



Sustainability Report

2011

Our strategy

- We aim to build the leading African financial services organisation using all our competitive advantages to the full.
- We will focus on delivering superior sustainable shareholder value by serving the needs of our customers through first-class, on-the-ground operations in chosen countries in Africa. We will also connect other selected emerging markets to Africa and to each other, applying our sector expertise, particularly in natural resources, globally.
- Our key differentiator is people who are passionate about our strategy, wherever in the world they are based.

Why we believe in our strategy

- Emerging markets are growing faster than the developed world.
- Great scope for expansion of banking services in sub-Saharan Africa.
- Trade and investment flows between emerging markets are increasing.

Why we are well placed to execute our strategy

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

Our social compact

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

Our values

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





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About this report

The Standard Bank Group (SBG) 2011 Sustainability Report (the report) presents a succinct and balanced analysis of our sustainability performance in relation to issues that are relevant and material to the group and to our stakeholders. Additional information is available on our sustainability website.

The report sets out our sustainability performance for the year ended 31 December 2011 in supplement to the group's Annual Integrated Report. Any material events subsequent to year end and up to board approval on 7 March 2012 have been included.

The report covers SBG's domestic, African and international activities, including subsidiaries but excluding associates and joint ventures. Unless indicated otherwise, facts and figures refer to the group. As a separately listed entity, Liberty prepares its own annual and sustainability reports which are available at www.liberty.co.za.

The report focuses on key developments during the year and discloses the most pertinent indicators. We use surveys, benchmarks and international frameworks to inform our reporting, and have included issues raised by key internal and external stakeholders. We are guided by the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, supported by SBG's internally developed policies and procedures, and have reported against the GRI Financial Services Sector Supplement indicators. We have assessed the report at a B+ application level in terms of the GRI. Our performance in relation to the full set of GRI indicators is available on our sustainability website.

We subscribe to the five capitals model, developed by Forum for the Future, as a framework for managing sustainability and assessing our performance. The five forms of capital – natural, social, human, manufactured (or manmade) and economic capital – none of which are sustainable in isolation, are fundamental to the long-term viability of our business.

KPMG Services (Pty) Ltd have assured certain key performance indicators (noted in the report), as well as SBG's conformance with AccountAbility's 1000 Principle Standards 2008. In line with the Combined Assurance approach recommended in the King Code of Governance Principles for South Africa (King Code), Group Internal Audit's review of the report supports the findings set out in the assurance statement, which can be found on page 89.

We welcome the views of our stakeholders on this report and the way we approach our sustainability priorities. Please contact Karin Ireton: Director, Group Sustainability Management at Karin.Ireton@standardbank.co.za with your feedback. Alternatively, you may use the feedback facility on our sustainability website.

Sustainability website

<https://sustainability.standardbank.com/>

Using this report

We have used the following icons throughout the report to indicate where more information can be found on our sustainability website.



Our approach > accountability

Indicates that more information can be found under the *Accountability* link on the *Our approach* page.



Case study: Mobile Money Account

Indicates that a case study on our Mobile Money Account is available on the sustainability website. Case studies can be accessed from the home page.

Key SBG reports

SBG's Annual Integrated Report is available at <http://annualreport2011.standardbank.com/>

Black economic empowerment (BEE) is a regulatory framework that aims to redress past inequalities and relates only to our operations in South Africa. A consolidated BEE Report and a consolidated report of statistics are available on our website.

Terms used

Standard Bank Group (SBG or the group) includes banking operations and Liberty.

Standard Bank (the bank) refers to our South African, African and international banking operations.

Standard Bank South Africa refers to our banking operations in South Africa.

Standard Bank Africa refers to our banking operations in Africa excluding South Africa.

Liberty includes life insurance, investment and wealth management operations including STANLIB.

STANLIB includes investment and asset management operations in Africa including South Africa.



Recognition

BrandFinance Banking 500 Awards

- Best Banking Brand in South Africa.
- Top Financial Services Brand in Africa.
- Ranked as the 73rd most valuable global banking brand out of the top 500 banks and for the second consecutive year, as the most valuable banking brand in Africa.

Ask Afrika 2011 Trust Barometer Survey

- Most trusted company in South Africa.
- First in the Sustainability Index.

Global Finance Magazine Awards

- Best Investment Bank in Africa.
- Best Debt Bank in Africa.
- Best Investment Bank in South Africa.

World's Best Emerging Markets Banks in the Africa category

- Best Bank in the Democratic Republic of Congo, Namibia, South Africa and Uganda.

World's Best Treasury and Cash Management Providers category

- Best Overall Bank for Cash Management in Africa.
- Best Provider of Money Market Funds.
- Best Bank for Payments and Collections.
- Best Mobile Solution Provider - CFC Stanbic Bank in Kenya.

CNBC All Africa Business Leader Awards

Sim Tshabalala, Deputy Chief Executive of SBG and Chief Executive of Standard Bank South Africa, won the CNBC Africa Business Success in Africa Award.

Think Business

Best Insurance Company in the customer service category for CFC Life in Kenya.

Project Finance Magazine

Africa Renewables Deal of the Year for the Addax BioEnergy project in Sierra Leone.

Empowerdex

2011 Top Empowerment Company in South Africa.

Banker Magazine's World's Top 1 000 Banks

Africa's Top Bank.

Euromoney Awards

Best Debt House in Africa.

African Banker Awards

African Bank of the Year.

EMEA Finance Magazine Awards

- Best Investment Bank in Africa.
- Best Investment Bank in Botswana, Ghana, Kenya, Malawi, Nigeria, South Africa, Swaziland and Tanzania.
- Best Bank in Malawi and Zimbabwe.

Banker Magazine

- 2011 Bank of the Year in Africa.
- Best Bank in Botswana, Lesotho, Malawi and Zimbabwe.

Chartered Institute of Purchasing and Supply

Best People Development Initiative for our procurement training initiatives.

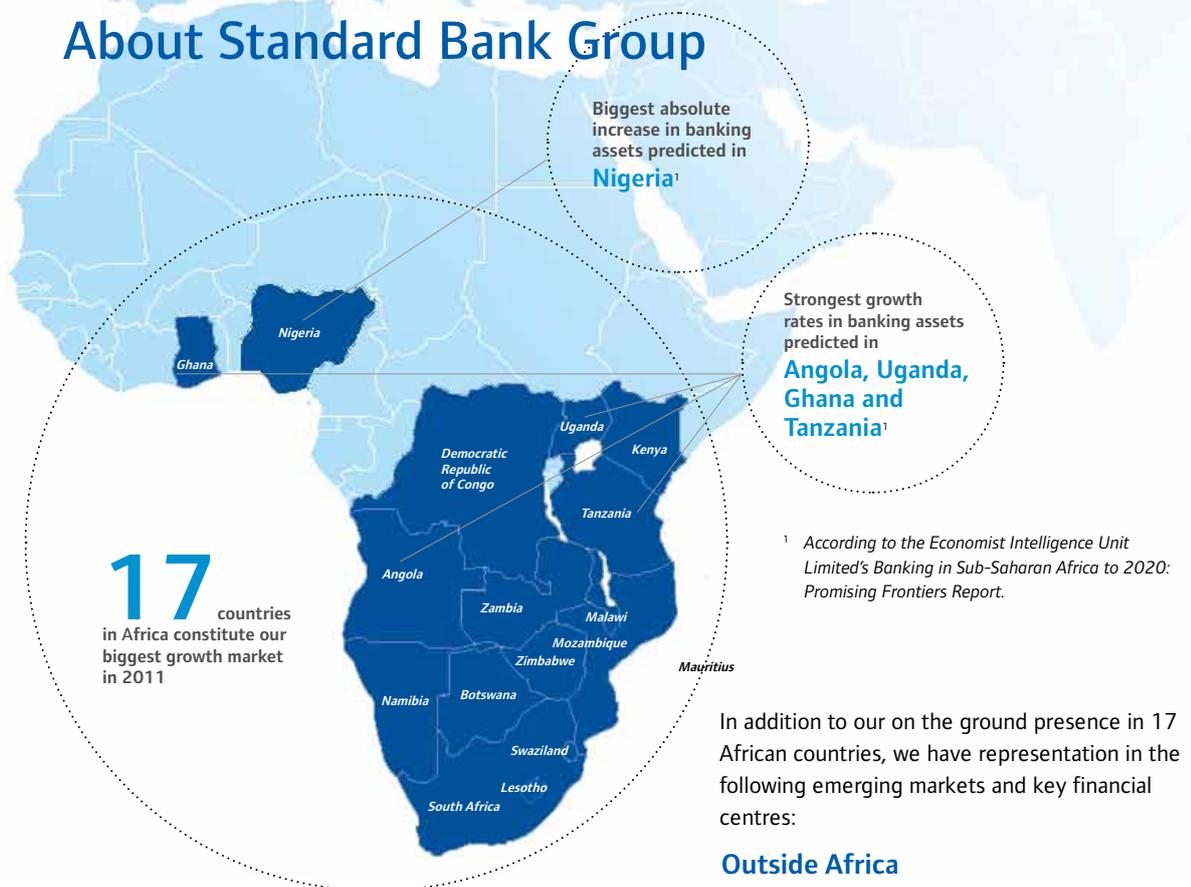
Newsweek Magazine's Green Rankings

Ranked 45th overall and 13th in the financial sector category out of the Global Top 500 companies.

Financial Intermediaries Association

- Long-Term Insurer of the Year in the risk product category for Liberty.
- Investment Product Supplier of the Year in the retail investments category for STANLIB.

About Standard Bank Group



In addition to our on the ground presence in 17 African countries, we have representation in the following emerging markets and key financial centres:

Outside Africa

- Argentina
- Brazil
- China (including Hong Kong)
- Isle of Man
- Japan
- Jersey
- Russian Federation
- Singapore
- Taiwan
- Turkey
- United Arab Emirates
- United Kingdom
- United States of America

Listings

Headquartered in Johannesburg, SBG's primary listing is on the Johannesburg Stock Exchange (JSE) in South Africa, with a secondary listing in Namibia. Subsidiary banks are listed on exchanges in Kenya, Malawi, Nigeria and Uganda.

Our major shareholders

SBG is 53% South African-owned. Our three major institutional shareholders are ICBC, Public Investment Corporation and Dodge & Cox, which hold 20%, 13% and 3% shareholding of the group respectively.

Our subsidiary banks

Our 16 subsidiary banks in the rest of Africa facilitate our operations on the continent.

To avoid confusion, in African countries where Standard Chartered Bank also has a presence, we trade under the brand name Stanbic Bank.

At 31 December 2011:

SBG's total assets were
R1 497 billion
 making us the largest bank in Africa.

SBG's shares were worth
R157 billion
 making us the largest South African bank by market capitalisation.



Personal & Business Banking

Personal & Business Banking provides individuals, businesses and small to medium-sized enterprises with basic and complex banking solutions, as well as investment, insurance and many other financial services. This includes innovative products and mechanisms aimed at reaching potential customers outside the economic mainstream.

2011 highlights

- South Africa's largest mortgage lender, financing **one in every two** homes purchased in 2011.
- **12,3 million** retail and business banking customers in Africa.
- Groupwide network of **1 222** branches and service centres, and **7 945** ATMs.
- Facilitated **R75 billion** worth of new loans in South Africa.
- Achieved **96,5%** ATM availability in South Africa.

Corporate & Investment Banking

Corporate & Investment Banking offers a comprehensive range of solutions to larger corporates, financial institutions and international counterparties. These include project and trade finance, trading and hedging, corporate finance, global transactional banking and equity services such as acquisition funding, expansion capital and replacement capital.

2011 highlights

- Total assets of over **R768 billion**.
- Loans of over **R383 billion** disbursed to clients.
- **Leads the South African market** in corporate deposits, transactional banking, foreign exchange, fixed income, commodities, equities derivatives, structured lending and access to debt capital markets. **Most successful** domestic bank in South African mergers and acquisitions.
- Won **13 bids** with renewable energy capacity of **605 megawatts** in the South African Government's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme. This equates to 38% and 58% of the megawatts available from the solar and wind projects accepted in the first phase of the programme.

Liberty

Our group wealth business, Liberty, offers life insurance, investment and wealth management solutions to individual and corporate customers in selected African markets. Services include asset management, fund administration, institutional banking, offshore banking and private client services. Liberty Blue offers customers in Africa a suite of employee health insurance products with comprehensive benefits.

2011 highlights

- Liberty's rates were ranked in the **top three** most competitive in the market.
- **22 861** South Africans reached by Liberty's and STANLIB's consumer education programmes.
- Information technology (IT) system achieved **99,7%** availability.

At 31 December 2011:

12,0%

Tier 1 capital adequacy ratio.

SBG employed **52 127**
people across 30 countries. Of this,
34 179 were employed in South Africa.

Statement from our Group Chairman

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

We operate in a world that is constantly changing. As banks we face growing competition in all of our markets and the regulatory frameworks that govern us become ever more restrictive. Uncertainty will always be a factor in our lives. The challenge is to lessen its impact by understanding and preparing for those threats that are beyond our influence, carefully managing those within our control, and always seeking opportunity where others see risk.

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

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

A positive and consistent employee experience

An important factor contributing to the group's resilience is its people. It is critical that we equip our people with the capacity to meet the demands of our business environments. In recent years we have optimised our organisational structures to ensure that they support our people by creating centralised functions and eliminating duplication of roles. In 2011, the executive team engaged with staff members across the broad spectrum of our group to ensure that they understand our strategy, and particularly their role in its execution.

I am confident, having seen this in practice, that even during the most adverse of times, our people deliver what they set out to achieve. The improved performances in all the group's operations and the progress we have made in building a banking platform to support our growth strategy in Africa, bear testimony to their tenacity and talent. I extend my thanks to our people for their commitment and contribution to the performance and long-term wellbeing of the group, in difficult conditions.

Sustainable long-term financial performance

To deliver sustainable profitable growth and superior shareholder returns, we aim to build the leading African financial services organisation. This requires that we balance prudent investment in growth and operating effectiveness with vigilant management of costs. During the year we successfully managed costs while retaining our customers and building new sources of revenue in a fiercely competitive financial services sector. We also redesigned our business architecture to support our ability to deliver our strategy and are renewing our IT systems to lift our operating effectiveness.



Fred Phaswana, Group Chairman.



The impact of new global banking regulations, being introduced to safeguard against a repeat of the recent financial crisis, is difficult to quantify but expected to be profound, particularly in respect of liquidity requirements. The group remained well capitalised at December 2011, with a total capital adequacy ratio of 14,3% (2010: 15,3%).

Governance, regulation and stakeholder engagement

Good governance practices are fundamental to creating, protecting and sustaining stakeholder value. We have embedded the principles of the King Code, which came into effect on 1 March 2010, in our operations. In 2011, we finalised a corporate governance framework to ensure that our governance practices and standards are adopted by our operating subsidiaries.

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

Sustainable and responsible financial services

To improve the quality of our service to our customers we must understand our customers' different needs and implement robust governance and risk management frameworks that facilitate responsible banking and investment practices, including the assessment of environmental and social risk. Incorporated in this is providing transparent pricing structures and fair rehabilitation and debt management policies, as well as employing mechanisms that detect and prevent financial crime and improve customer experience. During 2011, we provided loans amounting to R75 billion to our South African personal and small business customers. This enabled almost 60 000 people to buy homes, in excess of 85 000 people to secure adequate transport, 5 000 students to fund their studies and 2 700 small businesses to either open their doors or continue operating.

Socioeconomic development

The most fundamental contribution our group makes to the economies in which we operate is by maintaining a robust business, which creates wealth across our stakeholder base, and providing banking services to our clients and customers. The total wealth we created in 2011 was R50 billion, an increase of 12% from 2010. We regard the provision of financial services to marginalised communities as a valuable opportunity to participate responsibly in the growth potential of a transforming South African economy and we recognise that the private sector has an additional responsibility to assist governments in finding solutions to development challenges, particularly in emerging markets.

Our transformation progress in South Africa is currently measured against the Department of Trade and Industry's Codes of Good Practice for Broad-based Black Economic Empowerment. Standard Bank and Liberty achieved verified overall scores of 92,47 and 85,70 out of 107 respectively.

The environment

The impact of climate change and other environmental risks is likely to be most severe in emerging markets, affecting their growth and development. As an African financial services provider we have the ability to positively influence our customers and people in managing their environmental impacts, and we have the opportunity to effect broader change through lending responsibly and financing the growth of the 'green economy'.

During the year we made progress in managing our own direct and indirect impacts on the environment. We implemented an Environmental and Social Appraisal System in our Corporate & Investment Banking business, launched programmes enabling our customers to access carbon credits and undertook a number of energy-saving projects in the South African operation.

Appreciation

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

Fred Phaswana,
Group Chairman.

Statement from our Group Chief Executive



Jacko Maree, Group Chief Executive.

Early in 2011 it became clear that the operating environment was going to be even more challenging than we had anticipated. Escalating concerns about the Eurozone debt crisis impaired the already fragile prospect of a global recovery. While this exacerbated the economic and competitive pressures on the financial services sector, it also reaffirmed the strength of our core business, the validity of our strategy and our ability to respond effectively to change. Cost and efficiency programmes implemented in 2010 contributed to a stronger financial position in 2011, and we worked exceptionally hard to achieve growth in our domestic market and make steady progress in developing our banking platforms in other sub-Saharan African countries.

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

In the past two years, we have redesigned our business architecture to support our strategic objectives. We have streamlined our internal structures and realigned our group enabling functions across business units to eliminate duplication and improve cost-efficiency and consistency. These initiatives have already contributed to an improvement in the functioning of group operations. Our focus now is firmly on the IT systems renewal process. This will allow us to remain competitive in the rapidly changing world of banking. Our cost management plan will continue to play an important role in offsetting the impact of higher IT costs during this development phase.

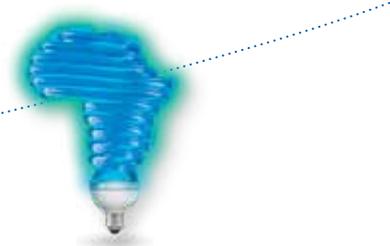
International competition has intensified in Africa as major banking groups turn to the growth potential in emerging markets. While our international competitors have the benefit of more efficient capital structures and large balance sheets, we have the benefit of our African heritage, on-the-ground operations and people who are all passionate about Africa.

Tailoring solutions for the particular individual needs of our existing and potentially new customers and clients has never been more important. Personal & Business Banking has made strong progress in developing affordable banking and insurance solutions and making them more accessible to the millions of economically active people in South Africa who fall outside the mainstream financial services sector. A growing black middle class presents significant opportunities for us to apply the lessons we have learned further afield in Africa. Corporate & Investment Banking has been active in financing and advising a growing number of renewable energy projects in South Africa during the year. Together with our expertise in using the carbon markets to bring lower-carbon growth to Africa, we believe we are well placed to assist governments and corporate clients in the fight against climate change.

During the year we were acknowledged as an industry leader in numerous awards. In the Ask Afrika Trust Barometer Survey we were recognised as the most trusted company in South Africa and number one in the Ask Afrika Sustainability Index. In Newsweek's annual Green Rankings, Standard Bank was ranked 13th globally in the Financial Sector category and 45th overall out of the Global Top 500 companies.

Strategic focus

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



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

The pace of our organic build strategy in Africa has been slower than we had hoped. It is a reality that it takes time to resolve some of the practical impediments of doing business on the continent. However, we are satisfied with our strategic position and our progress to date, backed up by the long-term growth potential of Africa.

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

Our strategic partnership with ICBC is working well. Over the past few years, we have been involved in numerous cooperative projects in many emerging markets, and have jointly raised in excess of USD5 billion (R36,3 billion) for infrastructure projects to date. We welcome the commitment shown by ICBC in opening a representative office in Africa, which will further enable us to participate in the growing trade and direct investment between China and Africa.

Managing our regulatory environment

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

Prospects

The Eurozone debt crisis looks set to continue through much of 2012 and could still worsen in spite of international efforts to stabilise the situation. While the contagion risks are being felt around the world, the BRIC (Brazil, Russia, India and China) economies will remain at the forefront of global growth as the long-term structural drivers of Africa's GDP growth remain intact. We therefore remain positive about Africa's growth prospects even though we expect cyclical headwinds in 2012.

Our strategy is very clear and we know what is required of us to fulfil our aim of being the leading financial services organisation in Africa. We will continue to focus on maintaining our strong position in South Africa, and on growing in our chosen markets in sub-Saharan Africa. We recognise that our success and the socioeconomic development of the countries in which we have material exposures is strongly linked, and we will therefore continue to engage with various partners to enhance Africa's development.

Jacko Maree,
Group Chief Executive.

Ensuring our sustainability

Sustainability can't be delivered by a small group of people in a central function. It requires a far broader approach. So, Group Sustainability Management creates a bridge between the different divisions, functions and product areas within the group. Our strategic framework provides the platform for harnessing the creativity and innovation of individuals in many different parts of the business, in pursuit of socioeconomic development and growth in Africa that is socially, environmentally and economically sustainable. Success in demonstrating that our strategy and our sustainability programmes are mutually reinforcing is essential and this report provides a growing body of evidence in that regard.

Our approach is to increase the capability in the group for identifying risks and responding proactively to opportunities. Triple bottom line approaches are needed when responding to stakeholder concerns or emerging global trends and pressures if the outcome is to be good for shareholders, good for customers and our own long-term ambitions. Given the group's refined strategy of focusing on Africa, the current socioeconomic development challenges on the continent and focus on corporate citizenship, we have agreed the social compact statement that appears on the inside front cover of this report. The social compact demonstrates our social commitment to various stakeholders. We use various executive forums within the group to raise and debate issues, and increasingly see business success being built on our sustainability foundation.

The challenge of extending access to financial services, however informal, is a case in point. Inclusive banking is an opportunity for us to create value within communities and build new revenue streams for the bank. Persistent poverty is a critical risk in Africa and directly impacts the group's ability to grow. Placing accessible banking service points in community retail shops is an example of creating value beyond the bank, as it gives previously unbanked customers security and convenience in their financial transactions and supports local businesses by creating a new revenue stream for shop owners. Inclusive banking has moved from being at the fringe to being a viable, mainstream financial service that has proven its business case.

Related to the risk of persistent poverty is unemployment, and government and customers alike have called on the financial services sector to step up its contribution to addressing this challenge. Entrepreneurs need to be supported in creating and growing new businesses, a significant driver of employment. In addition to direct financial support, our enterprise development model provides small enterprises with non-financial support from coaching interventions to working with our partners to increase market access for these businesses. As with inclusive banking, this shows that doing good business can be good for our customers, society in general, and the bank.

Financing the low-carbon economy is another area that demonstrates how responding to a risk – in this case climate change – can generate opportunities to create value for many of our stakeholders. Carbon trading is an important tool to assist in reducing overall carbon emissions, with Standard Bank being a pioneer in developing African projects which make use of international market-based mechanisms. We have also been active in financing commercial-scale renewable energy projects and low-carbon innovations which change the daily lives of the poor. We are also developing innovative approaches which will reduce the transaction costs of energy efficiency programmes for companies and have launched a fleet management product which will assist in tracking, reporting and reducing carbon emissions.

The ability of different parts of the bank to work together on a global imperative such as climate change was demonstrated in our approach to the 17th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP17), hosted in Durban during 2011. Our people participated in a number of international debates and forums across a range of disciplines, contributing to the broader dialogue and sharing in the exchange of ideas. This not only enhanced our reputation as a group that is serious about addressing the challenges we face as global citizens, but gives credence to our intent to position ourselves for the significant business opportunities this presents.

Our participation in various forums and working groups keeps us informed and together with our other engagement processes internally and externally, we are able to develop a more nuanced understanding of the risk environment and be more responsive to new opportunities. This strategic approach to engaging with our stakeholders will help ensure the group's ability to create, sustain and protect value.



Karin Ireton
Director, Group Sustainability Management.



Sustainability as an integral part of our business strategy

SBG aspires to build the leading African financial services organisation. Our strategic focus on serving the needs of our customers and connecting selected emerging markets to Africa and to each other, positions us to deliver superior sustainable shareholder value. This will be underpinned by the growth and development anticipated in the markets in which we are focused.

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

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

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



Our approach > managing sustainable development

**In the Ask Afrika 2011
Trust Barometer Survey,
Standard Bank was ranked first
in the Sustainability Index.**

Managing sustainable development

Ultimate accountability and responsibility for sustainable development rests with the SBG Board of Directors. Through SBG's governance structures, this responsibility is delegated to appropriate board and management committees. The Group Social and Ethics Committee, a board committee, was established in 2011. The committee's mandate is to guide and monitor:

- Matters relating to social and economic development.
- Transformation activities and performance against targets.
- Labour and employment policies, practices and procedures.
- Environmental impacts.
- Consumer relationships.
- Ethical conduct.

Benchmarking

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

Sustainability indices

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

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

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

Carbon Disclosure Project

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

Risk management

Effective risk management is fundamental to the sustainability of the group. The role of the risk management function is to identify, assess, measure and manage those risks that arise in the pursuit of the group's strategic goals. The major risk types facing the group are credit, country, liquidity, market, insurance and operational risk (including environmental and social risk). We aim to earn sustainable shareholder returns. This requires the careful balancing of performance, growth and risk management for the long term.

During 2011 there was continued economic volatility and uncertainty. As the extent and severity of the Eurozone crisis became increasingly apparent, proactive management was required. The group has negligible exposure to the Eurozone and peripheral troubled countries. Our exposure is typically short-term trading book exposures. We also have modest exposures to sovereigns and banks in the rest of the Eurozone area, primarily as a result of the group selectively placing or investing its surplus liquidity. Our exposure to the Eurozone is subject to continual review to ensure it remains in line with our risk appetite and, where necessary, adjustments are made.

Further information on how we manage our environmental and social risks can be found in the [Environment](#) section on page 76 and in [SBG's Risk and Capital Management Report](#) which can be found in Book 2 of the Annual Integrated Report.

Our material issues

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the communities in which we operate. In particular, material issues are those that have a strong bearing on our stakeholders' assessments and decisions about SBG's long-term sustainability and its commitment to their needs. Our effectiveness in managing these issues affects our ability to achieve our strategy. Our material issues are informed by the processes set out below. They are reviewed annually and are approved by the Group Executive Committee.

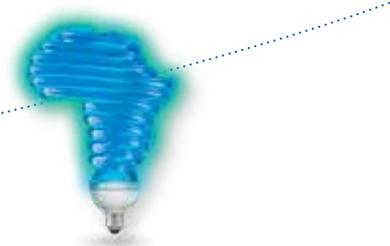
Our material issues are:

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

The opportunities and challenges associated with our material issues and how we measure our performance in managing our material issues, can be found at the beginning of each section of this report.

How we identify our material issues





How we manage our material issues

Material issue	How this aligns to our strategy	Related SBG risk categories	Relevant board committees
Sustainable long-term financial performance.	By using all our competitive advantages to the full and serving the needs of our customers, we aim to be the leading African financial services organisation with first-class, on-the-ground operations in selected markets. Balancing prudent investment in growth and operating effectiveness with vigilant management of costs, will enable us to deliver sustainable profitable growth and superior shareholder returns.	Business risk, credit risk, country risk, insurance risk, liquidity risk, market risk, operational risk (including environmental and social risk) and reputational risk.	<ul style="list-style-type: none"> • Group Audit Committee. • Group Risk and Capital Management Committee.
Governance, regulation and stakeholder engagement.	We aim to instil governance and regulatory best practices to mitigate risk and create competitive advantage in the way we do business. We engage transparently with our stakeholders to ensure we are responding appropriately to their needs.	Business risk, operational risk and reputational risk.	<ul style="list-style-type: none"> • Group Audit Committee. • Group Risk and Capital Management Committee. • Group Social and Ethics Committee.
Sustainable and responsible financial services.	We strive to meet the needs of our customers in new and existing market segments. In doing so we aim to innovate, while always remaining responsible in terms of the potential social, economic and environmental impacts of meeting our business requirements.	Business risk, credit risk, market risk, operational risk (including environmental and social risk) and reputational risk.	<ul style="list-style-type: none"> • Group Audit Committee. • Group Risk and Capital Management Committee. • Group Social and Ethics Committee.
Socioeconomic development.	To build the leading African financial services organisation, we must contribute to the long-term viability of communities and countries in which we choose to operate by facilitating economic growth and social stability. We can only do this effectively if we stay relevant to the needs of these communities.	Business risk, credit risk and reputational risk.	<ul style="list-style-type: none"> • Group Social and Ethics Committee.
A positive and consistent employee experience.	Our key differentiator in achieving our strategy is our people. We aim to attract and retain talented people by applying a consistent people management approach across all our operations and creating opportunities for career growth, as well as being socially responsible.	Operational risk and reputational risk.	<ul style="list-style-type: none"> • Group Remuneration Committee. • Group Social and Ethics Committee.
The environment.	Climate change and other environmental risks will have tangible impacts on emerging markets, affecting their growth and development. To be the leading African financial services organisation we must address these concerns by developing solutions that reduce our environmental footprint and that of our customers, as well as by financing the growth of the green economy.	Business risk, operational risk (including environmental and social risk) and reputational risk.	<ul style="list-style-type: none"> • Group Risk and Capital Management Committee. • Group Social and Ethics Committee.

Accountability and transparency

Good governance practices are fundamental to creating, protecting and sustaining shareholder value. The SBG board's approach to governance is to keep track of developments nationally and internationally, and adopt those practices that are most relevant to the group.

We continue to implement the recommendations of the King Code, which came into effect on 1 March 2010, in our operations. We finalised a corporate governance framework for group operating subsidiaries during 2011, ensuring that a consistent governance framework and standards apply to and are adopted by all our operating subsidiaries. We continuously monitor governance developments in all jurisdictions to ensure that local requirements are met.

Our [Corporate Governance Statement](#) can be found in Book 1 of the Annual Integrated Report.

Board of directors

SBG has a unitary board structure comprising 18 members, of whom 12 are independent non-executive directors, four are non-executive directors and two are executive directors. This ensures that independent perspectives inform board decisions. The chairman is an independent non-executive director and the roles of chairman and chief executive are separate.

Our governance framework enables the board to balance its role of providing strategic counsel and risk oversight with ensuring adherence to regulatory requirements and risk tolerance.

The performance of the board and its committees is assessed annually against their respective mandates, to continuously improve their effectiveness and identify any areas for further education of directors. In 2010, external consultants were engaged to conduct the annual board evaluation and feedback was presented to the board during 2011. The evaluation confirmed that the SBG board continues to operate effectively. Key areas for improvement that have been or are being addressed include:

- Strengthening of board expertise in specified areas.
- Board training.
- Structure and length of board meetings.
- Improved communication between board committees and the board.

Ongoing board education remains a focus. Directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes,

as well as relevant sector developments that could affect the group and its operations. During 2011, the directors' education programme was supplemented with external courses and site visits to Namibia, Nigeria and Uganda.

Ethics

Operating ethically earns the trust of our stakeholders and protects our reputation. The Standard Bank and Liberty codes of ethics govern our approach to ethical behaviour and fair business practice. Standard Bank's code of ethics interprets and defines the group's values and provides a reference point to guide the behaviour and actions of our employees in pursuit of our strategy and business unit priorities. Ethics training is undertaken throughout the group. Standard Bank and Liberty have confidential and anonymous fraud and ethics whistle blowing reporting hotlines operated by independent service providers.

Standard Bank's code of ethics applies across all countries in which we have banking operations. The Group Social and Ethics Committee is responsible for governance and oversight of the code while the Group Chief Executive and Group Ethics Officer are the formal custodians. Ethics officers in each business unit are responsible for ensuring awareness of the code among employees and providing guidance on individual ethical concerns raised.

Internal and external awareness campaigns are undertaken to clarify our values and associated behaviours, and to explain the mechanisms in place to enable our employees to adhere to the code. During 2012, we will engage with our employees to determine the current perceptions around ethics at Standard Bank.

Liberty's code of ethics applies to its South African and other African operations.

Human rights

Standard Bank and Liberty are committed to upholding the principles of the Constitution of the Republic of South Africa, the associated Bill of Rights and labour legislation in our South African operations. Outside of South Africa, we operate to similarly high standards. Standard Bank's values and the code of ethics are an extension of this commitment. We use two approaches to screen and process projects in terms of environmental and social risks, which include human rights. The Equator Principles are applied to project finance loans and an internally developed



appraisal system has been implemented for financial product types beyond project finance.

Political contributions

In line with a board decision in 2010, Standard Bank continues to support democratic processes in South Africa through financial contributions to political parties represented in the National Assembly. A total of R13,5 million will be allocated to political parties over the five-year election cycle from 2010 to 2014. In 2011, Standard Bank disbursed a total of R2,1 million (2010: R2,1 million).

Regulation

An efficient and effective system that regulates financial markets and institutions, as well as the conduct of business, is essential to a country's economic wellbeing. Generally, regulation aims to achieve three objectives: systemic stability in the economy, institutional safety and soundness, and consumer protection.

SBG aims to embed regulatory best practice in our operations in a way that balances the interests of various stakeholders and supports long-term stability and growth in the markets where we have a presence.

Our banking operations are regulated and supervised in each jurisdiction of operation by the home country regulatory authorities, with consolidated supervision from South Africa's primary banking regulator, the Bank Supervision Department of the South African Reserve Bank (SARB).

Standard Bank and Liberty work together on regulatory issues that impact both entities.

South Africa

The regulatory environment in South Africa is constantly evolving, with the volume and pace of legislative and regulatory developments over the past five years being substantial. This has cumulative cost implications for the group, both in terms of implementation and penalties for non-compliance, which could be significant if not managed appropriately. Our proactive engagement with the South African Government and regulators enables us to contribute to shaping our local regulatory environment.

Upcoming legislation that will materially affect our operations includes the policy proposals outlined in government's paper titled *A safer financial sector*

Sustainability Expo



Our Sustainability Expo at Standard Bank Centre raised environmental awareness among employees and gave them an opportunity to reduce their environmental footprint.

to better serve South Africa' published in February 2011. This proposes a new model of regulation and supervision of banks and other financial services firms, in which the SARB is responsible for all prudential supervision and the Financial Services Board (FSB) for regulating market conduct. It also proposes that a new market conduct regulator for banks is established under the ambit of the FSB, to focus on issues of market structure and bank costs. We have engaged with the authorities with respect to the bank's views on the implications of these proposals.

The Protection of Personal Information Bill provides for conditions of privacy and protection of personal information. The Bill impacts extensively on the group, particularly in relation to cross-border information flows. We are in the process of strengthening our systems in preparation for this new legislation, which is expected to become law in 2012.

Other noteworthy policy developments are the proposed changes to land tenure outlined in the Green Paper on Land Reform, and changes to the regulation of the labour market with regards to atypical employment such as part-time and temporary work, as well as increased penalties for non-compliance with employment equity legislation. We are researching the implications of these proposed regulations on our business.

Beyond South Africa

Emerging practices, particularly in the United States and the United Kingdom (UK), are monitored and considered to ensure that we are appropriately equipped to meet international legislative requirements.

Key host country regulators of our international operations include, but are not limited to, the UK's Financial Services Authority, the Central Bank of Nigeria, the Central Bank of Kenya, the Central Bank of Uganda, the China Banking Regulatory Commission, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the Central Bank of Argentina.

In the UK, reforms to the way financial institutions will be regulated are underway and are expected to take effect by end 2012. These include the dismantling of the Financial Services Authority and the UK's tripartite system of regulation. Prudential supervision will be transferred to a new Prudential Regulation Authority under the Bank of England and the remaining functions of the Financial Services Authority will be transferred to a new Consumer Protection and Markets Authority. A new Serious Economic Crime Agency will police economic crime. SBG continues to monitor developments and will ensure Standard Bank Plc remains compliant.

Sanctions

SBG actively manages the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions that are subject to embargoes or sanctions. A Group Sanctions Review Committee, supported by a Sanctions Desk, is responsible for providing groupwide advice on all sanctions-related matters in a constantly evolving sanctions environment, particularly in North Africa and the Middle East. We continuously enhance our systems to ensure detection of payments to sanctioned persons or entities, and our processes are designed to protect the group from participating in transactions that contravene the directives of sanctions enforcement agencies. Sanctions training is provided to relevant business areas.



Our approach > regulation



Standard Bank is a supporter of the 49 million campaign to save electricity.





Embedding sustainability thinking

During 2011, we conducted various internal awareness campaigns to showcase Standard Bank's sustainability and environmental initiatives. We also educated employees on how they can make a difference in the workplace, in their homes and communities.

Earth Hour

For the third consecutive year, we participated in Earth Hour and used this global initiative to raise awareness about energy consumption. We held an exhibition of four solar water heating technologies at Standard Bank Centre, our head office in Johannesburg, where approximately 14 500 of our South African employees are located. Staff were offered discounted prices on the purchase of solar water heating systems from the participating vendors.

Sustainability Expo

To assist our employees in reducing their own environmental footprint, we held a three-day sustainability expo at Standard Bank Centre in which participating exhibitors sold or demonstrated their products. Employees learned how to save energy, the importance of water conservation and general tips on living a greener life. Standard Bank is a supporter of the 49 million campaign, a national initiative that encourages South Africans to save electricity. As part of the exhibition, employees could walk through the 49 million energy efficiency house to see how to reduce their energy consumption at home.

The City of Johannesburg Transport Month

Standard Bank supported the City of Johannesburg Transport Month campaign and participated in a race across Johannesburg using only public transport. The aim of this campaign is to encourage city residents to make greater use of public transport. Our team tied in first place. We continue to engage with local authorities to find new ways to encourage greater use of public transport infrastructure. Recognising that small changes can make a big difference, we have undertaken initiatives that encourage our employees to share lifts to work.

Awareness presentations

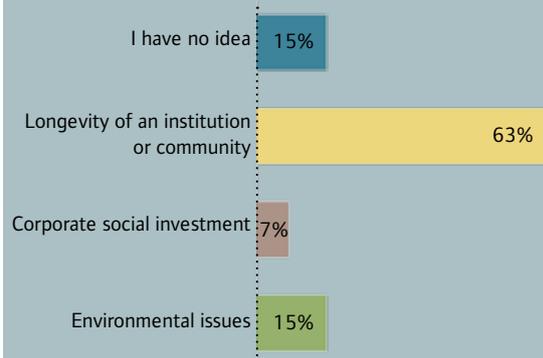
Presentations on climate change and water were held in the Standard Bank Centre auditorium and were open to all interested employees.

"It's great to see that Standard Bank is approaching sustainability measures and informing staff about the importance of cutting down on the use of valuable resources."

*Rushay Booysen
Standard Bank employee*

We used our intranet to ask employees what they thought sustainability meant. The results are shown in the graph below.

What does sustainability mean to you?



We held two exhibitions in which employees could purchase solar water heating systems at discounted prices.

Stakeholder engagement

2011 highlights

- Established a **Reputation Management Forum** to facilitate a coordinated approach to stakeholder engagement.
- Established an internal **Government Relations Committee**.
- Deputy Group Chief Executive, Sim Tshabalala, participated in several COP17 conferences and dialogues on **financing a sustainable future**.
- Piloted employee **engagement sessions** in our Personal & Business Banking operation in South Africa.
- Sponsored the first General Assembly of the **World Farmers' Organisation**.
- Facilitated a number of meetings between **China Investment Corporation**, China's largest sovereign wealth fund, and the South African Government, with the aim of developing a pipeline of investment for South Africa.

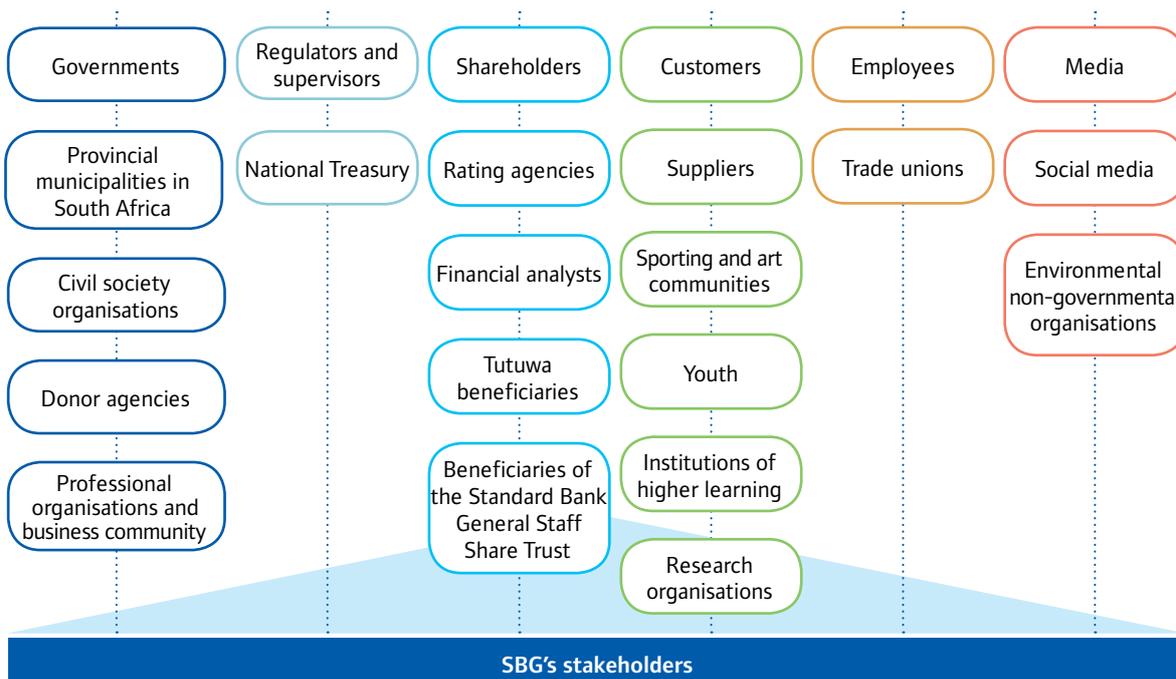
SBG's operations directly and indirectly impact on and are impacted by social, political, economic, environmental, legal and regulatory factors. It is therefore important that we develop systems and relationships that help us deal proactively with our broad business environment. To achieve this, we must build and maintain strategic relationships with a range of stakeholders to manage social expectations, minimise reputational risk and form strategic partnerships.

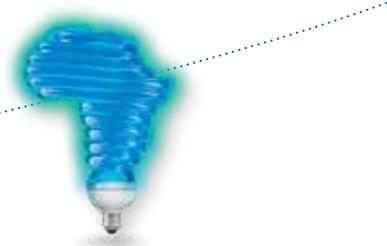
Our stakeholder relations management strategy is to continuously improve the alignment between the group and its key stakeholders. Misalignments between stakeholder expectations and the group's actions in the social and political environment are identified and researched. This process informs discussions with internal stakeholders to alert them to issues raised and to help develop and coordinate the bank's position.

Detailed quarterly reports on stakeholder relationships and related issues are provided to the board. The South African Government, including national, provincial and local government, is a priority stakeholder and as such we have introduced a Government Relations Committee to share information and coordinate our engagement with government across all business units and functions.



Our stakeholders





Issues raised	Our response	Page
<p>Shareholders and investment community:</p> <p>Concerns raised regarding the group's relatively low return on equity and relatively high cost-to-income ratio.</p>	<ul style="list-style-type: none"> • The group's return on equity improved in 2011 but we acknowledge that it is still too low. We have committed to managing the levers of return on equity aggressively to improve the ratio. However, we will not undermine our growth plans to achieve short-term returns. We understand that striking the right balance between growth and returns is integral to creating sustainable shareholder value. • We committed to keeping costs flat in 2011 which we achieved and which helped reduce the cost-to-income ratio. A strong focus on costs will be maintained in the group going forward given that revenue growth is still expected to be somewhat subdued. 	
<p>Business community and shareholders:</p> <p>Integrating financial and non-financial reporting to stakeholders.</p>	<ul style="list-style-type: none"> • We were represented on the Integrated Reporting Committee Working Group which drafted the South African Integrated Reporting Framework released in 2011. • The Director of Group Sustainability Management chairs the GRI's Stakeholder Council which focuses on understanding stakeholder trends in sustainability reporting. • Our 2010 Annual Integrated Report was ranked fifth in the Ernst & Young Excellence in Corporate Reporting Awards. The awards surveyed South Africa's top 100 companies. 	
<p>Customers:</p> <p>Our response to the increase in the number of Internet Banking phishing attacks.</p>	<p>In South Africa, we offer free anti-phishing software to customers and we constantly run awareness campaigns. The preventative measures implemented have reduced the number of confirmed phishing attempts by 62% and the fraud loss thus prevented totalled R81 million. In 2011, we worked with the South African Banking Risk Information Centre (SABRIC) to launch phishing and card skimming media campaigns.</p>	<p>49</p>
<p>South African Government:</p> <p>The financial services sector's contribution to the development of South Africa's economy and partnerships with government on these development initiatives.</p>	<ul style="list-style-type: none"> • We provide government with a wide range of advisory and financial services. • We facilitate infrastructure development and build capacity by sharing our knowledge and experience. • We work with government on areas of common interest. Some of the projects we sponsored or partnered with government include: the Department of International Relations and Cooperation Heads of Mission Conference, the City of Tshwane Investment Seminar, the African Renaissance Conference and the launch of the South African Local Government Association Gauteng Induction Programme for new councillors. 	
<p>South African Government, customers and non-governmental organisations:</p> <p>Climate change and rising greenhouse gas emissions, as well as the shortage of energy.</p>	<ul style="list-style-type: none"> • During 2011, we participated in the COP17 international climate change conference. • In the first bidding phase of the REIPPP Programme, together with our clients, we won 13 bids with an installed renewable energy capacity of 605 megawatts and a total financing requirement of R8,2 billion. This equates to 38% and 58% of the megawatts available from the solar and wind projects accepted in the first phase of the programme. • During 2011, we spent R19,1 million on energy efficiency projects in our South African operation, including photovoltaic systems in two office complexes and a national relamping project. • We have developed and implemented environmental and social risk management tools to ensure that the companies we lend to mitigate these risks. • We launched programmes enabling our customers to access carbon credits to reduce their carbon footprints. 	<p>76, 78, 80, 81, 82</p>

Stakeholder engagement

Issues raised	Our response	Page
Environmental groups: Funding coal-fired power stations.	We refute the allegations made by environmental activists at COP17 that we are a 'climate killer' due to our lending to the coal industry. Energy security is critical and it is simply not possible for South Africa or any other developing country to stop using coal-fired power generation at this time. At the same time, we are committed to financing renewable energy demonstrated by the R8,2 billion line of credit in support of bids for the first phase of the REIPPP Programme to build independent renewable energy-generating capability in South Africa. We have also been involved in large-scale wind projects in Brazil and Kenya.	81
Investment analysts, development finance institutions and other stakeholders: Standard Bank's policy on environmental issues.	<ul style="list-style-type: none"> • We actively participate in a number of work groups and forums on sustainability and environmental issues. • We are a member of the United Nations Environment Programme Finance Initiative (UNEP FI), an international body which brings together representatives of financial institutions on issues of environmental management. • Our internal environmental and social policy addresses environmental concerns. • We have implemented new environmental and social risk assessment tools in our Corporate & Investment Banking business and we are a signatory to the Equator Principles. • Through the Banking Association of South Africa, Business Unity South Africa and the National Business Initiative we engage with government on issues of national environmental law, policy and strategy. 	76, 77, 79
Employees: Effectively engaging with our employees.	<ul style="list-style-type: none"> • Following the retrenchments in 2010, we anticipated lower levels of employee morale. We have implemented staff engagement initiatives in certain business units and similar approaches are being considered for implementation across SBG. A number of employee surveys are planned for 2012 to measure engagement and organisational culture. • The most common issues raised with Independent Counselling and Advisory Services, a confidential support service, are increased stress levels, legal and relationship problems, and issues related to the workplace. We have a comprehensive employee wellness programme that helps employees deal with these concerns. 	60
National governments and customers: Working in emerging markets.	<ul style="list-style-type: none"> • Through our partnership with ICBC we have been involved in many cooperative projects in Angola, Botswana, Brazil, Ethiopia, Ghana, Nigeria, Russia, Venezuela, Zambia and other selected emerging markets. To date we have jointly raised in excess of USD5 billion (R36,3 billion) for infrastructure projects in Africa. • As a member of the Equator Principles Steering Committee and chair of the African outreach working group, we engage with government and other financial institutions in emerging markets on environmental and social risk management measures in their debt and equity business. During 2011, we presented at the Nigerian Sustainable Finance week and engaged with the China Banking Regulatory Commission, thereby contributing towards the respective development of the Nigerian Sustainable Banking Principles and the Chinese Green Credit Guidelines. 	50
Customers: Supporting small and medium enterprises and agriculture.	<ul style="list-style-type: none"> • We introduced a new credit evaluation approach, enabling us to increase our risk appetite for providing finance to small businesses across our African operations including South Africa. • We selected 13 small black enterprises to participate in the Tutuwa Community Trust, our BEE ownership scheme. • In South Africa, we are the main sponsor of the National Small Business Chamber and the annual Business Opportunities and Franchising Expo. We sponsored the first General Assembly of the World Farmers' Organisation established in 2011. This provided an opportunity to engage with both national farmers' and agricultural cooperative organisations from all continents. 	25, 30, 31



Socioeconomic development

Transformation

Inclusive financial services

Enterprise development

Addressing development in Africa

Sustainability in the supply chain

Investing in communities

Socioeconomic development

Standard Bank Group (SBG) recognises that the private sector plays a central role in the development of countries. Businesses are able to contribute to the investments required to stimulate economic development and to mitigating risks posed by global challenges. To this end, SBG works to provide financial services to marginalised communities through innovative solutions, including financing and supporting small businesses and smallholder farmers. The financial services we supply to businesses support their ability to operate and grow, ultimately facilitating employment. In addition, we invest in infrastructure development, finance and advise governments, facilitate trade between markets, partner with organisations that lead global efforts to fight poverty and HIV/Aids and aid in the distribution of donor funds. Our procurement spending and corporate social investment also encourage social development.

Our opportunities

Banking marginalised communities through providing relevant financial products.	Developing solutions that enable us to lend to small enterprises and smallholder farmers.	Financing the infrastructure requirements of developing economies.	Working with strategic partners to drive investment in Africa.	Transforming our business to gain a competitive edge and increase our customer base.	Investing in communities to increase individual welfare, and so become their future bank of choice.
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Our challenges

Due to the economic downturn, some of our Tutuwa Community Trust black small and medium enterprises (BSME) beneficiaries went into liquidation.

Our strategy to migrate customers to low-cost channels is supported by consumer education, which due to budget constraints was reduced by 30% to R14 million.

Despite our initiatives to make financial services more inclusive, 20% of the Inclusive Banking transactional customer accounts are inactive.

2011 highlights

- A total of **13** BSMEs were selected to participate in the Tutuwa Community Trust.
- Since 2007, Standard Bank has helped more than **300 000** low-income earning South Africans buy homes.
- Launched a **Business Response Centre** to improve our engagement with small businesses.
- Launched **SME Quick Loans**, an unsecured loan offering for small and medium enterprises (SMEs).
- Introduced a **sustainability questionnaire** as part of our supplier tendering process.

R75 billion

in personal and small business loans provided to our customers in South Africa.

R167 million

in dividends paid out to black managers and BSMEs participating in our Tutuwa trusts.

1 356 636

new customers that had previously been unbanked.

Measuring performance

The most fundamental contribution SBG makes to the economies in which we operate is by maintaining a robust business. This allows us to pay dividends to our shareholders, salaries to our employees and tax to governments. As a buyer of goods and services we play an important role in supporting local businesses, which provides employment and drives socioeconomic development in local communities. In addition, our corporate social investment (CSI) makes a measurable difference to recipients and communities that SBG depends on to remain sustainable. The total wealth created by the group in 2011 was R50 billion, an increase of 12% from 2010.

Group value added statement

	2011		2010	
	Rm	%	Rm	%
Distribution of wealth				
Employees	23 109	46	21 872	49
Government	7 862	16	6 563	15
Ordinary shareholders	6 035	12	5 974	14
Non-controlling interests and preference shareholders	2 558	5	2 233	5
CSI spend	114		134	
Retentions to support future business growth	10 218	21	7 589	17
Wealth applied	49 896	100	44 365¹	100

¹ Restated.

✓ Externally assured (refer to assurance statement on page 89).

Note: includes discontinued operations relating to Argentina.

Key SBG indicators		2011	2010	2009
Infrastructure financing: sub-Saharan Africa	Rm	77	117	901
CSI spend	Rm	114,3	134,0 ¹	104,4 ¹
Standard Bank South Africa	Rm	71,6 ✓	99,5	69,6
Standard Bank – rest of world	Rm	10,2	4,0	2,0
Liberty	Rm	32,5 ✓	30,5	32,8
Transformation				
Standard Bank South Africa	%	92,47 *	92,83	77,62
Liberty	%	85,70 *	75,03	69,19
Key Standard Bank South Africa indicators				
		2011	2010	2009
Direct and indirect jobs sustained ²		109 400	160 000	105 000
Transformation				
Number of Inclusive Banking customers		5 365 974	4 808 605	4 801 136
Number of Mobile Money Accounts		625 326	153 398	27 738
Consumer education spend	Rm	14,0	20,1	21,0
Targeted investment	Rm	7 270 *	7 528	6 908
Black economic empowerment (BEE) transaction financing ³	Rm	22 048 *	20 006	19 859
Affordable housing loans (cumulative)	Rm	21 285 *	17 460	14 480
Procurement spend with BEE suppliers	Rm	17,3 *	15,7	7,2

¹ Restated.

² Calculated using an employment multiplier of 3,2 as per Statistics South Africa.

³ BEE transaction financing measures the 12-month weighted average balance outstanding on funding advanced for the period ended 31 December 2011.

✓ Externally assured (refer to assurance statement on page 89).

* Externally verified.

Transformation

“Achieving transformation targets and driving a more inclusive philosophy around transformation is an executive responsibility.

I am held accountable for meeting our targets. This is a responsibility I am very pleased to have and regard it as crucial to the future of Standard Bank”.

Sim Tshabalala

Chief Executive of Standard Bank South Africa

South Africa

Transformation is a social and economic imperative for South Africa’s long-term future. The ultimate purpose of transformation is to address the systematic exclusion of the majority of South Africans from full participation in the economy, particularly black South Africans, people with disabilities and women.

Empowerment contributes to the national imperative of creating jobs, which promotes sustainable growth and social stability. In turn, this positively affects South Africa’s credit rating and the perceptions of international investors. By providing access to credit and financial services, banks have a major impact on transformation.

At Standard Bank, we aim to create a culture that embraces openness, fairness and diversity. We want this culture to be a tangible, everyday reality for our employees, customers, stakeholders and the communities we serve. We firmly believe that successful transformation is central to our ongoing competitiveness.

Our transformation progress is currently measured against the Department of Trade and Industry’s (dti) Codes of Good Practice for Broad-based Black Economic Empowerment (codes). During 2011, accredited BEE verification agencies conducted independent assessments of both Standard Bank’s and Liberty’s BEE performance against the dti codes. Standard Bank and Liberty qualify favourably as level two contributors in a nine-level model, with verified overall scores of 92,47 and 85,70 out of 107 respectively.

The dti codes exclude uniquely financial sector-specific elements, namely access to financial services and empowerment financing. Given their importance in driving economic transformation, we have continued to deliver and report on these two elements.

The Group Social and Ethics Committee provides board-level oversight and monitors our progress in meeting our transformation targets. It also ensures

compliance with current and evolving BEE legislation. This accountability at board level is translated into scorecards for individual business units, which are closely monitored by executive management.

Financial sector code

From 2003 to the end of 2008, the framework for advancing transformation and equitable growth in the South African financial sector was the Financial Sector Charter (charter). Although widely endorsed, the charter was not legislated. It was rewritten as a draft financial sector code, but due to industry stakeholders being unable to agree on the requirements of the code, the dti codes have continued to govern the transformation of the financial sector. The process to convert the voluntary status of the charter to that of a sector code in terms of the relevant legislation was concluded in principle at the end of 2011, with Standard Bank being an active participant in the process. The Financial Sector Code of Good Practice was gazetted for the second phase of public opinion in March 2012.

Ownership

Standard Bank concluded its BEE ownership transaction, Tutuwa, in October 2004, resulting in 10% direct ownership of our South African operations by the Tutuwa BEE consortium led by well-established BEE investment companies Safika and Shanduka. The Tutuwa Share Scheme consists of two elements namely the Tutuwa Managers Trusts, in which the beneficiaries are our own black managers, and the Tutuwa Community Trust, which is focused on BSMEs and community development.

In 2006, participation rights were awarded to 250 qualifying BSMEs under the Tutuwa Community Trust. For various reasons, a small number of these BSME beneficiaries no longer qualified in terms of the rules and we actively looked to replace these BSMEs. During 2011, 13 additional candidates were selected to

Socioeconomic development

participate in the trust. In six cases the level of black women ownership is 50% or higher with two businesses being 100% owned by black women. At 31 December 2011, each new beneficiary held 20 000 shares worth approximately R1,1 million. These BSMEs are included in our enterprise development initiatives and we provide them with access to our procurement processes to enable them, where feasible, to become suppliers to the bank.

Currently, 6 185 black managers participate in the Tutuwa Managers Trusts, of which 4 677 are still employed at Standard Bank. The trusts serve as a retention mechanism in that beneficiaries that left the bank's employ prior to December 2010 retained a portion of their shareholding, while those leaving after this date retain 100% of their shareholding. In March and August 2011, SBG paid dividends of R2,45 and R1,41 per ordinary share, respectively, amounting to a total dividend payout of approximately R167 million to black managers participating in the Tutuwa Managers Trusts and BSMEs participating in the Tutuwa Community Trust.

Localisation in our operations beyond South Africa

African countries are increasingly undertaking economic transformation processes, aspects of which are sometimes referred to as indigenisation or localisation, to ensure greater benefit to local people from foreign investments in their national economies. Standard Bank engages constructively in the debate around these initiatives in an effort to balance the legitimate expectations of nationals with the reasonable rights of investors. For example, in Namibia we co-authored and are a signatory to the Namibia Financial Services Charter launched in 2010. The charter provides a framework to advance localisation of the Namibian financial sector and includes elements such as the provision of inclusive financial services and skills development.

Within our African operations we hire locally and invest in the development of local talent at both grassroots and leadership levels, contributing to the development of local leaders. As a multi-national organisation, we provide our employees with the opportunity to participate in cross-border intra-African assignments as a key development intervention.

dti codes scorecards

Category	Available points	Standard Bank			Liberty
		2011 verified results	2010 verified results	2009 verified results	2011 verified results
Ownership	23	20,18	20,00	13,98	20,02
Control	11	8,46	8,25	8,30	6,04
Employment equity	18	12,44	12,54	9,43	10,15
Skills development	15	12,02	12,04	8,54	10,05
Preferential procurement	20	19,37	20,00	17,37	19,44
Enterprise development	15	15,00	15,00	15,00	15,00
Socioeconomic development	5	5,00	5,00	5,00	5,00
Total score	107 ¹	92,47	92,83	77,62	85,70

¹ Includes seven bonus points allocated over the ownership, control and employment equity pillars.
Note: externally verified.

Inclusive financial services

“Inclusive Banking provides us with a unique opportunity to take financial services to a level where you can create value within a community. New technology has helped us to identify opportunities much deeper into the social strata of South Africa.”

Leon Barnard

Head of Inclusive Banking

SBG’s strategic drive to make financial services more inclusive, aims to create banking and insurance solutions that are accessible to the millions of economically active people in Africa who fall outside the mainstream financial sector. To effectively reach this market we must understand the needs and requirements of unbanked customers. A key initiative to bank this market profitably and sustainably is developing banking models that utilise low-cost distribution channels such as mobile banking and community retailers (access points), and offer products that are affordable, easily accessible and simple to use.

As the spending power of low-income individuals increases, we will be able to migrate some of our Inclusive Banking customers to middle-market and associated products.

Accessible banking products

South Africa

Standard Bank’s Inclusive Banking unit, established in 2010, has made good progress in delivering affordable banking products through the access points in community retail shops, mobile banking and loan centre channels. The success of these low-cost channels depends on customers’ willingness to move away from traditional access points such as branches. This requires that we continuously innovate and develop a deep understanding of local dynamics, supported by ongoing consumer education.

During 2011, Standard Bank acquired 1 356 636 (2010: 938 052) transactional customers who are new to banking, bringing the number of Inclusive Banking customers with a transactional account to 5,4 million at December 2011. This accounts for 59% of the total Personal Banking customer base in South Africa. Some 4,3 million Inclusive Banking customers are active. Currently an average of 4,6 revenue-generating transactions per customer per month take place through these low-cost channels.

The access point model allows us to provide banking at lower cost to the low-income market while reducing our operating costs. The shop owners become customers of the bank and benefit from increased customer visits to their shops. Once an account is opened at an access point, the Mobile Money Account application is enabled on the customer’s cellphone. This allows them to deposit and withdraw money, buy airtime and electricity, and purchase goods from the shop. In addition, a debit card is issued which can be used at all ATMs, with fees charged on a per-transaction basis.

During 2011, we offered the Mobile Money Account in an additional 13 areas across South Africa enabling growth of some 52 000 new customers a month through our network of 4 976 active access points. To date, the bulk of transactions facilitated through these access points have been airtime and electricity purchases. Around 55% of the Mobile Money Accounts that were opened in the last four months of 2011 are active, meaning that the accounts have positive balances and there are at least two transactions a month.

Looking ahead we intend to leverage our existing customer base of big manufacturing and agricultural businesses, which pay cash wages, to provide their workers with the Mobile Money Account. We will also look to deploy other electronic banking channels at our access points, as well as additional lending and savings products.



Socioeconomic development>inclusive financial services>accessible transactional banking and affordable loans

The initial success of our Personal Term Loan, a lending product for the low-income market, was lower than anticipated. After engaging with target customers we were able to gain a better understanding of unsecured lending to the informal sector. The product was revised and we increased our market awareness initiatives. The result has been growth of this product offering with current daily sales in excess of 1 000. This improvement is also

attributable to the accessibility of Standard Bank's loan centres as well as risk-based pricing, which ensures that lower-risk customers pay less. At December 2011, Standard Bank held over 306 000 Personal Term Loan accounts and had 105 loan centres across South Africa. We have set a target to have 170 loan centres operational at the end of 2012.



Case study: Mobile Money Account

At the end of 2010, we concluded a pilot of our community investment funds initiative, which offered unsecured microloans to informal businesses. We are using the lessons learned to create a micro-finance institution for this market. We plan to partner with registered enterprise development organisations in this regard, to provide skills development before lending activity commences. Our intention is to build this initiative into a separate not-for-profit institution, controlled by Standard Bank, and capitalised by the Tutuwa Community Trust. The bank will derive no income from the funds as all returns will be reinvested into the business.

Sub-Saharan Africa excluding South Africa

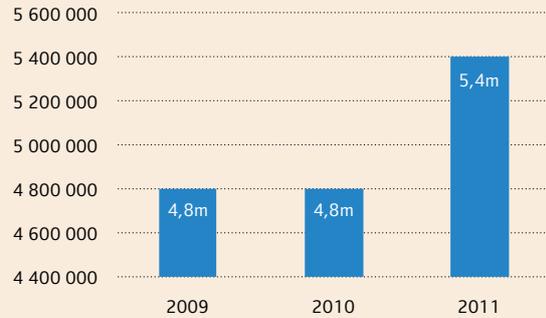
We acknowledge that, due to the unique circumstances of different communities and countries, what is successful in South Africa cannot necessarily be imported directly into other operations across Africa. However, successfully implementing low-cost banking models within our domestic operation provides us with a good platform for developing similar models for low-income markets beyond South Africa.

Stanbic IBTC Bank in Nigeria hires community leaders as bank agents, who operate on foot in and around the markets and active commercial areas collecting deposits from informal traders, domestic workers, artisans and students. The agents use hand-held point of sale devices that use the customer's bank card as proof of identity. Customers can transact at any branch, point of sale terminal or ATM in Nigeria. At December 2011, approximately 80 000 (2010: 38 000) trader accounts had been opened since the launch of the product in 2009.

Accessible insurance products

In South Africa, Standard Bank is developing funeral insurance and credit life assurance products to cater for the low-income market, aligned to the models implemented within our Inclusive Banking unit.

Number of Inclusive Banking customers (Standard Bank South Africa)



R299 million

paid out in funeral claims during 2011, assisting 37 415 families.

Value of Fundisa and Chuma accounts (STANLIB)



Mobile banking vans in Malawi deliver convenient banking services to customers.

Our Funeral Plan provides customers with a number of affordable cover options to choose from, enabling them to bury their loved ones with dignity and respect. We currently sell about 1 800 funeral policies a day, of which approximately 400 are sold in conjunction with the Mobile Money Account. During 2011, we sold 438 887 Funeral Plans (2010: 297 191).

To support customers who have irregular incomes or are seasonal workers, our 'pay-as-you-go' Funeral Plan, to be launched in 2012, will allow these customers to pay for 14 months' worth of cover at an affordable annual premium.

Our credit life offering makes credit more accessible to the low-income market while protecting the dependents of the borrower, assists in wealth creation and provides risk mitigation for the bank.

Liberty sells simple life cover plans, member and family funeral plans, savings products and group loan protection products to the low-income market. STANLIB's products in this segment include Chuma, an investment vehicle for burial societies, taxi federations and other groups; the Fundisa unit trust fund to help customers save for tertiary education, and a general equity fund.

The main challenge faced by Liberty's Emerging Consumer Market unit in 2011 was the Financial Advisory and Intermediary Services (FAIS) examinations for financial advisers. The reasons for the lower pass rate among Emerging Consumer Market advisers are that the examination content is far removed from their daily work experience and is not presented in their home language. This is an industry-wide challenge and Liberty is engaging with the Financial Services Board to find a solution.

To improve the quality of its Emerging Consumer Market book, Liberty applied stricter criteria to new business taken on during the year. Although this resulted in a decrease in the number of new emerging market policies sold, from 120 737 in 2010 to 87 021 in 2011, there has been a decrease in the number of lapsed or withdrawn policies. The largest product category by value within this market segment is funeral plans, with the standard funeral plan product having the biggest existing book size. The value of Fundisa and Chuma assets under management posted a combined total increase of R20 million compared to 2010.

Consumer education

In South Africa, Standard Bank's consumer education activities provide general financial education particularly to people in the informal economy. Our programmes are designed to introduce formal financial services to unbanked communities and increase understanding of the terminology and suitability of financial products. In 2011, Standard Bank spent R14 million on consumer education in South Africa, a 30% reduction on 2010 due to a lower budget allocation.

We endeavour to ensure that our financial literacy content remains relevant to the target audience. However, it remains difficult to measure the impact of our initiatives and whether they change financial behaviour. We have continued our involvement in the schools-based financial literacy programme, Winning Teams. During 2011, we increased our reach to an additional 800 schools across South Africa, now reaching a total of 2 500 schools and approximately 500 000 grade ten and eleven learners. Feedback from educators is that the benefits of the programme to learners include improvement in discipline, listening skills and the ability to work independently.

In our 2010 report we said we would roll out a business management programme for informal businesses in South Africa to 12 communities. We did not meet this target due to a constrained budget.

Liberty's consumer education initiatives are delivered through workshops at workplaces and within selected communities. It sponsors the Johannesburg Stock Exchange's Investment Challenge, which educates secondary school learners and university students on how to invest in the stock exchange. In addition, STANLIB's Investment Academy offers National Qualifications Framework Level 1 accredited courses in budgeting, savings and investments at 16 historically disadvantaged universities and Further Education and Training colleges. During 2011, Liberty's consumer education spend amounted to R4,9 million.

In previous years, Liberty focused its consumer education initiatives exclusively on the KwaZulu-Natal province. In 2011, Liberty expanded its regional approach to include the Eastern Cape, Free State and Limpopo provinces. This increased the reach of its initiatives from 11 376 in 2010 to 22 861 people in 2011.

Affordable housing

We are committed to finding sustainable solutions that increase access to affordable housing finance for customers with an income level of between R3 500 and R15 738 a month. In addition to the housing shortage in South Africa, this target market often does not meet lending criteria due to already having high levels of indebtedness and impaired credit records. Standard Bank's strategy to increase home ownership is to implement effective risk mitigation through borrower education, appropriate credit assessments and engaging with key stakeholders, specifically our customers, to understand their needs.

During 2011, we granted R3,3 billion in affordable housing loans through approximately 9 500 home loans. Our target is to double our affordable housing home loan book to R20 billion by 2015.

Low-income earners who belong to pension and provident funds can enter into agreements with Standard Bank's Pension-backed Lending unit in South Africa, to access finance to buy, build or renovate a home. In 2011, this unit issued loans to the value of R382 million (2010: R479 million).

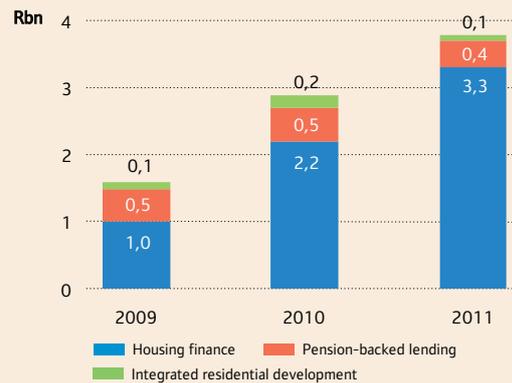
We are piloting a rent-to-buy housing model designed to help customers with impaired credit records qualify for home loans in future. The initiative defers ownership for a period of time, for example 12 to 18 months. During this period the customer pays rent on the home. The bank approves financing once the customer is able to demonstrate that they can afford the rent, rates and other responsibilities, and have completed a debt rehabilitation programme. A portion of the rental amount is used to contribute towards the bond. Part of this initiative is to ensure that these customers are able to afford to pay their debts when interest rates rise.

Standard Bank's Integrated Residential Development unit combines expertise from across the bank into a comprehensive approach to financing quality affordable housing developments. We provide relevant financial products such as development loans, bridging and term finance, as well as equity participation to experienced developers and public sector entities. Our target market includes integrated residential developments, affordable housing developments and inner city refurbishments.

Consumer education spend
(Standard Bank South Africa and Liberty)



Value of affordable housing loans granted
(Standard Bank South Africa)



Approximately **9 500**
affordable housing loans granted to
low-income earners.



Avon Gardens integrated housing development.



Environmental considerations

We promote the use of selected 'green' interventions in new residential development projects in which we are involved. During 2011, Standard Bank was involved in the publication of 'Some Green Building Guidelines for Housing Developments', a guide for greening low-cost housing. The guide also supports a sustainable housing calculator, which enables users to calculate the additional cost incurred by implementing a selected green intervention, the reduction in carbon emissions that can be achieved and how long it will take for the homeowner to recover the additional cost from the savings achieved.



Socioeconomic development > inclusive financial services > affordable housing

Youth market

During 2011, Personal & Business Banking launched the Student Achiever Youth Portal, a first for South Africa. This online multi-channel portal caters to the needs of the youth market and offers users, predominantly between the ages of 16 and 22, relevant easy-to-understand information about financial services and products. We developed a partnership with e.tv youth programmes, known collectively as Craz-e World Live, to provide interactive webcasts of interviews with relevant celebrities and experts for users of the portal. These webcasts have the potential to reach an estimated one million people per month and provide us with an additional means to increase our financial literacy reach. We will use this tool to inform the creation of new products and services for this market. Over 125 500 Youth Portal registrations took place since its launch in July 2011.

Shari'ah Banking

An estimated 29% of people in sub-Saharan Africa, approximately 240 million people, are Islamic. This provides a significant opportunity for Standard Bank Africa to provide banking products and services to this market. The fundamental principles of Shari'ah Banking include the prohibition of taking and paying interest, and investing in businesses that do not comply with the rulings of the Quran, such as those that have an association with gambling or alcohol. We offer Shari'ah-compliant products in our Tanzanian operation. During 2011, Standard Bank received approval from Nigeria's central bank to provide Islamic Banking services. This preliminary license is the first to be granted to a commercial bank in Nigeria.

Enterprise development

"This mentoring has helped me to understand what sort of people I need around me in order to win as a business, and how to fill the gaps with people who can do what I don't. Every mentoring session I have is like free education for my team, and they love it."

*Norman Hlakudi
Business owner*

Growth of the SME market is essential for job creation and sustainable development, particularly in emerging markets. Standard Bank's enterprise development model aims to contribute to wealth creation by providing entrepreneurs with access to finance, coupled with non-financial support, to enable them to grow and sustain their businesses. Interventions include business support tools and providing information, training, coaching and mentoring, as well as access to funding and markets. We focus on the need to simplify our banking services, provide relevantly priced products and develop innovative banking solutions that cater to the financing requirements of this market.

We have introduced a new credit evaluation approach that considers an entrepreneur's business acumen, as opposed to only considering the historical financial performance of the business. Together with risk, affordability and fraud management assessments, this new approach to SME lending has enabled us to increase our risk appetite and reduce our loan disbursement timeframe from around three weeks to three days, while making the application process easier. Our African operation led the implementation of this approach and during 2011, 83% more applicants were able to access loans in this business. In South Africa, the initiative was piloted in 24 branches, with over 4 690 loans totalling R120 million being granted. We are working on a business case to determine how best to take this product offering forward.

Enterprise development is a core pillar of our CSI programme in South Africa. Our objective is to invest in programmes that enable small emerging enterprises to become sustainable, thereby providing the bank with a larger customer base to lend to. At December 2011, 34% (R24,2 million) of our CSI budget was spent on enterprise development.

Supporting small and medium enterprises

South Africa

Since the launch of our enterprise development model in mid-2010, over 90 businesses have benefitted from our business development support. During 2011, we grew our BSME loan book by 28%, lending an additional R632 million for vehicles, overdrafts and term loans to this segment of the market. In selected instances we provide enterprises with non-financial support before and after funding to mitigate many of the operational risks that these BSMEs experience in the start-up stages of their operations.

In financing SMEs, we work with key stakeholders such as the Department of Trade and Industry, development finance institutions, provincial and local governments and associated agencies. For example, to date R83 million in business development support has been approved through the KwaZulu-Natal Development Fund and Khula Enterprise Finance Limited.

Standard Bank's enterprise development solutions encourage corporate procurement departments, including our own, to facilitate SME access to supply chains. We collaborate with corporate entities that are willing to award long-term contracts to emerging SMEs, providing financial and non-financial support to the SMEs. We also provide this support to SMEs that our public sector partners seek to include in their supply chains and infrastructure development projects, which supports government's strategy to build cooperatives in rural areas.

We have launched a Business Response Centre to improve our engagement with SMEs. We are also implementing new tools for our business bankers and supplying them with relevant training to ensure that we understand and provide the right solutions to meet the needs of SMEs. In 2011, we launched BizConnect, a small enterprise web platform that provides SMEs with an avenue to find new opportunities, and enables access to regulatory and financial information on how to start, maintain and grow a business. Users can also interact with other business owners online.



Case study: SME success stories



Standard Bank's
small enterprise content
management website won
Best Corporate Website at the
S.A. Publication Awards.

Township micro-franchising

Together with the University of Cape Town's Centre for Innovation and Entrepreneurship Graduate School of Business, we funded the Township Micro-franchising Programme, which aims to kick-start micro-franchising in South Africa. The programme is designed to locate the businesses in rural areas, informal settlements and townships that are suitable for micro-franchising by vetting the potential businesses through a panel of experts. Once these businesses have been identified, they will participate in trade shows and workshops together with franchising, financial and corporate experts.

Around **750 000**
small businesses in Africa (including
South Africa), bank with Standard Bank.



Our SME Quick Loan was launched in Tanzania for traders operating in informal markets.



We were the first bank in Ghana to introduce crop insurance for smallholder cocoa farmers.



We entered into an agreement with John Deere, the world's biggest manufacturer of agricultural equipment, to facilitate access to mechanisation for smallholder farmers in Africa.



At the Merino Classic 2011 Show in Lesotho, Standard Bank sponsored many of the prizes awarded to farmers.

Sub-Saharan Africa excluding South Africa

During 2011, we provided financial services to more than 150 000 SMEs across 13 countries in Africa, excluding South Africa.

In sub-Saharan Africa, the lack of financial records, credit bureau data and collateral are barriers to providing finance to SMEs. Backed by our new credit evaluation approach, we launched SME Quick Loans in 2011. This unsecured loan offering of between USD300 (R2 176) and USD30 000 (R217 584) is available in Ghana, Kenya, Nigeria and Tanzania. At December 2011, we had disbursed loans totalling more than R320 million to approximately 5 650 businesses. The product is proving successful and actual lending loss rates are lower than expected.

Case study: *SME Quick Loans*

Together with the Namibia Chamber of Commerce and Industries, we have developed and sponsored a toolkit to be used as an enterprise development intervention for SMEs. Over NAD350 000 (R350 000) has been set aside for this training, with additional funds allocated for a literacy programme. The initiative aims to train around 1 000 SMEs in all 13 regions of Namibia. During 2011, we partnered with the International Finance Corporation (IFC) to offer the Business Edge Training Programme and SME toolkit to a group of women entrepreneurs in Nigeria. Twenty of our Nigerian women-owned SMEs were identified for this training, which has helped them build capacity and grow their business.

Case study: *Business Edge Training Programme*

We have also developed and implemented a value proposition for traders operating from informal markets in Tanzania, providing them with access to financial services such as transactional accounts, loans, insurance, trade finance and foreign exchange solutions. In addition, we have made banking easier for small businesses by simplifying account opening forms and reducing account opening turnaround times. Through these initiatives, Stanbic Bank Tanzania has acquired more than 1 500 customers, gaining substantial market share in the local market within a six-month period.

We have continued working with the Pan African Business Coalition on HIV/Aids (PABC) to support the delivery of the BizAIDS training programme for SME business owners and informal traders. BizAIDS

provides business skills training, while also educating business owners on health matters such as HIV/Aids, malaria and tuberculosis. During 2011, BizAIDS reached 523 SMEs across Kenya, Nigeria and Zambia.

We plan to grow our market share in the SME segment through the ongoing development of our enterprise development model. In South Africa we will provide simpler banking through initiatives such as BizConnect and the Business Response Centre. In the rest of Africa, we will extend the SME Quick Loan solution to a further eight countries, with a target to grow the portfolio to R1 billion in loans to SMEs over the next year.



Socioeconomic development > enterprise development > supporting SMEs

Agriculture financing

Standard Bank is committed to developing agriculture in emerging markets. Increased agricultural productivity means improved household food and income security and contributes to enterprise development by developing rural businesses that serve farmers, thus improving rural employment. Agriculture financing offers Standard Bank the opportunity to develop innovative solutions and offer relevant products to assist customers working in this sector.

South Africa

Our objective for 2015 is to increase our South African agriculture market share to 35% and to be the leading bank in sectoral transformation. To achieve this we have realigned our agriculture offering to other parts of our business such as vehicle and asset finance and short-term insurance. At December 2011, our total net agriculture book was R11,7 billion (2010: R9,9 billion), an increase of 18% on 2010. The non-performing loan portion of the book remains sound at less than 2%.

We seek to partner with governments and financial development institutions, and interact with agribusinesses to find funding opportunities.

Our agriculture financing model includes dedicated relationship managers able to add value to our customers. Due to the nature of these specialist roles, it is increasingly difficult to attract and retain skilled individuals within rural areas to serve this market; therefore, we are focusing on improving employee development in this area.

We have committed R500 million to financing BSME farming enterprises in South Africa. Funds are distributed between the livestock, citrus, grain and sugar industries over a three-year period from 2010. Management support agencies assist with production, business and value chain management.

The Standard Bank Centre for Agribusiness Leadership and Mentorship Development, a partnership with the University of Stellenbosch, assists emerging farmers through various initiatives. The centre's Leadership Development Laboratory Programme is aimed at cultivating informed leadership in local agriculture, and includes the Agric Leadership Imbizo initiative, which creates a platform for knowledge-sharing and problem-solving. During 2011, the centre arranged eight bursaries for Masters Degrees and 80 professionals from agri-development agencies in Limpopo attended the centre's first Agri-Mentorship short course. The centre also partnered with the African Fellowship Trust (AFT) and the Royal Agricultural College in the United Kingdom. This partnership aims to strengthen the AFT's African Leadership Programme and position the centre in the wider African environment. Standard Bank is investing R3,2 million in the centre over the next three years.



Case study: smallholder farmer enterprise development

Sub-Saharan Africa excluding South Africa

At December 2011, our agriculture book in our African operations amounted to R1,8 billion. We anticipate agriculture commodities and markets to remain strong, providing us with opportunities to grow our agriculture banking franchise across sub-Saharan Africa.

We have continued with our risk guarantee partnership with the Alliance for a Green Revolution in Africa (AGRA) and the Organization of Petroleum Exporting Countries' Fund for International Development (OFID). The objective of this partnership is to promote agricultural growth on the continent by providing finance and advice to smallholder farmers including technical and business support, quality control of produce and help in applying for credit. The partnership aims to assist those involved in the food production chain in Ghana, Mozambique, Tanzania and Uganda. Standard Bank's Smallholder Farmers and Agribusinesses Funding Scheme provides access to finance for smallholder farmers and small agribusiness owners in these four

countries. Of the USD100 million (R725 million) we have made available for lending, the scheme has advanced about USD26 million (R189 million) in loans to more than 100 000 smallholder farmers.

In Kenya, Standard Bank launched an electronic billboard solution to facilitate trade in the African tea industry, which has subsequently been adopted across the industry in East and Central Africa. The web-based nature of the system offers real-time information as transactions are processed and is available to users 24 hours a day. In Ghana, we worked with the Masara N'Arziki Association (Masara), which educates farmers on the benefits of block farming, an approach where a number of farmers operate as a group. The association provided the farmers with seeds and fertiliser and a portion of the harvest was used to repay the loan. The surplus was sold to Masara. Standard Bank advanced in excess of USD4 million (R29 million) for a period of six months to this block farming initiative. Through our partnership with AGRA, we financed the Kapchorwa Commercial Farmers Association farming scheme in Uganda. The funding of some USD1,4 million (R10,2 million) is being used to facilitate a warehouse receipt system to enable farmers to store their produce until market prices become more attractive, as well as for the association to purchase agricultural machinery to service its members.



Socioeconomic development > enterprise development > agriculture financing

Addressing development in Africa

SBG's strategic focus is on sub-Saharan Africa, and as such it is imperative for us to contribute to improving the business climate in this region. Increased trade and investment are important factors for economic growth and job creation on the continent, with Standard Bank being well positioned to take advantage of the financing opportunities that stem from these trade and investment flows. We also play a positive role by facilitating relationships between the public and private sectors and in providing services, capital and advice to governments.

Trade finance

Through our extensive network across Africa and other emerging markets we are uniquely positioned to provide financial solutions that facilitate trade between South Africa, Africa and countries around the world. The substantial growth in global trade means we need to efficiently manage the complexities, regulations and risks associated with cross-border trade. SBG has extensive experience in executing cross-border trade requirements and in providing finance solutions across a range of commodities, and we have invested in the skills necessary to develop this business in Africa. We have also developed innovative and responsible trade solutions to support small businesses that procure commodities on behalf of major companies in sectors such as construction and infrastructure, mining and oil.

Countries such as Angola, Botswana, Namibia and Nigeria that have oil or precious minerals-based economies are subject to volatile commodity prices linked to fluctuations in the global economy. To reduce their exposure to this risk, we expect these governments to target development projects that will promote future export diversification into sectors such as energy, manufacturing and services. This will increase the demand for trade financing. We will continue to invest in our transactional banking platform across the continent to take advantage of these opportunities as they arise.

Standard Bank's investment in infrastructure funds

Funds	Total fund amount (million)	2011 capital contributions (million)	Paid to date (million)	Total commitment (million)
South African Infrastructure Fund	R722	0 ¹	R224,0	R224,0
African Infrastructure Investment Fund	R1 320	R5,7	R196,7	R250,0
Emerging Africa Infrastructure Fund	USD501	USD8,8	USD82,8	USD87,5
Pan African Infrastructure Development Fund	USD630	USD1,0	USD9,0	USD15,0
South East Asian Strategic Assets Fund	USD147	USD5,0	USD13,0	USD17,9

¹ Commitment has been reached and going forward we will no longer report on this fund.

Infrastructure financing

Developing power generation capacity and infrastructure is of key strategic importance for emerging economies, providing significant opportunities for providers of finance. At the centre of Africa's economic development is access to energy, coupled with the need to connect inland production facilities to ports through transport infrastructure. We draw on our financing experience and expertise to cater for increasing energy demands. Balancing this need with protecting the environment is an ongoing challenge. Our involvement in projects to increase access to renewable energy in southern Africa is discussed in the *Environment* section on page 81.

We are involved in numerous projects in support of the New Partnership for Africa's Development (NEPAD), and we play a major role in driving infrastructure development through our involvement in four key Pan African infrastructure funds and the South East Asian Strategic Assets Fund listed in the table on page 34. All project finance deals through which an asset is being developed or significantly expanded or renovated, are reviewed in terms of the Equator Principles and the IFC's performance standards.

SBG acted as the sole financial adviser to the State Grid Corporation of China on its USD1,8 billion (R13,1 billion) acquisition of seven power transmission companies in Brazil. This landmark acquisition is one of the largest investments made by a Chinese company in Brazil.

Banking the public sector

"This transaction arranged by Stanbic Bank Tanzania is a testament of how a good partnership between the government and the private sector can benefit the nation. With this loan we aim to invest in infrastructure development especially in the areas of power and roads."

*Mustafa Mkulo
Minister for Finance (Tanzania)*

The public sector's ability to fulfil its mandate to deliver services to its electorate, to reduce poverty and champion economic development relies on the effective management of government revenue and expenditure. As emerging markets continue to grow and achieve their economic development goals, public sector business will need to expand. This creates opportunities for funding large capital projects and public private partnerships.

South Africa

In South Africa, we provide the public sector with a comprehensive offering that includes corporate and investment banking as well as personal and business banking. Where feasible this model will be replicated for use in public sectors outside South Africa.



From left: Mustafa Mkulo, Minister of Finance and Bashir Awale, Managing Director of Stanbic Bank Tanzania, at the signing of the Tanzanian Government loan facility agreement.



Representatives of our Beijing, Johannesburg and Zambian offices on their three-day roadshow to the Copperbelt.

Pledge Guarantee for Health

During 2011, we provided bridge financing for the inaugural transaction of the Pledge Guarantee for Health, a new financial tool developed by the United Nations Foundation and funded by the Bill and Melinda Gates Foundation. The tool streamlines the procurement of life-saving health supplies. The USD4,8 million (R34,8 million) loan was used to finance the purchase of anti-malaria bed nets for 1,6 million people in Zambia.

R1 billion

term loan advanced to the city of Tshwane to fund capital expansion projects.

Procurement spend with BEE suppliers (Standard Bank South Africa and Liberty)



BSME spend (Standard Bank South Africa)



As education plays a critical role in the future sustainability and economic upliftment of South Africa, a large portion of our CSI spend is focused in this area.

In 2011, we raised an R850 million ten-year bond for the City of Johannesburg Metropolitan Municipality and a R1 billion term loan was advanced to the City of Tshwane to fund capital expansion projects aimed at improving services to the city's residents. We have been awarded mandates to provide transactional banking services to Ehlanzeni District Municipality, Metsimaholo Local Municipality, Mogale City, Mpumalanga Provincial Government and Victor Khanye Local Municipality. This is in addition to a number of existing mandates from local authorities. We are also focusing on providing banking services to water authorities and have acquired mandates from Rand Water and Uthukela Water.

As a dealer on the Development Bank of South Africa's Domestic Medium Term Note Programme, we raised approximately R1,7 billion in bonds for the development bank.

We believe that education is key to unlocking the economic growth potential in Africa. Through providing solutions to education institutions, we aim to alleviate challenges in the education system. During 2011, we were appointed as the transactional bankers for the University of South Africa and the Nelson Mandela Metropolitan University. This is in addition to the transactional banking services we already provide to the University of KwaZulu-Natal and Stellenbosch University.

Sub-Saharan Africa excluding South Africa

We are a leading adviser to African governments and corporates wanting to access international debt markets and we are a leading market-maker of African Eurobonds in the secondary market. To date, Standard Bank has served as a main underwriter and lead arranger on three of the six Eurobond transactions from sub-Saharan Africa, more than any other bank. During 2011, we served as lead arranger on the Republic of Namibia's benchmark sovereign bond. Additionally, we led a consortium of local and global financiers to secure a USD250 million (R1,8 billion) seven-year loan facility for the Tanzanian Government to fund infrastructure projects such as roads and rural electrification.

Our objective is to grow our market share in public sector banking and to enhance our partnerships with key industry stakeholders.

Empowerment financing

Targeted investments

Targeted investment refers to financial institutions in South Africa extending financing to areas where gaps or backlogs in economic development and job creation have not been adequately addressed. At December 2011, our targeted investment financing totalled R7 270 million (2010: R7 528 million).

We work with the South African Government, state-owned enterprises and private companies to facilitate infrastructure projects that further the economic and social development of marginalised areas in South Africa. Our aim is to identify and remove impediments to project development. At December 2011, Standard Bank's total transformational infrastructure lending amounted to R487 million (2010: R1,5 billion). As the private sector increases its role in funding the country's infrastructure needs, our client base in targeted investment lending is set to grow.

BEE transaction financing

Our BEE transaction financing contributes to transformation and wealth creation in South Africa by providing capital to black-owned businesses and facilitating direct equity ownership by previously disadvantaged individuals. We provide a range of lending, equity financing and advisory services such as the structuring of transactions, negotiating with the partners involved and arranging and underwriting funding. We focus on transactions that are fairly priced and create tangible economic value. At December 2011, the empowerment deals financed by Standard Bank were in excess of R22 billion (2010: R20 billion). A general increase in corporate activity in 2011 led to increased BEE transaction financing activity.



Case study: employee participation scheme

Strategic business alliances

We believe that partnerships are an effective means of addressing social challenges. SBG works with development finance institutions and international organisations dedicated to facilitating the Millennium Development Goals in Africa, including the distribution of donor funds. We have partnerships with the Global Fund to Fight Aids, Tuberculosis and Malaria, the United States Agency for International Development and the Investment Climate Facility (ICF) for Africa.

Standard Bank actively encourages private sector cooperation on HIV/Aids awareness and management, promoting inter-business networking and communication in South Africa and other African countries. We are a member of the PABC, the Global Business Coalition on HIV/Aids and Private Investors for Africa, a group of eight international companies with interests in Africa. Of our African operations, 14 are members of their respective National Business Coalition against HIV/Aids.



Socioeconomic development>addressing development in Africa



Case study: ICF projects

Sustainability in the supply chain

SBG promotes responsible procurement and encourages its suppliers to act ethically and responsibly. As part of our organisational restructure, we have started centralising our procurement function. Our Group Vendor Management and Procurement unit is now responsible for all procurement spend. We are developing a groupwide procurement policy that expands our existing policy to reflect these changes, and will continue to provide for effective cost management, risk mitigation, improved quality of service and legislative compliance.

In our African operations, the procurement optimisation initiative establishes a standard procurement governance structure across countries while taking into account country-specific regulations. This initiative is in place in 16 African countries outside South Africa. Under the new centralised framework, the governance of procurement in the rest of Africa will be realigned to the new groupwide procurement policy to ensure consistency across all our banking operations.

Socioeconomic development

Although we are centralising our procurement process, we still seek to procure goods and services in the countries in which we operate. We are creating a sustainable local vendor base across our operations in the rest of Africa and are aiming to increase our procurement spend with local African suppliers to 85% by the end of 2012. We achieved procurement spend of 80% with local suppliers in 2011 and are confident that we will be able to meet our target.

We encourage partnerships between our South African-based vendors and those in our operations outside South Africa, to facilitate skills transfer and increase capacity.

In 2011, Liberty yielded savings of R20 million through joint purchasing arrangements with Standard Bank (2010: R27 million).

Preferential procurement

The preferential procurement pillar of the dti codes sets specific targets for procurement from BEE suppliers, to ensure that black-owned businesses in South Africa have access to markets. It also seeks to provide incentives for purchasing from qualifying small enterprises, exempted micro enterprises, black-owned enterprises and black women-owned enterprises. We are a level two BEE contributor and classified as a value-adding supplier, a benefit that accrues to those that utilise the bank as a supplier.

During 2011, Standard Bank's and Liberty's procurement spend from BEE suppliers amounted to R17,3 billion and R3,3 billion respectively, a combined total increase of 19% compared to 2010.

Standard Bank's provincial operations assist with identifying products and services that can be purchased within the provinces. This guards against an over-concentration of spending in one region and ensures that local small businesses and suppliers benefit from the bank's procurement spend. Our procurement spend at a provincial level amounted to R853 million in 2011 (2010: R901 million).

We are focused on increasing our procurement from BSMEs. Standard Bank's BSME-weighted spend in 2011 was R774 million, a 70% increase on 2010. We support our BSME suppliers through a performance measurement process that assists in identifying opportunities to improve service delivery. Where opportunities are identified, we place these BSMEs on our enterprise development programme. This helps ensure their sustainability and mitigates supply chain risks.

During the year, Liberty hosted a Women's Forum to inform its existing black women-owned suppliers on how they contribute to Liberty's BEE rating and to update them on upcoming regulatory changes and implications. Liberty will hold regular meetings with its key suppliers to facilitate relationship building and assist them with their BEE compliance. It will also look to procure higher value products and services from black women-owned businesses.

Supplier selection

Ethical, social and environmental factors are taken into account in supplier selection. Environmental legislation, such as the South African National Environmental Management Act, has been incorporated into Standard Bank's contracts with suppliers. In addition, a sustainability questionnaire is included as part of our supplier tendering process.

We conduct formal assessments of suppliers as an integral component of supply chain management in Angola, the Democratic Republic of Congo, Ghana, Lesotho, Namibia, Nigeria, Tanzania and Zambia. We have 4 082 suppliers across these countries, and in 2011 a total of 106 (2010: 84) assessments were undertaken. Ten contracts were terminated due to non-performance. We also plan to conduct environmental audits on our vendors that supply batteries, oil, petrol and diesel for our facilities that operate mostly with back-up power systems. During 2011, we conducted one audit, missing our target of four audits. We will continue with these audits in 2012.

Investing in communities

SBG commits funding and other resources to create long-term social value for the communities in which we operate. We also view CSI as an opportunity to drive positive change in marginalised communities. In addition, we use our sponsorships to complement our social relevance and social investment objectives.

Corporate social investment

Our CSI activities are aligned with our strategic business objectives. We use CSI as a mechanism through which we can apply our resources to address social issues that can be barriers to doing business. We work in partnership with the communities in which we operate and prioritise communities in which we want to do business. We employ a research-based approach to understand the socioeconomic needs of these communities by engaging with government, other businesses and community organisations. Through merging business and CSI goals we aim to create meaningful and lasting mutual benefit.

SBG's total CSI spend in 2011 was R114 million, a decrease of 15% as a result of budget constraints.

Our social partners

In addition to baseline socioeconomic research, we conduct pre-investment due diligence. Once we decide to invest, we manage our impact on the community by undertaking site visits, engaging with our social partners and beneficiaries, and enlisting independent monitoring. We strategically select credible social partners and projects that align to our business objectives and we look for solutions that are replicable throughout our regions of operation. We measure our performance according to the number of beneficiaries reached, the number of programmes implemented and our ability to leverage business opportunities as they arise.

Education

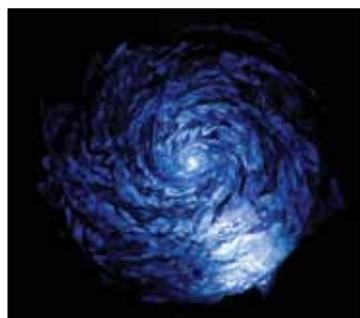
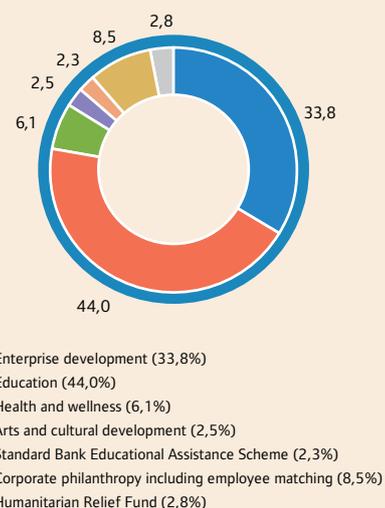
Research undertaken by Standard Bank suggests that social issues such as lack of security at schools, hunger, crime and poor psychological health and wellness among learners and teachers are barriers in South Africa's education system. Our interventions are aimed at addressing these critical issues. During 2011, we invested R31,5 million (2010: R36,2 million) in education, reaching approximately 120 000 beneficiaries in South Africa.

SBG CSI spend



CSI breakdown

(Standard Bank South Africa)



Simon Max Bannister, *Return* (From the Series *Plastikos*), 2010, Reclaimed Polyethylene, 187 x 187 x 10 cm.

During 2011, the Standard Bank Gallery featured 'Water, the [Delicate] Thread of Life', an exhibition aimed at driving awareness of how water affects our lives, and how life on Earth is threatened by the unsustainable use and abuse of limited clean water resources. The art exhibition received a very good response and attracted over 4 025 visitors, with 1 317 of these being scholars from schools around Johannesburg.

As part of our partnership with the Department of Basic Education's Dinaledi Schools Programme, we have refined our framework for investing in education by adopting 115 schools, all of which were identified by the department as part of the National Mathematics, Science and Technology Strategy. We invested R22,3 million in 2011 (2010: R20,8 million) to support these schools in becoming centres of excellence in mathematics and science, and to improve the number of learners passing these subjects in Grade 12.

In 2011, we established the Standard Bank Adopt a School Scholarship Programme to support the tertiary education of high-performing learners in our adopted schools. A total of 31 scholarships for university tuition were awarded.

Liberty's CSI initiatives focus on educational support and consumer education to improve financial literacy. It works closely with the Department of Basic Education to ensure that its investments are effective and achieve intended results. Some 78% of Liberty's CSI spend was on Mathematics and Science education, channelled through its long-term relationships with Mindset Network and Bubblegum Educational Design. In 2011, Liberty conducted an impact analysis of its flagship education projects. The study showed that Liberty has a positive impact in terms of the number of learners reached, however there was little conclusive evidence to indicate the qualitative impact on teacher development or improved learner performance in assessed subjects. Liberty will use these findings to inform the design and implementation of its education initiatives in 2012.

Humanitarian relief

SBG supports communities when they are subjected to either natural or manmade disasters. Our Humanitarian Relief Fund serves as a mechanism to alleviate suffering and maintain human dignity. During 2011, we donated R2 million to support South African communities exposed to floods, to assist Japan after the earthquake and tsunami disaster, and to support people in Somalia suffering from famine. Our Employee Community Involvement Programme provides an avenue for our staff to make their contributions to relief support. Additional support through staff matching amounted to R630 000.

Looking ahead, we will continue to support the Dinaledi Schools Programme and use our education interventions as a platform to drive enterprise development and health and wellness initiatives.

Sponsorships

We use our sponsorships across Africa to position ourselves as the leading African bank, to create meaningful connections with our stakeholders and support cultural heritage and sports development.

Due to changing business priorities, we ended our sponsorships with Cricket South Africa and soccer teams Kaizer Chiefs and Orlando Pirates in May 2011. We remain a sponsor of African football until 2016 through our sponsorship of the Confederation of African Football (CAF). The premier tournament of CAF, AFCON, will be held in South Africa in 2013 and we will use this as a platform to engage with people and their passion for soccer.

Standard Bank has supported the arts for many years. We have sponsored the National Arts Festival in Grahamstown since 1984, with a strong focus on the annual Standard Bank Young Artist awards.

During 2011, 9 595 people, including scholars, visited the Standard Bank Gallery. Each exhibition at the gallery is accompanied by a full educational supplement. During the year, the gallery featured 'Water, the [Delicate] Thread of Life', an exhibition that navigated a course through the many wonders and complexities of water. The exhibition received a very good response and showcased works by various South African artists.

For 14 years, our brand has been synonymous with jazz in South Africa. We have grown audiences and exposed them to some of the world's best talent, given local artists a world-class platform to perform on and introduced and educated young jazz stars of the future. We run several development workshops to coincide with the Joy of Jazz festival.

We have also been associated with the palaeosciences in South Africa for over 15 years, as a key sponsor of the Palaeontological Scientific Trust which has made a valuable contribution to the advancement of palaeontological research and education in Africa. Recent discoveries by palaeo-scientists in Southern Africa are providing important insights into early humans and building recognition of South Africa's heritage and scientific capability.





Economic performance

Liquidity risk and capital management

Responsible financial services

Working in emerging markets

Customer experience

Standard Bank Group's (SBG) customers range from individuals and small businesses to large corporates and governments. To sustain our business performance we must remain responsive to the markets in which we operate by understanding our customers' different needs and providing relevant products and services. To this end, we must maintain robust governance and risk management frameworks to facilitate transparent pricing structures, responsible lending, customer service and security. With operations across Africa and internationally, the group faces diverse challenges in terms of different cultures, regulatory requirements and available technology.

Our opportunities

Managing our capital responsibly enables us to meet potential future requirements.	Operating in emerging markets positions us well to take advantage of growth opportunities.	Pricing our products appropriately increases our sales opportunities and competitiveness.	Lending responsibly mitigates the risks of our customers defaulting on their repayments.	Providing a good customer experience enables us to retain our current customers and attract new customers.	Offering secure banking structures mitigates the risk of financial crime and engenders trust and confidence among our customers.
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Our challenges

The new proposals issued by the Basel Committee on Bank Supervision (BCBS) will impact our liquidity and capital management practices.

High levels of debt stress continued to impact our customers.

Increasing information security threats in the form of rising ATM fraud, identity theft and Internet Banking phishing attacks and the resources required to combat them.

75% of customer complaints lodged with the Ombudsman for Banking Services (Banking Ombudsman) relate to Internet Banking phishing, ATMs and collections, particularly in the home loans area.

2011 highlights

- Successfully adapted our pricing models to more effectively **price for risk**, particularly in the home loan market.
- Did not increase our **pricing structure** within our personal banking segment for 2012.
- Established a specialised **Group Financial Crime Control** unit.
- Completed our first Pan-African **Customer Evaluation of Bank Service** (CEBS) survey across 13 countries.

50%

increase in Standard Bank Africa's loan book.

63%

of violent crime attempts, including ATM attacks and bank burglaries, against Standard Bank were thwarted.

4,1 million

customers in South Africa registered on the MyUpdates service, an automated customer alert system.

Measuring performance

We delivered a strong set of results in 2011. We lifted headline earnings to R13,6 billion, up 21% on the prior year and increased dividends paid to shareholders. Our return on equity of 14,3% was an improvement on the prior year ratio of 12,5%. In a difficult operating environment we were able to achieve our objective of holding total operating expenses flat year on year. This allowed a strong growth in earnings to be generated from a muted growth in revenue. The combination of higher revenues and lower costs had a favourable impact on the cost-to-income ratio. Credit impairment charges were 13% lower at R6 436 million from R7 394 million in 2010, reflecting an improved credit environment.

Key SBG indicators		2011	2010	2009
Financial results				
Return on equity	%	14,3	12,5	13,6
Headline earnings per share increase	%	21	(5)	(20)
Distribution per share	cents	425	386	386
Total assets	Rm	1 497 430	1 337 521 ¹	1 297 788
Total capital adequacy ratio	%	14,3	15,3	15,1
Market capitalisation	Rm	156 889	170 471	158 942
Third party assets under management	Rm	541 000	512 000	527 300
New insurance business margin	%	1,4	1,2	1,3
Retail customer base				
Standard Bank South Africa		>9 800 000√	>9 300 000	>9 000 000
Standard Bank Africa		>2 484 000	>2 265 000	>1 880 000
Liberty - credit life policies in force	million	2,0	1,5 ²	1,6 ²
Key Standard Bank South Africa indicators				
Market share				
Mortgage advances	%	28,8	27,1 ¹	26,4 ¹
Instalment finance	%	18,3	17,7 ¹	19,6 ¹
Card debtors	%	30,6	32,1	34,4
Deposits	%	24,6	24,1	24,1
Customer compliments and complaints				
Number of compliments ³		16 170√	24 064	13 429
Number of complaints		76 679√	82 513	72 106
Ombudsman for Financial Advisory and Intermediary Services				
Amount claimed by customers	Rm	6,4√	15,4	17,2
Amount settled by the bank	Rm	1,3√	1,6	1,2

¹ Restated.

² Restated to include 32 policies which collectively cover 208 000 individual lives. Funeral policies are also now excluded.

³ These are compliments received by the bank on the complaints handling process only.

√ Externally assured (refer to assurance statement on page 89).

Financial indicators

	Achieved in 2011	
	Normalised %	IFRS %
Return on equity	14,3	14,6 √
Headline earnings per share increase	21	21 √
Cost-to-income ratio	58,8	59,0 √
Credit loss ratio	0,87	0,87 √

√ Externally assured (refer to assurance statement on page 89).

Note: this table refers to continuing operations only.

Liquidity risk and capital management

Banking and trading activities result in continuous exposure to financial risk. Financial institutions must maintain suitable levels of liquidity and capital to ensure the continuity of both their day to day operations and their ability to meet future requirements. Liquidity and capital is managed by SBG's newly established Group Treasury and Capital Management division, which aims to contribute to shareholder value by managing SBG's balance sheet and financial resources in a way that is optimised, comprehensive and integrated across all our operations.

The BCBS has issued new proposals, commonly known as Basel III, aimed at improving the ability of banks to absorb losses arising from financial and economic stress and thereby reducing risk to the real economy. The framework will focus on improving the quality and quantity of a bank's capital base and will include the introduction of a global liquidity standard that will require banks to have resilient liquidity bases for both the short and long term. This strengthening of the regulatory capital framework will impact our liquidity and capital management practices.

Liquidity management

Our liquidity risk management framework measures and manages our liquidity positions to ensure that funding requirements and payment obligations can be met under both normal and stressed conditions. The Group Risk Oversight Committee and the SBG Board of Directors review our liquidity risk standards annually.

At December 2011, our liquidity buffer amounted to R148,1 billion (14,9% of funding-related liabilities) and our long-term funding ratio was at 25,3%. Across the group there has been a significant increase in the unencumbered surplus liquidity portfolio since 2010 where our liquidity buffer amounted to R106,8 billion (12,7% of funding-related liabilities). This was a result of deployment of gathered liquidity into short-term bank placements and securities over year end. Our long-term funding ratio stood at 26,6%.

During 2011, we focused on optimising our liquidity resources and buffers particularly in relation to asset growth in the second half of the year and the heightened stress in the Eurozone. Ongoing attention was applied to the implications of the latest Basel III requirements and new term lending volumes were carefully monitored and priced to ensure that the potential costs associated with the anticipated changes are well considered.

Capital management

The group's capital management framework is designed to ensure that SBG and its principal subsidiaries are capitalised in line with the risk profile, regulatory requirements, economic standards and target ratios approved by the SBG board.

The following elements form part of our capital management process:

- Maintain sufficient capital resources to meet our risk appetite and economic capital requirements, as well as regulatory capital requirements set by local and foreign regulators.
- Responsibly allocate capital to support our strategic objectives and optimise the returns on economic and regulatory capital.
- Maintain the adopted dividend policy and dividend declarations in line with shareholder and regulatory expectations.
- Develop, review and approve the internal capital adequacy assessment process including short to medium-term capital planning and stress testing.

SBG remained well capitalised at December 2011, with a total capital adequacy ratio of 14,3% (2010: 15,3%) and a Core Tier 1 capital adequacy ratio of 11,3% (2010: 12,0%). This exceeds the current minimum Basel II requirements and positions the group well to meet potential future requirements arising from the new Basel III guidelines expected to come into effect in January 2013.

In preparation for Basel III, we participated in two quantitative monitoring impact assessment surveys during 2011 under the guidance of the Bank of International Settlements. The results confirmed our ability to meet the proposed requirements.

At December 2011, available financial resources covered the total economic capital requirement by 1,5 times compared to our internal minimum target coverage ratio of 1,15. Liberty's capital adequacy ratio at December 2011 was 2,9 (2010: 2,7), exceeding the statutory minimum requirement of 1,0 stipulated by the Financial Services Board (FSB) and in accordance with the Long-term Insurance Act.

Further information on liquidity risk and capital management can be found in *SBG's Risk and Capital Management Report* (Book 2 of the Annual Integrated Report).

Responsible financial services

One of our group values is 'Serving our customers', which requires us to treat our customers fairly and provide products, services and solutions to suit our customers' needs provided that everything we do is based on sound business and governance principles.

Various pieces of South African legislation are designed to ensure that consumers' rights are protected and that we offer our customers responsible financial products and services. These include the Consumer Protection Act, the Financial Advisory and Intermediary Services (FAIS) Act and the National Credit Act. We provide ongoing consumer education advising customers of their rights, including the existence of the Banking Ombudsman and the National Consumer Commissioner. Over and above this, the group voluntarily endorses and subscribes to a number of codes of conduct such as the Code of Banking Practice, which sets out the industry's commitment to high standards of responsible customer service.

Treating customers fairly

Treating Customers Fairly (TCF) is an approach to market conduct regulation that will be implemented in the South African financial services sector over the next three to four years. Standard Bank and Liberty were invited to participate in the FSB's TCF self-assessment pilot exercise in 2011. We fully support the principle of TCF and welcomed the opportunity to contribute to the development of this regulatory framework while simultaneously being able to assess our own readiness. The self-assessment identified certain areas where we need to improve to meet TCF requirements, such as a more integrated approach to managing customer experience.

Liberty's TCF Steering Committee is responsible for initiating, driving and monitoring its TCF activities supported by sub-committees in each business unit. Liberty is developing an introductory TCF training course for its employees, which will be launched in 2012 together with an internal awareness campaign.



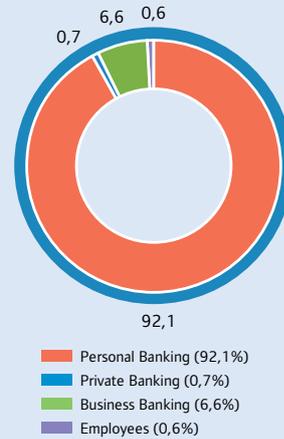
Economic performance > responsible financial services

Indebtedness

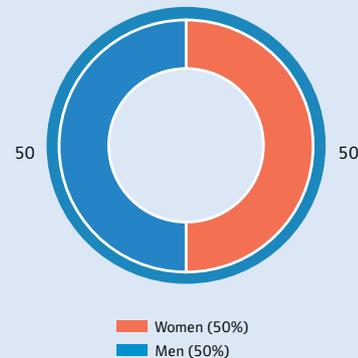
Making credit available through home loans and business loans contributes to job creation and economic growth. Our objective is to always lend responsibly, in compliance with legislation and based on stringent affordability and credit-granting criteria. We apply a high-level credit standard across all our banking operations covering rehabilitation policies, debt management procedures and policies, collection scorecards and collection strategies.

During 2011, growth in lending was strong, despite reduced consumer demand for new borrowing. High levels of debt stress continued to impact on arrears.

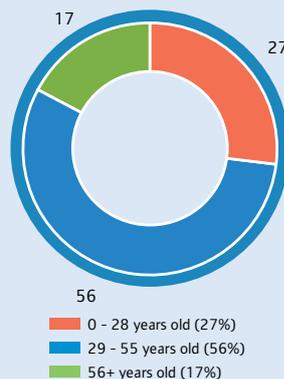
Retail customers: banking segment
(Standard Bank South Africa)



Retail customers: gender composition
(Standard Bank South Africa)



Retail customers: age composition
(Standard Bank South Africa)



41 000

distressed customers in South Africa assisted so that they were able to retain their homes and vehicles.



Standard Bank Namibia's Angolan Desk at its Maerua Mall branch in Windhoek provides Angolan nationals travelling to Namibia with full banking services.



Standard Bank at the Institute for Municipal Finance Officers conference.



Group Chief Executive, Jacko Maree (middle) at our Africa Branch Conference which rewards Standard Bank Africa's leading branch managers. The conference was attended by 40 branch managers from across our African network.

During the year we successfully adapted our pricing models to more effectively price for risk. This has been most effective in the home loans market, resulting in Standard Bank growing its market share to be the largest provider of residential mortgages in the affordable housing segment, as well as in mainstream residential property, in South Africa.

We reduced the minimum repayment due on outstanding balances across all our credit card accounts in South Africa from 5% to 3%. Our objective was to make credit more accessible, stimulate consumer demand and assist our customers to manage their monthly expenses more efficiently. We have seen a material improvement in the month on month credit card portfolio performance since August 2011, with the percentage of non-performing loans decreasing from 7,6% in 2010 to 5,7% in 2011. The credit impairment charges, or bad debts costs, totalled R350 million with a credit loss ratio of 1,8%, down from R717 million and a credit loss ratio of 3,6% in 2010.

We strive to proactively identify customers at risk of default and assist those who are already in financial distress. We employ a robust rehabilitation practice which has helped over 41 000 (2010: 75 000) distressed customers, with a total outstanding loan obligation of greater than R30 billion, retain their homes and vehicles.

In the rest of Africa, our increased risk appetite has increased our loan book for this business by over 50%. Despite this growth, our credit loss ratio has remained stable. This is attributed to our improved efficiency in collections across Africa. The updated rehabilitation and recoveries model that we began implementing in 13 African countries in 2010 is based on international best practice for emerging markets, and is now firmly entrenched. Our collections rate has increased by 50% compared to 2010, and we met our internal collections target for 2011. The impact of this model has helped us assist over 2 000 personal customers and more than 200 businesses during the year.

Looking forward, given the global turmoil and deteriorating economic outlook, we expect 2012 to be a challenging year. In particular, demand for loans and advances is expected to be subdued. The good progress made in reducing impairments is likely to be negatively impacted by continued high levels of indebtedness and strained affordability. Economic uncertainty coupled with the absence of growth in disposable income (and possibly job losses) means that recovery will likely be slow. In the rest of Africa,

the focus for 2012 will be on enhancing our systems and tools and on collection processes, with the aim of further reducing the cost of credit.

Pricing

We are open and transparent in terms of our price adjustments and aim to ensure that our customers have full knowledge of the bank fees charged and the reason behind these charges. To remain accessible to our customers, we have invested in a wide infrastructure network of branches, ATMs, access points at community retailers and loan centres. This means we have a higher cost structure than new entrants into the banking industry. However, our larger footprint benefits our customers as it reduces their need to use our competitors' ATMs and incur the associated higher cost.

We encourage our customers to transact more efficiently and conveniently through alternative cost effective self-service channels such as ATMs, Internet Banking and the mobile channel. As we migrate customers to these channels we are reducing our cost structure and passing these savings back to our customers. These cost savings, as well as the prevailing economic conditions and consumer and business confidence, contributed to our decision to not increase our pricing structure within our Personal Banking segment for 2012, with marginal increases being made for our Business Banking customers. In addition, from January 2012 our customers now receive certain services for free including the MyUpdates notification service, Internet Banking and mobile network charges on Cellphone Banking.

Each of our operations across Africa has a different pricing model and complies with individual country regulatory requirements.

Liberty periodically reviews its pricing of major product lines. Investigations are conducted to determine the expected claims costs prior to finalising revised premium rates. These investigations assist Liberty in ensuring that all criteria are priced accurately and consistently. For most of 2011, Liberty's rates were ranked in the top three most competitive in the market.

Responsible investment

Liberty aims to give environment, social and governance (ESG) factors full consideration in the investment process, while performance remains a priority. The voting behaviour of asset managers is actively monitored to ensure consistency with ESG principles and customers' investment objectives.

STANLIB is a signatory to the United Nations Principles for Responsible Investment (UN PRI) and the Code for Responsible Investing by Institutional Investors in South Africa (CRISA). Both frameworks encourage institutional investors to incorporate ESG issues into their investment analysis and decision-making processes. CRISA is aimed at assisting institutional investors in South Africa with the practical implementation of the UN PRI.

STANLIB has incorporated the UN PRI and CRISA principles into its research investment process and by December 2011, STANLIB had collected baseline data on approximately 50 companies that are currently in its investment portfolio. As STANLIB's investments usually have a five-year mandate, whereas ESG impacts are longer term in nature, striking a balance between investment performance and ESG considerations is a challenge to enforcing the UN PRI. In addition, STANLIB's internal limits restrict its shareholding in a company to no more than 10% when investing. In practice, this figure typically ranges between 1% and 3%, making it difficult for STANLIB to champion ESG issues effectively. Despite these challenges, STANLIB remains committed to observing both frameworks.

The revised Regulation 28 to the Pension Funds Act of 1956 that came into effect in January 2012 is influenced by the UN PRI. This regulation is mandatory and provides guidelines on the asset classes in which pension funds can invest. Liberty is identifying the compliance of its current investment portfolios, amending its processes and systems and engaging with the FSB on the outstanding Regulation 28 implementation issues. Four STANLIB funds are registered as complying with Regulation 28. STANLIB has developed an online tool to assist financial advisers and investors to determine the Regulation 28 compliance status of investments.

New products and services

The consumer environment is dynamic and servicing the changing needs of customers in the most efficient way is always a challenge. We constantly look for better ways to meet the needs of current and future customers and our approach is one of promoting accessibility, inclusivity, value for money and choice within the financial services market. Before large-scale rollout, products are launched in a pilot phase to ensure that they meet customer needs and do not unfairly impact on them.



Secure banking

SBG seeks to create a proactive environment in which financial crime is effectively detected and prevented as soon as possible, and responsibly managed if it occurs. During 2011, we established a Group Financial Crime Control unit responsible for minimising the impact of financial crime, protecting our reputation and ensuring the safety of our people and assets. The unit includes investigators, forensic accountants, lawyers and employees with expert knowledge of bank systems and processes. It will ensure that we have a comprehensive view of financial crime trends across business units, channels and geographical areas.

We are advancing our financial crime prevention and detection capabilities in our operations outside South Africa. In 2012, we will undertake full risk assessments within each African operation and implement branch, cash centre and country office audits. These will enable us to determine and implement the relevant security measures required in each case.

Liberty participates in the Group Financial Crime Committee to ensure standards and policies are aligned, and knowledge and lessons learned are shared.

In South Africa, we support industry initiatives that combat criminal activity and develop public private partnerships to ensure successful prosecutions. In 2011, we worked with the South African Banking Risk Information Centre (SABRIC) to launch phishing, card skimming and carrying cash safely media campaigns. We have also launched online fingerprint verification, a banking industry initiative facilitated through SABRIC and the Department of Home Affairs. This provides an additional authentication mechanism at various points within our branch network and will reduce the use of fraudulent identity documents.

Across our banking operations, we conduct programmes on customer security and fraud awareness. The Group Financial Crime Control unit drives fraud detection and prevention training for employees and during 2011, over 600 awareness sessions were held across the group.

We have identified our top threats as being channel, employee and procurement fraud, and money laundering, as well as physical and information security threats. Of particular concern in 2011 was the increased number of associated robberies across South Africa, where customers were robbed on the way to or after leaving a bank. In addition to the abovementioned media campaigns on carrying cash safely, we are providing employees and security

guards with awareness training on how to identify the perpetrators of this type of crime. We are also working with other industry stakeholders to gather intelligence and develop further initiatives that will raise customer awareness.

Combating fraud and corruption

During 2011, Standard Bank continued to prevent fraud through proactive interventions in the areas of origination, fraud detection, insurance and asset management, as well as through our fraud prevention programme, FraudStop. Some 21% of the potential fraud losses against the bank prevented in 2011, is attributed to the FraudStop Programme.

Liberty recorded 1 069 (2010: 928) cases of suspected fraud during 2011. A total of 105 actions against offenders of fraud and corruption were taken.

During 2011, 78 out of an industry total of 991 (2010: 106 out of an industry total of 989) Standard Bank employees were placed on the Register of Employees Dishonesty System, a data file maintained by the Banking Association of South Africa that records the names of all employees in the financial industry dismissed as a result of dishonesty. We have also implemented a 'name and shame' procedure in South Africa, communicated to staff through our regular employee communication channels. Where a staff member is convicted in a court of law, their name, offence and sanction are published.

Both Standard Bank and Liberty have confidential and anonymous fraud and ethics whistle blowing reporting hotlines operated by independent service providers. Feedback indicates that there is a growing level of trust among employees that the reporting hotlines and resultant investigations are independent and action-orientated. During 2011, there were 505 incidents of alleged fraud and ethics misconduct reported across SBG, with South Africa accounting for 96% of these. Some 412 of these reports have been investigated and closed, with the remainder still under investigation. The most common alleged violation concerns external fraud or misconduct, representing 80% of the reports received.

Physical security threats

Standard Bank sites in South Africa undergo continuous security assessments to identify control weaknesses in processes, procedures and physical security systems. The most significant physical security risks include associated robberies, vault attacks, breaches of cash centre security and ATM bombings.

Revised security measures have resulted in a reduction in the number of high-risk branches in South Africa from 115 in January 2011 to six in December 2011. We also successfully thwarted 63% of violent crime attempts including ATM attacks, associated bank robberies and bank burglaries. The value of losses incurred from incidents of violent crime reduced by 47% compared with 2010.

In 2011, there were 227 attacks on South African ATMs, resulting in an industry loss of R32 million. Of these, 36 were Standard Bank ATMs with 13 incurring cash losses totalling R1,8 million. This is a 5% decrease from R1,9 million in 2010.

Information security threats

The most significant information security challenges we face are the rising incidents of ATM fraud (particularly card skimming), identity theft and phishing attacks.

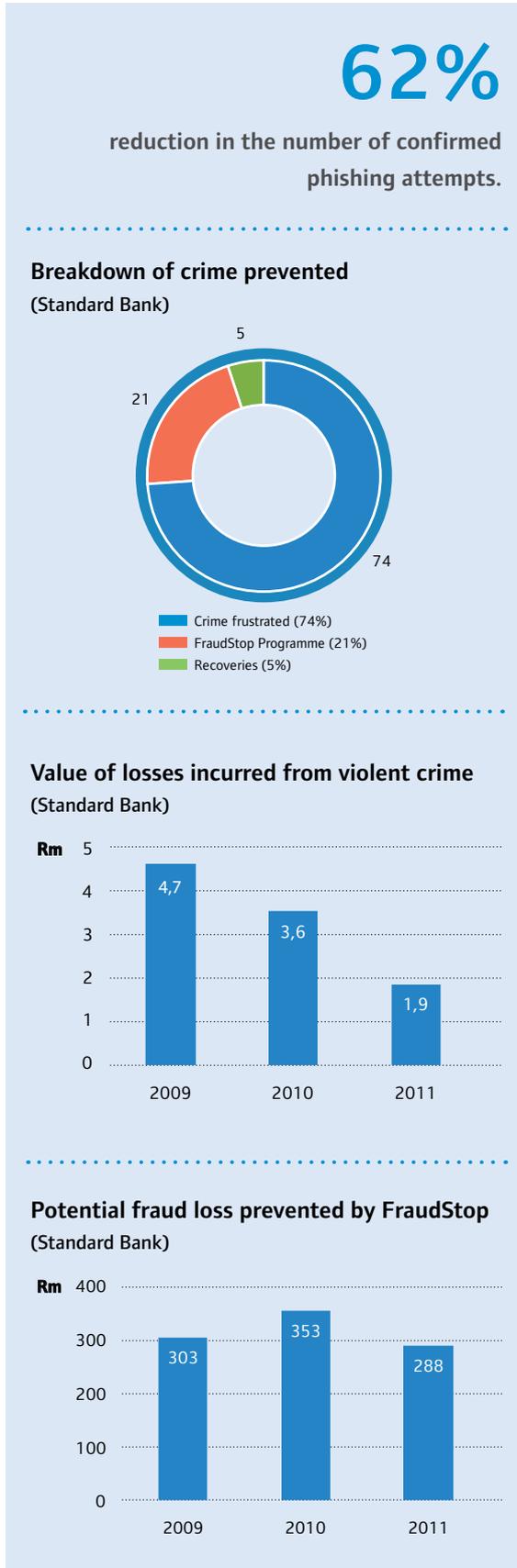
During 2011, we continued with the roll out of MyUpdates, an automated customer alert system that alerts our customers by SMS or email whenever there is any activity on their accounts. By December 2011, we had registered 4,1 million customers on the MyUpdates service.

We are committed to protecting the confidentiality of customers' banking details and we take every measure to close down sites that purport to represent Standard Bank. In South Africa, we provide free anti-phishing software, Trusteer, to our customers. While the liability for losses incurred through phishing remains with customers, we are committed to taking whatever action we can to preserve funds on behalf of victims. The preventative measures we have deployed have reduced the number of confirmed phishing attempts by 62% and the fraud loss thus prevented totalled R81 million.

Money laundering control

Each banking operation within SBG has a Money Laundering Reporting Officer responsible for ensuring that the operation has procedures and processes in place in compliance with local legislation and SBG's policies and standards. Our policies and procedures are constantly reviewed to take account of regulatory developments and international best practice.

Where parts of our operation have demonstrated that the group minimum standards cannot be adopted in a practical manner, particularly where they are inconsistent with local regulatory requirements, a dispensation process is followed. Training is provided to all our employees to ensure that they understand



what their obligations are in terms of money laundering and terrorist financing controls, and how to fulfil such obligations, thereby protecting themselves as well as SBG from being used for money laundering or terrorist financing purposes.



Economic performance > secure banking

Working in emerging markets

With South Africa's inclusion into BRICS (Brazil, Russia, India, China and South Africa), we anticipate increased trade flows and foreign direct investment, particularly between China and emerging markets. Mining opportunities are abundant throughout Africa and there is increasing demand from BRIC countries for Africa's mineral and energy resources. Coupled with this, Africa can benefit from the development of power and other infrastructure required to access these resources. With South Africa as our home base, our footprint and experience across sub-Saharan Africa and our sector expertise particularly in natural resources, we are well positioned to take advantage of these opportunities.

We plan to expand in the high-growth markets of Angola, Botswana, Ghana, Kenya, Mozambique, Nigeria, Tanzania and Zambia. We will continue to build first-class, on-the-ground banking franchises in these chosen markets, investing in people, branch networks and systems. We have put in place strategies to increase our market share in Nigeria's banking sector, and increased our branch network by a further 33 branches during 2011. We are now represented in every state of the country. We consider Nigeria to be a key market for the group and our objective is to be a leading financial services organisation in the country.

Our strategic partnership with ICBC is a central element of SBG's strategy to be the leading financial services institution in Africa. Since ICBC acquired a 20% shareholding in SBG in 2008, we have formally cooperated on numerous transactions across multiple geographies and sectors. Our partnership is a clear differentiator in respect of our overall value proposition to Standard Bank's Corporate & Investment Banking clients in and outside China. It is this unique access to China and Africa that is increasingly getting the attention of Chinese and African executives, governments and central bank officials.

Our operation in China is staffed predominantly with internationally experienced Chinese professionals working with our in-country teams elsewhere in the world. This provides the right cultural balance to ensure robust cross-border connectivity. Our model is specifically designed and resourced to support cross-border business rather than to pursue domestic banking business in China. SBG and ICBC are currently involved in approximately 110 projects, some of which include the pre-export financing of cocoa from Ghana, infrastructure development in Zambia, a 60 000 megawatt power station in Botswana and the construction of an expressway in Nigeria.

During 2011, we signed an agreement in terms of which ICBC will acquire 80% of Standard Bank Argentina, with SBG maintaining a 20% shareholding. With China being Argentina's second largest trading partner, the proposed transaction will provide ICBC with an entry point into Argentina as the first Chinese bank to operate there. SBG has been operating in Argentina for over 12 years and the proposed transaction presents an opportunity to realise value from the group's successful investment in Argentina and to further develop our partnership with ICBC.

During the year, we also sold our shareholding in Russian investment bank, Troika Dialog Group Limited (Troika), to Sberbank. Russia remains a key focus area for SBG and we are confident that our strong African presence, combined with Sberbank and Troika's regional leadership, will provide an enhanced range of mutual business opportunities.

Liberty currently has a presence in 14 countries outside South Africa. Within these regions, growing incomes among consumers are providing Liberty with the opportunity to provide insurance products. To tap into this market, Liberty will leverage on its bancassurance agreement with Standard Bank and strengthen its distribution channels, particularly through Standard Bank Africa's branch network.

During 2011, Liberty concluded its acquisition of the non-banking operations of CFC Stanbic Bank in East Africa, providing it with a broad wealth business covering Kenya and Tanzania. The new entity, CFC Insurance Holdings, listed on the Nairobi Stock Exchange in 2011. In addition, in Botswana, Kenya, Namibia and Swaziland, Liberty acquired Standard Bank's interests in STANLIB.

Customer experience

SBG engages with customers to assess their satisfaction and seeks to continuously improve the quality of the customer experience. With sub-Saharan Africa at the core of our strategy, the challenge is to understand and meet the different needs of customers in the diverse markets in which we operate. Each employee is responsible for the experience that our customers receive; therefore we invest in the training and development of our people to ensure effective communication with our customers and a relevant, consistent and positive customer experience.

Channel experience

We have set a target to achieve a customer service rating of greater than nine out of ten across all Personal & Business Banking channels in South Africa. At December 2011, two channels out of a total of ten achieved this target; however, of the remaining eight channels, only one scored below 8,5. These scores were determined by surveying over 65 800 randomly selected Standard Bank customers. While Standard Bank commissions the survey, it is conducted by independent external service providers. The research identified that there are still areas of service inconsistency, while keeping customers informed remains an area for improvement.

This survey indicates that our customer service is of a high standard. However, we are disappointed that Standard Bank South Africa lost its number one spot as Best Bank for Customer Service in the 2011 Ask Afrika Orange Index survey which measures customer perception. In the banking category we achieved fourth place. Customer experience requires continuous focus as our customers' needs are ever-changing. We are using the lessons from the survey to improve our service.

In the rest of Africa, we completed our first Pan-African CEBS survey, surveying approximately 17 500 customers across 13 countries. Out of a possible ten points, we obtained scores of 8,06; 8,03 and 8,15 within the personal, business and private banking sectors respectively. We will set improvement targets based on these results and will undertake this survey at least twice a year going forward.

Standard Bank Africa achievements...

500th

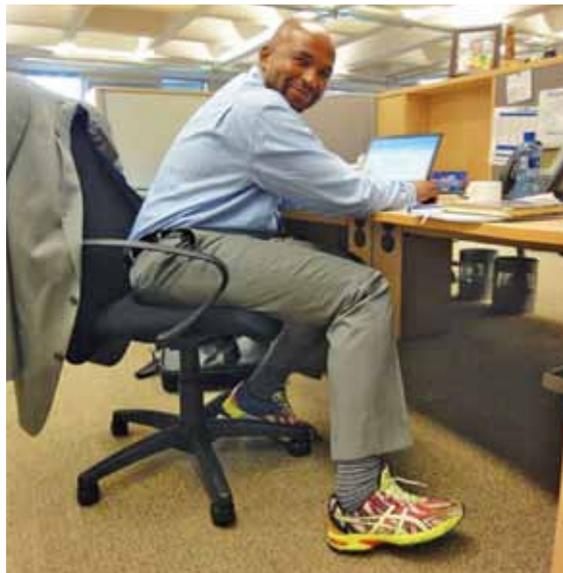
branch opened.

2 500 000th

customer banked.

3 000 000th

account opened.



Wanting to encourage her staff to serve customers more quickly, a manager in our Malelane branch in Mpumalanga introduced the concept of wearing sneakers (or takkies as they are known locally) to work. The practice became a culture within the branch with positive results being experienced by customers. Takkie Day has since been adopted across Personal & Business Banking in and outside South Africa.

Economic performance

The table below reflects Standard Bank's satisfaction ratings per business channel for 2011.

Standard Bank's customer satisfaction ratings (out of ten) in South Africa

Customer satisfaction ratings (out of ten)	Branches	Private Banking suites	Business Banking	Customer Contact Centres
2011	9,40✓	8,82✓	8,80✓	8,61✓
2010	8,85	8,62	8,68	8,59
2009	8,74	8,44	8,63	8,34

Source: Customer Experience Measurement surveys conducted by Synovate and Plus 94.

✓ Externally assured (refer to assurance statement on page 89).

In 2011, we changed our survey methods in the South African business market. As the behaviour of larger companies is different to that of small companies, we decided to divide the sample based on turnover. The results are reflected in the table below.

Service ratings (out of ten)	Turnover		Turnover	
	R150 000 – R10 million	R10 million – R100 million	R100 million – R600 million	Turnover
Standard Bank	7,5✓		7,6✓	7,7✓
Absa	7,3		7,3	7,4
First National Bank	7,2		7,5	7,5
Nedbank	7,4		7,4	7,6

Source: Galactica and Zodiac Surveys.

✓ Externally assured (refer to assurance statement on page 89).

Managing complaints

In South Africa, Standard Bank's customers are able to lodge a complaint through any Personal & Business Banking channel such as our website, call centres, branches and loan centres, and experience a consistent complaint-handling process. Complaints that cannot be resolved at the channel level are escalated to our Service Recovery unit and those requiring further investigation are routed to a specialist Complaints Resolution Centre. Customers who are unhappy with the outcome of their complaints have the right to escalate their complaints to various industry ombuds functions. The FAIS Ombud and the Banking Ombudsman are the most frequently used. In 2011, the amount claimed by customers from the FAIS Ombud totalled R6,4 million. The amount settled by Standard Bank was R1,3 million, representing 20% of claims. The balance of claims are still pending judgement, have been recalculated based on the circumstances of the case or have been dismissed in the bank's favour. During the year, R28,9 million was claimed by customers from the Banking Ombudsman and the amount settled by the bank was R9,8 million. Around 75% of these claims relate to Internet Banking phishing, ATMs and collections, particularly in the home loans area.

Overall the number of customer complaints resolved in favour of customers through the ombuds decreased in 2011, indicating that the measures we have put in place to efficiently resolve complaints upfront are working.

Our internal Customer Dispute Adjudication office also assists with customer dispute resolution. This office is independent and positioned outside normal operational complaint handling structures. Decisions made by the office are final and binding on behalf of the bank, and through this function additional customer claims have been settled by the bank.

During 2012, we will roll out the SAP system, which will provide us with a consolidated view of each customer's interaction with the bank, enabling us to process queries more efficiently. We will also further enhance our customer service levels aligning customer experience measurements across all customer channels, product and support areas in South Africa.





Valuing our people

Talent resourcing

Leadership capability

Maximising our human capital

Performance and reward

Sustainable employment practices

Employee community involvement

Valuing our people

Our employees are the key differentiator in achieving our strategy. We aim to achieve superior business results through a positively contributing workforce. We seek, retain and reward individuals who share our passion and strive to deliver superior results. Through people practices and processes that support and enable the contributions and diversity of our people, we are delivering an improved experience to our employees in all their interactions and engagements within Standard Bank Group (SBG).

Our opportunities

Employing and developing graduates enables us to build a strong succession pipeline of future leaders.

Investing in skills development programmes builds skill in the broader economy, leading to more potential employees and customers.

Rewarding employees fairly helps us attract and retain individuals who deliver results that enable us to achieve our strategy.

Building an inclusive and engaging culture leads to empowered, motivated and customer-focused employees.

Proactively managing the health of our employees reduces costs associated with absenteeism.

Instilling sustainable and fair employment practices strengthens our reputation and our relationships with governments.

Our challenges

Tough economic times and stringent austerity measures have meant a 21% decrease in training spend compared to 2010.

Malaria, HIV/Aids and tuberculosis directly affect our business through the loss of skills, increased resource requirements and cost of managing the health of our workforce.

A shortage of specialist skills in the financial sector, particularly in our African operations.

We have not met our employment equity targets for middle and senior management levels.

2011 highlights

- Held the first **global SBG graduate induction programme**.
- Became a member of the International Labour Organisation's **Global Business and Disability Network**.
- Undertook a **statistical analysis** to identify areas where there are significant differences in remuneration.
- Reported a **10%** overall drop in malaria cases across our operations in Africa.
- Updated our **employment equity plan** for the next three years.

87%

of the participants in our 2011 graduate programmes held in South Africa, were black.

4 256

Standard Bank and Liberty employees in South Africa underwent voluntary HIV testing.

84%

of appointments at junior management level were from designated groups.

Measuring performance

The turnover table below provides a breakdown in the movement of our employee numbers over the year. Employees working in the Argentinean operation have been included. Recruitment refers to the number of newly appointed staff from outside the organisation. Under exits, the voluntary exits show employees that have left our employ during the year, while the involuntary exits includes retrenchments, retirements and disciplinary actions.

	2011	2010	2009
Permanent employees at the beginning of the year	53 351	51 411	50 321
Add: Recruitment	4 494	6 766	5 455
Acquisitions	471	379	449
Less: Exits	(6 189)	(5 205)	(4 814)
Voluntary	(4 351)	(3 638)	(3 284)
Involuntary	(1 838)	(1 567)	(1 530)
Permanent employees at the end of the year	52 127	53 351	51 411

Key SBG indicators	2011	2010	2009
Employee headcount	52 127 [√]	53 351	51 411
Women employees	% 57 [√]	57	57
Employee turnover rate	% 11,6 ^{1√}	10,1	10,0

Attendance in leadership and graduate development programmes

Leadership development programme participants	1 004	3 965	3 740
Graduate development programme participants	153	205	262

Training spend

SBG	Rm	484	612	552
• Training spend as a % of staff costs	%	2,2	2,8	2,8
Standard Bank South Africa	Rm	358 [√]	450	419
• Training spend as a % of staff costs	%	3,2 [√]	4,1	4,3
Liberty	Rm	21 [√]	21	27
• Training spend as a % of staff costs	%	0,8 [√]	0,9	1,3

Number of injuries²

		289	286	415
Standard Bank South Africa		243	257	268
Standard Bank Plc		15	11	6
Liberty		31	18	141

Employee matching schemes spend	Rm	6,5	5,4	2,3
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Key Standard Bank South Africa indicators

	2011	2010	2009
Learnership participants			
Letsema (matriculants)	48	100	156
Kuyasa (graduates)	21	42	29
Banking Skills Academy	311	564	79

Disciplinary incidents

Total disciplinary incidents	1 451	1 486	2 240
Total cases referred to the Commission for Conciliation, Mediation and Arbitration	134	119	142

¹ The total turnover for 2011 is much higher than the previous year due to retrenchment exits. Voluntary turnover for total staff for the group was higher in 2011.

² No serious injuries leading to permanent disability.

[√] Externally assured (refer to assurance statement on page 89).

Our strategic imperatives in managing our people are to:

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

Talent resourcing

Our recruitment policy is to ensure the placement of appropriate talent, at the appropriate time and cost, in the correct position, while maintaining a diverse and inclusive workforce. The shortage of specialist skills in the financial sector, particularly in our African operations, is a major challenge for the group and we compete with other financial institutions and companies in other sectors for skilled people.

We seek to redeploy and develop talent internally, as we believe that moving people within the group provides our employees with the skills and experience needed to operate in a multi-national, multi-cultural environment. When sourcing people from outside Standard Bank, we seek to reflect the markets in which we operate by hiring locally wherever possible. Where skills shortages exist or we need to increase skilled capacity, we will hire externally. Currently 105 of our South African employees have been deployed into positions within our African operations, the remainder of our staff complement in these operations has been hired locally. In addition, we are establishing initiatives to attract talented Africans living abroad back to their countries of origin to further strengthen local hiring. This will provide a pipeline of local talent for future appointments into senior management positions and will provide local employees with mentors who can assist them to be successful in their roles.

Graduate programmes

Our approach is to employ top calibre graduates to become part of our talent pipeline. With graduates starting their careers with us, we contribute to shaping the future leaders of the group while bringing in new talent that can help our business adjust to the challenges of the fast-paced, ever-changing environments in

which we operate. In 2011, 153 (2010: 205) people from Africa, Asia, Europe and North and South America participated in our graduate programmes. Some 44% of these graduates were women, and of our South African complement, 87% were black.

In 2011, we held the first global SBG graduate induction programme to introduce our graduates to the group's executives, provide an overview of SBG's strategy and business unit operations, and facilitate global networking. In South Africa, we held the first winter school for graduates. This initiative exposed prospective applicants to the financial services industry and to Standard Bank, as well as provided the bank with the opportunity to observe the university students for future hiring purposes.

Looking forward, we will extend our graduate programmes into East and West Africa and we will host educational sessions across campuses to assist students in making informed decisions regarding careers in banking and information technology.

Leadership capability

SBG accelerates the development of individuals and teams of people who are vital to achieving our strategy. We take a global approach to leadership development, with tailored implementation depending on business area and region.

The Global Leadership Centre is an innovative, high quality and comprehensive learning facility that provides our managers with leadership development opportunities. Tough economic times and stringent austerity measures within SBG has meant that fewer leaders participated in formal training programmes, from 3 965 in 2010 to 1 004 in 2011. During 2011, over 50% of the leaders that participated in formal training programmes in South Africa were black employees.

We have reviewed and enhanced our leadership programmes to ensure customer centricity, that we are capable of competing in our chosen markets and have the ability to lead and execute change. These revised programmes will be implemented in 2012.

In Nigeria and Ghana we piloted a Strategic Leadership Programme, which exposes employees to the global environment and facilitates executive networks. The programme will be rolled out to other African countries of operation in 2012. We have also successfully implemented a more consolidated learning approach by combining traditional classroom-based training with practical learning, both at the centre and in our country operations.

Maximising our human capital

We are committed to identifying, attracting, retaining and developing inspired and self-motivated people to ensure that we have the best talent with the right skills, deployed in the right place at the right time to deliver business results. Inherent in our approach is to ensure we have the talent and skills necessary to effectively integrate SBG's strategic priorities and changing business conditions with the longer-term demands of the group.

Talent management

Our key focus in 2011 was on establishing a clear view of the strength and capabilities of our talent across the group, particularly in critical roles. We have focused on building robust succession plans and ensuring the appropriate quality of talent in key management roles. Scorecards are being introduced for each business area to hold line managers accountable for the quality of talent of the people they manage.

Skills development

A key initiative in 2011 was to ensure that our learning and development interventions are relevant to our business needs and deliver the required outcomes. We adopt a global approach to skills development, but tailor our implementation to meet the diverse needs of our business areas, geographies, services and customers.

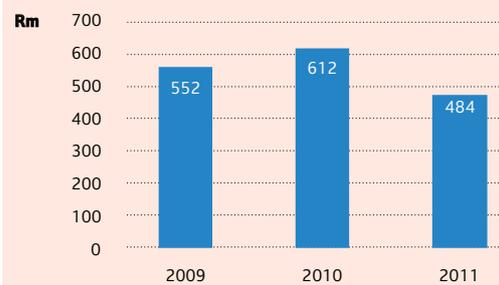
In 2011, SBG's training spend amounted to R484 million, 2,2% (2010: 2,8%) of total staff costs. This decrease in spend is due to cost saving measures implemented. Within our South African operation we promote skills development to ensure an adequate supply of skilled individuals within the broader economy. In 2011, Standard Bank spent a total of R358 million (2010: R450 million) on skills development in South Africa, with R242 million (2010: R250 million) spent on black employees, in line with empowerment objectives. Liberty's training spend amounted to R21 million (2010: R21 million) with 72% (2010: 68%) of this amount spent on black employees.

We have continued to invest in learnerships for unemployed matriculants and graduates in South Africa. The Banking Sector Education and Training Authority (BANKSETA) manages skills development programmes and employers such as Standard Bank and Liberty host learners and provide coaching, mentoring and training. In 2011, Standard Bank hosted 69 (2010: 142) learners on programmes that target black school leavers and unemployed graduates. From the 2010 intake of learners, the bank employed 43 of these learners and graduates subsequent to them completing the programme. A total of 120 learners commenced Liberty's learnership programme

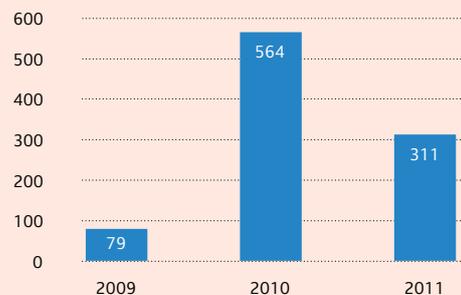
3 759

employees in customer-facing positions across 16 countries outside South Africa received customer service training.

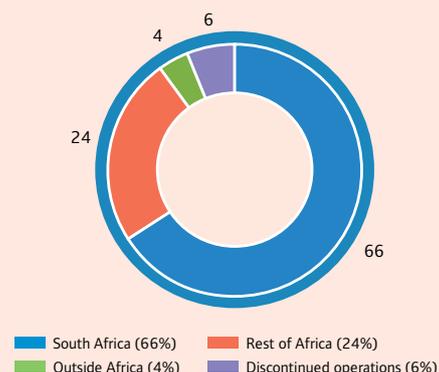
SBG training spend



Number of Banking Skills Academy learners (Standard Bank South Africa)



SBG employee breakdown per geography





Peter Schlebusch, Chief Executive of Personal & Business Banking South Africa, participating in a disability awareness activity as part of International Day for Persons with Disabilities.



Employees from Standard Bank Namibia recognised for their excellent customer service.



Standard Bank Asia entered a team in the MTR Hong Kong Race Walking Competition, which raises funds for the Hospital Authority Charitable Foundation.

of which 64% were women and 16% were disabled. Of this intake, 104 learners graduated at the end of 2011.

Our Banking Skills Academy offers a 12-month programme that trains participants for various entry-level positions in the bank. In addition to on-the-job training, students receive coaching, classroom sessions and e-learning. Successful graduates obtain a recognised National Certificate in Banking. Since inception in 2008, 1 067 learners have completed the learnership with an overall pass rate of 99%. There are currently 276 learners, from an initial intake of 311, participating in the programme.

Looking forward we will implement a more consistent, flexible and scalable learning model across our global operations to assist us in meeting the changing needs of our business. Our training interventions will focus on areas such as customer service, product knowledge and leadership development. We will also focus on migrating our learners from classroom-based to electronic-based platforms to reduce costs.



Diversity and inclusion

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

Employment equity in South Africa

The Department of Trade and Industry's (dti) Codes of Good Practice for Broad-based Black Economic Empowerment (codes) require that institutions have initiatives in place to increase the representation of black people, with a specific focus on black women and black people with disabilities, in management.

To this end, we have aligned our transformation targets to the dti codes. Our ability to achieve these employment equity targets is impacted by prevailing economic conditions. For this reason we have implemented a longer-term view of this key business imperative and have put in place action plans to address identified challenges.

Personal & Business Banking and Corporate & Investment Banking have clearly defined recruitment and promotion principles. These principles aim to ensure that 80% of all new recruits are black and that 50% of all new recruits and candidates promoted are women.

We identify black talent with the potential to move into junior, middle or senior management positions within a 12-month to three-year period. These individuals

are provided with interventions such as leadership and personal development programmes, as well as mentorship and coaching to assist with their career growth. In junior management, our pipeline of future leaders, we have exceeded the dti employment equity target. During 2011, 84% of appointments at junior management level were from designated groups, with 62% and 37% at middle and senior management levels respectively. While we are close to meeting the middle management target, we still have a lot of work to do to meet the senior management employment equity target.

Of Liberty's staff appointed in 2011, almost 90% were black and 54% were women, with 48% being black women.

Our commitment to transforming our workplace is set out in our employment equity plan, which has been updated for the next three years. The plan was informed by audits of our human resource policies and practices, the equity profile of the workforce, a review of our transformation forums and an employment equity survey. We have implemented an employment equity reporting system that will assist us in monitoring our performance and meeting our dti targets.

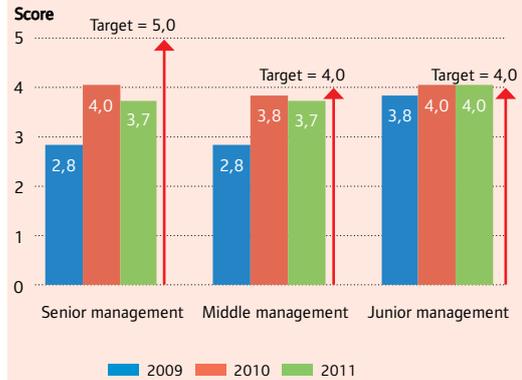
The employment equity survey was made available to all our South African employees in 2011, with a participation rate of approximately 10%. The survey centred on our employment practices and policies and the results have assisted us in identifying challenges to achieving our targets, particularly at management levels. The visibility of some employee forums, communication of our employment equity policies and progress towards our targets are among the areas highlighted for improvement.

Disability

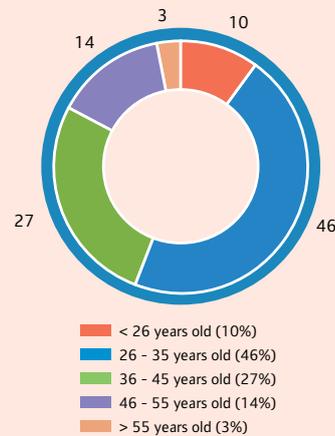
We are working towards becoming a 'disability positive' organisation. This means building an inclusive and enabling work environment that supports employees with disabilities, so that they are able to reach their full professional potential. To achieve this, we need to be confident in how we recruit, manage and develop employees with disabilities. In addition, we must have the ability to positively engage with our customers with disabilities, to ensure that they have full access to our range of products and services. By December 2011, 1,3% (2010: 1,2%) of our group workforce had declared that they had disabilities.

Disabled people are among the beneficiaries of our affirmative action programme in South Africa. Our effort to accelerate the recruitment of people with disabilities is a continuing challenge. Our 2016 target is to have 3% of our workforce in South Africa comprised of black employees with disabilities.

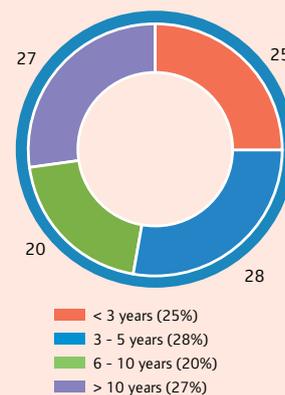
Employment equity performance
(Standard Bank South Africa)



Employee: age profile



Employee: length of service



At December 2011, 1,0% (2010: 0,8%) of Standard Bank's South African workforce were black employees with disabilities.

In South Africa, we support our employees and customers with disabilities by way of an online disability awareness tool, a disability website and a disability helpline in partnership with Independent Counselling and Advisory Services (ICAS). All of these initiatives are aimed at improving access and providing a supportive environment.

We have joined the International Labour Organisation's Global Business and Disability Network. This will help us learn from best practice and share our own successes with a network of organisations.

Gender awareness

Creating a more inclusive environment for women has been an essential focus across the group. Our memberships include Women in Banking and Finance, Women in Finance and the African Women Chartered Accountants Forum. These networks provide professional support for women in the industry.

We run a number of development programmes for women. For example, Blue Heels, our 11-month development programme, aims to contribute to increasing the representation of women in managerial positions. During 2011, there were 60 participants and in 2012, the programme will be rolled out to 120 delegates from across all provinces in South Africa. Liberty will launch a year-long programme for approximately 15 women in top and senior management positions in 2012.

Sexual orientation

Standard Bank won an 'Ally Award' at the first African Lesbian, Gay, Bisexual, Transgender and Intersex Business and Human Rights Forum. We received this award for our work and collaboration with businesses and non-governmental organisations on understanding how to manage sexual orientation in a business context. The Sexual Orientation Forum in our South African Corporate & Investment Bank will be reinstated in 2012, to build a broader business case for sexual orientation inclusion and enablement both with our employees and our customers.



Valuing our people > diversity and inclusion

Performance and reward

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

Remuneration

During 2011, international regulatory focus on the structure and regulation of remuneration practices intensified. The Group Remuneration Committee and SBG work to ensure that our remuneration philosophy and practices meet developing requirements, while maintaining market competitiveness and guarding against risk-taking beyond the group's stated appetite. We continue to review our current remuneration structure against the Financial Stability Board's principles. Reward is clearly linked to performance management.

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

More information on our remuneration philosophy can be found in the Annual Integrated Report on page 90.

Sustainable employment practices

Employee wellness

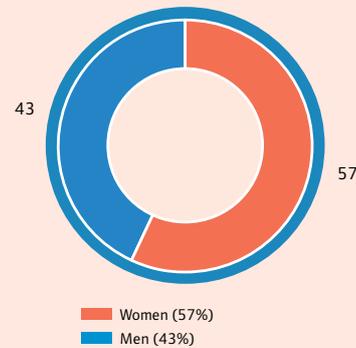
During 2011, we re-evaluated our wellness activities to identify strengths and weaknesses, with the objective of improving our processes, programmes and monitoring systems. We hope these improvements will enable a more productive environment. SBG's wellness initiatives are at a more mature stage in our South African business, where 66% of our workforce is based. Implementation within our other African operations varies, due to the general lack of available health and wellness resources and differing business requirements and staff needs. Our Group Medical Adviser, based in South Africa, is mandated to provide executive input, guidance and advice on all issues of a medical or health-related nature as required by our risk and governance structures. The adviser also directs and oversees our four occupational health clinics in South Africa. These clinics are responsible for health and wellness initiatives and provide our employees with access to various healthcare services. We also have a well-established emergency service based at Standard Bank Centre, our head office complex in Johannesburg, where 42% of our South African employees are located.

We regularly analyse our absenteeism data, identifying employees whose sick leave records indicate potential health and wellness issues that might require support and assistance. Medical staff periodically follow up with these employees, some of whom are eventually referred to the bank's total and temporary incapacity process. In South Africa, our absenteeism rates for 2011 were 2,0% (2010: 1,9%) and 1,4% (2010: 1,2%) for Standard Bank and Liberty respectively.

Standard Bank's employee wellness champions across Africa are tasked with increasing our employees' awareness regarding wellness support structures and benefits available to them. In addition, employee wellness champions provide HIV/Aids and general wellness education and support to the bank's customers and the broader community. Standard Bank has over 750 trained employee wellness champions across Africa, including South Africa. In 2012, a peer educator programme will be introduced to train Liberty employees to become wellness champions.

We use ICAS to provide a free, confidential support service to all Standard Bank and Liberty employees, their partners and immediate families across Africa. The service has been modified where necessary to make it more suitable for the specific requirements of each

Employee: gender profile



In partnership with the United Nations, HIV/Aids testing and education took place in Ghana, Nigeria, South Africa and Uganda.



We work with Zambia's National Malaria Control Centre that offers community members free malaria testing.

Women's Empowerment Principles

The Chief Executive of Standard Bank South Africa has signed a statement of support for the Women's Empowerment Principles as set out by the United Nations Development Fund for Women and the Global Compact.

local operation and an ICAS account manager is now available in most African countries to drive utilisation and manage any counselling service requirements. The top three areas of concern reported to ICAS during 2011 included relationship issues, stress and legal issues.

Malaria, HIV/Aids and tuberculosis are three of the most devastating global health problems of the 21st century, which together cause more than four million deaths a year. These diseases have devastating consequences for poverty-stricken areas particularly given rates of coinfection. This has major public health implications and sub-Saharan Africa remains the region most heavily affected by all three diseases.

Besides the broader impact on growth and development, these diseases affect our business directly through loss of skills, increased resource requirements and cost of managing the health of our workforce, and loss of business due to customer mortality or destitution.

HIV/Aids

We focus on a data-driven approach to understanding the potential risk and impact on our workforce and revenues that HIV/Aids could have if it is not properly managed or interventions are not suitably resourced.

In South Africa, we regularly undertake HIV testing and counselling drives. All data is collated and reported to government through our association with the South African Business Coalition against HIV/Aids. As part of World Aids Day 2011, we ran an education and testing campaign in partnership with the United Nations' programme on HIV/Aids. Informative material was distributed to all employees across the group and focused employee and community testing and education took place in Ghana, Nigeria, South Africa and Uganda. In South Africa, 3 103 Standard Bank and 1 153 Liberty employees underwent voluntary HIV testing.

Malaria

The World Health Organisation estimates that some 300 to 500 million cases of malaria occur annually, resulting in the deaths of more than one million people. Some 91% of the world's malaria deaths occur in Africa, the core of SBG's operations. The African continent's future success is linked to addressing the impact of malaria. We collaborate with United Against Malaria, an organisation that works towards meeting the United Nations' target of universal access to malaria medicine and mosquito nets in Africa. Through United Against Malaria, together with two other

partners, we donated USD200 000 (R1,45 million) to the Global Fund to Fight Malaria in 2011.

As a result of our 2010 campaign to raise awareness about malaria and providing double-sized insect-repellent bed nets to all employees in 15 countries, we have seen an overall drop in malaria cases across these operations of approximately 10%. In Nigeria, the drop has been more than 30%. Although it is too early to tell if this drop is sustainable over the long term, we are motivated to continue this fight and during 2011 we once again campaigned to raise awareness.

Creating a safe place to work

We aim to promote a positive health and safety culture through implementing appropriate systems and procedures to prevent safety hazards, ill health and occupational diseases and incidents. Ultimately being proactive on this issue helps us to reduce the cost associated with absenteeism and contributes towards cultivating a high performance culture.

Of the 243 incidents reported in South Africa in 2011, 14 resulted in 666 days lost accounting for the 78% increase in number of days lost.

Our Occupational Health and Safety Programme covers all Standard Bank buildings throughout Africa. In South Africa, Standard Bank spent R1,8 million training 1 912 occupational health and safety officials in 2011. In addition, we have an e-learning programme that is tailored to our specific occupational health and safety requirements and is available to our health and safety officials in South Africa. A total of 8 906 (2010: 8 850) health and safety officials received training through this channel during the year. A total of 237 Liberty and 35 Standard Bank Plc employees participated in health and safety training programmes.

Through our internal communication channels, we publish information on health and safety topics every three weeks.

The Environmental Management System, implemented in 2010, has been expanded to include the reporting of occupational health and safety incidents. This will be rolled out across the South African business over the next year and presents a major improvement on existing manual systems.



Employee relations

We understand that relations between employees and management must be effectively managed to achieve mutual benefits. We subscribe to the principle of freedom of association in line with the International Labour Organisation's Conventions. Accordingly, we recognise the rights of employees to join trade unions and we believe in building respectful and mutually beneficial relationships with worker representative organisations. In South Africa, 50,8% (2010: 50,2%) of Standard Bank's employees belong to SASBO, The Finance Union.

Where labour organisations are present in other countries of operation, we work to build strong relationships and agree on outcomes that benefit all stakeholders. In Africa, collective agreements exist with the appropriate unions, in line with local legislation. Recognition agreements exist with labour unions in Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe. In most countries beyond Africa there are no collective agreements covering employment relationships. However, employees are free to join unions and in the United Kingdom (UK) we consult with employee representatives, where required, in collective retrenchment situations.

Post retrenchment

The global retrenchment process undertaken in 2010 was in accordance with the laws governing retrenchments, as well as collective agreements with labour organisations. A special dispute review committee was set up to deal with disputes arising from the retrenchment process.

After the retrenchment process, we introduced a workforce deployment strategy. This is aimed at retaining surplus employees in the organisation for a period longer than the law may require, while we seek to find reasonable alternative offers of employment for them. This has been largely successful, with some employees undergoing up-skilling and reskilling programmes to improve their suitability for redeployment.

Dispute resolution

Our policies, grievance handling, disciplinary procedures and dispute resolution processes are designed to ensure that even the most complex matters are dealt with in a fair and just manner for both the bank and our employees, either individually or collectively. In South Africa, employees can be represented by the union (if they are members) or colleagues during internal disciplinary hearings. In the rest of Africa, disciplinary

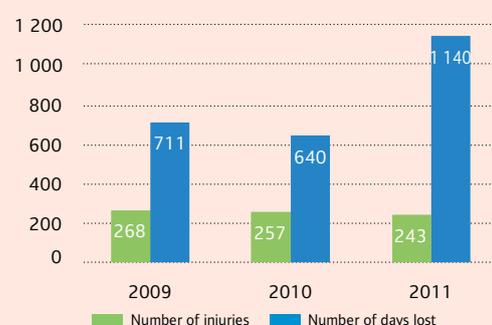
50,8%

of Standard Bank's employees in South Africa belong to SASBO, The Finance Union.

Number of health and safety officials trained (Standard Bank South Africa)



Injury reporting (Standard Bank South Africa)



Total disciplinary procedures (Standard Bank South Africa and Liberty)



R6,5 million

donated to various beneficiaries through our employee matching schemes.



Following the devastating earthquake and tsunami that hit Japan, Standard Bank supported Rescue SA and employees made further donations through the employee matching programme.

2 000

employees in South Africa participated in the Employee Community Involvement Programme.



Standard Bank employees support the Mellon Housing Initiative, a non-profit organisation in South Africa working with government to create sustainable human settlements.

hearings are held in line with relevant policy, and beyond Africa each case is settled on an individual basis.

In some countries, including in the UK, employees can choose to be accompanied by trade union representatives at disciplinary, grievance and appeal hearings.

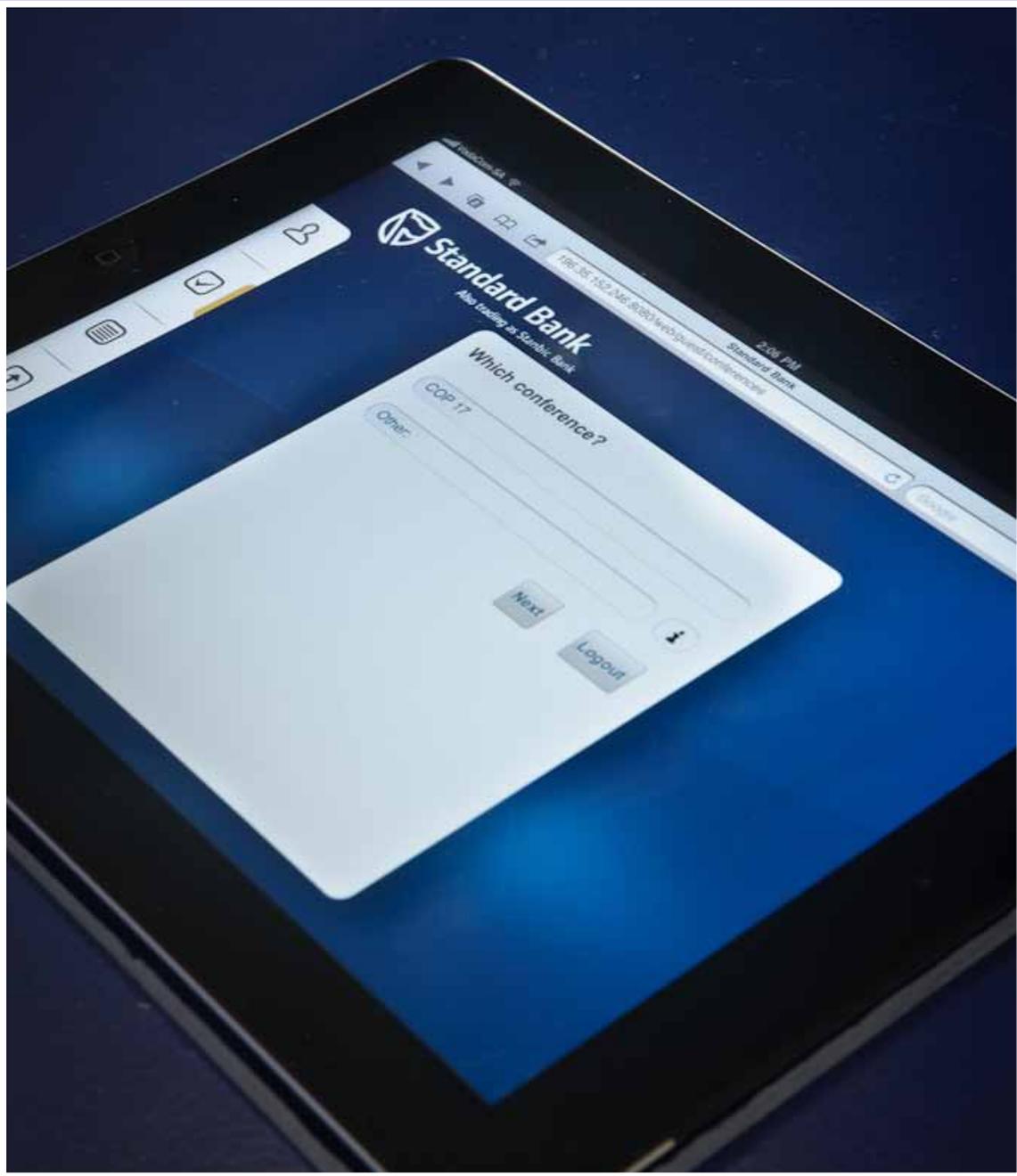
Employee community involvement

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

The Employee Community Involvement Programme in South Africa formalises the numerous community upliftment initiatives our employees are involved in. The programme allows for structured opportunities such as team building events and a staff matching facility, where individual donations are matched by the bank rand for rand up to R5 000 and group donations up to R100 000. During 2011, approximately 2 000 employees participated in this programme.

In our international operation, we support our employees in their charity fund-raising efforts. In our 'Pound for Pound' matching scheme, employees can have their charitable donations matched by up to GBP500. Charities of choice in this operation include children's charities, health organisations and youth development workshops.

Looking forward, we will continue to enhance and increase the uptake of staff volunteering through the development of an electronic system that will enable staff to log their pledges.



Technology and operating infrastructure

Information technology
Operating infrastructure

Technology and
infrastructure

Standard Bank Group's (SBG) information technology (IT) systems and operations infrastructure enable the organisation to be more effective and efficient. Our investment in these business enablers is a significant part of our expense base and they are critical to improving productivity and maintaining our competitive edge.

Our opportunities

Investing in IT improves our customer service and enables us to take new products to market faster.	Ensuring our IT systems are secure enables us to meet regulatory requirements, enhances our reputation and builds customer trust.	Migrating customers onto virtual channels reduces our operating expenses, enabling lower transaction costs for customers.	Building our operating infrastructure across Africa establishes our brand and reaches more potential customers.	Taking our physical presence into marginalised communities increases our potential customer base.	Designing and operating our buildings in an environmentally sustainable way reduces our impact and is more operationally efficient.
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Our challenges

Replacing legacy systems with a newer core banking system requires an interim phase of running both old and new systems simultaneously while the migration is undertaken.

The constant need to invest in our distribution network infrastructure to provide customers with a consistent experience and to ensure accessibility, security and availability, while at the same time providing lower pricing to our customers.

Energy security is a major concern across our operations in South Africa and Africa, requiring investment in alternative energy supply sources.

2011 highlights

- Created an **Enterprise Portfolio Management Office** that oversees the entire IT project portfolio.
- Appointed a **Regional Information Officer** for Africa.
- Appointed a **Chief Information Security Officer** and established a **Group Information Security Committee**.
- Initiated a four-year project to refresh some 1 600 ATMs with **new technology**.

44,6 million

Cellphone Banking transactions processed in South Africa, transferring value of R2,8 billion.

96,5%

ATM availability achieved in South Africa.

Measuring performance

Key SBG indicators		2011	2010	2009
IT spend	Rbn	12,9	13,1	9,5
Branch and service centre network				
		1 222	1 159	1 012
Standard Bank South Africa		703 ¹	705	664
Standard Bank Africa		519	454	348
ATM network				
		7 945	8 209	6 864
Standard Bank South Africa		5 831	5 565	4 810
Solution ATMs ² in South Africa		1 175	1 736	1 284
Standard Bank Africa		939	908	770
Key Standard Bank South Africa indicators				
		2011	2010	2009
Internet Banking subscribers ³		1 092 389	901 707 ⁴	814 458
Cellphone Banking customers ⁵		1 306 679	218 846	162 171
Branches and services centres per province				
Eastern Cape		90	88	86
Free State and Northern Cape		84	81	78
Gauteng		173	179	169
KwaZulu-Natal		107	107	99
Limpopo		44	41	38
Mpumalanga		52	53	50
North West		34	34	31
Western Cape		119	122	113

¹ Includes loan centres.

² ATMs operated by an independent service operator. During 2011 we removed all underperforming Solution ATMs.

³ Active registered users.

⁴ Restated.

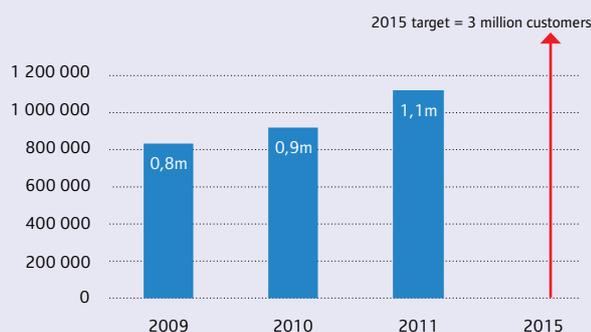
⁵ Includes Mobile Money Accounts.

Annually, we process more than
819 million
 Internet transactions.

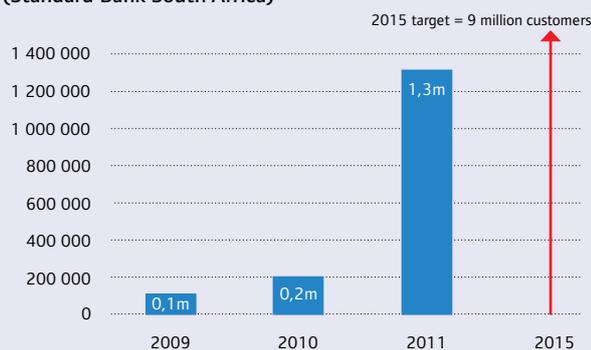
446 million
 ATM transactions.

63 million
 teller transactions.

Internet Banking customers
 (Standard Bank South Africa)



Cellphone Banking customers
 (Standard Bank South Africa)



Information technology

“The extensive systems renewal currently underway will allow for flexibility and scalability as we grow, meaning that we build it once and use it many times.”

Peter Wharton-Hood

Deputy Chief Executive, Standard Bank Group

IT is a strategic asset that improves our ability to meet evolving business needs and deliver on customer service expectations and efficiency demands. It also plays a pivotal role in ensuring that our business is better able to meet regulatory compliance requirements. To this end we continue to make significant investments in IT, spending a total of R12,9 billion across the group in 2011, 28,6% (2010: 29,6%) of total operating costs.

We ensure the effective and efficient operation, management and governance of our IT systems and we are working to align our systems to SBG's business strategy.

Strategy for IT

We aim to make IT an efficient asset that supports, sustains and enables SBG's growth and operational excellence. We have developed a strategy for IT that seeks to increase productivity over the next 30 months through the consolidation and standardisation of our IT infrastructure across the group. The consolidation of our technologies is underway and a key measure of success will be the reduction of SBG's total IT costs.

In addition, we have established processes to ensure that a robust business case exists for all technology investments and we have created an Enterprise Portfolio Management Office that oversees the entire IT project portfolio.

Governance

Our IT governance practices are intended to:

- Promote better decision-making.
- Increase transparency and accountability.
- Ensure that IT activities yield an adequate return on investment and add to shareholder value.
- Improve the overall performance, efficiency and service delivery of our business.

In 2010, we said that we would develop a formal IT Governance Improvement Programme to optimise existing practices across our IT functions. Part of the programme has been delayed due to other conflicting organisational needs, however we did undertake

several IT governance-related activities during 2011. In addition to developing an IT strategy, our corporate governance structures were realigned to ensure board responsibility for IT governance. We have established a central IT function across the group that includes dedicated IT functions for each business area and across geographies that respond to and service individual business needs. We have also appointed a Regional Information Officer for Africa and carried out independent reviews and audits of key programmes which have highlighted areas of concern and opportunities for improvement.

Liberty's IT governance charter and framework was developed and implemented in 2011. Biannual assessments are conducted to evaluate the governance and management of the IT practices undertaken by each business unit within Liberty.

To bolster our application of the principles and recommended practices in the King Report on Governance for South Africa (King Code), we intend to create an IT governance capability that leverages international best practice and is flexible in its ability to meet business line requirements. It will also promote continuous improvement. We are confident that this will meet the recommendations of the King Code.

Group information security

Information security remains a central focus across the group, with specific projects to improve information security controls and information security governance. During 2011, we undertook a groupwide information security assessment and implemented further initiatives that focus on risk and fraud reduction measures. We have also appointed a Chief Information Security Officer and are establishing a dedicated and adequately resourced information security team.

We have also put in place a Group Information Security Committee that will govern and drive the information security programme.

Energy consumption

In 2012, we will embark on a project to obtain a better understanding of the energy costs associated with our IT infrastructure. The consolidation of the Samrand Data Centre was completed during 2011, which will reduce overall electricity consumption. We manage the electricity consumption at our two remaining data centres in South Africa on an ongoing basis by reducing the overall infrastructure footprint and utilising existing infrastructure more efficiently. In addition, we are reviewing contemporary data centre cooling practices with the view to implementing new technology and techniques that will reduce carbon emissions and save associated costs. While data centres in our operations outside of South Africa are of a much smaller scale, the principles and practices employed in South Africa can be applied across the board.

In South Africa, we are considering energy-saving software that manages the power of desktop computers. We plan to upgrade 17 000 desktops by the end of 2012, this is approximately 50% of the installed desktop computer base in South Africa.

IT operations

Corporate & Investment Banking

Corporate & Investment Banking continues to make system changes to enhance its services to internal and external stakeholders. We have implemented an active recruitment programme to mitigate the level of IT staff attrition being experienced, which will ultimately contribute to improving system stability.

In Global Markets, we continued with the rollout of the Murex platform for the Rates and Foreign Exchange businesses and implemented a price aggregator for the latter business. We also implemented the new Business Online platform, which allows our London-based customers to electronically access and transact on their accounts held within our African operations. In addition, we introduced a new capability that provides our Industrial and Commercial Bank of China (ICBC) customers located in Africa, the ability to transact on their ICBC accounts over the Standard Bank network and systems. A new billing solution has been implemented in three business areas which has led to improved fee collection, a consistent pricing and billing process, and improved management of concessions. We have started replacing our legacy systems in the Global Markets areas with an advanced trading platform.

We also launched a research portal to provide our customers with immediate access to current and historical research. The portal raises the benchmark in terms of customer interaction with the bank. Going forward we will provide our customers with related applications for their mobile devices.

SBG IT spend



17 000

desktops in South Africa to be upgraded with energy-saving software by the end of 2012.

Our four strategic themes to achieve our IT strategy

Value across IT

- Standardise and consolidate IT infrastructure.
- Reduce IT costs.
- Optimally allocate human resources.

Enable business growth

Align all IT systems across all our operations to:

- Support business growth.
- Support business innovation.

Operational excellence

- Improve project delivery.
- Deliver the right services at a competitive cost.
- Optimise risk management.

People and culture

- Develop a high performance culture.
- Attract and retain specialised skill.
- Improve leadership and capability.



In collaboration with the International Emissions Trading Association we hosted a week-long programme of COP17 side events at our regional office in Kingsmead.



Standard Bank head office in Gaborone, Botswana.



Our new office block building under development in Rosebank, Johannesburg.

Personal & Business Banking

Personal & Business Banking continues with its five to seven-year project to replace legacy systems with a standardised SAP system in South Africa. This core banking system is expected to support greater revenue growth through improved business flexibility, faster development and launch of new products, and better processing turnaround times that will support improved customer service. These benefits will serve to reduce operational costs, including product development costs, and facilitate customer retention and acquisition. In addition, the improved system controls and stability will mitigate risk and assist with regulatory compliance. A key challenge is managing and running both old and new systems simultaneously while we undertake the migration.

During 2011, we completed several projects in our core banking transformation, including projects to reduce our IT carbon footprint and to move towards a paperless environment. Projects have been initiated to decommission approximately 208 legacy applications, which will contribute to a reduction in costs and system complexity. The new core banking system will enable us to create a single view of a customer's interaction with us and assist us in determining their exact needs. This will not only improve our customer service but will also increase staff productivity and enable cross-selling opportunities. The focus throughout the rest of Africa is to implement a single core banking solution, Finacle, across all countries of operation that will have specific components added to address each country's operational needs. The core banking system was successfully deployed in Nigeria in 2011, and is scheduled to go live in Namibia and Uganda during 2012.

Liberty

Liberty's IT availability (uptime) was 99,7% in 2011 (2010: 99,8%), exceeding its target of 99,5%. Liberty introduced a number of application improvements during 2011, with particular attention paid to the Frank.net platform, an online life insurance provider. These improvements have resulted in greater system efficiencies and enhanced customer service capabilities.

Liberty's Infrastructure Renewal Programme addresses the renewal of end-of-life hardware. Of the 51 active projects under this programme, Liberty completed 24 in 2011 and the remainder will be carried over to 2012. Liberty's programme to reduce its IT footprint and improve energy efficiency is on track and will be completed by the end of 2012. As part of the consolidation that was completed in 2011, Liberty's disaster recovery site was moved to the Samrand Data Centre. Following the relocation, Liberty's systems were tested and the results confirmed that it is able to recover its core systems within the required timeframes in the event of a disaster.

Operating infrastructure

Distribution network

South Africa

Our investment in our distribution network infrastructure is focused on providing customers with a consistent experience and ensuring accessibility, convenience, security and availability. To provide lower pricing, we need to reduce our overall cash management costs. To this end we will focus on 'tellerless' branches such as our access points in community retail shops and loan centres, and encourage the migration of our customers to cheaper self-service channels such as Cellphone Banking and Internet Banking. Our 2015 targets are to reduce service and basic transactions in branches from 80% to 20% and to have three million and nine million active Internet Banking and Cellphone Banking users respectively.

During 2011, we embarked on a four-year project to upgrade some 1 600 ATMs with the latest technology. At December 2011, we had upgraded 382 ATMs. We have also made progress in offering innovative payment services such as automated note accepting on our ATMs. This service removes the need to use envelopes to deposit money through an ATM.

Our average ATM availability (uptime) was 96,5% (2010: 96,5%) against a target of 97%.

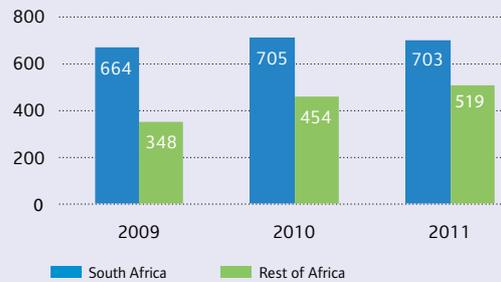
Sub-Saharan Africa excluding South Africa

In 2011, we increased the number of branches and service centres throughout our African operations by 14% to 519.

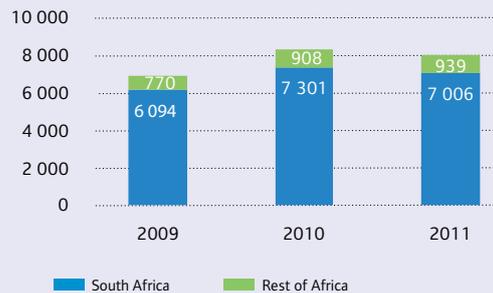
We have taken significant steps to address the way we service our customers across Africa, particularly through self-service channels. We have deployed over 939 ATMs to facilitate access to cash, and our Internet Banking, mobile banking and contact centres further enhance our service to customers.

We are upgrading our mobile and Internet channels to increase our customer reach. These enhancements will be launched in 2012. We use our mobile channel to communicate with our customers through messaging and alerts, which assist them to manage their bank accounts most effectively and alerting them to potential risks. At December 2011, Standard Bank Africa had over 1 07 800 (2010:123 810) Internet and mobile banking customers. We have concentrated on clearing dormant accounts, which explains the decrease in customers using these channels. However, the number of transactions through these channels

Branches and service centres (Standard Bank)



ATMs (Standard Bank)



9 716

access points in community retail shops,
of which 4 976 are active.

105
loan centres.

Business Online

Standard Bank's Business Online channel provides businesses with a full suite of products and services. Business Online currently has more than 50 000 business users and processes more than 20 million payments per month.

has increased from less than one per customer to close to three per customer.

Physical access in underbanked areas

Ensuring that all South Africans have convenient access to banking services is a key factor in determining where we place new branches and service centres. During 2011, seven new Standard Bank branches, service centres or loan centres were opened in underbanked areas. In addition, 26 branches or service centres in these areas were revamped or upgraded.

Our access points and loan centres also provide increased access to historically marginalised communities. Customers can make enquiries, deposit and withdraw cash, send and receive money and buy prepaid airtime and electricity at access points. At December 2011, we had a low-cost distribution network of 4 976 active access points and 105 loan centres.

Of our total ATM network in South Africa, 35% are situated in areas where people generally earn less than R4 165 per month, classified as LSM 1-5 areas.

Liberty provides its products and services to this market segment through independent brokers, Standard Bank's branches and call centres, as well as its Emerging Consumer Market sales and distribution channels. Liberty has 57 dedicated Emerging Consumer Market teams located in all nine provinces in South Africa.

Energy security

Energy security is a major concern in mitigating operational risk. In South Africa, our branch network is supported by 245 generators, providing a reliable electricity supply to approximately 56% of local customer transactions. No-break rotary uninterruptible power supply (UPS) generators at our head office in Johannesburg support the bank's operational and IT requirements.

Standby power stabilisers and generators are installed in our head office buildings, cash centres, various branches and service centres and all new branches across our African operations. We have installed 66 generator sets and 51 UPS units, covering approximately 74% of our customers' transactions across this business.

Liberty has installed 57 diesel powered back-up generators and 13 UPS systems at Liberty-owned shopping centres and critical office locations.

Green buildings

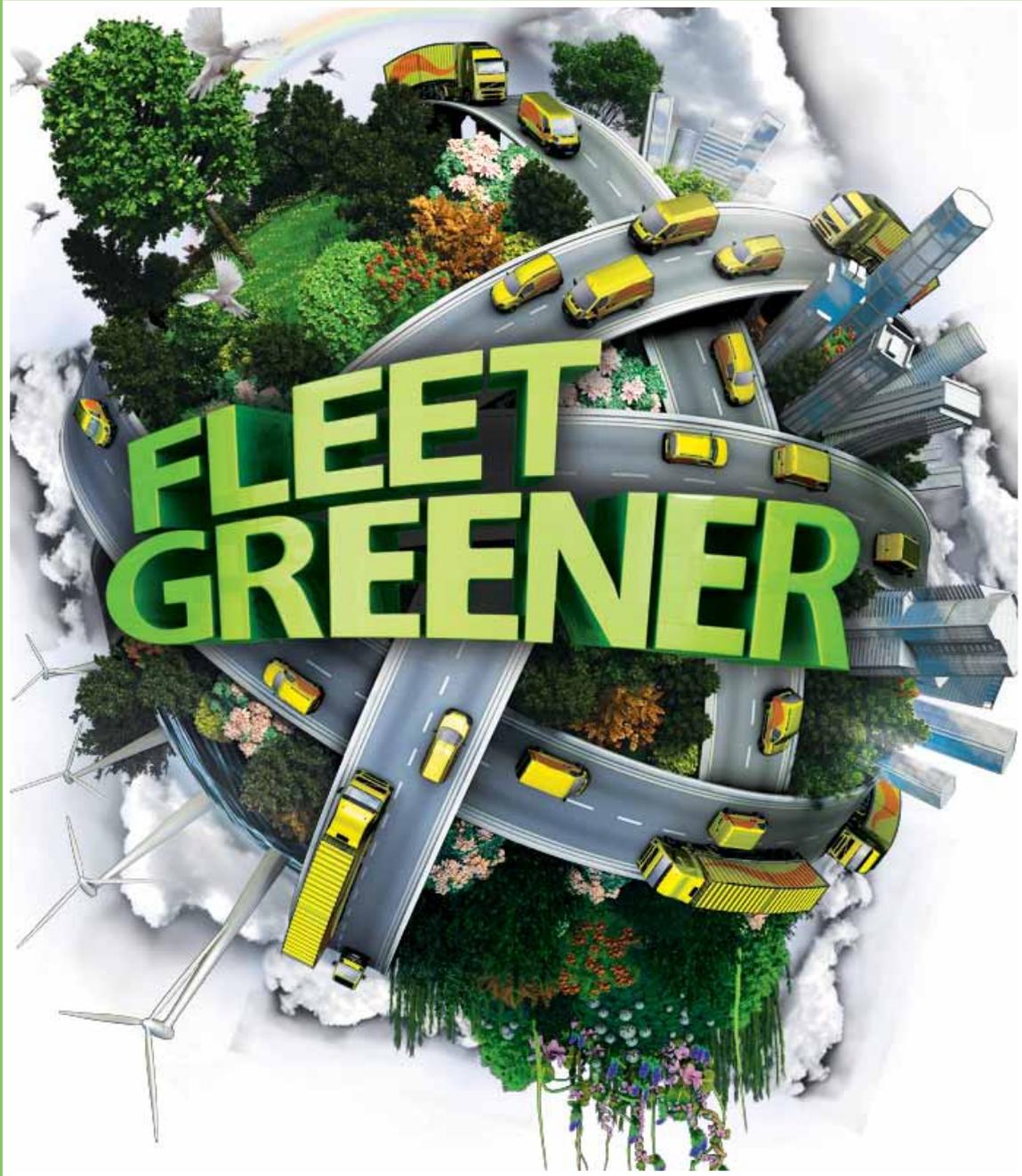
Standard Bank and Liberty Properties are members of the Green Building Council of South Africa. This helps ensure that all our new buildings are designed, built and operated in an environmentally sustainable way. When designing new buildings, we consider the Green Star SA building rating system that assesses the environmental impact of buildings. This system takes into account the indoor environmental quality, the building's energy and water consumption, materials used and site emissions.

Our new office block building under development in Rosebank, Johannesburg, is being designed to achieve a minimum 4-Star Green Star SA rating from the Green Building Council of South Africa.

The building will be provided with 150% more fresh air than required by national building regulations, and approximately 60% of the office area will have a high level of natural daylight and a direct line of sight to the outdoors or into a sun-lit atrium. Energy efficient lighting systems and water efficient fittings and fixtures will be installed, and the consumption of both resources will be effectively managed and monitored with metering and sub-metering systems. Parking bays are to be dedicated to alternative fuel vehicles, motorbikes and scooters, and facilities such as showers, lockers and secure storage will be provided for employees who use bicycles to commute. The building is located in close proximity to public transport facilities including the Rosebank Gautrain station.

The building will have dedicated storage areas for the separation and collection of paper, glass, plastics and metals to facilitate recycling. The building materials being used are sourced with environmental aspects in mind and products are sourced locally where available. During construction, ongoing waste management practices are adhered to with the aim of reusing or recycling 85% of waste generated onsite. We will formally apply for a design rating on our Rosebank building in 2012.

Liberty's flagship project, completed during 2011, added a new 30 778m² wing to the Sandton City shopping centre, bringing the total retail floor space of the complex to around 144 000m². Despite the extension, it is anticipated that Sandton City's electricity consumption will not significantly change due to the installation of new efficient electrical equipment and intelligent lighting systems, a reduction in the air-conditioning load and an increase in natural light available in the complex.



Environment

Environmental and social risk management

Climate finance and carbon trading

Our direct impact

Standard Bank Group (SBG) has an obligation to manage the environmental and social aspects and impacts that our activities, products and services have on society, and to respond strategically to the risks that global environmental and social pressures place on our ability to create sustainable value for our stakeholders.

Our opportunities

<p>Implementing sound environmental and social risk assessment tools for projects we finance mitigates associated risks.</p>	<p>Lending responsibly protects our reputation and assists our customers to meet their social and environmental obligations.</p>	<p>Investing in carbon finance and trading reduces carbon dioxide (CO₂) emissions while generating revenue.</p>	<p>Supporting and developing carbon markets enables us to grow our business and customer base in this area.</p>	<p>Through financing innovation we can turn climate challenges into market opportunities.</p>	<p>Reducing our resource consumption alleviates environmental impact and reduces operational costs.</p>
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Our challenges

Potential lending risk faced under the new National Environmental Waste Management Act where land held as security is found to be contaminated.

Africa, the continent on which the majority of our operations are based, is very vulnerable to the effects of climate change.

As Africa is still a developing continent its future energy mix is likely to still include coal-fired power stations as the financing of renewable energy projects is complex and expensive.

Managing and measuring our own carbon footprint is a challenge requiring investment in technology and resources.

2011 highlights

- Launched the **Environmental and Social Appraisal System** in our corporate lending business.
- Established a number of **Programmatic Clean Development Mechanism (CDM)** projects, a new type of CDM registration that is more accessible.
- Won 13 bids with an installed renewable energy capacity of **605 megawatts** and a total financing requirement of R8,2 billion.
- Installed **photovoltaic plants** at Standard Bank Centre and our regional office in Durban with peak power production of 105 kilowatts and 45 kilowatts respectively.

Involved in **50** CDM projects under development.

R19,1 million spent on projects to increase the energy efficiency of our South African operations.

60 teachers from Tshwane South District in Gauteng, South Africa, attended environmental awareness training at our Mogale's Gate conservation centre.

Measuring performance

Key SBG indicators		2011	2010	2009
Carbon equivalent				
Standard Bank South Africa	metric tons	180 403√	177 289	154 538
Standard Bank Africa	metric tons	23 246	3 887	793
Standard Bank Argentina ¹	metric tons	3 680	4 038	2 919
Standard Bank Plc	metric tons	17 079	N/A ²	N/A ²
Liberty	metric tons	50 479√	46 525	47 373
Equator Principles				
Number of projects financed		9√	11	5
Number of advisory services on project finance deals		20√	10	20
Energy				
Standard Bank South Africa				
• Fuel ³	litres	3 868 631	4 701 699	N/A ²
• Electricity purchased ⁴	kilowatt hours	152 561 816⁵	145 015 178	132 361 054
• Renewable energy sourced	kilowatt hours	521 246	N/A ²	N/A ²
Standard Bank Africa				
• Electricity purchased ⁶	kilowatt hours	19 960 128	N/A ²	N/A ²
Water				
Standard Bank South Africa ⁷	kilolitres	295 807	340 889	336 986
Standard Bank Africa ⁸	kilolitres	173 849	N/A ²	N/A ²
Key Standard Bank South Africa indicators				
		2011	2010	2009
Paper ⁹	tons	3 337	2 755	1 217
Waste generated	tons	1 196√	473	677

¹ From 2012 we will be a minority shareholder in our Argentinean operations, and will not report this carbon footprint.

² Not available.

³ Fuel consumption includes Standard Bank Centre, branches, data centres and fuel used in vehicles throughout South Africa.

⁴ Electricity consumption covers approximately 63% of Standard Bank's sites.

⁵ This figure excludes the branch network but has increased due to a new data centre.

⁶ Data has been collected for eight African countries of operation.

⁷ Water consumption covers approximately nine head office and regional buildings.

⁸ Data has been collected for seven African countries of operation.

⁹ Paper consumption includes head offices, branches, data and cash centres.

√ Externally assured (refer to assurance statement on page 89).

Note: the increase in Standard Bank Africa's carbon footprint, as well as electricity, paper and waste for South Africa in 2011 is mostly due to an increased scope.

Our targets

The following environmental targets have been set for Standard Bank South Africa using 2009 as a base year. In calculating the 2011 progress against targets we have used the same scope as was used in 2009. Therefore the consumption figures in this table are not comparable to those above.

Targets against 2009 baseline	Progress		2011	2009
Energy consumed: 15% reduction by 2015	On track	kilowatt hours	125 422 308	132 361 054
Water consumed: 20% reduction by 2015	On track	kilolitres	295 808	336 986
General waste produced: 20% reduction by 2015	On track	tons	513	678
Paper consumed: 10% reduction by 2015	Further work required	tons	1 491	1 217
Paper recycled: 5% increase by 2012	-	tons	516	N/A ¹

¹ Not available.

“Nature is this continent’s GDP, and there is no sense in undermining this”.

Karin Ireton

Director, Group Sustainability Management

Issues such as global climate change, loss of biodiversity and resilience in the natural environment directly impact on our customers’ quality of life and their ability to prosper economically. What impacts our customers, ultimately impacts us. As an emerging market organisation that aspires to be the leading African financial institution, we recognise that Africa’s industries, exports and GDP are largely based on natural resources. With few exceptions, the top three exports by most African countries are all natural resources. Our customer base includes the companies that work with these resources, as well as the individuals who depend on them for economic survival.

As a financial services group, we have both direct and indirect impacts on society and the environment. Our indirect impacts arise out of the projects and companies we finance, as well as the products and services we provide. Our direct impacts arise out of our daily business activities in which we consume natural resources and generate waste. Our greatest opportunity to meaningfully impact on environmental concerns lies in our indirect impact. We have the ability to finance innovation and turn the climate challenge into market opportunities, we can responsibly lend to companies ensuring that social and environmental risks are mitigated and we can finance products that assist our customers to reduce their own carbon footprint.

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

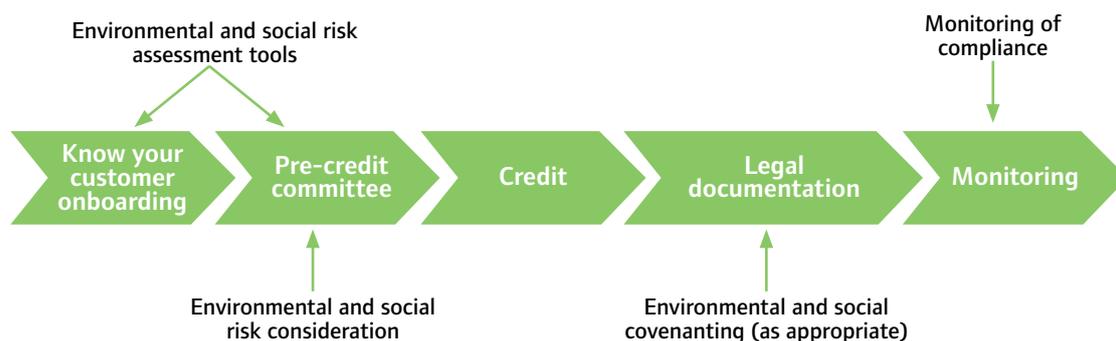
Environmental and social risk management

The environmental and social risks associated with SBG’s business operations and lending activities include the threat of adverse effects on the natural environment, as well as risks to the livelihoods, health, rights, and cultural heritage of communities. In addition, climate change poses a risk to the development and growth of emerging market economies, can increase the costs of complying with regulatory requirements and cause damage to assets as a consequence of extreme weather events. We are proactive in our management of environmental and social risk, going beyond the minimum requirement of compliance with legislation by working towards best practice performance.

Environmental and social risk assessment

Environmental and social risk screening evaluates a transaction’s potential environmental and social risks, and its impacts in its area of influence. In Africa, differing legislation and lack of environmental specialisation pose challenges for businesses operating on the continent. SBG uses two approaches to screen and process projects, namely the Equator Principles for project finance loans and an internally developed appraisal system for other financial product types.

Key steps across the transaction process



Appraisal system

Our Environmental and Social Appraisal System provides a risk management measure to protect against possible financial, credit, reputational, regulatory and operational risk and links directly with lender liability associated with environmental and social mismanagement. The system is designed to identify the risks associated with a client’s ability to manage environmental and social issues, as well as the risks associated with the transaction itself such as the nature and value of the loan, as well as the industry sector involved. The environmental and social risk assessment to be undertaken is based on the responses to these preliminary screening processes and used as input into the credit granting process. Where a borrower is not in compliance with the environmental and social requirements, we will encourage and work with them to achieve the necessary standards. Projects are monitored to ensure that social and environmental commitments are adhered to.

Equator Principles

We have fully integrated the Equator Principles performance assessment tool into the credit approval process and transaction life cycle of our project financing deals. They apply to all new project finance loans of USD10 million or more. All category A (high risk) and, where relevant, Category B (medium risk) projects financed are monitored to ensure that the project-specific conditions set as part of the loan agreement are adhered to. During 2011, we financed nine Equator Principle projects and played an advisory role in a further 20 projects.

We currently lead the Equator Principles African and Middle East outreach working group and participate in the general Biodiversity and Ecosystems, Climate Change and Scope Review working groups. During 2011, a project to strategically review the Equator Principles was initiated. Standard Bank co-leads the Tiering Task Force and participated in the Climate Change and Scope Task Forces, both initiatives developed specifically to assist in the overall Equator Principles review process.

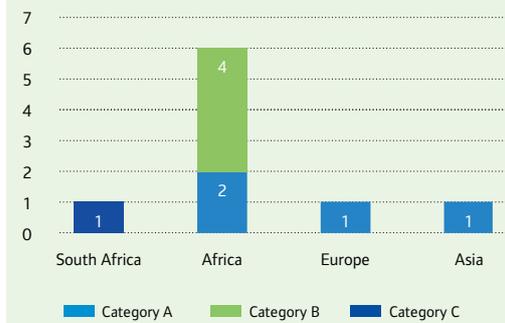


Case study: Equator Principles deal

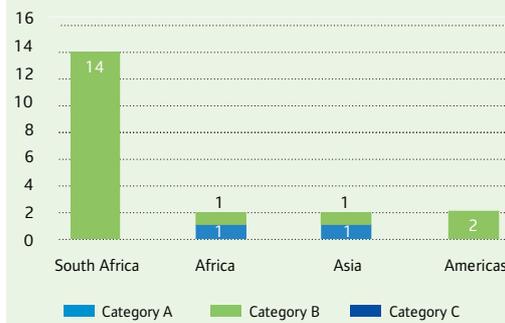
Training

During 2011, approximately 245 employees across the group were trained on the use and application of the new Environmental and Social Appraisal System. Relevant employees in Kenya, Mauritius, Tanzania and Zambia have also received training and policy guidance has been made available to credit risk officers across the bank. Further training is scheduled for 2012. We have also held

Equator Principle: deals financed



Equator Principle: advisory



In the Project Finance Magazine’s 2011 Deal of the Year Awards, Standard Bank won the Africa Renewables Deal of the Year for the Addax BioEnergy project in Sierra Leone.

Environment

awareness-raising presentations for legal and compliance officers from across Africa. In addition, 11 graduates rotating through the Project Finance division participated in strategic Equator Principles briefings and were introduced to the Environmental and Social Appraisal System.

Climate change

Africa is highly vulnerable to the effects of climate change. As the majority of our operations are based in sub-Saharan Africa, we need to identify the impacts of this global challenge and develop action plans to reduce our own impact, as well as assist our customers to reduce their impact and adapt to a changing world.

Sustainability and climate change are increasingly becoming core areas in which our customers require financial services. Our approach to addressing these challenges is to develop and implement innovative business solutions that are both commercially attractive and make a broader contribution to action on climate change.

We are developing products and services that enable our customers to lower their footprint without creating financial burdens, such as the rollout of solar water heating systems to low-income communities, and we are using our position as a leader in carbon trading to provide access to carbon credits for smaller companies that would otherwise not be able to do so.

Equator Principles

	Category A (high risk)		Category B (medium risk)		Category C (low risk)		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Project finance lending								
Oil and gas	0	3	0	1	0	0	0	4
Mining	4	2	1	0	0	0	5	2
Power	0	0	1	0	0	0	1	0
Infrastructure	0	1	0	4	1	0	1	5
Industry	0	0	2	0	0	0	2	0
Total	4	6	4	5	1	0	9	11
Advisory								
Oil and gas	1	0	1	0	0	0	2	0
Mining	1	2	1	0	0	0	2	2
Power	0	1	14	5	0	0	14	6
Infrastructure	0	0	1	0	0	0	1	0
Industry	0	0	1	0	0	0	1	0
Other	0	0	0	2	0	0	0	2
Total	2	3	18	7	0	0	20	10

✓ Externally assured (refer to assurance statement on page 89).

Development finance: bridge loans and corporate finance with known use of proceeds

	Category A (high risk)		Category B (medium risk)		Category C (low risk)		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Oil and gas	2	0	0	3	0	0	2	3
Mining	3	1	1	1	0	1	4	3
Infrastructure	0	1	0	0	0	0	0	1
Industry	0	0	1	0	0	0	1	0
Total	5	2	2	4	0	1	7	7

Note: the above table does not include all corporate and bridge finance transactions but only those incorporated in the pilot implementation of the Equator Principles Guidance Notes.

The lack of certainty around a global approach to the future management of climate change is a concern. Standard Bank actively participated in the policy discussions, events and exhibition associated with the 17th meeting of the signatories to the United Nations Framework Convention on Climate Change (UNFCCC - COP17), held in Durban at the end of 2011. We were delighted that the negotiators at COP17 agreed to a second commitment period under the Kyoto Protocol and to maintaining flexible mechanisms such as the CDM. Use of the CDM is gaining momentum in Africa as capacity to use its methodologies is growing. We believe it to be an important vehicle for assisting in switching emerging markets to lower carbon growth trajectories. The potential for a new legal instrument, which will include all parties in the difficult task of setting and achieving targets for reducing anthropogenic impacts on the climate, are to be welcomed.

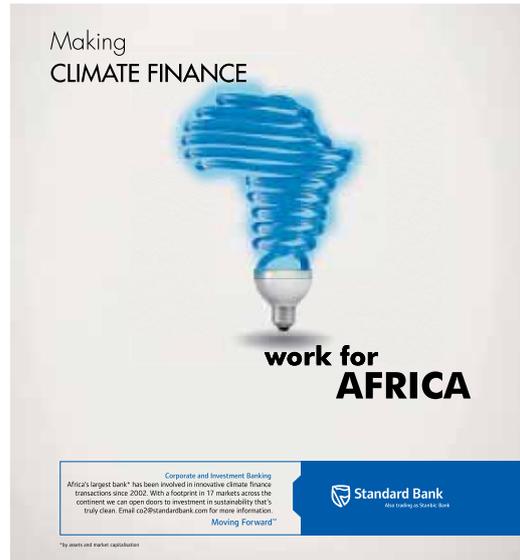
We hosted a number of technical side events during COP17, enabling government negotiators and technical specialists to engage around topical issues, such as funding lower-carbon growth in Africa, advanced mechanisms to combat Deforestation and Degradation (REDD +) and the African Carbon Asset Development (ACAD) facility. We also hosted a series of events organised by the International Emissions Trading Association (IETA), including their daily Durban update which provided analysis of the progress of the negotiations.



Environmental policy development

We monitor evolving environmental regulations and put in place the necessary measures to comply. We actively engage with government and contribute toward developing environmental and social codes of industry best practice, to ensure an effective balance between addressing climate change and the impacts on the economy and business.

We also contribute to the development of international climate change policy. Key relationships for Standard Bank in this regard include the United Nations agencies, CDM Executive Board, African governments and key European government agencies. We are a member of and hold a board seat on the Carbon Markets and Investors Association. We are also a member of the IETA and United Nations Environment Programme Finance Initiative (UNEP FI).



Deputy Chief Executive of Standard Bank Group, Sim Tshabalala, participated in various dialogues and conferences at COP17.



Photovoltaic plant installed at our regional office in Durban with peak power production of 45 kilowatts.

Climate finance and carbon trading

We have been pioneering climate finance and carbon trading since 2002, three years prior to the start of the first carbon trading scheme in the European Union. Our business has a broad set of capabilities across the range of climate finance and carbon trading disciplines.

The CDM is one of the biggest markets for carbon credits and is overseen by the United Nations. The CDM allows industrialised countries to reduce global emissions by investing in sustainable development projects that reduce greenhouse gas emissions in developing countries.

In 2011, we were involved in approximately 50 (2010: 30) CDM projects under development, of which around 20 were in Africa.

We apply a range of quality criteria to the emissions-reduction projects we finance or purchase carbon credits from, to ensure they deliver real and permanent emissions reductions.

Programmatic CDM

CDM projects are particularly suited to the African continent and during 2011 we made progress in the development of a wide range of Programmatic CDM activities.

Programmatic CDM is a new type of CDM registration under the UNFCCC. This carbon trading mechanism is particularly suited to Africa as it opens up access to carbon credit revenues for governments and project developers. Traditionally, smaller, low-cost carbon emissions-reducing projects would not have been able to access carbon credit revenue due to high transaction costs. In addition, the CDM Executive Board only issues carbon credits once a carbon-reducing activity is completed. The

Programmatic CDM allows for the registration of a programme of activities, which works as a collective mechanism for a range of individual projects. For example, an organisation can join Standard Bank's Programmatic CDM rather than incurring the cost of individually registering an energy efficiency project. It will also start to generate carbon credits much sooner. Ultimately this mechanism eliminates the cost and risk to an organisation of becoming energy efficient. Some of the programmes of activities that we established during 2011 include:

CarbonSoft Corporation

We funded CarbonSoft Corporation, a company that will establish open access Programmatic CDMs for solar-powered lamps in sub-Saharan Africa and internationally. Not only does the replacement of kerosene lanterns with solar lamps reduce greenhouse gas emissions, but it also positively impacts low-income household finances, increases respiratory health and reduces the probability of fire. Standard Bank will provide access to the carbon markets and CarbonSoft will provide the distributors of solar lamps with non-discriminatory access to carbon credits.

Cool nrg

We have continued our strategic partnership with Cool nrg, a world leader in mass energy efficiency programmes and the only company to have issued carbon credits under Programmatic CDM on a global scale. We helped Cool nrg distribute 26 million compact fluorescent lamps in Mexico and financed the establishment of a Cool nrg business in Nairobi.



Case study: energy efficient lighting Programmatic CDM

Climate finance and carbon trading disciplines

Bank footprint Improving sustainability of our own operations.	Carbon trading One of top banks in global CDM market.	Climate finance Pioneering climate finance instruments and transactions.	Energy efficiency New energy efficiency incentives and financing.	Clean energy Large African financing and arrangement commitment.	Market development Actively contributing to policy and market development.	Advisory Advice on environmental risk management.
--------------------------------------------------------------------------	-----------------------------------------------------------------	------------------------------------------------------------------------------------	-----------------------------------------------------------------------------	----------------------------------------------------------------------------	--------------------------------------------------------------------------------------	-------------------------------------------------------------

Solar water heaters in South Africa

The South African Government has committed to installing one million solar water heaters in mostly low-income residential developments by the end of 2014. We have contributed to reaching this target by facilitating the installation of approximately 70 000 solar water heaters in low-income housing under our CDM programmes. We have also made available some R22 million for use by local service providers and manufacturers of solar water heating systems to assist with the rollout of the project. This is the largest rollout of solar water heaters in South Africa. We have also entered into a pilot programme with one of the world's largest consumer goods companies to generate commercial contributions to the cost of solar water heater installation.

Other

We have established the following types of programmes of activity in East and Southern Africa:

- Efficient corporate lighting and refrigeration activities: the first rollouts under these programmes are by a major South African retail chain, which is retrofitting its entire store network.
- Efficient household lighting, in cooperation with Kenya Power.
- Renewable power generation.

Climate finance transactions

Other climate finance transactions undertaken during 2011 include:

- The first CDM project in Zimbabwe for Sable Chemicals, a fertiliser manufacturer. The development uses a catalytic converter that allows nitrous oxide, a harmful greenhouse gas and byproduct from the plant, to be converted into harmless gases. We are the full off-taker of the carbon credits generated and are providing financing.
- The submission of documentation for the registration of the first CDM project in Ghana for the Accra Compost and Recycling Plant. Over an eight-hour shift, the plant will be able to process 300 tons of waste to produce organic fertiliser that will be used for agricultural and horticultural purposes. The plant will also recover metals and plastics for recycling.

Clean energy and energy efficiency

Balancing the need for significant increases in base load energy with protecting the environment is an ongoing challenge. The need for energy security means that Africa's future energy mix is likely to

include coal-fired power stations for some time, however South Africa has a high level of renewable energy potential and government's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme is a mechanism to promote the deployment of renewable energy sources. South Africa aims to secure a total of 17 800 megawatts of renewable energy by 2030.

Standard Bank is committed to the establishment of a renewable energy sector in South Africa. We are active in advising, arranging finance for and funding renewable energy projects in South Africa under the REIPPP Programme and we are dealing with a large number of project developers to this end.

For the first REIPPP Programme bid date, we supported 22 bids for 850 megawatts of planned renewable energy capacity in wind and solar energy generation. Of these, together with our clients, we won 13 bids with an installed renewable energy capacity of 605 megawatts. This represents a total financing requirement of R8,2 billion. These projects will produce approximately 1 450 gigawatt hours of renewable energy a year.

We are engaging with the industry and the South African Government in addressing issues to ensure that projects are successful and affordable. We have secured a number of further mandates to fund a variety of developers through the second bid.

We have also developed a new 'pay-as-you-save' energy efficiency finance product linked to Programmatic CDMs. The product allows clients to obtain finance for an energy efficiency project without upfront cash budgets. Once the project has been implemented, the scheduled repayments on the loan are based on the cost savings gained as a result of the client's reduced energy consumption.

We have financed four renewable energy projects including wind energy generation and mini hydro projects in Africa. We have also signed letters of intent on three deals in East Africa including the 300 megawatt Lake Turkana wind farm and the 60 megawatt Kinangop wind park projects in Kenya. We are also the sole lead arranger on a 60 000m³ seawater desalination plant in Ghana which will supply potable water to Accra.

In addition, the French development agency, AFB, awarded Standard Bank a USD13 million (R94 million) wholesale lending line. The credit line was availed for onward lending to small renewable energy projects to ease the ongoing power crisis in Kenya.

Carbon market development

In line with our focus on commercial solutions to climate change, we actively contribute to the development and growth of carbon markets and climate finance in Africa. Key initiatives include our contribution to the ACAD facility, the commissioning of a scoping report on cross-border emissions issues and the provision of carbon experts to give training in carbon and climate finance at a number of capacity-building workshops.

The ACAD facility provides financial and technical assistance to low-carbon development projects in sub-Saharan Africa. In 2010, it selected 14 projects for targeted grants, with a combined total of USD850 000 (R6,2 million). Currently there are some 72 projects in the application pipeline.

Advisory

We provide advisory services on the potential eligibility of financing for certain projects such as biofuels, dust abatement units and desalination plants. Aspects considered include the impacts of climate change on certain projects and the inclusion of climate change adaptation strategies. We are developing relationships with development finance institutions and donor agencies that aid the financial structuring of potential green projects.

Environmental products

Financing solar water heaters

In 2011, Standard Bank financed one in every two new homes in South Africa, meaning we are in a position to positively influence the installation of solar water heaters in the residential property market. As the high cost of solar water heaters is a barrier for the majority of homeowners, we assist customers make the switch to solar water heaters through equity finance on their home loan facilities. The challenge is that current economic conditions are such that consumers are reluctant to take on short-term debt.

Insuring solar water heaters

We have also assessed and accepted the credentials of a panel of suppliers who meet our risk management criteria (including warranty periods) and are registered members of the Sustainable Energy Society of Southern Africa's Solar Water Heating Division. Due to the product quality, warranty and installation process provided by these suppliers, we are able to offer our customers more comprehensive insurance cover on their investment.

We are working with the South African Insurance Association to introduce a replacement programme for the short-term insurance industry, aimed at overcoming the cost barriers that hinder the conversion from electric geysers to solar water heaters. During 2011, we focused on raising customer awareness through various channels. We held two internal exhibitions for our employees where a panel of suppliers displayed their products and offered a negotiated staff discount. In 2012, we will continue with our awareness drive and include our panel of suppliers in our Card Value Choices newsletter with discounted prices and limited offers to extend our reach to our credit card customers.



Case study: solar water heating systems

Vehicle fleet

In early 2012, we launched a carbon calculator for our customers that operate vehicle fleets. In addition, our Fleet Management unit provides consulting services to help these customers manage their fleets more efficiently, and thereby reduce their carbon emissions and costs associated with the running of their fleets.



Environment > climate finance and carbon trading

Our direct impact

Energy

Managing and reducing our energy consumption is key both as part of our climate change mitigation efforts and in response to rising electricity costs and energy supply concerns across Africa. During 2011, Standard Bank spent R19,1 million (2010: R9,3 million) on energy efficiency projects in its South African operations.

Numerous energy efficiency projects have been implemented at Standard Bank Centre, our head office complex in Johannesburg, in which approximately 42% of our South African employees are situated. These projects have amounted to a reduction in consumption of 900 kilowatts of electricity, contributing to the 5% reduction in electricity reflected in the table on page 75.

During 2011, we installed electricity metering systems in over 150 of our sites nationally, as well as at all our regional buildings. This means that we are able to accurately measure and monitor approximately 70% of our energy consumption in South Africa, enabling us to verify utility bills and identify where there is potential to further reduce our consumption. We will undertake a further rollout of these systems in 2012 to cover our national footprint.

We also installed alternative power photovoltaic plants at Standard Bank Centre and our regional office in Durban with peak power production of 105 kilowatts and 45 kilowatts respectively. Photovoltaic technology takes light energy from the sun and converts it to electrical energy.

Water heating, lighting and air-conditioning are our three biggest energy consumers.

Water heating

At Standard Bank Centre, we use a hybrid thermal solar water heating system to supplement the main geyser system of one of the buildings in the complex. This building houses the staff gymnasium and since November 2010, the system has realised verified savings of approximately 433 000 kilowatt hours, nearly R530 000 in energy costs and a certified emissions reduction of 429 tons of CO₂ a year.

Lighting

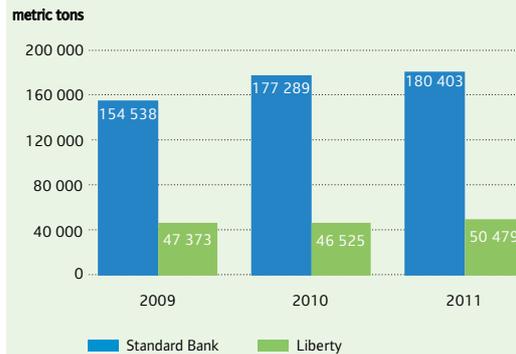
Our lighting initiatives in South Africa are targeted to decrease our demand by a total of 1 700 kilowatts. During 2011, we embarked on a national relamping project to replace approximately 20 650 lamps with energy efficient light-emitting diodes (LEDs). These new lamps provide an 86% energy saving per lamp fitting. In Standard Bank Centre we replaced over 3 000 lamps which will provide an annual energy reduction of 2 800 000 kilowatt hours of electricity. This is the first project under our Programmatic CDM Carbon Funding Project, which ultimately aims to replace up to 40 million lights in commercial buildings across South Africa. In our branch network in South Africa, we have installed new energy efficient lighting systems and have added a combination of LED lights where feasible.

It is expected that during 2012 the national electricity supply grid will be under tremendous strain. SBG will continue to implement energy efficiency projects to decrease our usage so that we comply with the South African Government's Power Conservation Programme when it is implemented. The programme is designed to provide a demand-side solution to the energy challenges facing South Africa by introducing excess tariffs should a company use more than its allocated monthly energy allowance.

Electricity consumption
(Standard Bank South Africa and Liberty)



CO₂ emissions
(Standard Bank South Africa and Liberty)



In our Melville branch in Johannesburg, the lights were redesigned to deliver significantly improved light levels with a 90% reduction in energy consumption.

Hybrid solar water heating system

Our hybrid solar water heating system saved 429 tons of CO₂ since its installation in November 2010. This is the equivalent of planting 2 143 trees or removing 113 cars from our Standard Bank vehicle fleet.

Environment

Carbon footprint

“We all need to leave as small a carbon footprint as possible given the increasing scarcity of resources on our planet. Sustainability is an issue that we as a bank will be focusing on a great deal more going forward.”

Sim Tshabalala

Deputy Chief Executive, Standard Bank Group

Standard Bank’s South African CO₂ equivalent for 2011 was 180 403 metric tons, a 2% increase on 2010. Our consumption figures cover about 63% of our South African sites. We have started installing electricity metering systems across our national footprint. This will enable us to calculate the carbon footprint of our branch network in 2012.

In relation to Standard Bank South Africa’s total income of R39,8 billion in 2011 (2010: R38,5 billion), the CO₂ per rand of total income generated equates to 4,5 grams (2010: 4,6 grams). The carbon emission per employee equates to approximately 6,2 tons (2010: 5,8 tons).

During 2011, we rolled out our environmental and social policy in our operations in Africa beyond South Africa. As part of this, we have expanded our carbon footprint measure for this business to include the electricity purchased for eight out of 16 African operations. Argentina and London’s electricity purchased is also included. Our CO₂ equivalent for our operations beyond South Africa was 44 005 metric tons in 2011.

Standard Bank South Africa’s carbon footprint

Scope per GHG ¹ protocol		2011	2010	2009
Scope 1: Direct GHG¹ emissions from:	metric tons	9 154	11 195	10 284
Equipment owned or controlled (diesel generators) ²	metric tons	344	503	556
Vehicles	metric tons	8 810	10 692	9 728
Scope 2: Indirect GHG¹ emissions from:	metric tons	151 036³	149 366	136 332
Purchased electricity ⁴	metric tons	151 036	149 366	136 332
Scope 3: Other indirect emissions from:	metric tons	20 213	16 728	7 922
Business travel (by air only)	metric tons	9 815	7 336	3 567
Paper consumption	metric tons	10 398	9 392	4 355
Total CO₂ equivalent emissions	metric tons	180 403^v	177 289	154 538

¹ Greenhouse gas.

² Diesel consumption includes Standard Bank Centre, branches and data centres.

³ Eskom 2011 factor of 0,99 kilograms per kilowatt hours used (2010: 1,03).

⁴ Electricity consumption covers approximately 63% of Standard Bank’s sites.

^v Externally assured (refer to assurance statement on page 89).

Note: the remaining line items cover our entire South African operation.

**In Newsweek Magazine’s Green Rankings,
Standard Bank was ranked 45th overall and
13th in the financial sector category out of the
Global Top 500 companies.**

Liberty's CO₂ equivalent for 2011 was 50 479 metric tons (2010: 46 525). While Liberty's total measured carbon emissions has increased, the carbon emissions per full-time employee declined from 8,86 in 2010 to 6,20 in 2011. The increase in carbon footprint is attributed to an improvement in data collection and measurement processes, and most significantly the inclusion of electricity consumption in Liberty's leased branches.

Water

Water scarcity and declining water quality are global challenges that impact directly on health and sanitation, agriculture and industry, as well as the preservation of ecosystems. The world's available fresh water is limited and accounts for less than 1% of water on the planet.

We aim to put measures in place to allow us to establish a water baseline and subsequently measure the water we recycle and discharge, as well as establish the quality of the water discharged. We are looking at ways to reduce our operational water footprint.

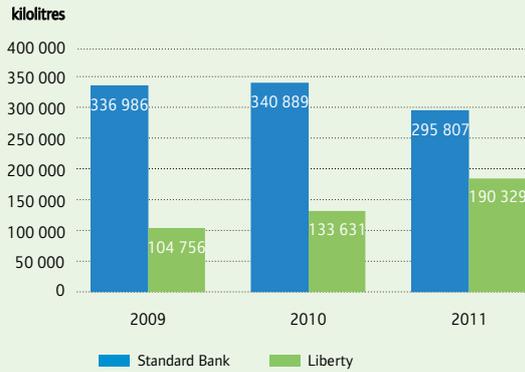
Water accounts are checked and discrepancies managed on an ongoing basis. Water efficiency will be a key factor when considering technologies and equipment in future. During 2011, we installed water meters at Standard Bank Centre that have enhanced our ability to understand our water usage trends and to find ways to reduce the amount of water consumed. This has assisted us to deal with the recent unintended water cuts by the local council, as we were able to more effectively manage water usage during these periods.

In Standard Bank Centre, the humidification water from our air-conditioning system is reused to flush toilets and during 2011, we installed water efficient shower heads in all shower facilities. We have also started converting our basin taps in Standard Bank Centre to aerator taps, which are anticipated to save 80% of water consumed compared to the previous system. These initiatives have helped us achieve a 12% reduction in water used based on our 2009 baseline measure.

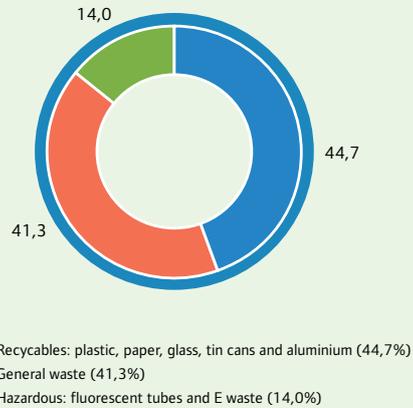
Waste

We value procurement that minimises environmental impacts, for example through proper waste disposal and effective recycling initiatives. In South Africa, our waste is disposed of in a responsible manner and our waste management forum meets quarterly to identify waste handling issues.

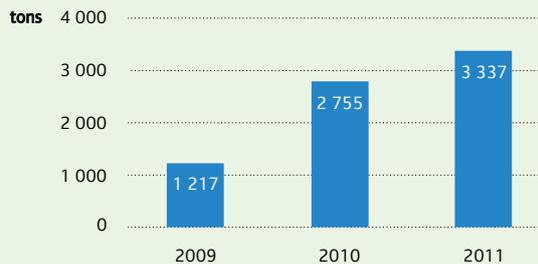
Water consumption
(Standard Bank South Africa and Liberty)



Waste generated
(Standard Bank South Africa)



Paper consumption
(Standard Bank South Africa)



Paper consumption

"I would just like to thank you for making Standard Bank employees aware of recycling and its benefits. It's something that's close to my heart! I hope to see more information about how we, as Standard Bank employees, can help improve our environment."

*Sharon Cao
Standard Bank employee*

During 2011, our paper consumption was 3 337 tons. As noted in the table on page 75 we have increased our paper consumption by 23% on our baseline measure as we have replaced our branded paper, used for specific transactions in branches (which was not originally measured), with plain white paper. Using plain white paper means we can print only when necessary. We will maintain our target to reduce paper usage by 10% by 2015 within our South African operation, which at current costs would realise an annual saving of around R2 million. We ran a paper saving campaign during the year to raise awareness among our staff and to encourage the recycling of used paper.

Biodiversity

"They see the animals in their beautiful natural environment as it should be and perceive it in a new way, they never experienced before. Our learners live in shacks, with no running water and electricity, the family sleep in one room. They are underprivileged, but want to succeed in life. You help with this dream, with your sustainable education. Thank you for being my partner in education."

Without the education at Mogale's Gate, the learners would not have a hands-on experience of sustainability... this field trip means everything to them."

*Ida Potgieter
Tourism educator*

Standard Bank's Mogale's Gate conservation centre in the Cradle of Humankind is an area of high biodiversity value. Since 1997, 38 926 learners (approximately 2 600 children a year) have participated in the centre's environmental awareness programmes and 1 700 primary schools in Gauteng receive our quarterly environmental newsletters. During 2011, we held a teacher training session attended by 60 teachers from Tshwane South District in Gauteng.

Standard Bank is a patron and corporate funder of Leadership for Conservation in Africa (LCA), a non-profit organisation that establishes links between the business community, governments and conservation institutions. During 2011, LCA announced a plan to develop 20 million hectares of conservation land in Africa by 2020. This includes the restoration and development of land under conservation to the benefit of the environment, local communities and host governments. Since its inception in 2006, the LCA has been actively involved in 19 African countries.

The LCA has successfully facilitated the involvement of various stakeholders over a 30 year partnership to ensure the protection of the Odzala Kokoua National Park in the Democratic Republic of Congo. This 1 354 600ha² rainforest hosts the planet's largest population of endangered lowland gorillas, 10 000 forest elephants and 430 bird species, as well as over 100 other rare and endangered mammals.

Additional indicators

Standard Bank Group indicators

		2011	2010	2009
Employee headcount per business segment				
		52 127	53 351	51 411
Personal & Business Banking		23 019	24 134 ¹	35 088
Corporate & Investment Banking		6 690	6 593 ¹	9 796
Group Enabling Functions ²		13 247	14 077 ¹	1 053
Liberty		5 752	5 226	5 474
Discontinued operations		3 419	3 321	N/A ³
Women				
Women employees	%	57√	57	57
Women managers	%	46	45	45
Women executives	%	21	19	19
Occupational health and safety				
Employees trained ⁴	%	2 184	2 359	N/A ³

¹ Restated: the 2010 employee numbers have been restated to reflect the new organisational structure, while the 2009 numbers have not.

² The role of Group Enabling Functions is to extract efficiencies and scale solutions across operating entities.

³ Not available.

⁴ Includes Standard Bank South Africa, Standard Bank Plc and Liberty.

√ Externally assured (refer to assurance statement on page 89).

Standard Bank South Africa indicators

		2011	2010	2009
% of customer base per banking segment				
Personal Banking	%	92,11√	92,63	92,51
Private Banking	%	0,66√	0,60	0,56
Business Banking	%	6,61√	6,10	6,25
Employees	%	0,62√	0,67	0,68
Race composition				
African	%	69	68	68
Coloured	%	9	9	9
Indian	%	5	5	5
White	%	17	18	18
Gender composition				
Women	%	50√	50	49
Men	%	50√	50	51

√ Externally assured (refer to assurance statement on page 89).

Additional indicators

Standard Bank South Africa indicators continued

		2011	2010	2009
Proportion of transactions				
ATM cash withdrawals	%	26√	24	24
Magtape transactions	%	26√	28	27
Credit card transactions	%	13√	12	13
Cheques processed	%	7√	6	6
Debit card transactions	%	8√	8	7
Branch deposits	%	3√	4	5
Other	%	17√	18	18
Inclusive banking products				
Number of Mzansi Blue accounts ¹		1 373 964*	1 046 200 ¹	863 494 ¹
Number of E Plan accounts		3 275 521	3 602 099 ¹	3 909 904 ¹
Number of Mobile Money Accounts		625 326	153 398	27 738
Number of society schemes		49 702	53 412	48 950
Number of funeral plan policies		1 106 498	1 044 119 ¹	1 025 616 ¹
Number of debt protection plan policies		308 685	142 571	68 365
Number of personal loans		306 107	74 825	65 544
Number of affordable housing accounts		76 176	72 994	63 081
Number of pension-backed lending accounts		13 907	15 823	14 798
Corporate social investment spend breakdown	Rm	71,6√	99,5	69,6
Enterprise development	Rm	24,2	35,3	35,2
Education	Rm	31,5	36,2	15,6
Health and wellness	Rm	4,4	4,0	7,4
Sport development	Rm	0 ²	11,9	6,2
Arts and culture development	Rm	1,8	1,6	1,3
Standard Bank Educational Assistance Scheme	Rm	1,6	1,9	1,9
Corporate philanthropy including employee matching	Rm	6,1	4,7	1,8
Humanitarian Relief Fund	Rm	2,0	3,9	0,2
Occupational health and safety				
Employees trained		1 912√	2 004	1 958
Total training spend	R	1 799 881√	1 153 506	1 233 230
Number of reportable injuries per the OHS Act		28√	5 ¹	11
Skills development				
Training spend	Rm	358√	450	419
Training spend on black employees	Rm	242*	250	234
Total number of employees trained		30 546	32 756	34 180
Average number of training days per employee	days	4	3	4

¹ Restated.

² Due to our decision to end our South African cricket and soccer sponsorships, there was no sport development spend in 2011.

√ Externally assured (refer to assurance statement on page 89).

* Externally verified.

Note: all Inclusive Banking products include zero balances.

Assurance statement

Independent Assurance Report on Selected Sustainability Information to the Directors of Standard Bank Group Limited

We have undertaken an assurance engagement on selected sustainability information, as presented in the 2011 Standard Bank Group Sustainability Report (the Report) of Standard Bank Group Limited (SBG) for the year ended 31 December 2011.

Subject matter and related assurance

Our assurance engagement was on selected sustainability information for the year ended 31 December 2011.

The subject matter of our engagement and related assurance we are required to provide is as follows:

1. Limited assurance on SBG's assertions relating to their alignment with the AA1000APS (2008) principles (inclusivity, materiality and responsiveness) as described on page 2 of the Report.
- 2 (a). Reasonable assurance on the key performance indicators, marked with an '√' on the relevant pages of the Report as indicated below.
- 2 (b). Limited assurance on the key performance indicators, marked with an '√' on the relevant pages of the Report as indicated below.

Key performance indicators		Boundary	Assurance level
Financial indicators (pg 43)	Return on equity, headline earnings per share increase, credit loss ratio and cost-to-income ratio.	SBG	Reasonable
Equator Principles (pg 75, 78)	Number of projects financed and number of projects where Standard Bank played an advisory role.	SBG	Reasonable
Value added statement (pg 23)		SBG	Reasonable
CSI spend (pg 23, 88)		SBSA and Liberty	Reasonable
Employee statistics (pg 55, 59)	Headcount, as well as gender, age and length of service breakdown and employee turnover rate.	SBG	Reasonable
Carbon footprint (pg 75, 84)	Total tons of carbon dioxide equivalent.	SBSA and Liberty	Reasonable
Waste generated (pg 75)	Total tons produced.	SBSA	Reasonable
FAIS Ombudsman (pg 43)	Amount claimed by customers and amount settled by the bank.	SBSA	Limited
Customer statistics (pg 43, 45, 87, 88)	Customer base, as well as segment and gender breakdown and proportion of transactions.	SBSA	Limited
Customer satisfaction and complaints management (pg 43, 52)	Results of Galactica, Zodiac and Customer Experience Measurement surveys, and number of complaints and compliments.	SBSA	Limited
Training spend (pg 55, 88)	Rand value and percentage of staff costs.	SBSA and Liberty	Limited
Occupational health and safety (pg 88)	Number of employees trained, training spend and reportable injuries (per the OHS Act section 24).	SBSA	Limited

SBSA: Standard Bank South Africa.

Directors responsibilities

The Directors of SBG are responsible for the selection, preparation and presentation of the sustainability information, the identification of stakeholders and stakeholder reporting requirements, material issues, for commitments with respect to sustainability performance, establishing and maintaining appropriate performance management and for such internal controls as the Directors determine is necessary for SBG's preparation of the Report, and the selection of the performance information from which the reported information is derived. The Directors are also responsible for the selection and application of the criteria detailed below:

- The AA1000APS (2008) for the three principles of inclusivity, materiality and responsiveness (the AA1000APS (2008) principles); and
- The Global Reporting Initiative (GRI) G3 Guidelines.

Independence and expertise

We comply with the appropriate requirements of the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our work was carried out by a multi-disciplinary team of health, safety, social, environmental, governance, economic and assurance specialists with extensive experience in sustainability reporting in assurance.

Our responsibility

Our responsibility is to express assurance conclusions on the selected sustainability information based on our work performed. We have conducted our engagement in accordance with the International Standard on Assurance Information (ISAE 3000), Assurance engagements other than the Audits or Reviews of Historical Financial Information.

A reasonable assurance engagement involves performing procedures to obtain evidence about identified subject matter. Our procedures selected depend on our judgment including the risks of material misstatement of the selected sustainability information in the Report, whether due to fraud or error. In making our risk assessments, we considered internal control relevant to SBG's preparation of the Report. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion. In a limited assurance engagement, the evidence gathering procedures are less than where reasonable assurance is expressed.

Summary of work performed

Our work included the following evidence-gathering procedures:

- Interviews with management and senior executives at corporate level to evaluate the application of AA1000APS (2008) principles and to obtain an understanding of the control environment related to sustainability reporting.
- Testing the processes and systems at group level which generate, collate, aggregate, monitor and report selected sustainability information and inspecting related documentation, more specifically:
 - Interviews and discussions with relevant management, key personnel and/or stakeholders of SBG to confirm definitions and boundaries for selected performance information, and to gather information on the data collection and report preparation processes.
 - Evaluation of internal data management controls based on system walkthroughs.
 - Inspection of selected internally and externally generated documents and records and comprehensive data analyses.
 - Re-calculation of the key performance indicators.

- Evaluating whether the information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at SBG and is not materially inconsistent with information contained in the Integrated Report.

Conclusions

1. *On the AA1000APS (2008) principles of Inclusiveness, Materiality and Responsiveness on which we are required to express limited assurance*
Based on our work performed, nothing has come to our attention that causes us to believe that SBG's assertions relating to their alignment with the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, described on page 2, is not fairly stated.
- 2(a). *On the selected key performance indicators on which we are required to express reasonable assurance*
In our opinion, the selected key performance indicators identified in 2(a) on page 89 for the year ended 31 December 2011 are fairly stated, in all material respects, in accordance with the GRI G3 Guidelines.
- 2(b). *On the selected key performance indicators on which we are required to express limited assurance*
Based on our work performed, nothing has come to our attention that causes us to believe that the selected key performance indicators identified in 2(b) on page 89 for the year ended 31 December 2011 are not fairly stated, in all material respects, in accordance with the GRI G3 Guidelines.

Limitation of liability

Our work has been undertaken to enable us to express the conclusions contained in this report solely to the addressee in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the Directors of SBG, for our work, for this report, or for the conclusions we have reached.

KPMG Services (Pty) Limited

Per Neil Morris
Director
Johannesburg
7 March 2012

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