Standard Bank Group
Sustainability Report 2012

Standard Bank
Also trading as Stanbic Bank

Contents

Additional reports

We produce a full suite of reporting publications to cater for the needs of our diverse stakeholders. The following reports are tailored to readers requiring specific information. The following publications can be accessed online at www.standardbank.com/reporting.

Annual integrated report

Our annual integrated report is our primary report and aims to provide stakeholders with a succinct and balanced view of our organisation. It integrates financial and non-financial information on issues that are material to achieving our strategy and long-term sustainability.

Financial results presentation and booklet

Provides management's analysis of financial results for the period and the performance of the group's divisions.

Risk and capital management report

Provides a detailed discussion of the management of strategic risks related to the group's banking and insurance operations, including capital and liquidity management and regulatory developments.

Annual financial statements

Sets out the full audited annual financial statements for Standard Bank Group, including the report of the Group Audit Committee.

The Standard Bank of South Africa annual report

The Standard Bank of South Africa is the group's largest subsidiary. The group's other subsidiaries, including Standard Bank Plc, also produce their own annual reports, some of which are available at the above website.

As a separate listed entity, Liberty Holdings Limited (Liberty) prepares its own integrated report which is available at www.libertyholdings.co.za.

Sustainability website

Our sustainability website can be accessed at

www.standardbank.com/sustainability

Using this report

The following icons indicate where more information can be found on our sustainability website:

Detailed information: approach>accountability.

Indicates that more information can be found at the *Accountability* link under the *Approach* tab.

Case study: AccessPoint owner

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

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.

Scope and reporting frameworks

The Standard Bank Group (SBG) 2012 Sustainability Report (the report) presents a balanced and comprehensive analysis of our sustainability performance for the year ended 31 December 2012. Any material events after this date and up to board approval on 6 March 2013 are included.

The report covers SBG's domestic, African and international activities, including subsidiaries but excluding associates and joint ventures. Unless indicated otherwise, data refer to the group.

The report focuses on material developments and issues, and discloses the most pertinent indicators. We believe an issue is material when it impacts our ability to remain commercially viable and socially relevant to the communities in which we operate. Our effectiveness in managing these issues affects our ability to achieve our strategic objectives. Surveys, benchmarks and international frameworks inform our reporting, as well as issues raised by internal and external stakeholders. We report against the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and the GRI Financial Services Sector Supplement, supported by our internally developed policies and procedures. Our report conforms to the requirements for GRI application level B+. Our performance in relation to the full set of GRI indicators is available on our sustainability website under the *Approach* tab.

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 – are interrelated and fundamental to the long-term viability of our business.

KPMG Services (Pty) Ltd have assured certain key performance indicators noted in the report. The assurance statement can be found on page 97.

Feedback

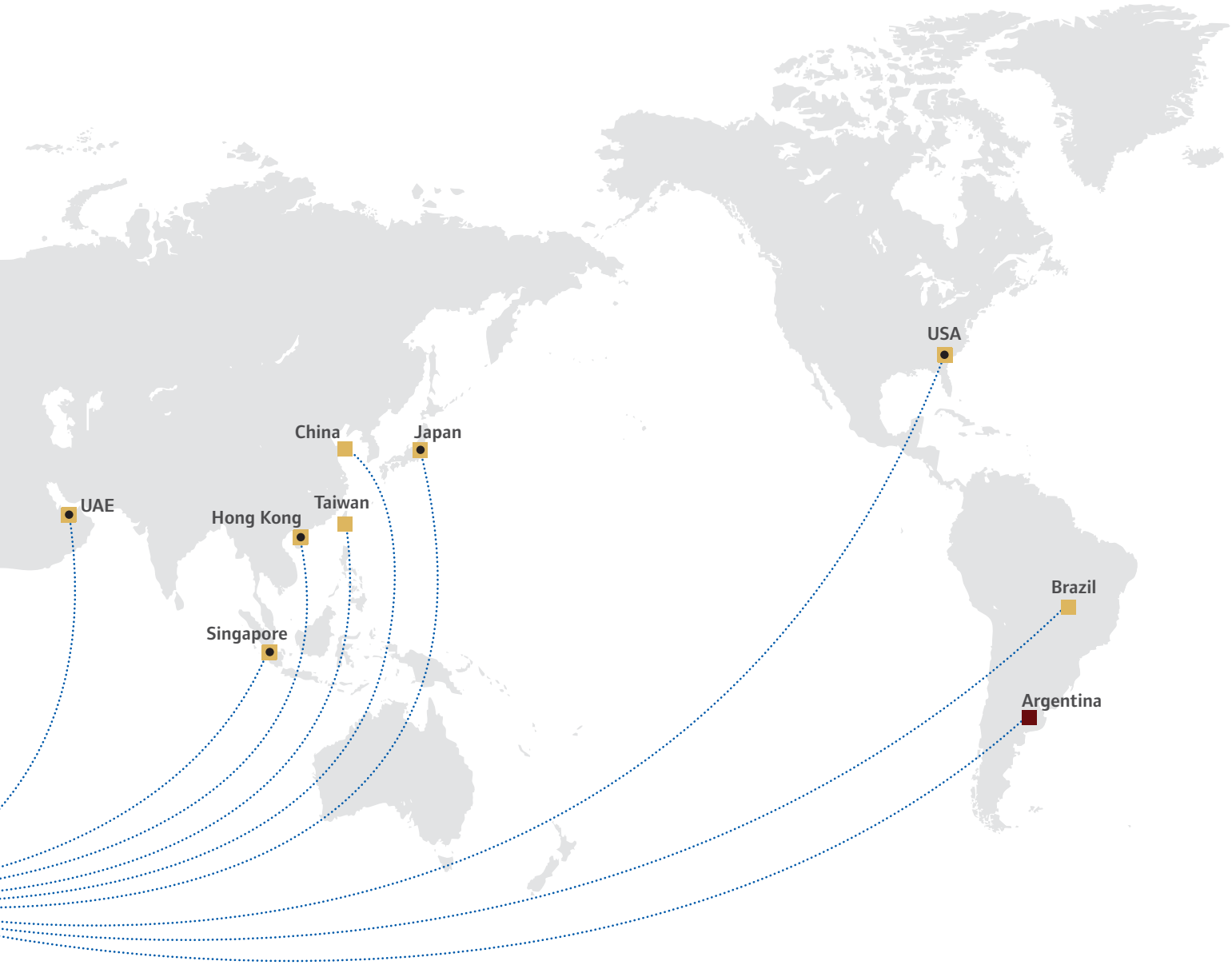
We welcome the views of our stakeholders on this report and the way we approach our sustainability priorities. Please contact Karin Ireton:
Head of Group Sustainability Management at Karin.Ireton@standardbank.co.za with your feedback. Alternatively, you may use the feedback facility on our sustainability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

About **Standard Bank Group**

SBG listed on the Johannesburg Stock Exchange (JSE) in 1970 and started building its southern African franchise in the early 1990s. Our strategic position, which enables us to connect Africa to other selected emerging markets as well as pools of capital in developed markets, and our balanced portfolio of businesses provide significant opportunities to grow. We are the largest African banking group by assets and earnings.

Africa

- Angola
- Botswana
- DRC
- Ghana
- Kenya
- Lesotho
- Malawi
- Mauritius
- Mozambique
- Namibia
- Nigeria
- South Africa
- South Sudan
- Swaziland
- Tanzania
- Uganda
- Zambia
- Zimbabwe



- Corporate & Investment Banking, Personal & Business Banking and Liberty
- Corporate & Investment Banking and Personal & Business Banking
- Corporate & Investment Banking and Liberty
- Corporate & Investment Banking
- Minority shareholding
- Pools of capital in developed markets.

Listings

Headquartered in Johannesburg, SBG's primary listing is on the 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 54% South African-owned. Our two major institutional shareholders are Industrial and Commercial Bank of China (ICBC) and the Public Investment Corporation, which hold a 20% and 15% shareholding 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.

Personal & Business Banking

Personal & Business Banking (PBB) provides individuals, businesses and small to medium-sized enterprises (SMEs) with basic and complex transactional 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.

Headline earnings:
R7 476 million (2011: R5 872 million)
Return on equity:
20,0% (2011: 19,2%)

Corporate & Investment Banking

Corporate & Investment Banking (CIB) 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.

Headline earnings:
R4 784 million (2011: R5 521 million)
Return on equity:
10,4% (2011: 13,0%)

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.

Headline earnings:
R2 033 million (2011: R1 428 million)
Return on equity:
25,2% (2011: 20,2%)

Recognition

Banker Magazine
Most Innovative Investment Bank from Africa.

Global Finance Magazine
Best Investment Bank in South Africa and Africa.

Dealmakers Banking Awards
Best Bank of the Year South Africa and Best Investment Bank Africa.

2013 Global Top 500 Banking Brands
Most Valuable Banking Brand in Africa.

Environmental Finance Annual Market Survey Awards
Best Primary Originator of Kyoto Credits.

ACCA South Africa Awards
Best Sustainability Reporting Financial Sector.

Benchmarking

Corporate Knights Inc. 2013 Global 100 Most Sustainable Corporations in the World

We were the only African company included, ranking 98th most sustainable company in the world.

Newsweek Green Rankings

We ranked 21st in the financial sector category and 64th overall out of the largest 500 publicly traded companies globally.

Bloomberg New Energy Finance Clean Energy & Energy Smart Technology League Tables

We ranked as the seventh international lead arranger for renewable energy financing.

2012 JSE Socially Responsible Investment Index

Standard Bank and Liberty were included. Standard Bank has again been identified as a best performer, for the sixth consecutive year.

2012 Dow Jones Sustainability Index

Our 2012 score was 70%, which is above the global banking industry average of 59% but below the threshold for inclusion on the index.

2012 Carbon Disclosure Project

Standard Bank and Liberty scored 74% (2011: 74%) and 76% (2011: 71%) respectively.

A sustainable **strategy**

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

- Our heritage and footprint put us in a strong position to capitalise on the Africa opportunity.
- Our strategic relationship with ICBC, the largest bank in the world, provides us with exceptional partnership opportunities to capitalise on the growing business, finance and trade flows between Africa and China.

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.

- We understand our customers and clients' needs and our African strategy is in line with many of their growth aspirations.
- We have a successful track record in building businesses across sub-Saharan Africa.
- As an African bank we have deep experience in natural resources.
- We have experience in providing financial services to previously unbanked customers.
- We are dedicated to achieving exceptional customer service and operational excellence.

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

- We employ people who are excited about Africa and its prospects.
- We have a unified and experienced leadership team committed to executing our strategy.

Strong values underpin our strategy

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**

Our social compact underpins our long-term sustainability

Standard Bank will contribute to the socioeconomic development of the countries in which we operate in a way that 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.

Sustainability as an integral part of our business strategy

We proactively embed sustainability thinking and sustainable business practices at every level of our business. We believe that our most important contribution to sustainable development is to operate an effective and profitable bank. 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 in resolving global challenges such as energy and food scarcity, resource depletion and climate change.

The very nature of our business positions us to help our customers and stakeholders manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local markets and national economies. The success of our customers, clients and stakeholders guarantees future business, which underpins our sustainability.

Managing sustainable development

Ultimate accountability and responsibility for sustainable development rests with the SBG Board of Directors (SBG board). Through SBG's governance structures, this responsibility is delegated to appropriate board and management committees.

The Group Social and Ethics Committee reports directly to the SBG board. The committee's mandate is to guide and monitor:

- Matters relating to social and economic development.
- Economic transformation activities and performance against targets for the South African operation.
- Labour and employment policies, practices and procedures.
- Environmental impacts.
- Consumer relationships.
- Ethical conduct.

Detailed information: approach>managing sustainable development.

Standard Bank utilises low-cost distribution channels such as mobile banking, community retailers and informal trader markets to provide inclusive financial services to economically active people who fall outside the mainstream financial sector.

Solar panel support structures being erected at the Renewable Energy Independent Power Producer Procurement Programme site in the Northern Cape. Standard Bank has committed R9,4 billion to 11 projects in the first phase of the programme.

Joint statement from the Group Chairman and Group Chief Executive

A sustainable strategy

In 2012, SBG celebrated 150 years in operation. Of course it is not the number of years in itself that speaks to the group's ability to endure. Its history demonstrates how it has come through volatile macroeconomic cycles and structural changes, and how it has sought out new opportunities in changing economic and social contexts. For those of us now entrusted to lead and work within this venerable institution, it is the richness of this history and the depth of culture we inherit, that challenges us to ensure Standard Bank succeeds well beyond our term.

At this time in the history of Africa and indeed globally, we need to answer fundamental sustainability questions which are driving dramatic shifts in our social and economic models. Business models need to reflect these changes, as business navigates the relationship between commercial reality and social relevance.

Getting this right requires that we understand the needs of our principle stakeholders – customers, business partners, staff, shareholders, regulators, governments and communities – and fulfil their needs with the least amount of bureaucracy. We need to make sure our business responds nimbly to change, and with sufficient constructive influence to really move people forward on the path to progress. In our sector, we need to respond to new patterns of wealth creation and definitions of prosperity while managing the interplay of social, economic and environmental risk.

As an African financial services group we have a fundamental role to play in the development needed to drive back risks and drive up economic growth. Providing access to credit, savings and insurance products enables people to improve their quality of life and strengthen their financial security. Providing finance to large and small businesses facilitates economic growth and job creation, and financing infrastructure and the development of key sectors eases sustainability challenges such as energy and food scarcity, resource depletion and climate change.

The success of our customers and stakeholders underpins our commercial sustainability. So, ultimately, the most significant contribution we can make to socioeconomic development is to remain profitable and to stay relevant. Both the SBG board and the executive team are firm in the belief that this requires that we focus on being an effective 'real economy bank' – intractably part of facilitating the financial needs of the emerging economies within our scope.

A decisive strategic response

Our strategy for sustainable growth and profitability puts Africa at the centre of our ambitions and leverages our competitive advantages – among them our unique African footprint and track record in sub-Saharan Africa.

Over the last few years, while we have refocused our emerging markets strategy on Africa, considerable progress has been made in embedding sustainability thinking and sustainable business practices within our business. This year's group sustainability report once again evinces the benefits that have come from responding to sustainability challenges in a positive way.

A key challenge for the SBG board, besides its primary oversight role, is to ensure that all strategic decisions incorporate sustainability-related insight and analysis, and intelligence gained from our stakeholder engagement activities. We have a great opportunity in drawing together and sharing the understanding vested in the group's governance network of subsidiary boards, and employing this in translating the group strategy into sustainable commercial success and social relevance.

A further important contribution of the group's governing bodies is to instil an inclusive business culture and leadership style that affords greater participation within the group and among external stakeholders. This is part of the broad mandate of the Group Social and Ethics Committee.

Fred Phaswana, *Group Chairman.*

In the past year, we have concentrated on decisively implementing our strategic objectives and managing the longer-term material issues we face as an African financial services leader. In doing so, we have put in place strong leadership and shifted our allocation of resources, both of people and available capital, to those parts of the business that are consistent with our strategic position and plans for the future.

We have repositioned the group's operating model to reflect best international practice, and to have the flexibility to allow for local autonomy. Products and processes are being simplified and new ways found to improve customer service. The significant investment in the group's information technology (IT) and operating systems continues to be managed responsibly and to best effect. We are confident it will deliver the business benefits and efficiencies that will add up to a significant competitive advantage in the medium term. Some of the success stories in this year's sustainability report include advances in transformation, inclusive and responsible banking products and services, as well as infrastructure, renewable energy, affordable housing and agriculture financing.

In our African operations we have continued to balance our investment for growth against our capital constraints, to build first-class local operations. We have strengthened our in-country teams to derive the greatest benefit from on-the-ground insight and bench strength. In the last year, our African franchise has gained traction and started to deliver strong growth in revenue. Realistic about the impediments to doing business in Africa, we are committing the necessary expenditure on people, systems and infrastructure to unlock its opportunity.

Our challenges in our operations outside Africa centred on sensible and responsible, yet deliberate, scaling back and right-sizing according to the revenue opportunities and cost demands of these operations. The group's operations in London came under intense management scrutiny during the year, with retrenchments a regrettable implication of the downsizing. The group has now exited its Russian operation and no longer holds a majority stake in our banks in Argentina and Turkey.

We will continue to reshape our business to reflect the changes in the global economic environment and in our industry, from a competitive and regulatory perspective. In this regard, the revised Basel III Capital Accord (Basel III) requirements provide more certainty in our strategic planning. Over time we hope for greater easing in the requirements, to avoid the unintended consequence of driving up the cost and limiting the ambit of responsible lending in emerging economies that depend on access to credit.

The group's results for the 2012 financial year reflect the realities of operating in multiple jurisdictions, and demonstrate sound fundamentals. Revenues grew 17% in the year under review, achieved after a number of years of winning new customers, new mandates, growing our reach and investing in systems and people. In Standard Bank Africa, revenues were up an impressive 38%. Very importantly, given a cost constrained environment, we have made substantial progress in entrenching operational efficiencies.

Looking forward

The South African reality in 2012 was more fragile than in previous years. Without doubt, the low point of the year came in the form of the distressing loss of life at the Marikana mine, and the inflammatory spate of violent illegal strikes that followed. Since then, ratings downgrades and declining investor sentiment has weighed on the country's reputation.

We believe that the National Development Plan (NDP) is an insightful and pragmatic response both to the fissures and persistent imbalances in South Africa's social fabric, and its need to compete with other African economies and emerging regions in the global arena. We have therefore started the process of aligning our strategic planning and execution to the NDP, taking up the call from the Minister in the Presidency for National Planning, for the private sector to put shoulder to the wheel in implementing the NDP.

Similarly, we will continue to respond to the commercial and sustainability challenges in all our operating countries in a way that is appropriate to our standing as a leading African organisation. Our contribution to many different multi-stakeholder bodies and industry associations, and our interaction with our stakeholders, will continue in pursuit of our strategy and the social compact to which we are committed.

We understand that those who will succeed in a rising Africa will be the ones that attract and retain the brightest and most committed of the continent's talent based on strong leadership, exciting prospects and an empowering and participatory culture. We recognise our people as our most definitive competitive advantage and continue to invest in engaging our people around the world, mindful that we compete with many organisations staking their claim to the Africa opportunity.

Although the global economic environment remains precarious and despite the complex challenges we face, the opportunities we have as an African financial services leader with unique competitive advantages give us reason to be positive about the coming years.

Jacko Maree, *Group Chief Executive.*

Fred Phaswana,
Group Chairman.

Jacko Maree,
Group Chief Executive.

On 7 March 2013, we announced that Jacko Maree was stepping aside as Chief Executive of the group after more than 13 years at the helm. Jacko's contribution to building the group cannot be overstated, whether by strategic, commercial or socioeconomic measure. Appointed as Chief Executive in 1999, he successfully saw off Nedcor's hostile advance, was one of the principal architects of the Financial Sector Charter in 2004 and his oversight of ICBC's 20% equity investment into Standard Bank in 2007 helped cement a strategic partnership that continues to stand the group in good stead. Jacko's stewardship during the global financial crisis and its lingering aftermath, and the strategic refocusing that has been required in light of the dramatic changes in the global banking environment may yet, I believe, come to be seen as his most important contribution.

The respect Jacko has earned among his peers is evidenced in the awards bestowed on him. Of the many leadership accolades over his career, the most noteworthy for me was Jacko being voted 'The Most Trusted CEO in South Africa' by Ask Africa's annual Trust Barometer study for three consecutive years from 2007 to 2009; this during a period when trust in banks was at its lowest ebb. The board expresses its deep appreciation to Jacko for his inspirational contribution to Standard Bank, and is delighted that his skills will remain within the group where he will remain employed as a senior banker focusing on key client relationships.

The board has appointed Sim Tshabalala and Ben Kruger as Joint Chief Executives of SBG. Sim and Ben will be held accountable and responsible, both jointly and severally, for the management and performance of the group.

Fred Phaswana

Ensuring our **sustainability**

As a 'real economy' bank, we support and depend on the robustness of socioeconomic activity in the countries in which we operate. The interdependence that exists between society and the economy, at both local and global levels, means that any material difficulty in one area will invariably impact on the others. It is therefore incumbent on us to run our business in a way that serves the countries, regions, businesses and individuals on which our sustained success depends. Quite simply, our ability to create and sustain value is inevitably linked to the wellbeing of those we serve and to acknowledging the physical limitations of the planet we live on.

As a financial services group with an Africa-centred strategy, we are well positioned to participate in realising the continent's exciting growth prospects and to help mitigate the significant risks it faces in fulfilling its potential. Our sustainability report for 2012 sets out how we are deepening our sustainability thinking and applying best practice within the organisation. It demonstrates that our strategy and our sustainability programmes are mutually reinforcing and have served us well in the past 12 months.

A concerted approach to sustainability management and a good understanding of the big issues has helped the business identify the opportunities that can be realised in addressing social and environmental risk. As SBG's Sustainability Management team, we ensure that social and environmental issues are identified, appreciated and understood in decision-making processes; thereby enabling better, more proactive results.

Standard Bank's representation on various forums and working groups is exceptionally valuable in this regard, allowing us to learn from and contribute to the global dialogue around environmental, social and economic sustainability. This, together with our stakeholder engagement efforts and the sourcing of skills locally in the countries we operate in, gives us a detailed understanding of the broader risk environment locally, regionally and internationally.

Keeping sustainability at the forefront of our thinking and taking a proactive risk approach is proving commercially sensible. Our energy and water efficiency initiatives, which include our own use of renewable energy power generation at some of our sites, supports our strategic focus on cost reduction and operational efficiency, and are already justifying the original investments made. For our new offices in Rosebank, Johannesburg, the preliminary design achieved a 5 Star rating from the Green Building Council of South Africa, and we are confident it will achieve at least a 4 Star rating once complete.

Although managing our direct impacts is certainly prudent, not least in managing our reputational and regulatory risks, as a provider of finance the greatest opportunity we have to positively influence environmental and social issues lies in our indirect impact.

A particularly notable example of how we can realise commercial opportunity from meeting a sustainability challenge is our funding of renewable energy projects in Africa, which now represent around a third of our total project finance energy portfolio. The South African Department of Energy's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme demonstrates a coming together of public and private effort and determination to successfully respond to a national energy supply challenge in a way that is globally pertinent. Standard Bank's total funding and underwriting commitments to successful bidders to date amounts to R9,4 billion, giving real implementation at scale to sustainability thinking.

While most issues in the field of sustainability can be defined as 'big issues' – issues that transcend national boundaries and are beyond the ability of a single organisation to resolve, all companies have a unique, strategically-linked role to play. For a financial services group like SBG, we are able to mobilise far greater resources in finding solutions when we can build them around commercial opportunities that align to their core business. Where an issue falls outside the commercial domain, corporate social investment and the building of social capital remain important. We will continue to contribute resources to programmes and institutions which we identify as playing a role in addressing the social ills that impact us most. The social compact we signed last year is a reflection of that. Our employees, our customers and our stakeholders benefit from societies which function well.

A highlight for the year was seeing the growing participation among our employees in initiatives in the workplace, such as energy and water saving and recycling, which are inspiring people to want to make a difference in their personal lives. We are a great believer in the power of the ripple effect to promote real change, and this approach is something that we will continue to embed in the culture of Standard Bank.

The maturing of our sustainability reporting is giving us the ability to articulate and assess the value that sustainability management has for the business. For example, to understand the costs of energy in an organisation running hundreds of sites, required that we have the systems in place to comprehensively measure and report on energy usage. Robust data sets enable the business to make smarter decisions, the value of which is demonstrated throughout this report. It is noteworthy that making a commitment to better reporting to our stakeholders can drive improvement in the business.

Karin Ireton, *Head, Group Sustainability Management.*

Karin Ireton,
Head, Group Sustainability Management.

Our material issues

In formulating our strategy and determining our strategic priorities, we consider 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.

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the societies 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. We also take into consideration those factors that affect the financial stability and growth of economies, and in turn our own business.

Our effectiveness in managing our material issues affects our ability to achieve our strategic objectives. The inputs into identifying our material issues are:

- Our strategy.
- Our values and code of ethics.
- Internal and external stakeholder engagement.
- Dialogues between executive management.
- Risk management and regulation.
- Global challenges and national priorities.
- Sustainability indices.

Our material issues are reviewed annually and are approved by the Group Executive Committee. The table on pages 12 and 13 sets out our material issues, the board committees in place to manage them and the most pertinent indicators we use to measure our progress in managing these issues. The balance of the sustainability report sets out our opportunities, challenges and performance for 2012.

Managing our material issues

Material issue	Sub-categories	Pages	Related SBG risk categories	Relevant board committees
Sustainable long-term financial performance.	• Driving operational excellence by balancing investments in growth and IT with cost management. • Meeting regulatory capital and liquidity requirements, while holding capital to fund growth. • Maintaining and enhancing our balance sheet strength. • Managing our risks.	IR 46 RCM AFS RCM AFS	Business risk, credit risk, country risk, insurance risk, liquidity risk, market risk, operational risk (including environmental and social risk) and reputational risk.	• Group Audit Committee. • Group Risk and Capital Management Committee.
Governance, regulation and stakeholder engagement.	• Managing regulatory change in the financial sector globally. • Ensuring good governance practices. • Engaging transparently with our stakeholders and responding appropriately to their needs.	20 IR 95 17	Business risk, operational risk and reputational risk.	• Group Audit Committee. • Group Risk and Capital Management Committee. • Group Social and Ethics Committee.
Sustainable and responsible financial services.	• Ensuring an excellent customer experience. • Treating our customers in a fair manner. • Lending responsibly and managing indebtedness. • Increasing financial crime controls.	55 47 48 51	Business risk, credit risk, market risk, operational risk (including environmental and social risk) and reputational risk.	• Group Audit Committee. • Group Risk and Capital Management Committee. • Group Social and Ethics Committee.
Socioeconomic development.	• Creating wealth for the communities in which we operate. • Driving transformation in our business. • Providing inclusive financial services and supporting SMEs. • Addressing development in Africa and being relevant to communities.	23 24 25, 30 36, 41	Business risk, credit risk and reputational risk.	• Group Social and Ethics Committee.
A positive and consistent employee experience.	• Becoming an employer of choice through best practice in people management. • Growing leadership capability. • Driving employment equity. • Remunerating for performance.	60 62 64 66	Operational risk and reputational risk.	• Group Remuneration Committee. • Group Social and Ethics Committee.
The environment.	• Addressing climate change. • Financing the green economy. • Developing environmental and social risk management capabilities. • Managing our direct impacts.	84 87 84 90	Business risk, operational risk (including environmental and social risk) and reputational risk.	• Group Risk and Capital Management Committee. • Group Social and Ethics Committee.

	Performance indicators		
	14,2% return on equity (2011: 14,3%). **R15 010 million** headline earnings (2011: R13 599 million). **1,08%** credit loss ratio (2011: 0,87%).	**58,7%** cost-to-income ratio (2011: 58,8%). **10% increase** in net asset value per share. **11,7%** tier I capital adequacy ratio (2011: 12,0%).	**11,0%** pro forma Basel III tier I capital adequacy ratio. **>13,5 million** retail customers across Africa (2011: >12,1 million).
	• Contributed to shaping the **regulatory environment** through engagement with government policymakers, legislators and regulators. • Continued to embed the recommendations of the **King Code of Governance Principles** (King Code) for South Africa. • Working to implement a **consistent governance framework** and standards across all operating subsidiaries. • **Feedback** from various **stakeholder groups** reported to the SBG board to inform strategic decision-making.		
	• **Seven** out of a total of 11 PBB channels in South Africa achieved a customer satisfaction score of nine or above out of ten. • Signed a **Credit Accord** agreement to promote responsible lending in South Africa. • Standard Bank is a signatory to the **Equator Principles**. • STANLIB is a signatory to the **United Nations Principles for Responsible Investment** and the Code for Responsible Investing by Institutional Investors in South Africa. • Kept Personal Banking **fees flat** for the second consecutive year. • Prevented fraud to the value of **R1,1 billion** (2011: R1,3 billion).		
	R60 billion wealth created by the group (2011: R50 billion). **>661 000** SMEs banked across Africa. **R125 million** corporate social investment spend (2011: R120 million).	**Standard Bank South Africa:** Transformation score of **89,62** out of 107 (2011: 92,47 out of 107). **6,2 million** Inclusive Banking customers (2011: 5,4 million).	**Standard Bank South Africa:** **6 813** AccessPoints (2011: 9 716). **100** AccessBanking Centres (2011: 68).
	49 017 employees (2011: 51 656). **10,2%** employee turnover (2011: 11,6%).	**47%** women managers (2011: 46%). **R609 million** training spend (2011: R484 million).	**37%** black representation at senior management level (2011: 35%). **2 498** participants in leadership development programmes (2011: 1 101).
	Committed **R9,4 billion** to renewable energy projects in South Africa. A further R6,1 billion has been committed to projects in phase two of the REIPPP Programme.	**16** Equator Principle projects financed (2011: nine). **19 million tons** of greenhouse gas emissions abated through carbon financing.	CO_2 emissions for Standard Bank South Africa were **412 089** metric tons (2011: 180 403). **31%** increase in the collection of recyclable waste.

Executing our strategy

	01 Embed customer and client centricity	02 Inspire and motivate our people	03 Achieve operational excellence
Progress in 2012	• **Excellent performance in transactional banking** in PBB, as well as transactional products and services in CIB, driven by growth in customers and in volumes. • Personal Banking in South Africa **kept fees flat** for the second consecutive year. • PBB South Africa achieved a total customer experience score above 90%, with a **branch score of 9,48 out of ten**. • In CIB the Transactional Products and Services **customer survey score in South Africa edged closer to our target** of nine out of ten, averaging 8,6. • Launched **new affordable banking products** in our South African and African operations, for individual and SME customers. • In our African operations, we **increased our number of branches** to **528**, rolled out a tablet solution for in-branch consultants and mobile ATMs for medium to large business customers.	• Rolled out a **new approach** to **performance management** to improve employee experience. • Introduced a **graduate mentorship programme** in PBB South Africa. • Updated our **management and leadership programmes** in our South African and African operations. • Initiated **talent engagement forums** in our African operations. • Approved a **new statement of intent and set of guiding principles for diversity and inclusion**. • Launched the **Women in Leadership Programme** to build skills among women in middle management. • Invested in four **training academies** in our African operations. • Launched a **new Employee Value Proposition Programme** aimed at building a culture that will make us an employer of choice.	• Implemented **two new releases to the core banking system in South Africa** which enabled the launch of the AccessBanking suite of products. • Our core banking system being implemented in our African operations, **Finacle, successfully deployed** in Namibia and Uganda. • Released the **Standard Bank Mobile Banking Application**. • Created Customer Service Points to bring **banking services closer to our SME customers** in informal markets in sub-Saharan Africa. • Achieved an average **ATM availability** of 96,6% in South Africa. • Restructured and **centralised our procurement** function.
Focus going forward	• First phase of **customer relationship management capability** scheduled for completion in 2013. • **Focus on self-service electronic channels** to provide simpler and more accessible banking solutions to customers.	• Emphasise developing talent internally to **drive employment equity targets**, in addition to recruitment. • Implement a **graduate programme in our African operations**. • **Introduce occupational health and safety monitoring** and reporting in all our African operations.	• **Further rollout of Finacle** in certain African countries. • **Introduce Mobile Banking** to Angola, Mozambique and Tanzania, and **add further functionality** to existing mobile platforms. • **Reduce overall size and cost of Africa head office**. • **AccessAccount migration** in first quarter of 2013. • **Continue to implement groupwide procurement policy** and associated governance structures across all business units and operating countries.

We continue to make steady progress against the six objectives that underpin our strategy.

04 Capitalise on our strategic partnership with ICBC	05 Deliver as a relevant corporate citizen	06 Reshape our business to take account of trends in global legislation and regulation
• Through our partnership with ICBC we **facilitated unique transactions** between China and Africa. • An **increase in account openings** in Africa for Chinese corporates operating in and trading with Africa. • **Increased revenue** from precious metals trading flow. • Obtained regulatory approval for the **sale of a 55% stake in our Argentine operation to ICBC**.	• **Met employment equity targets for junior and middle management**, but narrowly missed the target for senior management. • The **PBB South Africa Executive Committee** achieved 60% and 66% women and black representation respectively. • Included **ethics-related content in our assessments and employee surveys**, to guide us in addressing areas requiring improvement. • Continued to contribute to various **local and international regulatory, environmental, social and reporting bodies**. • Investigated **integrating aspects of the NDP** into our strategy, to position the business to contribute to South African developmental objectives. • Made further progress in implementing initiatives that will **reduce our direct environmental impacts.** • Spent **R125 million on corporate social investment** projects that help address social issues that can be barriers to doing business.	• Continued to **prepare for the impact of Basel III** on our liquidity and capital management practices, and to update our liquidity and capital recovery plans to align to the South African Reserve Bank's (SARB) Recovery and Resolution Plan. • **Right-sizing and repositioning of our London operation**, to bring it in line with our Africa-centred strategy. • Continued to **sell strategic stakes** in international operations, with the completion of divestitures in Argentina, Turkey and Russia. • Continued to **downsize operations not aligned to our strategy**. • Started developing suitable measures and putting governance structures in place to **meet the requirements of Treating Customers Fairly (TCF)**.
• Continue to **leverage our partnership** to best serve clients.	• **Deliver on our social compact** through responsible financing, sustainability programmes and strategic social investment. • Continue **to align on strategic planning and execution of the NDP**. • Include greater focus on **human rights issues in our environmental and social risk management training**. • **Extend the scope** of our water, paper, waste and recycling data.	• Ensure that the group is **adequately positioned to respond to the Basel III requirements** as they are phased in. • **Implementation of TCF scheduled for 2014**.

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 subscribe to the King Code and continue to implement its recommendations within the group and our subsidiaries as appropriate.

With the appointment of Peter Sullivan to the board in January 2013 and the implementation of executive succession plans in March 2013, the group's unitary board structure now comprises 19 directors, 11 of whom are independent non-executive directors, four are non-executive directors and four are executive directors. This ensures that independent perspectives inform board decisions. The Chairman is an independent non-executive and the roles of Chairman and Chief Executives 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.

IR 95 Detailed information: *corporate governance statement.*

Ethics

Our values and the Standard Bank and Liberty codes of ethics provide a framework to guide the behaviour and actions of our employees in pursuit of our strategy and business unit priorities. Together they ensure that we adhere to the highest standards of responsible business practice in our interactions with all our stakeholders. The SBG board is mandated to provide effective leadership based on an ethical foundation, to ensure the company remains a responsible corporate citizen and our ethics are effectively managed.

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 Executives and Group Ethics Officer are the formal custodians. Each business unit has a senior executive responsible for driving ethics-related awareness activities and representing the business unit on any ethics-related forums.

Ethics training is undertaken throughout the group and is used to increase awareness of the mechanisms in place to assist employees in adhering to the code.

During 2012, ethics-related content was included in various assessments and employee surveys. The responses received from employees guide us in addressing areas requiring improvement.

Our values and ethics have been incorporated into our revised performance management approach. Through agreement and discussions on values-based behaviours, team members hold themselves and each other accountable for following the required behaviours.

Employees are encouraged to refer to the code of ethics when faced with a query relating to ethical and unlawful behaviour. Where further advice is required, employees can confidentially seek advice from their direct line manager, human resource representatives or the Group Ethics Officer through an internal ethics mailbox. The confidential and anonymous ethics and fraud whistle blowing reporting hotline is available to internal staff and external stakeholders. More information on our hotlines can be found on page 52.

Overall responsibility for Liberty's culture of ethics lies with its board and supported by Liberty's Social, Ethics and Transformation Committee. The committee is tasked with monitoring, assessing and reporting any breaches in ethics to the board, among other responsibilities. The code applies to Liberty Holdings Limited as well as its subsidiaries, both in South Africa and abroad. Liberty periodically conducts reviews of its ethical performance as part of its wider governance reviews. Opportunities for improvement highlighted in the last ethics review are being addressed and include increased training and communication on ethical behaviour.

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 South Africa, we operate to similarly high standards. Standard Bank's values and the code of ethics are an extension of this commitment. We are developing a groupwide human rights policy which recognises the need for SBG to respect, protect and remedy human rights. We use two approaches to screen and process projects in terms of environmental and social risks, including human rights. The Equator Principles are applied to project finance loans and an internally developed appraisal system has been implemented for all other financial product types within CIB.

Detailed information: approach.

Stakeholder engagement

We build and maintain strategic relationships with a broad range of stakeholders, to enable proactive engagement, manage social expectations, minimise reputational risk and influence the business environment. We employ a range of channels and mechanisms to gather stakeholder feedback. The frequency of engagement varies according to the stakeholder group and the particular issue. We use a decentralised stakeholder engagement model, in which individual business units undertake stakeholder engagement activities appropriate to their particular areas. Our Stakeholder Relations Forum, comprising business unit managers and executives, meets every second month. It is responsible for facilitating a coordinated approach to stakeholder engagement activities across the group, and ensuring we communicate a consistent message based on our code of ethics, values and strategy.

We are proactive in identifying and responding to misalignments, conflicts and concerns between our actions and our stakeholders' expectations. In June 2012, Standard Bank South Africa's Chief Executive was appointed as the Banking Association of South Africa's (BASA) chairman for a two-year period. In this role, Sim Tshabalala is responsible for engaging with government and relevant stakeholders, including the Minister of Finance, on behalf of the banking industry. Through BASA, we are part of the Presidential High-Level Dialogue on the Economy, which aims to promote job creation and reduce inequality through various public and private sector-led initiatives.

To assess government perceptions of Standard Bank, we recently commissioned a series of in-depth interviews with 15 senior policymakers and regulators in South Africa. The interviews probed perceptions of Standard Bank's business performance, corporate leadership, products and services, staff experiences, social relevance, customer relationships, brand value, and vision and values. The research found that we are generally well rated, with an average score of 70% across the different indicators. The bank is perceived as a successful business with impressive profitability, offering fairly good products and services. The research identified a number of areas in which the bank needs to improve stakeholder perceptions. These include our approach to and communication on bank charges and fees; the extent to which we are perceived as innovative; communication of our social activities and contribution to socioeconomic development; communication of our transformation initiatives; and the use of IT to simplify banking and offer high-quality services to customers and clients.

The table on pages 18 and 19 sets out our stakeholder engagement during the year.

Our stakeholders

Government and regulators	Investors and analysts	Customers and clients
• National government departments. • Regulatory bodies (national and international). • Provincial level of government. • Municipalities.	• Shareholders. • Business community and associations. • Rating agencies. • Financial analysts.	• Customers and clients. • Tutuwa beneficiaries. • International development agencies.
Staff	**Communities we support**	**Other**
• Employees. • Trade unions. • Beneficiaries of Standard Bank General Staff Share Trust.	• Sporting and art communities. • Young people in Standard Bank sponsored schools, bursary and scholarship recipients. • Institutions of higher learning. • Research organisations and think tanks. • Environmental and community development non-governmental organisations (NGOs).	• Civil society organisations. • Suppliers. • Media.

Detailed information: stakeholders.

Stakeholder	Engagement channel	Issues raised
Government	Meetings, policy discussions, conferences, interactions through business organisations.	• The financial services sector's contribution to developing South Africa's economy. • Financial inclusion. • Responsible lending and levels of unsecured lending. • Innovation.
Regulators	Written submissions and other engagements.	• The translation of Basel III into South African banking regulation. • The new Financial Markets Bill and the regulatory framework for over-the-counter (OTC) derivatives. • Government's review and impact assessment of consumer credit policy and the National Credit Act (NCA).
Customers	Satisfaction surveys and various customer channels including the distribution network.	• Banking perceived as expensive and, in South Africa, our product offerings too complicated.
Inclusive Banking customers in South Africa	Community surveys five times a year and customer focus groups twice a year.	• Affordability, accessibility and service excellence.
SME customers	Customer satisfaction surveys, distribution network channels and Standard Bank relationship managers assigned to these businesses.	• South Africa and Africa: access to banking and financial services. • Africa: limitations of branch and ATM network and long queues. Banking is time-consuming and takes SME business owners away from their shops.
Employees	Employee surveys.	• Better clarity on the progress made against SBG's strategy. • Filling vacant positions and transparency around the recruitment process, developing high-performing individuals and the need for a well-developed performance management system.
Suppliers	Supplier summits.	• The efficiency of the procurement process at the bank.
Black-owned and black women-owned SME suppliers	Supplier satisfaction survey and supplier summit.	• A level playing field for all suppliers to participate in procurement opportunities.
Environmental NGOs	Meetings, policy discussions, conferences, interactions with business organisations on environmental issues and the Equator Principles African and Middle East Outreach Working Group.	• Environmental and social risk management. • The need for greener technology and responsible financing.
Concerned employees	Electronic communications to staff, websites and informative lunch sessions at Standard Bank head office in Johannesburg.	• Employee awareness of sustainability issues.

	Our response	Page
	• We provide tailored public sector financing, infrastructure finance and empowerment finance, and facilitate cross-border trade, all of which contribute to socioeconomic development.	36
	• We have developed a suite of innovative, accessible, affordable and transparent products and services for the low-income market.	26, 78
	• We have signed a formal agreement with National Treasury to improve responsible lending.	49
	• We have launched the Standard Bank Mobile Banking Application, the Muvo transport card and expanded our Instant Money offering.	76
	We are engaging with National Treasury and the SARB to agree appropriate regulation, aligned with international standards but sensitive to the realities of the South African economy. We fully support the review of the NCA. All policies and legislation, despite the laudable objectives informing them, can result in unintended consequences and undesirable effects. While the NCA has led to profound reform in the consumer credit industry, it has also generated unintended outcomes that pose significant risk to banks. The functioning of the debt review system is a particular area of concern.	20
	In South Africa, we have implemented a number of pricing changes and streamlined our product offerings. Changes include a new BizLaunch account for start-up businesses, costing R3 a day, and a 50% reduction on pricing of the Elite account. We have also taken the decision to not increase Personal Banking fees for 2013. We are implementing a simplified pricing model in Africa.	50
	Our AccessBanking products and our community-based AccessPoints significantly extend the affordability and accessibility of our products and services to the low-income market. We have renewed our focus on customer service delivery to this market. Branch employees are trained on how to sell the appropriate product based on affordability and need.	26, 78
	We have introduced a number of affordable banking and financing options designed to meet SME needs. In South Africa, this includes the new BizLaunch account and targeted enterprise development support. In Africa, our SME Quick Loan is available in ten countries and we are rolling out a bespoke banking offering for informal traders. We have opened Customer Service Points in or near trader markets and have introduced new Internet and Mobile Banking platforms.	30, 79
	The PBB annual road shows and weekly 'Lets Connect' sessions, and CIB's face-to-face strategy progress updates are mechanisms used to communicate on progress made against strategy. We are developing groupwide policies to govern recruitment. Our new resourcing and talent systems will enable us to enhance the way we measure, monitor and report on initiatives to maximise our human capital. We have updated the content of our leadership programmes and have rolled these out to our African operations. We have introduced a standardised performance management approach across Standard Bank.	60, 62, 66
	We have restructured and centralised our procurement function. A groupwide procurement policy is being implemented, together with associated governance structures, across all business units and geographies.	40, 85
	Group Vendor Management and Procurement identifies prospective black SMEs and our dedicated Preferential Procurement team assists our business units with selection. We set aside opportunities, and are reviewing our payment and tender processes to align to the needs of SME businesses. Our Supplier Development Programme aims to increase businesses' capacity to meet requirements and gain market access.	31, 40
	We contributed to the strategic review of the Equator Principles and participated in an Equator Principles workshop for environmental consultants and assurance providers in South Africa. We also contributed to the Green Credit Forum and Guidelines in Beijing, China. Through our memberships in business organisations and our strategic partnerships, we contribute to environmental policy. Our participation in the Climate Markets and Investment Association and the African Carbon Asset Development facility enables us to play a role in developing Africa's carbon market.	86, 88
	This year we held sessions on solar water heating, water scarcity and rhino poaching interventions.	86

Political contributions

Standard Bank continues to support democratic processes in South Africa through financial contributions to political parties. These contributions are made on the basis of the Independent Electoral Commission's funding formula, that is, in proportion to political parties' representation in the National Assembly. Only parties represented in the National Assembly receive support. Parties submit a written report to the bank on how they have used the previous year's donation. A total of R13,5 million will be allocated to political parties over the five-year election cycle from 2010 to 2014. In 2012, Standard Bank disbursed a total of R2,1 million (2011: R2,1 million).

Legal actions

During 2012, Standard Bank brought and defended several cases in the South African courts, the detail of which can be viewed at the link below. The most notable cases involved a patent infringement; a matter to resolve seemingly conflicting judgements made with regard to the NCA, especially insofar as home loans are concerned and the rights of credit providers to take necessary action against defaulters. In December 2012, a contract between Standard Bank South Africa and the SACCAWU National Provident Fund in 2002 was found to be void and Standard Bank was ordered to return certain listed shares. In February 2013, an appeal tribunal found that the contract was not void but only voidable, and the award was wholly reversed. The dispute will proceed to arbitration in April 2013.

Detailed information: approach>accountability.

Regulation

During 2012, several significant enforcement actions and fines were levied against renowned global banks, impacting the reputation of the banking industry globally. Regulators have responded by introducing a raft of new regulations that focus on treating customers fairly, compensation practices, managing conflicts of interest and anti-competitive behaviour. Furthermore, there are emerging regulations that have a far-reaching financial and strategic impact such as Basel III and the emerging global regulatory framework for OTC derivatives. Major financial centres such as the European Union and the United States have not yet adopted Basel III, however in certain countries such as Britain, banks already comply with capital requirements similar to those of Basel III. South Africa adopted Basel III on 1 January 2013 and is one of 11 countries that have done so.

These regulatory changes impact multiple areas of banking business and require the implementation of large-scale projects to develop and implement new systems. Successful banks will be those that manage these regulatory changes and requirements in a strategic and cost-effective manner.

In South Africa, under the proposed Twin Peaks model, the SARB will be the prudential regulator and the Financial Services Board will be the market conduct regulator for the banking industry. Banks will have to identify, measure, report on and take steps to manage market conduct risk in a more formal manner.

In the United Kingdom, reforms to the way that financial institutions will be supervised are also underway and are expected to take effect by April 2013. Regulatory focus in the United States includes the Dodd-Frank Wall Street Reform and Consumer Protection Act which aims to regulate the country's financial markets. During 2012, a number of African jurisdictions promulgated new or enhanced legislation focused on anti-money laundering and terrorist financing control to meet international standards. Other regulatory focus areas include consumer protection and treating customers fairly legislation. In Nigeria, the Sustainable Banking Principles for banks, discount houses and development finance institutions came into effect during the year. The principles are intended to serve as a common baseline and framework to deliver positive development impacts to society, while protecting the communities and environments in which financial institutions and their clients operate.

The Group Regulatory and Legislative Oversight Committee supports regulatory risk management by proactively considering the impacts of regulatory developments on the organisation. We aim to embed regulatory best practice in our operations in a way that balances the interests of various stakeholders while supporting the long-term stability and growth of the markets in which we operate.

We assess the impact that emerging policy and regulation will have on the business and this informs which issues we take up with the regulatory authorities in the form of written submissions and engagements. Our approach to regulatory advocacy is to engage with government policymakers, legislators and regulators in a constructive manner. We strive to understand the policy goals that inform new policy and legislation and where the interests of the bank and its stakeholders intersect. Our values and our commitment to being a responsible corporate citizen guide us in this regard.

Detailed information: approach>regulation.

Socioeconomic development

A CfC Stanbic Bank customer in Kenya that has received an SME Quick Loan, Standard Bank's unsecured short-term working capital loan product aimed at unbanked and underserviced SMEs, particularly women entrepreneurs.

Standard Bank Group (SBG) recognises that the private sector plays a central role in the development of nations. Businesses are able to contribute to the investments required to stimulate economic development and mitigate the risks posed by global challenges. To this end, SBG works to provide relevant financial services to marginalised communities, including financing and supporting small businesses and smallholder farmers. The financial services we supply to businesses support their ability to operate and grow, and create 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 (CSI) also encourage economic and 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, increase our customer base and build sustainable markets.	Investing in communities to increase individual welfare, and so become their future bank of choice.

Our challenges

The number of inactive Inclusive Banking transactional accounts standing at 20% at year end.

Financing small and medium enterprises (SMEs), particularly assessing their repayment ability given their lack of collateral and financial statements.

Significantly increased inflation and interest rates in countries such as Malawi and Uganda, which heavily impacts the cost of doing business, cash flow and cost of credit for SMEs in Africa.

2012 highlights

- Successfully launched the **AccessBanking** product suite for the low-income market.
- Financed **R3,6 billion in affordable housing** loans of which around 80% was to first-time home buyers in the low-income market.
- Launched **BizLaunch**, a banking product aimed at the start-up SME market in South Africa.
- Expanded our **SME Quick Loan** offering to an additional six countries in Africa.
- Developed **Renminbi** account, cash and settlement solutions to assist SMEs with their Chinese import-export transactions.
- Lead arranger of a 12-year USD89 million (R731 million) debt facility for a **seawater desalination plant** which will improve access to clean water in Accra, Ghana.

1,7 million

previously unbanked customers added in 2012.

44%

increase in funding extended to SMEs in Africa from **R2,7 billion** in 2011 to **R3,9 billion** in 2012.

R1,2 billion

in **transformational infrastructure** lending in South Africa.

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 CSI makes a measurable difference to recipients and communities that SBG depends on to remain sustainable. The total wealth created by the group in 2012 was R60 billion, an increase of 20% from 2011.

Group value added statement

	2012		2011	
	Rm	%	Rm	%
Interest, commissions and other revenues	111 777		94 561	
Income from investment management and life insurance activities	75 716		48 835	
Interest paid to depositors	(45 175)		(38 526)	
Benefits due to policyholders	(56 878)		(33 799)	
Other operating expenses	(25 432)		(21 123)[1]	
Wealth created	60 008✓		49 948[1]	
Distribution of wealth				
Employees	26 962	45	23 109	46
Government	9 908	17	7 862	16
Ordinary shareholders	6 464	11	6 035	12
Non-controlling interests and preference shareholders	3 265	5	2 558	5
CSI spend	125		120[1]	
Retentions to support future business growth	13 284	22	10 264[1]	21
Wealth applied	60 008✓	100	49 948[1]	100

Key SBG indicators		2012	2011	2010
Direct and indirect jobs sustained in South Africa[2]		109 800	109 400	160 000
CSI spend	Rm	125,1	119,5[1]	139,7[1]
Standard Bank South Africa	Rm	84,5✓	76,8[1]	105,2[1]
Standard Bank Plc	Rm	3,6	10,2	4,0
Liberty	Rm	37,0✓	32,5	30,5
Transformation				
Standard Bank South Africa		89,62*	92,47	92,83
Liberty		89,32*	85,70	75,03
Key Standard Bank South Africa indicators		**2012**	**2011**	**2010**
Transformation				
Number of Inclusive Banking customers		6 213 049	5 365 974	4 808 605
Consumer education spend	Rm	15,1*	14,0	20,1
Black economic empowerment (BEE) transaction financing[3]	Rm	25 577*	22 048	20 006
Affordable housing loans (cumulative)	Rm	25 343*	21 285	17 460
Procurement spend with BEE suppliers	Rbn	11,7*	17,3	15,7

[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 2012.*
✓ *Externally assured (refer to assurance statement on page 97).*
* *Externally verified.*

Transformation

South Africa

BEE is a national strategy that seeks to create an environment in which South Africans who were excluded from full participation in the economy under apartheid can engage fully in economic activity. It currently targets black South Africans with a specific emphasis on black women and black people with disabilities. Creating employment through BEE also promotes sustainable growth and social stability. Our approach to achieving meaningful transformation goes beyond meeting compliance targets, extending to embedding equity, fairness and diversity in our business culture. Successful transformation is critical to the group remaining competitive.

From 2003 to 2008, financial services organisations in South Africa used the Financial Sector Charter and scorecard to drive and measure transformation efforts. However, as the charter had no legal standing in terms of the Broad-based Black Economic Empowerment (BBBEE) Act, the sector reverted to reporting against the generic Department of Trade and Industry (dti) scorecard for the period 2009 to 2012, while the process of aligning the charter to the dti requirements was underway.

The Financial Sector Code of Good Practice was gazetted late in 2012 and is binding on all financial institutions. The code assists the sector in implementing the BBBEE Act. Given the timing of the code's gazetting, financial services companies were assessed against the generic dti codes for 2012. Under the generic dti codes, Standard Bank and Liberty qualify favourably as level two BBBEE contributors in a seven-level model, with verified overall scores of 89,62 and 89,32 out of 107 respectively. Both companies will report against the new Financial Sector Code from 2013, which includes the unique financial sector elements of access to financial services and empowerment financing.

For 2012, we were measured against higher targets for employment equity and preferential procurement. The employment equity element of the codes is a specific area for improvement for Standard Bank. Personal & Business Banking (PBB), Corporate & Investment Banking (CIB) and our Group Enabling Functions have all developed employment equity plans and the Chief Executive of each business unit is accountable for implementation and meeting targets. For more information on our employment equity performance see page 64.

We set internal annual targets for employment equity and skills development to enable us to progress towards meeting the Financial Sector Code targets over time. Targets for preferential procurement, enterprise development and socioeconomic development are aligned to the dti targets. In 2012, we met the enterprise development and socioeconomic development targets, and achieved 19,46 against a target of 20 for preferential procurement. The new Financial Sector Code includes targets for the banking-specific elements and these will be applicable from 2013.

Our targets are set annually during the budgeting process and are approved by the Social and Ethics Management Committee. The Group Social and Ethics Committee provides board-level oversight and monitors our progress in meeting our transformation targets.

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. In addition, the Tutuwa Scheme consists of the Tutuwa Managers Trusts for current and former black managers of Standard Bank South Africa, and the Tutuwa Community Trust which focuses on black SMEs and community development.

In 2006, participation rights were awarded to 250 qualifying black SMEs under the Tutuwa Community Trust. As a small number of these beneficiaries no longer qualify in terms of the rules of the trust, the bank actively looks for replacements. During 2012, seven new SMEs were selected to participate in the trust (2011: 13). Currently, 257 SMEs participate in the trust, of which 37 are 50% (or higher) black women-owned and 23 are 100% black women-owned.

Since the start of 2011, we have completed assessments on the sustainability and profitability of 240 black SME beneficiaries. Of these, 66 SMEs were assisted with business proposals for funding purposes, of which 75% have shown an improvement. We communicate with these businesses regularly on the details of the scheme and the compliance requirements of the Trust Deed to ensure their continued ability to participate.

Of the 6 187 black managers who currently participate in the Tutuwa Managers Trusts, 4 177 are still Standard Bank employees. In April and September 2012, SBG paid dividends of R2,84 and R2,12 per ordinary share respectively,

amounting to a total dividend payout of approximately R160 million to Tutuwa Managers Trusts beneficiaries and R44 million to black SMEs participating in the Tutuwa Community Trust.

Localisation in countries outside South Africa

African countries are increasingly undertaking processes to transform their economies, aspects of which may include indigenisation or localisation, to ensure greater benefit to local people from foreign investments. SBG engages constructively in debates on these developments in an effort to balance the legitimate expectations of nations with the reasonable rights of investors. In Namibia we co-authored and are a signatory to the Namibia Financial Services Charter launched in 2010. Within our African operations we hire locally and invest in the development of skilled local professionals. During 2012, we launched a number of development programmes to build the capacity and skill of our leaders across our African operations.

In Uganda, our focus is to remain aligned to the local government's transformation priorities set out in the country's Shs54 trillion (R177 billion) National Development Plan. The plan includes investment in infrastructure development, focusing mainly on energy, railway, waterway and air transport, as well as social development in areas such as education, health, water and sanitation. During 2012, we provided financing for two energy projects and to the Uganda National Road Authority to facilitate importation requirements.

In line with our proposals for indigenisation and economic empowerment to the Government of Zimbabwe, we have set up a USD20 million (R164 million) Stanbic Bank Wealth Creation Fund to finance targeted entrepreneurial activities. The facility has been structured as a revolving fund to provide access to many people and is disbursed in the form of order financing, asset financing and working capital. The fund was launched in 2012 and to date we have financed youth empowerment projects amounting to USD4,6 million (R37,8 million). Projects that have benefitted from this facility include poultry, milling, hardware, health and medical services, distribution, mining and manufacturing.

Inclusive financial services

Finding ways to include the millions of economically active people in Africa who fall outside the mainstream financial sector is essential to our sustained profitability in emerging markets, and contributes to the broader socioeconomic development potential of the countries in which we operate.

To reach and engage this market we must understand their needs. Affordability is a key requirement for unbanked customers. To reduce the cost of services we look to implement banking models that use low-cost distribution channels such as mobile banking, community retailers and informal trader markets, and we work to create products that are affordable, accessible and simple to use. In South Africa, our inclusive financial services are targeted at a broad spectrum of customers from individuals to SMEs, while in our African operations our focus is largely on SMEs in informal trader markets.

Performance on dti codes scorecard elements

		Standard Bank South Africa			Liberty
Category	Available points	**2012 verified results**	2011 verified results	2010 verified results	**2012 verified results**
Ownership	23	**20,07**	20,18	20,00	**20,24**
Management control	11	**8,32**	8,46	8,25	**5,62**
Employment equity	18	**9,96**	12,44	12,54	**11,20**
Skills development	15	**11,81**	12,02	12,04	**12,26**
Preferential procurement	20	**19,46**	19,37	20,00	**20,00**
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]	**89,62**	92,47	92,83	**89,32**

[1] *Includes seven bonus points allocated for the ownership, management control and employment equity elements.*
Note: externally verified.

Inclusive banking products in South Africa

About eight million economically active people in South Africa do not have access to a bank account. In extending financial services to the low-income market, we aim to provide a comprehensive and accessible suite of products through which customers can:

- Store and transfer value through savings and transactional accounts.
- Protect value through insurance and assurance products.
- Access value through lending products.

Over the past three years, we have invested about R470 million in targeting the unbanked and underbanked market in South Africa. Our Inclusive Banking offering is continuously adapted to meet the growing sophistication in the needs of this market, delivering a dignified and relevant customer experience. Challenges in servicing this market include increased competition, regulatory complexities, the number of cash-out facilities and addressing low account activity, as well as migrating customers to alternative low-cost channels.

During 2012, we simplified our product offering and successfully launched the AccessBanking product suite: AccessAccount, AccessSave, AccessLoan and AccessProtect. We strengthened our low-cost distribution channels to improve access to cash-in and cash-out facilities, further discussed under *Distribution network* on page 76. We also simplified our marketing communication, increased our consumer education reach and streamlined our pricing structures. Sound governance practices and staff training have ensured that we meet related regulatory requirements.

Our long-term focus is to be the South African leader in financial inclusion through increasing our volumes and revenues while driving down our acquisition, origination and servicing costs. Success depends on strong customer acquisition and our target is to grow our number of Inclusive Banking customers to around 9,2 million and provide access to credit to over four million South Africans by 2015. During 2012, we acquired an average of 140 000 Inclusive Banking customers per month and granted loans to the value of R3,7 billion. At December 2012, our Inclusive Banking customers with a transactional account stood at 6,2 million, representing 71% of our Personal Banking customer base in South Africa. Some 4,9 million (2011: 4,3 million) Inclusive Banking customers are active.

Low-cost transactional and savings account

The AccessAccount is a full transactional account that offers pay-as-you-transact and bundled pricing options. There is no monthly management fee on the account and no minimum balance is required. Customers can receive salaries, wages and grants, deposit and withdraw money, and make payments electronically and through debit orders and card swipes. The account is competitively priced and simple to understand, and offers added convenience through Cellphone Banking and other self-service channels. At December 2012, 996 870 new AccessAccounts had been opened.

The AccessAccount offers greater functionality and is more accessible than our previous Inclusive Banking products, which it replaces. E Plan, Mzansi Blue and Mobile Banking customers will be migrated to the AccessBanking product suite. The migration was enabled by our new core banking platform and will be completed in 2013.

AccessSave is a seven-day notice account that introduces the discipline of saving to the low-income market. The product was developed in partnership with Gateway Financial Innovations for Savings, a project funded by the Bill & Melinda Gates Foundation. At December 2012, we held 303 486 AccessSave accounts with a total value of R84 million.

The AccessAccount and AccessSave products are available through our AccessPoints in local community shops, AccessBanking Centres and Standard Bank branches. Customers can also open accounts with our mobile agents. Shop owners who host AccessPoints are customers of the bank and benefit from a new source of revenue through commission earned on transactions and increased customer visits to their shops.

Our mobile sales agents are sourced from within local communities and from external recruitment companies. They are provided with around three weeks of sales training before they are able to open accounts and facilitate transactions.

Case study: AccessPoint owner – Jojo's Tuck Shop

Extract: Jojo's Tuck Shop is located in Peter Swart location, an informal settlement in South Africa's Free State province. The shop hosts a Standard Bank AccessPoint, which offers services to customers from the immediate community, surrounding government-subsidised housing projects and informal settlements.

Accessible personal loans

Access to finance is an important part of lifting our customers' quality of life. We continue to find responsible ways of lending to customers in the low-income market who require access to home loans, vehicle financing and personal loans. The AccessLoan has a short tenure and interest rates are fixed, which reduces the impact of deteriorating economic circumstances on customers' ability to pay instalments. An insurance component settles the loan in the event of retrenchment, disability or death.

At December 2012, we had originated 450 724 new AccessLoan accounts. Our loan exposure to this market is around R3,3 billion, of which 80% of our AccessLoan customers hold an AccessAccount with us. The credit worthiness of all applicants is assessed through their credit bureau and customer records, and our Credit division monitors loan performance. Our sales agents advise customers on the repayment schedule. AccessLoans can be applied for at 100 Standard Bank AccessBanking Centres across South Africa.

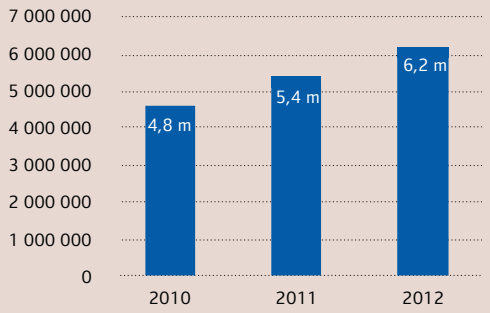
Accessible insurance products

Insurance enables individuals and businesses to protect their assets and, in the case of life assurance, to protect families in the event of a breadwinner's death. With funeral plans, families can bury their loved ones with dignity and respect, while debt protection plans protect the dependents of the borrower and mitigates the risk to the bank.

During 2012, Standard Bank extended the insurance products offered to the low-income market in South Africa, including new funeral insurance products, debt protection plans and SME insurance products. We added a serious illness benefit to our credit life products for customers who do not qualify for retrenchment benefits, and we are expanding our FuneralPlan suite to include higher benefit payout cover for families including a monthly grocery subsidy for up to a year after the death of the main insured. In last year's report we said that we would launch the 'pay-as-you-go' FuneralPlan for seasonal workers or people who have irregular incomes. Product development work has been completed and we are now focusing on developing our systems to support the product roll out.

At December 2012, we held 1 133 201 (2011: 1 106 498) and 459 106 (2011: 308 685) Funeral and Debt Protection Plans respectively. Customer satisfaction ratings in this area of our business were very positive for 2012, scoring higher than our target of nine points out of ten.

Number of Inclusive Banking customers
(Standard Bank South Africa)



Local Market Initiative campaign

To boost customer acquisition, we implemented the Local Market Initiative during 2012, where Standard Bank employees deliver banking to the underbanked as a community initiative. The sales teams consist of branch staff and mobile sales agents. These teams sell AccessBanking products at organised events or in areas with many potential customers such as taxi ranks. Local Market Initiative campaigns are mostly held over weekends and we currently open 26% of our Inclusive Banking transactional accounts at these events.

Recognition

A survey of township residents by **Ikapadata**, a South African–based research company, showed that 84% of respondents had a bank account and 31% of banked respondents voted Standard Bank as the most popular bank.

Standard Insurance Limited won the **Isabel Jones Ukusizana Award** recognising our commitment to complaints resolution and treating customers fairly.

1 695 959
previously **unbanked customers** added in the year.

R3,7 billion
lent to our **Inclusive Banking customers** in South Africa.

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. Liberty is focusing on growing its emerging consumer market share by increasing its presence in targeted communities and worksites in the Eastern Cape, Free State, KwaZulu-Natal and Limpopo provinces.

We recognise the need to provide our customers in sub-Saharan Africa with relevant and competitive insurance solutions as part of a holistic financial service offering. Bancassurance teams in 14 African countries offer various insurance products through Standard Bank's distribution channels. At December 2012, this business held over 700 000 policies. In 2012, we expanded the Personal Banking focus of our insurance products to include Business Bancassurance, which now includes credit life cover for our SME Quick Loan customers. We will be developing group schemes for employees and a range of short-term insurances aimed at SMEs.

Consumer education

Providing financial literacy interventions to consumers is essential to our Inclusive Banking strategy given unbanked communities' unfamiliarity with formal financial services. Our programmes build understanding of the terminology and suitability of financial products through face-to-face interactions using educators in schools, Standard Bank staff volunteers, facilitators and promoters. In 2012, 98% of our consumer education initiatives were delivered face-to-face through classroom-based learning. Content covers budgeting, savings, credit, insurance and the basics of banking. Our consumer education spend for 2012 in South Africa was R15,1 million, an 8% increase compared to 2011.

Liberty conducts training in the communities in which it operates, as well as in the workplaces of its customers and in 2012, it helped 26 750 people to better understand the importance of financial management, saving, responsible borrowing and long-term protection. Of these, 11 000 received training in the workplace and 15 750 attended community sessions. In 2012, STANLIB discontinued its Investment Academy Programme in favour of a new programme with a wider reach. Its new Smartbucks Programme uses an hour-long educational comedy film and booklet to teach high school learners about the importance of budgeting, debt management, savings and investment. The film was shown at 14 cinemas across the country each Sunday for five consecutive weeks and reached 15 382 children from 104 schools.

We have started a consumer education initiative for Standard Bank Africa which is still mostly delivered through print media campaigns. Customers are educated on how to manage their finances, grow their savings and build their wealth. Our in-country marketing and communication managers are tasked with identifying consumer education requirements and localising content.

Looking ahead

In 2013, we will align our consumer education strategy to international best practice and develop a monitoring and evaluation framework to assess the effectiveness of our programmes. Over the longer term, we will include additional programmes targeting a broader audience such as personal financial management workshops for selected communities in South Africa, supported by financial literacy broadcasts on community-based radio stations. In sub-Saharan Africa we will continue to develop content focused on lending, saving and insurance.

Affordable housing in South Africa

Standard Bank South Africa is committed to increasing access to affordable housing finance, thereby helping to place families in safe and secure environments. Our approach is to finance quality affordable housing units priced between R250 000 and R550 000. The household income level for units we finance is generally between R5 500 and R15 000 a month.

Our target is to grow our affordable housing loan book responsibly to R24 billion by 2015. We are on track to meet this target and currently have a 35% share of the affordable housing market in South Africa. A lack of credit records and high levels of indebtedness remain challenging. Assessing this market requires a somewhat different approach, so we will consider factors such as combined household income and the contributions other family members make towards expenses. We welcome the South African Government's revised subsidy scheme which is expected to benefit households that earn below R15 000 a month, further increasing access to home ownership.

During 2012, we financed R3,6 billion (2011: R3,3 billion) in affordable housing loans

through 18 237 home loans. Some 80% of this finance was disbursed to first-time home buyers.

Low-income earners who belong to pension and provident funds can enter into finance agreements with Standard Bank's Pension-backed Lending unit to buy, build or renovate a home. In 2012, this unit issued loans to the value of R413 million (2011: R382 million).

We are piloting a borrower education intervention for first-time home buyers on managing home ownership, their rights and obligations, and steps to take if they are unable to meet their monthly payment obligation. We also encourage customers to consider a valid will and life insurance to protect their families should the breadwinner die. During 2012, 205 customers participated in this programme. The pilot will be used to develop a borrower education programme that will be compulsory for all first-time home buyers.

Affordable housing developments

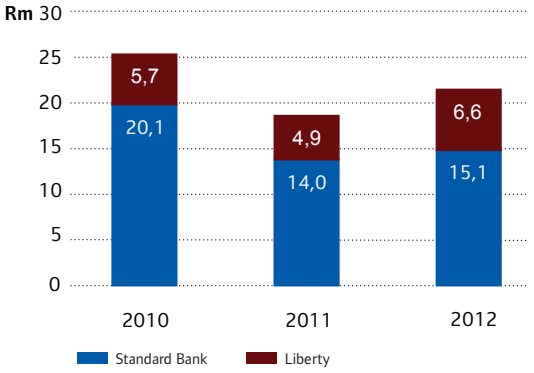
We fund affordable housing developments which include the South African Government's subsidised housing, affordable and medium-income housing, rental housing, as well as social and commercial facilities. We also fund inner city redevelopments.

As a financing partner we provide solutions such as debt and equity funding to experienced developers and public sector entities. Challenges include escalating building costs and the availability and price of well located land with bulk services such as water, electricity and sewerage infrastructure in place. Added to this are long process delays due to complex legislation and regulation, and capacity constraints at provincial and municipal levels. To address these challenges, we work with property developers, local and international development finance institutions and government agencies to promote effective partnering in the housing value chain. Examples of this include our work with the National Housing Finance Corporation and the European Investment Bank to lower the cost of funding, and entering into land availability agreements with local and provincial governments to facilitate development.

We promote environmental considerations and alternative technologies such as solar water heaters in residential development projects. We also encourage passive design considerations such as the optimum use of public transport, easing pedestrian movement and proper orientation of residential units.

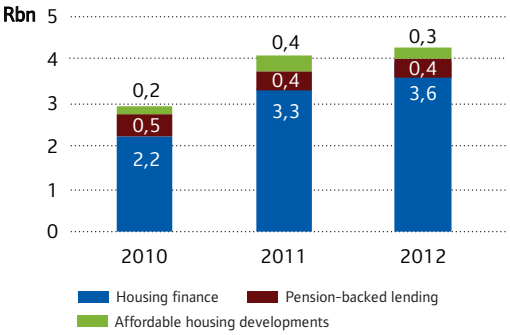
Consumer education spend

(Standard Bank South Africa and Liberty)



Affordable housing finance

(Standard Bank South Africa)



To date Standard Bank has financed phases one to three of the Jabulani Heights housing development project comprising 1 003 units with a total value of R168 million.

89 487

affordable housing loan accounts. During 2012, we financed **one in three** affordable houses in South Africa.

At December 2012, 906 affordable housing units were completed with a further 743 units under construction. Financing for affordable housing developments amounted to R346 million. Over the next three years, our target is to provide development financing for a further 6 700 housing units.

Case study:
Affordable housing developments

Extract: An example of Standard Bank's commitment to uplifting inner cities is 120 End Street, a residential and retail development project in Doornfontein, Johannesburg. Currently, the 120 End Street development project is the largest conversion of a disused commercial inner city building in the southern hemisphere.

Shari'ah Banking in Africa

The Islamic population in the sub-Saharan African countries in which we operate is estimated at around 138 million people, of which some 28 million are economically active. Our Shari'ah-compliant offering has been available in Tanzania since 2010, representing approximately 8% of our Tanzanian customer base. During 2012, we launched our Shari'ah offering in Nigeria. Our focus is to grow this business in Nigeria, particularly within the Business Banking segment. We are training staff in these products and we give presentations to community leaders to raise awareness of our offering. We offer transactional Shari'ah accounts with the same convenient features such as Internet Banking, debit cards and prepaid airtime, offered by conventional accounts. We have introduced vehicle and asset finance to our product suite and are working on new propositions such as asset management products. Our target is to increase our Shari'ah Banking customer base to 20 000 across Nigeria and Tanzania. Independent Shari'ah councils evaluate our products, services and processes to ensure they comply with Shari'ah principles. During 2012, we achieved a clean audit on our Shari'ah offering.

Detailed information:
socioeconomic>inclusive financial services.

Enterprise development

In South Africa, SMEs contribute 45% of gross domestic product (GDP) and 43% of the total wage bill. In Africa, SMEs account for over half of the jobs on the continent and contribute more than 40% of GDP.

One of the key challenges SMEs face is access to finance, particularly due to their lack of collateral and financial statements and, in sub-Saharan Africa, the absence of credit bureaus. In addition, poor infrastructure and difficult business environments challenge the sustainability of these businesses. It is estimated[1] that the total credit needed by both informal and formal SMEs in sub-Saharan Africa is between USD140 billion and USD170 billion (R1 149 billion and R1 395 billion), presenting a great opportunity for the banking sector in meeting their finance requirements.

Enterprise development is a core pillar of our CSI programme in South Africa. Our focus is to assist start-up entrepreneurs, particularly in rural and non-metropolitan areas, to grow into established and sustainable small enterprises. At December 2012, 24,3% (R20,6 million) of our CSI budget was spent on enterprise development.

Supporting small and medium enterprises

South Africa

In South Africa, we use an integrated enterprise development model that combines financial, non-financial business development support and access to market opportunities for SMEs in corporate supply chains, with a particular focus on black-owned and black women-owned businesses. Our aim is to use our enterprise development initiatives to help SMEs build a track record which would then enable them to qualify for funding.

In 2012, we introduced a new command centre to streamline the SME loan application process through better turnaround times and faster response rates to applicants. We have introduced new products to support the financing of working capital such as purchase order finance and contract finance, and we have enhanced the skills and quality of our relationship management support to small business. During 2012, these initiatives enabled us to provide loans to SMEs of over R540 million, excluding vehicle and asset finance. Our funding to small enterprises with a turnover of up to R10 million per annum amounted to R14,5 million, a 45% lending growth rate. The growth of our black SME loan book was

[1] *"Two Trillion and Counting", October 2010, International Finance Corporation and McKinsey and Company.*

36% in 2012 and our loan exposure to this segment of the market is around R6 billion.

In 2012, a number of SMEs were financed through enterprise development interventions at the credit evaluation stage of the loan application process, with the total value of loans granted being around R19 million. Enterprise development beneficiaries new to Standard Bank with a turnover of between R150 000 and R5 million have grown approximately 20% year-on-year, with the average lending balances growing by around 14% in 2012. We also provided 108 entrepreneurs with non-financial business development support to enable them to access funding. This included black SMEs participating in our BEE initiative, Tutuwa.

In 2012, we began matching our SME customers with opportunities in corporate supply chains. These businesses are supported where necessary with enterprise development support to ensure that they are able to effectively deliver against these new opportunities. In addition, two projects have been established between our Enterprise Development unit and our Group Vendor Management and Procurement unit to assist our own SME supplier base to grow and increase their capacity to gain better market access, and ultimately gain access to financial services. We have identified 134 black-owned and black women-owned businesses from which we want to increase our procurement. Some 25 of these suppliers have been identified for non-financial business development support. We have set preferential procurement targets for all business areas and once commodity areas within the bank have been identified, the Enterprise Development unit will facilitate access to finance for these SMEs so that they are able to increase their supply into these areas.

Our target for 2013 is to finance 600 SMEs through our enterprise development interventions.

The failure rate of start-up businesses is notoriously high, with around two in every five small businesses failing in their first two years. In 2012, we launched BizLaunch, a full service banking product aimed at the start-up market. Value added services and products have been included as part of the package to enable customers to manage their businesses more effectively. For example during 2012, we partnered with accounting software company Pastel to offer start-up businesses free accounting solutions. The BizLaunch solution has been well received and at December 2012, more than 34 000 packages had been sold.

Banking the youth

Impressing on young people the importance of effectively managing finances is key to building a financially astute generation. By acquiring customers at an early age and helping them to achieve their goals as they develop into economic contributors helps ensure Standard Bank's future pipeline of customers. We focus on developing financial acumen and banking experience through a number of youth offerings.

We look to develop strategic partnerships that assist us in being innovative and delivering our youth proposition. For example in 2012, we partnered with Top Dog, an online educational resource that provides study material for Grades 4 to 12.

Our value proposition for traders in informal markets offers transaction accounts, loans, insurance, trade finance and foreign exchange solutions.

YouWIN Programme

Stanbic IBTC Bank has been selected by the Federal Government of Nigeria as a fund custodian for the Youth Enterprise with Innovation in Nigeria (YouWIN) Programme. The programme is designed to provide grants to young entrepreneurs who successfully complete a business plan competition and learning camp. Stanbic IBTC Bank also partners with the Enterprise Development Centre of the Pan African University to support SME development.

SME Quick Loans

Is available in Botswana, Ghana, Kenya, Lesotho, Malawi, Namibia, Nigeria, Swaziland, Tanzania and Zambia.

Our BizConnect portal is a small enterprise web platform that provides SMEs with an avenue for finding new opportunities and includes content and tools to assist with maintaining and growing a business. During 2012, the portal garnered over 57 000 unique users with the majority of users originating from Cape Town, Durban, Johannesburg and Pretoria. It has also attracted more than 7 400 Twitter followers.

The BizDirect Response Centre is a dedicated Business Banking call centre that provides customers with faster and more convenient access to specialised consultants for service-related queries, as well as some transactional functions. Usage of the call centre has more than doubled since January 2012.

In our 2011 report, we said that we were creating a micro-finance institution to provide unsecured microloans to informal businesses. During 2012, we fine-tuned our business model and tested the origination of this type of debt. We also focused on managing the quality of the existing book and associated collections, and we have implemented a credit and collections model which yields sustainable and predictable results. We ensure the quality of this book by assessing every loan on site to compensate for the lack of independently verifiable information on these informal businesses. We have developed a training intervention which is run locally in advance of loan disbursement, to equip the business owner with tools to assess the necessity of the loan and to understand the associated implications.

Our intention is to build this business into a separate not-for-profit institution which Standard Bank controls and the Tutuwa Community Trust capitalises. The bank will derive no income from the funds as all returns will be reinvested into the business. The institution will be incorporated in 2013.

Case study: Brima Logistics

Extract: Our Enterprise Development unit provided Mr Mokholo with business development support to help him to prepare for the next phase of growth in his business. We provided funding for ten trucks and five utility vehicles which immediately cut the operating costs of the business by 40% due to no longer having to hire trucks.

Sub-Saharan Africa excluding South Africa

Some of the challenges SMEs in sub-Saharan Africa faced in 2012 included significantly higher inflation and interest rates, which heavily impacted the cost of doing business, cash flow and cost of credit. As many African countries are import-reliant, many SMEs have pursued trading in imported consumer goods. This has made them vulnerable to currency fluctuations, which not only impact their business but also have wider implications, such as the resulting fuel and food shortages in Malawi.

We have a dedicated SME business head in each operating country and more than 400 relationship managers across Africa dedicated to servicing our SME customers, irrespective of the size or life stage of their business. During 2012, we appointed our first relationship manager in Juba, South Sudan.

We recognise that the SME market is not homogenous across all countries in which we operate and we have adapted our product, sales and branch approach to allow for greater flexibility to meet local demands. We have also continued to improve our fraud prevention initiatives and loan collection capabilities.

SME Quick Loans is an unsecured short-term working capital loan product which requires no collateral or financial statements. It is aimed at unbanked

Standard Bank branded taxis reach thousands of South Africans not reached by traditional media.

We have over 400 relationship managers across Africa dedicated to serving our SME customers.

and underserviced SMEs, particularly women entrepreneurs, providing loans ranging from USD300 (R2 462) and USD30 000 (R246 223) repayable over three to 12 months. The pricing of this product is about half of what is charged for similar loans in the market. During 2012, we expanded this offering to an additional six countries, bringing the total number of countries in which SME Quick Loans is offered to ten. To date, we have disbursed more than 20 069 loans totalling around R1,1 billion. Since the launch of this product we have learnt that the majority of SMEs repay working capital loans faster than we had expected and that repeat working capital facilities are needed. A key focus area for 2013 will be to introduce a seamless transitional offering between SME Quick Loans and traditional business finance solutions.

In 2011, we introduced a value proposition for traders in informal markets in Tanzania, offering services such as transaction accounts, loans, insurance, trade finance and foreign exchange solutions. This proposition was successfully replicated in Malawi and Uganda in 2012, and we plan to launch it in Ghana, Kenya, Nigeria and Zambia in the near future.

In Nigeria, Stanbic IBTC Bank launched the SME Bundle Account which reduces the cost of banking for SMEs. Stanbic Bank Zambia launched the Tamanga Account, a simple and cost effective transactional solution specifically designed for Zambian SMEs with limited or no access to financial services.

We have continued working with the Pan African Business Coalition on HIV/Aids to offer the three-day BizAIDS skills training programme to SMEs across six African countries. This programme focuses on building a healthy business and promotes access to financial services through an interactive and multi-topic approach. It is flexible enough to use in both rural and urban areas and more than 1 378 SMEs have received training in Ghana, Kenya, Malawi, Nigeria, Tanzania and Zambia.

Looking forward

In South Africa, we will continue to focus on corporate schemes to support SMEs in supply chains, distribution chains, customer networks and franchising. In sub-Saharan Africa we will look for opportunities to introduce more propositions tailored for SMEs in informal trader markets. We will also further develop our support interventions and improve our relationship management by equipping our employees to provide better service to SMEs.

Agriculture financing

Food scarcity is an ever-present threat to the world's seven billion people. If population growth forecasts of nine billion by 2050 are correct, food production will need to increase by approximately 70% with a total average annual net investment in developing world agriculture of USD83 billion (R681 billion). To sustainably increase yield, farmers require access to inputs such as seeds and fertilisers, improved land and water management systems and better market access, all of which require access to finance. As Africa has largely untapped agricultural resources, agriculture financing offers us the opportunity to develop innovative solutions for this sector.

South Africa

The agriculture sector's ability to provide national food security, create jobs and stimulate rural development, as well as being a source of foreign exchange earnings, makes it a cornerstone of the South African economy. Our objective for 2015 is to increase our South African agriculture market share to 35% and be the leading bank in the sector's

More than 1 378 SMEs have received BizAIDS skills training.

Our partnership with Grain South Africa aims to provide R200 million towards recapitalising around 140 black farmers in South Africa.

transformation. To achieve this, we are developing the skills of our staff so they can offer specialist advice and are improving our services through a holistic approach that includes vehicle and asset finance, short-term insurance and tools that help us grant credit in a responsible manner.
At December 2012, our market share stood at 31% and the total agriculture book was R13,5 billion (2011: R11,9 billion) excluding agriculture vehicle and asset financing, an increase of 13,4%. The non-performing loan portion of the book remains sound at less than 2%. Credit balances exceeded lending growth, in line with our strategy to grow deposits. Our key achievement for 2012 was acquiring the business of the Free State Cooperative Limited with a turnover of R5 billion. This was the largest deal facilitated by PBB in the agriculture sector.

We seek to partner with governments and financial development institutions and interact with agribusinesses to find funding opportunities. We have strategic partnerships to cover loan origination. During 2012, we approved a R10 million loan to support the establishment of a pig farming project at the University of Fort Hare in the Eastern Cape. The farm will train potential managers and owners of piggeries, particularly black farmers, with the aim of expanding pork production in the region.

Our commitment to BEE in agriculture recognises the need for economically sustainable black commercial businesses in the sector to secure its growth and drive our profitability in this market. Our total black agriculture book is R356 million (2011: R374 million). We have committed a ring-fenced line of credit to finance black small and medium farming enterprises and finance to the value of R30,3 million has been approved. Our target for 2013 is to increase this to R100 million. A structure is put in place for each deal that includes the farmer, Standard Bank and a management support agency. The support agencies assist with production, business and value chain management. This approach has improved our understanding of how to lower the risk of financing, which has enabled us to increase our reach in the unbanked segment of the agriculture market.

We are providing Grain South Africa with a financial solution to manage the agriculture recapitalisation programme on behalf of the Department of Rural Development and Land Reform. The programme aims to provide R200 million towards recapitalising around 140 black farmers in the Free State, Mpumalanga and North West provinces.

In 2010, we launched the Standard Bank Centre for Agribusiness Leadership and Development in partnership with the University of Stellenbosch to create skilled mentors that assist emerging farmers. This partnership also provides us with a platform to help shape policy and engage with industry leaders. During 2012, we contributed to the National Planning Commission and the land reform green paper, and attended ANC policy meetings. We also engaged with those leaders in farming who are responsible for 60% to 70% of production in South Africa. Topics discussed included transformation, leadership, business growth and supporting rural development.

During 2012, we partnered with TechnoServe, a United States-based non-profit economic development organisation, to assist 50 smallholder farmers in the Mutale Municipality. This programme aims to create and grow an economically viable fresh produce sector in the area by improving the business and technical skills of the farmers. We have invested R3,3 million in this initiative. Through our partnership with TechnoServe, 50 businesses are now beneficiaries of our enterprise development initiative.

Case study:
Agriculture financing for smallholder farmers

Extract: As part of our commitment to agriculture financing we have provided R1,9 million of production financing to Tikwe Farming (Pty) Ltd (Tikwe Farming), a 60 hectare black-owned wheat farm. The mentoring element provided aims to ensure good production practices and the transfer of skills.

Sub-Saharan Africa excluding South Africa

Global attention is shifting to sub-Saharan Africa as a source for increasing global food production. Most African governments have initiated reforms and policy frameworks to stimulate private sector investment in agriculture. Ethiopia, Kenya and Tanzania, for example, have all signed the Comprehensive Africa Agriculture Development Programme (CAADP) agreements to transform their agricultural industries.

Standard Bank Africa's agriculture offering targets the entire agriculture value chain from production and processing through to retail. Our contribution to production output includes providing long term financing, advising on production risks, as well as assisting the creation of new agriculture markets. Our agriculture team of 50 relationship managers spans 14 countries across Africa. Our customers are mostly medium to large businesses in this sector.

The financing of smallholder farmers, who account for over 80% of production in Africa, presents a challenge mostly due to perceived high risk, farmers' lack of usable collateral and interrelated production risks such as unreliable rainfall, lack of irrigation, pests and diseases, and price volatility. We have partnered with the Alliance for a Green Revolution in Africa (AGRA) to provide working capital to smallholder farmers. Through this initiative we have advanced about USD20 million (R164 million) in loans to more than 125 000 smallholder farmers in Ghana, Mozambique, Tanzania and Uganda. We are reviewing this partnership with AGRA and are looking to leverage micro-finance institutions as a means to reach smallholder farmers.

Our market creation strategy includes finding ways to expand the lending capacity of micro-finance institutions and we are engaging with key corporates to bring liquidity and risk mitigation to their farmer finance book.

In Malawi, we financed USD28 million (R230 million) of the Government Farm Input Subsidy Programme. The programme supports the availability of high quality fertilisers for smallholder farmers and ensures food security at national level.

We have partnered with the Business Innovation Facility to develop an inclusive business model for smallholder farmers in Nigeria. The model is being piloted in the Plateau State and will provide production finance to maize and soya farmers. Stanbic IBTC Bank has also agreed a pre-season price contract with Grand Cereals Limited, providing farmers with a guaranteed minimum price for their produce. In the medium to long term, we aim to develop an integrated, multi-partner approach that will link smallholder farmers to formal markets through tailored loans, quality assurance training, input packages, crop insurance and commodity trading. The Business Innovation Facility will provide support in brokering agreements with buyers and other stakeholders, and identify sources of grant funding to pay for agricultural extension services and other investment required.

In addition, we are working to introduce our web-based warehouse receipt system, currently operational in Kenya, in Nigeria. The system is based on a network of physical grain silos which allows farmers to store their produce and potentially sell at higher prices later in the year.

Detailed information:
socioeconomic>enterprise development.

Strategic business alliances

We believe that partnerships are an effective way of addressing social challenges. We have partnered with the Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund), the world's largest health financier. We provide free advisory services and training to Global Fund grant recipients in seven African countries to increase their skills in project and financial management. The services provided by the bank are unconditional and demand driven. During 2012, we received requests to provide training workshops in Malawi, Mozambique, Namibia and Uganda. In Uganda and Zimbabwe, we are piloting an online banking platform to process payments with fund recipients. This will help to improve the accounting, reporting effectiveness and information security of grant recipients. The success of this pilot could mean the further rollout of this platform to grant recipients in other African countries.

The latest United Nations Programme on HIV/Aids (UNAIDS) report, 'Results', shows that the number of people accessing HIV treatment increased by 60% between 2009 and 2011. However, seven million people still do not have access to life-saving treatment. During 2012, we signed a memorandum of understanding with UNAIDS to collaborate on education and advocacy initiatives to maximise results for the Aids response in sub-Saharan Africa. The agreement focuses on community and staff initiatives.

We work with the United States Agency for International Development (USAID) to provide training services to USAID health-related grant recipients. As part of this collaboration, we partnered with Management Sciences for Health, a non-profit organisation in Nigeria, working to strengthen healthcare management.

We chair Private Investors for Africa (PIA), a business coalition committed to promoting investment in Africa. The PIA has been involved in a number of projects relating to employee wellbeing, people and talent development, agriculture business, power capacity building, regional integration and regulatory issues.

Addressing development in Africa

SBG is an African bank with a strategic focus on sub-Saharan Africa. For this reason we must contribute to improving the business climate in this region. Increased trade and investment is an important driver of economic growth and job creation on the continent. Through our extensive network across Africa and other emerging markets we are uniquely positioned to play a positive role in Africa's development.

Facilitating trade

Increased trade between markets facilitates the flow of capital and goods to where they are most productive, thereby supporting global economic growth. The slowdown in the global economy has continued to negatively impact trade through increased American Dollar funding costs and the higher cost of capital. With recession in Europe and slowing growth in Asia, Africa's rising importance as a growth market is resulting in increased competition from new entrants and international financial institutions. Despite these challenges, in 2012 we facilitated around 8,5 million cross-border transactions, a 16% increase over 2011. The value of letters of credit issued and received by Standard Bank surpassed USD22 billion (R181 billion).

This business scored highly in our 2012 customer satisfaction survey for good service levels, with the majority of clients expressing appreciation and complimenting our dedicated transactional products personnel.

A large proportion of consumer goods sold in trader markets across Africa originate from China. China-Africa trade has grown substantially in the last ten years from USD10 billion (R82 billion) in 2001 to USD166 billion (R1 362 billion) in 2011. A significant opportunity exists within the SME sector to facilitate trade with China in more formal and sustainable ways. One of the most common needs among SMEs is fast and reliable international payment solutions. The Chinese Renminbi has emerged as the preferred currency for trade between African SMEs and Chinese suppliers. Through our strategic partnership with the Industrial and Commercial Bank of China (ICBC), we have developed Renminbi account solutions and introduced Renminbi cash and settlement solutions to facilitate import-export transactions. These trade solutions have been launched in Kenya and Tanzania, and allow businesses to buy Renminbi currency and open Renminbi accounts in their country of residence, as well as open accounts in China. Having a bank account in China offers a variety of payment alternatives such as making payments using a China UnionPay debit card, making direct deposits or transfers into suppliers' accounts or withdrawing cash from ATMs and branches across China.

Infrastructure financing

Developing power generation capacity and infrastructure is of key strategic importance for emerging economies. Over the past decade, infrastructure development has contributed to over half the improved growth performance of the region. We aim to become a leader in funding infrastructure projects that create sustainable long-term solutions for Africa's people. Our financing experience in the energy sector positions us to help our clients meet their increasing energy demands through both coal-fired power and renewables. More information on our financing of renewable energy projects can be found on page 88.

All project finance deals for the development or significant expansion or renovation of an asset are reviewed in terms of the Equator Principles and the International Finance Corporation's performance standards.

In Ghana, we were lead arranger of a 12-year USD89 million (R731 million) debt facility for a seawater desalination plant which will improve access to clean water in Accra. Stanbic Bank Ghana was the sole arranger, underwriter and

Our equity investment in infrastructure funds

	Total SBG commitment (million)	Paid to date (million)	2012 capital contributions (million)
South African Infrastructure Fund	**R261,0**	R261,0	**0**
African Infrastructure Investment Fund	**R250,0**	R214,0	**R1,0**
Pan African Infrastructure Development Fund	**USD15,0**	USD9,8	**USD1,1**

lender of a USD20 million (R164 million) six-year term loan to Ghana Airports Company Limited and a EUR4,9 million (R51,7 million) seven-year term loan to the Ghana Grid Company Limited for the expansion of four existing substations in Ghana's national electricity transmission network. We are also working on financing solutions for a number of power projects in Kenya. In Sierra Leone, we acted as lead arranger in the financing of a USD27 million (R222 million) term facility to purchase locomotives for lease to African Minerals Limited's Tonkolili Iron Ore Mine and in Tanzania, we have been appointed by the Ministry of Finance as the global coordinator and lead arranger to raise USD250 million (R2,1 billion) for road infrastructure projects.

We are involved in three infrastructure funds and our investments in these funds are set out on page 36. In addition, we have provided debt financing of USD87,5 million (R718 million) and USD17,9 million (R147 million) to the Emerging Africa Infrastructure Fund and the South East Asian Assets Fund respectively. Our total exposure is USD67,9 million (R557,3 million) and our participation in both funds will reach completion in 2013.

Case study:
The Gautrain Project

Extract: The Gautrain is an 80-kilometre rapid rail train system which links Johannesburg, Pretoria and OR Tambo International Airport in South Africa. Standard Bank was joint lead arranger and underwriter to the Bombela Consortium, the concession company operating the R27 billion Gautrain Project.

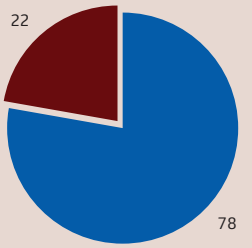
Real estate financing

In addition to infrastructure development, real estate is central to economic activity and in Africa many countries have under-invested in property development. The result of this is antiquated and inadequate properties that are unable to meet the requirements of their fast-growing economies. We provide integrated funding solutions particularly for the development of formal retail centres, logistics and office developments, and residential projects. STANLIB, our asset management business, has recently launched an African Real Estate Development Fund which will focus on Kenya and Nigeria and has earmarked USD150 million (R1,2 billion) for investments.

8,5 million
cross-border transactions
facilitated in 2012.

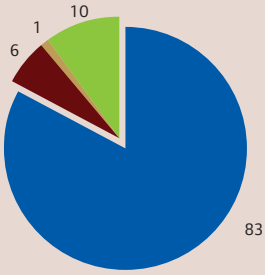
In 2011 and 2012 we won structured trade finance accolades from four top international trade magazines.

Direct investment in infrastructure by region
(committed)



South Africa (R496,2 million)
Rest of Africa (R138,6 million)

Direct investment in infrastructure by sector
(paid to date)



Transportation (R364,1 million)
Oil and gas (R6,1 million)
Energy (R24,7 million)
Telecommunications (R43,4 million)

Public sector banking

The public sector's ability to fulfil its mandate to deliver services to the electorate, to reduce poverty and champion economic development relies on the effective management of government revenue and expenditure. We focus on being an active partner to governments and our Public Sector unit combines a range of skills across the full spectrum of local, provincial and national government, education, healthcare and state enterprises, across Africa. We provide a comprehensive offering that includes transactional banking services, business lending and investments.

In South Africa we have nationwide public sector business teams and our focus is to increase market share. Through our technological and financial platforms we are able to provide administrative and service delivery efficiencies to our public sector clients without compromising on the quality of our service. We provide banking services to some 20% of South Africa's more than 280 local and district municipalities and to a third of the country's provinces. During 2012, we were awarded the Eastern Cape provincial government account and the transactional banking business of the City of Johannesburg. We are now a primary banker to three of the eight declared metropolitan municipalities in the country.

When working with public sector organisations, we go beyond offering banking services. We have been helping the South African Local Government Association with initiatives to assist councillors and officials with understanding their oversight responsibilities within municipalities, and have worked with Chief Financial Officers to facilitate the management of municipal balance sheets. Another key initiative is to assist municipal workers to achieve financial wellbeing, including training on budgeting and managing their finances.

In the rest of the African operation, we focus on arranging finance for governments, parastatals and local authorities. In Botswana we are the preferred banking partner to the Botswana Power Corporation, North West District Council and the Civil Aviation Authority of Botswana. During 2012, Stanbic Bank Botswana supported the Botswana Housing Corporation with short-dated facilities and the Botswana Meat Commission with a revolving trade facility of USD15 million (R123 million). In Ghana, we were joint bookrunners and joint underwriters for a receivables-backed trade facility of USD1,5 billion (R12,3 billion) for the Cocoa Board and we participated in a debt facility totalling USD50 million (R410 million). We provided USD50 million (R410 million) to the Reserve Bank of Malawi in foreign currency hedging facilities and we provided cash management solutions to the Beira and Maputo municipalities in Mozambique. We have also formed a partnership with Mozambique's Tax Authority, to facilitate the collection of customs and to extend the electronic collection solution to other sources of revenue.

As guardians of monetary policy, central banks are mandated to deliver price stability in the interests of balanced and sustainable economic growth. Central banks are also typically responsible for providing banking supervision and financial stability. As Africa's economies grow and financial markets develop, their task becomes ever more demanding. We actively engage with central banks in local financial markets to facilitate the development of local payment systems, access international capital markets for funding, raise and manage official foreign currency reserves and implement monetary and exchange rate policies. Furthermore, the global financial crisis revealed the necessity of finding African solutions to African challenges which drives our commitment to leveraging our resources to support capacity building efforts through a central bank-specific relationship management platform.

Empowerment financing

Targeted investment

Targeted investment refers to the financing of projects that address specific areas of economic development in South Africa, through debt financing, credit extension or equity investment. The South African Government announced during 2012 that local banks would share in the financing of R97 billion worth of deals over the next five years, directed at increasing black participation in the economy. Our early involvement will allow us to advise on and facilitate the structure of sustainable and value adding deals. At December 2012, our targeted investments amounted to R10 898 million (2011: R7 270 million).

We provide debt and equity financing to public and private sector infrastructure projects that support social and economic activity in historically underserviced areas, increasing productivity and bringing them into the mainstream economy. Generally the infrastructure projects we facilitate include access to electricity, construction of roads and rail links, government head offices that often

generate small enterprise trading activity in the vicinity, and water, sanitation and sewerage works. A challenge facing transformational infrastructure is the ability of the state and private sector to structure sufficient standalone community-based projects, particularly given that public resources are already stretched. To help address this challenge we are focusing on increasing cooperation with development finance institutions and leveraging secondary market capital. For example, we have successfully made more capital available through packaging our renewable energy transactions in such a way that they can be sold down to asset management and life companies, providing access to additional liquidity. At December 2012, Standard Bank's total transformational infrastructure lending amounted to R1,2 billion (2011: R487 million). The increase is attributable to our origination activity.

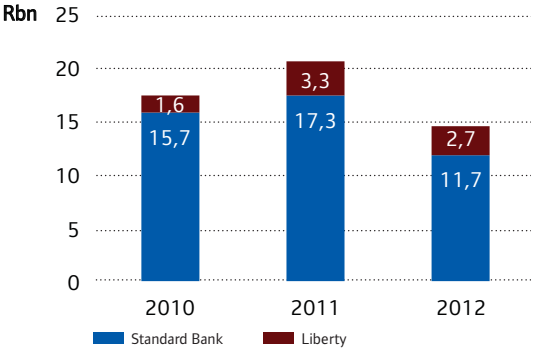
BEE transaction financing

BEE transaction financing is the supply of debt financing and equity investments in BEE companies other than SMEs. Challenges include ensuring that the BEE companies funded are able to realise real value over an appropriate period of time, as well as the inability of BEE companies and individuals to contribute the requisite equity capital to the transaction. We focus on transactions that are fairly priced and can result in incremental economic value added. When interacting with our clients, we communicate the impact that the Basel III Capital Accord (Basel III) will have on BEE financing, particularly the resulting higher capital charges. We are working with our clients to provide solutions that ensure that BEE transactions continue to be funded on a sustainable basis after the implementation of Basel III.

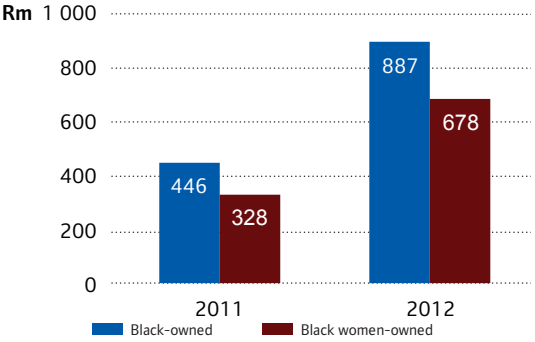
At December 2012, the empowerment deals financed by Standard Bank were in excess of R25,5 billion (2011: R22,0 billion). We regularly review the performance of the finance granted to a targeted investment project. Where the facility is found to be underperforming, we consult with the relevant parties to revise the facility's terms to ensure it meets its obligations and creates value for the BEE parties during and upon maturity of the financing granted.

Detailed information:
socioeconomic>addressing development in Africa.

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



Procurement spend with black SME suppliers
(Standard Bank South Africa)



Brima Logistics is a beneficiary of Standard Bank's enterprise development initiative.

In 2012, Standard Bank's total **procurement spend** was

R36 billion

from a **supplier base** of over

16 881 suppliers.

Sustainability in the supply chain

South Africa

Preferential procurement aims to ensure that black businesses in South Africa have access to markets, and the associated requirements remain a key consideration for Standard Bank and Liberty. Our preferential procurement policy ensures that we have the governance practices in place to achieve the objectives of the dti codes which require that 70% of procurement spend be with BEE suppliers, from 50% previously. The dti has also set higher targets for procurement from black SMEs.

During 2012, we met all our internal targets for preferential procurement and scored 19,46 points out of a possible 20. Standard Bank is 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 2012, Standard Bank and Liberty's weighted procurement spend from BEE suppliers amounted to R11,7 billion and R2,7 billion respectively, a combined total decrease of 30% compared to 2011. At December 2012, 24% of Standard Bank's supplier base in South Africa was BEE-compliant.

Our Preferential Procurement team is working to increase our procurement spend with black-owned and black women-owned suppliers. We also implement relevant supplier management practices such as set-aside opportunities or preferable payment terms for these businesses to support their development.

Liberty's revised procurement policy gives preference to black women-owned enterprises where appropriate. A new tender process is expected to facilitate greater spend with these businesses.

Sub-Saharan Africa outside South Africa

To support the economic development of the countries in which we operate, we seek to procure goods and services locally wherever possible. Our procurement policy and guidelines clearly set out the products and services that can be sourced locally.

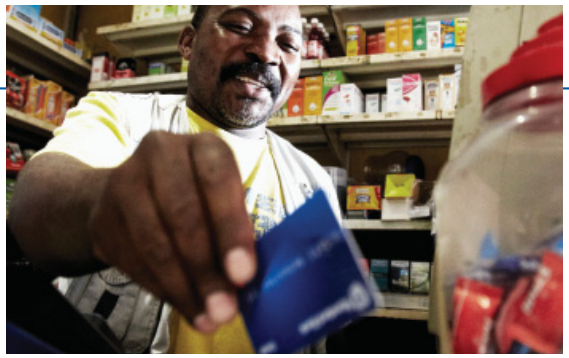
We encourage partnerships between our South African-based suppliers and those in our operations outside South Africa. This helps facilitate skills transfer and improve the capacity of local suppliers to meet our needs. During 2012, five such partnerships were established, resulting in better fault resolution times and a reduction in the cost of servicing and maintaining equipment.

Our goal was to increase our procurement spend with local African suppliers to 85% by the end of 2012. Despite experiencing a decrease in the number of suppliers able to meet our requirements for certain products and services, particularly in the fuel and generator markets, we exceeded this target and achieved procurement spend of 91% with local suppliers.

Looking ahead

Engaging with our black SME suppliers in South Africa, it became clear that our tender documentation was complicated and the relevance of certain criteria was questioned for certain types of tenders. In response, we are developing an abridged tender document for SME engagements. We are reviewing our payment cycle processes to align our payment terms to meet the needs of these businesses. In sub-Saharan Africa outside South Africa, we will aim to maintain our 85% procurement spend target with local suppliers and will establish regional procurement hubs to streamline the procurement activities of countries located in the same region.

Detailed information: socioeconomic>sustainability in the supply chain.



Michael Mashapa, a store owner in Tembisa, South Africa, hosts a Standard Bank AccessPoint which has brought more customers to his store.

At December 2012, Standard Bank held a 31% market share of South Africa's agriculture financing.

Investing in communities

Corporate social investment

Through CSI we apply our resources to address social issues that can be barriers to doing business. Using a research-based approach to understand the socioeconomic needs of communities, we collaborate with government, other businesses and community organisations when making investment decisions. SBG's total CSI spend in 2012 was R125 million, an increase of 4% compared to 2011.

In South Africa, we partner with various spheres of government to align our CSI contributions to national development objectives. We select credible social partners and projects that align to our business objectives and look for solutions that are replicable throughout our operating regions. Our key focus areas in South Africa are education, enterprise development, health and wellness, and employee community involvement. In the United Kingdom (UK), Standard Bank Plc has realigned its CSI strategy to focus more on Africa and to align it to SBG's overall business strategy.

Projects are measured against objectives and the targets set during the development of each project. Where organisations are not able to provide adequate reporting on their financial expenditure, we commission rigorous audits, and if discrepancies are found in their financial records, the organisation's services are terminated. The Group Social and Ethics Committee governs CSI at board level, with the Social Investment Committee providing management-level oversight.

Employee community involvement

We support the personal philanthropy of our employees and encourage them to become involved in the communities they serve. Through the group's employee matching schemes, a total of R6,2 million (2011: R6,5 million) was donated to various beneficiaries during 2012.

In South Africa, our Employee Community Involvement Programme creates structured opportunities for employees to get involved in projects that respond to community needs. All full-time permanent and contract employees are eligible for staff volunteering. Employees can log their pledges and applications through the Employee Community Involvement mailbox. In the UK, employees are encouraged to support their local communities and charities using our 'Pound for Pound' matching scheme.

2012 marked Standard Bank's 150th birthday and to celebrate, we encouraged our employees to donate 150 minutes of their time on a worthy cause. Each department could choose to support whatever cause they felt was important. The Standard Bank Gallery chose to partner with the Wildlands Conservation Trust to launch the '150 minutes Plant a Tree' campaign. Almost 1 000 trees were purchased to be planted by individual Standard Bank staff within the greater Johannesburg area. In Standard Bank Plc, over 300 employees gave 150 volunteer minutes towards a virtual cycle race from London to Mombasa and back on stationary bikes. This initiative raised over £21 000 (R273 245) towards providing irrigation and clean drinking water to a community on the outskirts of Mombasa, Kenya.

Detailed information: socioeconomic>corporate social investment.

Employees getting involved in a house-building exercise in Khayelitsha township.

As part of our partnership with government's Dinaledi Schools Programme, we support 115 schools by providing each school with R50 000 annually towards achieving its annual development plan.

Supporting education in South Africa

During 2012, R42 million (2011: R33 million) of Standard Bank South Africa's CSI spend was invested in education, reaching approximately 120 000 beneficiaries. The persisting skills shortages in South Africa are hampering the country's development efforts. To change this requires that organisations and government develop effective partnerships so that the education system can benefit from the competencies of government and the private sector.

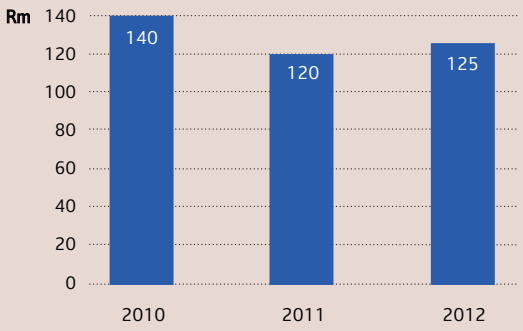
Through our partnership with the Department of Basic Education's Dinaledi Schools Programme we have adopted 115 schools, with annual development plans in place for each. The schools each receive R50 000 annually towards achieving their targets. Of all exams written in our adopted schools in 2012, 56,56% of the learners passed with a result of 50% or more. This compares favourably with the national benchmark of 50,85% of all exams written being passed with a result of 50% or more. The Standard Bank Adopt a School Scholarship Programme supports the tertiary education of high-performing learners in our adopted schools. A total of 50 full scholarships for university tuition have been awarded, totalling R11 million. The students are achieving an average pass rate of over 67%.

Other strategic partnerships supported by our CSI activities include the Central University of Technology Programme, Maths Centre for Professional Teachers and St. Stithian's Thand'ulwazi Maths and Science Academy.

In 2012, Liberty's CSI spend was R37 million of which R35 million was directed to education initiatives. Liberty places a strategic focus on the emerging market when selecting beneficiary communities and schools.

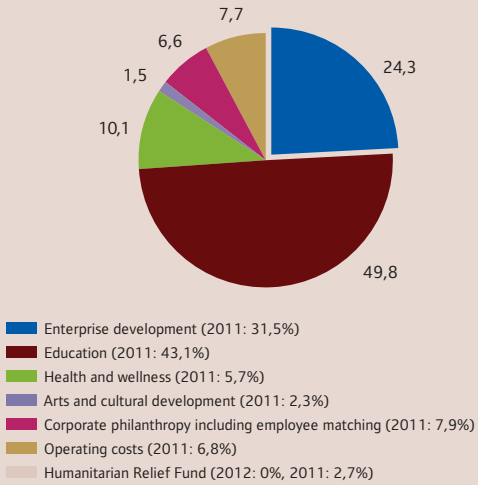
We also provide banking solutions to educational institutions. During 2012, we acquired the mandate to bank the Nelson Mandela Metropolitan University and we are now the transactional banker for 11 universities in South Africa. Where feasible, we go beyond merely being a university's banker. For example, we have an agriculture financing partnership with the University of Fort Hare and we participate in the annual University of Stellenbosch outreach programme on mathematics, science and technology. In 2013, we will host seminars at various universities to educate students on the business environment, enterprise development and topics such as the G20 Summit and BRICS (Brazil, Russia, India, China and South Africa).

SBG CSI spend



CSI spend breakdown

(Standard Bank South Africa)



Derek Kobe Senior Secondary School, one of our adopted schools under the Dinaledi Schools Programme.

Economic performance

The Gautrain Project has been recognised as the largest infrastructure public private partnership in Africa and it has created, directly and indirectly, in excess of 60 000 jobs. Standard Bank was joint lead arranger and underwriter to the Bombela Consortium, the concession company operating the R27 billion Gautrain Project.

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 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 risk 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.

Our challenges

The impact of the Basel III Capital Accord (Basel III) on capital and liquidity costs.

The constrained ability of consumers to afford a home loan.

The number of customers under debt review increasing 15% in 2012.

Increasing information security threats from rising ATM fraud, identity theft and Internet Banking phishing attacks.

ATM attacks, accounting for some 98% of the losses due to violent crime in the year.

2012 highlights

- Maintained our **one third market share** of residential mortgages across the affordable housing and mainstream residential property markets in South Africa.
- Implemented a number of **pricing changes** and streamlined our product offerings in response to customer feedback.
- Opened a cash management centre in Ghana and opened a branch in the **Republic of South Sudan**.
- Acted as sole bookrunner for the portion of **Renminbi bonds** issued by the China Development Bank to African central banks.
- Some **R624 million** fraud prevented due to our FraudStop Programme.

36 720

distressed customers in South Africa assisted though our **Credit Customer Assist** function, with a total outstanding **loan obligation** of around R11,9 billion.

0%

increase in 2013 **bank charges** for Personal Banking.

11 551

employees from across the group attended **financial crime control awareness** workshops.

Measuring performance

In the year ended 31 December 2012, SBG grew revenue by 17% to R69 billion, while headline earnings rose 10% to R15 billion. Our return on equity of 14,2% did not show an improvement on the prior year. Growth in customers and volumes in our core businesses have allowed us to absorb significant losses incurred in legacy portfolios in some of our operations outside Africa. While SBG's results reflect the reality of operating in multiple geographies and an environment of economic decline and regulatory restriction, they also confirm the inherent soundness of our financial position and the resilience and responsiveness of our operations. Particularly encouraging is the 38% revenue growth in the African operations outside South Africa.

Financial indicators

	2012 normalised %	2012 IFRS %
Return on equity	**14,2**	**14,4✓**
Headline earnings per ordinary share increase	**10**	**9✓**
Cost-to-income ratio	**58,7**	**59,0✓**
Credit loss ratio	**1,08**	**1,08✓**

Key SBG indicators		2012	2011	2010
Financial results (normalised)				
Return on equity	%	**14,2**	14,3	12,5
Headline earnings per ordinary share increase	%	**10**	20[1]	(5)
Distribution per share	cents	**455**	425	386
Total assets	Rm	**1 548 673**	1 497 430	1 337 521
Total capital adequacy ratio	%	**14,6**	14,3	15,3
Market capitalisation	Rm	**190 937**	156 889	170 471
Third party assets under management	Rbn	**572**	561[1]	512
New insurance business margin	%	**2,0**	1,4	1,2
Retail customer base				
Standard Bank South Africa		**> 11 000 000✓**	>9 800 000	>9 300 000
Standard Bank Africa		**> 2 466 000**	>2 272 000[1]	>2 265 000
Liberty - retail policies in force	million	**5,9**	5,6	N/A[2]
Key Standard Bank South Africa indicators		**2012**	**2011**	**2010**
Market share				
Mortgage advances	%	**29,5**	28,8	27,1
Instalment finance	%	**19,1**	18,4[1]	17,7
Card debtors	%	**27,5**	30,8[1]	32,1
Deposits	%	**24,3**	24,6	24,1
Customer complaints				
Number of complaints		**69 156✓**	76 679	82 513
Ombudsman for Financial Advisory and Intermediary Services				
Potential maximum exposure	Rm	**9,9✓**	N/A[3]	N/A[3]
Amount settled by the bank	Rm	**5,4✓**	1,3	1,6
Ombudsman for Banking Services				
Amount claimed	Rm	**28,7✓**	28,9	13,6
Amount settled by the bank	Rm	**3,7✓**	9,8	4,2

[1] *Restated.*
[2] *Not available.*
[3] *New metric implemented from 2012.*
✓ *Externally assured (refer to assurance statement on page 97).*

Liquidity risk and capital management

Banking and trading activities result in continuous exposure to financial risk. Financial institutions must maintain adequate levels of liquidity and capital to guarantee their ability to meet their day-to-day and long-term requirements. The South African Reserve Bank (SARB) has adopted the Basel Committee on Bank Supervision's (BCBS) new proposals, commonly known as Basel III, effective from 1 January 2013. Basel III will improve the ability of banks to absorb losses arising from financial and economic stress, thereby reducing risk to the real economy. Its focus is on improving the quality and quantity of a bank's capital base and on the adoption of a global liquidity standard that requires banks to maintain sufficient liquidity for both the short and long term.

This strengthening of the regulatory framework to ensure the resilience of banks and banking systems has and will impact our liquidity and capital management practices. The more capital a financial institution must hold, the less is available for investment and lending to corporate and individual customers. This can potentially result in an organisation having to curb its growth plans and raise the cost of credit, thus impacting customers.

In January 2013, Basel III's liquidity coverage requirements were relaxed, requiring that banks must hold a 60% liquidity ratio by 2015, previously 100%, based on cash and current assets redeemable within a month. The required ratio increases annually up to 100% by 2019. The new proposals have meant compliance can be reached at a more acceptable cost and have given us more time to phase in the Basel III requirements.

Liquidity risk 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 (SBG board) review and set our liquidity risk governance standards annually in accordance with regulatory requirements, international best practice and the group's risk appetite. Two key elements are analysed when considering the strength of SBG's liquidity risk position: the group's unencumbered and readily available surplus liquidity buffer and its long-term funding ratio.

Our overall liquidity position remains strong. At December 2012, our contingent liquidity amounted to R143,5 billion (13,7% of funding-related liabilities) and our long-term funding ratio was at 24,3%. In 2011, our liquidity buffer amounted to R148,1 billion (14,9% of funding-related liabilities) and our long-term funding ratio stood at 25,3%. The total amount of liquidity held comfortably meets all internal stress tests and the various legal entity and group regulatory requirements, with capacity for growth in loans and advances in line with budget.

In May 2012, the SARB confirmed that it would assist banks to meet the new Basel III liquidity coverage ratio requirement through providing a committed liquidity facility. This is an option that the BCBS had defined for countries with lower levels of high quality liquid assets as per the new Basel III definitions. We are therefore comfortable that we will be able to meet the future liquidity coverage ratio requirement.

Capital management

Our capital management framework ensures that SBG and its principal subsidiaries are capitalised in line with the SBG board-approved risk profile, regulatory requirements, economic standards and target ratios. SBG remained well capitalised at December 2012, with a total capital adequacy ratio of 14,6% (2011: 14,3%) and a core tier I capital adequacy ratio of 11,0% (2011: 11,3%). This exceeds the current minimum requirements of the second Basel Capital Accord (Basel II) and positions the group well to meet the requirements of Basel III. At December 2012, available financial resources covered the total economic capital requirement by 1,50 times compared to our internal minimum target coverage ratio of 1,15.

In preparation for Basel III, we participated in two quantitative impact assessment surveys during 2012 under the guidance of the Bank of International Settlements. The results confirmed our ability to meet the new Basel III-aligned capital framework. In addition, our stress testing results confirm the ability of our capital position to withstand likely stress scenarios.

A continued focus is the development of our Recovery and Resolution Plan in line with global standards. The plan is a framework to guide senior management and the SBG board to reduce our risk profile during periods of severe stress. The recovery element supports financial continuity and the resolution element ensures that a bank is able to fail in an orderly manner when recovery actions have not been successful.

Solvency Assessment and Management (SAM)

The Financial Services Board is developing a new risk-based regulatory requirement for South African insurance and reinsurance organisations, known as SAM. This new regulatory standard aims to address the adequacy of capital allocation and risk management to protect policyholders. This initiative will align the South African insurance industry with the standards of the International Association of Insurance Supervisors. An industry-wide adoption of SAM is expected by January 2014, with the implementation of interim measures for long-term insurers and short-term insurers during 2012. The new SAM regime will drive key changes to Liberty's business applications and lead to enhanced business capability in risk-adjusted decision-making processes. Liberty is developing systems and valuation models to meet SAM requirements.

RCM AFS Detailed information:
risk and capital management report.

Responsible financial services

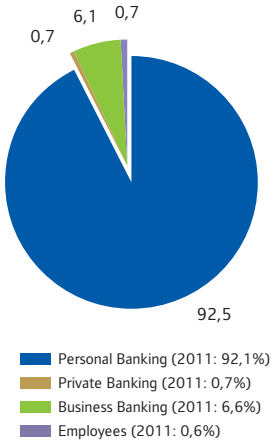
Our value of 'serving our customers' requires that we treat our customers fairly and provide products, services and solutions that suit our customers' needs; provided that everything we do is based on sound business and governance principles.

Across Africa, various pieces of legislation have been implemented to ensure that consumers are treated with integrity, transparency and fairness. We also voluntarily endorse and subscribe to a number of codes of conduct and codes of good practice, and in South Africa we provide ongoing consumer education to advise customers of their rights and the recourse they have to the Ombudsman for Banking Services (Banking Ombudsman) and the National Consumer Commissioner. In South Africa, we have an internal independent Customer Dispute Adjudication office to assist with customer dispute resolution.

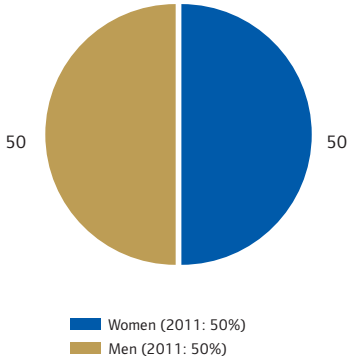
Treating Customers Fairly (TCF) aims to regulate market conduct in the South African financial services sector. Standard Bank and Liberty have started developing suitable measures and putting governance structures in place to meet TCF requirements, with implementation currently scheduled for 2014. During 2012, we launched an internal TCF awareness campaign to inform employees on the six TCF pillars. Through the Banking Association of South Africa (BASA), we collaborated with the Financial Services Board in analysing existing legislation such as the National Credit Act (NCA) and the Financial Services and Intermediary Services (FAIS) Act, to identify overlaps, gaps and inconsistencies in relation to TCF.

Our internal procedures document, which governs the conduct and responsibilities of bank employees in South Africa, emphasises the importance of customer privacy and details the procedures to

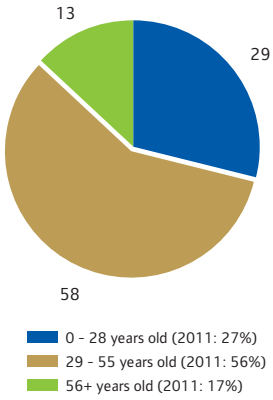
Retail customers: banking segment
(Standard Bank South Africa)



Retail customers: gender composition
(Standard Bank South Africa)



Retail customers: age composition
(Standard Bank South Africa)



be observed regarding confidential information. During 2012, the total number of substantiated complaints received regarding breaches of customer privacy in South Africa was 330 (2011: 46). The increase is attributable to our branch and customer awareness campaigns undertaken in 2012.

Indebtedness

The supply of credit is critical to economic development and growth, and is a fundamental service that banks provide. We aim 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.

It is imperative that we assist customers in making prudent choices about their debt, particularly in a financial environment characterised by slow economic growth and high unemployment and household debt levels. Ensuring that customers are able to afford and repay their debt is key to ensuring the quality of our lending book. We use information from credit bureaus and our own records to determine whether a customer can afford a loan. If we believe the loan is not reasonably affordable, the application is declined.

South Africa

We use behaviour scoring to detect the early warning signs of customers in financial difficulty, such as the misuse of credit facilities. Customers who find themselves in financial difficulty can request that their loan is restructured to provide them with access to short-term cash flow relief to manage a temporary situation, facilitated by our Credit Rehabilitation unit. Where financial hardship requires a longer-term and more sustainable solution across multiple products, customers can apply for Credit Customer Assist which takes a holistic view of a customer's debt, income and expenditure, and then restructures and consolidates loan repayments across their secured and unsecured products held with Standard Bank. In certain cases, where exposure is not too high, unsecured debt held with other financial institutions may be included in the consolidation at a more affordable rate.

At December 2012, 76 392 customers were under debt review, an increase of 15% from the beginning of the year. Of the customers who exited the debt review process during 2012, 37% were successfully rehabilitated while the remainder have been moved further along into the legal process. We only take the route of legal foreclosure as a last resort. During the year we helped over 36 720 (2011: 11 485) distressed customers through our Credit Customer Assist function, with a total outstanding loan obligation of around R11,9 billion (2011: R4,0 billion).

Home loans

Given the low levels of house price growth over the past few years, it has become increasingly difficult for South Africans to use their homes as collateral for accessing credit. The depressed housing market in 2012 affected asset values and the behaviour of debtors. Despite this, our mortgage portfolio remains resilient and the non-performing loan portfolio has reduced year-on-year. In addition, the enhanced capabilities of our systems and processes, and revised business strategy, have resulted in improved performance of new business acquired, with a lower default rate experienced compared to business originated before 2009.

At December 2012, the total value of our home loan book was R289,3 billion, of which R64 billion

The Standard Bank Jazz Festival hosts the National Youth Jazz Festival with close on 400 young musicians benefitting annually from practical teaching sessions by professional musicians.

A total of 3 728 scholars visited the 20th Century Masters: the Human Figure exhibition, held at the Standard Bank Gallery, which included works by Manet, Degas, Renoir, Picasso and Matisse.

was granted during the year, a 3,9% increase in loans granted compared to 2011. We have retained our position as the largest provider of residential mortgages in both affordable housing and mainstream residential property in South Africa, with a market share of 30% at December 2012.

Unsecured lending

The growth in unsecured lending was highlighted in the media during 2012, particularly the concern that this could create a debt spiral which could cripple already distressed households. Unsecured lending requires no security from a customer for a loan to be granted. In addition to banks, the unsecured lending sector includes micro-lenders and retailers of food, clothing and furniture that provide unsecured personal loans, overdrafts, credit cards and store cards. We apply strict credit and affordability measures to ensure that customers are able to manage their unsecured debt appropriately.

During the year our unsecured lending was mostly to existing customers, for example those that have their primary transactional account with us. We believe that this enables us to better assess the customer's unique circumstances and assist them if they encounter financial difficulty, given our understanding of their financial behaviour. About four out of five unsecured loans granted are to our transactional customers. We apply prudent lending, monitoring and management activities to our unsecured lending book.

During 2012, we signed an industry Credit Accord agreement to promote responsible lending. The Credit Accord covers limiting the use of garnishee orders as a debt collection mechanism, developing a standard affordability assessment, relief measures for distressed customers, updating credit bureaus timeously and a consumer education fund to provide customers with better advice about credit.

Standard Bank Africa

Our focus in Standard Bank Africa is to improve and grow our Personal & Business Banking (PBB) lending business, providing our customers with access to credit while managing the associated risks through relevant credit evaluation and operational controls.

During 2012, hyper-inflation in East and West Africa impacted the ability of our customers to repay loans. Our own credit-granting capacity was also impacted due to the implementation of the new core banking systems across Africa, which interrupted day-to-day business operations. We have devised initiatives to manage the increased level of arrears and have improved our approach to the core banking system rollout by allocating staff more appropriately to minimise operational impacts.

Customers in arrears are assisted through either allowing short-term repayments or through various debt offerings for restructuring their loans. We have also introduced Business Solutions units which assist our high-value customers who are financially distressed. During 2012, we assisted 3 180 personal customers and 532 businesses through our rehabilitation and recoveries model. During 2012, the PBB loan book for Africa grew by 21% to R36,6 billion. The credit loss ratio moved from 2,4% at the beginning of the year to 3,8% at December which is within our budgeted parameters.

During 2012, Standard Bank opened a branch in the Republic of South Sudan, offering corporate banking services.

The bagasse plant on the Kakira Sugar Estate in Uganda, funded by Standard Bank. The plant generates electricity which is sold back to the grid.

Pricing

We aim to ensure that our pricing is transparent and that our customers understand exactly what charges are incurred when they use our products and services. Our commitment to ensuring consistent communication on price changes remains a priority. When comparing banks, we encourage our customers to look at the total value proposition we offer and to transact using alternative cost effective self-service channels such as ATMs, Internet Banking, Business Online and the mobile channel. Further price reductions are also made possible through improving our processes, including the new core banking system across Africa and new procedures such as paperless account opening processes, where feasible.

Our pricing structure takes into account the value delivered to the customer, the cost of the transaction, the convenience of the service and competitor pricing. Our staff are trained on pricing options and are provided with tools to ensure we sell the most appropriate products to our customers based on affordability and need.

In South Africa, PBB's Fees and Commission Pricing Committee is responsible for ensuring that a rigorous pricing approval process is in place. Previous engagement with our customers and sales staff indicated that banking is perceived as expensive and that our product offerings are too complicated. We have implemented a number of changes in response to this feedback, including launching the full-service BizLaunch account for start-up businesses, costing R3 a day, and consolidating the Classic, Achiever and Elite accounts into one personal account offering. This resulted in the pricing of the Elite account reducing by as much as 50%. We also introduced unlimited card purchases at points-of-sale on most of our bundled options.

For 2013, we are not increasing our pricing structure for our Personal Banking transactional customers for the second consecutive year. Business Banking fees will increase by 4% in 2013. For our emerging market customers we launched the AccessAccount which has no monthly management fee and transaction fees that range from no charge to a maximum of R25. All branch transactions are charged at R25, however our AccessAccount customers can transact at any AccessPoint for either R2 or R4 depending on the transaction.

During 2012, Standard Bank Africa focused on implementing a simplified pricing model, particularly competitive bundled pricing options for transactional accounts. This provides our customers in Africa with greater transparency as they are aware of what their monthly charges are upfront.

Responsible investment

Investors are increasingly incorporating environmental, social and governance (ESG) issues into their investment decisions as a proxy for management quality and an indication of the soundness of a company's long-term planning. Liberty and its investment businesses seek to identify and invest in companies whose policies and practices promote long-term value creation.

Liberty and STANLIB are both signatories to the Code for Responsible Investing by Institutional Investors in South Africa (CRISA) which serves as the overarching framework for responsible investment across the Liberty group. STANLIB is a signatory to the United Nations Principles for Responsible Investment (UN PRI). Both frameworks encourage institutional investors to consider ESG issues when assessing potential companies to invest in.

In 2012, STANLIB introduced a responsible investment policy which outlines its approach, governance and commitments to responsible investing. STANLIB has incorporated ESG issues into its research process which helps analysts and portfolio managers to consider issues such as remuneration, social and environmental responsibility, board independence and transparency as part of the evaluation of an investment's attractiveness. During the year, STANLIB refined its stewardship questionnaire, enabling analysts to use it more effectively and consistently. It also conducted training to raise the responsible investment competency of its analysts and portfolio managers, and to improve the consistency of the stewardship pillar's application.

As part of its due diligence reviews, LibFin ensures that ESG considerations are taken into account in investment decisions. In particular, the business monitors managers' proxy voting and encourages engagement with boards and management where appropriate.

STANLIB's investment decisions, as well as those in other Liberty businesses, continue to take financial performance as a primary concern, with ESG issues considered on a secondary basis. In the longer term, Liberty hopes to develop its own responsible investment policy, building on STANLIB's new policy and the unique perspective of its businesses.

Establishing responsible investment as a standing item on Liberty's Social, Ethics and Transformation Committee agenda will further drive commitment and accountability throughout the organisation.

Detailed information: economic>responsible financial services.

Secure banking

We seek to create an environment in which financial crime is effectively detected and prevented as early as possible, and responsibly managed if it does occur. SBG is intolerant of all forms of financial crime, including fraud, bribery and corruption, terrorist financing and money laundering. Through our membership of the South African Banking Risk Information Centre (SABRIC), we support industry initiatives that combat criminal activity, to uphold the reputation of South Africa's banking industry as safe and secure.

We report all instances of criminal activity that we discover to law enforcement authorities and work with them to ensure successful prosecutions. During 2012, a total of 39 (2011: 27) convictions were secured. The Group Financial Crime Control unit drives fraud detection and prevention training for employees and, during 2012, 11 551 employees from across the group attended awareness workshops.

We have identified our top threats as being channel, employee and procurement fraud and money laundering, as well as physical and information security threats. During 2012, fraud to the value of R1,1 billion (2011: R1,3 billion) was prevented through Standard Bank's proactive interventions. Our FraudStop Programme, which operates throughout our African banking operations, frustrated a further R624 million of potential fraud loss. The programme has been expanded to include all business units. In 2012, 7 842 (2011: 6 085) potential fraudulent activities were reported through FraudStop.

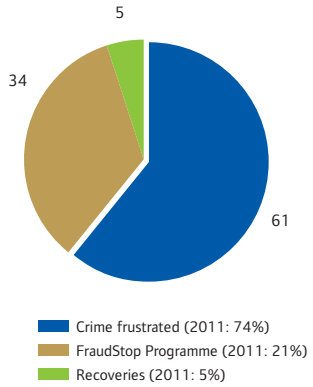
During 2012, 84 (2011: 78) Standard Bank employees (out of an industry total of 982 (2011: 991)) were placed on the Register of Employees Dishonesty System, a database maintained by BASA that records the names of all employees in the financial banking industry dismissed as a result of dishonesty. Our Dismissal Broadcast system covers all our African operations, including South Africa, and serves as a deterrent to reduce employee fraud. From the financial crime cases that have been concluded,

7 842

potential fraudulent activities were reported through the FraudStop Programme.

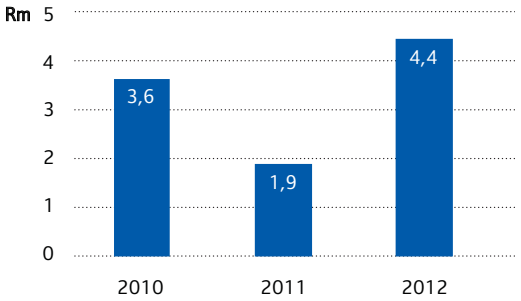
Breakdown of crime prevented

(Standard Bank)



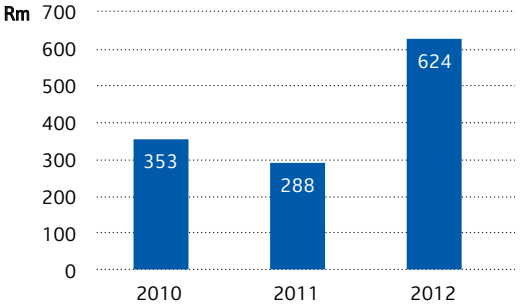
Value of losses from violent crime

(Standard Bank)



Potential fraud loss prevented by FraudStop

(Standard Bank)



we have identified the profiles and roles of staff with higher risk for dishonesty.

Our confidential and anonymous ethics and fraud whistle blowing hotlines are operated by independent service providers and are available to employees and external parties for reporting instances of unethical behaviour including alleged bribery and corruption. With the rollout to Angola and Mauritius during 2012, all but one of our operations in Africa now have access to the hotline. The hotline is also available in our London operation. During 2012, we raised awareness of the hotlines among staff, particularly in Standard Bank Africa where the facility is underutilised. From this process we found that potential cultural barriers and trust impact the willingness to disclose misconduct through this mechanism. This will be addressed in further awareness initiatives.

During 2012, 969 (2011: 505) incidents of alleged misconduct were reported to the whistle blowing hotlines across SBG, an increase of 92% compared to 2011. This increase can be attributed to a number of awareness campaigns held during the year. Some 114 of reported incidents related to internal fraud and misconduct. Of the 969 incidents reported, 92% were from South Africa and some 822 have been investigated and closed, with the remainder still under investigation.

Liberty has a dedicated Group Forensic Services unit which works to proactively detect and investigate instances of possible fraud, and it is a member of the Association of Certified Fraud Examiners, an international body providing best practice anti-fraud training and guidelines. Liberty recorded a total of 727 (2011: 1 069) cases of suspected fraud during 2012. By identifying and denying false claims before they are paid out, recognising fraudulent policy applications at the onset and recovering fraudulent payments, Liberty achieved fraud savings of R101 million in 2012 (2011: R75 million). A total of 659 (2011: 975) cases of fraud and corruption were reported through Liberty's internal staff reporting mechanisms and 48 (2011: 91) cases were reported through Liberty's independent whistle blowing hotline.

Physical security threats

In South Africa, Standard Bank successfully thwarted 57% of violent crime attempts including ATM attacks, associated bank robberies and bank burglaries. Some 98% of losses resulted from ATM attacks. Our value of losses due to violent crime was 10% of the industry total.

The stringent security measures implemented for our ATMs have reduced the number of bombings on our machines, but have resulted in an increase in attacks other than bombings, which in 2012 accounted for 58% of ATM losses. The total number of attacks on South African ATMs in the year was 243 (2011: 226), resulting in an industry loss of R37 million (2011: R32 million). Of these, 40 (2011: 36) were Standard Bank ATMs and we incurred cash losses of around R4 million (2011: R2 million). We are researching and testing ways to harden our ATM safes and we will focus on ensuring that effective armed response and alarm monitoring procedures are in place.

In our 2011 report we said that the increased number of associated robberies was of particular concern. Together with SABRIC and other industry partners, we launched awareness campaigns and undertook tactical operations and intelligence gathering. In addition, the most wanted criminals responsible for these robberies were identified through these measures and 21 suspects were arrested.

To ensure the safety of our branches, at the beginning of each year we work with business partners to identify which branches in South Africa are considered to be at high risk. We reduced the number of high-risk branches from 115 in January to four in December through our initiatives. Armed robberies at Standard Bank branches decreased by 67% in 2012.

Mitigating physical security threats in our Standard Bank Africa operations remains a focus. During 2012, security risk assessments were undertaken in the majority of African countries in which we operate. We are working on implementing the required security measures to address identified gaps and are looking to source security-related products, backed by full maintenance agreements, from within each country.

Information security threats

The prevalence of computer viruses and malicious software remains a major concern globally, particularly with regard to online banking. In addition the increased use of smartphones and tablet devices has resulted in new mobile banking applications and a new set of risks to which banks need to respond. The most significant information security challenges Standard Bank faces are ATM fraud (particularly card skimming), identity theft and phishing attacks. Of particular concern in 2012 was the increase in card fraud in Standard Bank Africa. We deploy a comprehensive set of controls to protect the bank and our customers, and use various media channels and our online Security

Information Centre to create awareness of common crimes and how to prevent and report them.

MyUpdates is an automated system that alerts our customers by SMS or email whenever there is any activity on their accounts. By December 2012, over 6,6 million of our customers in South Africa were registered on the MyUpdates service. Our target is to have eight million customers registered by the end of 2013. As an additional defence, we have fraud detection systems in place to aid with the early detection of fraudulent activity.

Whenever we launch a new product, such as our Mobile Banking Application, our Group Financial Crime Control unit is involved throughout the product development process to ensure that all possible measures to prevent fraud are incorporated.

Our dedicated information security teams conduct regular bankwide vulnerability assessments on all online banking applications to ensure that security measures exceed industry standards and mitigate emerging threats. Our security response teams are positioned to quickly respond to any impending threat. We take every measure to provide real-time solutions to detect and close down phishing sites that claim to represent Standard Bank. In South Africa, we provide free anti-phishing software to our customers. Within the South African business we managed to frustrate potential online fraud attempts by 91% in 2011 and a further 65% in 2012.

Money laundering control

Each of our banking operations has a dedicated money laundering control officer responsible for ensuring that the operation remains compliant with local legislation, and with the group's policies and standards against money laundering and terrorist financing. Instances of non-compliance are managed and reported through our risk management governance structures and corrective actions are instituted and progress monitored as required.

During 2012, we established a Group Anti-Money Laundering Steering Committee and undertook numerous initiatives to strengthen the governance of anti-money laundering and terrorist financing controls. This included enhancing our anti-money laundering framework, reviewing our customer due diligence processes and revising training material. A particular focus area has been improving customer identification and verification processes and record-keeping. This is in line with international developments that require financial institutions to consistently apply greater diligence and care

China-Africa transactions

During 2012, we were recognised for the following unique China-Africa transactions:

- **Central Bank of Nigeria reserve currency transaction**, in which Nigeria became the first country to take on Renminbi as a portion of its currency reserves.
- **Advising on and facilitating the China Investment Corporation** on its first equity investment in Africa.

Recognition

At the **China Outbound Investment Summit 2012**, Standard Bank was rated the Best Investment Bank in China for 2011/2012.

In **African Business Magazine's** annual Top 250 Companies, SBG was ranked seventh overall and placed first in the financial services sector.

In the inaugural **Brand Finance South Africa** Top 50 most valuable brands, Standard Bank was independently ranked as the most valuable South African banking brand with a brand value of R18 billion. To determine the Top 50 ranking, Brand Finance valued more than 400 brands of listed companies of South African origin.

During 2012, Standard Bank Africa's **return on equity** was

10,8%

(2011: 8,0%), and the operation **generated** around

R15,5 billion.

This translated into **growth in revenue** of over **38%**.

in identifying and managing certain categories of customers in accordance with their risk profiles. We have also implemented automated money laundering detection systems in our African operations.

Looking forward

The financial crime control lessons learnt in South Africa will inform preventative measures within Standard Bank Africa. We will also continue to drive awareness and vigilance training to promote whistle blowing, particularly in Standard Bank Africa, and we will ensure that the hotline remains a safe medium for reporting. In 2013, we will further enhance our customer and transaction monitoring capabilities to improve the identification of high-risk or unusual patterns of transacting.

Detailed information:
economic>secure banking.

Working in emerging markets

Our geographic footprint enables us to service and provide solutions to a diverse customer and client portfolio. With our home base in Africa's most mature market, South Africa, and our presence in a further 17 countries in sub-Saharan Africa, we are able to advise our African clients on both their local business activities and on cross-border opportunities on the continent. In sub-Saharan countries where we do not have a physical presence, we leverage our other country operations to provide services, with particular expertise in the natural resource sector.

Our operations in London and New York give us access to clients who participate in the economic development of Africa through investments and the flow of goods and capital, and our presence in selected emerging markets outside Africa, such as China and Brazil, extends our base of emerging multinational clients many of which are consumers of natural resources. Our presence also gives us access to businesses that are involved in what the United Nations terms South-South Development, which is the sharing of knowledge, experience, technical prowess, appropriate technologies and financial and in-kind contributions between developing countries.

Africa is core to our competitive positioning. We have a deep understanding of local competitor dynamics and, coupled with our first-hand market insight, we are able to identify and execute on key market opportunities while applying responsible risk considerations. We continue to develop our African franchise as a sustainable and diversified portfolio of businesses, driven by Corporate & Investment Banking's (CIB) cross-border service offering with local market relevance provided by PBB.

Despite sometimes challenging conditions, we have continued to build first-class, on-the-ground operations. We have also launched numerous development programmes to strengthen our leadership skills in our African operations, and improved our service offerings through the launch of mobile and Internet Banking platforms and providing accessible banking services for SMEs in informal markets in ten countries. We will continue to focus on identifying further opportunities with key potential and existing clients and align our internal resources to meet this objective.

In line with our focus on Africa, we have sold assets in Argentina, Russia and Turkey to raise capital to fund our expansion strategy. During 2012, we received approval to sell 80% of Standard Bank Argentina to the Industrial and Commercial Bank of China (ICBC). SBG has maintained a 20% shareholding. We reduced our stake in Turkey's Standard Ünlü from 67% to 25%.

Standard Bank de Angola's main focus is on corporate and investment banking for growth sectors such as energy, oil and gas, infrastructure and food production and distribution. Angola is rich in mineral resources and is sub-Saharan Africa's second-largest oil producer and the world's fifth-biggest diamond producer. Our operation also offers retail services to individuals and small businesses, and during the year we grew our branch network from three to 15 at December 2012.

We opened a cash management centre in Ghana in 2012, which is the first cash management centre in the country. Where previously all excess cash in branches and bulk cash pickups from corporate clients had to be sent to Accra for clearance by the Central Bank, we will now be able to achieve optimum efficiency and reduce operational risk across the cash network. The centre will facilitate expanded services for our corporate clients and enable us to implement best practice in cash management services.

In 2012, we extended our Africa operations with the opening of a branch in the Republic of South Sudan. The branch is situated in the business district of Juba and offers corporate banking services to a broad customer base from individuals to corporations and investors in South Sudan. This office is a branch

of CfC Stanbic Bank, our Kenya-based operation. We carefully monitor the environments we operate in and we are confident in the country's future as its natural resource potential is expected to drive strong growth and attract investments in the energy sector, infrastructure development and agriculture.

As the capital Africa requires to fund its growth increases, we will continue to facilitate linkages between the continent and pools of capital in markets such as Brazil, China, London and New York, and connect our clients in these jurisdictions to Africa through matching them to relevant opportunities on the continent, while helping them manage the associated risks.

Customer experience

Creating the right customer experience requires that we actively engage customers to understand their needs, and use this insight to deliver on their requirements and improve the level of service we are able to offer. We manage and measure customer experience through formally assessed and analysed customer feedback.

Our target is to achieve a customer experience rating of nine out of ten across all PBB channels in South Africa. At December 2012, seven channels out of a total of 11 had achieved this target; however, of the remaining four channels, only one scored below 8,5. The scores were determined by surveying 71 130 randomly selected Standard Bank customers. The survey is conducted by independent external service providers and takes place five times a year. In 2011 we identified service inconsistencies across various channels, which formed the basis for improvements in 2012. We also focused on improving customer experience in the lowest-scoring channels such as Private Banking and Business Banking, which resulted in these channels achieving their highest scores to date and reaching the nine out of ten target. Our branches scored an average of 9,48. In our customer contact centre, we are investing in the training and development of staff to better our service in this area.

The table below reflects PBB South Africa's satisfaction ratings for four channels during 2012. The table on page 56 reflects the results of our customer survey conducted in the business market, which comprised of 2 954 interviews with the main financial decision-makers of the surveyed businesses.

Standard Bank Africa measures customer experience in 14 countries outside South Africa. The Customer Evaluation of Bank Service survey, conducted by an independent external service provider, covers our branches in our African operations as well as the Private Banking, Business Banking and SME segments. During 2012, we surveyed approximately 18 000 customers.

A specific area for improvement is efficiency in our branches. In response we have reduced the time required to open a current account and to approve a loan, but there is still room for improvement. Another area for improvement in Standard Bank Africa is our complaints management process. In 2013, we will look to implement real-time surveying where immediate action can be taken should a complaint or query be raised.

The Transactional Products and Services Insights survey measures customer satisfaction in CIB, covering all 22 client-facing teams in South Africa, most of which are measured twice a year. A target score of nine out of ten points has been set. The combined ratings have shown a consistent improvement over the past four years, with an average of 8,6 achieved in 2012 (2011: 8,5). The Sales and Implementation teams performed particularly well, scoring an average of 8,9. Plans are in place to roll out the Insights survey to Kenya and Nigeria in 2013.

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

	Target	2012	2011	2010
Branches	9,0	**9,48✓**	9,40	8,85
Private Banking suites	9,0	**9,05✓**	8,82	8,62
Business Banking	9,0	**9,02✓**	8,80	8,68
Customer contact centre	9,0	**8,44✓**	8,61	8,59

Source: Customer Experience Measurement surveys conducted by Synovate and Plus 94.
✓ *Externally assured (refer to assurance statement on page 97).*

Liberty conducts regular Voice of the Customer surveys. In 2012, 3 139 policyholders and 1 966 intermediaries were polled by email and telephone. Areas of improvement include service provided by the email team and a desire for increased communication and timelier processing of customer requests. This feedback will feature prominently in improvement measures planned for the coming year. The average Voice of the Customer rating in 2012 was 7,0 compared to 7,4 and 7,7 in 2011 and 2010 respectively. Liberty is concerned at the decline in customer satisfaction however the new customer experience framework being embedded in the business is expected to reverse this trend.

Complaints management

In South Africa, our customers are able to lodge a complaint through any PBB channel as well as public platforms such as Hellopeter.com and social media. Complaints that cannot be resolved at the channel level are escalated to our Service Recovery unit and those requiring further investigation are escalated to a specialist Complaints Resolution Centre. Information gathered from our complaints management process is used to improve service and to track the performance of customer service initiatives. During 2012, we received 69 156 complaints, a 10% decrease on 2011. Customers who are unhappy with the outcome of the complaints resolution process have the right to escalate their complaints to various industry ombud functions. The FAIS Ombudsman and the Banking Ombudsman are the most frequently used, however complaints received by the National Credit Regulator and the National Consumer Commission are increasing.

During 2012, we were exposed to potential maximum losses of R9,9 million arising from claims made to the FAIS Ombudsman, of which we settled R5,4 million. Of our potential maximum exposure for 2012, R2,7 million was due to four cases dating back to 2010 and 2011, which have been resolved with R2,0 million paid to customers. Claims that have not been resolved are either pending judgement, are being recalculated based on the circumstances of the case or have been dismissed in the bank's favour. During the year, R28,7 million was claimed by customers from the Banking Ombudsman, of which we settled R3,7 million. Around 65% of these claims relate to Internet Banking phishing, ATM fraud and collections.

As not all our African operations have customer contact centres, in 2012 we set up complaints inboxes in each country for customers to email their complaints directly to the in-country head of customer service. We are developing a customer complaint management framework for each country and where a customer contact centre does not exist, we will focus on the particular banking segments to ensure that they have capacity to effectively manage complaints. This will include staff training on the complaints management process. Our medium-term goal is to have a contact centre in each country of operation, supported by an automated customer relationship management system.

Detailed information: economic>customer experience.

Service ratings (out of ten) – South African business market

	Turnover R150 000 – R10 million	Turnover R10 million – R100 million	Turnover R100 million – R600 million
Standard Bank	**7,8✓**	**8,1✓**	**8,0✓**
Absa	7,6	7,7	7,1
First National Bank	7,8	8,0	7,9
Nedbank	7,8	7,8	8,3

Source: Galactica and Zodiac Surveys.
✓ *Externally assured (refer to assurance statement on page 97).*

Valuing our people

Employee engagement

Maximising our human capital

Diversity and inclusion

Performance and reward

Sustainable employment practices

At the launch of the Kikao Women's Forum in Kenya which aims to encourage leadership and, promote work/life balance and mentorship. Kikao is a Swahili word meaning 'coming together'.

For the Standard Bank Group (SBG) to achieve its business strategy, it needs talented people who deliver superior results. To support and enable our people to give their best, we provide an engaging and fulfilling environment with opportunities for personal and professional growth, maintain a competitive reward strategy and continuously enhance our people practices.

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

The right-sizing and repositioning of our London operations resulted in a 15% reduction of permanent roles, affecting approximately 135 employees. Some 69 contractors were also affected.

The shortage of specialist skills in the financial sector, particularly in some of the African countries in which we operate.

We have not met our employment equity targets for black women at middle management level and black employees at senior management level.

Measuring the return on investment for coaching and mentoring as a development proposition.

2012 highlights

- Rolled out a new approach to **performance management**.
- Introduced a **graduate mentorship programme** in Personal & Business Banking (PBB) in South Africa.
- Updated our **management and leadership programmes** in South Africa and across our African operations.
- Standard Bank Africa initiated **talent engagement forums**.
- A new statement of intent and set of guiding principles for **diversity and inclusion** have been approved and will be communicated to all employees in 2013.
- Launched the **Women in Leadership Programme** which aims to build leadership skills among women in middle management.
- Liberty was accredited as a **Best Employer by the Corporate Research Foundation** for the fourth consecutive year.

72%

of Standard Bank South Africa's leaders that participated in **formal training programmes** were **black**.

R13,3 million

spent on **bursaries** to assist our employees in Standard Bank to further their careers.

7 263

Standard Bank South Africa and Liberty employees underwent **health assessments**.

Measuring performance

Our employee turnover for the year is broken down in the table below. The sale of our Argentinean and Russian operations, which took place in 2012, are included as discontinued operations. Recruitment refers to newly appointed staff from outside the organisation, whereas under exits, voluntary exits indicate employees that have left our employ during the year and involuntary exits include retrenchments, retirements and disciplinary actions. Of the involuntary exits, 20% were retrenchments.

SBG employee turnover

	2012	2011	2010
Permanent employees at the beginning of the year	**51 656**	53 351	51 411
Discontinued operations	**(3 514)**	0	0
Add: Recruitment	**5 975**	4 494	6 766
Acquisitions	**154**	0[1]	379
Less: Exits	**(5 254)**	(6 189)	(5 205)
Voluntary	**(4 040)**	(4 351)	(3 638)
Involuntary	**(1 214)**	(1 838)	(1 567)
Permanent employees at the end of the year	**49 017**	51 656[1]	53 351

Key SBG indicators		2012	2011	2010
Employee headcount		**49 017✓**	51 656[1]	53 351
Women employees	%	**57✓**	57	57
Employee turnover rate	%	**10,2✓**	11,6	10,1
Attendance in leadership and graduate development programmes				
Leadership development programme participants		**2 498**	1 101[1]	4 104[1]
Graduate development programme participants		**187**	153	205
Training spend				
SBG	Rm	**609✓**	484	612
• Training spend as a % of staff costs	%	**2,4✓**	2,2	2,8
Standard Bank South Africa	Rm	**423**	358	450
• Training spend as a % of staff costs	%	**3,0**	3,2	4,1
Liberty	Rm	**44**	21	21
• Training spend as a % of staff costs	%	**1,4**	0,8	0,9
Number of injuries[2]		**232**	289	286
Standard Bank South Africa		**202**	243	257
Standard Bank Plc		**8**	15	11
Liberty		**22**	31	18

Key Standard Bank South Africa indicators	2012	2011	2010
Learnership participants			
Letsema (matriculants)	**77**	39[1]	100
Kuyasa (graduates)	**18**	20[1]	42
Standard Bank Learnerships	**517**	295[1]	564
Disciplinary incidents			
Total disciplinary incidents	**960**	1 451	1 486
Total cases referred to the CCMA[3]	**114**	134	119

[1] *Restated.*
[2] *No serious injuries leading to permanent disability.*
[3] *Commission for Conciliation, Mediation and Arbitration.*
✓ *Externally assured (refer to assurance statement on page 97).*

To manage our people in a way that best supports our business strategy, we seek to:

- Ensure that we have the right supply of people who can be matched to the right positions.
- Develop capable leaders and deepen leadership succession pools.
- Enable our employees to contribute to business performance through personal development and learning.
- Create an engaging environment where high performance is expected and rewarded.
- Uphold sustainable employment practices.
- Positively impact the markets in which we operate through local hiring and being a committed and responsible employer.

During 2012, we implemented a number of initiatives to deliver an improved experience to all our employees. We improved the effectiveness and efficiency of our people management practices, particularly our performance management approach and leadership interventions. To support the effectiveness of our human resources function, we are implementing information systems that will deliver better employee data and creating further alignment between people management and business unit requirements.

Employee engagement

We launched the Employee Value Proposition Programme, which aims to reflect the diversity in our businesses and operating countries. This has enabled us to understand the key drivers of engagement and retention, as well as our reputation as an employer, and has given us clear sight of what we need to do to build a culture that will make us an employer of choice. Embedding this culture across the group will start in 2013.

The executive leadership of PBB in South Africa and Corporate & Investment Banking (CIB) undertake road shows to engage with employees on SBG's strategy and our progress towards achieving it, giving employees direct access to our leadership teams. Two road shows are held annually in all nine provinces for our managers and team leaders in PBB South Africa. In CIB, we aim to provide all employees with the opportunity to attend four face-to-face strategy progress updates every year.

PBB South Africa's 'Lets Connect' sessions are held across various distribution channels to address employees' concerns and listen to their suggestions on improving the experience of our customers and employees. The 2012 Connect Index Survey achieved a 90% response rate. Positive comments were received regarding team work, support for team members and team cohesion, while more work is required regarding recognition and leadership practices. In 2013, we will provide feedback on this survey to employees and create action plans to address the aspects highlighted.

During the year, employee satisfaction surveys were also conducted within the Group Vendor Management and Procurement and Information Technology (IT) units. Issues that emerged from these surveys are discussed in the *Stakeholder engagement* section on page 18. An employee satisfaction survey is planned for CIB in 2013.

Liberty conducts an employee attitudinal survey every second year to gauge satisfaction or concerns. The 2011 survey highlighted the need for improvement in the areas of fair employment practices, personal development and career management, change management and job stress. In response, action plans have been agreed and progress tracked on a quarterly basis.

Maximising our human capital

We aim to strengthen our competitive advantage through attracting and retaining talent, building capability in strategic areas and ensuring we can deploy talent quickly and effectively in line with the changing needs and growth requirements of the business. The shortage of specialist skills in the financial sector, particularly in our African operations, remains a challenge as we compete with other financial institutions and companies in other sectors for skilled people. To address the skills challenge, we focus our efforts on sourcing talent, leadership capability, talent management and skills development.

Talent resourcing

Our Group Resourcing Architecture Programme, implemented in 2011, has made the management of our recruitment process more structured and effective, minimising our need for external recruitment partners. We have identified our temporary employee resourcing model as an area for improvement and are revising our approach to achieve consistent terms of employment for temporary employees.

Local hiring

When recruiting externally, we seek to reflect the markets in which we operate by hiring locally wherever possible. In South Africa, our learnerships focus on recruiting candidates from the communities in which we operate. The Harambee Youth Employment Accelerator recruits high-potential young people and places them on work readiness programmes. Standard Bank and Liberty have a partnership with Harambee Youth Employment Accelerator which gives us access to an untapped pool of candidates for our learnerships. Our impact study indicated that our employees from local communities who participated in our learnerships are more loyal and often drive sales in their communities.

Currently, 77 (2011: 105) of the 12 422 employees in Standard Bank Africa have been deployed from South Africa.

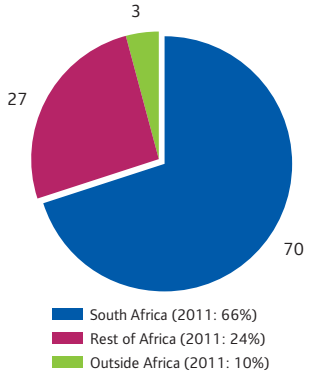
Graduate programmes

Our revised resourcing model gives us an understanding of the current skills required in various parts of the business, as well as potential future talent required to help achieve our business strategy. Our graduate programmes are critical to our resourcing strategy as they are an important source of future leaders for the group. Of the 187 (2011: 153) employees who participated in our graduate programmes in 2012, 33% (2011: 44%) were women and, in South Africa, 70% (2011: 82%) were black. The decrease in black graduates was as a result of the increased intake of scarce skills in areas such as IT. In 2012, Standard Bank invested R17,1 million (2011: R15,1 million) in graduate programmes.

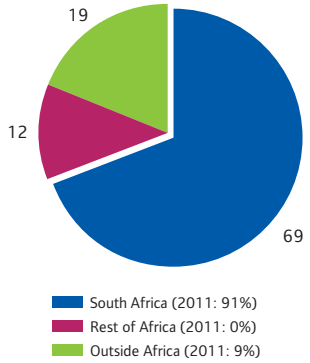
We have introduced a development and mentorship framework for our 2012 graduates in PBB South Africa, which includes rotation to expose graduates to various functions in the business. We are developing a Quants Programme to address the current shortage of specialist quantitative skills, and a new Channel Provincial Programme to build leadership capability at provincial level in South Africa. We also engage with university students in South Africa to attract talented graduates.

In Africa, we are engaging with our country operations to better understand their demand for graduates. This will assist us in implementing a graduate programme for our African operations during 2013. To attract talented people from the African diaspora back to the continent, our resourcing team in the United Kingdom (UK) will work on campuses in London to create a database of individuals we can invite to apply to our African graduate programme once it is launched.

SBG employee breakdown per geography



Graduate participation per geography



71%

of **appointments** in South Africa at **middle management** level were **black**.

Employees participating in a leadership development programme at the Global Leadership Centre, SBG's innovative and comprehensive learning facility.

Leadership capability

A key priority for 2012 was reviewing the content of our leadership programmes to ensure that they are flexible enough to accommodate varying business needs. As a result, we aligned the structure and content of three leadership programmes to our business strategy and to the revised performance management approach. We also made good progress in implementing four leadership programmes in Standard Bank Africa.

During 2012, 2 498 (2011: 1 101) leaders participated in formal training programmes of which 50% were women. Of Standard Bank South Africa's employees who participated in the year, 72% (2011: 80%) were black.

Eight people from the African countries in which we operate have been awarded Standard Bank scholarships to study at the London School of Economics.

Talent management

Talented people drive organisations forward due to their ability to lead, execute effectively and innovate. We have established talent committees throughout the business to actively manage and review talent. Our talent engagement forums provide identified individuals with career guidance and coordinate support from senior leaders. During 2012, we focused on two key talent pools, namely the executive talent pool of individuals earmarked for key management roles and the emerging talent pool of people at an early stage of their careers but who have the potential to grow into management roles.

We have integrated talent management into our revised performance management approach and our newly launched Management Essential Programmes. At December 2012, 808 employees had attended a Management Essentials Programme. In addition, we developed a customised version of this programme for managers in Standard Bank Africa that head up our small and medium enterprise divisions. The results have been very positive and we are looking to develop a similar intervention for our African agriculture business.

A career mentoring framework has been implemented in certain business areas. Establishing a clear understanding of the return on investment for coaching and mentoring as a development proposition remains a challenge. We are drafting a coaching policy to improve measurement.

Where appropriate, we assist high-potential employees with their career development through external study support. During 2012, our bursary spend amounted to R13,3 million (2011: R8,3 million), assisting 961 (2011: 1 059) employees in our South African and international operations to further their careers.

Case study: Rest of Africa Operations Attachment Programme

Extract: The Operations Attachment Programme is a two to three-week programme designed to give employees exposure to best practice across Standard Bank operations in South Africa and other African countries.

Skills development

In 2012, SBG's training spend was R609 million (2011: R484 million), 2,4% (2011: 2,2%) of total staff costs. We have prioritised the following capabilities for skills development: sales and relationship management, local market knowledge, leadership skills, ability to drive scale, risk and regulatory expertise, and change management.

In South Africa, our skills development spend was R423 million (2011: R358 million), of which R299 million (2011: R242 million) was spent on black employees and R196 million (2011: R154 million) on women employees, in line with employment equity objectives. Out of a total 24 862 employees trained, 70% and 64% were black employees and women employees respectively. The average number of training days per employee was three days (2011: four days).

Liberty's training spend amounted to R44 million (2011: R21 million) with 83% (2011: 76%) spent on black employees and 58% (2011: 58%) on women employees. Some 4 472 permanent salaried employees from Liberty received an average of 25 hours training during 2012.

Standard Bank and Liberty invest in skills development programmes (learnerships) for unemployed matriculants and university graduates in South Africa. The Letsema and Kuyasa learnerships are run under the auspices of the Banking Sector Education and Training Authority (BANKSETA). Through these programmes, employers such as Standard Bank host learners and provide coaching, mentoring and training.

In 2012, Standard Bank hosted 100 learners on these learnerships of which 95 were still on the programme at the end of the year. From the 2011

intake of learners, we employed 17 of the 39 learners and graduates that completed the programme.

In addition to the BANKSETA initiatives, Standard Bank offers learnerships for various positions in the bank, providing learners with on-the-job training, coaching, classroom sessions and e-learning. On successful completion, they obtain a recognised banking qualification. Since inception in 2008, 1 470 learners have participated in a Standard Bank Learnership. In 2012, we introduced a number of new learnerships in the following areas: sales, business banking, financial planning, private banking, credit management and operational risk management.

Of the 317 learners who started a learnership in 2011, 275 successfully completed their respective programmes in 2012 and 221 were offered employment at Standard Bank. Retention was a challenge for the 2011 learnerships and in response we have increased our engagement with learners and implemented a performance management process to assist their progress. In 2012, we offered learnership opportunities to 523 candidates and at the end of year, 517 learners were still active participants on the programme. Of the 517 learners, 98% were black and 58% were women.

A total of 120 learners commenced Liberty's learnership programme in 2012. Of the 114 who graduated, 96% were black, 68% were women and 16% were disabled. Since the programme's inception in 2004, 63% of participants have accepted permanent positions with Liberty.

Looking forward

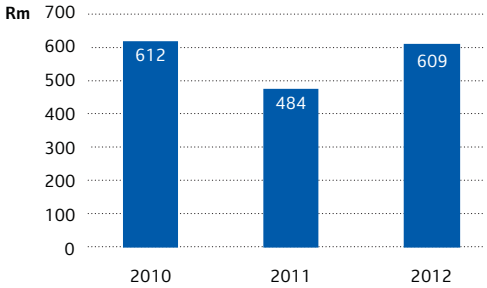
Our talent management process remains primarily driven through the Human Resource division, however our long-term goal is to shift this responsibility to line managers by giving them the tools required to manage their own talent requirements. Our new information systems will help us put quality development and career plans in place for all identified executive and emerging talent. Further work is required to identify and develop under-represented employee groups such as women, black South Africans and African nationals. In 2013, we will launch more talent development programmes to meet this requirement and we will introduce learning interventions that focus on sales capability, relationship management expertise and customer service. We will also ensure that we clearly match the appropriate learning methodology to the required learning outcome, to effectively meet business needs.

Detailed information:
our people>maximising our human capital.

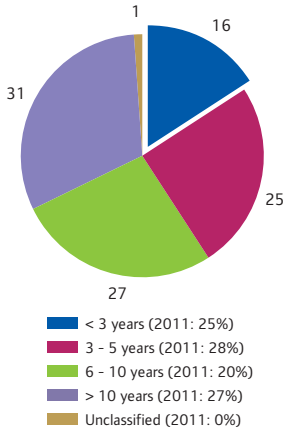
Recognition

Standard Bank won the **BANKSETA** Skills@work Award in the large employer category for our unique approach to learnerships and our contribution to nation building through our investment in education.

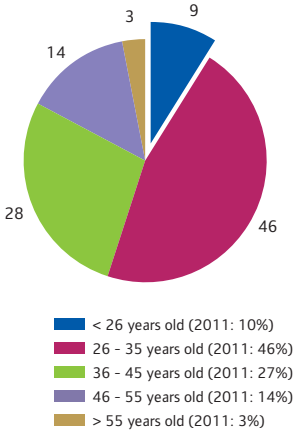
SBG training spend



Employee: length of service



Employee: age profile



Diversity and inclusion

Employees who reflect the diversity of the societies in which we operate understand and are better able to service diverse customers, which contributes significantly to our continued success. As an organisation we therefore promote and value diversity as a strategic imperative.

During 2012, we focused on developing a strategic approach to managing diversity and inclusion, which aims to entrench a culture that supports all of our employees in reaching their full professional potential. This approach, as well as a diversity and inclusion statement of intent and set of guiding principles, will be communicated to all employees in 2013.

Employment equity in South Africa

In South Africa, we are committed to creating a workforce that better reflects the country's demographics. Our employment equity plan has been developed in accordance with the requirements of the Employment Equity Act. Progress against targets is monitored and reported to the Social and Ethics Management Committee. Our focus for 2012 was to communicate and embed our new employment equity plan within the business units and to integrate employment equity into our human resource policies and practices. For 2012, each business unit was required to set employment equity targets for the representation of black people and women at all occupational levels.

The table below sets out our progress against our employment equity targets at December 2012. Targets we have not been able to meet include:

- Black senior managers, although we have made progress towards meeting this target.
- People with disabilities.
- Black women managers at middle and senior management levels, although we have met all targets for women representation across all management levels.

Targeted recruitment is a key component of creating a more equitable workforce. The current economic downturn has limited our recruitment activities, which has hampered our efforts. However, when we do recruit, we endeavour to appoint people from under-represented groups. During 2012, 83% (2011: 84%) of our external appointments at junior management level were black South Africans, with 71% (2011: 62%) and 44% (2011: 37%) at middle and senior management levels respectively.

Liberty achieved the employment equity targets set by its Social, Ethics and Transformation Committee across all occupational categories in 2012. Of the 1 075 South African appointments made in 2012, 88% (2011: 90%) were black and 52% (2011: 54%) were women, with 46% (2011: 48%) being black women.

Gender equity

While we aim for gender equity at all levels in the group, we are particularly engaging with and developing women in middle management roles to secure a pipeline for senior management and executive roles.

During 2012, we partnered with the Gordon Institute of Business Science (GIBS) to develop and launch the Women in Leadership Programme, which aims to teach effective leadership skills to women in middle management roles. The programme consists of classroom-based lessons, coaching to assist in personal development and a bank-related project. During 2012, 60 women from Angola, Ghana, Malawi, Nigeria and South Africa participated in the programme. In 2013, we will launch a groupwide Group Women's Forum driven by alumni from the Women in Leadership Programme. The forum will help us understand how we can remove the barriers that impede women in reaching senior management and executive levels.

Under the Central Bank of Nigeria's diversity directive, Stanbic IBTC Bank is required to increase the representation of women on its Board of

Employment equity targets: Standard Bank South Africa only

		Black people		Women	
		2012 target	2012 representation	2012 target	2012 representation
Senior management	%	42,8	**36,6**	34,2	**34,5**
Middle management	%	61,8	**61,8**	48,3	**50,4**
Junior management	%	74,4	**76,6**	62,7	**68,7**

Directors and within its senior management level to 30% and 40% respectively by the end of 2014. We are putting initiatives in place to achieve these requirements and expect to be compliant within the allotted timeframe. In the UK, we hosted a workshop for 20 women employees to assist them in taking on board-level roles.

In Kenya, a Women's Forum was launched within the operations division of CfC Stanbic Bank. Initiatives planned for this forum include job shadowing for young women in school, symposium debates on topical issues, mentoring of women outside the bank and a campaign to teach women to save. Men are also included in the forum to build awareness of the unique issues faced by women in business.

Disability management

We are actively working to create an enabling environment that supports employees with disabilities, which requires that we continuously improve our ability to recruit, manage and develop them. At December 2012, 2,0% (2011: 2,2%) of our South African workforce declared that they had disabilities, with 1,2% of the total South African workforce being black people with disabilities.

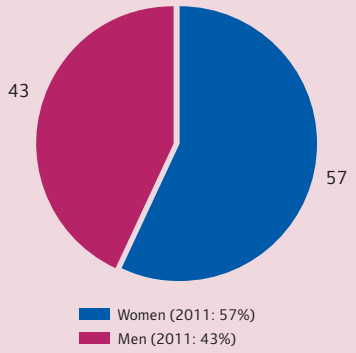
Our focus on disability extends to managing the accessibility of our branches to ensure that customers with disabilities have full access. This remains a challenge within the South African operation. Where issues arise, we liaise directly with our customers to provide remedies to improve accessibility and to understand what else we can do to ensure an inclusive approach to disability.

Looking forward

During 2013, we will continue to embed diversity and inclusion in our human resource initiatives and enhance our ability to translate diversity into increased engagement and productivity. We will raise awareness of diversity and inclusion among our employees and develop individual country action plans that identify focus areas for each operation.

Although recruitment will continue to be a key driver of employment equity in 2013, we will put greater emphasis on developing talent internally. To this end, we have identified emerging talent through our talent engagement forums and development plans are already in place.

Employee: gender profile



Funeka Montjane was appointed as Chief Executive of PBB South Africa in November 2012 and is the first black woman Chief Executive of a large banking business in Standard Bank South Africa. During the year, Funeka was named the Top Woman of the Year and the Top Woman Executive 2012 in the **Topco Media** 9th Annual Top Women in Business and Government Awards, which recognise top business women at the forefront of gender empowerment. Funeka's previous positions held in the bank include Head of PBB South Africa's Home Loan and Credit divisions.

Case study: ILO's Global Business and Disability Network

Extract: Standard Bank is a steering committee member of the International Labour Organisation (ILO) Global Business and Disability Network, a global network of multinational companies, employers' organisations and business networks that focuses on disability in the work place.

Detailed information:
our people>diversity and inclusion.

Performance and reward

In 2012, we introduced the Enduring Performance Management philosophy. This standardised performance management approach aims to achieve consistent performance and growth over the long term by ensuring employees have a common understanding of the group's strategy and how it links to business unit and individual goals. It sets out the minimum expected performance requirements and empowers employees to be involved in managing their own performance and careers. This new approach also aligns to the Standard Bank values as it introduces behavioural standards into performance reviews. To ensure the success of this new approach we have been raising awareness and imparting the skills required to implement it through targeted sessions, which at December 2012 had reached 70% of Standard Bank's employees, of which 9 020 were executives and line managers.

We have identified individual goal setting and the effectiveness of performance discussions between line managers and employees as areas for improvement.

The new performance management approach will assist with goal setting and has been integrated into our key development programmes to improve the ability of line managers to have open and honest performance discussions with their team members.

Remuneration

We 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 and practices against the various global compliance and regulatory bodies.

In South Africa, we have changed our general staff remuneration to a guaranteed package with some additional benefits. Managerial and executive remuneration remains on a guaranteed cost-to-company basis. Cost-to-company comprises a fixed cash portion, compulsory benefits and optional benefits. Salary structures may vary according to different geographies to comply with local laws and practices.

Remuneration is linked to SBG's financial performance, business unit performance and individual performance through the performance management system. The fixed component of the salary structure rewards an employee's inputs such as skills, competencies and experience. The variable component rewards outputs in terms of achievements against set deliverables and goals, key results areas and developing critical behavioural competencies.

A significant portion of top management's reward is variable. Individual awards are based on a combination of group, business unit and personal performance. Where an individual's incentive is above a particular

As part of Women's Day celebrations, the Human Resources team at Standard Bank Centre formed a human chain to raise awareness and support for alleviating poverty and hunger. A total of R30 000 was raised.

Employees from Standard Bank Africa attending a performance management workshop.

threshold a proportion of the incentive is subject to a deferral. The deferral mechanism is linked to the share price. This improves the alignment of shareholder and management interests and enables forfeit of unvested awards under certain conditions, supporting effective risk management.

The Remuneration Committee ensures that individuals, particularly senior employees, are not rewarded for exposing the group beyond its stated risk appetite. Our clawback provision on all deferral schemes allows for the reduction or forfeiture of unvested awards under certain conditions. During 2012, the committee found no cause to implement clawbacks.

Minimum salary

In South Africa, the bank's minimum salary has been raised across all employee levels covered by the bargaining unit to an annual guaranteed package of R107 738, effective 1 March 2013. Salary increases awarded to the lowest levels in the bank exceeded salary increases awarded to managers and executives, to intentionally address the wage gap relative to 2011. In our operations outside South Africa, we reviewed all the minimum salaries and remain relevant to local market practice and comply with local regulatory requirements regarding minimum wage requirements.

Employment equity and remuneration

We monitor income differentials within and across job bands and levels to ensure that our remuneration practices do not discriminate on the basis of race, gender or disability. In our South African business, we submit an annual income differential report to the Department of Labour as required by the Employment Equity Act.

Employee benefits

Our benefit programmes provide core benefits such as medical and other insurance, and retirement benefits. In South Africa, full-time and part-time employees have access to the same set of benefits. Medical aid, disability cover, maternity leave and retirement benefits are not available to temporary workers. In our African operations, with the exception of Angola, Democratic Republic of Congo, Nigeria and Tanzania where state pension schemes or mandated participation in an external pension arrangement exist, we provide some form of occupational pension scheme.

Each operation has its own parental leave policy aligned to local legislation and market practice. During 2012, we made a number of enhancements to this policy in South Africa, which now includes fully-paid maternity and paternity leave for the legal adoption of children up to 17 years of age. Our Standard Bank Africa employees are provided with fully paid parental leave aligned to or exceeding the statutory requirement of the respective country, and in 2013 we will make a number of improvements to these policies.

During 2012, 1 578 women and 777 men in Standard Bank South Africa and Standard Bank Plc took parental leave. Around 5% of these employees exited the bank's employ within a year of returning to work.

IR 120 Detailed information: *remuneration report.*

We partnered with the South African National Blood Service (SANBS) to host a Wellness Week at Standard Bank Centre. A total of 414 blood donations were made over three days with 493 people presenting themselves for donations.

Our SME team in Africa. In 2012, we introduced SME-specific training programmes to further upskill our employees so that they effectively meet the needs of small business owners.

Sustainable employment practices

Employee wellness

We provide proactive and cost effective health programmes and services to manage workplace health risks, and to build the resilience of our people to sustainably deliver results. These programmes aim to balance the rights and needs of the individual and the business. Our long-term goal is to ensure that our health and wellness programmes are consistent across the group and relevant to individual operations.

During 2012, we commenced Project 90/90 which aims to screen 90% of Standard Bank's employees for health risks within the next three years. Screenings include cholesterol, glucose and blood pressure tests as well as voluntary HIV counselling and testing. Employees can then be referred to or encouraged to enrol on various managed programmes. The project has commenced in our South African operation and we are developing an approach to implement similar processes in our remaining African operations. At December 2012, 7 190 employees had been assessed, of which 30% were identified at risk for blood pressure, 14% for cholesterol, 19% for sugar, 62% for body mass index and 2% for HIV counselling and testing. Approximately 68% of all employees screened also elected to undergo confidential HIV counselling and testing. A total of 73 Liberty employees completed health assessments in 2012.

In South Africa, some 83,4% (2011: 79,8%) of our permanent employees are members of Bankmed, our medical aid provider, with the remainder being spousal dependants on other registered medical schemes. All Bankmed members that are HIV positive and their registered dependents can sign up for Bankmed's Special Care HIV Programme at no additional cost. We currently have 1 158 (2011: 1 037) South African employees and their dependants registered on the programme, of which 868 (2011: 786) are women. Liberty Health Blue Medical Insurance (Liberty Blue) is available to employees in 11 countries in Africa, and in our other African operations our staff have access to medical treatment with a minimum standard of care.

During 2012, we developed guidelines and improved our governance structures for sick leave management, and we have started increasing our absenteeism data analysis for our operations outside South Africa. This will enable us to identify employees whose sick leave records indicate potential health and wellness issues that might require support and assistance. Our absenteeism rates for 2012 were 2,1% (2011: 2,0%) and 1,4% (2011: 1,4%) for Standard Bank South Africa and Liberty respectively.

Our total and temporary incapacity policy establishes formal procedures for managing employees who are unable to perform their duties for an extended period, but are expected to recover. During 2012, 186 applications were received, of which 69 were granted benefits. The average duration of the benefit is around five months.

Independent Counselling and Advisory Services (ICAS) is a free and confidential support service available to all Standard Bank and Liberty employees, their partners and immediate families across Africa. The top three areas of concern reported to ICAS during 2012 were relationship issues, child and family care and issues related to the workplace. Through interventions such as ICAS, our regular employee communication channels and our e-healthcare portal, employees are able to access information on serious diseases such as HIV/Aids, malaria and tuberculosis, and stress.

Both Standard Bank South Africa and Liberty host wellness days at regional and head offices across South Africa enabling employees to assess their levels of health and learn about healthy lifestyles.

Financial assistance

Employees requesting financial assistance are referred to Staff Assist, a dedicated unit within our Credit division that undertakes confidential assessments leading to the rescheduling and consolidation of employee debt. We aim to ensure that instalments on the restructured debt or consolidation account are affordable on a sustainable basis.

Creating a safe place to work

We value and protect the health and safety of our employees and people who may be affected by our business activities. Our management systems and procedures are effective at preventing safety hazards, ill health and occupational diseases and incidents. Being proactive on health and safety also reduces costs associated with absenteeism and contributes to a high performance culture. We are engaging with our African operations on more effective health and safety management and in 2013 we will include occupational health and safety monitoring and reporting across the continent in our Environmental Management System.

In South Africa, Standard Bank trained 2 145 occupational health and safety officials in 2012, a 12% increase on 2011 and at a cost of R2,2 million (2011: R1,8 million). Included in the number of employees trained is the compulsory training provided to 81 (2011: 16) health and safety officials representing Standard Bank, as per Section 16(2) of the Occupational Health and Safety Act. The organisational restructure that took place in 2010, meant that new 16.2 assignees had to be nominated in 2011 and received training in 2012. In addition, 10 960 (2011: 8 906) health and safety officials received training through our e-learning programme during the year. A total of 341 (2011: 237) Liberty and 37 (2011: 35) Standard Bank Plc employees participated in health and safety training programmes.

In 2012, 202 (2011: 243) injuries were reported for Standard Bank South Africa, resulting in 989 days lost (2011: 1 140 days). Standard Bank Plc and Liberty recorded eight and 22 injuries respectively (2011: 15 and 31 respectively).

During the year, two contractors were fatally injured following two separate incidents at our Alice Lane and Rosebank construction sites. To avoid further tragic loss of life associated with our operations we have strengthened our contractor safety management requirements.

With our operations expanding into Africa, many of our employees are frequently required to travel to various countries. Our travel health policy mitigates travel risks across all our domestic and international operations. The travel clinic at our head office provides onsite vaccinations, counselling and advice, and malaria prophylaxis. We employ the services of a global medical assistance company, International SOS, which offers a broad range of services from providing country destination information to medical care in emergency situations.

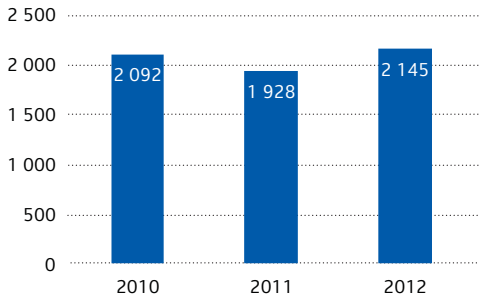
Detailed information:
our people>employee wellness.

Worker representative organisations

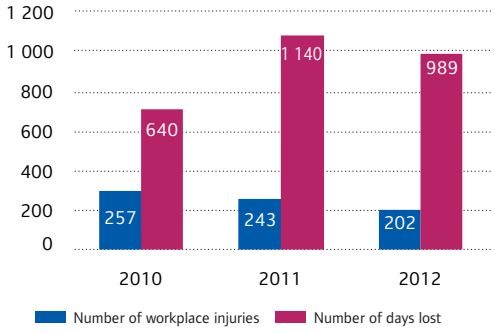
Our employee relations philosophy takes its lead from Standard Bank and Liberty's values and codes of ethics. We subscribe to the principle of freedom of association in line with the ILO's Conventions. Accordingly, we recognise the rights of employees to join trade unions and we believe in building respectful and mutually beneficial relationships with worker representative organisations.

In South Africa, 49,7% (2011: 50,8%) of Standard Bank's employees belong to SASBO, The Finance Union (SASBO). Formal salary negotiations were concluded with SASBO well ahead of the March 2013 review. The mutually agreed settlement that was reached is a

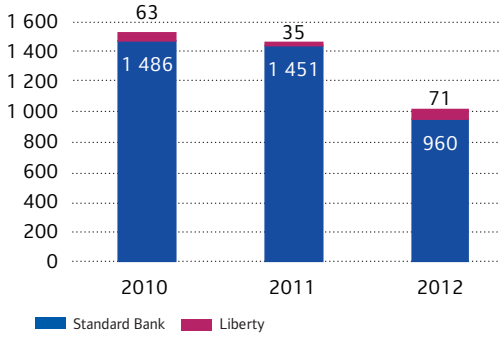
Number of health and safety officials trained
(Standard Bank South Africa)



Injury reporting
(Standard Bank South Africa)



Total disciplinary procedures
(Standard Bank South Africa and Liberty)



49,7%

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

testament to the maturity of the relationship between the bank, the union and our employees, given the labour unrest in South Africa during this time.

Where labour organisations are present in other countries of operation, we work to build strong relationships and agree on outcomes that benefit all stakeholders. Recognition agreements exist with labour unions in Botswana, Democratic Republic of Congo, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe. Outside South Africa, nine African countries renegotiated salaries for non-managerial staff during 2012. Of these, eight countries concluded agreements with unions without any strike action and the remaining operation is under litigation in the labour court.

We acknowledge that further scope remains for strengthening relationships between Standard Bank Africa's management and unions. During 2012, in partnership with the ILO, we held a Mutual-Gains Conflict Resolution and Negotiations Refresher Course for 30 managers and union negotiators from Botswana, Ghana, Lesotho, Malawi, Namibia, South Africa, Swaziland and Zambia. This course will be extended to other country operations in 2013, including Zimbabwe.

Retrenchment

CIB commenced a restructuring process to right-size its international operations and drive higher levels of efficiency in both front and back offices in 2012. This included scaling back certain product lines, as well as operations in certain geographies and resulting in a reduction in headcount for Standard Bank Plc. This process resulted in a 15% reduction of permanent roles, affecting approximately 135 employees. Some 69 contractors were also affected. Management actions, including the selection of roles and the timing of exits have been based on operational requirements. Employees have been provided with ongoing support in their search for alternative employment.

Dispute resolution

Our policies and procedures for grievance handling, disciplinary procedures and dispute resolution are designed to ensure that even the most complex matters are dealt with in a fair and just manner for both the bank and employees, either individually or collectively. In South Africa, the union (if they are members) or colleagues may represent employees during internal disciplinary hearings. In Standard Bank Africa, staff discipline, grievances and disputes are handled in line with country-specific policies and relevant employment regulations. During 2012, we held a training workshop for 338 employees in Standard Bank Africa to increase our pool of internal disciplinary chairpersons and initiators. To manage poor work performance, we are developing a set of guidelines aligned to in-country legislation and Standard Bank's performance management principles.

Detailed information: our people>employee relations.

Standard Bank Africa held a Mutual-Gains Conflict Resolution and Negotiations Refresher Course for managers and union negotiators.

Grandmother Nomkeni pictured next to what will soon be her new home built by Standard Bank volunteers through the Niall Mellon House Build Programme.

Technology and operating infrastructure

Our new office building under development in Rosebank, Johannesburg, is targeting an 'as built' 4 Star rating. It is scheduled for completion in 2013 and has been designed, built and will be operated in an environmentally stable way.

Standard Bank Group's (SBG) information technology (IT) systems and operating 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.

Our challenges

Migrating from legacy systems to a new core banking system requires an interim phase of running both old and new systems simultaneously.

Keeping daily operational systems stable while making changes to the core banking system.

The shortage of specialist IT skills.

Balancing the need for ongoing investment in our distribution network infrastructure with providing lower pricing to our customers.

Constraints to rolling out Internet and Mobile Banking in our African operations, including insufficient bandwidth, the inability to support data-intense applications, unreliable power supplies and access to network providers.

2012 highlights

- Implemented **two new releases** to the core banking system in South Africa, streamlining our offering to our Inclusive Banking customers.
- **Finacle**, our core banking system which is being implemented in the rest of Africa, was successfully deployed in Namibia and Uganda.
- Released the **Standard Bank Mobile Banking Application** (app), our second banking app release.
- Created the **Customer Service Point** to bring banking services closer to our small and medium enterprise (SME) customers in informal markets in sub-Saharan Africa.
- Our **SMS alert service** has been enabled in 13 countries in Africa excluding South Africa.

18 965

IT systems changes were implemented.

1,7 million

customers registered with Standard Bank's money transfer service, **Instant Money**.

8 464

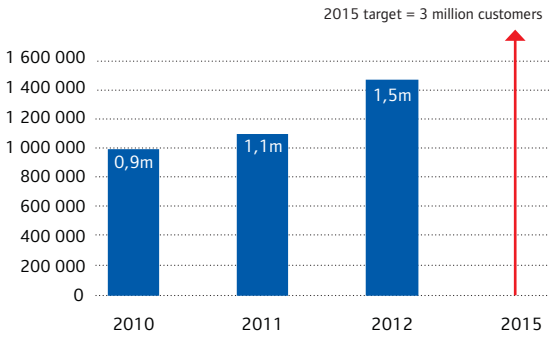
ATMs across Africa including South Africa.

Measuring performance

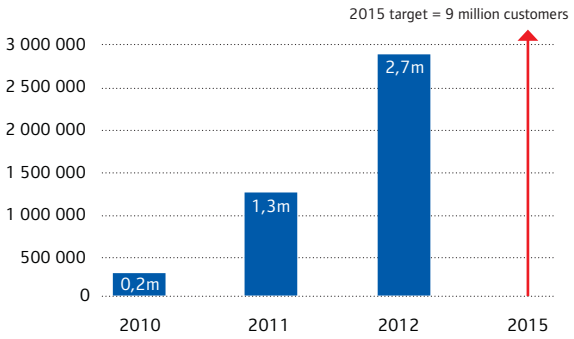
Key SBG indicators		2012	2011	2010
IT spend	Rbn	**15,5**	14,6[1]	13,1
Branch and service centre network		**1 249**	1 217	1 159
Standard Bank South Africa[2]		**721**	703	705
Standard Bank Africa		**528**	514[1]	454
ATM network		**8 464**	7 945	8 209
Standard Bank South Africa		**6 102**	5 831	5 565
Solution ATMs[3] in South Africa		**1 312**	1 175	1 736
Standard Bank Africa		**1 050**	939	908
Internet Banking customers				
Standard Bank South Africa		**1 459 862**	1 092 389	901 707
Standard Bank Africa		**143 462**	N/A[4]	N/A[4]
Cellphone Banking customers				
Standard Bank South Africa		**2 657 147**	1 306 679	218 846
Standard Bank Africa: Mobile Banking		**48 059**	N/A[4]	N/A[4]
Standard Bank Africa: SMS alert service		**553 498**	N/A[5]	N/A[5]
Key Standard Bank South Africa indicators		**2012**	2011	2010
Branches and services centres per province				
Eastern Cape		**93**	90	88
Free State and Northern Cape		**81**	84	81
Gauteng		**175**	173	179
KwaZulu-Natal		**109**	107	107
Limpopo		**47**	44	41
Mpumalanga		**53**	52	53
North West		**42**	34	34
Western Cape		**121**	119	122
Underserviced areas				
AccessPoints		**6 813**	9 716	635
AccessBanking Centres		**100**	68[1]	48
Extended hours outlets		**88**	N/A[4]	N/A[4]

1 *Restated.*
2 *Includes AccessBanking Centres.*
3 *ATMs operated by an independent service operator.*
4 *We started rolling out extended hours outlets and splitting our African Internet and Mobile Banking customer base in 2012.*
5 *New service introduced in 2012.*

Internet Banking customers
(Standard Bank South Africa)



Cellphone Banking customers
(Standard Bank South Africa)



Information technology

IT underpins our ability to operate and is therefore both a central enabler in achieving our strategy and a significant risk if systems become inoperative or unavailable. Our IT infrastructure must constantly evolve to meet changing business needs and plays a pivotal role in maintaining regulatory compliance and effectively managing risk. It is for these reasons that we continue to invest substantially in IT. In 2012, we spent R15,5 billion (2011: R14,6 billion) across the group, representing 29,3% (2011: 32,4%) of total operating costs.

Our IT strategy is to increase productivity through consolidating and standardising our IT infrastructure across the group, with a particular focus on Africa. An integrated platform will strengthen our competitive advantage in facilitating trade flows and cross-border transactions between Africa and other emerging markets, and providing a consistent and efficient banking experience for our customers. In addition, standardised systems are easier to replicate in other operations.

Corporate & Investment Banking (CIB) is investing in world-class systems to provide optimal service consistently across its operations. Personal & Business Banking (PBB) in South Africa continued to make strong progress in the year with its programme to replace legacy systems with a standardised core banking system. To meet our strategic growth objectives in Africa, we are continuing to implement the standardised core banking solution, Finacle, across all countries of operation. Although standardised, specific components of this solution can be customised to address each country's operational needs.

The implementation and renewal of IT infrastructure across the group is expected to drive revenue growth through improved business flexibility, the faster development, launch and distribution of products, and greater agility to respond to market pressures. To improve the customer experience, our systems are being designed to include an end-to-end customer relationship management capability to provide us with a single view of all interactions a customer has with the bank. This will help us improve customer service and enhance our ability to cross-sell products. The success of these standardised platforms will be measured by the reduction in operational costs including product development and IT costs, and by customer retention and acquisition.

Attracting and retaining people who are appropriately skilled in IT remains a challenge. This remains a key focus for our Group IT department, which is driving a proactive employment equity plan and putting initiatives in place to equip its managers with effective relationship management skills. During 2012, an employee engagement survey was undertaken in Group IT. We scored above the industry benchmark for teamwork, manager effectiveness, and cooperation and involvement. Our areas for improvement are reward strategy, staff recognition and employee engagement. We have undertaken a comprehensive benchmarking exercise of IT salaries within the industry to ensure we remain competitive. Our groupwide recognition programme introduced in 2012, Beyond Excellence, will improve recognition and we will introduce a communication plan to facilitate staff and leadership engagement in 2013.

Governance

We have various controls and processes in place to maintain the effective and efficient governance of our IT systems. The business case for any technology investment is thoroughly considered to ensure that our systems deliver on business objectives. This process was strengthened in 2012 with the introduction of a Results Management Office, which is tasked with providing input to executive decision-making and facilitating the desired business outcomes. This office reports directly to the Chief Information Officer.

Maintaining service

During 2012, Standard Bank experienced 269 273 IT incidents, of which 1 847 were classified as critical. Of the 18 965 changes implemented, 98% were implemented successfully with the remaining 2% not meeting the initial intent. Although we do not track groupwide IT availability (uptime), some business lines do measure this individually. Plans are in place to consistently measure and report on IT availability at group level in future.

In replacing our legacy systems, key challenges include running both old and new systems at the same time while the migration takes place, and ensuring the lowest possible impact from disruptions to the day-to-day operational systems. During the first half of the year we experienced higher than anticipated systems outages and service disruptions in PBB South Africa, however through focused interventions we have reduced the frequency of outages and regained acceptable levels of stability.

Liberty's critical core systems operated at 99,8% availability during 2012, exceeding its target of 99,5%.

Group information security

The Group Information Security Executive Committee provides information security governance and oversight, with the Group Chief Information Security Officer being responsible for driving the group's information security programme. Our information security practices and processes follow international best practice and are aligned to ISO 27000 standards. Business Information Security Officers positioned in each line of business drive a data privacy mindset among our employees. In 2012, we conducted numerous campaigns to raise awareness of information security among our employees.

External parties measure the effectiveness of our security practices annually and shortcomings are addressed through formal projects and initiatives. We are putting measures in place to comply with the requirements of the Protection of Personal Information Bill.

Energy consumption

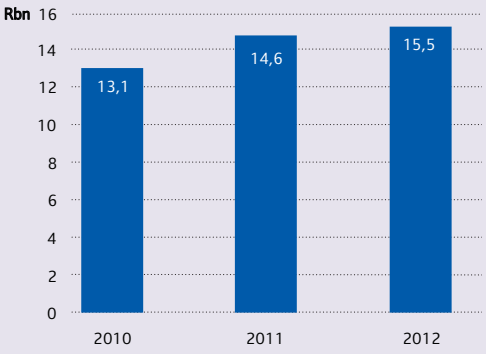
Although we expanded our IT infrastructure in 2012, we have reduced the amount of electricity consumed particularly by our data centres in South Africa, realising cost savings of R2,8 million despite an increase in the cost of electricity during the year. We achieved this through implementing new data centre cooling techniques and scaling down our Simmonds Street facility.

We also undertook a project to minimise the loss of energy between a power source and final delivery to IT equipment, which has realised around R1 million in cost savings. We have also implemented measures to reduce power consumed by unutilised excess capacity in the Samrand data centre, saving a further R1,1 million. We did not meet our objective to upgrade of 17 000 desktops with energy saving software by the end of 2012. Instead we have decided to adopt this initiative as part of the Windows 7 and Microsoft Systems Centre Configuration Manager migration projects. This could potentially reduce energy consumption by up to 30% per desktop device. Actual savings will only be measurable in 2013.

Key implementations during 2012

The primary IT focus in Global Markets was facilitating the operating of the rates and foreign exchange products across the Standard Bank South Africa and Standard Bank Plc balance sheets. This has improved operating capability particularly in the South African business and has helped us optimise our capital use. We are now looking to manage the Credit Trading business from the same platform.

SBG IT spend



In South Africa, we processed more than

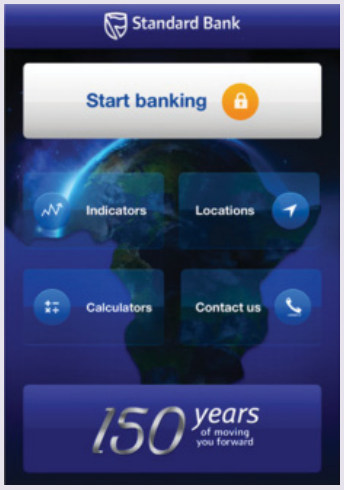
975 million
Internet transactions.

455 million
ATM transactions.

132 million
Cellphone Banking transactions.

Recognition

Standard Bank was awarded two **SAP Quality Gold Awards** for Best Large Implementation and Innovation, at the Sapphire Awards in Madrid.



Standard Bank launched a transactional banking app for smartphones in 2012.

New Business Online is a single integrated online platform that allows our business clients to view and transact on all their accounts across Africa. The platform is in its final stage of development, with functional releases already deployed across all our African operations. New Business Online consolidates payments, trade, liquidity management, foreign exchange and enquiry capability for global, regional and country-based corporates and government institutions.

During 2012, we implemented two new releases on our core banking system in South Africa that have helped simplify our Inclusive Banking offerings from multiple products on multiple systems to a single suite of offerings on a single system. The first release enabled the launch of the AccessBanking suite of products and the second release will enable the migration of older products such as the Mzansi Blue and E Plan accounts into AccessBanking. This migration is set for completion in 2013.

In Standard Bank Africa, Finacle was successfully deployed in Namibia and Uganda, bringing the total number of operations on this system to three. The pre-implementation processes for Botswana and Tanzania have been completed, for implementation in 2013. In Botswana we have established a customer care centre to assist customers with any challenges they may experience during the change-over period. Since Finacle went live in Namibia in February 2012, Standard Bank Namibia is able to open new accounts and process personal loan applications in a few hours as opposed to the previous seven and 20 days, respectively. The ability to view all of a customer's information in a single file has improved turnaround times, particularly for unsecured credit applications given that a holistic view of a customer's total exposure enables better credit decision-making. These improvements have translated into reduced transaction processing costs.

We have started implementing a new Internet and Mobile Banking capability for all Standard Bank Africa operations. We will introduce a new platform for our credit card business, as well as innovative tablet applications for our in-branch consultants.

Liberty continued to work toward realising its strategic vision of a 'capacity and capability on demand' operating model in 2012. Once fully implemented, this model will provide access to a wide array of applications, processes and support services increasing productivity and functionality across Liberty's businesses. During the year, Liberty's primary focus was on its infrastructure virtualisation and renewal programme, scheduled for completion in 2013. This includes remedial actions for ageing infrastructure, improved telecoms connectivity, enhanced storage and back-up capabilities. Other IT initiatives undertaken include the implementation of transactional web capability for Standard Direct Life Insurance Services, Vodafone Tanzania and Standard Bank Affinity Programme. Following the 2011 relocation of Liberty's disaster recovery site to Standard Bank's Samrand data centre, the enhancement of Liberty's back-up and storage capability and the introduction of fibre technology, will reduce Liberty's recovery time from five to two days. This will also assist the business address process gaps and risks associated with events that require business continuity management.

Detailed information: infrastructure>information technology.

Operating infrastructure

Distribution network

A strategic priority for SBG is implementing a distribution network that enables the needs of our customers to be met in a convenient, safe, simple and affordable manner. Technology has made it possible for customers to manage their everyday banking online, on their mobile phone or through mechanisms such as ATMs. For this reason, this area of our business was a major focus in 2012. We encourage our customers to migrate to more convenient and cost effective self-service channels through education and pricing incentives. Moving low-value services to these platforms also helps us focus on providing high-value services in our branches.

Innovation

Banking app

During 2012, we launched the Standard Bank Mobile Banking App for smartphones, which is free to download with no subscription fee. A key priority was ensuring the app is secure. Once downloaded and registered, the customer's

phone is linked to their electronic banking profile, so their account can only be accessed from their own phone. At December 2012, there were around 120 000 registered Standard Bank app users across Business Banking, Personal Banking, Inclusive Banking and the staff banking segment. The transactional banking app is our second customer-facing app, the first being an app that provides macroeconomic research and information services.

Muvo card

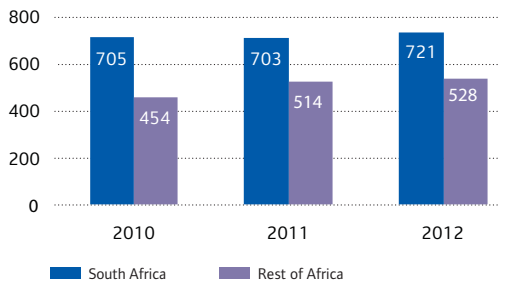
The Muvo card was developed to meet the requirements of the National Department of Transport and is available to customers in eThekwini, KwaZulu-Natal, to pay for their bus fare on the PeopleMover bus service in Durban's city centre. Customers load credits onto their Muvo card at kiosks and then pay for their ride by tapping the card against a card reader on the bus. At December 2012, approximately 3 784 customers were using this facility and 79 079 transactions were facilitated through this service. The card also incorporates MasterCard debit facilities and can be swiped at any vendor that accepts debit card payments.

Instant Money

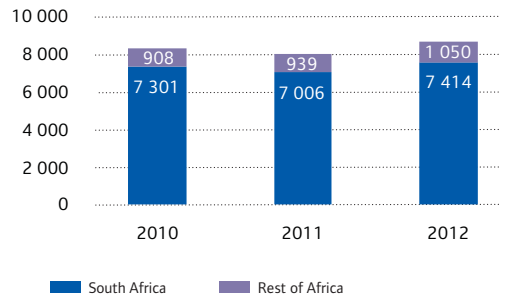
Instant Money is an ideal way to send money quickly and safely throughout South Africa without the need for a credit card or bank account. Customers can purchase Instant Money vouchers at a range of retail shopping partners or online. When purchasing the voucher, a customer can choose to load it on their own or someone else's cellphone number. Using a secret PIN code the customer or recipient can trade the voucher for cash at any of the cash-out network points. Vouchers can be used to purchase goods in participating retail stores or buy goods online. The service costs the sender R9,95 per transaction with daily and monthly send limits of R5 000 and R25 000 respectively. At December 2012, around 1 650 000 (2011: 130 000) customers had registered to use this service, and during the year the number of send transactions grew between 15% and 20% per month.

During 2012, we extended Instant Money to provide the basis for mobile wallets such as the Mxit Wallet. Instead of paying with cash, cheque or credit card, a mobile wallet allows payment via a cellphone for a variety of goods and services. Previously users could only transact through the Mxit platform, however during the year we extended this to payments in the physical trading environment. Around 11 million active Mxit users are now able to access funds, make payments and transfer money, as well as cash out part

Branches and service centres
(Standard Bank)



ATMs
(Standard Bank)



6 813 and **100**

AccessPoints and **AccessBanking Centres** respectively.

Stanbic Bank Zambia's head office, completed in 2011, covers 5 500m² and was constructed as part of a joint venture to meet the SBG's requirements for efficiency.

or all of their Instant Money balance at any Instant Money distribution point.

In addition, we have enabled all Standard Bank ATMs to function as Instant Money cash-out points, available to anyone including users who are not Standard Bank customers. We have also implemented an Instant Money function on our Internet Banking platform, which allows all Standard Bank customers to purchase Instant Money using this channel.

We are working to extend the reach of Instant Money through partnerships with major retail chains and wallet providers, and are working to enable customers to send money from South Africa to individuals in other countries. This functionality is currently available to recipients in Zimbabwe who can cash out money at Zimbabwe's largest retail chain, OK Bazaar. We hope to add other African recipient destinations in due course.

South Africa

In 2011, we embarked on a four-year project to upgrade some 1 800 ATMs to the latest technology and at December 2012, 950 ATMs had been upgraded. We have introduced innovative payment services such as automated note accepting on 588 ATMs, which removes the need for envelopes to deposit money through an ATM. Our average ATM availability (uptime) was 96,6% (2011: 96,5%) against a target of 97%. During the year we processed more than 455 million ATM transactions.

Our average Internet Banking uptime for 2012 was 99,9% and we started migrating Personal Current Account customers onto electronic statements as part of our programme to reduce paper use. E-statements are password protected and at December 2012, 456 016 customers were receiving electronic statements.

Building branches, particularly in underbanked areas, is expensive. We partner with retailers in these areas to offer our AccessPoint low-cost distribution channel. AccessPoints allow customers to transfer, deposit and withdraw money, buy airtime and electricity, make balance enquiries and use their card to pay for goods. At December 2012, we had 6 813 (2011: 9 716) AccessPoints, of which 85% (2011: 51%) were active.

Our AccessBanking Centres give customers access to products such as AccessLoan, AccessAccount, AccessSave and FuneralPlan, and banking services such as bank statements, PIN resets, card replacements, stop and debit orders and Cellphone Banking registrations. These outlets are essentially tellerless branches located in convenient locations and offer extended operating hours. At December 2012, we had 100 (2011: 68) AccessBanking Centres. Our AccessBanking Centres achieved a customer experience score of 9,57 out of ten.

During the year, we reviewed our AccessPoint and AccessBanking Centre placement strategy to ensure optimal performance. Non-performing retailers and centres were removed from the network, accounting for the decrease in AccessPoints compared to 2011 and the delay in meeting our target of having 170 AccessBanking Centres operational by the end of 2012.

During 2012, Liberty opened a client service centre within a community in Polokwane, enabling people to ask questions and sign-up for policies in a convenient location. Liberty expects to open more centres in 2013 as it continues to extend its emerging consumer market footprint.

Our SME banking model enables our Business Banking team to open accounts and facilitate loan applications at the customers' convenience.

CfC Stanbic Bank's head office in Kenya, Nairobi, was refurbished in 2009 and currently houses approximately 450 employees.

Sub-Saharan Africa excluding South Africa

At December 2012, we had 528 (2011: 514) branches and service centres in our African operations outside South Africa. We have undertaken a review of our branch network to determine the profitability of each branch, which will enable us to make our branch structures more cost effective. Standard Bank Africa's new branch model will move away from traditional branches to ATMs and self-service channels. A key challenge is putting in place the necessary capability and extending the reach of electronic channels, which we are working to resolve.

We are piloting Customer Retention and On-boarding Centres to improve the customer experience and shorten the time required to open an account. The sales process in our branches is also being improved through new tablet applications for customer-facing staff.

Standard Bank Africa operates a network of 1 050 ATMs across 15 countries. The uptime of this network has increased to over 95% and the number of non-Standard Bank customers using our ATMs has increased 137% year-on-year. We will look to enhance the services offered through this channel through functions such as cardless cash-out services and cash-depositing capabilities, which are currently being piloted in Nigeria.

Rolling out services such as Internet and Mobile Banking in Africa is dependent on available bandwidth, the ability to support data-intense applications, reliable power supply, network providers and our ability to connect to these providers. Although these factors remain challenging in many regions, in 2012 we successfully introduced new Internet Banking capabilities in Namibia, Nigeria and Uganda, while in other countries we improved the functionality of this service. Our SMS alert service has been enabled in 13 countries outside of South Africa, helping our customers manage their bank accounts and alerting them to potentially fraudulent transactions. We have 553 498 registered users of this service.

Mobile Banking has been rolled out to Ghana, Kenya, Malawi, Namibia, Nigeria, Swaziland, Uganda and Zambia. In 2013, we aim to introduce mobile banking to Angola, Mozambique and Tanzania, and add further functionality to existing mobile platforms in Namibia, Swaziland and Uganda. At December 2012, Standard Bank Africa had over 143 460 Internet Banking and 48 059 Mobile Banking customers.

For our SME customers across Africa, one of the critical needs is reasonable proximity to branches. In response we have created Customer Service Points, which are branches conveniently located near informal markets, reducing the risk of transporting cash in congested areas and offering extended business hours. We have 16 Customer Service Points in Uganda and similar access networks have been deployed in Ghana, Nigeria, Tanzania and Zambia.

Detailed information: infrastructure>our distribution network.

In Potchefstroom, we refreshed our branch to make it more interesting and relevant for younger customers.

Our new Rosebank building has energy efficient lighting systems and water efficient fixtures, as well as dedicated storage areas to facilitate recycling.

Green buildings

Standard Bank and Liberty Properties are members of the Green Building Council of South Africa (GBCSA). 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 Greenstar SA building rating system that assesses the environmental impact of buildings, taking into account factors such as building management, the indoor environmental quality, the building's energy and water consumption, transportation, materials used, land use and site emissions.

Our new office building under development in Rosebank, Johannesburg, is targeting an 'as built' 4 Star rating, however the preliminary design rating achieved 5 Stars as determined by the GBCSA. The building is scheduled for completion in February 2013 with occupation commencing in May 2013. It will house around 5 000 client-facing employees and is expected to create economic spin-offs for retailers, restaurants and transport facilities in the area.

For most of the stakeholders involved in the construction of this building, this is the first Greenstar project they have been involved in. A sustainability consultant was used to provide guidance on the format and consistency of documentation produced for rating purposes. The lessons these stakeholders have learnt on this project will help ensure that future Greenstar certifications will be easier to manage.

The Rosebank building will be provided with 50% 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. It is the second building in South Africa to have a gas-powered tri-generation plant. The energy saving tri-generation plant, which cost around R40 million, has a production capacity of one megawatt of energy which will be used to light, heat and cool the building. The Rosebank office is expected to save about 10% to 15% in our energy costs. Energy efficient lighting systems and water efficient fittings and fixtures are used throughout, and the consumption of these resources will be effectively managed and monitored with metering and sub-metering systems. The building also has facilities to capture rain water, which will reduce our water demand from municipal facilities by around 50%. To facilitate recycling, the building will have dedicated storage areas for the separation and collection of paper, glass, plastics and metals. During construction, ongoing waste management practices were adhered to with the aim of reusing or recycling 85% of the waste generated on site.

A large landscaped area of approximately 9 700m² will be developed including approximately 422 indigenous trees, consisting of ten different species. This area will be accessible to the general public.

The construction of the building did require the removal of 20 trees on the site, which were all exotic and the necessary permissions were obtained from the local authorities to remove them. This approval was granted on condition that we undertake a public participation process and obtain local councillor approval. We provided documentation to the local ward councillor and to the Rosebank Management District, which engaged with local stakeholders. An article was published in the Rosebank Killarney Gazette, the area's weekly newspaper. Positive responses were received and approval was granted.

Liberty Properties has representation on the GBCSA Board and many employees within the business have received GBCSA-accredited professional qualifications, enabling them to bring a deeper knowledge of sustainability best practice to their projects. Liberty Properties is also a member of the South African Property Owners Association. In 2012, Liberty Properties began planning on the John Ross Eco Junction, an industrial development incorporating sustainable elements such as rainwater capture, permeable paving, indigenous plant life and renewable energy sources into its design. It also expects to receive its first green building certification in 2013 for the construction of Phase 3 of the Midlands Mall in Pietermaritzburg and the refurbishing of the Atrium on Fifth in Sandton City.

Liberty's full property portfolio includes all owned properties, regardless of whether they are occupied by Liberty or not. Electricity consumption across the whole portfolio was 306 301 980 kilowatt hours for 2012, down 2% from 2011. Water consumption across the full property portfolio fell 8% to 1 174 855 kilolitres. Liberty has implemented a number of efficiency improvements in the portfolio, including replacing old lifts with newer, more energy efficient models, optimising air-conditioning systems and ensuring tenants adopt energy-wise practices. Environmental considerations such as the energy efficiency of signage and lighting are included in tenant agreements. Where feasible, recycling is encouraged at Liberty shopping centres.

Environment

Environmental and social risk management

Climate finance and carbon trading

Our direct impact

Standard Bank has facilitated the installation of approximately 110 000 solar water heaters in low-income housing developments under CDM programmes.

Standard Bank Group (SBG) has an obligation to manage the environmental and social 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

Implementing sound environmental and social risk assessment tools for projects we finance mitigates associated risks.	Lending responsibly protects our reputation and assists our customers to meet their social and environmental obligations.	Investing in carbon finance and trading reduces carbon dioxide (CO_2) emissions while generating revenue.	Supporting and developing carbon markets enables us to grow our business and customer base in this area.	Through financing innovation we can turn climate challenges into market opportunities.	Reducing our resource consumption alleviates environmental impact and reduces operational costs.

Our challenges

The vulnerability of Africa to the effects of climate change.

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

Managing and measuring our own carbon footprint in Africa requires investment in technology and resources.

The over-supply in carbon markets due to the current economic climate in Europe, resulting in a fall in carbon prices by approximately 80%.

The European Union's decision to exclude many mid-income African countries from its carbon trading market.

2012 highlights

- Involved in **renewable energy projects** in Angola, Ghana, Nigeria and South Africa.
- Ranked as the **seventh international lead arranger** for renewable energy financing in the Bloomberg New Energy Finance Clean Energy & Energy Smart Technology League Tables.
- Completed **pre-registration audit procedures** on our entire Programmatic Clean Development Mechanism (CDM) portfolio.
- Contributed to the **Green Credit Forum and Guidelines** in Beijing, China.
- Increased the scope of measurement for our electricity consumption to **100%** in the South African operation.
- Introduced a **recycling initiative** in our head office in Johannesburg.

19 million tons

of **greenhouse gas emissions abatement** from our carbon financing.

R9,4 billion

debt funding under the South African Government's **Renewable Energy Independent Power Producer Procurement** (REIPPP) Programme.

USD1,2 billion

(R9,9 billion) in clean energy projects financed since 2010.

Measuring performance

Key SBG indicators		2012	2011	2010
Carbon equivalent				
Standard Bank South Africa	metric tons	**412 089✓**	180 403	177 289
Standard Bank Africa	metric tons	**78 804**	23 246	3 887
Standard Bank Plc	metric tons	**2 367**	1 327[1]	N/A[2]
Liberty	metric tons	**51 210✓**	50 479	46 525
Equator Principles				
Number of projects financed		**16✓**	9	11
Number of advisory services on project finance deals		**13✓**	20	10
Energy consumption				
Standard Bank South Africa[3]	kilowatt hours	**369 094 656**	153 512 557	145 015 178
• Diesel (generators)	kilowatt hours	**799 709**	429 495	N/A[2]
• Electricity purchased: premises	kilowatt hours	**303 323 037**	125 422 308	145 015 178[4]
• Electricity purchased: ATMs	kilowatt hours	**15 309 968**	N/A[2]	N/A[2]
• Electricity purchased: data centres	kilowatt hours	**48 958 708**	27 139 508	N/A[2]
• Renewable energy sourced	kilowatt hours	**703 234**	521 246	N/A[2]
Standard Bank Africa[5]	kilowatt hours	**93 730 784**	19 960 128	N/A[2]
• Diesel (generators)	kilowatt hours	**70 298 088**	N/A[2]	N/A[2]
• Electricity purchased	kilowatt hours	**23 432 696**	19 960 128	N/A[2]
Standard Bank Plc	kilowatt hours	**4 511 192**	2 530 030	N/A[2]
• Electricity purchased	kilowatt hours	**4 511 192**	2 530 030	N/A[2]
Liberty	kilowatt hours	**45 194 788**	45 225 708[1]	39 699 750[1]
• Electricity purchased: owned/occupied properties	kilowatt hours	**36 610 385**	37 391 988	34 401 496
• Electricity purchased: leased properties	kilowatt hours	**8 584 403**	7 833 720	5 298 254
Water consumption				
Standard Bank South Africa[6]	kilolitres	**319 055**	295 807	340 889
Liberty	kilolitres	**127 389**	190 329	133 631
Key Standard Bank South Africa indicators		**2012**	**2011**	**2010**
Paper consumed	tons	**3 336**	3 337	2 755
Paper recycled	tons	**653**	516	N/A[2]
Waste generated	tons	**1 609✓**	1 196	473
General waste	tons	**824**	494	N/A[2]
Hazardous waste	tons	**88**	168	N/A[2]
Recyclable waste	tons	**697**	534	N/A[2]

[1] *Restated.*
[2] *Not available.*
[3] *Electricity consumption covers 100% of South African premises.*
[4] *In 2010, we reported a combined figure including data centres.*
[5] *Data has been collected for 15 African countries excluding South Africa.*
[6] *Water consumption covers nine head office and regional buildings.*
✓ *Externally assured (refer to assurance statement on page 97).*

Africa is highly vulnerable to the effects of climate change and water scarcity. As the majority of our operations are based in sub-Saharan Africa, we need to identify what the potential impacts of this global challenge are and develop plans to reduce our own impacts and those of our customers and clients. We proactively manage our environmental and social risk, seeking to go beyond compliance towards best practice performance.

As a financial services group, our impacts on society and the environment can be both indirect, arising from the activities of our customers who we finance or provide products and services to, and direct, from our day-to-day operational activities. Our greatest opportunity to meaningfully impact on environmental concerns lies in our indirect impact, in that we are in a position to finance innovation and turn the climate challenge into market opportunities, lend responsibly to companies to ensure that social and environmental risks are mitigated, and finance products that assist our customers in reducing their own carbon footprint. Our customers are increasingly seeking financial services that help them manage their businesses in the context of sustainable development generally, and climate change in particular.

Environmental and social risk management

Environmental legislation and policy

Through our membership of business associations such as the Banking Association of South Africa (BASA), Business Unity South Africa (BUSA) and the National Business Initiative, we engage with government on issues of national environmental law, policy and strategy. Through BASA we have adopted a Code of Conduct for Managing Environmental and Social Risk. This code recognises the role of financial institutions in protecting, promoting and fulfilling social, economic and environmental rights in South Africa, by conducting their business in a sustainable manner. The code covers a business's operations, procurement, lending practices, products and services.

We monitor evolving environmental regulations and put in place the necessary measures to comply. New legislation such as the proposed carbon tax in South Africa could have a notable financial impact on our operations and on those of our customers. We are actively engaging with government to ensure an effective balance between addressing climate change and the impacts of related regulation on the economy and business. We also contribute to the development of international climate change policy. Key relationships in this regard include the United Nations agencies, the CDM Executive Board, European government agencies and African governments. We are a member of and hold a board seat on the Carbon Markets and Investors Association (CMIA), and are a member of the International Emissions Trading Association (IETA) and United Nations Environment Programme Finance Initiative (UNEP FI).

Environmental and social risk screening

Environmental and social risk screening evaluates a transaction's potential risks to the environment and society, and its impacts in its area of influence. We use two approaches to screen and process projects: the Equator Principles for project finance loans and an internally developed appraisal system. During 2012, we integrated the updated International Finance Corporation (IFC) Performance Standards, which underpin the Equator Principles, into our environmental and social appraisal process. We are also putting the necessary processes in place to ensure that environmental and social screening is a mandatory requirement in our pre-credit application system. This will improve our monitoring and reporting on the environmental and social risk of transactions we finance.

Our Environmental and Social Appraisal System helps us identify risks associated with a client's ability to manage environmental and social issues, as well as those of the transaction itself such as the nature and value of the loan and the industry sector involved. It covers biodiversity considerations and human rights issues, including the rights of indigenous people and engagement with communities that may be affected by a transaction. The system is applied to all debt transactions in our Corporate & Investment Banking (CIB) division.

Where a project that we intend to finance requires specific environmental or social management, a legally binding action plan is developed together with the client. The action plan includes risk mitigation actions, timeframes, resources, cost allocation to remedy the situation and evidence of completion. Projects are monitored to ensure that social and environmental commitments are adhered to and, if required, independent external professionals are used to monitor the implementation and progress of remedial action on an annual basis or on completion of the process.

In cases where a borrower is not in compliance with environmental and social requirements, we will work with them over a period of time to achieve the necessary standards. Following this, should there be no progress towards meeting requirements, then we would consider a number of avenues including re-evaluation of the loan. During 2012, no deals were terminated due to non-compliance and one deal was declined at the assessment stage due to environmental concerns.

The Equator Principles apply to all new project finance loans of USD10 million or more, across all industry sectors. The graphs alongside show the number of projects that were financed according to Equator Principles in 2012, as well as the number of projects in which we played an Equator Principles advisory role.

We contributed to the strategic review of the Equator Principles, aimed at ensuring that the principles continue to be the international business standard in environmental and social management in the financial sector. During 2012, 74 employees across Africa were trained on the use of the Environmental and Social Appraisal System, the Equator Principles III requirements and lender expectations. In addition, 32 external consultants from various African-based consultancies received training on the proposed changes to the Equator Principles. In light of the proposed changes to the Equator Principles, we are looking to include a greater focus on human rights issues in our training.

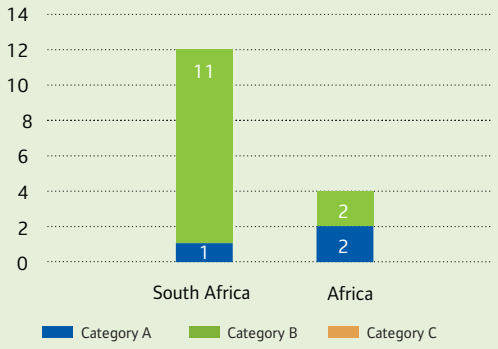
Detailed information: environment>environmental & social risk management.

Supply chain

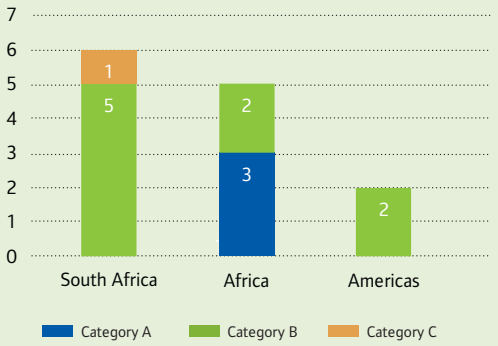
Our supplier tendering process in South Africa includes a sustainability questionnaire which covers labour practices and social and environmental factors. During 2012, we set minimum environmental standards for all waste management, cleaning and hygiene, exterior and interior landscaping and pest control services procured in South Africa. Where a prospective supplier does not satisfy the above criteria, we will either include performance expectations in the service level agreement or disqualify the supplier from the tender process or supplier list, depending on the level of non-compliance. Review sessions measure supplier performance in accordance with contractual service levels and any remedial action needed is documented and tracked.

In Standard Bank Africa, suppliers are screened for fair labour practices, human rights and violations of indigenous rights. During 2012, 1% of prospective suppliers in Standard Bank Africa were disqualified following the

Equator Principles: deals financed



Equator Principles: advisory



Case study:
Environmental and social risk appraisal

Extract: Standard Bank was appointed as joint arranger to fund the development of a mining project in Africa. The nature of the expected impacts and the level of potential environmental and social risk meant that under the IFC guidelines, the project was classified as a Category A or high-risk project. The construction of a dam required the resettlement of households. This resulted in changes to the action plan to ensure that local standards and IFC Performance Standards were complied with and included a process to evaluate livelihood restoration and outstanding grievances. Standard Bank worked with the client to address any gaps in meeting lender requirements and the needs of syndicate members, as well as the implementation of the action plan ensuring Equator Principle-compliance within the required timeframes.

screening process. Strategic suppliers are assessed at least twice a year and non-strategic suppliers on a case by case basis. During the year, discussions with suppliers included compliance with service level agreements, environmental considerations and the quality of products and services delivered. During 2012, no supplier contracts in our African operations were terminated due to non-performance or corruption. We have also completed environmental audits on two of our African suppliers of batteries, oil, petrol and diesel.

Engaging on environmental issues

We participated in the Corporate Sustainability Forum that took place as part of the Rio+20 Summit held in Brazil during 2012. The business sector took an active role in Rio+20, to demonstrate its commitment to shaping and influencing the sustainability agenda. Some 2 700 delegates attended the forum, which focused on the following themes: agriculture and food, economics and finance of sustainable development, energy and climate, social development, urbanisation and cities, water and ecosystems. Our Head of Group Sustainability Management gave presentations at the German Federal Government's event on the envisaged Green Climate Fund, the UNEP FI's event on scaling up funding directed to the green economy and the Global Reporting Initiative's event on integrated reporting.

We currently lead the Equator Principles African and Middle East Outreach Working Group, which enables us to engage regularly with the IFC, development agencies and other financial institutions on issues such as climate change and biodiversity. During 2012, we contributed to the Green Credit Forum and Guidelines in Beijing, China. The forum was aimed at banking regulators, government officials and other financial sector representatives, and focused on building partnerships and discussing ways to advance sustainable banking in emerging markets. We were asked to present on the implementation of our Environmental and Social Appraisal System, particularly in our emerging markets operations.

During 2012, we sponsored the fourth Africa Carbon Forum, held in Addis Ababa, Ethiopia. This forum promotes knowledge and information sharing and facilitates business opportunities for carbon investments in Africa. We also attended the Carbon Expo in Cologne, Germany, which is the leading international trade fair and conference for emissions trading, carbon abatement solutions and clean technologies.

At our head office in Johannesburg we host lunch sessions open to all interested staff on a range of sustainability topics that include Standard Bank's sustainability initiatives. This provides employees with information on what they can do in the workplace, in their homes and their communities to further sustainable development. Specific talks during the year included solar water heating and the basics of solar and heat pump technologies, water management and rhino poaching interventions (given by the Endangered Wildlife Trust of South Africa).

Under the SASSA/Tasol Programme, Standard Bank is collaborating with the Nelson Mandela Metropolitan Municipality and other partners in a CDM-registered Low Pressure Solar Water Heater Programme. We have made available some R22 million to assist with the rollout of the project.

The Global Leadership Centre was completed with due consideration given to energy efficiency.

Climate finance and carbon trading

During 2012, we developed new commercial financing solutions to support the growth of low-carbon and clean technology projects, which included expanding our Programmatic CDM product. We also continued to finance renewable energy projects across Africa. At December 2012, our carbon financing resulted in the abatement of approximately 19 million tons of greenhouse gases.

Clean Development Mechanism

The CDM under the Kyoto Protocol is one of the biggest markets for carbon credits and is overseen by the United Nations. It allows industrialised countries to reduce global emissions by investing in sustainable development projects that reduce greenhouse gas emissions in developing countries. Approved CDM projects can generate Certified Emission Reduction units which are traded as carbon credits.

We play a leading role in developing CDM projects in Africa and are planning to establish a CDM operations centre in South 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. The current economic climate in Europe has caused heavy over-supply in the carbon markets, which in 2012 resulted in carbon prices falling some 80%. This has made it extremely challenging to complete transactions and to support viable projects. We actively participate in a number of initiatives to help support carbon prices and are supporting the development of the Australian carbon pricing scheme. A strong focus on cost control and innovative monitoring methods has allowed us to continue financing new projects. Our target for 2012 was to support at least 75 CDM projects of which 65% were to be in Africa. As a result of the lagging carbon market, we narrowly missed this target, financing 73 projects of which 60% were in Africa.

Programmatic CDM registrations

Traditionally, smaller low-cost carbon emissions-reduction 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. Programmatic CDM is a new type of CDM registration which works as a collective mechanism for a range of smaller individual projects. An organisation that joins our Programmatic CDM avoids the cost of individually registering an energy efficiency project and will be able to generate carbon credits much sooner. Ultimately this mechanism eliminates the cost and risk to an organisation of becoming more energy efficient.

We have established a number of Programmatic CDM registrations covering renewable energy, corporate and household energy efficiency, solar lighting, clean cook stoves, biomass generation and waste management projects.

During 2012, we completed pre-registration audits on our entire Programmatic CDM portfolio and the programmes submitted to the United Nations Framework Convention on Climate Change for approval represented approximately 15 million tons

During 2012, we piloted e-statements with our staff that hold Personal Current Accounts.

Standard Bank has provided funding to CarbonSoft Corporation, a company that establishes open access Programmatic CDMs for solar-powered lamps in sub-Saharan Africa and internationally.

of emissions abatement. We also provided Programmatic CDM solutions for over half of all renewable energy projects in South Africa.

Carbon market development

Africa accounts for only around 3% of registered CDM projects due to constraints such as a lack of awareness and capacity, typical projects being too small, low electricity prices and a lack of regulatory frameworks necessary for developing independent power production. A further challenge is the European Union's decision to exclude mid-income African countries from its carbon trading market. From 2013, the credits from new CDM projects will only be eligible for use in the European Union Emissions Trading Scheme if the projects are hosted in least developed countries (LDCs). During 2012, we led efforts to ensure that all African countries can continue to use the CDM to drive investment in low-carbon and clean technology projects, and not just LDCs.

We actively contribute to the development and growth of carbon markets and climate finance in Africa through initiatives such as capacity building for companies and financial institutions, and our involvement in the African Carbon Asset Development (ACAD) facility. This facility provides financial and technical assistance to sub-Saharan African project developers undertaking low-carbon development activities, as well as regional financial institutions investing in such projects. To date the ACAD facility has given grants totalling USD687 536 (R5,6 million) to 15 projects across nine sub-Saharan African countries, four of which have achieved CDM registration or a comparable offset standard, with the remaining projects at an advanced stage of achieving registration. We have re-enlisted in this partnership and during 2012, the facility announced a second funding call for projects.

Looking forward

We will look to develop new projects in LDCs and introduce new financing structures to assist greener low-carbon projects while reducing dependence on carbon prices. For example, our 'pay-as-you-save' energy efficiency finance product linked to Programmatic CDMs allows clients to obtain finance for an energy efficiency project without the upfront investment. Once the project has been implemented, the scheduled repayments on the loan are based on the cost savings made as a result of the client's reduced energy consumption.

Clean energy and energy efficiency

We are helping to establish a renewable energy sector in South Africa. We are active in advising, arranging finance for and funding renewable energy projects under the South African Government's REIPPP Programme. Renewable energy projects currently represent a third of our project finance energy portfolio and include wind, hydro and geothermal power stations.

We are underwriting R9,4 billion for 11 wind and solar power projects in the first phase of the REIPPP Programme, representing an installed renewable energy capacity of 573 megawatts. We will provide comprehensive corporate and investment banking services to these clients and have taken a R220 million equity stake in four projects. A total of 28 wind and solar power projects were awarded during the first round with an expected renewable energy capacity of 1 416 megawatts. Our debt funding is a third of the total R27 billion committed by banks, making us the largest funder.

For the second phase of the REIPPP Programme, a total of 79 bids were received and 19 preffered bidders were selected. Five of the bids we supported were selected, representing an installed renewable energy capacity of 328 megawatts and a total financing requirement of R6,1 billion. These projects will produce approximately 805 gigawatt hours of renewable energy a year. The financial close of phase two is scheduled for April 2013.

The introduction of renewable energy sources should serve to lower electricity prices and reduce the reliance on coal over time. For the second round

Case studies:

The Corporate Energy Efficient Lighting Open Access Carbon Project

Extract: During 2012, Standard Bank launched the Corporate Energy Efficient Lighting Open Access Carbon Project, a Programmatic CDM registration that allows companies undertaking in-building energy efficient lighting retrofits to earn additional revenues from carbon credits.

The Standard Bank Low Pressure Solar Water Heater Programme for South Africa

Extract: During 2012, Standard Bank registered a Programmatic CDM that will facilitate the supply, installation and financing of solar water heaters for low-income households in South Africa.

of bids, the South African Government increased local manufacturing requirements which creates an opportunity for job and wealth creation. It is compulsory for the project deals to include local communities as equity participants, funded by local development finance institutions. As local content requirements increase for the third round of bidding, we believe there will be opportunity for South African start-up businesses to enter this emerging sector.

During 2012, we also pursued renewable energy projects in Angola, Ghana and Nigeria. A USD50 million (R410 million) term loan facility was provided to the Ministry of Finance of the Republic of Angola, on an unsecured basis, to complete the Gove Hydropower Project. This includes the reconstruction and upgrade of one of four key hydropower plant projects planned by the government. The project is an integral part of a larger design to establish a regional grid involving Angola, Namibia and South Africa, which will eventually connect the northern, central and southern grids of Angola and Namibia into South Africa.

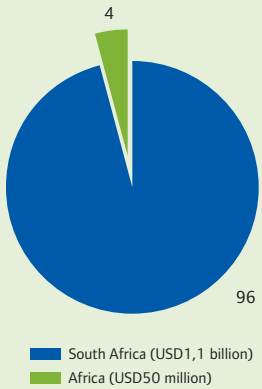
Detailed information:
environment>climate finance & carbon trading.

Environmental products

In early 2012, we launched a carbon footprint measurement tool for our customers who operate vehicle fleets. Our Fleet Management unit provides consulting services to help these customers manage their fleets more efficiently and assists them to reduce their carbon emissions and costs associated with the running of their fleets. At December 2012, 383 customers were using Standard Bank's ECO_2Fleet tool covering 34 433 vehicles. During 2012, ECO_2Fleet was used to streamline our own vehicle fleet. We removed all vehicles with a high carbon footprint from our trade vehicle pool and replaced them with vehicles that have a lower impact.

As a provider of home loans, we are in a position to encourage 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 through equity finance on their home loan facilities. We have also assessed the credentials of solar water heating suppliers who meet our 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

Debt underwritten for renewable power generation



Recognition

Standard Bank was voted the Best Primary Originator of Kyoto Credits in the **Environmental Finance** 13th Annual Market Survey Awards.

Standard Bank was ranked South Africa's 'greenest' company in the 2012 **Newsweek Green Rankings**. We ranked 21st globally in the financial sector category and 64th overall. Newsweek's Global Green Rankings focus on the largest 500 publicly traded companies worldwide. We scored 71,7 out of a possible 100 points.

Standard Bank's ECO_2Fleet tool won the Best Product under R1 million in the **Green Supply Chain Awards**.

We have a **broad set of capabilities** across the range of **climate finance** and **carbon trading** disciplines, including:

- Carbon trading.
- Climate financing and pioneering climate finance instruments and transactions.
- Implementing new energy efficiency incentives and providing finance.
- Financing renewable energy projects.
- Contributing to policy and market development.
- Advising on environmental management.

suppliers, we are able to offer our customers more comprehensive insurance cover on their investment. We also encourage customers to switch to a solar water heater when we receive an insurance claim on a burst or damaged geyser. We have found that uptake of this offering has been slow, the biggest barrier being that consumers are reluctant to take on short-term debt under the current economic conditions. We will continue to work with various stakeholders to improve the uptake of solar water heaters into the South African mortgage housing market.

Our direct impact

Our targets

The Environmental Management System allows us to track and manage environment-related aspects of our operations such as energy, water, carbon emissions and waste management. In 2010, we set environmental targets for our South African operation using 2009 as a base year. This year we focused on improving the rigour of our data collection for all environmental indicators and increasing the scope of measurement. We increased the scope of measurement for our electricity consumption to 100% in South Africa, which will enable us to track our progress more accurately going forward. In 2013, we will work to extend the scope of our water, paper, waste and recycling data. The table showing our progress for this reporting cycle is set out on page 91.

Energy

Managing and reducing our energy consumption is essential to being an environmentally responsible business. It contributes to saving operational costs and offsets the impact on the group of rising electricity costs, pending carbon tax costs and energy supply concerns across Africa. To reduce our energy consumption we consider energy efficiency programmes and alternative energy sources. During 2012, we spent approximately R15 million on energy efficiency projects in our South African operations. At our head office in Johannesburg, where around 15 000 of our employees work, our initiatives during the year have reduced peak electricity consumption to 8 000 kilowatts.

We have continued to roll out our electricity metering and efficient lighting projects. We installed timers on our geysers in major buildings and carbon monoxide monitors in parking areas within our head office, which now allow us to utilise our exhaust extraction system more efficiently, operating it only when carbon monoxide increases beyond predetermined levels. This is expected to realise savings of around 1 050 000 kilowatt hours, equating to a cost saving of approximately R1,1 million a year.

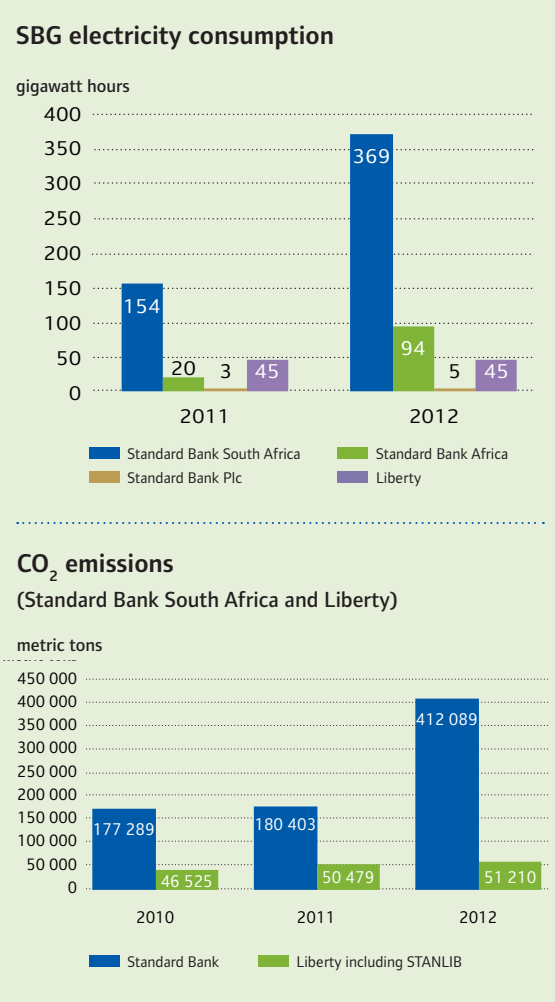
Our three biggest energy consumers are heating, ventilation and air-conditioning systems; lighting and information technology. Our heating, ventilation and air-conditioning systems at our head office have been optimised and in 2012, we undertook an audit on systems at other sites. The results will identify inefficient systems and indicate where we can deploy more efficient technology.

During 2011, we embarked on a national lightbulb replacement project and to date we have replaced approximately 30 000 bulbs with energy efficient light-emitting diodes (LEDs), providing an annual energy reduction of 3 million kilowatt hours. Our lighting initiatives have decreased our demand by a total of 1 700 kilowatts.

Alternative and renewable energy sources are constantly reviewed and implemented where feasible. At our head office, we use a hybrid thermal solar water heating system to supplement the main geyser of one of the buildings in the complex. This building houses the staff gymnasium and is able to supply up to 48 000 litres of hot water daily to the ablution facilities. Photovoltaic plants have been installed at our Johannesburg head office and our regional office in Durban, with peak power production of 105 kilowatts and 45 kilowatts respectively.

It is important to note that energy efficiency projects already implemented in our larger buildings reduces the opportunities for making further large reductions in our electricity consumption. During 2012, the total amount of energy consumed in Standard Bank South Africa was 369 094 656 kilowatt hours. This equates to 0,01 kilowatt hours of energy per rand of total income generated and 12 875 kilowatt hours per employee. Outside South Africa, the total amount of energy consumed by Standard Bank was 98 241 976 kilowatt hours.

Category	Scope	Progress made during the year
Electricity consumed	We have expanded our scope of measurement from 63% of our key premises in 2011 to all premises in South Africa, including our branch network and ATMs. **2012 scope:** 100% of South African operations.	**Our target was:** 15% reduction by 2015. **2015 target:** 312 452 956 kilowatt hours (based on a full scope for 2012). **2012 measure:** 367 591 713 kilowatt hours. **Progress:** these figures are not comparable due to the increase in scope. Going forward, 2012 will be used as the baseline year for electricity consumption. We have already achieved savings in our head office building in Johannesburg and some other regional offices as a result of efficiency initiatives and renewable energy technologies implemented.
Water consumed	The scope of our water consumption measurement remained unchanged. **2012 scope:** nine key premises in South Africa, representing around 23% of our domestic operation.	**Our target:** 20% reduction by 2015. **2015 target:** 269 589 kilolitres (based on 2009 baseline scope). **2012 measure:** 319 055 kilolitres. **Progress:** we have reduced our water consumption in our measured premises by 5% since 2009. Our focus for 2013 is to increase the scope of this measurement and establish a more accurate baseline, to find more ways of reducing our operational water footprint.
General waste produced	The scope of this indicator includes our main premises and premises from which our waste suppliers are able to collect. The premises they collect from are not mutually exclusive. Our reported data for 2012 is 67% higher than 2011 due to improved data collection and an increased scope of premises.	**Our target:** 20% reduction by 2015. **2015 target:** 542 tons (based on 2009 baseline scope). **2012 measure:** 824 tons for our increased scope of which 399 tons came from premises in our original 2009 baseline scope. **Progress:** we have reduced our general waste produced by 41% since 2009 if we compare the same premises in the original scope. The recycling initiative implemented during the year has resulted in a 31% increase in the collection of recyclables, diverting this waste from landfills.
Paper consumed	**2012 scope:** 100% of South African operations.	**Our target:** 10% reduction by 2015. **2015 target:** 3 003 tons (based on a 100% scope). **2012 measure:** 3 336 tons. **Progress:** our paper consumption has remained constant.
Paper recycled	Paper is collected from various premises by three paper recycling suppliers however the premises they each collect from are not mutually exclusive, which makes it difficult to calculate scope.	**Our target:** 5% increase by 2012. **2012 target:** 542 tons. **2012 measure:** 653 tons. **Progress:** we have increased our paper recycled by 27% compared to 2011 due to an increased scope of collection and the recycling initiative implemented during the year.



Carbon footprint

Standard Bank's South African CO_2 equivalent for 2012 was 412 089 metric tons, 128% higher than 2011. This was anticipated as our electricity measurement now accounts for 100% of our South African sites. Our calculation is based on metered data and the branch electricity footprint has been extrapolated from the average kilowatt hour profile of 150 metered branches. In relation to Standard Bank South Africa's total income of R46,6 billion in 2012 (2011: R39,8 billion), CO_2 generated per rand equates to 8,8 grams (2011: 4,5 grams). CO_2 generated per employee equates to approximately 14,4 tons (2011: 6,2 tons).

For 2012, we have expanded our carbon footprint measure for Standard Bank Africa to include the electricity purchased and diesel consumed for 15 operations out of 17 African operations. Our CO_2 equivalent for our operations in Africa outside South Africa, including Standard Bank Plc in London, was 81 171 tons.

Waste generated

Previously, the extent of our waste sorting was limited to staff disposing of confidential office paper in dedicated recycling bins and other waste sorted at central locations, which provided limited recycling opportunities. During 2012, we introduced an internal recycling initiative where individual waste bins were removed from underneath desks and recycling stations introduced

Standard Bank South Africa's carbon footprint

Scope per GHG[1] protocol		2012	2011	2010
Scope 1: Direct GHG[1] emissions from:	metric tons	**9 198**	9 154	11 195
Equipment owned or controlled (diesel generators)	metric tons	**642**	344	503
Vehicles	metric tons	**8 556**	8 810	10 692
Scope 2: Indirect GHG[1] emissions from:	metric tons	**363 916[2]**	151 036	149 366
Purchased electricity	metric tons	**363 916**	151 036	149 366
Scope 3: Other indirect emissions from:	metric tons	**38 975**	20 213	16 728
Business travel (by air only)	metric tons	**13 868**	9 815	7 336
Rented cars	metric tons	**186**	N/A[3]	N/A[3]
Paper consumption	metric tons	**10 217**	10 398	9 392
Electricity (transmitted and distributed)	metric tons	**14 704[4]**	N/A[3]	N/A[3]
Total CO_2 equivalent emissions	metric tons	**412 089✓**	180 403	177 289

[1] *Greenhouse gas.*
[2] *Scope 2 emissions: Eskom 2012 factor of 0,99 kilograms per kilowatt hours used for electricity generated (2011: 0,99).*
[3] *Not available.*
[4] *Scope 3 emissions: Eskom 2012 factor of 0,04 kilograms per kilowatt hours used for electricity supplied.*
✓ *Externally assured (refer to assurance statement on page 97).*

throughout the general office areas of our head office. Our employees now sort their waste into four categories: non-recyclable waste, recyclable packaging, white office paper and other recyclable paper such as magazines and boards. An extensive staff communication campaign was undertaken as part of the rollout, and cleaning staff were trained on the new recycling procedures. This has reduced waste to landfill, with a 31% increase in the collection of recyclable waste. The initiative has been well received by staff. Our intention is to expand the rollout of these recycling bins to other parts of the business in 2013.

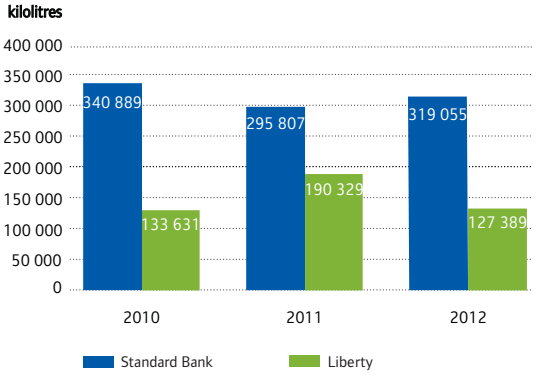
A challenge to measuring our waste generated for all Standard Bank South Africa properties is that many of our operations are based in leased buildings or multi-tenanted buildings. In these situations we are reliant on the landlord to provide waste management services. Efforts are underway to encourage landlords to assist with our waste objectives. An exception is hazardous e-waste, all of which is disposed of correctly and certificates obtained. During 2012, we generated 1 609 tons (2011: 1 196 tons) of waste, of which 43% was recycled.

We also improved and standardised our approach to disposing of internal documentation in a secure and responsible way, to protect our information and recycle as much paper as possible. This has been formalised in our information security policy. We have continued working towards our objective of removing paper from processes wherever possible, which will help to improve efficiency and turnaround times, and thus customer service. Two paper saving initiatives are planned for the new Rosebank building. One initiative will enable better measurement of paper consumed through printers and the other will ensure that a printer only releases a print job once the user has entered a unique PIN code. In addition, we delivered over 1,1 million electronic statements under our initiative to encourage customers away from paper statements. During 2012, our paper consumption was 3 336 tons (2011: 3 337 tons) and we recycled 653 tons (2011: 516 tons).

In 2012, the total tonnage of recycled material for Liberty Life Centre and Libridge buildings increased to over 115 tons from 59 tons in 2011. This is largely as a result of a 169% increase in the amount of paper recycled. Plastics and metal decreased 46% and 44%, respectively, and the recycling of glass grew by 32%.

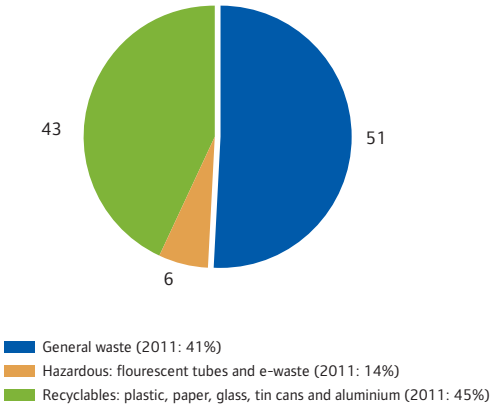
Water consumption

(Standard Bank South Africa and Liberty)



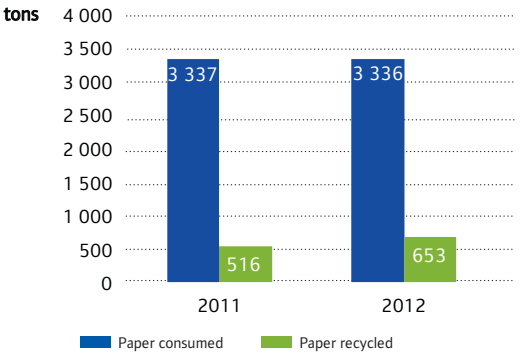
Waste generated

(Standard Bank South Africa)



Paper consumed and recycled

(Standard Bank South Africa)



Biodiversity

Our Mogale's Gate conservation centre in the Cradle of Humankind is an area of high biodiversity. This 3 060 hectare farm has 148 hectares of wetland and covers three veld types with over 700 plant species and 21 game species. The centre at Mogale's Gate works to conserve the biodiversity of South Africa's savannahs and to provide quality environmental education to schools and marginalised communities. Since 1997, 41 370 learners (approximately 2 600 learners a year) have participated in the centre's environmental awareness programmes and 1 700 primary schools in Gauteng receive our quarterly environmental newsletters.

We are an active partner to the Wildlife and Environment Society of South Africa in its drive to register schools on the international Eco-Schools Programme and we cooperate with the College of Environmental Sciences at the University of South Africa (UNISA), giving students the opportunity to undertake practical lessons on conservation. In 2012, 610 first-year diploma students from UNISA visited the conservation centre to undertake freshwater and animal studies, and ten UNISA students participated in a week-long alien plant workshop.

A highlight for the centre was the hosting of Forum Herbulot 2012, a conference attended by 28 delegates from ten countries. The majority of time was spent collecting Lepidoptera specimens (moths and butterflies) and other invertebrates. Numerous specimens were collected in Mogale's Gate during the five-day conference, of which 2 559 have been bar-coded resulting in 773 species having been identified to date. This genetic bar-coding and identification of species is ongoing.

We are 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 restoring and developing land under conservation to the benefit of the environment, local communities and host governments.

Detailed information: environment>our direct impact.

School children planting trees at Standard Bank's conservation centre, Mogale's Gate.

Employees from Standard Bank's St Helier office in Jersey, helping to refurbish the Orangutans and Gibbons enclosure at the local zoo.

Additional indicators

Standard Bank Group indicators

		2012	2011	2010
Employee headcount per business segment		**49 017**	51 656[1]	53 351
Personal & Business Banking		**20 713**	20 781	24 134
Corporate & Investment Banking		**3 141**	3 203	6 593
Group Enabling Functions[2]		**18 882**	18 501	14 077
Liberty		**6 281**	5 752	5 226
Discontinued operations		**0**	3 419	3 321
Women				
Women employees	%	**57✓**	57	57
Women managers	%	**47**	46	45
Women executives	%	**23**	21	19
Occupational health and safety				
Employees trained[3]		**2 523**	2 200[1]	2 447[1]

[1] *Restated.*
[2] *The role of Group Enabling Functions is to extract efficiencies and scale solutions across operating entities.*
[3] *Includes Standard Bank South Africa, Standard Bank Plc and Liberty.*
✓ *Externally assured (refer to assurance statement on page 97).*

Standard Bank South Africa indicators

		2012	2011	2010
% of customer base per banking segment				
Personal Banking	%	92,48✓	92,11	92,63
Private Banking	%	0,70✓	0,66	0,60
Business Banking	%	6,13✓	6,61	6,10
Employees	%	0,69✓	0,62	0,67
Race composition				
African	%	71	69	68
Coloured	%	8	9	9
Indian	%	5	5	5
White	%	16	17	18
Gender composition				
Women	%	50✓	50	50
Men	%	50✓	50	50
Age composition				
0-28 years old	%	29	27	29
29-55 years old	%	58	56	56
56+ years old	%	13	17	15

✓ *Externally assured (refer to assurance statement on page 97).*

Standard Bank South Africa indicators continued

		2012	2011	2010
Proportion of transactions				
ATM cash withdrawals	%	**23✓**	26	24
Magtape transactions	%	**26✓**	26	28
Credit card transactions	%	**14✓**	13	12
Cheques processed and cheque card transactions	%	**8✓**	7	6
Debit card transactions	%	**8✓**	8	8
Branch deposits	%	**3✓**	3	4
Other	%	**18✓**	17	18
Inclusive Banking products				
Number of AccessAccounts		**996 870**	N/A[1]	N/A[1]
Number of AccessSave accounts		**303 486**	N/A[1]	N/A[1]
Number of society schemes		**76 186**	49 702	53 412
Number of AccessLoan accounts		**450 724**	N/A[1]	N/A[1]
Number of FuneralPlan policies		**1 133 201**	1 106 498	1 044 119
Number of debt protection plan policies		**459 106**	308 685	142 257[2]
Number of affordable housing accounts		**89 487**	76 176	72 994
Number of pension-backed lending accounts		**69 096**	13 907	15 823
Corporate social investment spend breakdown		**84,5✓**	76,8[3]	105,2[3]
Enterprise development	Rm	**20,6**	24,2	35,3
Education	Rm	**42,0**	33,1	38,1
Health and wellness	Rm	**8,5**	4,4	4,0
Sport development	Rm	**0**	0	11,9
Arts and culture development	Rm	**1,3**	1,8	1,6
Corporate philanthropy including employee matching	Rm	**5,6**	6,1	4,7
Humanitarian Relief Fund	Rm	**0**	2,0	3,9
Operating costs	Rm	**6,5**	5,2	5,7
Occupational health and safety (OHS)				
Employees trained		**2 145✓**	1 928[2]	2 092[2]
OHS training spend	Rm	**2,2✓**	1,8	1,2
Number of reportable injuries per the OHS Act		**13✓**	28	5
Skills development				
Training spend	Rm	**423✓**	358	450
Training spend on black employees	Rm	**299***	242	250
Total number of employees trained		**24 862**	30 546	32 756
Average number of training days per employee	days	**3**	4	3

[1] *The AccessBanking suite of products was launched in 2012.*
[2] *Restated.*
[3] *Restated to include operating costs.*
✓ *Externally assured (refer to assurance statement on page 97).*
* *Externally verified.*

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 described below, and presented in the Sustainability Report of Standard Bank Group Limited (SBG) for the year ended 31 December 2012 (the Report).

Independence and expertise

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

Subject matter and related assurance

We are required to provide assurance on certain key performance indicators prepared in accordance with Global Reporting Initiative (GRI) G3 Guidelines as follows:

1. Reasonable assurance on the key performance indicators, marked with a ✓on the relevant pages in the Report, as indicated in the shaded area of the table below.
2. Limited assurance on the key performance indicators, marked with a ✓on the relevant pages in the Report, as indicated in the non-shaded area of the table below.

Directors' responsibilities

The Directors are responsible for the selection, preparation and presentation of the sustainability information, the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance, and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived, and for such internal control as the Directors determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the selection and application of the GRI G3 Guidelines to the selected key performance indicators.

Key performance indicators		Boundary	Assurance level
Financial indicators (pg 45)	Return on equity, headline earnings per ordinary share, credit loss ratio and cost-to-income ratio (IFRS).	SBG	Reasonable
Equator Principles (pg 83)	Number of projects financed and number of projects where Standard Bank played an advisory role.	SBG	Reasonable
Value added statement (pg 23)	Wealth created and distributed.	SBG	Reasonable
CSI spend (pg 23, 96)		SBSA and Liberty	Reasonable
Employee statistics (pg 59, 63, 65)	Headcount, as well as gender, age and length of service breakdown and employee turnover rate.	SBG	Reasonable
Carbon footprint (pg 83, 92)	Total tons of carbon dioxide equivalent.	SBSA and Liberty	Reasonable
Waste generated (pg 83)	Total tons produced.	SBSA	Reasonable
Ombuds (pg 45)	FAIS Ombudsman: Rand value of potential maximum exposure and amount settled by the bank. Banking Ombudsman: Rand amount claimed and Rand amount settled by the bank.	SBSA	Limited
Customer statistics (pg 45, 47, 96)	Customer base, as well as segment and gender breakdown and proportion of transactions.	SBSA	Limited
Customer satisfaction and complaints management (pg 45, 55, 56)	Results of Galactica, Zodiac and Customer Experience Measurement surveys, and number of complaints.	SBSA	Limited
Training spend (pg 59)	Rand value and percentage of staff costs.	SBG	Limited
Occupational health and safety (pg 96)	Number of employees trained, training spend and reportable injuries (per the OHS Act section 24).	SBSA	Limited

SBSA: Standard Bank South Africa.

Our responsibility

Our responsibility is to express assurance conclusions on the selected sustainability information based on our work performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than the Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain reasonable assurance or limited assurance (as applicable) about whether the selected sustainability information is free from material misstatement.

Our procedures and the extent of our procedures depend on our judgement including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal control relevant to SBG's preparation of the Report. In a limited assurance engagement, the evidence gathering procedures are less than where reasonable assurance is expressed. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Summary of work performed

Our work included the following evidence gathering procedures:

- Interviewing management and senior executives at corporate level to obtain an understanding of the control environment and material issues and risk 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.

Conclusions

On the selected key performance indictors on which we are required to express reasonable assurance.
In our opinion, the selected key performance indicators identified in 1 on page 97 for the year ended 31 December 2012 are fairly stated, in all material respects, in accordance with the GRI G3 Guidelines.

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 on page 97 for the year ended 31 December 2012 are not fairly stated, in all material respects, in accordance with the GRI G3 Guidelines.

Comparability

The report includes the provision of limited assurance on Banking Ombudsman "Rand amount claimed and Rand amount settled by the bank" and FAIS Ombudsman "Rand value of potential maximum exposure". We were previously not required to provide assurance on these key performance indicators in the prior year.

Limitation of liability

Our work has been undertaken to enable us to express the assurance conclusions on the selected sustainability information to the Directors of SBG 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 SBG, for our work, for this report, or for the conclusion we have reached.

Other matters

The maintenance and integrity of the SBG's website is the responsibility of SBG management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the SBG website.

KPMG Services (Pty) Limited

Per Neil Morris
Director
Johannesburg
6 March 2013

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Eskom's Klipheuwel Wind Energy Research Facility, an experimental wind energy farm on the West Coast near Cape Town.

In South Africa, we are active in advising, arranging finance for and funding renewable energy projects under the government's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme, to date having committed R9,4 billion in funding to 11 projects under the first phase of the programme, representing energy capacity of 573 megawatts. In the second phase of the programme, we are supporting five bids with a total financing requirement of R6,1 billion. This makes Standard Bank the largest commercial funder of projects under the REIPPP Programme. The introduction of renewable energy sources should lower electricity prices and reduce South Africa's reliance on coal over time. In addition, the programme incorporates strong local community and equity participation and support for local businesses through local content requirements.

www.standardbank.com

Standard Bank

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