from the capital base and risk-weighted assets. Capital in insurance operations in excess of statutory minimum requirements is accordingly not recognised in group capital.*

Capital adequacy (%)



Notes

Notes

Capital adequacy ratios

	2006				2005				Host regulatory require-ment
	Tier I capital %	Tier II capital %	Tier III capital %	Total capital %	Tier I capital %	Tier II capital %	Tier III capital %	Total capital %	%
Standard Bank Group	10,8	3,8	0,2	14,8	10,5	3,4	0,3	14,2	–
The Standard Bank of South Africa	8,4	3,8	0,2	12,4	8,6	3,6	0,3	12,5	10
Rest of Africa									
Stanbic Bank Botswana	11,3	5,7	–	17,0	12,1	3,7	–	15,8	15
Stanbic Bank Congo s.a.r.l.	21,6	–	–	21,6	11,0	–	–	11,0	10
Stanbic Bank Ghana	14,5	–	–	14,5	18,0	0,3	–	18,3	10
Stanbic Bank Kenya	14,6	0,7	–	15,3	14,7	0,7	–	15,4	12
Standard Lesotho Bank	10,1	0,6	–	10,7	17,2	0,4	–	17,6	8
Lesotho Bank (1999)					16,1	0,7	–	16,8	8
Stanbic Bank Malawi	11,6	5,0	–	16,6	15,0	4,2	–	19,2	10
Standard Bank Mauritius	25,6	0,7	–	26,3	24,0	0,7	–	24,7	10
Standard Bank Mozambique	9,4	–	–	9,4	13,5	–	–	13,5	8
Standard Bank Namibia	9,3	3,2	–	12,5	9,7	3,5	–	13,2	10
Stanbic Bank Nigeria	51,5	0,2	–	51,7	307,0	–	–	307,0	10
Standard Bank Swaziland	10,4	3,3	–	13,7	6,1	3,2	–	9,3	8
Stanbic Bank Tanzania	14,1	2,0	–	16,1	9,2	0,9	–	10,1	12
Stanbic Bank Uganda	16,2	0,5	–	16,7	14,6	1,1	–	15,7	12
Stanbic Bank Zambia	16,1	5,8	–	21,9	21,5	0,1	–	21,6	10
Stanbic Bank Zimbabwe	30,6	13,3	–	43,9	22,4	3,8	–	26,2	10
Standard International Holdings, incorporating	7,4	6,5	0,9	14,8	8,1	5,7	0,5	14,3	10-12
– Banco Standard de Investimentos S.A. (Brazil)									
– Standard Bank Argentina S.A.									
– Standard Bank Asia Limited (Hong Kong)									
– Standard Bank Plc									
– Standard Merchant Bank (Asia) Limited (Singapore)									
– ZAO Standard Bank (Russia)									
Standard Bank Isle of Man	8,7	4,4	–	13,1	5,9	5,2	–	11,1	10
Standard Bank Jersey	8,6	3,9	–	12,5	9,1	2,3	–	11,4	10
Aggregate regulatory capital requirement				10,3				10,3	
Liberty Life (calculated in terms of the Long-term Insurance Act) – CAR – times covered				2,3				2,0	

Standard Bank of South Africa

- Strong risk-weighted asset growth for the year was matched by retained profits and an increase in subordinated bonds, resulting in largely unchanged capital adequacy.

Rest of Africa

- Reduction in capital adequacy in Mozambique, Lesotho and Ghana due to strong asset growth combined with increased dividends to the group.
- Namibia refinanced maturing Tier II capital and Botswana raised further Tier II capital in the local market.
- Zambia and Tanzania drew on a Tier II facility made available by the International Finance Corporation (IFC).
- Stanbic Bank Nigeria – High capital adequacy levels result from the USD180 million injection of equity to comply with minimum Nigerian capital requirements of Naira 25 billion introduced in late 2005.

Standard International Holdings

- Strong growth in risk-weighted assets was more than matched by a USD100 million injection of shareholder capital and the raising of USD200 million Tier II capital.

Standard Bank Group (consolidated)

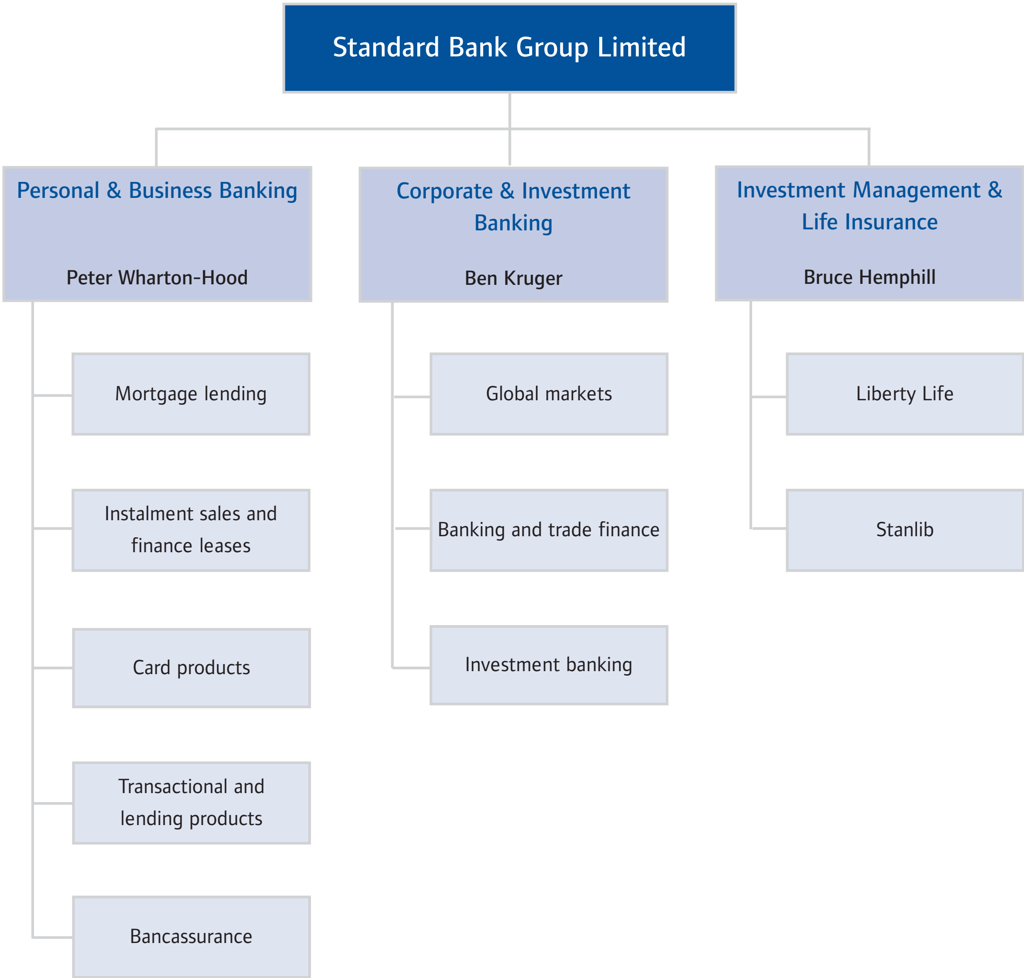
- Increases in Tier II capital, the retention of profits and R2,5 billion Tier I preference shares raised during the year was partially offset by strong growth in risk-weighted assets.

Business unit review

Standard Bank

Notes

Reporting structure for key business units



Description of key business units

Notes

As advised at the 2005 year end, re-alignments of reporting away from geography into business line categories, have been implemented.

The group has refined the retail and corporate components of its operations in Rest of Africa. This has resulted in a marginal adjustment to 2005 consolidated segment results.

Below is a brief overview of the segmentation definitions.

Personal & Business Banking

Banking and other financial services to individual customers and small- to medium-sized enterprises throughout South Africa and in the rest of Africa.

Mortgage lending – Provides residential accommodation loans to individual customers.

Instalment sales and finance leases – Comprises two main areas, instalment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market.

Card products – Provides credit card facilities to individuals and businesses.

Transactional and lending products – Transactions in products associated with the various points of contact channels such as ATMs, Internet, telephone banking and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products.

Bancassurance – Provides short-term and long-term insurance products, mainly through third parties, and provides financial planning services to clients.

Corporate & Investment Banking

Commercial and investment banking services to larger corporates, financial institutions and international counterparties, focused on South African and other emerging markets.

Global markets – Includes foreign exchange, fixed income, derivatives, equities and commodities trading businesses, securitisation, debt origination and money market funding units.

Banking and trade finance – Includes corporate lending and transactional banking businesses, custodial services, trade finance business and property related lending.

Investment banking – Includes equity investment and advisory businesses, project finance, structured lending as well as the asset and wealth management units.

Central and other

Includes the impact of the Tutuwa Black Economic Empowerment Ownership initiative and group capital instruments, together with certain group overheads not recoverable from business segments, activities and taxes not allocated to business segments and intragroup eliminations.

Investment Management & Life Insurance

Life insurance and asset management activities by group companies Liberty Life and Stanlib.

Notes

Personal & Business Banking

Income statement

	Change %	2006 Rm	2005 Rm
Net interest income	25	11 169	8 930
Non-interest revenue	18	10 223	8 645
Total income	22	21 392	17 575
Credit impairment charges	82	2 333	1 285
Income after credit impairment charges	17	19 059	16 290
Operating expenses	13	11 805	10 405
Net income before goodwill	23	7 254	5 885
Goodwill impairment	(100)	–	13
Net income before associates and joint ventures	24	7 254	5 872
Share of profit from associates and joint ventures	3	145	141
Net income before taxation	23	7 399	6 013
Taxation	18	2 524	2 130
Profit for the year	26	4 875	3 883
Attributable to minorities	36	19	14
Attributable to ordinary shareholders	26	4 856	3 869
Headline adjustable items	(>100)	(28)	10
Headline earnings	24	4 828	3 879
ROE (%)		31,7	30,8
Total assets	32	276 951	209 720
External total advances (after credit impairments)	32	264 516	200 321
Net interest margin (%)		4,68	4,78
Cost-to-income ratio (%)		55,2	59,2
Credit loss ratio (%)		1,00	0,71
Effective tax rate (%)		34,1	35,4

Favourable

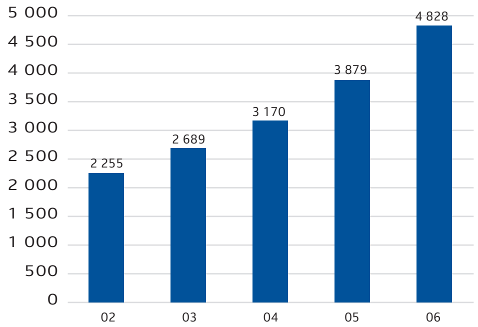
- Continued strong advances growth across most products, particularly card debtors, coupled with the positive endowment effect of increasing average interest rates.
- Higher fee and commission revenue, notwithstanding sub-inflation price increases, due to higher customer base, transactional volumes and values.
- Increased bancassurance earnings due to increased policy sales, higher short-term insurance profits due to lower claims ratio and favourable equity market conditions.

Adverse

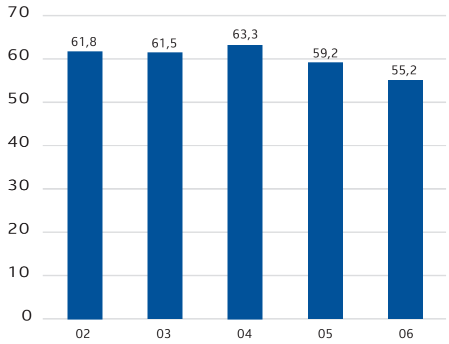
- Margin compression due to greater reliance on wholesale priced funding, increased pricing concessions as competition in mortgage lending increased and Usury Act constraints.
- Increased credit impairments on non-performing loans resulting from strong growth in advances, in line with the strategy to grow exposure to higher yielding customers in the card market.
- Increased portfolio impairments on performing loans attributable to growth in advances, increasing interest rates and the anticipated impact of the National Credit Act.
- Higher operating expenditure attributable to business growth, regulatory compliance, re-branding costs and continued investment in delivery channel infrastructure.

Notes

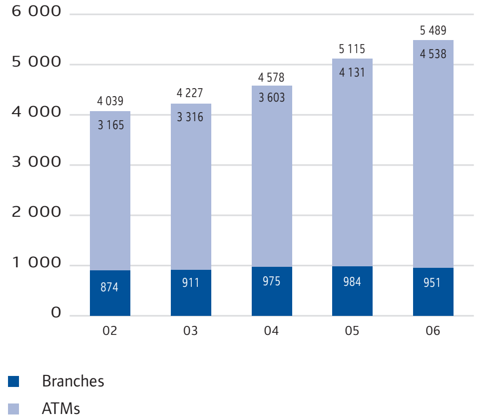
Personal & Business Banking – headline earnings (Rm)



Personal & Business Banking – cost-to-income ratio (%)



Personal & Business Banking – points of representation



Movement in number of branches

Number of branches 2005	984
Net movement	(33)
Branches opened	14
Branches closed	(8)
Cashless branches now merged with adjacent full service branches, previously shown separately	(39)
Number of branches 2006	951

Notes

Personal & Business Banking continued

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	2006 Rm	2005 Rm	Change %	2006 Rm	2005 Rm
Mortgage lending	24	2 905	2 351	35	908	673
Instalment sales and finance leases	20	1 607	1 341	7	224	209
Card products	35	3 201	2 373	9	565	519
Transactional and lending products	18	12 212	10 365	25	2 527	2 017
Bancassurance	28	1 467	1 145	31	604	461
Personal & Business Banking	22	21 392	17 575	24	4 828	3 879

External loans and advances by product

	Change %	2006 Rm	2005 Rm
Loans and advances to banks	4	85	82
Call loans	4	85	82
Loans and advances to customers	32	264 431	200 239
Gross loans and advances to customers	32	267 567	202 510
Mortgage lending	37	170 112	124 137
Instalment sales and finance leases	23	48 977	39 751
Card debtors	42	16 947	11 967
Overdrafts and other demand lending	20	15 581	12 934
Term lending and revolving credit accounts	17	15 852	13 583
Other loans and advances	(29)	98	138
Credit impairments for loans and advances	38	(3 136)	(2 271)
Credit impairments for non-performing loans	34	(1 755)	(1 309)
Credit impairments for performing loans	44	(1 381)	(962)
Net loans and advances	32	264 516	200 321
Comprising:			
Gross loans and advances	32	267 652	202 592
Less: credit impairments	38	(3 136)	(2 271)
Net loans and advances	32	264 516	200 321
Securitised assets consolidated above:			
Mortgage lending	>100	9 997	4 258
Instalment sales and finance leases	68	4 436	2 633
Securitised assets	>100	14 433	6 891

Deposit and current accounts by product

	Change %	2006 Rm	2005 Rm
Wholesale priced deposit and current accounts	>100	30 992	12 521
Call deposits	>100	16 671	5 195
Securitisation funding consolidated	95	14 321	7 326
Retail priced deposit and current accounts	17	121 300	103 607
Current accounts	23	41 372	33 723
Cash management deposits	18	4 466	3 798
Call deposits	9	27 223	24 962
Savings accounts	15	17 597	15 269
Term deposits	14	25 924	22 747
Other deposits	52	4 718	3 108
Intragroup funding	37	101 930	74 161
Total deposit and current accounts	34	254 222	190 289

Notes

Mortgage lending

- Strong loan growth supported by high level of consumer activity and 6% growth in property values.
- Increase in new business derived through originators and increased average commission rates paid to originators.
- Competition continued to intensify causing average pricing concessions on new mortgage loans to increase.
- Improved collection processes leading to reduced properties in possession and improvement in credit loss ratio.

Instalment sales and finance leases

- Renewed focus on the motor dealer channel and buoyant vehicle sales in South Africa during the year.
- Increase in new business in the non-motor book, offset by a fall off in the older book as deals matured.
- Substantial increase in staff costs to drive sales volumes.
- Increased focus on dealer originated business, where customers do not maintain a primary banking relationship with the group, resulted in a shift in portfolio mix towards higher risk grades. Accordingly, increased portfolio impairments on performing loans.

Card products

- Robust consumer spending resulting in increased point of sale and merchant discount turnover.
- New account sales boosted by further penetration into existing bases and new entrants to the credit market.
- Higher credit provisioning due to the fast growing card book and a shift in portfolio mix to higher risk client categories. Portfolio impairments on performing card book substantially increased.
- Higher staff costs to bolster collections capability.

Transactional and lending products

- Strong deposit and current account balance growth combined with an increase in the customer base, as well as an increase in transaction volumes and values.

Bancassurance

- Increase in new business volumes and market penetration on the back of successful cross-sell initiatives.
- Low short-term loss ratios.
- Strong growth in investment returns.

Key business statistics – Personal & Business Banking South Africa

	Change %	2006	2005
Home loans			
Growth in value of registrations (%)		43	25
Average loan to value (LTV) of new business (%)		81	82
Average instalment to income (ITI) (%)		26	22
Proportion of new business from external originators (%)		65	59
Instalment sales and finance leases			
Growth in value of new loans			
– motor (%)		18	15
– non-motor (%)		24	7
Number of accounts at year end (000's)			
Card accounts	21	2 306	1 911
Current accounts	12	1 327	1 190
Eplan & Plusplan accounts	5	5 046	4 818
Mzansi accounts	36	439	322
Distribution			
Growth in Internet users (%)		25	27
Growth in ATM transactions (%)		10	12

Notes

Corporate & Investment Banking

Income statement

	Change %	2006 Rm	2005 Rm
Net interest income	29	5 116	3 959
Non-interest revenue	30	9 418	7 225
Total income	30	14 534	11 184
Credit impairment charges	(>100)	335	(76)
Income after credit impairment charges	26	14 199	11 260
Operating expenses	29	7 724	6 002
Net income before goodwill	23	6 475	5 258
Goodwill impairment	36	15	11
Net income before associates and joint ventures	23	6 460	5 247
Share of profit from associates and joint ventures	24	73	59
Net income before taxation	23	6 533	5 306
Taxation	37	1 442	1 050
Profit for the year	20	5 091	4 256
Attributable to minorities	72	62	36
Attributable to ordinary shareholders	19	5 029	4 220
Headline adjustable items	(>100)	4	(35)
Headline earnings	20	5 033	4 185
ROE (%)		27,7	27,2
Total assets	27	492 940	386 908
Net loans and advances (external)	32	183 872	139 367
Net interest margin (%)		1,40	1,54
Cost-to-income ratio (%)		53,1	53,7
Credit loss ratio (%)		0,19	(0,06)
Effective taxation rate (%)		22,1	19,8

Favourable

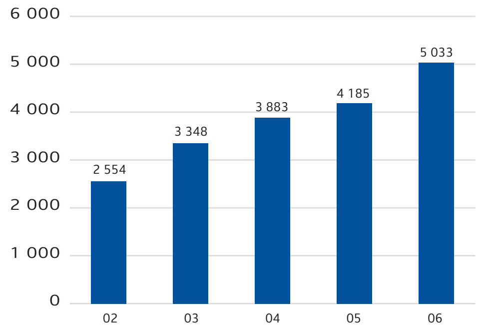
- Strong loan book growth most notably in medium-term empowerment financing and the commercial property sector.
- Good trading performance across all geographies driven by market volatility in foreign exchange and buoyant base and precious metals markets.
- Increased volumes and revenues in custody business, driven by market conditions.
- Higher fees in securitisation, project and structured finance businesses driven by an increase in business activity.
- Good returns from investment portfolios.

Adverse

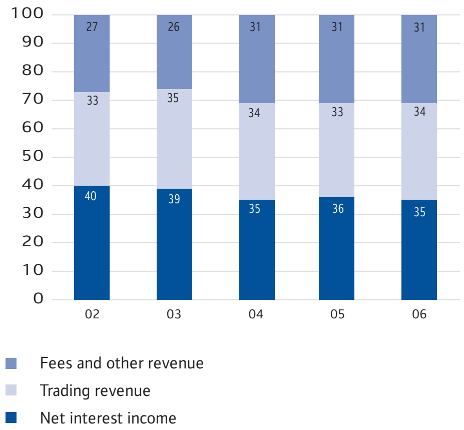
- Higher impairment charges reflecting a loss experience more in line with expectations, contrasting with a net recovery last year.
- Staff cost growth due to increased headcount, higher incentive provisions and cost of acquiring teams.
- Higher operating expenditure associated with the continued investment to build scale in global businesses.

Notes

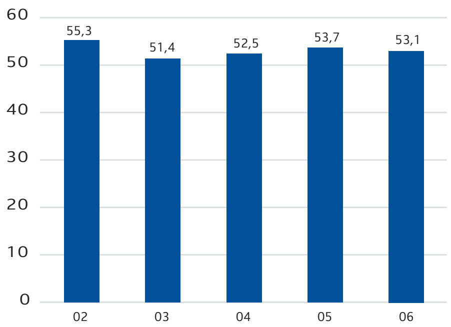
Corporate & Investment Banking – headline earnings (Rm)



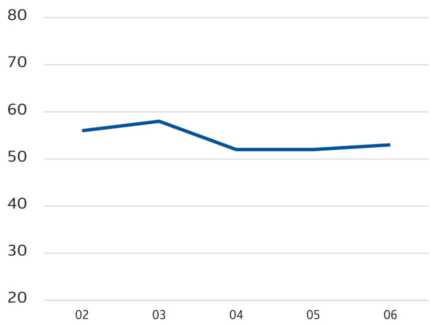
Corporate & Investment Banking income contribution (%)



Corporate & Investment Banking – cost-to-income ratio (%)



Trading income as a percentage of non-interest revenue (%)



Notes

Corporate & Investment Banking continued

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	2006 Rm	2005 Rm	Change %	2006 Rm	2005 Rm
Global markets	27	5 884	4 642	17	1 880	1 612
Banking and trade finance	23	5 919	4 827	7	1 574	1 476
Investment banking	59	2 731	1 715	44	1 579	1 097
Corporate & Investment Banking	30	14 534	11 184	20	5 033	4 185

External loans and advances by product

	Change %	2006 Rm	2005 Rm
Loans and advances to banks	20	35 725	29 803
Call loans	15	14 208	12 372
Loans granted under resale agreements	23	21 517	17 431
Loans and advances to customers	35	148 147	109 564
Gross loans and advances to customers	35	149 866	110 998
Mortgage lending	–	921	920
Instalment sales and finance leases	40	3 332	2 374
Overdrafts and other demand lending	(8)	18 564	20 215
Term lending	50	75 727	50 626
Loans granted under resale agreements	59	14 730	9 269
Commercial property finance	23	19 964	16 238
Foreign currency lending	57	12 336	7 834
Other loans and advances	22	4 292	3 522
Credit impairments for loans and advances	20	(1 719)	(1 434)
Credit impairments for non-performing loans	5	(853)	(814)
Credit impairments for performing loans	40	(866)	(620)
Net loans and advances	32	183 872	139 367
Comprising:			
Gross loans and advances	32	185 591	140 801
Less: credit impairments	20	(1 719)	(1 434)
Net loans and advances	32	183 872	139 367

Notes

Global markets

- Strong trading performances across all geographies
  - Increased income from foreign exchange trading in South Africa and Africa.
  - Significant increase in revenues generated Outside Africa driven by higher volumes of customer led activity and favourable market conditions, in particular buoyant base and precious metals markets.
  - Investment in both the Asian equity and primary markets teams during 2006 made a good contribution to revenue in the second half of the year.
  - Further income growth in South Africa was generated as a result of the increased interest rate environment, market volatility, greater hedging opportunities and customer flows.
- Costs of teams acquired to increase regional presence in emerging markets.
- Significant investment in technology.

Banking and trade finance

- Strong growth in term and commercial property lending.
- Improved marketing and enhanced client relations evidenced through higher cross sell activity.
- A noticeable increase in the scale of transactions and revenue per client in business Outside Africa.
- Significantly higher revenues in the custody business driven by increased equity volumes.
- Higher revenues across the product range in trade finance and services.
- Trustee services business is now well established.
- Higher credit impairment charges dampened headline earnings growth.
- Increase in staff and infrastructure costs associated with the growth in business.

Investment banking

- Strong growth in term lending off the back of increased infrastructure spend and empowerment financing.
- Increase in specialised finance revenues.
- Building a solid track record in financing empowerment transactions and the related advisory mandates.
- Continued benefits from the integration of teams working across the investment banking value chain.
- Good returns from infrastructure funds and equity investment portfolios.

Notes

Investment Management & Life Insurance

Income statement

	Change %	2006 Rm	2005 Rm
Net insurance premiums	6	20 066	18 979
Investment income and gains	17	38 634	33 021
Management and service fee income	(7)	1 710	1 847
Total income	12	60 410	53 847
Benefits due to policyholders	15	47 896	41 529
Net insurance benefits and claims	16	38 140	32 816
Fair value adjustment to policyholders' liabilities under investment contracts	21	8 276	6 834
Fair value adjustment on third party fund interests	(21)	1 480	1 879
Income after policyholders' benefits	2	12 514	12 318
Operating expenses	(19)	6 486	8 006
Net income before goodwill	40	6 028	4 312
Goodwill impairment	(100)	–	397
Net income before associates	54	6 028	3 915
Share of profit from associates and joint ventures	>100	57	26
Net income before taxation	54	6 085	3 941
Taxation	36	2 713	1 992
Profit for the year	73	3 372	1 949
Attributable to minorities	67	2 412	1 447
Attributable to ordinary shareholders	91	960	502
Headline adjustable items	(>100)	(117)	118
Headline earnings	36	843	620
ROE (%)		25,1	21,0
Total assets	18	203 147	172 079
Normalised total embedded value	13	23 017	20 404

Favourable

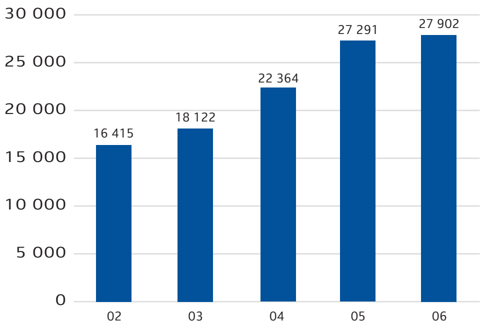
- Positive weighted average investment return in Liberty Life portfolios of 33% (2005: 33%).
- Improved mortality risk experience in Liberty Life.
- Profit on sale of Liberty Life off-shore subsidiaries, Liberty Ermitage and Prefsure, included in earnings attributable to ordinary shareholders but excluded from headline earnings.

Adverse

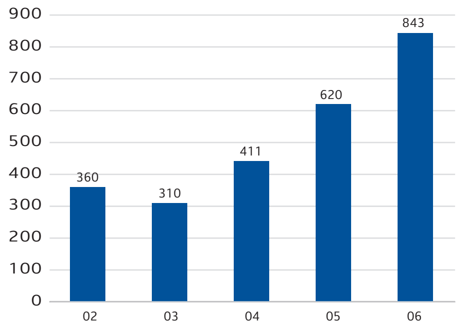
- Insurance industry challenged by an increasingly dynamic market place where product, pricing and distribution are facing major revisions.
- Increased regulatory and compliance burden in the industry.
- Disappointing new business volumes in Liberty Life, particularly single premiums as demand for off-balance sheet products remains strong.
- Recent interest rate increases and higher volatility in investment markets.
- Decrease in management fees due to lower external assets under management.
- Capital reduction of R1 billion in Liberty Life.

Notes

Net premium income and inflows (Rm)



Headline earnings (Rm)



External assets under management

	Change %	2006 Rbn	2005 Rbn
Asset management assets under management			
Segregated funds	(22)	65	83
Properties	–	2	2
Total asset management assets under management	(21)	67	85
Wealth management funds under administration			
Single manager unit trust	54	37	24
Alternate single manager business	100	6	3
Institutional marketing	(50)	5	10
Linked products	25	10	8
Structured products	21	23	19
Multi-manager	30	13	10
Rest of Africa	–	8	8
Liberty Ermitage (disposed of in 2006)	(100)	–	11
Total wealth management funds under administration	10	102	93
Total external assets under management	(5)	169	178

Notes

Investment Management & Life Insurance continued

Reconciliation of headline earnings

	Change %	2006 Rm	2005 Rm
Liberty Life – IFRS			
Profit for the year as published	99	2 875	1 442
Headline adjustable items		(374)	399
Headline earnings	36	2 501	1 841
Libhold (Holding: 2006: 52,0%; 2005: 52,2%)[1]			
Liberty Life attributable headline earnings		1 303	942
Libhold attributable headline earnings		(53)	1
Libhold (loss)/profit		(51)	3
Preference dividends		(2)	(2)
Reverse fair value movement and dividends on deemed treasury shares in Libhold		(56)	(26)
Headline earnings	30	1 194	917
Standard Bank Group (Holding: 2006: 62,0%; 2005: 59,1%)[2]			
(Effective holding: 2006: 32,2%; 2005: 30,9%)[3]			
Headline earnings before adjustment for deemed treasury shares	38	715	519
Adjustment resulting from deemed investment in group companies' shares		(269)	(179)
Reverse fair value movement and dividends on deemed treasury shares in Libhold		(34)	(15)
Reverse fair value movement arising from deemed treasury shares in SBG		(235)	(148)
Elimination of dividends – SBG		(38)	(45)
Increase in earnings due to higher effective holding		38	29
Standard Bank's share of headline earnings from Stanlib		101	76
Headline earnings from Investment Management & Life Insurance – IFRS	31	547	416
Reconciliation to normalised headline earnings			
Headline earnings from Investment Management & Life Insurance – IFRS		547	416
Adjustments		296	204
Dividend on cumulative redeemable preference shares		27	25
Fair value movements and dividends received on deemed treasury shares		269	179
Headline earnings from Investment Management & Life Insurance – normalised	36	843	620

[1] *IFRS holding at year end, earnings consolidated using the average holding during the year.*
[2] *IFRS holding at year end after adjusting for deemed treasury shares, earnings consolidated using the average holding during the year.*
[3] *IFRS effective holding in Liberty Life at year end after adjusting for deemed treasury shares.*

Banking activities

Standard Bank

Notes

Net interest income (NII) and margin analysis (NIM)

	Change %	NII 2006 Rm	NIM 2006 %	NII 2005 Rm	NIM 2005 %
Personal & Business Banking	25	11 169	4,68	8 930	4,78
Corporate & Investment Banking	29	5 116	1,40	3 959	1,54
Central and other	53	716		468	
Banking activities	27	17 001	2,79	13 357	2,97

Favourable

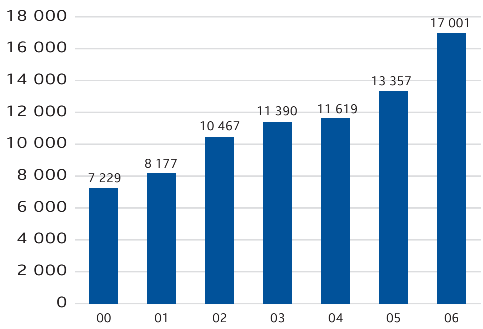
- Strong loan growth across the group.
- Positive endowment impact from higher interest rates.
- Higher cash management and current account deposits.
- Positive mismatch benefit of term deposit book as rates increased.
- Rest of Africa benefited from higher interest rates, as well as new business growth.

Adverse

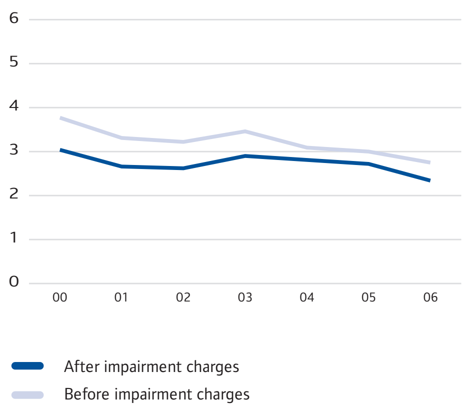
- Increased reliance on more expensive wholesale funding to support strong growth in assets.
- Higher mortgage lending origination costs due to increased proportion of new business being raised through originators at higher rates.
- Increased competition driving concession rates on new mortgage lending and asset backed finance.
- Pressure as a result of unchanged Usury Act interest rate limits.
- Higher cost of liquid assets held for prudential requirements subject to negative mark-to-market as rates increased.
- A dilutive change in mix in the group balance sheet with an increased proportion of lower margin Corporate & Investment Banking assets.

Net interest income (Rm)

CAGR (2000 – 2006): 15%



Group net interest margin (%)



Notes

Movement in average assets, NII and NIM

	Average assets Rm	NII Rm	NIM %
2005 – group	443 289	12 987	2,93
Reclassification of collateral accounts previously netted against derivative liabilities	3 815		
Reclassification of Stanlib out of banking activities	(1 433)	28	
Normalised adjustment on Tutuwa preference shares	4 079	342	
Restated 2005 – banking activities	449 750	13 357	2,97
Personal & Business Banking	51 422	2 239	(0,04)
Corporate & Investment Banking	107 659	1 157	(0,08)
Central and other	935	248	0,03
Change in mix			(0,09)
2006 – banking activities	609 766	17 001	2,79

Movement in NII and margin per business unit

	Personal & Business Banking		Corporate & Investment Banking		Banking activities Total	
	NII Rm	NIM %	NII Rm	NIM %	NII Rm	NIM %
2005	9 440	5,15	3 674	1,45	12 987	2,93
Reclassifications	(510)	(0,37)	285	0,09	370	0,04
Restated 2005	8 930	4,78	3 959	1,54	13 357	2,97
Net non-interest earning assets	37	0,15	320	1,00	613	0,97
Interest earning assets – 2005	8 967	4,93	4 279	2,54	13 970	3,94
Impact of volume changes	2 395		923		3 440	
Impact of rate changes	(110)	(0,07)	338	0,15	295	0,04
Lending – Client yield[1]	22	0,01	(191)	(0,11)	(136)	(0,04)
– Cost of lending[2]	(140)	(0,08)	475	0,28	334	0,09
Funding	(129)	(0,07)	(114)	(0,07)	(287)	(0,08)
Endowment – Funding	209	0,11	27	0,02	254	0,07
Endowment – Capital and reserves	77	0,04	124	0,07	242	0,07
Assets held for prudential liquidity purposes	(135)	(0,07)	(80)	(0,05)	(215)	(0,06)
Surplus liquid assets (mix impact)				(0,05)		(0,04)
Other treasury and banking activities	(14)	(0,01)	97	0,06	103	0,03
Change in composition of balance sheet		(0,03)		(0,26)		(0,18)
Interest earning assets – 2006	11 252	4,83	5 540	2,43	17 705	3,80
Net non-interest earning assets	(83)	(0,15)	(424)	(1,03)	(704)	(1,01)
2006	11 169	4,68	5 116	1,40	17 001	2,79

[1] *Client yield changes refer to the difference in movement between average client rates and base lending rates.*

[2] *Cost of lending changes refer to the difference in movement between base lending rates and an allocated cost based on the term nature of the asset.*

Notes

Non-interest revenue

	Change %	2006 Rm	2005 Rm
Fee and commission revenue	18	12 372	10 457
Point of representation	13	5 540	4 884
Electronic banking	12	987	879
Knowledge based fees and commission	34	780	580
Card based commission	21	2 320	1 921
Insurance – fees and commission	19	584	491
Documentation and administration fees	31	369	282
Foreign currency service fees	20	657	549
Other	30	1 135	871
Trading revenue	30	4 852	3 721
Commodities	50	1 078	721
Forex	20	2 014	1 681
Debt securities	45	1 480	1 019
Equities	(5)	290	305
Other	100	(10)	(5)
Other revenue	39	2 488	1 788
Banking and other	>100	976	433
Banking and other	89	819	433
Realised MasterCard profit (excluded from headline earnings)		157	–
Property related revenue	(5)	743	782
Insurance – underwriting and bancassurance profit	34	769	573
Total non-interest revenue	23	19 712	15 966

Favourable

- Satisfactory growth in point of representation revenue despite sub-inflation price increases.
- Higher card based commission due to increased average cardholder spend and number of cards.
- Higher number of internet banking subscribers and transaction volume increased electronic banking fees.
- Higher volumes of customer led trading activity and favourable market conditions, in particular volatile base and precious metals markets.
- Forex trading revenue growth from rand volatility, changes in interest rates and increased volumes.
- Knowledge based fees and commission driven by increased deal flow, project and structured finance and brokerage fees.
- Higher banking and other revenue as a result of realisation of a portion of MasterCard shares as part of an initial public offering (excluded from headline earnings) and fair value gains on investment and infrastructure fund portfolios.

Adverse

- Lower property related revenue due to lower fair value gains on listed property portfolio partly offset by increased dividend flow.
- Non-recurrence of 2005 fair value gains on unlisted equities.

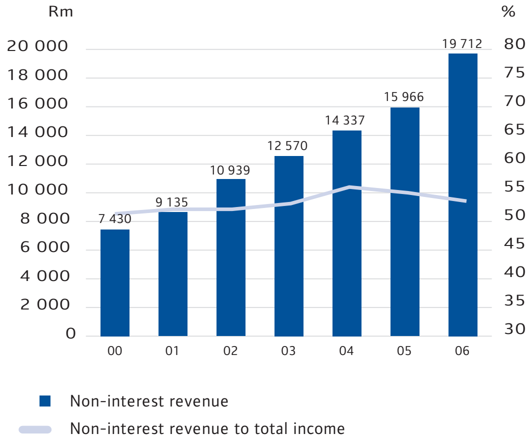
Notes

Non-interest revenue per business unit

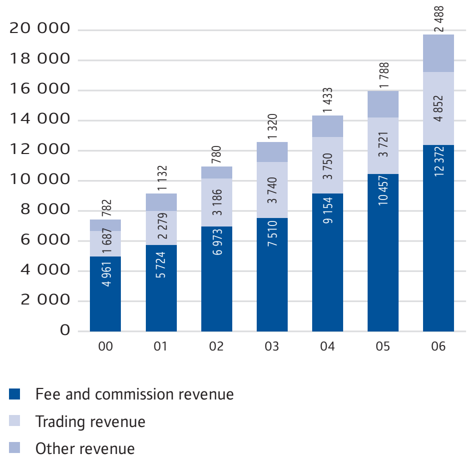
	Change %	2006 Rm	2005 Rm
Personal & Business Banking	18	10 223	8 645
Corporate & Investment Banking	30	9 418	7 225
Central and other	(26)	71	96
Banking activities	23	19 712	15 966

Non-interest revenue

CAGR (2000 – 2006): 18%



Analysis of non-interest revenue (Rm)



Notes

Credit impairment charges

Income statement impairment charges per product

	Change %	2006 Rm	2005 Rm
Personal & Business Banking	82	2 333	1 285
Mortgage lending	22	390	319
Instalment sales and finance leases	65	479	290
Card debtors	>100	1 000	325
Other loans and advances	32	464	351
Corporate & Investment Banking		335	(76)
Corporate lending		326	(126)
Property finance		9	50
Central and other		65	(2)
Banking activities	>100	2 733	1 207

Credit loss ratio by business unit

	2006 %	2005 %
Personal & Business Banking	1,00	0,71
Mortgage lending	0,27	0,29
Instalment sales and finance leases	1,09	0,78
Card debtors	7,03	3,32
Other loans and advances	1,56	1,41
Corporate & Investment Banking	0,19	(0,06)
Corporate lending	0,21	(0,12)
Property finance	0,05	0,36
Banking activities	0,67	0,40

Favourable

- Targeted strategies to manage increased risk have been implemented, including tightening credit extension in high risk grades as well as scorecard enhancements.
- Improved collection processes across the group.
- Recoveries of previous problem accounts in the mining sector.
- A more robust process has been implemented to identify potentially problematic corporate advances at an early stage and to track their progress closely.

Adverse

- Increased non-performing and performing loan portfolio charges on the back of a fast growing card book.
- Additional portfolio impairments on performing loans pertaining to the anticipated effects of the National Credit Act (lengthening of recovery period) and tightening of default classifications in anticipation of Basel II within other loans and advances.
- Increased signs of stress observed in components of SME and personal other loans and advances.
- Higher interest rate environment beginning to impact expected loss parameters and associated increase in portfolio impairments on performing loans.
- Combination of a few large corporate client defaults in Tanzania and Namibia, coupled with an alignment of retail loan provisioning policies resulted in substantial increases in credit impairments in Rest of Africa.
- Additional central country risk provision raised due to increased international activity.

Notes

Income statement impairment charges (net of recoveries)

	2006 NPL Rm	2006 PL Rm	2006 Total Rm	2005 NPL Rm	2005 PL Rm	2005 Total Rm
Personal & Business Banking	1 915	418	2 333	1 048	237	1 285
Corporate & Investment Banking	107	228	335	(42)	(34)	(76)
Central and other	–	65	65	–	(2)	(2)
Banking activities	2 022	711	2 733	1 006	201	1 207

Balance sheet impairments

	2006 Prov NPL Rm	2006 Prov PL Rm	2006 Total Prov Rm	2005 Prov NPL Rm	2005 Prov PL Rm	2005 Total Prov Rm
Personal & Business Banking	1 755	1 381	3 136	1 309	962	2 271
Corporate & Investment Banking	853	866	1 719	814	620	1 434
Central and other	3	184	187	37	119	156
Banking activities	2 611	2 431	5 042	2 160	1 701	3 861

Balance sheet impairments – reconciliation from 2005

	2005 Closing balance Rm	Impaired accounts written off Rm	Discount element recognised in interest income Rm	New provisions raised[1] Rm	Exchange movements Rm	Other movements Rm	2006 Closing balance Rm	2006 Recoveries of amounts written off in previous years[1] Rm
Impairments of non-performing loans								
Personal & Business Banking	1 309	(1 409)	(243)	2 094	4	–	1 755	179
Corporate & Investment Banking	814	(118)	(26)	135	47	1	853	28
Central and other	37	(34)	–	–	–	–	3	–
	2 160	(1 561)	(269)	2 229	51	1	2 611	207
Impairments of performing loans								
Personal & Business Banking	962	–	–	418	1	–	1 381	
Corporate & Investment Banking	620	–	–	228	18	–	866	
Central and other	119	–	–	65	–	–	184	
	1 701	–	–	711	19	–	2 431	
Banking activities	3 861	(1 561)	(269)	2 940	70	1	5 042	207

[1]*New provisions raised less recoveries of amounts written off in previous years equals income statement impairment charge (eg 2006: R2 940 million – R207 million = R2 733 million).*

Notes

Non-performing loans

Analysis of external loans and advances in terms of South African Reserve Bank regulatory definitions

	Gross advances	Non-performing loans				Performing loans	
	Total Rm	Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Special mention Rm	Standard Rm
2006							
Personal & Business Banking	267 652	2 064	1 710	459	4 233	4 903	258 516
Corporate & Investment Banking	185 591	383	267	527	1 177	952	183 462
Central and other	4 411	–	–	4	4	–	4 407
Gross loans and advances	457 654	2 447	1 977	990	5 414	5 855	446 385
Percentage of total book (%)	100,0	0,6	0,4	0,2	1,2	1,3	97,5
2005							
Personal & Business Banking	202 592	1 481	1 265	407	3 153	3 686	195 753
Corporate & Investment Banking	140 801	524	81	391	996	811	138 994
Central and other	3 382	–	–	39	39	–	3 343
Gross loans and advances	346 775	2 005	1 346	837	4 188	4 497	338 090
Percentage of total book (%)	100,0	0,6	0,4	0,2	1,2	1,3	97,5

Analysis of NPLs per business unit

	Gross NPLs (net of interest in suspense)		Securities and expected recoveries	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Personal & Business Banking	4 233	3 153	2 565	1 925
Mortgage lending	2 371	1 728	1 906	1 384
Instalment sales and finance leases	593	509	300	237
Card debtors	384	161	101	47
Other loans and advances	885	755	258	257
Corporate & Investment Banking	1 177	996	392	374
Corporate lending	992	686	334	231
Property finance	185	310	58	143
Central and other	4	39	1	2
	5 414	4 188	2 958	2 301

Staff home loan fair value adjustment in terms of IAS 39
Impairments for country risk
Credit risk inherent in off-balance sheet exposures and other asset classes

Banking activities

Notes

Criteria for classification of loans and advances

Standard	Items that are fully current and the full repayment of the contractual principal and interest amounts are expected.
Special mention	Items where the loan is performing but evidence exists that the borrower is experiencing difficulties. Ultimate loss is not expected but could occur if adverse conditions persist. Includes early arrears.
Sub-standard	Items that show underlying well defined weaknesses that could lead to probable loss if not corrected. The risk that these items may be impaired is probable and the group relies to a large extent on any available security.
Doubtful	Items which are considered to be impaired, but are not yet considered final losses because of some pending factors which may strengthen the quality of the items.
Loss	Items which are considered to be uncollectable and where the realisation of collateral and institution of legal proceedings have been unsuccessful. These items are considered of such little value that they should no longer be included in the net assets of the group.

Net after securities and expected recoveries		Balance sheet impairments for NPLs		Gross impairment coverage	
2006 Rm	2005 Rm	2006 Rm	2005 Rm	2006 %	2005 %
1 668	1 228	1 668	1 228	39	39
465	344	465	344	20	20
293	272	293	272	49	53
283	114	283	114	74	71
627	498	627	498	71	66
785	622	785	622	67	62
658	455	658	455	66	66
127	167	127	167	69	54
3	37	3	37	75	95
2 456	1 887	2 456	1 887	45	45
		93	89		
		30	30		
		32	154		
		2 611	2 160		

Notes

Non-performing loans continued

NPL coverage % to gross advances

	2006 %	2005 %
Gross NPLs	1,2	1,2
Less: securities and collateral	(0,7)	(0,7)
Less: impairments for non-performing loans	(0,5)	(0,5)
Net NPLs	–	–
Coverage : Gross[1]	45	45
: Net[2]	100	100
Gross advances (Rm)	457 654	346 775

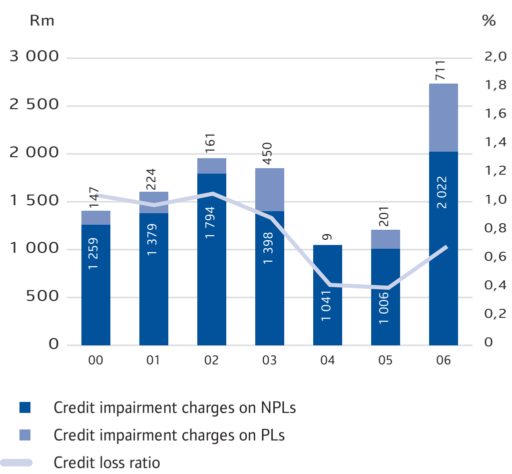
[1] *Gross coverage = NPLs provision/Gross NPL*

[2] *Net coverage = NPLs provision/(Gross NPL – Security)*

Balance sheet impairments on loans and advances

	Change %	2006 Rm	2005 Rm
Non-performing loans	21	2 611	2 160
Performing loans	43	2 431	1 701
Total	31	5 042	3 861
Balance sheet impairments as a % of gross loans and advances at end of year		1,10	1,11
Non-performing loans		0,57	0,62
Performing loans		0,53	0,49

Credit impairment charges



Favourable

- Non-performing loans within South Africa remained stable as a percentage of total book, notwithstanding the change in interest rate cycle.
- Improved collection processes across the group.
- Improvement in the business component of instalment sales and finance leases.

Adverse

- Increases in sub-standard and doubtful categories in the card book, in line with the strategy to grow exposure to higher yielding customers.
- Corporate client defaults in Rest of Africa increased in agriculture, road construction, mining and fishing industries.
- Alignment of Rest of Africa credit processes with those of domestic operations.
- Deterioration in the retail component of instalment sales and finance leases following an increased focus on dealer originated business.

Operating expenses

Notes

	Change %	2006 Rm	2005 Rm
Personal & Business Banking	13	11 805	10 405
Corporate & Investment Banking	29	7 724	6 002
Central and other	>100	123	34
Banking activities	20	19 652	16 441

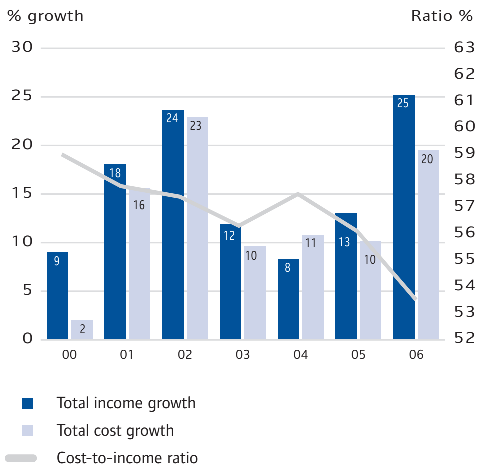
Cost-to-income ratio

	2006 %	2005 %
Personal & Business Banking	55,2	59,2
Corporate & Investment Banking	53,1	53,7
Banking activities	53,5	56,1
Banking activities excluding capital profit on MasterCard	53,8	56,1

Cost-to-income

- Continued strong revenue growth across the group resulted in a 2,6% improvement in the cost-to-income ratio.
- Positive “jaws” gap of 5% (2005: 3%).
- The cost-to-income ratio excluding the profit realised on MasterCard part-disposal is 53,8%.

Cost and income growth (%)



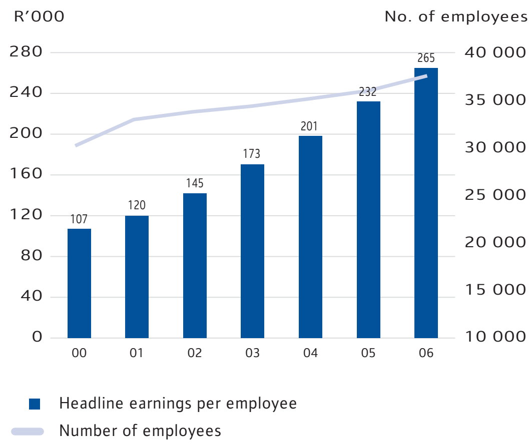
Notes

Staff costs and headcount analysis

	Change %	2006 Rm	2005 Rm
Staff costs			
Personal & Business Banking	8	5 668	5 230
Corporate & Investment Banking	31	4 750	3 623
Central and other	13	583	517
Banking activities	17	11 001	9 370
Analysis of staff costs			
Fixed remuneration	14	7 619	6 656
Variable remuneration and other costs	25	3 382	2 714
Total	17	11 001	9 370
Headcount		Number	Number
Personal & Business Banking	3	29 688	28 867
Corporate & Investment Banking	11	7 160	6 429
Central and other	2	855	835
Banking activities	4	37 703	36 131

- Higher cost growth mainly associated with Corporate & Investment Banking building scale outside of South Africa, and to a lesser extent locally. Includes:
  - Increased incentive provisions in line with business performance.
  - Acquisition and retention costs for international management and trading teams.
  - Revised incentive structure and increased talent pool in operations outside Africa.
- Increase in Personal & Business Banking and Central and other headcount due to increase in IT and compliance related projects.

Headline earnings per employee



Other operating expenses

Notes

	Change %	2006 Rm	2005 Rm
Other operating expenses by business unit			
Personal & Business Banking	19	6 137	5 175
Corporate & Investment Banking	25	2 974	2 379
Central and other net recovery	(5)	(460)	(483)
Banking activities	22	8 651	7 071
Analysis of other operating expenses			
Information technology[1]	22	1 708	1 396
Depreciation and amortisation	16	862	742
Communication	15	816	711
Premises	27	1 588	1 253
Other	24	3 677	2 969
Total	22	8 651	7 071

[1]Total information technology spend across the group, including depreciation, subcontractors and IT staff costs amounted to R3 415 million (2005: R2 900 million), up 18%.

- Higher IT costs attributable to software development and licences, regulatory projects and costs incurred to enhance overall capacity and network efficiency and infrastructure spend to enable faster roll-out of new products.
- Higher communication costs as a result of increased courier volumes, coupled with increased phone usage and headcount: to support business growth and compliance requirements.
- Higher premises costs as a result of re-branding initiative, increased rentals and branch refurbishments.
- Increased professional fees to improve business efficiency, regulatory projects and to assess emerging market acquisition options.
- Initial setup costs for outsourcing of cheque processing.
- Higher fee and commission expense resulting from higher volume incentive fees paid, coupled with new business acquisition costs in card products.
- Higher marketing and advertising costs to increase card market awareness, re-branding exercise, corporate sponsorships and staff communications.
- Increase in other attributable to outsourcing of cash-in-transit services and increased new application software and Financial Advisory and Intermediary Services Act training costs.

Notes

Loans and advances

By advance type

	Change %	2006 Rm	2005 Rm
Loans and advances to banks	20	35 677	29 805
Call loans	14	14 160	12 374
Loans granted under resale agreements	23	21 517	17 431
Loans and advances to customers	33	416 935	313 109
Gross loans and advances to customers	33	421 977	316 970
Mortgage lending	36	171 063	125 942
Instalment sales and finance leases	24	52 223	42 125
Card debtors	42	16 947	11 967
Overdrafts and other demand lending	7	35 513	33 329
Term lending	39	95 847	68 997
Loans granted under resale agreements	59	14 730	9 269
Commercial property finance	23	19 964	16 238
Foreign currency lending	63	12 416	7 610
Other loans and advances	>100	3 274	1 493
Credit impairments for loans and advances	31	(5 042)	(3 861)
Credit impairments for non-performing loans	21	(2 611)	(2 160)
Credit impairments for performing loans	43	(2 431)	(1 701)
Net loans and advances	32	452 612	342 914
Comprising:			
Gross loans and advances	32	457 654	346 775
Less: credit impairments	31	(5 042)	(3 861)
Net loans and advances	32	452 612	342 914
Securitised assets consolidated above:			
Mortgage lending	>100	9 997	4 258
Instalment sales and finance leases	68	4 436	2 633
Securitised assets	>100	14 433	6 891

Notes

Loans and advances by business unit (net of credit impairments)

	External change %	Total 2006 Rm	Eliminations Rm	External 2006 Rm	Total 2005 Rm	Eliminations Rm	External 2005 Rm
Personal & Business Banking	32	264 699	(183)	264 516	200 321		200 321
Corporate & Investment Banking	32	186 324	(2 452)	183 872	139 367		139 367
Central and other	31	7 715	(3 491)	4 224	5 277	(2 051)	3 226
Eliminations	–	(6 126)	6 126	–	(2 051)	2 051	–
Banking activities	32	452 612	–	452 612	342 914	–	342 914

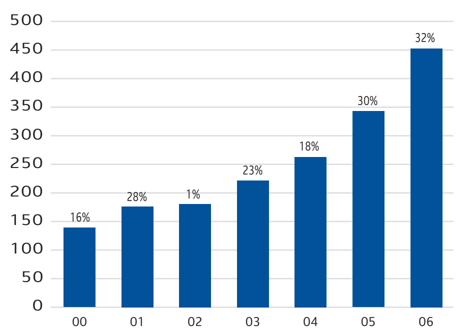
Favourable

- Mortgage loan growth boosted by an increase of 16% in both registration volumes and average values.
- Growth of 24% in instalment sales and finance leases motor book driven by a 14% increase in new vehicle sales volumes.
- Card debtors growth boosted by new accounts as a result of strategic alliances with retailers.
- Overdrafts and other demand lending increased due to strong personal current account growth and increased consumer activity.
- Growth in term lending driven by an increase in Black Economic Empowerment financing and growth in trade finance balances.
- Continued growth in economic activity resulted in increased demand for commercial property finance.

Adverse

- Disappointing net new business volume growth in the non-motor category of instalment sales and finance leases.
- A decrease in overdrafts and other demand lending in Corporate & Investment Banking as clients anticipated the recent rate increases and switched to term borrowing.

Loans and advances (Rbn)



Notes

Deposit and current accounts

By deposit type

	Change %	2006 Rm	2005 Rm
Deposits and loans from banks	75	48 374	27 584
Deposits from banks and central banks	>100	41 444	18 746
Deposits from banks under repurchase agreements	(22)	6 930	8 838
Deposits and loans from customers	29	496 790	386 039
Current accounts	15	55 153	47 811
Cash management deposits	12	61 902	55 224
Call deposits	54	123 390	80 201
Savings accounts	17	19 510	16 734
Term deposits	32	141 558	106 948
Negotiable certificates of deposit	24	55 538	44 625
Repurchase agreements	(11)	11 440	12 818
Other funding and loans	(3)	13 978	14 352
Securitisation funding	95	14 321	7 326
Banking activities	32	545 164	413 623

Notes

Deposit and current accounts by business unit

	Change %	2006 Rm	2005 Rm
Personal & Business Banking	34	254 222	190 289
External funding	31	152 292	116 128
Deposit and current accounts – retail priced	17	121 300	103 607
Deposit and current accounts – money market	>100	16 671	5 195
Securitisation funding	95	14 321	7 326
Interdivisional funding	37	101 930	74 161
Corporate & Investment Banking	32	300 365	227 152
Deposit and current accounts	33	400 163	301 967
Interdivisional funding	33	(99 798)	(74 815)
Central and other	(>100)	(23)	2 627
Deposit and current accounts	(49)	1 411	2 754
Interdivisional funding	>100	(1 434)	(127)
Eliminations	46	(9 400)	(6 445)
Banking activities	32	545 164	413 623

Favourable

- Higher securitisation based funding following the issue of vehicle finance and mortgage securitisation notes (consolidated in group balance sheet).
- An increase in the number of business accounts helped maintain retail priced deposits market share.
- Mzansi (low income Financial Sector Charter compliant) accounts, increased by 117 000 to 439 000.

Adverse

- Increased reliance on wholesale priced deposits to fund high asset growth due to the low propensity of consumers to save.

Notes

Subordinated debt

	Date issued	Notional value 2006 LC m	Carrying[1] value 2006 Rm	Notional[2] value 2006 Rm	Carrying[1] value 2005 Rm	Notional[2] value 2005 Rm
SBSA			10 862	10 600	7 832	7 600
Redeemable in 2007 (SBK 6) (Tier III)	28 February 2005	ZAR 600	616	600	616	600
Redeemable in 2013 (SBK 3)	29 October 2001	ZAR 2 000	2 072	2 000	2 089	2 000
Redeemable in 2016 (SBK 5)	17 November 2004	ZAR 2 000	2 080	2 000	2 091	2 000
Redeemable in 2018 (SBK 8)	10 April 2006	ZAR 1 500	1 528	1 500		
Redeemable in 2020 (SBK 7)	24 May 2005	ZAR 3 000	3 037	3 000	3 036	3 000
Redeemable in 2023 (SBK 9)	10 April 2006	ZAR 1 500	1 529	1 500		
Standard Bank Swaziland						
Redeemable in 2015	15 September 2005	E 35	36	35	36	35
Standard Bank Namibia			150	150	152	150
Redeemable in 2011	15 November 2001	NAD 150			152	150
Redeemable in 2016	20 November 2006	NAD 150	150	150		
Stanbic Botswana			118	117	58	58
Redeemable in 2013	12 December 2001	BWP 30	35	35	35	35
Redeemable in 2013	1 December 2003	BWP 20	23	23	23	23
Redeemable in 2016	2 June 2006	BWP 50	60	59		
Standard International Holdings			4 250	4 157	2 512	2 478
Redeemable in 2014	14 July 2004	USD 100	714	705	644	635
Redeemable in 2015	7 October 2005	USD 250	1 783	1 761	1 611	1 589
Redeemable in 2007 (Tier III)	15 April 2005	USD 40	285	282	257	254
Redeemable before or in 2016	27 July 2006	USD 200	1 468	1 409		
Total bonds qualifying as regulatory banking capital			15 416	15 059	10 590	10 321
Liberty Life						
Redeemable in 2017 – qualifying as regulatory insurance capital	September 2005	ZAR 2000	2 054	2 000	2 054	2 000
Total subordinated bonds			17 470	17 059	12 644	12 321
Subordinated loans						
Stanbic Tanzania						
Repayable in 2016	December 2006	USD 3	21	21		
Stanbic Zambia						
Repayable in 2016	December 2006	USD 11	79	78		
Total subordinated loans			100	99	–	–
Total subordinated debt			17 570	17 158	12 644	12 321
Total subordinated debt – banking activities			15 516	15 158	10 590	10 321
Total subordinated bonds – banking activities			15 416	15 059	10 590	10 321
Total subordinated loans – banking activities			100	99	–	–

[1] *The difference between the carrying and notional value represents accrued interest together with the value of interest rate hedging instruments.*

[2] *Tier II unless otherwise stated.*

Other information

Standard Bank

Notes

Group income statement reclassifications

2005

	2005 Normalised as previously reported Rm	Banking activities Rm	Stanlib Rm	Liberty Life Rm	2005 Normalised restated Rm
Income from banking activities	30 047	38	(762)		29 323
Net interest income	13 329		28		13 357
Interest income	39 039		(72)		38 967
Interest expense	25 710		(100)		25 610
Non-interest revenue	16 718	38	(790)		15 966
Income from investment management and life insurance activities	51 908		862	1 077	53 847
Net insurance premiums	18 979				18 979
Investment income and gains	31 763		93	1 165	33 021
Management and service fee income	1 166		769	(88)	1 847
Total income	81 955	38	100	1 077	83 170
Credit impairment charges	1 207				1 207
Benefits due to policyholders	41 004			525	41 529
Net insurance benefits and claims	32 816				32 816
Fair value adjustments to policyholders' liabilities under investment contracts	6 834				6 834
Fair value adjustment on third party fund interests	1 354			525	1 879
Income after credit impairment charges and policyholders' benefits	39 744	38	100	552	40 434
Operating expenses in banking activities	16 817	38	(414)		16 441
Staff costs	9 613		(243)		9 370
Other operating expenses	7 204	38	(171)		7 071
Operating expenses in investment management and life insurance activities	7 222		514	270	8 006
Acquisition costs – insurance and investment contracts	3 594				3 594
Other operating expenses	3 628		514	270	4 412
Net income before goodwill	15 705			282	15 987
Goodwill impairment	421				421
Net income before associates and joint ventures	15 284			282	15 566
Share of profit from associates and joint ventures	226				226
Net income before indirect taxation	15 510			282	15 792
Indirect taxation	778				778
Profit before direct taxation	14 732			282	15 014
Direct taxation	4 312				4 312
Profit for the year	10 420			282	10 702
Attributable to minorities	1 216			282	1 498
Attributable to preference shareholders	223				223
Attributable to ordinary shareholders	8 981				8 981

Refer to page 86 for explanations of reclassifications.

Group balance sheet reclassifications

Notes

2005

	2005 Normalised as previously reported Rm	Banking activities Rm	Stanlib Rm	Liberty Life Rm	2005 Normalised restated Rm
Assets					
Cash and balances with banks	70 852		254	138	71 244
Short-term negotiable securities	30 313	(4 128)	(254)		25 931
Derivative assets	100 188	1 314			101 502
Trading assets	38 446	(44)	(15)		38 387
Investments	147 600	4 128	70	648	152 446
Investment property	11 104			1 533	12 637
Loans and advances	338 269	4 700	(55)		342 914
Loans and advances to banks	25 149	4 656			29 805
Loans and advances to customers	313 120	44	(55)		313 109
Current and deferred taxation	990				990
Other assets	13 003			234	13 237
Non-current assets for disposal	2 380				2 380
Interest in associates and joint ventures	4 985			1 432	6 417
Goodwill and other intangible assets	2 453				2 453
Property and equipment	4 536			57	4 593
Total assets	765 119	5 970	–	4 042	775 131
Equity and liabilities					
Equity	49 294			1 728	51 022
Equity attributable to ordinary shareholders	38 270				38 270
Preference share capital and premium	2 991				2 991
Minority interest	8 033			1 728	9 761
Liabilities	715 825	5 970		2 314	724 109
Derivative liabilities	98 826	4 656			103 482
Trading liabilities	21 462				21 462
Deposit and current accounts	412 462	1 314	(153)		413 623
Deposits from bank	26 270	1 314			27 584
Deposits from customers	386 192		(153)		386 039
Current and deferred taxation	6 926				6 926
Other liabilities	21 403		153	2 314	23 870
Non-current liabilities for disposal	1 267				1 267
Policyholder liabilities	140 835				140 835
Subordinated bonds	12 644				12 644
Total equity and liabilities	765 119	5 970	–	4 042	775 131

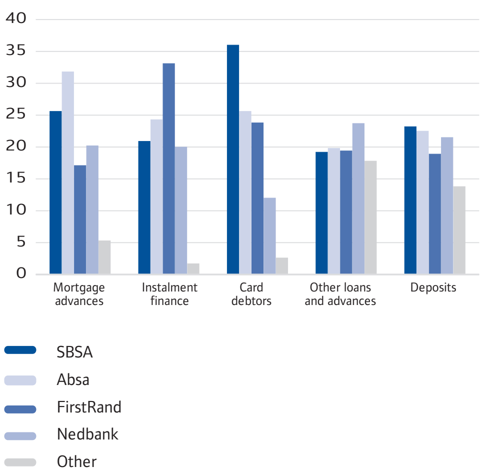
Refer to page 86 for explanations of reclassifications.

Notes

Supplementary information on a geographic basis

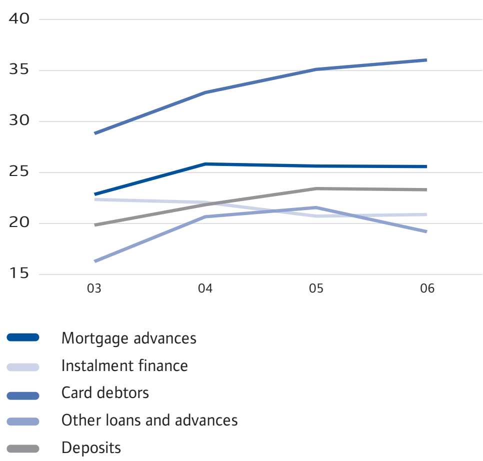
	South Africa					
	Personal & Business Banking Rm	Corporate & Investment Banking Rm	Stanlib Rm	Liberty Life Rm	Other domestic Rm	Total Rm
2006						
Total income	19 762	7 921	1 033	59 377	302	88 395
Normalised headline earnings	4 622	3 822	129	714	133	9 420
Average ordinary shareholders' equity	14 248	9 238	194	3 166	2 110	28 956
Total assets	265 965	304 660	1 111	202 036	1 200	774 972
Risk-weighted assets (average)	163 942	114 939	1 749	–	2 874	283 504
Number of employees	24 954	3 549	568	3 994	855	33 920
2005						
Total income	16 266	6 451	862	52 985	107	76 671
Normalised headline earnings	3 665	3 213	97	523	113	7 611
Average ordinary shareholders' equity	11 757	7 913	168	2 791	1 110	23 739
Total assets	202 099	252 644	787	171 292	3 265	630 087
Risk-weighted assets (average)	131 217	94 070	1 294	–	3 021	229 602
Number of employees	24 436	3 247	551	4 185	835	33 254

South African market share analysis (excluding securitisation) (%)



Source: DI 900

South African market share trend (excluding securitisation) (%)



Source: DI 900

	Rest of Africa Personal & Business Banking Rm	Rest of Africa Corporate & Investment Banking Rm	Rest of Africa Total Rm	Outside Africa Corporate & Investment Banking Rm	Central funding and eliminations Rm	Standard Bank Group Rm
	1 630	2 150	3 780	4 477	471	97 123
	206	589	795	622	(19)	10 818
	976	2 047	3 023	6 915	4 046	42 940
	10 986	32 865	43 851	201 665	(41 894)	978 594
	11 182	9 916	21 098	68 036	770	373 408
	4 734	1 806	6 540	1 805	–	42 265
	1 309	1 646	2 955	3 130	414	83 170
	214	507	721	465	216	9 013
	849	1 781	2 630	5 667	3 707	35 743
	7 621	22 422	30 043	122 660	(7 659)	775 131
	8 919	7 909	16 828	49 971	469	296 870
	4 431	1 688	6 119	1 494	–	40 867

Notes

Segmental income statement

2006

	Personal & Business Banking Rm	Corporate & Investment Banking Rm	Central and other Rm	Banking activities Rm	Investment Management & Life Insurance Rm	Standard Bank Group Rm
Income from banking activities	21 392	14 534	787	36 713		36 713
Net interest income	11 169	5 116	716	17 001		17 001
Interest income	25 738	26 139	(675)	51 202		51 202
Interest expense	14 569	21 023	(1 391)	34 201		34 201
Non-interest revenue	10 223	9 418	71	19 712		19 712
Fee and commission revenue	9 426	2 998	(52)	12 372		12 372
Trading revenue	–	4 945	(93)	4 852		4 852
Other revenue	797	1 475	216	2 488		2 488
Income from investment management and life insurance activities					60 410	60 410
Net insurance premiums					20 066	20 066
Investment income and gains					38 634	38 634
Management and service fee income					1 710	1 710
Total income	21 392	14 534	787	36 713	60 410	97 123
Credit impairment charges	2 333	335	65	2 733		2 733
Benefits due to policyholders					47 896	47 896
Net insurance benefits and claims					38 140	38 140
Fair value adjustments to policyholders' liabilities under investment contracts					8 276	8 276
Fair value adjustment on third party fund interests					1 480	1 480
Income after credit impairment charges and policyholders' benefits	19 059	14 199	722	33 980	12 514	46 494
Operating expenses in banking activities	11 805	7 724	123	19 652		19 652
Staff costs	5 668	4 750	583	11 001		11 001
Other operating expenses	6 137	2 974	(460)	8 651		8 651
Operating expenses in investment management and life insurance activities					6 486	6 486
Acquisition costs – insurance and investment contracts					2 413	2 413
Other operating expenses					4 073	4 073
Net income before goodwill	7 254	6 475	599	14 328	6 028	20 356
Goodwill impairment	–	15	–	15	–	15
Net income before associates and joint ventures	7 254	6 460	599	14 313	6 028	20 341
Share of profit from associates and joint ventures	145	73	–	218	57	275
Net income before indirect taxation	7 399	6 533	599	14 531	6 085	20 616
Indirect taxation	388	177	39	604	237	841
Profit before direct taxation	7 011	6 356	560	13 927	5 848	19 775
Direct taxation	2 136	1 265	(25)	3 376	2 476	5 852
Profit for the year	4 875	5 091	585	10 551	3 372	13 923
Attributable to minorities	19	62	–	81	2 412	2 493
Attributable to preference shareholders	–	–	282	282	–	282
Attributable to ordinary shareholders	4 856	5 029	303	10 188	960	11 148
Headline adjustable items	(28)	4	(189)	(213)	(117)	(330)
Normalised headline earnings	4 828	5 033	114	9 975	843	10 818
Headline earnings IFRS	4 828	5 033	(220)	9 641	547	10 188
Return on equity (%)	31,7	27,7	1,9	25,2	25,1	25,2
Cost-to-income ratio (%)	55,2	53,1		53,5		
Net interest margin (%)	4,68	1,40		2,79		
Credit loss ratio (%)	1,00	0,19		0,67		
Average ordinary shareholders' equity	15 224	18 200	6 156	39 580	3 360	42 940
Average assets	238 427	364 841	6 498	609 766		
Number of employees	29 688	7 160	855	37 703	4 562	42 265

Notes

2005

	Personal & Business Banking Rm	Corporate & Investment Banking Rm	Central and other Rm	Banking activities Rm	Investment Management & Life Insurance Rm	Standard Bank Group Rm
Income from banking activities	17 575	11 184	564	29 323		29 323
Net interest income	8 930	3 959	468	13 357		13 357
Interest income	20 953	23 152	(5 138)	38 967		38 967
Interest expense	12 023	19 193	(5 606)	25 610		25 610
Non-interest revenue	8 645	7 225	96	15 966		15 966
Fee and commission revenue	8 085	2 407	(35)	10 457		10 457
Trading revenue	–	3 724	(3)	3 721		3 721
Other revenue	560	1 094	134	1 788		1 788
Income from investment management and life insurance activities					53 847	53 847
Net insurance premiums					18 979	18 979
Investment income and gains					33 021	33 021
Management and service fee income					1 847	1 847
Total income	17 575	11 184	564	29 323	53 847	83 170
Credit impairment charges	1 285	(76)	(2)	1 207		1 207
Benefits due to policyholders					41 529	41 529
Net insurance benefits and claims					32 816	32 816
Fair value adjustments to policyholders' liabilities under investment contracts					6 834	6 834
Fair value adjustment on third party fund interests					1 879	1 879
Income after credit impairment charges and policyholders' benefits	16 290	11 260	566	28 116	12 318	40 434
Operating expenses in banking activities	10 405	6 002	34	16 441		16 441
Staff costs	5 230	3 623	517	9 370		9 370
Other operating expenses	5 175	2 379	(483)	7 071		7 071
Operating expenses in investment management and life insurance activities					8 006	8 006
Acquisition costs – insurance and investment contracts					3 594	3 594
Other operating expenses					4 412	4 412
Net income before goodwill	5 885	5 258	532	11 675	4 312	15 987
Goodwill impairment	13	11	–	24	397	421
Net income before associates and joint ventures	5 872	5 247	532	11 651	3 915	15 566
Share of profit from associates and joint ventures	141	59	–	200	26	226
Net income before indirect taxation	6 013	5 306	532	11 851	3 941	15 792
Indirect taxation	363	148	51	562	216	778
Profit before direct taxation	5 650	5 158	481	11 289	3 725	15 014
Direct taxation	1 767	902	(133)	2 536	1 776	4 312
Profit for the year	3 883	4 256	614	8 753	1 949	10 702
Attributable to minorities	14	36	1	51	1 447	1 498
Attributable to preference shareholders	–	–	223	223	–	223
Attributable to ordinary shareholders	3 869	4 220	390	8 479	502	8 981
Headline adjustable items	10	(35)	(61)	(86)	118	32
Normalised headline earnings	3 879	4 185	329	8 393	620	9 013
Headline earnings IFRS	3 879	4 185	(16)	8 048	416	8 464
Return on equity (%)	30,8	27,2	6,8	25,6	21,0	25,2
Cost-to-income ratio (%)	59,2	53,7		56,1		
Net interest margin (%)	4,78	1,54		2,97		
Credit loss ratio (%)	0,71	(0,06)		0,40		
Average ordinary shareholders' equity	12 606	15 361	4 817	32 784	2 959	35 743
Average assets	187 005	257 182	5 563	449 750		
Number of employees	28 867	6 429	835	36 131	4 736	40 867

Notes

Financial and other definitions

Standard Bank Group

Basic earnings per share (EPS) (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
CAGR (%)	Compound annual growth rate.
Dividend cover (times)	Headline earnings per share divided by ordinary dividends per share.
Dividends per share (cents)	Total ordinary dividends declared per share in respect of the period.
Headline earnings (Rm)	Earnings attributable to ordinary shareholders excluding goodwill impairment, capital profits and losses, and recycled profits or losses on available-for-sale financial instruments.
Headline earnings per 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 period end.
Normalised results	The financial results and ratios restated on an economic substance basis – refer page 74.
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 minority interests.
Profit for the year (Rm)	Income statement profit attributable to ordinary shareholders, minorities 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 JSE.
Tutuwa	Tutuwa is the group's Black Economic Empowerment Ownership initiative entered into in terms of the Financial Sector Charter.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the period as recorded on the JSE.

Banking activities

Cost-to-income ratio (%)	Operating expenses as a percentage of total income.
Credit loss ratio (%)	Total impairment charges on loans and advances per the income statement as a percentage of average daily and monthly gross loans and advances.
Effective taxation rate (%)	Direct and indirect taxation as a percentage of income before taxation.
Gross coverage ratio (%)	Non-performing loan impairments as a percentage of gross non-performing loans.
Net interest margin (NIM) (%)	Net interest income (NII) 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.
Return on equity (ROE) (%)	Headline earnings, excluding Investment Management & Life Insurance, as a percentage of monthly average ordinary shareholders' funds, after deducting capital relating to Investment Management & Life Insurance.

Reconciliation to IFRS, results reported on an IFRS basis and reclassifications

Standard Bank

Notes

Explanation of principal differences between unaudited normalised and audited IFRS results

Description of normalised adjustments

The group's financial results in this booklet are prepared on a normalised basis. The normalised results are prepared in accordance with IFRS except for adjustments relating to required accounting conventions that do not reflect the underlying economic substance of transactions (the normalised adjustments). The group complies with IFRS in its annual financial statements and the results on an IFRS basis are set out in this section.

The normalised adjustments relate to the accounting treatment of two specific and unique circumstances:

- the group's Black Economic Empowerment Ownership initiative; and
- group shares held by the insurance operation for the benefit of policyholders.

A common element in these transactions relates mostly to shares in issue deemed by accounting convention to be treasury shares. Consequently, the "assets" are recognised as a deduction against equity; and the number of shares used for per share calculation purposes is materially lower than the economic substance, resulting in inflated per share ratios. With regard to segmental and product reporting, the normalising adjustments have been made within Investment Management & Life Insurance, and Central and other. The results of the other business units are unaffected.

Black Economic Empowerment Ownership initiative

The group concluded its Black Economic Empowerment Ownership initiative (Tutuwa) 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 subscribed for 8,5% redeemable, cumulative preference shares issued by special purpose vehicles (SPVs) controlled by Standard Bank Group (SBG). The initial repurchase of SBG shares by the SPVs is treated as a reduction in the group's equity. Subsequent to the repurchase of the SBG shares, the SPVs containing these shares were sold to the black participants. The capital and dividends on the preference shares are repayable from future ordinary dividends received on SBG shares. As a result of SBG's right to receive its own dividends back in the form of preference dividends and capital on the preference shares, the subsequent sale of the SPVs and consequent delivery of the SBG shares to the black participants (although legally effected) is not accounted for as a sale. The preference share investment in the SPVs is also not accounted for as an asset. The preference share asset is effectively eliminated against equity as a negative empowerment reserve.

As a consequence of the above, the accounting treatment followed until full redemption, or third party financing is:

- the 8,5% redeemable, cumulative preference shares issued by the SPVs and subscribed for by SBG are not recognised as financial assets, but eliminated against equity;
- the preference dividends received from the SPVs are eliminated against the ordinary dividends paid on the SBG shares held by the SPVs;
- 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 SPVs that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party; and
- perpetual preference shares issued by the group for the purposes of financing the repurchased SBG shares, are classified as equity. Dividends paid are accounted on declaration and not on an accrual basis.

The "normalised" adjustment:

- recognises a loan asset by reversing the elimination of the Tutuwa SPV preference shares against equity;
- accrues for preference dividends receivable, in interest income, which were not recognised;
- 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.

Group shares held for the benefit of policyholders

Group companies' shares held by Liberty Life 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. In terms of IAS 32, Standard Bank and Liberty Holdings shares held by Liberty Life on behalf of policyholders are deemed to

Notes

be treasury shares for accounting purposes. The corresponding movement in the policyholder liabilities is however not eliminated, resulting in a mismatch in the overall equity and income statement of the group. The accounting consequences in the consolidated financial statements are:

- the investment in group shares is set off against equity in the group financial statements;
- within equity, the cost price of the group shares is eliminated against ordinary shareholders' funds and minority interest;
- the fair value movements are eliminated from the income statement, reserves and minority interests;
- dividends received on group shares are eliminated against dividends paid; and
- no adjustment is however made for policyholder liabilities. Increases in the fair value of group shares and dividends declared on these shares increases the liability to policyholders. The increase in the liability to policyholders is accounted for in the income statement. The increase in assets held to match the liability position is however eliminated against equity. This results in a mismatch in the income statement.

The elimination is attributable to Standard Bank ordinary shareholders to the extent of the effective holding in Liberty Life (approximately 30%).

The weighted average number of shares in issue for earnings per share is calculated by deducting the full number of group shares held (100%) and not the effective 30% owned by the group, as the accounting standard (IAS 33 – Earnings per share) does not contemplate minority portions of treasury shares. This treatment exaggerates the reduction in the weighted 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 are treated as issued to parties external to the group.

Adjustments to IFRS results

	Headline earnings			Ordinary shareholders' equity
	Banking activities Rm	Investment Management & Life Insurance Rm	Group Rm	Group Rm
IFRS – 2005	8 048	416	8 464	32 931
Preference dividend accrual	3		3	(111)
8,5% cumulative redeemable preference dividend and shares recognised	342	25	367	4 378
Fair value movements and dividends received on deemed treasury shares		179	179	1 072
Normalised – 2005	8 393	620	9 013	38 270
IFRS – 2006	9 641	547	10 188	43 326
Preference dividend accrual	(13)		(13)	(124)
8,5% cumulative redeemable preference dividend and shares recognised	347	27	374	4 409
Fair value movements and dividends received on deemed treasury shares		269	269	1 151
Normalised – 2006	9 975	843	10 818	48 762

Notes

Key financial results and ratios – IFRS basis

		Change %	2006	2005
Standard Bank Group				
Earnings				
Headline earnings	Rm	20	10 188	8 464
Profit attributable to ordinary shareholders	Rm	25	10 518	8 432
Other indicators				
Headline EPS	cents	19	837,4	702,3
Diluted headline EPS	cents	18	794,4	670,9
Basic EPS	cents	24	864,5	699,7
Diluted EPS	cents	23	820,1	668,4
Dividend cover	times		2,6	2,6
Total dividends per share	cents	20	320,0	267,0
Net asset value per share	cents	30	3 537	2 729
Ordinary shareholders' funds	Rm	32	43 326	32 931
ROE	%		27,1	27,8
Capital adequacy	%		14,8	14,2
Number of ordinary shares in issue				
– weighted average	thousands		1 216 687	1 205 169
– fully diluted weighted average	thousands		1 282 478	1 261 527
Number of employees		3	42 265	40 867
Banking activities				
Earnings				
Headline earnings	Rm	20	9 641	8 048
Balance sheet				
Total assets	Rm	29	771 246	598 911
Loans and advances (net of credit impairments)	Rm	32	448 411	338 773
Other indicators of banking activities				
ROE	%		27,1	28,0
Net interest margin	%		2,75	2,92
Non-interest revenue to total income	%		54,2	55,1
Credit impairment charges	Rm	>100	2 733	1 207
Credit loss ratio	%		0,68	0,40
Cost-to-income ratio	%		54,0	56,7
Cost-to-income ratio excluding capital profit on MasterCard	%		54,3	56,7
Effective tax rate (including indirect taxation)	%		28,1	26,9
Number of employees		4	37 703	36 131

Summarised group income statement – IFRS basis

Notes

	Change %	2006 Rm	2005 Rm
Net interest income	28	16 654	13 015
Non-interest revenue	23	19 712	15 966
Fee and commission revenue	18	12 372	10 457
Trading revenue	30	4 852	3 721
Other revenue	39	2 488	1 788
Total income	25	36 366	28 981
Credit impairment charges	>100	2 733	1 207
Impairments for non-performing loans	>100	2 022	1 006
Impairments for performing loans	>100	711	201
Income after credit impairment charges	21	33 633	27 774
Operating expenses	20	19 652	16 441
Staff costs	17	11 001	9 370
Other operating expenses	22	8 651	7 071
Net income before goodwill	23	13 981	11 333
Goodwill impairment	(38)	15	24
Net income before associates and joint ventures	23	13 966	11 309
Share of profit from associates and joint ventures	9	218	200
Net income before taxation	23	14 184	11 509
Taxation	28	3 980	3 098
Profit for the year	21	10 204	8 411
Attributable to minorities	59	81	51
Attributable to preference shareholders	19	269	226
Attributable to ordinary shareholders – banking activities	21	9 854	8 134
Headline adjustable items – banking activities	>100	(213)	(86)
Headline earnings – banking activities	20	9 641	8 048
Headline earnings – Investment Management & Life Insurance	31	547	416
Investment Management & Life Insurance share of attributable profit	>100	664	298
Headline adjustable items – Investment Management & Life Insurance	(>100)	(117)	118
Standard Bank Group headline earnings	20	10 188	8 464

Notes

Group segmental income statement – IFRS basis

2006

	Personal & Business Banking Rm	Corporate & Investment Banking Rm	Central and other Rm	Banking activities Rm	Investment Management & Life Insurance Rm	Standard Bank Group Rm
Income from banking activities	21 392	14 534	440	36 366		36 366
Net interest income	11 169	5 116	369	16 654		16 654
Interest income	25 738	26 139	(1 022)	50 855		50 855
Interest expense	14 569	21 023	(1 391)	34 201		34 201
Non-interest revenue	10 223	9 418	71	19 712		19 712
Fee and commission revenue	9 426	2 998	(52)	12 372		12 372
Trading revenue	–	4 945	(93)	4 852		4 852
Other revenue	797	1 475	216	2 488		2 488
Income from investment management and life insurance activities					59 344	59 344
Net insurance premiums					20 066	20 066
Investment income and gains					37 568	37 568
Management and service fee income					1 710	1 710
Total income	21 392	14 534	440	36 366	59 344	95 710
Credit impairment charges	2 333	335	65	2 733		2 733
Benefits due to policyholders					47 896	47 896
Net insurance benefits and claims					38 140	38 140
Fair value adjustments to policyholders' liabilities under investment contracts					8 276	8 276
Fair value adjustment on third party fund interests					1 480	1 480
Income after credit impairment charges and policyholders' benefits	19 059	14 199	375	33 633	11 448	45 081
Operating expenses in banking activities	11 805	7 724	123	19 652		19 652
Staff costs	5 668	4 750	583	11 001		11 001
Other operating expenses	6 137	2 974	(460)	8 651		8 651
Operating expenses in investment management and life insurance activities					6 486	6 486
Acquisition costs – insurance and investment contracts					2 413	2 413
Other operating expenses					4 073	4 073
Net income before goodwill	7 254	6 475	252	13 981	4 962	18 943
Goodwill impairment	–	15	–	15	–	15
Net income before associates and joint ventures	7 254	6 460	252	13 966	4 962	18 928
Share of profit from associates and joint ventures	145	73	–	218	57	275
Net income before indirect taxation	7 399	6 533	252	14 184	5 019	19 203
Indirect taxation	388	177	39	604	237	841
Profit before direct taxation	7 011	6 356	213	13 580	4 782	18 362
Direct taxation	2 136	1 265	(25)	3 376	2 476	5 852
Profit for the year	4 875	5 091	238	10 204	2 306	12 510
Attributable to minorities	19	62	–	81	1 642	1 723
Attributable to preference shareholders			269	269	–	269
Attributable to ordinary shareholders	4 856	5 029	(31)	9 854	664	10 518
Headline adjustable items	(28)	4	(189)	(213)	(117)	(330)
IFRS headline earnings	4 828	5 033	(220)	9 641	547	10 188
Normalised headline earnings	4 828	5 033	114	9 975	843	10 818

Notes

2005

	Personal & Business Banking Rm	Corporate & Investment Banking Rm	Central and other Rm	Banking activities Rm	Investment Management & Life Insurance Rm	Standard Bank Group Rm
Income from banking activities	17 575	11 184	222	28 981		28 981
Net interest income	8 930	3 959	126	13 015		13 015
Interest income	20 953	23 152	(5 480)	38 625		38 625
Interest expense	12 023	19 193	(5 606)	25 610		25 610
Non-interest revenue	8 645	7 225	96	15 966		15 966
Fee and commission revenue	8 085	2 407	(35)	10 457		10 457
Trading revenue	–	3 724	(3)	3 721		3 721
Other revenue	560	1 094	134	1 788		1 788
Income from investment management and life insurance activities					53 066	53 066
Net insurance premiums					18 979	18 979
Investment income and gains					32 240	32 240
Management and service fee income					1 847	1 847
Total income	17 575	11 184	222	28 981	53 066	82 047
Credit impairment charges	1 285	(76)	(2)	1 207		1 207
Benefits due to policyholders					41 529	41 529
Net insurance benefits and claims					32 816	32 816
Fair value adjustments to policyholders' liabilities under investment contracts					6 834	6 834
Fair value adjustment on third party fund interests					1 879	1 879
Income after credit impairment charges and policyholders' benefits	16 290	11 260	224	27 774	11 537	39 311
Operating expenses in banking activities	10 405	6 002	34	16 441		16 441
Staff costs	5 230	3 623	517	9 370		9 370
Other operating expenses	5 175	2 379	(483)	7 071		7 071
Operating expenses in investment management and life insurance activities					8 006	8 006
Acquisition costs – insurance and investment contracts					3 594	3 594
Other operating expenses					4 412	4 412
Net income before goodwill	5 885	5 258	190	11 333	3 531	14 864
Goodwill impairment	13	11	–	24	397	421
Net income before associates and joint ventures	5 872	5 247	190	11 309	3 134	14 443
Share of profit from associates and joint ventures	141	59	–	200	26	226
Net income before indirect taxation	6 013	5 306	190	11 509	3 160	14 669
Indirect taxation	363	148	51	562	216	778
Profit before direct taxation	5 650	5 158	139	10 947	2 944	13 891
Direct taxation	1 767	902	(133)	2 536	1 776	4 312
Profit for the year	3 883	4 256	272	8 411	1 168	9 579
Attributable to minorities	14	36	1	51	870	921
Attributable to preference shareholders			226	226	–	226
Attributable to ordinary shareholders	3 869	4 220	45	8 134	298	8 432
Headline adjustable items	10	(35)	(61)	(86)	118	32
IFRS headline earnings	3 879	4 185	(16)	8 048	416	8 464
Normalised headline earnings	3 879	4 185	329	8 393	620	9 013

Notes

Group balance sheet – IFRS basis

	Change %	Standard Bank Group 2006 Rm	2005 Rm
Assets			
Cash and balances with banks	4	74 154	71 244
Short-term negotiable securities	13	29 175	25 931
Derivative assets	(1)	100 832	101 502
Trading assets	>100	81 569	38 387
Investments	27	186 896	147 146
Investment property	4	13 200	12 637
Loans and advances	32	448 411	338 773
Loans and advances to banks	20	35 677	29 805
Loans and advances to customers	34	412 734	308 968
Current and deferred taxation	5	1 043	990
Other assets	28	16 975	13 237
Non-current assets for disposal	(100)	–	2 380
Interest in associates and joint ventures	34	8 584	6 417
Goodwill and other intangible assets	19	2 910	2 453
Property and equipment	14	5 242	4 593
Total assets	27	968 991	765 690
Equity and liabilities			
Equity	33	55 244	41 692
Equity attributable to ordinary shareholders	32	43 326	32 931
Preference share capital and premium	84	5 503	2 991
Minority interest	11	6 415	5 770
Liabilities	26	913 747	723 998
Derivative liabilities	–	103 122	103 482
Trading liabilities	71	36 790	21 462
Deposit and current accounts	32	545 164	413 623
Deposits from banks	75	48 374	27 584
Deposits from customers	29	496 790	386 039
Current and deferred taxation	14	7 880	6 926
Other liabilities	44	34 323	23 759
Non-current liabilities for disposal	(100)	–	1 267
Policyholder liabilities	20	168 898	140 835
Subordinated debt	39	17 570	12 644
Total equity and liabilities	27	968 991	765 690

Banking activities Change %	Banking activities 2006 Rm	Banking activities 2005 Rm	Investment Management & Life Insurance Change %	Investment Management & Life Insurance 2006 Rm	Investment Management & Life Insurance 2005 Rm
17	68 451	58 390	(56)	5 703	12 854
13	29 175	25 931			
(1)	100 832	101 502			
>100	81 569	38 387			
10	24 618	22 393	30	162 278	124 753
			4	13 200	12 637
32	448 411	338 773			
20	35 677	29 805			
34	412 734	308 968			
12	969	867	(40)	74	123
39	11 043	7 971	13	5 932	5 266
			(100)	–	2 380
39	1 130	812	33	7 454	5 605
>100	1 270	610	(11)	1 640	1 843
15	3 778	3 275	11	1 464	1 318
29	771 246	598 911	19	197 745	166 779
36	46 715	34 230	14	8 529	7 462
32	41 024	31 092	25	2 302	1 839
84	5 503	2 991			
28	188	147	11	6 227	5 623
28	724 531	564 681	19	189 216	159 317
–	103 026	103 447	>100	96	35
71	36 790	21 462			
32	545 164	413 623			
75	48 374	27 584			
29	496 790	386 039			
7	4 166	3 901	23	3 714	3 025
70	19 869	11 658	19	14 454	12 101
			(100)	–	1 267
			20	168 898	140 835
47	15 516	10 590	–	2 054	2 054
29	771 246	598 911	19	197 745	166 779

Notes

Group income statement – reconciliation to IFRS

	IFRS change %	2006 Normalised Rm	2006 Adjustment Rm	2006 IFRS Rm	2005 Normalised Rm	2005 Adjustment Rm	2005 IFRS Rm
Income from banking activities	25	36 713	(347)	36 366	29 323	(342)	28 981
Net interest income	28	17 001	(347)	16 654	13 357	(342)	13 015
Interest income	32	51 202	(347)	50 855	38 967	(342)	38 625
Interest expense	34	34 201		34 201	25 610		25 610
Non-interest revenue	23	19 712	–	19 712	15 966	–	15 966
Income from investment management and life insurance activities	12	60 410	(1 066)	59 344	53 847	(781)	53 066
Net insurance premiums	6	20 066		20 066	18 979		18 979
Investment income and gains	17	38 634	(1 066)	37 568	33 021	(781)	32 240
Management and service fee income	(7)	1 710		1 710	1 847		1 847
Total income	17	97 123	(1 413)	95 710	83 170	(1 123)	82 047
Credit impairment charges	>100	2 733		2 733	1 207		1 207
Benefits due to policyholders	15	47 896		47 896	41 529		41 529
Net insurance benefits and claims	16	38 140		38 140	32 816		32 816
Fair value adjustment to policyholders' liabilities under investment contracts	21	8 276		8 276	6 834		6 834
Fair value adjustment on third party fund interests	(21)	1 480		1 480	1 879		1 879
Income after credit impairment charges and policyholders' benefits	15	46 494	(1 413)	45 081	40 434	(1 123)	39 311
Operating expenses in banking activities	20	19 652		19 652	16 441		16 441
Staff costs	17	11 001		11 001	9 370		9 370
Other operating expenses	22	8 651		8 651	7 071		7 071
Operating expenses in investment management and life insurance activities	(19)	6 486		6 486	8 006		8 006
Acquisition costs – insurance and investment contracts	(33)	2 413		2 413	3 594		3 594
Other operating expenses	(8)	4 073		4 073	4 412		4 412
Net income before goodwill	27	20 356	(1 413)	18 943	15 987	(1 123)	14 864
Goodwill impairment	(96)	15		15	421		421
Net income before associates and joint ventures	31	20 341	(1 413)	18 928	15 566	(1 123)	14 443
Share of profit from associates and joint ventures	22	275		275	226		226
Net income before indirect taxation	31	20 616	(1 413)	19 203	15 792	(1 123)	14 669
Indirect taxation	8	841		841	778		778
Profit before direct taxation	32	19 775	(1 413)	18 362	15 014	(1 123)	13 891
Direct taxation	36	5 852		5 852	4 312		4 312
Profit for the year	31	13 923	(1 413)	12 510	10 702	(1 123)	9 579
Attributable to minorities	87	2 493	(770)	1 723	1 498	(577)	921
Attributable to preference shareholders	19	282	(13)	269	223	3	226
Attributable to ordinary shareholders	25	11 148	(630)	10 518	8 981	(549)	8 432

Group balance sheet – reconciliation to IFRS

Notes

	IFRS change %	2006 Normalised Rm	2006 Adjustment Rm	2006 IFRS Rm	2005 Normalised Rm	2005 Adjustment Rm	2005 IFRS Rm
Assets							
Cash and balances with banks	4	74 154		74 154	71 244		71 244
Short-term negotiable securities	13	29 175		29 175	25 931		25 931
Derivative assets	(1)	100 832		100 832	101 502		101 502
Trading assets	>100	81 569		81 569	38 387		38 387
Investments	27	192 298	(5 402)	186 896	152 446	(5 300)	147 146
Investment property	4	13 200		13 200	12 637		12 637
Loans and advances	32	452 612	(4 201)	448 411	342 914	(4 141)	338 773
Loans and advances to banks	20	35 677		35 677	29 805		29 805
Loans and advances to customers	34	416 935	(4 201)	412 734	313 109	(4 141)	308 968
Current and deferred taxation	5	1 043		1 043	990		990
Other assets	28	16 975		16 975	13 237		13 237
Non-current assets for disposal	(100)	–		–	2 380		2 380
Interest in associates and joint ventures	34	8 584		8 584	6 417		6 417
Goodwill and other intangible assets	19	2 910		2 910	2 453		2 453
Property and equipment	14	5 242		5 242	4 593		4 593
Total assets	27	978 594	(9 603)	968 991	775 131	(9 441)	765 690
Equity and liabilities							
Equity	33	64 723	(9 479)	55 244	51 022	(9 330)	41 692
Equity attributable to ordinary shareholders	32	48 762	(5 436)	43 326	38 270	(5 339)	32 931
Preference share capital and premium	84	5 503		5 503	2 991		2 991
Minority interest	11	10 458	(4 043)	6 415	9 761	(3 991)	5 770
Liabilities	26	913 871	(124)	913 747	724 109	(111)	723 998
Derivative liabilities	–	103 122		103 122	103 482		103 482
Trading liabilities	71	36 790		36 790	21 462		21 462
Deposit and current accounts	32	545 164		545 164	413 623		413 623
Deposits from banks	75	48 374		48 374	27 584		27 584
Deposits from customers	29	496 790		496 790	386 039		386 039
Current and deferred taxation	14	7 880		7 880	6 926		6 926
Other liabilities	44	34 447	(124)	34 323	23 870	(111)	23 759
Non-current liabilities for disposal	(100)	–		–	1 267		1 267
Policyholder liabilities	20	168 898		168 898	140 835		140 835
Subordinated debt	39	17 570		17 570	12 644		12 644
Total equity and liabilities	27	978 594	(9 603)	968 991	775 131	(9 441)	765 690

Notes

Group income statement reclassifications

2005

	IFRS as previously reported Rm	Banking activities Rm	Stanlib Rm	Liberty Life Rm	IFRS restated Rm
Income from banking activities	29 705	38	(762)		28 981
Net interest income	12 987		28		13 015
Interest income	38 697		(72)		38 625
Interest expense	25 710		(100)		25 610
Non-interest revenue	16 718	38	(790)		15 966
Income from investment management and life insurance activities	51 127		862	1 077	53 066
Net insurance premiums	18 979				18 979
Investment income and gains	30 982		93	1 165	32 240
Management and service fee income	1 166		769	(88)	1 847
Total income	80 832	38	100	1 077	82 047
Credit impairment charges	1 207				1 207
Benefits due to policyholders	41 004			525	41 529
Net insurance benefits and claims	32 816				32 816
Fair value adjustment to policyholders' liabilities under investment contracts	6 834				6 834
Fair value adjustment on third party fund interests	1 354			525	1 879
Income after credit impairment charges and policyholders' benefits	38 621	38	100	552	39 311
Operating expenses in banking activities	16 817	38	(414)		16 441
Staff costs	9 613		(243)		9 370
Other operating expenses	7 204	38	(171)		7 071
Operating expenses in investment management and life insurance activities	7 222		514	270	8 006
Acquisition costs – insurance and investment contracts	3 594				3 594
Other operating expenses	3 628		514	270	4 412
Net income before goodwill	14 582			282	14 864
Goodwill impairment	421				421
Net income before associates and joint ventures	14 161			282	14 443
Share of profit from associates and joint ventures	226				226
Net income before indirect taxation	14 387			282	14 669
Indirect taxation	778				778
Profit before direct taxation	13 609			282	13 891
Direct taxation	4 312				4 312
Profit for the year	9 297			282	9 579
Attributable in minorities	639			282	921
Attributable to preference shareholders	226				226
Attributable to ordinary shareholders	8 432				8 432

Refer to page 86 for explanations of reclassifications.

Group balance sheet reclassifications

Notes

2005

	IFRS as previously reported Rm	Banking activities Rm	Stanlib Rm	Liberty Life Rm	IFRS restated Rm
Assets					
Cash and balances with banks	70 852		254	138	71 244
Short-term negotiable securities	30 313	(4 128)	(254)		25 931
Derivative assets	100 188	1 314			101 502
Trading assets	38 446	(44)	(15)		38 387
Investments	142 300	4 128	70	648	147 146
Investment property	11 104			1 533	12 637
Loans and advances	334 128	4 700	(55)		338 773
Loans and advances to banks	25 149	4 656			29 805
Loans and advances to customers	308 979	44	(55)		308 968
Current and deferred taxation	990				990
Other assets	13 003			234	13 237
Non-current assets for disposal	2 380				2 380
Interest in associates and joint ventures	4 985			1 432	6 417
Goodwill and other intangible assets	2 453				2 453
Property and equipment	4 536			57	4 593
Total assets	755 678	5 970	–	4 042	765 690
Equity and liabilities					
Equity	39 964			1 728	41 692
Equity attributable to ordinary shareholders	32 931				32 931
Preference share capital and premium	2 991				2 991
Minority interest	4 042			1 728	5 770
Liabilities	715 714	5 970	–	2 314	723 998
Derivative liabilities	98 826	4 656			103 482
Trading liabilities	21 462				21 462
Deposit and current accounts	412 462	1 314	(153)		413 623
Deposits from banks	26 270	1 314			27 584
Deposits from customers	386 192		(153)		386 039
Current and deferred taxation	6 926				6 926
Other liabilities	21 292		153	2 314	23 759
Non-current liabilities for disposal	1 267				1 267
Policyholder liabilities	140 835				140 835
Subordinated bonds	12 644				12 644
Total equity and liabilities	755 678	5 970	–	4 042	765 690

Refer to page 86 for explanations of reclassifications.

Notes

Description of 2005 reclassifications

The group reclassified certain asset and liability balances relating to 2005 to more appropriate line items to conform with presentation in the current year. The reclassifications did not impact profit or equity attributable to ordinary shareholders of the group. The most significant reclassifications are:

Income statement

Banking activities

Certain fee recoveries relating to card products, previously netted off against fee and commission expenses, are now included in non-interest revenue.

Stanlib

Stanlib, the group's asset management operation, has been reclassified from within banking activities to Investment Management & Life Insurance activities to reflect the revised operating structure of the group. This reclassification impacted certain individual banking and insurance income statement line items.

Liberty Life

Restatements in the group's insurance operations relate mainly to the consolidation of property consortiums and mutual funds where the group controls these funds in terms of IFRS.

Balance sheet

Banking activities

Certain collateral amounts paid and received were previously netted against the corresponding derivative liability and asset positions and have now been disclosed separately under loans and advances or deposit and current accounts respectively.

An investment in a consolidated special purpose entity was previously disclosed under short-term negotiable securities and has now been reclassified to investments to reflect the underlying nature of the assets consolidated.

Credit exposure inherent in an impaired trading position was reclassified to loans and advances where the provision for the impairment was raised.

Stanlib

Stanlib has been reclassified from within banking activities to Investment Management & Life Insurance activities to reflect the revised operating structure of the group. This reclassification impacted certain individual banking and insurance balance sheet line items.

Liberty Life

Following a review of the percentage ownership, interests of the group's insurance operation in unincorporated property partnerships and mutual funds have been consolidated and the opening balance of minority interest restated accordingly. Other changes were made to individual balance sheet line items to conform to presentation in the current year.

Staff numbers

The group's 2005 staff numbers have been restated by 622 to include marketing headcount and broker consultants of Liberty Life that were previously excluded.

Following the reclassification of Stanlib from banking activities to Investment Management & Life Insurance, the staff numbers of banking activities have been reduced by 551 with a corresponding increase in Investment Management & Life Insurance.

Shareholder information

Standard Bank

Notes

Shareholder information

Ten major shareholders[1]

	2006 Number of shares (million)	2006 % holding	2005 Number of shares (million)	2005 % holding
Public Investment Corporation	181,2	13,3	175,2	13,0
Old Mutual Group	121,1	8,9	150,8	11,1
Tutuwa Group	102,3	7,6	102,3	7,6
– Staff	42,0	3,1	42,0	3,1
– Strategic partners	40,2	3,0	40,2	3,0
– Communities and regional businesses	20,1	1,5	20,1	1,5
Investment Solutions	40,3	3,0	41,3	3,1
Liberty Group[2]	38,6	2,8	46,5	3,4
Sanlam Group	36,1	2,6	37,7	2,8
Dodge & Cox	28,6	2,1	10,1	0,7
Metlife	15,4	1,1	14,4	1,1
	563,6	41,4	578,3	42,8

[1] *Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of S140A of the Companies Act.*
[2] *Policyholders' funds.*

Credit ratings

The latest credit ratings for Standard Bank Group are detailed below:

	Short-term	Long-term	Outlook
The Standard Bank of South Africa			
Fitch Ratings (July 2006)			
Foreign currency	F2	BBB+	Stable
Local currency		A-	Stable
National	F1+(zaf)	AA+(zaf)	Stable
Standard & Poor's (November 2005) public information rating			
Local currency		BBBpi	
Moody's Investors Services (December 2006) public information rating			
Bank deposit rating	P-2	Baa1	Stable
Standard International Holdings Limited			
Fitch Ratings (July 2006)			
Foreign currency	F2	BBB+	Stable
Moody's Investors Services (July 2005)			
Issuer rating		Baa2	Stable
Standard Bank Plc			
Fitch Ratings (July 2006)			
Foreign currency	F2	BBB+	Stable
Moody's Investors Services (July 2005)			
Issuer rating	P-2	Baa1	Stable
Liberty Life			
Fitch Ratings (June 2006)			
National Insurer Financial Strength		AA(zaf)	Stable
National Long-term		AA-(zaf)	Stable
RSA Sovereign ratings: Foreign currency			
Fitch Ratings		BBB+	
Standard & Poor's		BBB+	
Moody's Investors Services		Baa1	
RSA Sovereign ratings: Local currency			
Fitch Ratings		A	
Standard & Poor's		A+	
Moody's Investors Services		A2	

Notes

Share statistics – JSE Limited

	2006	2005
Share prices (cents)		
– High for the year	9 650	7 875
– Low for the year	6 850	5 750
– Closing	9 450	7 581
Shares traded		
– Number of shares (000)	1 014 873	841 835
– Value of shares (Rm)	81 541	56 387
– Turnover in shares traded (%)	74,5	62,2
Number of shares in issue (million)		
– End of period	1 363	1 352
– Weighted average	1 358	1 353

Instrument codes

JSE Limited

Ordinary shares
Share code: SBK
ISIN code: ZAE000057378

6,5% cumulative preference shares
Share code: SBKP
ISIN code: ZAE000038881

Non-redeemable non-cumulative preference shares
Share code: SBPP
ISIN code: ZAE000056339

Deposit notes
Share code: SBR001
ISIN code: ZAE000077780

Bond Exchange of South Africa

Subordinated debt
SBK 3: ZAG000018086
SBK 5: ZAG000023078
SBK 6: ZAG000024043
SBK 7: ZAG000024894
SBK 8: ZAG000029679
SBK 9: ZAG000029687
Senior bond SBS1: ZAG000023235
Senior bond SBS2: ZAG000024522
Senior bond SBS3: ZAG000030586

Namibian Stock Exchange (NSX)

Ordinary shares
Share code: SNB
ISIN code: ZAE000057378

Notes

Dividend payment dates

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

	Ordinary shares	6,5% cumulative preference shares (First preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (Second preference shares)
JSE Limited (JSE)			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000057378	ZAE000038881	ZAE000056339
Namibian Stock Exchange (NSX)			
Share code	SNB		
ISIN	ZAE000057378		
Dividend number	75	75	5
Dividend per share (cents)	176	3,25	412,31
Dividend payment dates			
Last day to trade "CUM" dividend	Wednesday 4 April 2007	Friday 23 March 2007	Friday 23 March 2007
Shares trade "EX" dividend	Thursday 5 April 2007	Monday 26 March 2007	Monday 26 March 2007
Record date	Friday 13 April 2007	Friday 30 March 2007	Friday 30 March 2007
Payment date	Monday 16 April 2007	Monday 2 April 2007	Monday 2 April 2007

Ordinary share certificates may not be dematerialised or rematerialised between Thursday, 5 April 2007 and Friday, 13 April 2007, both days inclusive.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Monday, 26 March 2007 and Friday, 30 March 2007, both days inclusive.

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