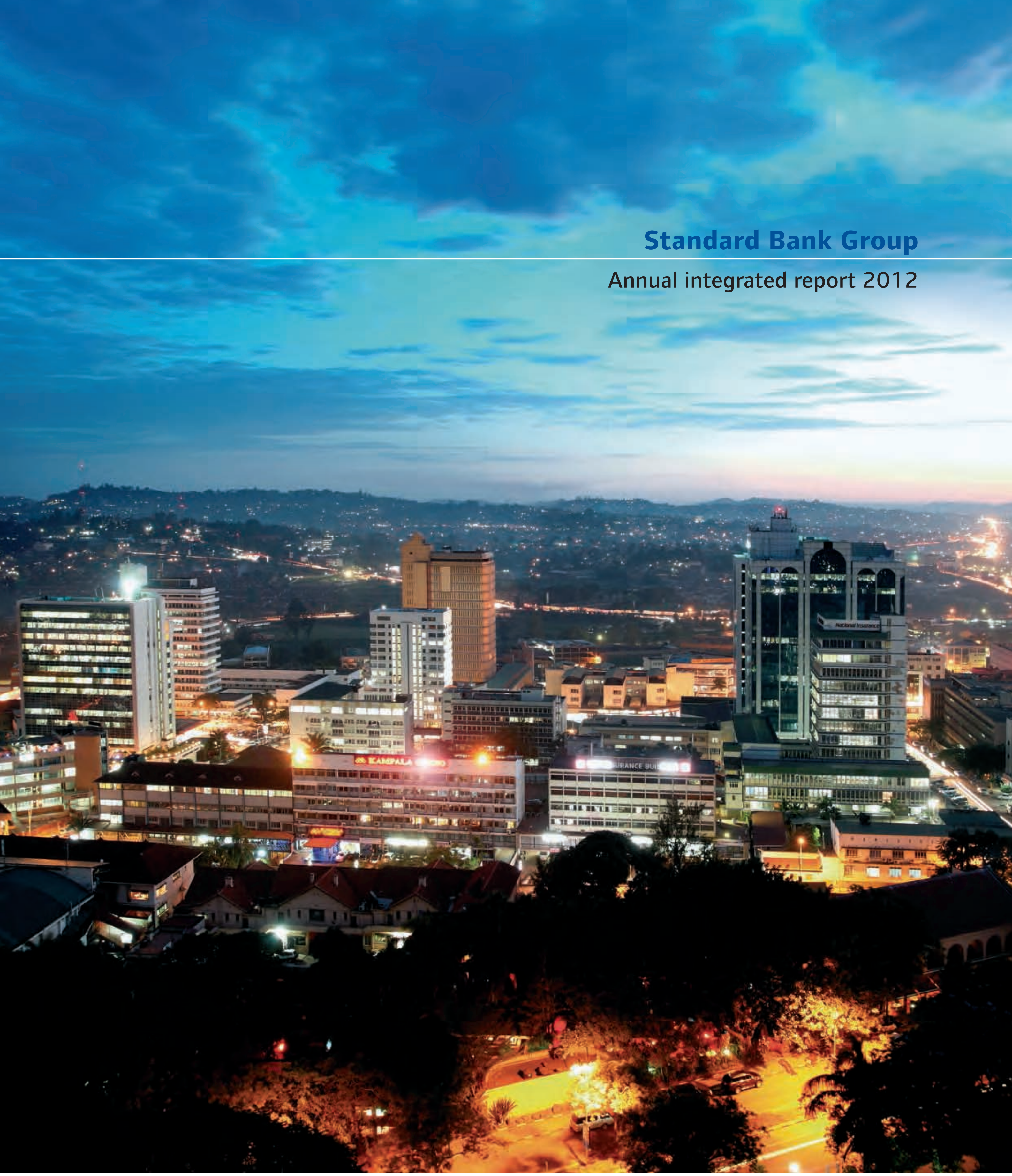
Standard Bank Group

Annual integrated report 2012



Standard Bank

Contents

Our reports

We produce a full suite of reporting publications to cater for the needs of our diverse stakeholders. The following reports, which support our primary **annual integrated report**, are tailored to readers requiring specific information.

- **Financial results presentation and booklet**
  Provides management's analysis of financial results for the period and the performance of the group's divisions.
  www.standardbank.com/reporting
- **Sustainability report**
  Presents a balanced and comprehensive analysis of the group's sustainability performance in relation to issues material to the group and stakeholders.
  www.standardbank.com/sustainability
- **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.
  www.standardbank.com/reporting
- **Annual financial statements**
  Sets out the full audited annual financial statements for Standard Bank Group (the group or SBG), including the report of the group audit committee (GAC).
  www.standardbank.com/reporting
- **The Standard Bank of South Africa Limited 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
  www.standardbank.com/reporting
- As a separate listed entity, Liberty Holdings Limited (Liberty) prepares its own integrated report which is available at
  www.libertyholdings.co.za

Feedback

We welcome the views of our stakeholders on the integrated report and the way we approach our strategic priorities. Please contact us at **Annual.Report@standardbank.co.za** with your feedback.

A limited number of printed risk and capital management report and annual financial statements books are available on request. Please contact our investor relations department, using the details at the back of this report, and we will gladly post a copy to you.

Cross-referencing tools

Indicates that additional information is available online.

The following icons refer readers to information elsewhere in this report, or in other reports that form part of the group's suite of reporting publications:

AIR

Annual integrated report (this report)

SR

Sustainability report

RCM AFS

Risk and capital management report and annual financial statements

Audited

Denotes text in the risk and capital management report that forms part of the group's audited annual financial statements

For the latest financial information, refer to our investor relations page **www.standardbank.com/reporting**

About this report

Standard Bank Group's annual integrated report 2012 (integrated report) covers the period 1 January 2012 to 31 December 2012. This, our third integrated report, aims to present a balanced and succinct analysis of our strategy, performance and prospects. Any material events after this date and up to the approval the Standard Bank Group board of directors (board) approval on 6 March 2013 are included.

The integrated report covers the group's South Africa, rest of Africa and outside Africa operations. Certain information, which has been clearly indicated, relates only to The Standard Bank of South Africa Limited (SBSA), the group's largest subsidiary and contributor to headline earnings (2012: 77%, 2011: 70%). Unless indicated otherwise, data refers to the group and any restatements of comparable data are denoted as such. The integrated report focuses on material developments and issues, and provides pertinent related financial and non-financial performance indicators. We define a material development or issue as one that affects our ability to remain commercially viable and socially relevant to the communities in which we operate. Our effectiveness in managing these developments and issues, which are informed by our comprehensive stakeholder engagement activities, affect our ability to achieve our strategic objectives.

This integrated report conforms to the requirements of local and international frameworks, most notably the South African Companies Act 71 of 2008 (Companies Act), the JSE Limited (JSE) Listings Requirements and the reporting principles contained in the Code of Corporate Practices and Conduct of the King Report on Corporate Governance (the King Code). We also remain cognisant of evolving integrated and sustainability reporting guidelines both in South Africa and abroad.

The three lines of defence model forms the basis of the combined assurance approach required under the King Code, which aims to provide a coordinated approach to all assurance activities. We continue to make significant progress with the integration and alignment of assurance processes to optimise governance oversight, risk management and control. All information that has been audited is marked as such.

Statement of the board of directors of Standard Bank Group Limited

The board acknowledges its responsibility to ensure the integrity of the annual integrated report and in the board's opinion it addresses all material issues and presents fairly the group's integrated performance. The annual integrated report has been prepared in line with best practice pursuant to the recommendations of the King Code.

Fred Phaswana
Chairman
6 March 2013

Jacko Maree
Group chief executive
6 March 2013

A 150-year African heritage

Through thick and thin, our people have built on a legacy of commitment and excellence to create and sustain a business that is today a leader in African banking.

Standard Bank came into being way back in 1862 largely to help finance exports of wool from the eastern Cape, then a colonial backwater. After raising the required capital, being registered and headquartered in London, the people of Standard Bank toiled (not without errors and unforeseen setbacks) over many decades to grow the bank. Our people have survived wars, political and civil turmoil and frequent economic collapses. They have introduced revolutionary products, technology and services and opened the bank up to millions of new customers all over Africa. But, most importantly, they kept their promises. It is our track record of keeping our promises over such a long period of time that, 150 years later, has made Standard Bank one of the most trusted banking groups in Africa.

1860s

’62

Port Elizabeth entrepreneur, politician and newspaperman John Paterson succeeds in raising £1 million capital for the establishment of The Standard Bank of British South Africa, headquartered in London.

’65

After absorbing smaller banks and growing its network to nineteen branches, the bank has little cohesion and local managers are largely laws unto themselves. Robert Stewart is sent out as the first general manager to establish order and effective oversight. He succeeds and stays in South Africa for 11 years.

1870s

’70

The bank is the first to open on the Diamond Fields of the northern Cape Colony, the first of several great mineral discoveries that, by the 1890s, transformed the economy of southern Africa.

1880s

’85

South Africa begins to emerge from a crippling depression that began in 1881 following the British defeat in the first Anglo-Boer War and that was compounded by drought, a worldwide recession and a steep decline in the fortunes of the diamond fields. Despite plummeting revenues and profits, the bank retains its network, helping to bail out most rival banks.

’86

Gold is discovered on the Witwatersrand. Not everyone believes the new gold fields are viable but the bank becomes the first to open a branch, in a tent in Ferreira’s Camp.

1890s

’92

The bank opens a branch in Salisbury (today’s Harare). Over the next four years other branches are opened in Bulawayo, Delagoa Bay (Maputo today) and Beira.

’02

The South African War (or second Anglo-Boer War) ends after two-and-a-half years. The bank’s staff have endured siege and attack and, on occasion, buried their branch assets in the ground but maintained their presence in several war zones. The national economy is devastated yet the bank returns record profits, thanks to its contracts with the British military.

’06

The bank opens in Kalomo, then the capital of Northern Rhodesia (today’s Zambia). It is the first bank in the territory. Six years later it opens for business in Kenya.

1900s

’17

A savings bank is introduced as World War I rages.

1910s

’22

After surviving World War I and a serious worker uprising in Johannesburg in 1913, in March 1922 the bank is literally in the firing line as armed communist strikers fight with police right outside the Fordsburg branch. More than 110 people are killed and at least 300 wounded in the Rand Revolt.

1920s

’30

The Great Depression spreads around the world following the Wall Street crash of October 1929.
In South Africa, plummeting demand for agricultural produce and minerals causes recession and unemployment.
The bank’s policy of ‘nursing’ distressed customers only enhances its reputation.

’31

Britain’s decision to leave the Gold Standard puts severe strain on the South African government and Reserve Bank which remain faithful to gold as a currency. As the authorities stick to the Gold Standard, the bank and its competitor, Barclays, loan the state millions of pounds until South Africa too gives up on the Gold Standard at the end of 1932.

1930s

’40

Germany invades Holland and Belgium. The South African Reserve Bank (SARB) asks Standard Bank not to exploit the occupation to win business from one of its chief competitors, the Netherlands Bank. The bank agrees.

1940s

’53

The National Party government that came to power five years earlier keeps transferring public-sector accounts to the sympathetic Volkskas bank. Almost 70 years after it transferred its head office from Port Elizabeth to Cape Town, Standard Bank is now run from Pretoria. Six years later it moves to Johannesburg.

’58

Standard Bank becomes the first bank to enter the hire-purchase field, acquiring a stake in the National Industrial Credit Corporation (NICC). A decade later it completes the acquisition of NICC which is subsequently transformed into Stannic.

’61

South Africa leaves the Commonwealth a year after the Sharpeville massacre and the banning of the ANC and PAC. A year later the bank’s businesses in South Africa and South West Africa are transferred to a wholly owned subsidiary, The Standard Bank of South Africa.

’64

In the year that Nelson Mandela, Walter Sisulu and others are sentenced to life imprisonment, the Standard Bank Development Corporation – forerunner of today’s Corporate & Investment Banking (CIB) – is established.

’70

Standard Bank Investment Corporation (Stanbic), a newly-created holding company for the bank’s various subsidiaries, lists on the Johannesburg Stock Exchange. In 1967 the public had been offered shares in The Standard Bank of South Africa.

’75

The bank launches Diner’s Club, South Africa’s first credit card.

’76

Soweto erupts as the state clamps down harshly on students protesting the use of Afrikaans in schools. The bank presses ahead with plans for a full branch in Jabulani, Soweto – the first such branch in a black township – which opens in early 1977.

’78

The bank takes a 25% interest in the new Guardian Assurance Holdings insurance company – later to become Liberty Holdings. Around this time Stanbic also diversifies into home loans and adds a range of financial services to its offering.

’85

Prime Minister PW Botha’s infamous Rubicon speech signals to the world the apartheid government’s unwillingness to make meaningful reform. Foreign investors are spooked and the rand collapses. Following a capital raising exercise, Standard Chartered’s shareholding in Stanbic reduces from 50.3% to 38.98%.

’87

Standard Chartered sells its remaining share in the bank, ending a 125-year history. The bank is now finally independent but loses most of its African network.

’92

In the year that the white electorate votes ‘Yes’ to a proposed new constitution (a vote publicly endorsed by the bank), Stanbic’s African Banking Group acquires ANZ Grindlays’ network of eight African banks (renamed Stanbic the following year) and formally opens in London on the back of an operation set up at the time of the Standard Chartered disinvestment.

’99

Rival Nedcor, backed by its largest shareholder (and Stanbic minority shareholder), Old Mutual, makes a hostile takeover bid for the group. Staff rally behind management and the board in opposing the bid which, the following year, the Minister of Finance rules is not in the public interest.

1950s 1960s 1970s 1980s 1990s

’02

The Financial Sector Charter (the charter) is adopted. Standard Bank moves swiftly to implement the charter’s ownership provisions; in 2004, 10% of its South African operations are acquired by a broad grouping of previously disadvantaged shareholders. The bank embarks on a concerted drive to reach unbanked South Africans.

Hoisting the Standard

The material contained in this timeline is derived almost exclusively from Hoisting the Standard, a remarkable and extremely readable history of Standard Bank since its inception 150 years ago. Hoisting the Standard is published by Standard Bank Group and authored by Richard Steyn and Francis Antonie.

ISBN: 978 0 620 528610

’07

Stanbic Bank (Nigeria) merges with IBTC Chartered Bank PLC. Standard Bank acquires enough additional shares in the enlarged entity to establish a controlling stake. Industrial and Commercial Bank of China Limited (ICBC) agrees to buy 20% of Standard Bank for USD5,5 billion, China’s largest foreign investment. The deal and agreements signed enable both banks to expand their African and emerging markets operations.

’08

The collapse of 158-year-old investment bank Lehman Brothers in September triggers a worldwide panic that brings many international banks and stock markets to their knees. The bank’s executives successfully unwind the exposure to Lehman Brothers within hours but the effects of the resulting recession linger still.

’12

CfC Stanbic Bank opens a branch in Juba, capital of the newly-independent Republic of South Sudan, the 18th African country in which the Standard is hoisted. Just eight months previously, Ajao Estate in the state of Osolo Lagos, Nigeria, had become the group’s 500th branch outside South Africa.

Over the last **25 years** we have delivered a total return (including dividends) of

17% per annum

(compound annual growth rate)

2000s **2010s**

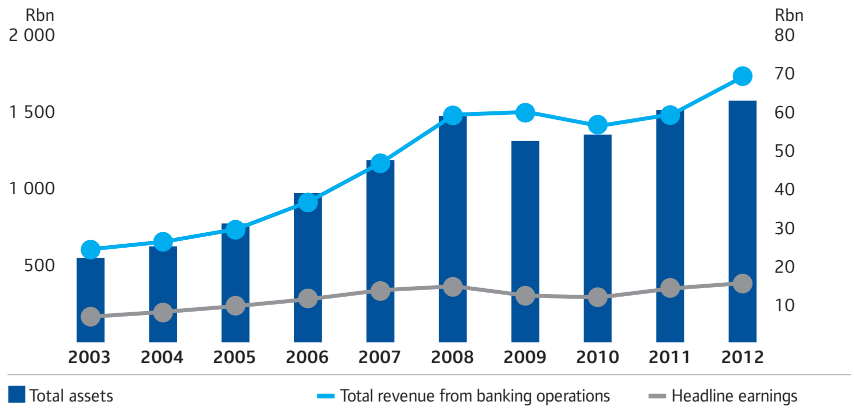
Review of performance

All results in this report are presented on a normalised basis, unless otherwise indicated as being on an International Financial Reporting Standards (IFRS) basis.

AIR Refer to page 69 for a detailed explanation of the differences between normalised and IFRS results

R15 010 million
headline earnings (2011: R13 599 million)

14.2%
return on equity
(2011: 14.3%)



1,7 million
previously unbanked customers added in the year

0% increase in banking charges for personal customers

R1,2 billion
in transformational infrastructure lending in South Africa

19 million tons
of greenhouse gas emissions abated through carbon financing

Awards

Banker Magazine

Most Innovative Investment Bank from Africa.

Global Finance Magazine

Best Investment Bank in South Africa and Africa.

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)

6,2 million
inclusive banking customers with a transactional account
(2011: 5,4 million)

10% reduction in customer complaints

89,62 out of 107
transformation score
(2011: 92,47 out of 107)

financed
R9,4 billion
of renewable energy projects in South 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.

Newsweek Green Rankings

South Africa's 'greenest' company.

Environmental Finance Annual Market Survey Awards

Best Primary Originator of Kyoto Credits.

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

Only African company included.

How we make money

	Business activity	Income statement impact	Risks arising from this activity
	AIR For more detail refer to our business unit review starting on page 25	AIR For more detail refer to our finance review starting on page 56	AIR For more detail refer to our risk summary starting on page 80
Income after credit impairments	We **lend money** to our customers and clients within acceptable levels of risk. This creates assets, which generate future income.	Interest income and credit impairment charges	Credit risk Interest rate risk Operational risk, including compliance, environmental and social risk
	We **source funding** in compliance with regulations, to enable lending. This creates liabilities, which generate future expenses.	Interest expense	Liquidity risk Interest rate risk Operational risk, including compliance risk
	We **provide transactional banking facilities** and **knowledge-based services** to our clients and customers.	Net fee and commission revenue	Operational risk, including compliance risk
	We **offer market access and risk mitigation products** to our clients to support their business requirements.	Trading revenue	Market risk Credit risk Operational risk
	We **earn revenue from a variety of other sources** that are linked to our core business activities.	Other revenue	Market risk Credit risk Insurance risk Operational risk
	We offer **long-term and short-term insurance, investment products and advisory services.**	Income from investment management and life insurance activities	Insurance risk Operational risk
Expenses	We **invest in our people** as our most important competitive advantage.	Staff costs	Operational risk, including compliance and social risk
	We **invest in our operations**.	Other operating costs	Operational risk, including compliance and social risk

All our activities introduce business and reputational risk.

Income (or revenue) after credit impairments – **expenses** (or costs) including taxation = **net profit**

Net profit – **dividends** to shareholders ± other reserve movements = **retained equity** (which is reinvested to sustain and grow the business)

We lend to individual customers in the form of mortgage loans, instalment sale and finance leases on vehicles and other assets, and credit card facilities; and to corporate clients in the form of corporate lending facilities, structured finance, project finance and trade finance. Interest is charged on these loans using an interest rate determined by taking into account the cost of the money we lend, benchmark lending rates and the risk that the customer or client will not repay the loan. Deterioration in this risk, otherwise known as credit risk, is reflected in credit impairment charges in the group's income statement. By virtue of who we lend money to, we are also exposed to social and environmental risks.

We require funding for lending and investment activities. Funding is obtained from deposits placed by customers and other funders. The interest paid on these deposits depends on the term and size of the deposits and macroeconomic variables. The interest rates on the money we lend to customers and on the money deposited with us are not necessarily repriced at the same time and consist of both fixed rate and floating rate instruments. This results in interest rate risk. Demand deposits placed can be withdrawn at any time, which results in liquidity risk that could materialise if a significant portion of total deposits is withdrawn without the cash being available to settle these withdrawals, or if deposits being redeemed cannot be replaced with new deposits.

We earn net fee and commission revenue by providing transactional banking facilities to our individual customers, small and medium enterprises (SMEs) and corporate clients. These facilities include branches, ATMs, telephone banking, internet-based transactions such as online banking, and point-of-sale devices. We earn fees on knowledge-based services, which include corporate advisory and loan structuring activities as well as financial planning and insurance marketing and broking services.

Trading products include foreign exchange, commodity, credit, interest rate and equity instruments. Trading is predominantly related to client flows, rather than being proprietary, and is managed within the group's risk tolerance levels. It exposes us to market risk as market prices on these asset classes may increase or decrease due to external factors. This risk can be reduced through offsetting trades with counterparties and other clients. We earn revenue through the margins earned on accepting trading positions for clients and managing the net market risk trading exposure within our trading operations. To earn trading revenue, the group takes on and manages market risk, counterparty credit risk and operational risk arising from large and complex trading operations.

Other revenue includes underwriting profit and investment revenue from our short-term insurance operations, profit-sharing arrangements relating to our long-term insurance operations, as well as gains on property, private equity and strategic investment activities.

The group owns 54.4% of Liberty, which generates underwriting profits from its long-term insurance operations. Underwriting profit is earned over the life of an insurance product based on the difference between premiums received and investment returns earned and claims paid on the life, disability and other risks insured. These operations expose the group to changes in mortality, longevity, morbidity and withdrawal risks that are included under insurance risk. Liberty also provides long-term investment products and advisory services to clients. Liberty receives fees, and shares in the investment return of assets managed on behalf of third parties. It also generates revenue through property investment and health insurance activities.

We invest in developing and retaining our staff in order to execute our strategy and deliver to our customers and clients.

We invest in information technology (IT) systems and infrastructure to deliver excellent service to our customers and clients, while managing our costs.

In, for and across Africa

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

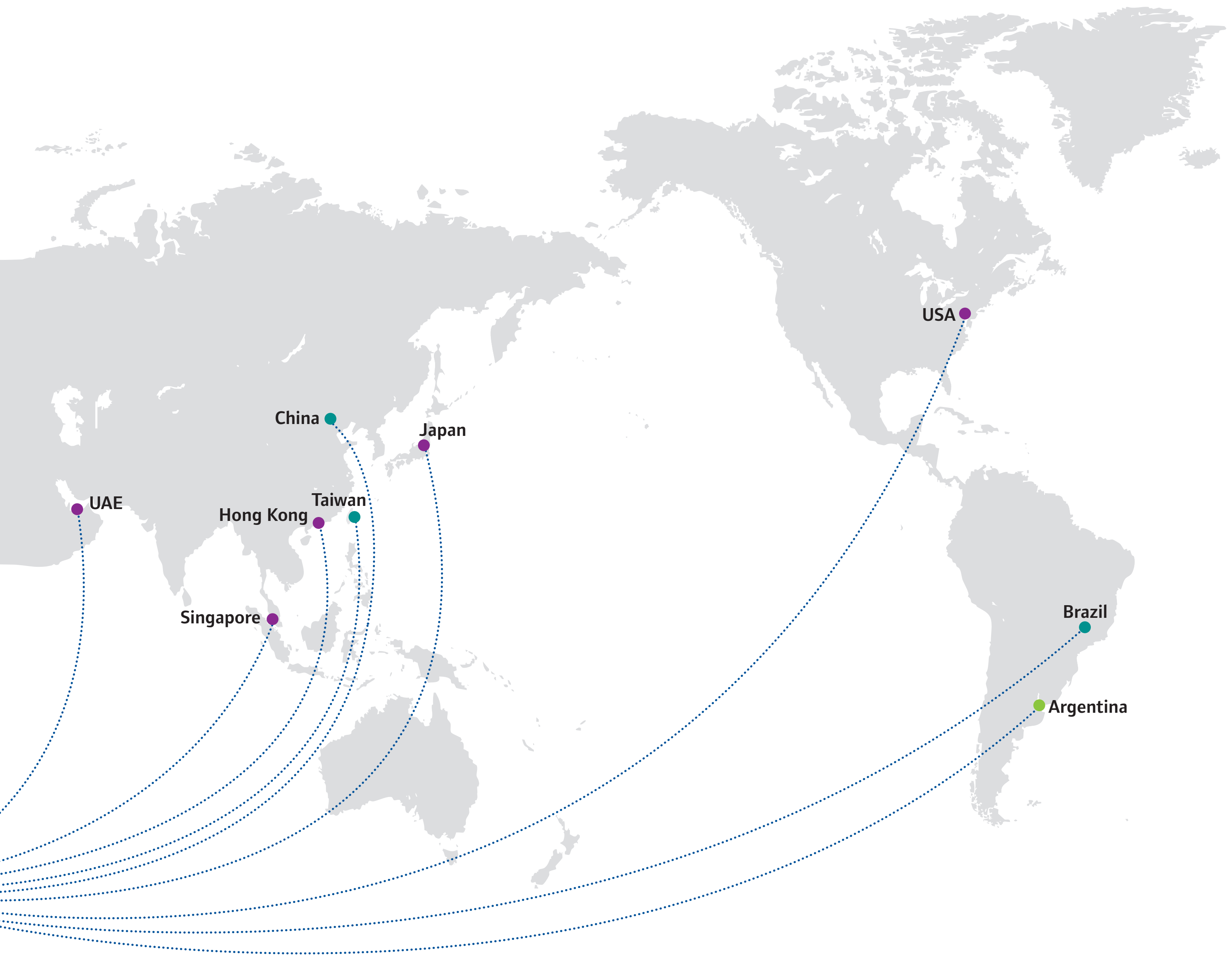
Standard Bank, also trading as Stanbic Bank, is a leading African financial services group with a unique footprint. Headquartered in Johannesburg, we listed on the JSE in 1970 and started building our southern African franchise in the early 1990s. Our strategic position, which enables us to connect Africa 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. The largest bank in the world, ICBC, is a 20% shareholder in the group, enabling a powerful strategic relationship that connects us to the world's fastest growing economy.

Africa

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

● Standard Bank ● Liberty

● Presence in pools of capital in developed markets ● Presence in selected emerging markets
● Minority stakes in associates



13,5 million retail customers | **49 017 employees** | **1 249 branches** and **8 464 ATMs** | Total assets of **R1 549 billion (USD183 billion)** | Headline earnings of **R15,0 billion (USD1,8 billion)** | Tier I capital adequacy ratio of **11.7%**

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 our 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, 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**

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.

We proactively embed sustainability thinking and sustainable business practices at every level of our business.

Our six strategic priorities

are what we need to do to execute our strategy in the medium term

01 Embed customer and client centricity

02 Inspire and motivate our people

03 Achieve operational excellence

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

Our material issues

are what we need to identify and manage to remain commercially viable and socially relevant in the long term

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

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 which is consistent with the nature and size of our operations. We will provide financial services and products responsibly, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.

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 Personal & Business Banking (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 and in certain instances reduced fees. ▪ PBB achieved a total customer experience score above 90%, with a **branch score of 9,48 out of 10** in South Africa. ▪ In CIB South Africa, the transactional products and services **customer survey score edged closer to our target** of 9 out of 10, 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. ▪ Continued to implement information systems to deliver better employee data and **align people management to business unit requirements**. ▪ 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 **Finacle core banking system successfully deployed in Uganda and Namibia**. ▪ Released the **Standard Bank Mobile Banking App**. ▪ 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 moving 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

- Through our partnership with ICBC we **facilitated unique transactions between China and Africa**.
- **Significant 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**.

- Continue to **leverage our partnership** to best serve clients.

05 Deliver

as a relevant corporate citizen

- **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 into 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**.
- Made further progress in implementing initiatives that will **reduce our direct environmental impacts**.
- Investigated **integrating aspects of the National Development Plan into our strategy,** to position the business to contribute to South African developmental objectives.
- Spent **R125 million on corporate social investment projects** that help address social issues that can be barriers to doing business.

- **Deliver on our social compact** through responsible financing, sustainability programmes and strategic social investment.
- Continue to **align on strategic planning and execution** of the National Development Plan.
- Include **greater focus on human rights issues** in our environmental and social risk training.
- **Extend the scope** of our water, paper, waste and recycling data.

06 Reshape

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

- Continued to **prepare for the impact of Basel Capital Accord (Basel) III** on our liquidity and capital management practices, and to update our liquidity and capital recovery plans to align to the SARB's Recovery and Resolution Plan.
- **Right-sizing and repositioning of our London operation continues**, to bring it in line with our Africa-centred strategy.
- **Continued to sell strategic stakes in international operations**, with the completion of divestitures from Russia, Turkey and Argentina.
- 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)**.

- 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**.

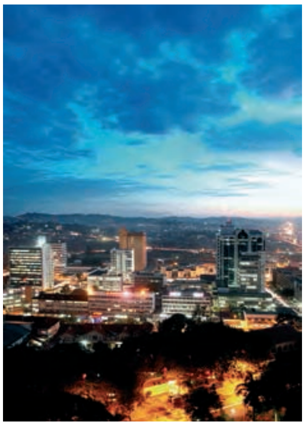
The Africa opportunity

Economic growth in Africa is expected to outpace that of the world and advanced economies. While projected growth rates for the continent may be tempered by global economic troubles, the future growth trajectory looks robust and remains fundamentally linked to the global demand for resources. Trade with Africa has also increased significantly, and importantly, intra-Africa trade is on the rise.

The big picture is without doubt a compelling one. However, Africa is a complex continent with diverse economies led by different industries, requiring local insight. With differing prospects and performance across the continent, a 'one size fits all' approach is inappropriate. Individual markets and geographic regions, specific industry sectors and demographic changes define growth rates and investment opportunities in Africa.

Doing business in Africa can often be challenging, but we are able to navigate unique environments through employing and developing local skills, which together with our legacy, heritage and footprint, puts us in a prime position to turn challenges into market opportunities.

This report highlights some of the exciting growth opportunities we are pursuing on the continent



Facilitating stronger African economies

The private sector plays a central role in the development of African countries, driving economic development and contributing to social wellbeing through job creation, tax revenue, creating markets for other businesses and social investment activities. By facilitating the banking and finance requirements of our African corporate clients, and by advising and facilitating clients in entering or expanding across the continent, we play a fundamental role in the burgeoning economies of Africa.

AIR Refer to ibc

Renewable energy financing

Financing renewable energy is an opportunity for us to support real sustainable development at scale, underpinned by a strong business case. Renewable energy projects currently represent a third of our project finance energy portfolio. During 2012 we pursued renewable energy projects in Angola, Ghana, Nigeria and South Africa.

AIR Refer to page 21

Increasing foreign direct investment flows | **Widespread** macroeconomic and political **reforms** | Growing middle class, predicted to expand to 42% of the population by 2060 | Between 2001 and 2010, **six of the world's 10 fastest-growing countries** were in Africa | Growth in **proven oil reserves** | 95% of the world's **platinum group metals** reserves | **Major infrastructure projects** on the horizon, including roads, rail and ports | Rising incomes, new technology and rapid urbanisation are bringing **more people into the reach of financial services**

Growing middle class

From a stable 27% between 1980 and 2000, the percentage of Africa's people classified as middle class stood at 34% in 2010[1]. Growth in the number of middle-income earners on the continent has outpaced that of its population, driven by strong economic growth in many African countries. This trend looks set to continue and, coupled with the rapid rate of urbanisation, presents a great opportunity for us to continue to grow our transactional and consumer banking offerings on the continent.

AIR Refer to page 26

[1] The Middle of the Pyramid: Dynamics of the Middle Class in Africa. African Development Bank, 20 April 2011.

Natural resources potential

Africa's resources potential is well established, having dominant reserves of a number of core commodities. With surging demand from the world's rising emerging markets and a more favourable investment climate on the continent, Africa is set to benefit from increased interest and investment in its mining sector, notably from China. We have deep expertise in resources on the continent.

AIR Refer to page 32

Infrastructure financing

The backlog in national infrastructure, and its ability to alleviate many socioeconomic and developmental challenges, has resulted in many governments in Africa prioritising infrastructure development. Over the past decade, infrastructure development has contributed to over half the continent's improved growth performance. We aim to become a leader in funding infrastructure projects that create sustainable long-term solutions for Africa's people, having developed particular expertise in financing the energy sector.

AIR Refer to page 45

Enhancing food security

With 60% of the world's uncultivated arable land in Africa, the continent represents a source for increasing global food production. Most African governments have initiated reforms and policy frameworks to stimulate private sector investment in agriculture. African financial institutions have previously avoided lending to smallholder farmers and to the agriculture sector in general, mostly due to perceived high risks. Through financing agriculture, particularly small-scale farmers, we have the opportunity to support food security on the continent.

AIR Refer to page 94

Chairman's report to stakeholders

Headline earnings

R15 010 million

(2011: R13 599 million)

"I am pleased to report to our stakeholders that the group withstood the challenges of another difficult year and recorded a performance that confirms the inherent soundness of our financial position. Particularly encouraging is the 38% growth in revenue achieved by our African operations outside South Africa, which is validating the group's Africa-centred strategy. The group has strong leadership teams in place, with its succession depth evidenced by the seamless handover of executive responsibility. With resilient and responsive operations and the appropriate investment in people, infrastructure and systems, the board is convinced that the group is adapting innovatively and effectively to the profound changes in the world of banking and the compelling opportunities of Africa."

In the year ended 31 December 2012, the group lifted revenue by 17% to R69 billion, while headline earnings rose 10% to R15 billion. Pleasing growth in customers and volumes in our core businesses allowed the group to absorb significant losses incurred in legacy portfolios in some of our operations outside Africa. The board declared a final dividend of 243 cents per share bringing the total dividend per share to 455 cents for the year, 7% higher than the prior year.

This sound performance was achieved against a backdrop of sustained weakness in the global economy and fundamental change in the banking industry, and a domestic environment that showed its economic and social fragility. The group's results reflect the reality of operating in multiple geographies, but also confirm the inherent soundness of the group's financial position and the resilience and responsiveness of its operations. Particularly encouraging is the 38% revenue growth in the African operations outside South Africa, which are gaining traction and moving closer to an acceptable return on equity (ROE). This is a welcome validation of the group's Africa-centred strategy.

In 2012, Standard Bank 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.

Our ambition to be the leading financial services organisation in Africa has a compelling logic, is understood and believed by our people and driven by strong and committed leadership. The group's operating model is being adjusted to the new regulatory realities in global banking, and the priority given to managing costs and improving operating effectiveness in recent years is yielding sustainable benefits.

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.

Being African

As an African financial services group we have a fundamental role to play in the development of the societies in which we operate. By providing access to credit, savings and insurance products we enable people to improve their quality of life and strengthen their financial security. The provision of finance to large and small businesses facilitates economic growth and job creation, while 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 stay relevant to the societies we serve.

Our people throughout the organisation and their understanding of the markets we operate in, of our customers, of their unique needs and how to fulfil those needs in the most effective way, differentiate the group from its competitors. The improved performances in all of the group's operations and the progress

Revenue from banking operations

R69 billion
(2011: R59 billion)

Fred Phaswana
Chairman

made in building a banking platform to support the growth strategy bear testimony to this tenacity and talent. It is not surprising that Standard Bank people are considered highly valued candidates in the scramble for the best available talent in Africa.

Our knowledge of African markets, and particularly natural resources, affords us a unique competitive advantage. However, we cannot rest on our laurels as the competition for African growth opportunities intensifies. To turn the opportunities into profitable revenue streams and manage the interplay of socioeconomic risks, we need to understand the economies and the cultures of each market in which we operate.

The challenges associated with a growing financial services business in Africa are complex and cannot easily be aggregated. But in general there is greater concentration risk to contend with, infrastructure impediments are a reality and building scale is expensive. As we implement our strategy, deepening our understanding of the markets we operate in will continue to be paramount to managing both the opportunities and the risks.

To mark 150 years of African heritage, in 2012 we hosted a Standard Bank Group non-executive directors' conference, bringing together the boards of all our operations. I was deeply encouraged by the quality of our leadership and their understanding of the issues they grapple with daily across our African footprint. We have a great opportunity available to us 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.

Another important contribution of the governing bodies within the group is to instil an inclusive business culture and leadership style that affords greater participation within the bank and among external stakeholders. This is part of the broad mandate of the group social and ethics committee, a statutory committee prescribed by the Companies Act, which completed its first full year of operation.

Good governance practices are fundamental to creating, protecting and sustaining shareholder value. Our board's approach to ensuring that we remain informed is to keep track of governance developments nationally and internationally, and adopt those practices that are most relevant to the group. All of our operating subsidiaries adopt our corporate governance framework and standards and we continuously monitor governance developments in all jurisdictions to ensure that local requirements are met.

Executive succession

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. He will remain employed as a senior banker focusing on key client relationships, but will not perform an executive or managerial role.

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 and set about appointing a new and younger management team, effectively re-energising the organisation. He was one of the principal architects of the Financial Sector Charter in 2004, which envisioned a transformed, vibrant and globally competitive financial sector. Notably, 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

Chairman's report to stakeholders continued

its lowest ebb. In 2010 The Financial Times named him as one of the 50 emerging market business leaders who have helped shape the economic performance of their respective regions and in 2012, Forbes Magazine named him as one of the 20 most powerful people in African business.

Despite these resounding acknowledgements, one of his most striking characteristics is his humility and opposition to arrogance within the organisation. I hope this will endure well beyond his tenure, as a defining feature of a business that must stay accountable to its stakeholders to secure its sustainability. 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.

The board has appointed Sim Tshabalala and Ben Kruger as joint group chief executives. Sim and Ben will be held accountable and responsible, both jointly and severally, for the management and performance of the group.

Standard Bank is a large and complex organisation, with widespread operations. Together with the increasing regulatory complexity the banking sector faces globally, this was a key consideration in the board's decision to appoint joint group chief executives. Ben and Sim's leadership styles and skills are complementary and they have worked well together for many years. The group's collaborative culture will stand them in good stead in making a success of this joint appointment. I firmly believe that the board's decision fulfils its fiduciary duty of acting in the best interests of the group. As chairman I will ensure that, in the unlikely event of fundamental differences, they come together to find solutions that fulfil these best interests.

Directorate

The board's effectiveness is assessed annually against its mandate, as is the performance of its committees. During 2012, the board and its committees materially complied with their mandates. The performance of the group chairman and chief executive is assessed annually, and their remuneration is determined accordingly. Specific detail can be found in the remuneration report.

Peter Sullivan was appointed to the board as a non-executive director in January 2013. Peter was previously chief executive officer of Standard Chartered Bank, Africa and executive director and chief executive officer of Standard Chartered Bank, Hong Kong. We welcome him to the board.

Cyril Ramaphosa is due to retire from office by rotation at the forthcoming annual general meeting (AGM). He has advised the group that he will not be standing for re-election. Cyril joined the board when his company, Shanduka, acquired shares in Standard Bank Group as part of our black ownership initiative in 2004. He has been a valuable contributor on the board and has facilitated numerous empowerment transactions initiated by Shanduka to our mutual benefit. We wish him well in his new responsibilities at a national level.

In line with the executive management changes discussed above, Jacko Maree has resigned from the board and Ben Kruger, Sim Tshabalala and Peter Wharton-Hood, the group's chief operating officer, will join the board.

Appreciation

I extend my thanks to the people of Standard Bank for their commitment and contribution to the performance and wellbeing of the group during a lengthy, and at times unsettling, period of change. I am also grateful to my colleagues on the board who have supported me with their wise counsel and valuable guidance throughout this period.

Our gratitude is due to our customers, shareholders and other stakeholders for their continued support. Be assured that we will continue to respond to your interests in our dedicated pursuit of long-term, meaningful value.

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.

Image: Eskom's Klipheuwel wind energy research facility, and experimental wind energy farm on the West Coast near Cape Town

Chief executives' report to stakeholders

Return on equity
14.2%
(2011: 14.3%)

Standard Bank's 150-year heritage in South Africa and unique competitive position in the rest of Africa enables us to connect our customers to opportunities within Africa, between Africa and other selected emerging markets, as well as to pools of capital across the developed world. Underpinning our competitive advantages is the strategic relationship we have with Industrial and Commercial Bank of China, which connects us to one of the world's fastest growth engines.

Our core businesses are robust and we continue to position them for sustainable profitability in response to changing competitive and regulatory environments both locally and globally. Moving forward, our strategic priorities remain unaltered and we are pursuing a range of opportunities for future growth aligned to our positioning as a real economy bank.

Overview

2012 was a year of contrasts for Standard Bank. It was a year in which we celebrated our 150th anniversary – a historical milestone in today's turbulent world. And it was a year in which we received many accolades and enjoyed much success. But it was also a year in which we have chosen to deal with a number of significant issues and challenges.

In an environment of global economic decline and regulatory restriction, the group again demonstrated its resilience and delivered reasonable headline earnings growth of 10% and net asset value growth of 11%. The group's ROE of 14.2% disappointed and did not show an improvement on the prior year.

The concerted campaign by PBB to acquire and retain customers in the increasingly competitive domestic environment underpinned an exceptional performance. The division strengthened its value proposition, grew its transactional customer base and drove cross-selling opportunities. We made key appointments to ensure the consolidation and growth of the division. Peter Schlebusch was appointed as chief executive of group PBB and Funeka Montjane succeeded Peter as chief executive of our South African operation.

CIB fared less well as it faced the impact of challenging global market conditions, higher regulatory compliance costs and significant impairments partly associated with legacy portfolios in our international operations. Encouragingly, CIB's transactional banking business across the continent had a very strong performance and the deepening collaboration across borders, business lines and business units strengthened its ability to connect clients to each other and to global opportunities.

Liberty's core insurance and asset management businesses performed well in 2012 and, supported by good investment returns, this translated into an excellent financial performance.

The group's performance was achieved against a backdrop of rapid evolution in the world of banking. In 2012 the banking industry continued to adapt to the combined pressures of ongoing international regulatory requirements being introduced after the 2008 global financial crisis, volatile markets and the consequences of a protracted global recession, aggravated by structural difficulties in the Eurozone.

Negative sentiment and declining investor confidence, motivated largely by violent labour unrest and uncertain policy positions in key sectors, compounded these global pressures in South Africa, which contributed to the downgrading of the country's credit rating.

In executing our strategy in South Africa we subscribe to the National Development Plan (NDP), which has been endorsed by the ruling party and adopted by government. Our strategy responds to the NDP's key objectives of economic growth, job creation and improvements in vital basic services such as education and healthcare. Properly implemented by both the public and private sectors, we believe the NDP will be the catalyst for the economic growth necessary to reduce unemployment and drive back poverty, while also addressing the high levels of inequality that are undermining South Africa's social cohesion.

Notwithstanding the challenges in the external environment, we intend to be the leading financial services organisation on the continent. We believe we are on track to realise this. Our focused Africa-centred strategy is gaining traction and producing pleasing results, and our core businesses are performing well in challenging conditions and have good momentum for the year ahead. China is an important element of our strategy in Africa and our strategic relationship with ICBC continues to translate into significant joint initiatives.

Jacko Maree
Outgoing group chief executive

Ben Kruger
Incoming joint group chief executive

Sim Tshabalala
Incoming joint group chief executive

We recognise our people as our most definitive competitive advantage and continue to strengthen our people management practices, mindful that we compete with many organisations staking their claim to the Africa opportunity.

Executing our strategy

Aligning our business model to secure profitability

The new global capital and liquidity requirements, which are inconsistent with the investment banking model that succeeded in the past, demanded structural changes within CIB. This reality is starkly evident in the growing mismatch in the returns on equity our two banking divisions are able to deliver.

CIB has simplified its business to lessen capital utilisation, aligned its operations to the Africa strategy and reinforced cost management. During the year, the division introduced a shift in global market revenues away from large derivative based structured transactions to higher levels of flow business, which requires less capital. The relentless focus on our domestic banking clients has seen a renewed focus on transactional products and services, and this business is now a larger portion of revenues for the division.

Another feature of our times is the emphasis on responsible lending. Our commitment to being a responsible lender is imperative, both in terms of the viability of the markets we serve and, in turn, in the service of our own profitability over the long term. Lending growth has been an important aspect of our 2012 financial performance, with total loans and advances to customers increasing by 5% to R706 billion. The composition of our lending book is skewed towards longer-dated secured lending and the bulk of it is mortgage lending, which accounts for 42% of total loans and advances.

The higher costs associated with the liquidity requirements of Basel III will, over time, put pressure on financial institutions to shift towards shorter-dated lending which may not be in the best interests of socioeconomic development. We are concerned that the restrictions of Basel III will result in the unintended consequence of curbing responsible lending.

We are encouraged that we now have a clearer understanding of the capital requirements of Basel III and their impact on our business. This has enabled us to shape our business accordingly and plan with more certainty.

The reshaping of our business in a Basel III world will increasingly result in more capital being allocated to PBB and, within CIB, more capital will be allocated to transactional banking. This is entirely consistent with our position as a 'real economy bank', which means we are inextricably a part of, and facilitate at a fundamental level, the real economic activity in the emerging economies within our scope. As many banks around the world begin this process of aligning their business and operating models to the new banking landscape, we believe we are very well placed given that almost half of our banking revenues already arise from transactional banking activities.

Delivering on the Africa opportunity

A geographic analysis of our performance shows that, as the group's largest business entity, our domestic operation, SBSA provides the bulk of the capital resources required to execute the group strategy. We have made significant progress in strengthening SBSA's tier I capital ratio ahead of compliance with Basel III, and achieved a ratio of 11.3% at the end of December 2012.

Our current footprint across Africa (outside South Africa) is extensive with infrastructure of 528 branches, 1 050 ATMs, approximately 2,5 million customers and nearly 13 000 staff members. A comparison with our position in Africa five years ago (306 branches, 486 ATMs and 8 505 staff) provides some insight into the investment we have made since 2007.

Our operations in Africa (outside South Africa) maintained the growth reported in the first half of the year and account for a significant and growing portion of the group's total income. Revenue generated in the rest of Africa increased by 38% to R16 billion in 2012, contributing 23% of the total income of the group's banking activities. Much of this growth is attributable to an enlarged balance sheet as our transactional banking franchise in Africa gathers pace. While the rest of Africa incurred cost growth of 23%, the cost-to-income ratio is

Chief executives' report to stakeholders continued

improving in spite of the significant investment we are making to support our growth strategy, and ROE of 10.8% is moving in the right direction.

Expectations are that Africa's recent track record of growth will be sustained, in contrast to the economic difficulties of developed economies. Factors such as rapid urbanisation and the growth of a larger, younger and more affluent population, technological advances which are facilitating socioeconomic development, a deepening financial sector and dominant natural resources potential will undoubtedly be the drivers of this growth. The latter attribute alone will maintain the flow of investment from developed and BRIC economies into the continent's minerals, energy and infrastructure development sectors.

There is considerable scope for the expansion of the banking sector within sub-Saharan Africa. Only about 10% of the population is banked in many of its nations, while the region is expected to sustain relatively high levels of growth until 2020, with GDP growth of 5% forecast for 2013.

It is a reality, however, that there are also impediments to working in Africa – infrastructure deficits inflate costs and undermine access to some markets, skills are scarce, political instability undermines economic advancement, competition has intensified and quality acquisition opportunities are rare. Nevertheless, the timing of our strategy has afforded us a distinct competitive advantage and we are confident that our investment in the rest of Africa will deliver the expected returns.

Realigning our operations outside Africa

Standard Bank announced the sale of its 36.4% shareholding in Troika Dialog Group Limited (Troika) to Sberbank in March 2011. This deal was successfully closed in January 2012.

In August 2011, Standard Bank announced the sale of 80% of Standard Bank Argentina to ICBC by the group and its partners in Argentina. The transaction was completed on 30 November 2012. We retain a 20% strategic minority shareholding in the rebranded Industrial and Commercial Bank of China (Argentina).

Finally, a restructure of our partnership in Turkey and ownership of Standard Ünlü was agreed in April 2012. We completed the divestiture of 53% of Standard Ünlü to the founder and chief executive of Standard Ünlü in October 2012, and accordingly we will retain a strategic minority shareholding of 25% in the rebranded Ünlü Securities.

We continue to scale back our operations outside Africa, positioning them to support our strategy more effectively. This effort is largely focused on our operation in London, which is proving a complex and prolonged process. However, we remain committed to executing the right-sizing in a responsible and deliberate manner.

We restructured our Asian operations in 2011 and 2012, and early in the year we also initiated a plan to reduce the size of our operations in Brazil.

In November 2012, we announced further actions to reduce costs and improve profitability in ways that do not impede the servicing of our clients. These actions were focused on our operations outside Africa, excluding Latin America and mainland China. Regrettably, the achievement of our objectives has resulted in redundancies and a review of our contractor base.

Prospects

Our core franchise is healthy and our customer base is strong. Across sub-Saharan Africa, where GDP growth for the region is expected to be 5% in 2013, we are allocating resources to businesses which consume less capital and, at the same time, deliver strong revenue growth. Sub-Saharan Africa's trade links with the developed world will mean that its prospects will be impacted by any weakness in the global economic recovery. We expect GDP growth of between 2.5% and 3.0% in South Africa.

Our relationship with ICBC continues to translate into joint initiatives to support the transactional and corporate banking services we offer Chinese investors into Africa and Chinese corporates operating within Africa, as well as facilitating the flow of trade between Africa and China. We look forward to this relationship strengthening going forward.

We have made good progress in right-sizing our operations outside Africa and Standard Bank Plc is now a much smaller, lower risk entity which is fully integrated with our South African operations.

As a bank servicing the real economy, we will continue to provide our customers with the financial services products and services they need to grow. We will continue to manage the group for long-term profitability by investing appropriately in our diverse portfolio of businesses and in the capability and wellbeing of our people, while applying a disciplined and prudent approach to risk. We understand that our primary aim to improve the returns we deliver to our shareholders requires that we create lasting value for all our stakeholders.

Business unit reviews

Standard Bank Group

Personal & Business Banking

provides banking and other financial services to individual customers and small- to medium-sized enterprises.

What we offer

Mortgage lending
- Residential accommodation loans.

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

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

Transactional products
- Comprehensive suite of transactional, savings and investment products. This includes deposit taking activities, electronic banking and debit card facilities.

Lending products
- Lending products offered to both personal and business markets.

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

Corporate & Investment Banking

provides corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties.

What we offer

Global markets
- Fixed income and currencies.
- Commodities.
- Equities.

Transactional products and services
- Transactional banking.
- Investor services.
- Trade finance.

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

Real estate
- Real estate finance.
- Investments in real estate.

Liberty

provides life insurance and investment management activities.

What we offer

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

Central and other

- Includes the impact of the black economic empowerment ownership (Tutuwa) initiative, group hedging activities, group capital instruments and group surplus capital, strategic acquisition costs and Argentinean discontinued operations.
- Includes the results of centralised support functions (back office), including those functions that were previously embedded in the business segments. The direct costs of support functions are recharged to the business segments.

Rising income levels and rapid urbanisation are driving the uptake of banking products and services in Africa. To realise the opportunity this presents, we will strengthen our competitive advantage through continuing to build on-the-ground universal banks and invest in branch and IT infrastructure whilst offering greater value to our transactional banking customers. In South Africa, our focus on transaction-led customer acquisition continues to serve us well, with pleasing growth in new transactional accounts despite the relative maturity of this market.

Image: Standard Bank Rosebank branch – Johannesburg, South Africa

Personal & Business Banking

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

Headline earnings

R7 476 million

(2011: R5 872 million)

External net loans and advances

R490 billion

(2011: R447 billion)

Headline earnings contribution

50%

(2011: 43%)

Return on equity

20.0%

(2011: 19.2%)

Credit loss ratio

1.39%

(2011: 1.24%)

Cost-to-income ratio

59.8%

(2011: 62.4%)

Business unit reviews continued

Personal & Business Banking continued

We see excellent growth opportunities in Africa. With a Personal & Business Banking presence in 15 African countries, Standard Bank is uniquely positioned to take advantage of growth in sub-Saharan Africa and provide banking services to an ever increasing client base.

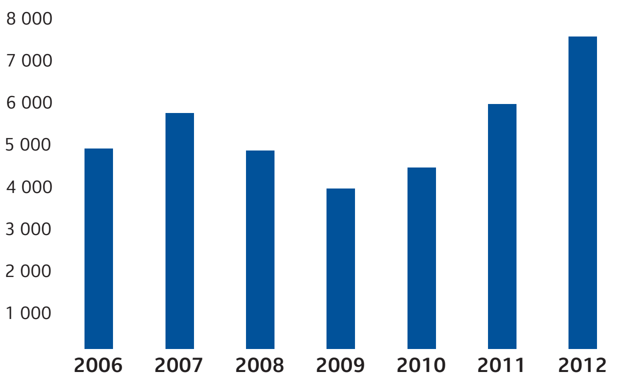
Peter Schlebusch
Chief executive, PBB

Overview

Standard Bank's PBB division is well established in southern Africa and has made significant progress in contributing to the group's strategy of building solid universal banks in high-potential markets in the rest of Africa. The South African economy has shown limited signs of recovery and growth continues to be subdued. Consumers' debt-to-income levels remain high, with continued efforts by consumers to deleverage, putting strain on lending books and associated recoveries of non-performing loans. Despite the economic pressures and intense competition in the domestic market, PBB delivered on its strategy in 2012, growing its primary customer base and driving cost efficiency to produce pleasing results.

PBB's headline earnings of R7,5 billion were 27% higher than the prior year driven mainly by strong net interest income after credit impairments and good cost control. ROE of 20.0% was achieved, a slight improvement on the 19.2% posted in the prior year.

Headline earnings (Rm)



AIR For more information on PBB's financial performance, refer to page 30

Operating environment

Domestic operating environment

Given weak global growth, the local economy struggled in 2012. Household consumption expenditure pulled back and the implications were significant for the local economy, as household consumption accounts for almost 60% of GDP. In 2012, CPI inflation averaged 5.6% and interest rates were cut by a further 50 basis points in July. The rand was highly volatile, particularly against a backdrop of weak domestic growth and labour unrest.

The bulk of the increase in consumer spending since the 2008 financial crisis has come from income growth, but this source of support is dissipating despite above-inflation salary increases. Increases in non-discretionary costs such as transport and utility tariffs, which continue to cut into consumer spending, has eroded purchasing power. Consumers have grown more dependent on credit to cover their monthly expenses and this is evident in the recent increase in household debt-to-disposable income ratio.

Rest of Africa

Sub-Saharan Africa saw a rebound in economic growth in 2012. Growth in the rest of Africa will likely be strong despite renewed global uncertainty. Structural underpinnings to Africa's counter-cyclical growth include Africa's high population growth, growing middle class and the continent's rapid rate of urbanisation. The demand for banking products and services continues to increase, providing us with huge opportunity in the rest of Africa.

South Africa

Standard Bank's strategy is to serve the full value chain of customers in our domestic operation – from the most basic to the most sophisticated of financial services needs – and to maintain high standards of customer service and cost-effective delivery channels. Over the past six years, the consistent application of this strategy has allowed us to acquire new customers, retain existing customers and grow both deposits and loans. The commitment of our people and ongoing investment in our systems in support of our strategy has enabled us to remain competitive and maintain our solid growth trend, even in the most challenging of times.

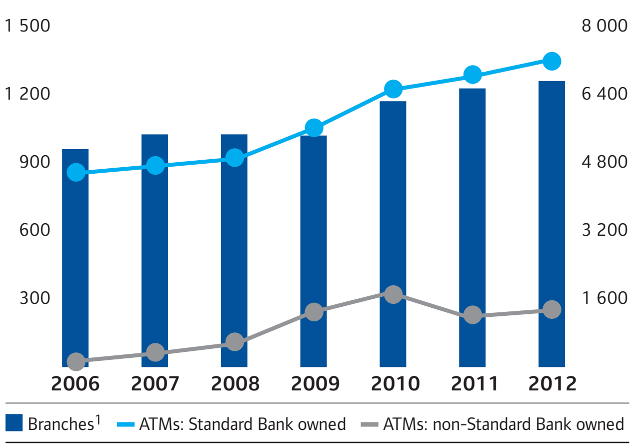
Excellent, consistent customer experience

During 2012, we refined our value proposition, reduced prices in most segments and introduced a range of new offerings and innovative channels that deliver real value to customers. In addition to significant price reductions across personal banking in April 2012, there were no fee increases for our personal banking transactional customers in 2012 and this will continue through 2013.

Our drive to offer customers greater convenience and accessibility with cost-effective internet and mobile banking channels, including the new mobile banking app, gained traction during the year. Registered active cellphone banking users increased by 79% to more than 539 000 users and we experienced a 34% increase in internet banking users to 1,5 million by yearend. The number of branch outlets with extended hours doubled during the year.

Ensuring that our banking systems support continuous improvement in the quality of customer service remained a key focus, with the ongoing development of IT and risk systems. We optimised branch infrastructure where applicable, closing or downscaling unprofitable branches. Our aim is to achieve a low-cost branch network that is appropriate in size and location. We opened our 100th loan centre during the year and the number of ATMs increased 6% to 7 414. Customer service received an additional boost from improved levels of IT service and ATM availability remained high at 96.6% in South Africa.

Points of representation



[1] Including loan centres.

Combating fraud remains a priority and the 60% increase in MyUpdates users from 4,1 million to 6,6 million assisted customers to detect and report fraud early, thereby reducing fraud losses.

We continued to strive for excellent and consistent experiences. Our customer experience scores across all segments were consistently above 90%, with a record branch score of 9,48 out of 10.

Transaction-led customer acquisition

Our emphasis on transaction-led customer acquisition combined with our renewed value proposition and sales drive resulted in 1,28 million net new transactional accounts, including a good number of accounts switching from other banks. We migrated 98 000 customers to higher propositions during the year and improved cross-selling, most notably in business banking. This segment, which represents about half of our earnings, benefited from our new BizLaunch offering, comprising a comprehensive and affordable package for start-up businesses. We won a number of new public sector mandates, including the Eastern Cape Provincial Government.

Our efforts to strengthen our relationships with transactional account holders and gain more insight into their needs and risk profiles has supported responsible credit extension to these customers, largely in the middle income segment. These are customers earning between R15 000 and R30 000 per month. We achieved 56% growth in unsecured revolving credit plan account balances and 36% growth in personal overdraft facilities. The majority of these unsecured loan accounts are extended to existing transactional account holders. This provides us with a clearer understanding of their risk profiles and has enabled us to grow our unsecured lending book responsibly, using appropriate scorecards and pricing such loans appropriately for risk.

Inclusive banking is a critical market to get right in terms of our strategy and long history of being a leading player in extending access to financial services in South Africa. During the year, our inclusive banking segment launched the AccessBanking suite of banking solutions, run on our new IT platform, which offers a full set of banking products – savings accounts, credit cards and transactional banking accounts that carry no monthly fee. The AccessAccount is, therefore, not a low-income account but a high-value account, providing relevant banking services for more than 2,3 million customers with an income of up to R8 000 a month.

Standard Bank staff are able to open the new AccessAccount anywhere with a hand-held mobile device for customers with nothing more than a South African identity document and a mobile number. Staff are equipped with a handheld device which allows our mobile banking consultants to interact with customers in their own communities, in their own time and in their own language. In 10 minutes, a customer can have an active account, debit card, and be registered for cellphone banking. Mobile origination is not only far more accessible for customers, it is also up to 80% cheaper than traditional origination of accounts.

Part of being a full-service bank means that we also need to offer affordable access to credit. We have remained focused in growing our unsecured lending book responsibly, lending mainly to our own transactional banking customers. We use appropriate scorecards and risk appetite to ensure that customers are able to manage their debt, that we price the loans correctly, and have a strong collections capability. Our scorecard thresholds for this type of lending were raised during 2012 and although the

Business unit reviews continued

Personal & Business Banking continued

unsecured inclusive banking book grew strongly off a low base to R3,7 billion at the end of 2012, there has been very little growth in the book since June 2012. This book represents 1% of PBB's total loan portfolio.

Core banking transformation

The transformation of our core banking system will underpin the optimisation of our business and operating model in South Africa. The decision to upgrade our core banking system in South Africa to SAP means that our costs will be elevated for a number of years as the programme depreciation charge for live modules builds up. We have a clear plan for implementation and this upgrade will reduce costs in the longer term, and allow us to be more agile for our customers and staff, as well as more efficient in processing. Replacing ageing legacy systems with the SAP core banking platform will ultimately facilitate our strategic objective of being more customer centric and delivering an excellent, consistent customer experience.

Engaged and committed people

Staff development is a critical component of our strategy to maintain excellent customer service and we worked hard to improve competence levels in 2012. Employees are the key differentiator in achieving our strategy and we remain focused on best practice people management and creating a workplace where high performance is expected and rewarded. In South Africa, almost 90% of our people participated in staff leadership surveys conducted in April and October. The results confirmed that 78% of our people are satisfied with the strategy and leadership of our business and are feeling motivated and engaged.

Transformation

The largest staff complement in the group is in PBB in South Africa. 75% of junior staff, 60% of middle staff and almost 50% of senior staff are Black, Indian or Coloured. The executive committee is the most transformed in the local banking sector, with 60% of its members being female and almost two-thirds Black, Indian or Coloured. Funeka Montjane heads the PBB South Africa executive committee. Funeka is the first black female chief executive of a large banking business unit in South Africa, and the recipient of the prestigious Topco Media 9th Annual Top Women in Business and Government award for 2012. Funeka was previously the director of home loans and head of credit for PBB South Africa and was appointed as the chief executive of PBB South Africa in November 2012.

We continue to make advances in our efforts to support SMEs which generate significant employment opportunities, by increasing our procurement from black businesses and also by lending to SMEs and agricultural enterprises.

Expansion in Africa

PBB's strategy in sub-Saharan Africa is to provide products and services to personal and business customers that meet their evolving needs. Our full service banking model in South Africa provides a sound base of knowledge and experience to realise the full growth potential of the markets in which we operate. We continue to apply lessons learnt in our home market to our operations in the rest of Africa, while taking care to respond to the unique dynamics in each market.

Standard Bank's PBB franchise in the rest of Africa is a portfolio of businesses in 14 countries, which are at varying stages of maturity. In Lesotho, Malawi, Namibia, Swaziland and Uganda our PBB offering is well established and realistically aspire to be the market leader. In these franchises we are optimising our distribution platform, introducing new product offerings and driving cost efficiencies. In Botswana, Ghana, Kenya, Mozambique, Tanzania and Zambia where we are building for scale, our investment is selective and focused on growing our market share of profitable customers. In high growth markets such as Angola and Nigeria, we are incurring higher levels of investment in the rollout of branch and IT infrastructure to strengthen our competitive position.

There is a strong focus on building sales capacity for business origination in Africa. We made significant inroads with the introduction and enhancement of certain electronic banking products during 2012. This included unique tablet solutions to originate new accounts and cross-sell banking and insurance products, particularly in Nigeria, Angola and Ghana; significant growth in the supply of point-of-sale devices to small traders, especially in Uganda and Nigeria; mobile ATMs to serve customers in remote areas; and banking initiatives to serve employees of our large corporate clients at their workplace. The implementation of our Finacle core banking platform in the rest of Africa was extended from Nigeria, where it was implemented in 2011, to Namibia and Uganda in 2012 and is scheduled to go live in Botswana and Tanzania in 2013. At the end of 2012, we had 1 050 ATMs and 528 branches in the rest of Africa, compared to the 939 ATMs and 514 branches at the end of 2011.

Financial performance

Analysis of performance by region

PBB in South Africa delivered an excellent performance with headline earnings of R7,6 billion up 25%, while PBB in the rest of Africa reported a loss, albeit smaller than in the prior year, despite the good momentum in revenue growth. PBB in South Africa recorded revenue growth ahead of cost growth which contributed to a 25% increase in headline earnings to R7,6 billion and achieved ROE of 24.4% for the year.

PBB in the rest of Africa demonstrated signs of traction in 2012, contributing more than 40% to the total revenue pool earned in the rest of Africa. Given continued high cost growth as we expand, PBB in the rest of Africa reported a headline earnings loss of R258 million, which is smaller than the prior year.

PBB outside Africa, comprising the offshore banking operations in the Isle of Man, Jersey and the Mauritian trust company, increased headline earnings from R111 million to R136 million.

Analysis of performance by product

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	**2012 Rm**	2011 Rm	Change %	**2012 Rm**	2011 Rm
Mortgage lending	9	**5 402**	4 953	>100	**985**	420
Instalment sale and finance leases	15	**2 609**	2 273	(8)	**309**	335
Card products	9	**4 530**	4 160	46	**1 309**	899
Transactional products	14	**19 417**	17 056	26	**2 913**	2 305
Lending products	27	**6 705**	5 282	(33)	**557**	837
Bancassurance and wealth	10	**3 617**	3 293	30	**1 403**	1 076
Personal & Business Banking	14	**42 280**	37 017	27	**7 476**	5 872

The mortgage business performed well and generated headline earnings of R985 million (2011: R420 million). In South Africa, the mortgage business continued to grow as we took the opportunity to favourably price new business and optimise our mortgage loan portfolio. New home loans of R34,5 billion were registered during the year, assisting asset growth of 5%. We remain cognisant of future funding pressures that are likely due to Basel III and continue to price new business appropriately to accommodate for incoming regulations. The average lending rate for new business improved to 84 basis points above the prime interest rate (prime) compared to 11 basis points above prime in the prior year. The level of non-performing mortgage loans declined a further R3,4 billion during the year to R15,7 billion and the credit loss ratio for mortgages reduced to 0.91% from 1.07%.

Revenues in instalment sale and finance leases grew by 15% to R2,6 billion as a result of asset growth in South Africa. The growth in new business was primarily in non-motor assets, where payouts were up 23% year-on-year. Headline earnings in South Africa improved 14% to R408 million. However, business expansion and the higher cost of funding resulted in a headline loss for instalment sale and finance leases in the rest of Africa.

Card products recorded a commendable increase in headline earnings to over a billion rand for the first time, 46% higher than in the prior year. The number of credit card accounts in South Africa grew 7%, and the overall credit card debtors' book grew 16% to R24,1 billion, partly attributable to new account growth and improved limit utilisation on existing accounts. Increasing the number of point-of-sale devices within high-value merchants in South Africa contributed to the higher sales. Fraud losses decreased as a result of improved fraud detection and prevention measures.

Total income from transactional products improved by 14%, mainly driven by customer acquisition in a very competitive environment coupled with increased online banking volumes. Our strategy to grow our deposit base proved effective with retail-priced deposit and current account yearend balances increasing to R248 billion, 9% higher than in the prior period. Growth in the business segment was mainly as a result of public sector account acquisitions as well as an increased focus on account acquisitions through BizLaunch.

Total income from lending products increased 27% to R6,7 billion in 2012. This was as a result of improved margins from higher pricing as well as strong balance growth in overdrafts and revolving credit facilities. Term loans to our business banking customers grew 9% with more customers using structured working capital facilities. Good income growth was offset by an increase in credit impairment charges following strong balance growth, mainly in personal unsecured lending off a low base.

Bancassurance and wealth comprises insurance-related businesses across the African continent as well as wealth businesses in the Isle of Man and Jersey. We continued to forge closer operational ties with Liberty to deliver growth in bancassurance volumes. This resulted in a 30% increase in headline earnings to R1,4 billion, with short-term underwriting and broking activities the main contributors to this result.

Outlook for 2013

The domestic market has shown limited signs of recovery, and we expect the trend of slow economic growth to continue and the retail banking sector to remain under pressure, particularly from weak non-interest revenue growth. Consumers' debt-to-income levels remain high with continued efforts by consumers to deleverage will place strain on lending books and associated recoveries. In this environment, the risk of impairments remains high. Revenue growth is likely to be a challenge with muted asset growth expected and no fee increases for our personal banking transactional customers once again in 2013. However, we believe that we will continue to achieve sustainable growth in our domestic market by adapting to the changing environment, being more responsive to our customers' needs and maintaining our focus on cost management.

The group's expansion into sub-Saharan Africa differs from our South African peers in that we are at an advanced stage of building on-the-ground banking franchises. Our franchises in the rest of Africa will continue to drive growth, focusing on the most profitable segments in high growth countries and optimising the existing branch network. We will introduce innovative channels that better meet customer needs and reduce cost. We expect these franchises to begin to contribute positively to our financial performance in the year ahead.

Standard Bank's resources sector capability was evidenced in our acting as lead advisor and investment bank to Metorex Group Limited on its R9,1 billion sale to China's Jinchuan Group Limited, the largest Sino-Africa mining transaction in 2011. Our expertise in resources and ability to navigate diverse in-country regulatory issues across the Democratic Republic of the Congo (DRC), Zambia, South Africa and China was key to the successful conclusion of the deal. This transaction won Africa Deal of the Year in the 2012 African Banker Awards.

Image: Metorex's Ruashi Mine – Katanga Province, DRC

Corporate & Investment Banking

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

Headline earnings

R4 784 million
(2011: R5 521 million)

External net loans and advances

R353 billion
(2011: R380 billion)

Headline earnings contribution
32%
(2011: 41%)

Return on equity
10.4%
(2011: 13.0%)

Credit loss ratio
0.63%
(2011: 0.31%)

Cost-to-income ratio
63.4%[1]
(2011: 62.1%)

[1] Excluding the restructure charge for the year, the cost-to-income ratio is 60.6%.

Business unit reviews continued

Corporate & Investment Banking continued

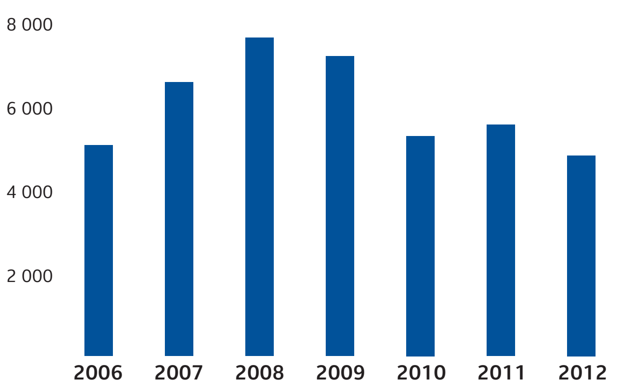
We believe in the resilience of our strategy over the long term. We have a well-established physical presence in Africa, global connectivity to serve Africa and unique sector expertise that reinforces our position despite intensifying competition on the continent. We are confident that these qualities, combined with the positive economic outlook for Africa, will enable us to generate sustainable improvements in our financial performance.

David Munro
Chief executive, CIB

Overview

CIB serves a wide range of clients in their banking, finance, trading, investment and advisory requirements. Our presence and experience across sub-Saharan Africa, our specialisation in natural resources, and our ability to connect African markets to each other and to other global markets, combined with a strong reputation and product expertise, afford the group a unique competitive position to build long-term, and well coordinated, client relationships.

Headline earnings (Rm)



CIB had a mixed year in 2012, as a difficult operating environment placed pressure on earnings. Despite the business delivering strong revenues, with income up 20% on the prior year, this was more than offset by cost growth and several large impairment charges. These cost challenges and impairments arose largely in our CIB operations outside Africa, which were subject to significant restructuring in 2012. The improved revenue performance reflects our focus on strengthening our capabilities and improving coordination to better serve our clients across Africa and selected emerging markets.

AIR **For more information on CIB's financial performance, refer to page 36**

Operating environment

2012 was another challenging year for the global economy, with growth slowing to its weakest pace since the 2008 recession, as the world's largest economies all lost steam. The US grew at around 2%, growth in China slowed to around 7% from double digits recently and the Eurozone's recession showed no sign of easing. The estimate for global growth in 2013 was downgraded by the International Monetary Fund (IMF) to 3.2% from the 3.5% it forecast earlier in the year.

While emerging markets recorded a similar trend in financial market performance, these economies continued to outperform the developed world, with the IMF's latest estimates showing GDP growth of 5.3% in 2012. This compares favourably to the rates predicted for the advanced economies of 1.3%.

Sub-Saharan Africa grew by 4.9% in 2012, driven in particular by Nigeria, Ghana, Ethiopia, Angola and Tanzania. However, the region's trade links with the developed world will continue to mean that its outlook will be somewhat determined by the strength of the global economic recovery.

Following a difficult beginning, the latter part of the year saw commodity markets beginning to regain some positive momentum. Precious metal prices also reacted to the loss of production across the mining sector, given widespread strikes in South Africa. However, growth in commodities should be limited somewhat by sluggish demand.

Strategy

CIB's strategy is to be the leading corporate and investment banking business in, for and across Africa, with a deep specialisation in natural resources. Our positioning in Africa gives us the unique opportunity to partner with clients, forming long-term relationships and helping them deliver their strategic objectives. Our competitive advantages include our extensive presence and experience in sub-Saharan Africa, our people who are passionate about Africa, our connectivity to select emerging markets outside of Africa and access to capital from developed economies in Europe and North America. Through these advantages we are able to serve the full range of our clients' corporate and investment banking needs, and enable them to undertake significant cross-border transactions.

Our strategy is founded on three pillars: clients, people and culture, combined with efficient business operations. Our clients are at the heart of everything we do and the key pillar in the delivery of our strategy. In 2011, we embarked on a number of initiatives to strengthen our client relationships and, during 2012, we launched the client engagement model to ensure that we deliver a consistent CIB client offering and experience while optimising cross-selling opportunities. We believe that a disciplined and effective execution of the client engagement model is key to delivering our strategy to build long-term relationships, which allow us to generate returns that are commensurate with the financial resources we allocate to the client and the cost of servicing that client.

China remains a critical element of our strategy in Africa. Our relationship with ICBC continues to translate into joint initiatives to strengthen the transactional and corporate banking services we offer Chinese investors into Africa and Chinese corporates operating within Africa, as well as facilitate the flow of trade between Africa and China.

Further to our numerous existing cooperation initiatives with the ICBC we are jointly exploring areas of greater cooperation, including global markets and commodities where our respective presences and strengths can be leveraged.

Client engagement

We continue to make progress in executing our strategy as we invest in first-class, on-the-ground banks in our selected growth markets on the African continent, and connect other selected emerging markets to Africa and each other. The strong financial performances delivered by most of our operations in the rest of Africa underscores the strength of our competitive position and the advances we continue to make in developing our corporate banking platforms in Africa.

We aim to achieve access to clients through corporate banking relationships and leverage them with our investment banking offerings, the success of which is illustrated by the award of key transactional accounts such as the City of Johannesburg, the Government Employees Pension Fund and Avusa in South Africa and Kraft Foods across Africa, Acson Oil and De-United Food Industries in Nigeria and the Swaziland Sugar Association.

Collaboration across our geographies, business lines and business units strengthens our ability to connect our clients to each other and to global opportunities. In this regard, CIB raised USD2,1 billion of equity capital for its clients in 2012 alone, confirming its status as the leading equity capital markets bank in Africa. These included hallmark equity deals for Tanzania Breweries, African Minerals, Murray & Roberts, JD Group and Lonmin.

The Umeme initial public offering (IPO) and cross-listing stands out as an example of our strategy in action. It involved the use of innovative methods to secure capital from domestic and international markets that will contribute to future economic growth in Africa. Umeme Limited, the primary power transmission and distribution company in Uganda, undertook the largest IPO ever executed in Uganda and the first cross-listing by introduction onto the Nairobi Securities Exchange in Kenya two weeks later. The group acted as the advisor, sole international book-runner and lead receiving bank in Uganda as well as the advisor and lead sponsoring broker in Kenya. The Umeme transaction reinforced our leading position in the East African equity capital markets league tables for 2012.

In another major transaction that demonstrates a number of key elements of our strategy, a private sector energy company in Nigeria acquired 45% of the OML 30 oil and gas field in the delta region. The group, joined by China Development Bank, facilitated the transaction by arranging a USD550 million syndicated bank guarantee and bridge facility for the client, Shoreline Natural Resources. This was one of the largest finance deals completed in Nigeria in 2012.

CIB's leading position in selected product lines and geographic markets was recognised by numerous local and international awards during the year. Key awards included:

- African Investor Index Awards – Best Africa Investment Bank 2012
- China Outbound Investment Forum – Best Investment Bank in China 2012
- EMEA Finance African Banking Awards – Best Investment Bank in Africa 2012
- The Banker – Most Innovative Bank from Africa 2012.

Passionate and committed people and culture

Our people and culture are critical links in our efforts to strengthen client service. We are striving to establish an identity for CIB, built on a culture of confidence and client excellence while developing the capability of our people, providing competitive and fair compensation and living by common values. A new goal-setting and performance management tool was implemented during the year which has moved us closer to achieving this.

We are focused on delivering the people and culture pillar of our strategy by ensuring that we achieve the following:

- Empower and trust our people to act responsibly and do the right thing.
- Promote a common set of values which align with the bank's values.
- Encourage sustainability and transformation which should reflect in our identity, image, culture and by being socially relevant.
- Create a team which feels collectively responsible for performance, and is coherent and united in representing CIB to the best effect.

Business unit reviews continued

Corporate & Investment Banking continued

A key focus area during the year was to define our organisation as the leading corporate and investment bank across Africa, and instilling that identity for our people through our 'They call it Africa. We call it Home.' campaign.

Efficient business operations

During the year, we focused on initiatives to simplify our business and reduce capital utilisation. We also concentrated on our cost base and on improving profitability, while strengthening our ability to serve our targeted client base. Underlying these initiatives was a single-minded alignment of all of our business activities with our 'in, for and across Africa' strategy.

This involved focusing on growth in corporate banking revenues across Africa, driven by growing our transactional client base. We are also adjusting our business model away from a dependence on large, complex and long-dated structured transactions which are capital intensive (under Basel III these will attract even more punitive treatment), to higher levels of flow business in Africa.

Right-sizing operations outside Africa

Our geographic footprint outside Africa is an important aspect of our client franchise. However, while we continued to drive our strategy and accordingly looked for ways to simplify our business, reduce our cost base and improve profitability, we had to make some tough decisions in terms of scaling back some of our product lines and reducing the size of our footprint outside Africa in a responsible and deliberate manner.

In 2012, we announced actions to help us reduce costs and improve profitability in ways that do not impede the servicing of our clients. This process is aimed at driving higher levels of efficiency in both front and back offices in our international locations and scale back certain product lines and geographies. This set of actions will secure a sustainable reduction in costs of approximately USD100 million per annum, USD80 million of which will be secured in Standard Bank Plc.

In London, this reduced Standard Bank's approximately 900 permanent roles by 15% as well as 69 contractors. Once-off costs relating to this rationalisation exercise were approximately USD74 million out of the total restructure charge outside Africa of USD83 million. These costs included estimated retrenchment costs, office lease termination costs and software asset write-offs and were recognised as a restructuring charge in 2012.

We initiated a plan to redefine our operations in Brazil and close all domestic orientated activity which was not aligned to our African strategy. The coverage offices and activities that we retained are those that capture the capital and investment flows from Brazil to Africa, particularly Angola and Mozambique.

Our Asian operations were also restructured in 2011 and 2012. Hong Kong and Singapore were significantly downsized and non-commodity related businesses were closed down, although we continue to maintain a China related coverage and mergers and acquisitions capability out of Hong Kong.

Financial performance

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	**2012 Rm**	2011 Rm	Change %	**2012 Rm**	2011 Rm
Global markets	8	**10 262**	9 464	(37)	**1 134**	1 806
Investment banking	11	**6 757**	6 113	(21)	**1 981**	2 517
Transactional products and services	32	**8 325**	6 292	29	**1 917**	1 482
Real estate and principal investment management	60	**1 521**	951	>100	**358**	14
Curtailed operations	>100	**73**	(341)	79	**(68)**	(329)
Restructure charge				(100)	**(538)**	
Troika (held for sale)				(100)		31
Corporate & Investment Banking	20	**26 938**	22 479	(13)	**4 784**	5 521

Total profit before tax by product

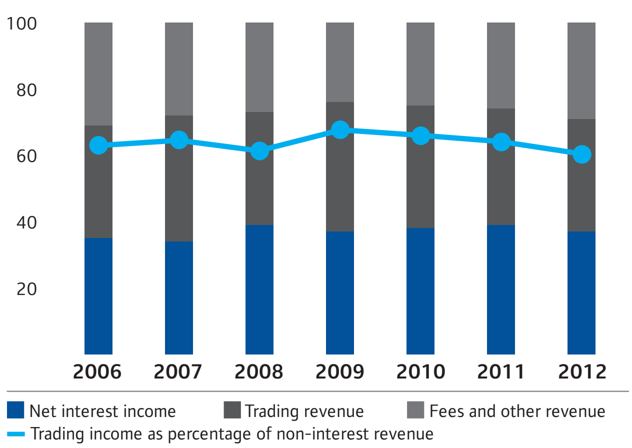
	Change %	**2012 Rm**	2011 Rm
Global markets	2	**2 799**	2 757
Investment banking	(43)	**1 417**	2 502
Transactional products and services	28	**3 267**	2 552
Real estate and principal investment management	>100	**704**	204
Curtailed operations	>100	**2**	(511)
Restructure charge	(100)	**(758)**	
Corporate & Investment Banking	(1)	**7 431**	7 504

Within global markets, difficult market conditions for the international activities offset a good performance across Africa. Higher volumes and increased margins benefited the foreign exchange and money market desks in Malawi, Mozambique and Kenya. In South Africa, the foreign exchange desk had a strong first half but trading slowed in the second half in an illiquid event-driven market with some large swings in the USD/ZAR rate. Revenues from the international commodities business grew, aided by a strong base metal performance, but regulatory requirements negatively impacted income as a result of the costs associated with holding larger liquid asset buffers.

Investment banking revenues were up 11%, reflecting net interest income earned on a large loan book and healthy levels of activity in Africa. A number of strategically important deals were closed in the year despite difficult market conditions, and a significant effort has been made to develop our pipeline of deals across the continent. Net interest income was well ahead of the prior year due to a larger loan book and improved interest margins.

Transactional products and services was the outstanding performer, with revenues up 32%. This is a very promising result given the core role transactional products and services plays across the wider CIB franchise, being critical to our wholesale client franchise and African growth ambitions. Cash management, trade and investor services posted good growth in South Africa. In the rest of Africa, a strong performance was achieved as we continued to build the corporate banking platform across the continent, and was supported by the positive endowment effect in the first half of the year due to higher interest rates in East Africa and Nigeria. We continued to invest in key electronic platform capability in Africa.

Income contribution (%)



Credit impairments rose significantly from R1,0 billion to R2,3 billion, with a credit loss ratio of 63 basis points. This was as a result of a small number of large specific credit impairments on the Middle Eastern portfolio. Impairments as a percentage of total gross loans increased from 0.91% in 2011 to 1.46%, and the gross non-performing loan coverage ratio for impairments increased from 31% to 49%.

Costs in CIB grew 17%, excluding the charge of R758 million arising from the restructure of our international operations. Operational cost growth in key parts of our business in the rest of Africa, primarily driven by our investment in people and technology in high inflation environments, as well as the costs of regulatory compliance incurred outside Africa, were the main contributors to this cost growth.

CIB reported headline earnings of R4 784 million, down 13% on the prior year. Excluding the restructure charge, headline earnings were down 4% to R5 322 million. ROE declined to 10.4% (2011: 13.0%).

The year ahead

The pressures imposed by the global macroeconomic and regulatory environment will continue to challenge us in the year ahead, but we are confident that the actions we have taken in 2012 will position us to make our business more profitable. We will continue to improve the efficiency of our business operations, scale back in areas that are not aligned with our strategy and build on the valuable advances we have made in our engagement with clients.

The banking industry is facing the combined challenge of significant regulatory requirements and the continued deterioration in the global macroeconomic environment. Investment banking business models that proved successful in the past are being challenged in the face of the structural changes that have, and will continue, to impact the industry. At the same time, the growth in corporate banking revenues across Africa reflects the underlying shift from complex and long-dated structured investment banking transactions to higher levels of simple corporate banking required in our business. We will continue to be focused on capital consumption and the impact that Basel III will have on our business in the next four years.

We believe in the resilience of our strategy over the long term. We have a well-established physical presence in Africa, global connectivity to serve Africa and unique sector expertise that reinforces our position despite intensifying competition on the continent.

We are confident that these qualities, combined with the positive economic outlook for Africa and our ability to deploy capital effectively, will enable us to generate sustainable improvements in our returns to shareholders.

Liberty

Life insurance and investment management activities.

Headline earnings contribution
14%
(2011: 11%)

Return on equity
25.2%
(2011: 20.2%)

Headline earnings

R2 033 million
(2011: R1 428 million)

Normalised equity value

R33 billion
(2011: R29 billion)

Third party funds under management

R278 billion
(2011: R255 billion)

The Liberty Group delivered another strong set of results in 2012. Particularly impressive was the value of new business generated by all business units, and the overall growth in earnings and equity value.

Bruce Hemphill
Chief executive, Liberty

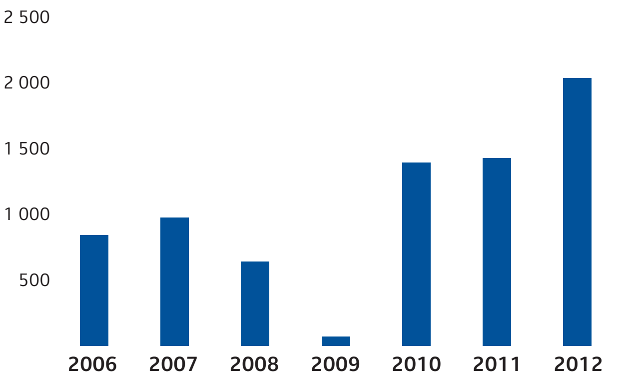
Overview

Liberty's 2012 performance highlights the integrity of its strategic plan and management's ability to execute it while building the business for the future. Significantly, all the business units are beginning to perform in line with, or ahead of, expectation and Liberty now has a stable platform off which to drive its strategy for growth. The 2012 performance also reflects Liberty's more cohesive nature as it begins to leverage new and current capabilities to support other businesses through innovation, risk management and knowledge sharing.

Financial performance

The following financial results reported are the consolidated results of our 54.4% investment in Liberty. Standard Bank's direct share of bancassurance results are included in PBB. Liberty's normalised headline earnings for the year ended 31 December 2012 were R3 768 million, of which R2 033 million was attributable to the group (2011: R1 428 million).

Headline earnings – SBG share (Rm)



Normalised headline earnings were positively impacted by the investment performance of Liberty's shareholder capital represented by the low-risk balanced shareholder investment portfolio. The operational earnings only reflect a 2% increase after adjusting for investment market performance. However, the 2011 base contains the once-off positive impact of Liberty's retail insurance business in South Africa (Retail SA) persistency assumption changes. After adjusting for this, other once-off changes and the increase in new business strain in 2012, operating earnings increased by 15%. Asset management net cash inflows of R14 billion across the continent were impressive when compared to the breakeven result achieved in 2011. Stanlib South Africa had a particularly good year, attracting R20 billion of net cash flows into higher margin assets. Assets under management across the Liberty Group grew by 16% to R528 billion.

Capital levels in the group's main licence remain strong at 2.7 times the required regulatory minimum.

Key developments

During 2012, the management team:

- established Retail SA as the dominant player in our traditional market in South Africa and increased market share in the emerging consumer market
- established Stanlib as a top asset manager in South Africa and added alternative asset classes to our offerings
- established Liberty Health as a meaningful competitor in South Africa and sub-Saharan Africa
- continued to entrench Liberty Financial Solutions (LibFin) as a world class market risk manager and added significant value in terms of product development and new revenue streams
- improved the customer offering in the corporate business and opened up new opportunities in the larger corporate market in South Africa
- established sustainable businesses in East and sub-Saharan Africa, and finalised the strategy for West Africa
- expanded its alternative sales channels and service capabilities through Direct Financial Services.

Business unit reviews continued

Liberty continued

Black economic empowerment normalised headline earnings by segment

	Change %	2012 Rm	2011[1] Rm
Retail Insurance South Africa	(1)	**1 299**	1 314
Liberty Corporate	>100	**75**	36
LibFin	88	**2 116**	1 124
Stanlib	18	**489**	414
Liberty Properties	(50)	**48**	96
Liberty Africa	>100	**69**	21
Liberty Health	35	**(42)**	(65)
Other	(3)	**(286)**	(277)
Black economic empowerment normalised headline earnings	41	**3 768**	2 663

[1] Gains and losses on owner-occupied properties are, in terms of Liberty's accounting policies, measured at fair value through other comprehensive income. Liberty restated its results for the change in accounting policy. The impact was considered immaterial to the group and, therefore, comparative results were not adjusted.

Insurance business

Retail SA is responsible for the development, marketing, distribution, servicing and administration of retail insurance and retail investment products in support of the financial advice provided to South African customers through its distribution channels. Retail SA again produced an excellent set of operating results. The main contributors to earnings outperformance were ongoing significant positive persistency variances and good mortality experience. The combination of strong Retail SA insurance sales and continuing improved persistency resulted in the insurance in-force book growing for the first time since the acquisition of Capital Alliance in 2005. In addition, lower risk discount rates, better product mix and good expense control all combined to produce what is probably the highlight of 2012, a 72% growth in embedded value of insurance new business at significantly improved margins.

Liberty Corporate provides financial security and wealth creation solutions for institutional customers and groups of employees and pensioners. Liberty Corporate is displaying good operational improvements which should translate into improved customer service experience and new business volumes.

Balance sheet management

As part of Liberty's group risk management strategy, LibFin was established as a centre of excellence for the management of market, credit and liquidity risk and to ensure appropriate investment performance from the asset managers managing shareholder and policyholder assets. LibFin's leading balance sheet management capability continues to ensure shareholder exposures to asset/liability mismatching are well within risk parameters. The shareholder investment portfolio was managed within risk appetite and the portfolio produced a gross return of 16.0% (2011: 8.1%) which was above benchmark. LibFin markets continued to demonstrate its ability to manage the group's asset/liability mismatches effectively.

Asset management

Stanlib provides wealth and investment management solutions for individuals and institutional investors. Stanlib's investment performance continues to improve as is evidenced by the five Raging Bull awards which it recently received and strong net cash inflows of R20 billion. Earnings growth of 12% was satisfactory considering the once-off costs associated with embedding investment processes and disciplines to ensure the sustainability of short-term improvements over the longer term, as well as the significant investments that were made in the alternative asset class and management capabilities during 2012. The improved overall performance is the result of Stanlib management's focus on stabilising the operating environment, rebuilding the investment team, and building new capabilities over the last three years.

Properties

Liberty Properties is responsible for the development and management of Liberty's extensive commercial, retail and hospitality property portfolio and provides property development services to third party clients. Liberty Properties, which comprises property management and development, has benefited from growth in property management fees supported by increases in rental areas at the flagship shopping centres. However, delays in securing development mandates have resulted in reduced development fee income.

Liberty Health

Liberty Health provides health solutions, including administration, technology and insurance services to almost one million customers in emerging markets. Significant improvements in operational efficiency have been achieved, however, the business does not, as yet, have sufficient scale to leverage the investment in systems and processes. The focus on addressing pricing issues and strengthening the risk management capability in Africa resulted in a significant improvement in the medical claims loss ratio in 2012.

Liberty Africa

Liberty Africa is responsible for developing opportunities and expanding Liberty's presence and business interests on the continent. Liberty Africa had a good year, with Liberty's share of earnings increasing by R48 million. Improved investment market conditions in Kenya as well as the inclusion of CfC Insurance Holdings Limited for a full year, as opposed to nine months last year, contributed to this outcome. In addition, the short-term insurance business reported improved claims loss ratios.

Direct Financial Services

Direct Financial Services enables Liberty and its business units to offer customised solutions in the non-traditional direct markets. Liberty's direct capability, which enables access to customers far more cheaply than traditional insurance offerings is now firmly established in the market following the addition of the Vodacom Life and Standard Bank affinity businesses. The business has grown its capacity to effectively service multiple brands. Frank.Net, which currently provides simple life cover products through an alternative direct distribution channel, has achieved good brand presence, however, the conversion of leads and persistency need to be improved.

Bancassurance

Liberty has a sizeable footprint in Africa and a partner in Standard Bank off which to grow its embedded, corporate, asset management and health businesses. Bancassurance arrangements provide a source of competitive advantage, enabling it to expand market share and revenue base in South Africa and facilitate its entry into new markets on the African continent. The initiatives embarked on outside of South Africa during 2012 have delivered some positive results with stronger collaboration between the Liberty and Standard Bank teams in country and an increase in leads in the specialist sales channel.

The year ahead

Liberty's core insurance and asset management businesses are performing well. We anticipate that they will continue to attract higher levels of new business at improved margins, despite the expected ongoing pressure on consumer disposable income. Liberty's balance sheet management capability will enable it to continue managing investment market risk exposures within risk appetite and competently deal with the protracted period of volatility in investment markets expected, as well as the low interest rate environment.

For more information visit www.libertyholdings.co.za

Chief operating officer's review

Our industry changes continuously and as a business we need to adapt and remain competitive. Keeping costs low, maximising internal efficiency and mobilising our people to serve the needs of our customers were and remain our key focus areas in 2013. Ultimately, we will strive to contain our cost growth while still accommodating volume increases and facilitating business growth. This will not be an easy task, but we have established the infrastructure and platforms and mapped out the journey ahead to ensure we have the systems to enable us to develop and sustain our competitive advantages across the continent.

Peter Wharton-Hood
Group chief operating officer

SR Refer to the technology and operating infrastructure section of the sustainability report, starting on page 71 for more information

Overview

Information technology (IT) and operations form part of the group enabling functions that support the businesses in achieving their objectives. This is achieved by providing smart, cost effective and sustainable solutions to enable service delivery to customers and clients. These services ensure that we remain competitive as a bank and continue to deliver sustainable growth, as well as cost efficiencies across the operations of the group.

Following the redesign of our business architecture and structures in 2011 to support the group's strategic business objectives, the group enabling functions made a valuable contribution to the delivery of the strategy in 2012. This was achieved through the continued development of IT infrastructure, enhanced functioning of group operations, significant improvement in processing and deliberate focus on efficiency.

Cost management is a strategic imperative for the group, and IT and operations are fundamental to achieving this objective. The foundation has been set to deliver against a clearly articulated, sustainable and commercial cost management plan. Several initiatives that support cost management in the group enabling functions commenced in 2012, including the migration of functions to group shared services, improving data management, the outsourcing of some non-core functions and paying detailed attention to the management of our key IT programmes. As a result, costs in the group enabling functions were well contained in line with budget and grew at a lower rate than the group's other costs.

Information technology

The group has a comprehensive strategy to make IT an efficient asset that supports, sustains and enables growth and operational excellence. We have made considerable progress in delivering our plans for large-scale project implementations and productivity improvements by consolidating, standardising and improving the efficiency of IT infrastructure across our customer-facing business units and our group enabling functions.

The upgrade of our core banking system in South Africa to SAP means that IT costs for the group will continue to elevate through to 2016. These costs are an investment in the significant long-term competitive advantage the new systems will afford our group. A large contributor to these elevated costs is the dual operation of the legacy systems and the new systems during the migration phase. This has been a deliberate action to minimise disruption to the business during our systems migration and deliver predictable change for the group's operations and their customers. We have a clear plan for implementation, and there have already been three successful releases on schedule.

Analysis of total information technology function spend – banking operations

	Change %	2012 Rm	2011 Rm
IT licences, maintenance and related costs	14	**3 636**	3 183
IT staff costs	18	**2 691**	2 275
Depreciation and amortisation	24	**2 094**	1 683
Other	28	**1 184**	922
Total	19	**9 605**	8 063

In 2012, the SAP migration focused on the phased transfer of PBB products and customers to the new system as we launched the Access suite of products on the new platform. The adoption was excellent, with origination volumes exceeding 300 000 accounts per month. The first accounts in Business Release 3 were successfully migrated to the AccessAccount suite of offerings in 2012. The migration process was thoroughly and meticulously planned, prepared, tested and delivered successfully. We will now start migrating 4,3 million PBB transactional accounts on the branch accounting system into simple and affordable AccessBanking products on SAP, namely, the AccessAccount, AccessSave and AccessLoan. This foundational change is an opportunity to simplify our processes, and to offer new innovative mobile origination and more competitive products.

Business Release 4 – *Customer Relationship Management* – is undergoing integrated testing and is scheduled for implementation in 2013. As Standard Bank moves towards becoming a more customer-centric bank, we will differentiate ourselves through the quality of our customer relationship management. These releases will assist us in providing systems, processes, knowledge and skills to achieve this goal.

We were awarded two SAP Quality Gold Awards for Best Large Implementation and Innovation at the Sapphire Awards in Madrid. Standard Bank was selected as best project out of 200 nominated projects and this recognition vindicates our hard work, perseverance and commitment to SAP as our new core banking system.

The overall project will be positive for costs in the longer term, and we will be more agile for our customers and deliver improved levels processing efficiency. This core banking transformation will deliver simplified and more affordable banking. More importantly, it should allow us to be 'quick to market' with new products and alternative channels.

SR **Refer to page 75 of the sustainability report for more detail on IT implementations during the year**

Enabling business growth and operational efficiency

The migration of the core banking system from legacy in-house systems to Finacle in our operations in the rest of Africa will also deliver critical business and operational benefits. The new systems are already improving customer service delivery and enhancing system availability and stability. They are also allowing us to respond more effectively to new growth opportunities and to develop and deploy new products more rapidly. A further benefit is the flexibility they provide to scale up our customer acquisition throughout Africa at an appropriate pace.

Following the successful deployment of the Finacle core banking system in Nigeria in 2011, Finacle was implemented in Namibia and Uganda during 2012 and was extended to Botswana in early 2013. In these operations the new system contributed to improved and consistent customer and service delivery and cost reductions associated with system standardisation and integration. The development of scalable and flexible systems is facilitating business growth and rapid development and deployment of new products. The rollout of Finacle has been slower than originally anticipated as the system replacement has been expanded in scope to include necessary business and process re-engineering. We remain committed to implementing this system across all our African countries, except Angola and Mozambique, which will be revisited at the end of the programme.

The group continued to invest in several additional long-term strategic projects for trading and transactional banking activities in CIB. These included the creation of a global trading capability and an ecommerce trading programme in global markets, and the rollout of our new Business Online. This is an upgraded corporate banking transactional platform that is assisting our transactional products and services business in CIB to increase flow and revenue by providing a cash management capability to multinational clients.

We continued to make substantial IT investments in our group enabling functions and significant improvements will be delivered as we implement or upgrade our finance and human resources systems. Our investment in our regulatory and governance infrastructure was extended to address the increasing requirements of supervisors and regulators.

A strategic IT collaboration agreement was concluded with ICBC to further strengthen our cooperation in selected areas. A committee was established to bring together business and IT leaders and provide oversight of our collaboration projects. To date there has been significant progress and delivery in our mobile banking platforms. There has also been extensive knowledge and expertise sharing in our large system architecture as well as our fraud prevention activities. We are confident that there are other areas where collaboration will deliver meaningful value to ICBC and ourselves.

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

Chief operating officer's review continued

Our medium-term IT plans remain unchanged. We remain committed to the delivery of all its components and are confident that the business value promised will be delivered.

Group operations

Our group operations unit includes all of our trade support, transactions processing, reconciliation and logistics functions across PBB and CIB.

The operations team has clear, prioritised objectives which focus on:

- implementing standardised procedures across all divisions of our bank
- delivering customer and internal service across the continent
- improving all control environments
- aligning and upskilling our people.

In 2012, group operations focused on managing costs, service and capability, managing change and, finally, a people programme created to look at the vital aspect of staff engagement, development and learning and the like.

We supported our business partners in growing the group by means of providing smart, cost effective and sustainable solutions. We worked more closely together across the group enabling functions, leveraging our collective capacity and looking more closely at the way we do things to make sure that we have the right people, the right structures, processes, tools and technologies to take us forward.

We also made substantial IT investments to support the improvements in our operations. We delivered a paperless electronic content management programme to reduce physical volumes in processing. We extended our lean and six sigma projects and enhanced our operations' control environments. The path to improving and continued operational excellence remains clear.

The year ahead

Our industry changes continuously and as a business we need to adapt and remain competitive. Keeping costs low, maximising internal efficiency and mobilising our people to serve the needs of our customers are our key focus areas in 2013.

Ultimately, we will strive to contain our costs while still facilitating business growth. This will not be an easy task, but we have established the platform and mapped out the journey ahead to ensure we have the systems backbone to enable us to use our competitive advantages to the full.

Large infrastructure projects have the ability to fundamentally transform local, national and regional economies for the better. The Gautrain high-speed rail project is the largest infrastructure public private partnership in Africa to date, and has redefined urban development in the Gauteng region. Standard Bank was joint lead arranger and underwriter to the Bombela Consortium, the concession company operating this R27 billion project, making us the largest bank lender to the project.

Image: Gautrain station, O.R. Tambo International Airport – South Africa

Managing sustainable development

Sustainability as an integral part of our business strategy

Our approach is to proactively embed sustainability thinking into our business processes: from environmental and social screening on corporate lending and project finance, to savings, insurance and transactional products for individuals at all phases of their lives. We enable people to improve their quality of life and enhance their financial security. We also facilitate economic growth and job creation and assist in financing infrastructure and development. We are designing financial products that help in resolving global challenges such as energy and food security, resource depletion and climate change. The success of our customers, clients and stakeholders guarantees future business and underpins our own sustainability.

For more information, refer to the sustainability report available at www.standardbank.com/sustainability > approach > sustainable development

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

The group social and ethics committee reports directly to the 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 group's South African operations
- labour and employment policies, practices and procedures
- environmental impacts
- consumer relationships
- ethical conduct.

Our material issues

In formulating the group's strategy and determining its strategic priorities, the board considers the full range of issues that influence the sustainability of our business and that of the social, economic and physical environments in which we operate and which, in turn, have a direct impact on our future viability.

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 the group'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 values and code of ethics
- our strategy
- internal and external stakeholder engagement
- dialogues between executive management
- risk management and regulation
- global challenges and national priorities
- sustainability indices.

AIR **Our material issues are set out on page 13**

SR **Refer to pages 12 and 13 of the group sustainability report for more detail on how we manage our material issues**

Benchmarking

We participate in various indices to benchmark our economic, social and environmental performance against local and international banks to assist us in identifying areas for improvement. The results below indicate our performance in some of the key indices.

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

We were the only African company included, ranking **98th**.

Newsweek Green Rankings

Globally, we ranked **21st** in the financial sector category and **64th** overall out of the largest 500 publicly traded companies.

Carbon Disclosure Project

In the 2012 Carbon Disclosure Project (CDP), Standard Bank and Liberty scored **74%** (2011: 74%) and **76%** (2011: 71%), respectively.

JSE Socially Responsible Investment Index

For the sixth consecutive year, Standard Bank was identified as a '**best performer**'.

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.

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

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

Assurance

The King Code advocates that sustainability reporting and disclosure should be independently assured. The group's sustainability report has been independently assured since 2005. The 2012 sustainability report has been assured by KPMG Services (Pty) Limited. Assurance was provided over 14 key performance indicators, with seven of these indicators assured at a reasonable assurance level, and the remaining seven at a limited assurance level. The full assurance report can be found in the group's sustainability report. The summarised sustainability information included on the following pages has been extracted from the group's sustainability report and is a fair reflection.

SR **For a comprehensive understanding of the assurance performed and our sustainability performance, refer to the sustainability report on pages 97 and 98**

Assurance report

The summarised sustainability information, as set out in the sustainability reviews of this integrated annual report, has been extracted from the 2012 group sustainability report. KPMG Services (Pty) Limited has provided assurance over selected sustainability information as contained in the 2012 group sustainability report, in which we express an unmodified opinion on the identified sustainability information. For a better understanding of the group's sustainability performance, as well as the scope of our assurance process, the extracted sustainability information in this report should be read in conjunction with the full 2012 group sustainability report containing our assurance statement.

KPMG Services

KPMG Services (Pty) Limited

Per Neil Morris
Director
6 March 2013

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 that we communicate a consistent message based on our code of ethics, values and strategy.

SR **Refer to page 17 of the sustainability report for a detailed list of our stakeholders**

We are proactive in identifying and responding to misalignments, conflicts and concerns between our actions and our stakeholders' expectations. In June 2012, Sim Tshabalala, the SBSA chief executive and newly appointed joint group chief executive was appointed as the Banking Association of South Africa's (BASA) chairman for a two-year period. In this role, Sim 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 the group'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. Standard bank is perceived as a successful business with impressive profitability, offering 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
- the use of IT to simplify banking and offer high-quality services to customers and clients.

Another example of our engagement with stakeholders is that with regulators. During 2012 the government reviewed and conducted an impact assessment of consumer credit policy and the National Credit Act 34 of 2005 (NCA). We fully supported 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.

SR **Refer to pages 18 and 19 of the 2012 group sustainability report for a more comprehensive outline of our engagement with a broad range of stakeholders**

Socioeconomic impact

The group recognises that the private sector is critical for the future development of countries, particularly emerging markets, as business is able to contribute towards the investments required to stimulated economic development and mitigate the risks posed by global challenges.

SR **For more detail on our socioeconomic impact refer to the sustainability report starting on page 22**

Value added statement for the year ended 31 December 2012[1]

Group value added statement	2012 Rm	2012 %	2011 Rm	2011 %
Value added				
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)[2]	
Wealth created	**60 008**		49 948[2]	
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
Corporate and social investment spend	**125**		120[2]	
Retentions to support future business growth	**13 284**	**22**	10 264[2]	21
Wealth applied	**60 008**	**100**	49 948[2]	100

[1] Externally assured, refer to page 47.
[2] Restated.

We financed R3,6 billion in affordable housing loans of which 80% was granted to first-time home owners in the low-income market. In 2012, we financed **one in three affordable houses in South Africa.**

1,7 million previously unbanked customers added during the year.

More than 661 000 SMEs banked across the whole of Africa with more than 480 000 SMEs banked in South Africa.

6,2 million inclusive banking customers with a transactional account and **R3,7 billion** lent to our inclusive banking customers in South Africa.

R15,1 million spent on consumer education in South Africa.

In 2012, the group's total procurement spend was **R36 billion** from a supplier base of nearly 17 000.

36 720 distressed customers in South Africa were assisted through our credit customer assist function with total outstanding loan obligations of about **R11,9 billion**.

Spent **R13,3 million** in bursaries to assist employees to further their careers.

Employee report

For the group 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.

Key indicators

		2012	2011
Headcount and turnover			
Employee headcount[1]		**49 017**	51 656[2]
Women employees of a proportion of the workforce[1]	%	**57**	57
Employee turnover rate[1]	%	**10.2**	11.6
Leadership and graduate development programmes attendance			
Leadership development programme participants		**2 498**	1 101[2]
Graduate development programme participants		**187**	153
Training spend			
Training spend[1]	Rm	**609**	484
Training spend as a % of staff costs[1]	%	**2.4**	2.2

[1] Externally assured, refer to page 47.
[2] Restated.

Talent resourcing

We have streamlined our recruitment process to be more structured and effective, minimising our need for external recruitment partners. 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. Some 12 841 employees work in our African operations, of which 419 are based in South Africa, and only 77 (2011: 105) of our employees have been deployed from our domestic operation.

Our graduate programmes are critical to our resourcing strategy as they are an important source of future leaders for the group. In 2012, Standard Bank invested R17,1 million (2011: R15,1 million) in graduate programmes. Of the 187 (2011: 153) people who participated in our graduate programmes in 2012, 33% were women and, of the South African attendees, 70% were black.

Other initiatives have included introducing a development and mentorship framework for our 2012 graduates, developing a programme to address the current shortage of specialist quantitative skills, and launching a new programme to build leadership capability at provincial level in South Africa. We also engage with university students in South Africa to attract talented graduates.

Looking forward we have identified our temporary employee resourcing model as an area for improvement and we are revising our approach to achieve consistent terms of employment for temporary employees. We will also aim to attract talented people from the African diaspora back to the continent.

Leadership capability

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.

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. We also implemented four leadership programmes in our operations in the rest of Africa.

During 2012, 2 498 (2011: 1 101) leaders participated in formal training programmes. Of our South African employees who participated 72% (2011: 80%) were black.

At December 2012, 808 employees had attended a management essentials programme. In addition, we developed a customised version of this programme for managers in our operations in the rest of 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.

Eight people from the African countries in which we operate have been awarded scholarships to study at the London School of Economics. Where appropriate, we also 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.

Skills development

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 2012, the group skills development spend was R609 million (2011: R484 million), accounting for 2.4% (2011: 2.2%) of total staff costs. 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. Liberty's training spend amounted to R44 million (2011: R21 million) with 83% (2011: 76%) spent on black employees.

Standard Bank and Liberty invest in skills development programmes or learnerships for unemployed matriculants and university graduates in South Africa where we host learners and provide coaching, mentoring and training. In 2012, our banking operations hosted 100 Letsema and Kuyasa learners (2011: 59), and we hosted an additional 523 learners on Standard Bank learnerships (2011: 317). In 2012, a total of 120 learners commenced Liberty's learnership programme.

Diversity and inclusion

Employees who reflect the diversity of the societies in which we operate understand and are better able to serve our diverse base of customers and clients, which contributes significantly to our continued success.

Employment equity in South Africa

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 appointments at junior management level were from under-represented groups, with 71% (2011: 62%) and 44% (2011: 37%) at middle and senior management levels respectively. Of Liberty's staff appointed 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 particularly engage with and develop 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. In 2012, 60 women from Angola, Ghana, Malawi, Nigeria and South Africa participated in the programme. Under the Central Bank of Nigeria's diversity directive, Stanbic IBTC Bank is required to increase the representation of women on its board of directors and within its senior management level to 30% and 40% respectively by the end of 2014. With the initiatives we have in place we expect to be compliant within the allotted timeframe. In the United Kingdom, 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 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.

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 have disabilities, with 1.2% (2011: 0.7%) 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 group's South African operations. 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.

Performance and reward

In 2012, we introduced a standardised performance management approach which 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 approach also aligns to the group's values as it introduces behavioural standards into performance reviews.

Employee benefits

Our benefit programmes provide core benefits such as medical and other insurance, and retirement benefits. In South Africa we provide the same benefits to permanent full-time and part-time employees. Medical aid, disability cover, maternity leave and retirement benefits are not available to temporary workers. In our African operations, with the exception of countries where state pension schemes exist, we provide some form of occupational pension scheme.

Employee report continued

Each operation also has its own parental leave policy aligned to local legislation and market practice. In South Africa, this now includes fully-paid maternity and paternity leave for the legal adoption of children. Standard Bank Africa employees are provided with fully paid parental leave aligned to or exceeding the statutory requirement of the respective country.

Sustainable employment practices

Employee wellness

We provide proactive and cost effective health programmes and services to manage workplace health risks. Our long-term goal is to ensure that our health and wellness programmes are consistent across the group and relevant to individual operations. We have commenced a programme to screen 90% of SBSA's employees for health risks, such as cholesterol, glucose and blood pressure during the next three years. Voluntary and confidential HIV counselling and testing are an integral part of our screening programmes. Employees can then be referred to health management programmes. We are developing an approach to implement similar processes in our remaining African operations.

All permanent employees in South Africa are members of Bankmed, our medical aid provider, unless they are registered as spousal dependents on other medical schemes. Bankmed members can sign up to Bankmed's Special Care HIV programme at no additional cost. We currently have 1 158 (2011: 1 037) employees and their dependents 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. In other African operations our staff have access to medical treatment with a minimum standard of care.

Absenteeism data is monitored and analysed to identify employees who may require support and assistance with health and wellness issues. Our absenteeism rates were 2.1% for the South African banking operations and 1.4% for Liberty. We have started increasing our absenteeism data analysis for our operations outside South Africa.

Formal policies and procedures are in place to manage employees who are temporarily or permanently incapacitated and unable to perform their duties for an extended period. During 2012, 186 applications were received, of which 69 were granted benefits. Free and confidential independent counselling services are available to all Standard Bank and Liberty employees, their partners and immediate families across Africa.

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.

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 (2011: 1 928) occupational health and safety officials in 2012, at a cost of R2,2 million (2011: R1,8 million). In addition, 10 960 (2011: 8 906) health and safety officials received training through our e-learning programme during the year. Liberty and Standard Bank Plc trained 341 and 37 employees in health and safety, respectively.

Worker representative organisations

In South Africa, 49.7% (2011: 50.8%) of Standard Bank's employees belong to Sasbo, The Finance Union. Where labour organisations are present in other countries of operation, we work to build strong relationships. Recognition agreements exist with labour unions in Botswana, Democratic Republic of Congo, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe.

SR **For further information on employee issues, refer to the employee section of the 2012 group sustainability report, starting on page 58**

Environment report

The group 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

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% of SBSA | Introduced a **recycling initiative** in our head office in Johannesburg | **19 million tons of greenhouse gases abated** from our carbon financing

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**.

SR **For further information on our impact on the environment, refer to the environment section of the 2012 group sustainability report starting on page 81**

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 and clients, 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 clients to ensure that social and environmental risks are mitigated, and finance products that assist our customers in reducing their own carbon footprint.

Our indirect impact

Environmental and social risk management

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 for all other financial product types in CIB. 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

Environment report continued

the loan and the industry sector involved. It covers biodiversity considerations and human rights issues.

The Equator Principles apply to all new project finance loans of USD10 million or more, across all industry sectors. During 2012, we financed 16 Equator Principle deals and played an advisory role in 13 others.

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.

Carbon market development

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 almost USD690 000 (R5,6 million) to 15 projects across nine sub-Saharan Africa 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.

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. At December 2012, we had funded renewable energy projects totalling R9,4 billion. This is 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. 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 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. Financial close is scheduled for April 2013. These projects will produce approximately 805 gigawatt hours of renewable energy a year.

During 2012, we also pursued renewable energy projects in Angola, Ghana and Nigeria. A USD50 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.

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 more than 34 000 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 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.

Our direct impact

Key indicators

		2012	2011
Carbon equivalent			
SBSA[1,2]	metric tons	**412 089**	180 403
Equator Principles			
Number of projects financed[1]		**16**	9
Number of advisory services on project finance deals[1]		**13**	20
Total energy consumption of premises			
SBSA[2]		**369 094 656**	153 512 557
Diesel to operate generators	kilowatt hours	**799 709**	429 495
Electricity purchased: buildings[4]	kilowatt hours	**303 323 037**	125 422 308
Electricity purchased: ATMs	kilowatt hours	**15 309 968**	NA[3]
Electricity purchased: data centres[4]	kilowatt hours	**48 958 708**	27 139 508
Renewable energy sourced	kilowatt hours	**703 234**	521 246
Water consumption			
SBSA[5]	kilolitres	**319 055**	295 807
Paper consumed and recycled			
SBSA			
Paper consumed	tons	**3 336**	3 337
Paper recycled	tons	**653**	516
SBSA total waste generated[1]	tons	**1 609**	1 196

1 Externally assured, see page 47.
2 Please see below for a detailed explanation of these movements and the increased scope of our measurement in 2012.
3 Not available.
4 Electricity consumption covers 100% of South African premises for 2012.
5 Water consumption covers approximately nine head office and regional buildings.

Our targets

We 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. During 2012 we focused on improving the rigour of our data collection for all environmental indicators and increasing the scope of measurement. For example in 2012, we increased the scope of measurement for our SBSA electricity consumption to 100% of our premises, including the branch network, data centres and ATMs. Having a full scope enables us to more accurately track our progress. In 2013, we will work on extending the scope of our water, paper, waste and recycling data.

SR **A full environmental report is included in our 2012 group sustainability report, starting on page 81**

Carbon footprint

The group's South African CO_2 equivalent for 2012 was 412 089 (2011: 180 403) metric tons, 128% higher than 2011. This was anticipated as during 2012 we focused on improving the score of our electricity measurement. In 2011 we only reported 63% of key buildings and in 2012 our measurement accounts for 100% of our South African sites. This includes our branch network and all ATMs. 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.

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

Financial review

Simon Ridley
Group financial director

Headline earnings per share

940,7 cents
(2011: 856,9 cents)

Net asset value per share

7 092 cents
(2011: 6 453 cents)

This review provides:

- An analysis of the impact of the economic environment on key financial ratios.
- An overview of the key features of the 2012 financial results.
- An analysis of the group's financial performance and financial position.
- Details of the dividend to shareholders.

The financial results and related commentary is presented on a normalised basis, unless indicated as being on an IFRS basis.

AIR **The principal differences between normalised and IFRS results are set out on page 69**

AIR **The summarised annual financial statements presented in accordance with IFRS are set out on page 72**

RCM AFS **Refer to the annual financial statements for the detailed seven-year review starting on page 266**

Financial results and ratios

		Change %	2012	2011
ROE	%		**14.2**	14.3
Headline earnings	Rm	10	**15 010**	13 599
Headline earnings per ordinary share	cents	10	**940,7**	856,9
Dividend per ordinary share	cents	7	**455,0**	425,0
Tier I capital adequacy ratio	%		**11.7**	12.0
Net asset value per share	cents	10	**7 092**	6 453
Net interest margin	%		**3.09**	2.92
Non-interest revenue to total income	%		**50.2**	50.6
Credit loss ratio	%		**1.08**	0.87
Cost-to-income ratio	%		**58.7**[1]	58.8

[1] Excluding the restructure charge, detailed on page 64, the cost-to-income ratio amounts to 57.6%.

Impact of the economic environment on key financial ratios

The table below sets out the key financial indicators (KFIs) that drive the earnings and ultimately the value of the group. The table also sets out the external economic factors influencing these value drivers (assuming no management action) and indicates how these economic factors influenced the group's performance in 2012 and their expected impact in 2013.

Economic statistics provided relate to South Africa, from where the majority of the group's headline earnings originate.

Key financial indicator (KFI)	Economic factors that impact the KFIs	Economic factor in 2012	Impact of economic factor in 2012	Expected economic factor in 2013	Expected impact of economic factor on 2013 KFI
Growth in loans and advances	GDP growth	▲	▲	▲	▲
	Debt-to-disposable income level	▼	▲	▼	▲
	Interest rates	▼	▲	–	–
Net interest margin	Interest rates	▼	▼	–	–
Credit loss ratio	Debt-to-disposable income level	▼	▲	▼	▲
	Number of insolvencies and liquidations	▼	▲	▼	▲
	Collateral values	▲	▲	▲	▲
Growth in fee and commission revenue	GDP growth	▲	▲	▲	▲
	Inflation (CPI)	▲	▲	▲	▲
Growth in trading revenue	Market trading volumes	▲	▲	▲	▲
	Market price volatility	▼	▼	▼	▼
Growth in operating expenses	Average rand exchange rate against USD	▼[1]	▼	▼[1]	▼
	Inflation (CPI)	▲	▼	▲	▼
Effective tax rate	Corporate tax rates	–	–	–	–
Impact of translating income from operations outside South Africa into rand	Average rand exchange rate against USD	▼[1]	▲	▼[1]	▲
Growth in long-term insurance revenue	Equity market performance (JSE)	▲	▲	▲	▲
	Debt-to-disposable income level	▼	▲	▼	▼
Growth in ordinary shareholders' equity in operations outside South Africa	Closing rand exchange rate against USD	▼[1]	▲	▼[1]	▲

▲ Increase in economic factor/positive impact on group's performance.
▼ Decrease in economic factor/negative impact on group's performance.
– Neutral.
[1] Implies a depreciation in the exchange rate.

Growth in loans and advances

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

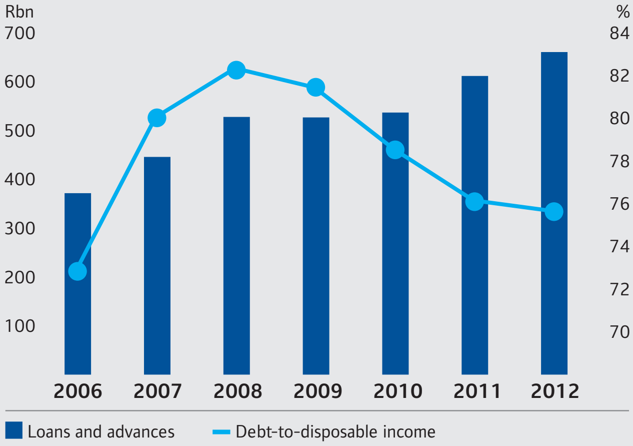
Growth in loans and advances in the personal market in particular is dependent on our customers' ability to repay debt. The **debt-to-disposable income ratio** provides a measure of the ability of households to service existing loans and assume further debt.

Financial review continued

The graph below illustrates the noticeable rise in debt-to-disposable income levels up to 2008 that was consistent with the strong growth in loans and advances.

Subsequent to 2008, customers have started to rebuild their balance sheets as is evident from the gradual reduction in debt-to-disposable income levels from 2008 onwards. The group has grown loans and advances in countries outside South Africa, ensuring the group's loan book continues to increase while indebtedness levels in South Africa improve.

Loans and advances, and South African debt-to-disposable income



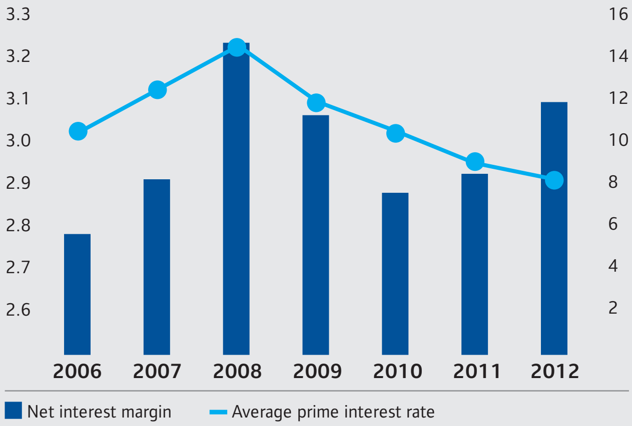
Debt-to-disposable income levels are not expected to reduce significantly over the short to medium term. It is, however, expected that a slow improvement in disposable income levels will be positive for loan growth in 2013.

Net interest margin

The net interest margin represents the profit margin between the interest rate earned on lending products and investments, and the interest rate paid on deposits and other funding. Benchmark lending rates, such as the prime interest rate in South Africa, are key factors that cause variation in the net interest margin.

During times when prime interest rates decline, banks charge lower rates on prime-linked lending products such as home loans, vehicle and asset finance and card products. However, the interest paid on deposits in transactional accounts is not prime-linked and does not decline as much as the reduction in the interest rate earned on prime-linked lending products. This mismatch, referred to as a negative endowment impact, reduces the net interest margin.

Net interest margin and South African average prime interest rate (%)



When interest rates increase, the increase in the interest rate earned on the prime-linked lending products is greater than the increase in the interest rate paid on deposit balances in transactional accounts. This results in an increase in the net interest margin and is referred to as a positive endowment impact.

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

During 2012, interest rates in South Africa were at their lowest levels in 37 years, resulting in a negative endowment impact. This was offset by higher interest rates in East Africa and Nigeria which contributed to a net positive endowment impact for the group.

The endowment risk is partially hedged as and when it is considered appropriate, using derivative instruments such as swaps and interest rate swaptions.

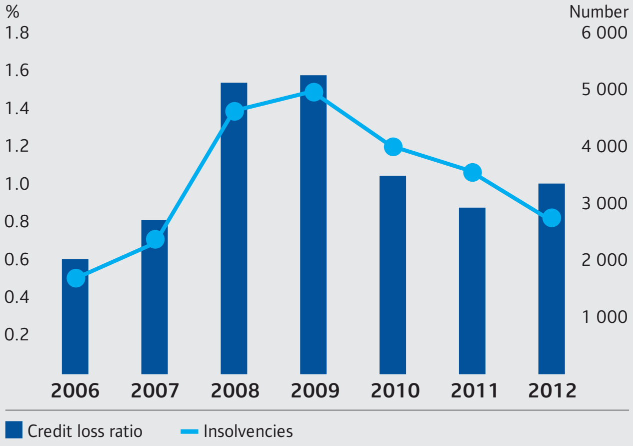
Hedging strategies also factor in the partial offset of the endowment impact by a reduction in credit impairments due to lower interest rates. While the downturn in interest rates has negatively impacted net interest income, the group is well positioned for an upward rate cycle.

Credit loss ratio

The credit loss ratio is the credit impairment charge expressed as a percentage of the average group loans and advances balance and indicates the loss to the group resulting from the inability of customers to repay loans during the year. For every rand owed by customers, the group on average incurred a loss of 1,08 cents (2011: 0,87 cents).

Insolvencies and defaults recorded in the economy, as well as debt-to-disposable income levels described earlier, provide an indication of the stress that our customers and clients experience. The graph below illustrates the correlation in South Africa between insolvencies and credit losses.

Credit loss ratio and number of South African insolvencies



Growth in non-interest revenue

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

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

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

Growth in operating expenses

Inflation is one of the key external indicators that places upward pressure on operating expenses over an extended period. Numerous internal factors also affect the growth in operating expenses, such as growth in staff numbers, the attraction and retention of high quality staff, and investments in branch and IT infrastructure and business volumes. Average consumer price index (CPI) inflation in South Africa increased from 5.0% in 2011 to 5.6% in 2012 and put slight upward pressure on cost growth. Infrastructure investment and the pursuit of organic growth opportunities in the rest of Africa placed upward pressure on operating expenditure.

The inflation rate in South Africa is expected to increase and will result in slight cost growth in 2013. The group will continue its focus on operational excellence to manage cost growth within acceptable levels. Ensuring that the group can continue to invest for growth in markets such as Angola, Kenya and Nigeria, while controlling cost growth for the group as a whole, has been, and will continue to be, a group priority.

The rand exchange rate is also a factor in operating expenses. A weaker exchange rate during the year resulted in higher costs from our operations outside of South Africa. See below for more details.

Effective tax rate

Corporate tax rates remained mostly unchanged in most of the countries in which the group operates, although secondary tax on companies was abolished in South Africa in 2012. No significant changes are anticipated in 2013.

Growth in ordinary shareholders' equity in operations outside South Africa

The group's ordinary shareholders' funds are kept in various currencies in foreign operations, and changes in the closing rates of these currencies therefore have an impact on the rand value of the group's ordinary shareholders' funds. The combined impact of all foreign currency movements, together with associated hedge gains and losses, resulted in a R1 237 million positive impact on shareholders' funds, accounted for directly in equity.

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

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

Growth in earnings from long-term insurance

Liberty's earnings are dependent on numerous factors, including policyholder and investor behaviour and growth, which are not analysed here, as well as returns from investments. The performance of the JSE in South Africa has a direct impact on earnings from the insurance operations. The JSE All Share Index grew by 23% in 2012 and contributed to growth of Liberty's earnings. In addition, the propensity of customers to continue making contractual payments improved due to sustained management intervention.

Financial review continued

Income statement analysis

The income statement or statement of financial performance reflects the revenue generated by the group as well as the costs incurred in generating that revenue for the year ended 31 December 2012.

Consolidated normalised income statement

for the year ended 31 December 2012

	Change %	**2012 Rm**	2011 Rm
Net interest income	18	**34 233**	29 027
Non-interest revenue	16	**34 474**	29 724
Net fee and commission revenue	8	**21 319**	19 782
Trading revenue	12	**8 868**	7 895
Other revenue	>100	**4 287**	2 047
Total income	17	**68 707**	58 751
Credit impairment charges	37	**8 800**	6 436
Net specific credit impairment charges	55	**9 040**	5 849
Portfolio credit impairment (reversals)/charges	(>100)	**(240)**	587
Income after credit impairment charges	15	**59 907**	52 315
Operating expenses	15	**39 998**	34 725
Staff costs	16	**22 195**	19 141
Other operating costs	14	**17 803**	15 584
Net income before restructure charge	13	**19 909**	17 590
Restructure charge	100	**758**	
Net income before goodwill	9	**19 151**	17 590
Goodwill impairment	>100	**777**	61
Net income before disposal of subsidiaries and equity accounted earnings	5	**18 374**	17 529
Loss on disposal of subsidiaries	(100)	**(86)**	
Share of profit from associates and joint ventures	>100	**675**	257
Net income before taxation	7	**18 963**	17 786
Taxation	7	**5 766**	5 397
Profit for the year from continuing operations	7	**13 197**	12 389
Discontinued operation	>100	**2 435**	641
Profit for the year from the discontinued operation	42	**910**	641
Profit for the year from the disposal of the discontinued operation	100	**1 525**	
Profit for the year	20	**15 632**	13 030
Attributable to non-controlling interests	23	**855**	694
Attributable to preference shareholders	5	**357**	339
Attributable to ordinary shareholders – banking activities	20	**14 420**	11 997
Headline adjustable items – banking activities	(>100)	**(1 443)**	174
Headline earnings – banking activities	7	**12 977**	12 171
Headline earnings – Liberty	42	**2 033**	1 428
Standard Bank Group headline earnings	10	**15 010**	13 599

Banking operations analysis

Net interest income

Net interest income increased 18% as a result of 10% growth in average margin earning assets and margin expansion of 31 basis point. Good loan growth recorded in late 2011 which continued into 2012, drove the momentum in net interest income growth. Margin expansion was achieved through a combination of improved risk-based pricing and a greater proportion of higher margin unsecured loans in PBB. The positive endowment effect on capital and transactional balances in the rest of Africa, due to higher interest rates in East Africa, outweighed the negative endowment impact of the 50 basis point cut in the South African prime interest rate in July 2012.

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

		Average assets Rm	Net interest income Rm	Net interest margin %
2011 restated – continuing operations		993 139	29 027	2.92
Net non-interest earning assets		(184 425)	2 968	1.04
Interest earning assets – 2011		808 714	31 995	3.96
Impact of volume changes		**80 874**	**3 625**	
Impact of calendar variance			**86**	
Impact of rate changes			**2 200**	**0.27**
Lending margin			**149**	**0.02**
Client yield[1]			**1 918**	**0.24**
Cost of funding[2]			**(1 769)**	**(0.22)**
Unwinding of discount on credit impairments – IAS 39			**(211)**	**(0.03)**
Funding margin			**1 258**	**0.16**
Endowment – funding			**1 060**	**0.13**
Endowment – capital and reserves			**(112)**	**(0.01)**
Assets held for liquidity purposes			**(42)**	**(0.01)**
Other treasury and banking activities			**98**	**0.01**
Change in composition of balance sheet				**0.04**
Interest earning assets – 2012		**889 588**	**37 906**	**4.27**
Net non-interest earning assets		**221 196**	**(3 673)**	**(1.18)**
2012		**1 110 784**	**34 233**	**3.09**
Net interest income change	%		**17.9**	
Average assets change	%	**11.8**		

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

Financial review continued

Non-interest revenue

Non-interest revenue grew by 16% during the year with net fee and commission revenue up 8%, trading revenue up 12% and other revenue significantly higher than that of the prior year.

Non-interest revenue

	Change %	2012 Rm	2011 Rm
Net fee and commission revenue	8	**21 319**	19 782
Fee and commission revenue	8	**24 732**	22 957
Account transaction fees	2	**9 286**	9 101
Electronic banking	12	**2 082**	1 858
Knowledge-based fees and commission	(8)	**2 465**	2 680
Card-based commission	13	**4 132**	3 644
Bancassurance	15	**1 381**	1 203
Documentation and administration fees	37	**1 222**	890
Foreign currency service fees	8	**1 381**	1 274
Other	21	**2 783**	2 307
Fee and commission expense	(7)	**(3 413)**	(3 175)
Trading revenue	12	**8 868**	7 895
Fixed income and currencies	16	**7 280**	6 273
Commodities	13	**1 553**	1 376
Equities	(86)	**35**	246
Other revenue	>100	**4 287**	2 047
Banking and other	>100	**2 253**	296
Property-related revenue	72	**663**	386
Insurance – bancassurance income	0	**1 371**	1 365
Total non-interest revenue	16	**34 474**	29 724

Growth in **net fee and commission revenue** of 8% was achieved despite a small increase of 2% in account transaction fees which was offset by healthy volume-based increases in both card-based fees and electronic banking fees. Higher commitment, guarantee and structuring fees also assisted the growth in net fee and commission income.

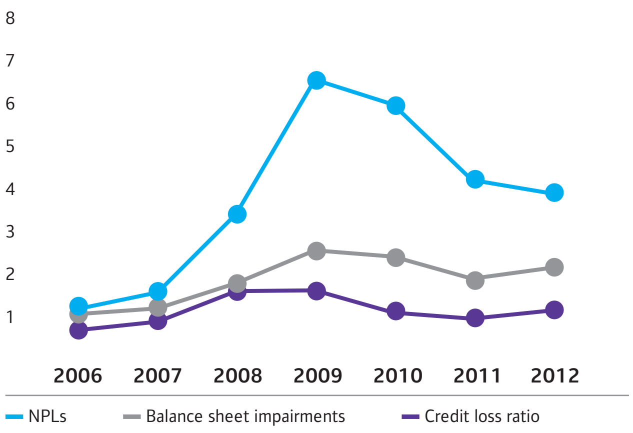
Trading revenue grew 12% off the back of a strong performance in the rest of Africa, which now contributes almost 40% of the group's trading revenues. Fixed income and currency trading grew 16% with forex and interest trading benefiting from an increased client base and activity levels. Commodity trading increased 13% following strong activity levels in base metal trading. Equity trading was impacted by a provision raised on the pending outcome of a counterparty dispute under arbitration.

Other revenue included the proceeds from realising a number of listed investments during the year. Insurance-related income benefited from a higher policy base but incurred higher claims due to several weather and fire-related claims in South Africa.

Credit impairment charges

Credit impairment charges of R8,8 billion were 37% higher than the prior year, while gross average loans and advances increased 10%. This resulted in the group credit loss ratio rising to 1.08% from 0.87% in the prior year.

Credit loss history (as a percentage of gross loans and advances) (%)



The increase in impairment charges was largely due to higher specific impairment provisioning against exposures within CIB, particularly on Middle Eastern exposures which are no longer aligned to current strategy. This added 30 basis points to CIB's credit loss ratio.

The overall impairment charge for mortgages declined to 0.91% of the book (2011: 1.07%), whereas the coverage ratio on non-performing loans increased from 20% last year to 26%. Higher specific impairments were raised within mortgage lending in South Africa. During 2012, a review of specific and portfolio impairment methodologies in mortgage loans was undertaken. A consequence of this was that more risk is now categorised under specific impairments rather than under portfolio impairments. This resulted in a release of R748 million from portfolio impairments and an increase of a similar amount under specific impairments.

The impairment charge in personal unsecured lending (excluding card) increased to R2,3 billion (2011: R1,3 billion). This was a result of the increased incidence of default in the R3,7 billion domestic personal term loans book (loans to lower-income customers known as the inclusive banking book) and strong growth in the middle market segment in South Africa and workplace banking in the rest of Africa. Consequently the personal unsecured lending credit loss ratio rose from 5.31% to 6.47%. Scorecard thresholds for this type of lending have been raised and there has consequently been very little growth in the book since June 2012.

RCM AFS **A detailed analysis of performing and non-performing loans is provided in the risk and capital management report on page 43**

Operating expenses

The group continues to invest in both staff and infrastructure to provide excellent customer service and deliver on our strategic priorities. We maintain a tight control on costs while investing for long-term growth. The two main contributors towards operating costs are staff costs and other operating expenses.

Staff costs grew 16% for the year. Fixed remuneration was up 11% due to annual salary increases and increased headcount due to the network and business expansion in the rest of Africa, particularly in Angola, Tanzania, Zambia and Uganda. In addition to this, staff costs increased due to higher non-permanent headcount in South Africa as a result of our extended branch hours and various change initiatives. Variable staff costs were up 16%, driven largely by increased amortisation of prior year awards as incentive remuneration has been subject to an increasing proportion of deferrals over recent years.

Staff costs

	Change %	**2012 Rm**	2011 Rm
Fixed remuneration	11	**15 290**	13 734
Variable remuneration	16	**4 513**	3 903
Charge for incentive payments	13	**3 443**	3 057
Charge for deferred incentive schemes	54	**823**	535
IFRS 2 equity-settled share-based payment expense	(21)	**247**	311
Other staff costs	59	**2 392**	1 504
Total staff costs	16	**22 195**	19 141
Variable remuneration as a % of total staff costs		**20.3**	20.4

Other operating expenses, excluding the restructure charge described on the next page, increased by 14% or R2,2 billion. This increase was largely due to an increase in amortisation and depreciation costs attributable to the commissioning of several new IT systems and the continuing expansion of our branch network. This expansion also resulted in increased premises, travel and communication costs in the rest of Africa and South Africa, including investment in low cost channels. Marketing costs grew due to new product and brand awareness campaigns in South Africa and in the rest of Africa. IT expenditure increased to support our business expansion, including data line charges and additional hardware and software requirements.

Financial review continued

Other operating expenses

	Change %	2012 Rm	2011 Rm
IT	14	**3 636**	3 183
Depreciation, amortisation and impairments	24	**3 341**	2 704
Communication	14	**1 403**	1 227
Premises	9	**3 133**	2 876
Other	12	**6 290**	5 594
Total other operating expenses	14	**17 803**	15 584

A **restructure charge** of R758 million was incurred during the year relating to the rationalisation of the group's operations outside of Africa. The charge includes retrenchment costs, office lease termination costs and software intangible asset write-offs mainly in London as well retrenchment costs relating to rationalisation in Brazil undertaken earlier in the year.

Including this charge, total operating expenses were up 17% for the year and the cost-to-income ratio ended the year at 58.7%, slightly lower than the prior year.

Share of profit from associates and joint ventures

Banking activities' share of profit from associates and joint ventures grew to R675 million (2011: R257 million) primarily due to the reversal of prior year impairments following fair value gains from valuations and good equity earnings from various associates.

Discontinued operation

The group completed the disposal of its controlling interests in Standard Bank Argentina S.A., Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión (SI) and Inversora Diagonal S.A. (ID) (collectively referred to as SBA) to ICBC at the end of November 2012. ICBC acquired a 55% stake in Standard Bank Argentina S.A. and a 50% stake in each of SI and ID from the group, with the group retaining a 20% shareholding and rights to board representation in each of the companies comprising SBA.

The profit realised on the disposal of the group's controlling interest, after accounting for the reversal of the foreign currency translation reserve losses, net investment hedge losses and the fair valuation of the group's remaining 20% associate interest, is R1 525 million. The group continued to classify its investment in SBA as a discontinued operation in line with the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* up to the disposal date. The group retains significant influence over the financial and operating policies of SBA and hence, following the disposal date SBA was accounted for as an associate in terms of the International Accounting Standards (IAS) 28 *Investments in Associates.*

Headline earnings – Liberty

Liberty's normalised headline earnings for the year ended 31 December 2012 were R3 768 million, of which R2 033 million was attributable to the group (2011: R1 428 million). Liberty's 2012 financial performance was positive across many indicators and all Liberty's business units are performing in line with or ahead of expectations. The 2012 performance also reflects Liberty's more cohesive nature as it begins to leverage new and current capabilities to support other businesses through innovation, risk management and knowledge sharing.

AIR Refer to page 39 for more detail on Liberty's financial performance

Economic returns

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

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

The total economic return of R1,5 billion (2011: R4,8 billion) was significantly lower than the prior year despite higher headline earnings, this was due to the unfavourable impact of the weaker rand on the group's foreign currency translation reserve and a slightly higher cost of equity of 13.7% (2011: 13.6%).

Balance sheet analysis

The balance sheet or statement of financial position shows the position of the group's assets, liabilities and equity at 31 December 2012, and reflects what the group owns, owes and the equity that is attributable to shareholders.

Consolidated normalised statement of financial position

at 31 December 2012

	Change %	2012 Rm	2011 Rm
Assets			
Banking activities	1	**1 273 083**	1 257 361
Cash and balances with central banks	94	**61 985**	31 907
Financial investments, trading and pledged assets	14	**220 670**	193 770
Loans and advances	1	**813 892**	803 811
Current and deferred taxation assets	(26)	**1 261**	1 700
Derivative and other assets	(13)	**144 174**	166 333
Non-current assets held for sale[1,2]	(97)	**960**	34 085
Interest in associates and joint ventures	49	**2 810**	1 881
Goodwill and other intangible assets	22	**13 928**	11 449
Property and equipment	8	**13 403**	12 425
Liberty	15	**275 590**	240 069
Total assets	3	**1 548 673**	1 497 430
Equity and liabilities			
Equity	10	**134 552**	122 023
Equity attributable to ordinary shareholders	11	**113 905**	102 523
Preference share capital and premium	–	**5 503**	5 503
Non-controlling interests	8	**15 144**	13 997
Liabilities	3	**1 414 121**	1 375 407
Banking activities	0	**1 158 007**	1 152 661
Deposit and current accounts	5	**930 153**	888 968
Derivative and other liabilities	(14)	**153 460**	178 590
Trading liabilities	29	**40 105**	31 145
Current and deferred taxation liabilities	57	**4 175**	2 653
Non-current liabilities held for sale[2]	(100)		27 939
Subordinated debt	29	**30 114**	23 366
Liberty	15	**256 114**	222 746
Total equity and liabilities	3	**1 548 673**	1 497 430

[1] The intended disposal of the group's investment in RCS Investment Holdings Proprietary Limited (2011: Troika) resulted in the associated asset being classified as held for sale as at 31 December 2012 and 2011, respectively.
[2] The intended disposal of the group's interest in SBA resulted in the assets and liabilities being classified as held for sale as at 31 December 2011.

Financial review continued

Banking operations analysis

Loans and advances

Loans to customers grew 5% year-on-year, and by 9% on a daily average basis. The 5% growth resulted from PBB growing advances to customers by 11% and CIB reducing its lending to customers by 2%.

Within PBB, mortgage lending grew 5% and instalment sale and finance leases rose 17%. Account and balance growth was sustained in card debtors. Credit card balances and other personal unsecured loans were up by 16% and 48% respectively. Business lending grew by 7%. Other personal unsecured lending includes a small book of unsecured lending to customers who earn less than R8 000 a month (referred to as our inclusive banking loan book), which has grown to R3,7 billion (2011: R2,0 billion). It also includes a book of revolving credit loans to middle market customers of R19,1 billion (2011: R12,4 billion) which grew strongly over the year.

In CIB, average loans to customers were up 5% year-on-year although they contracted 2% on yearend balances, due to strong loan growth in the second half of 2011 that was not repeated in 2012.

Analysis of gross loans and advances

	2012 Rm	2011 Rm
Personal & Business Banking	**502 154**	457 831
Mortgage loans	**299 675**	286 100
Instalment sales and finance leases	**62 860**	53 741
Card debtors	**24 052**	20 726
Other loans and advances	**115 567**	97 264
Personal unsecured lending	**42 633**	28 824
Business lending and other	**72 934**	68 440
Corporate & Investment Banking	**358 168**	383 531
Loans to banks	**106 363**	128 743
Loans to customers	**251 805**	254 788
Central and other	**(28 726)**	(22 366)
	831 596	818 996

Financial investments, trading and pledged assets

Financial investments decreased marginally by 3% or R2,6 billion due to the sale of negotiable securities during the year and lower holdings of SARB debentures.

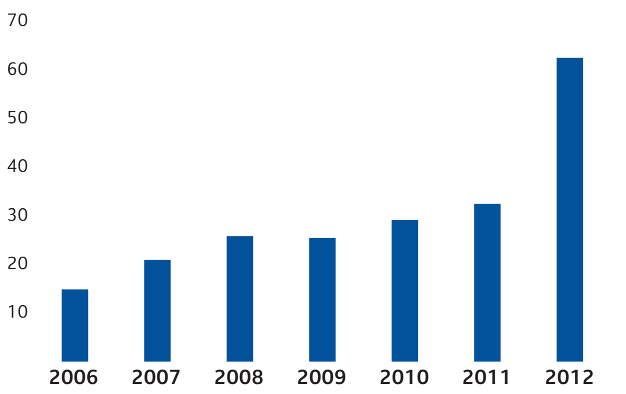
Pledged assets increased by R5,5 billion due to an increase in precious metals stock, which is used as collateral in repurchase transactions.

Trading assets increased by 27% or R24,0 billion, primarily due to an increase in equity positions as well as higher bond and repo trading positions.

Cash balances and balances with central banks

Cash balances and balances with central banks increased by R30,1 billion primarily due to cash reserves invested in a newly granted GBP reserve account with the Bank of England Sterling Monetary Framework, as the account can be used as a part of the liquid asset buffer required to be held by Standard Bank Plc. Other contributors to this growth were increased regulatory requirements for high cash reserves throughout the group.

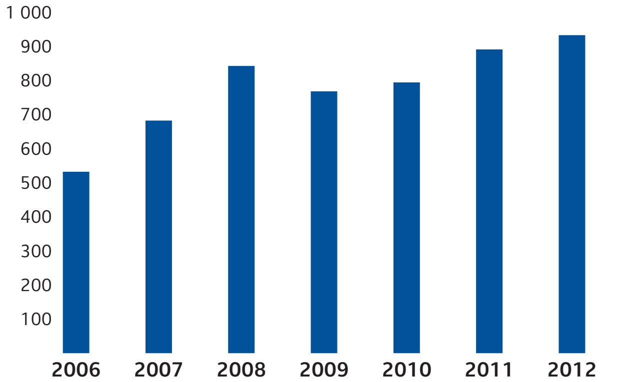
Cash and balances with central banks (Rbn)



Deposit and current accounts

Deposit and current accounts grew 5% during the year. Current accounts grew as a result of growth in the transactional base within the rest of Africa as well as the acquisition of new government-related accounts in South Africa. Cash management deposits were higher due to corporate clients keeping more working capital as well as the acquisition of government accounts in South Africa.

Deposit and current accounts (Rbn)



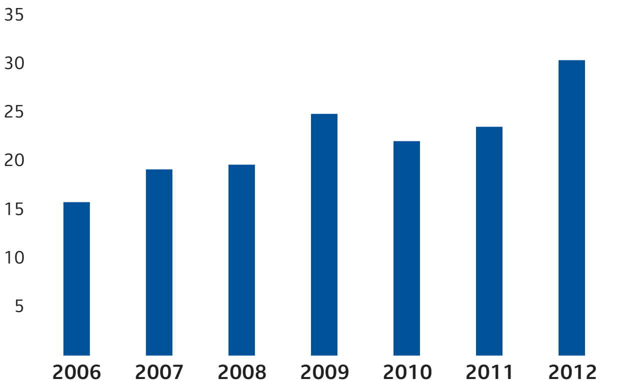
Derivative and other assets and liabilities

Derivative and other assets decreased by R22 billion to R144 billion, and derivative liabilities and other liabilities decreased by R25 billion to R153 billion. These reductions were primarily due to lower client flows in interest rate and foreign exchange derivatives.

Subordinated debt

Subordinated debt increased by R6,7 billion from prior year, due to the issue of new subordinated bonds during 2012, including SBK 15, 16, 17, 18 and 19, which qualify as tier II capital and will be grandfathered into the Basel III regulatory framework. These issuances were offset by the redemption of a dollar denominated private placement within SBSA.

Subordinated debt (Rbn)



Non-current assets held for sale

Following the conclusion of the sale of SBA to ICBC in November 2012 and the disposal of the majority shareholding in Standard Ünlü (Turkey), non-current assets and non-current liabilities held for sale amounting in 2011 to R34,1 billion and R27,9 billion respectively, were derecognised.

The disposal of Troika was concluded in January 2012 and the sale of a 53% holding in Standard Ünlü was concluded in October 2012. Further to existing arrangements, the group's shareholding in Standard Ünlü will increase to 25% after March 2013.

The intended disposal of the group's investment in RCS Investment Holdings Proprietary Limited resulted in the associated asset being classified as held for sale as at 31 December 2012.

Interest in associates and joint ventures

Interest in associates and joint ventures increased by R2,8 billion, mainly due to the recognition of the 20% interest retained in SBA, subsequent to the disposal of our majority shareholding to ICBC.

AIR **Refer to page 64 for further details of the disposal of our majority shareholding in SBA to ICBC**

Goodwill and other intangibles assets

Goodwill and other intangible assets increased R2,5 billion or 22%, primarily due to the capitalisation of development costs on projects such as SAP core banking and Africa core banking. This was partially offset by impairments in certain operations in the rest of Africa.

Trading liabilities

Trading liabilities increased R9,0 billion or 29%, mainly due to higher repurchase and equity trade positions in South Africa.

Financial review continued

Ordinary shareholder funds

The group's ordinary shareholders' funds grew by 11%. Shareholders' funds deployed outside South Africa are exposed to foreign currency translation movements resulting from the translation of these funds into rand.

Exchange rates

	Dollar	Sterling	Euro	Naira
2012				
Average exchange rate	**8,21**	**13,01**	**10,55**	**0,05**
Closing exchange rate	**8,48**	**13,71**	**11,18**	**0,05**
2011				
Average exchange rate	7,25	11,62	10,08	0,05
Closing exchange rate	8,09	12,48	10,46	0,05

The closing rand exchange rate weakened against the dollar to R8,48 resulting in a foreign currency translation gain of R1,2 billion (2011: R4,3 billion), which includes related hedging activities.

Dividends

A final dividend of 243 cents per share has been declared, resulting in a total dividend for the year of 455 cents per share, an increase of 7% and the dividend cover ratio was increased from 2.0 to 2.1 times. The final dividend has been declared as a cash distribution but an opportunity to elect capitalisation shares to provide flexibility for shareholders, given recent changes to dividend tax in South Africa.

Progress and looking ahead

2011 priority	Progress in 2012	Relevant for 2013
Maintain strict control over costs to improve the group's overall profitability and enhance returns to shareholders.	During 2012, we focused on managing costs within our control, while investing for growth. Cost control will remain an important focus in 2013.	✓
Evaluate and respond appropriately to proposed changes in the liquidity and capital regimes introduced by Basel III.	The group used 2012 to get ready for Basel III in terms of pricing, systems and business planning, ensuring that we are positioned to respond to the regulations as they are phased in.	✓
Ensure the highest standards of execution are applied to the group's corporate activity in implementing the group's strategy.	During the year the divestitures from SBA, Turkey and Troika were concluded. The highest standards of execution in all corporate actions will remain a priority going forward.	✓
Analyse the impact of and prepare for changes in accounting standards relating to financial instruments.	The group continues to proactively embrace these changes and will continue to do so in 2013.	✓
Evaluate opportunities for further standardisation, alignment of processes and efficiencies brought about by the creation of group enabling functions.	During 2012, the group enabling functions were further optimised and centralised to provide the right support for business needs.	✓
Integrate the group's financial reporting systems with new banking IT platforms, implement a revised budgeting and forecasting system, automate key risk and finance processes and standardise and define the group's future general ledger.	A long-term project to integrate and improve the group's financial reporting systems continued during the year, with several components being implemented.	✓
Continue to provide relevant and reliable financial information to the group's stakeholders, including regulators, tax authorities and shareholders.	The group remains committed to providing relevant and reliable information to stakeholders. **Refer to www.standardbank.com/reporting for more information**	✓

Explanation of principal differences between normalised and IFRS results

Description of normalised adjustments

The group's consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE, and the Companies Act. This document is prepared on a basis which normalises or adjusts the IFRS results for three specific accounting circumstances to reflect the group's view of the economics and legal substance of the following arrangements (the normalised adjustments):

- the group's Tutuwa initiative
- group shares held by Liberty for the benefit of policyholders
- group share exposures entered into to facilitate client trading activities.

A common element in these transactions relates to shares in issue which are deemed by IFRS to be treasury shares. Consequently, the net value of the shares is recognised in equity and the number of shares used for per share calculation purposes is materially lower than the economic substance, resulting in inflated per share ratios. With regard to segmental and product reporting, the normalised adjustments have been made within Liberty, and central and other. The results of the other business units are unaffected.

Black economic empowerment ownership (Tutuwa) initiative

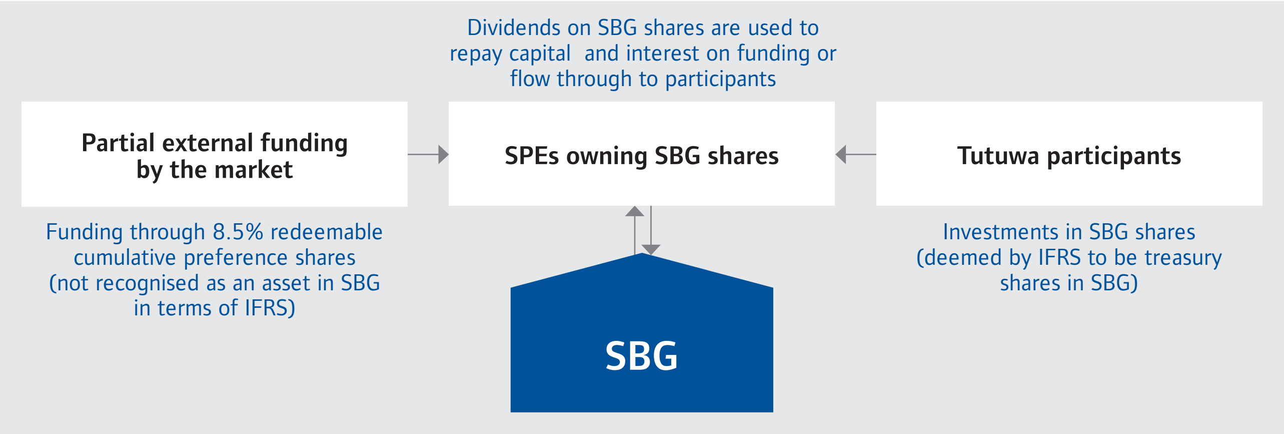
The group concluded its Tutuwa initiative in October 2004 when it sold an effective 10% interest in its South African banking operations to a broad-based grouping of black entities.

The group obtained financing through the issue of perpetual preference shares. These funds were used to subscribe for 8.5% redeemable, cumulative preference shares issued by special purpose entities (SPEs) controlled by SBG. These SPEs purchased SBG shares. Subsequently, the SPEs containing these shares were sold to black participants. The capital and dividends on the redeemable preference shares issued by the SPEs are repayable from future ordinary dividends received, or the proceeds from the disposal of SBG shares held.

As a result of SBG's contingent right to receive its own dividends back in the form of yield and capital on the redeemable preference shares, the subsequent sale of the SPEs and consequent delivery of the SBG shares to the black participants, although legally effected, is not accounted for as a sale. Consequently, the IFRS accounting treatment followed until full redemption or third party financing is obtained, is:

- The redeemable preference shares issued by the SPEs and subscribed for by SBG are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve.
- The negative empowerment reserve represents SBG shares held by the SPEs that are deemed to be treasury shares in terms of accounting conventions.
- Preference dividends accrued but not received, due to cash distributions paid to participants, increase the empowerment reserve.
- To the extent that preference dividends are received from the SPEs, these are eliminated against the ordinary dividends paid on the SBG shares held by the SPEs.
- For purposes of the calculation of earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those SPEs that have been sold to the black participants. The shares will be restored on full redemption of the preference shares, or to the extent that the preference share capital is financed by a third party.
- Perpetual preference shares issued by SBG for the purposes of financing the transaction are classified as equity. Dividends paid on the perpetual preference shares are accounted on declaration and not on an accrual basis.

Tutuwa initiative



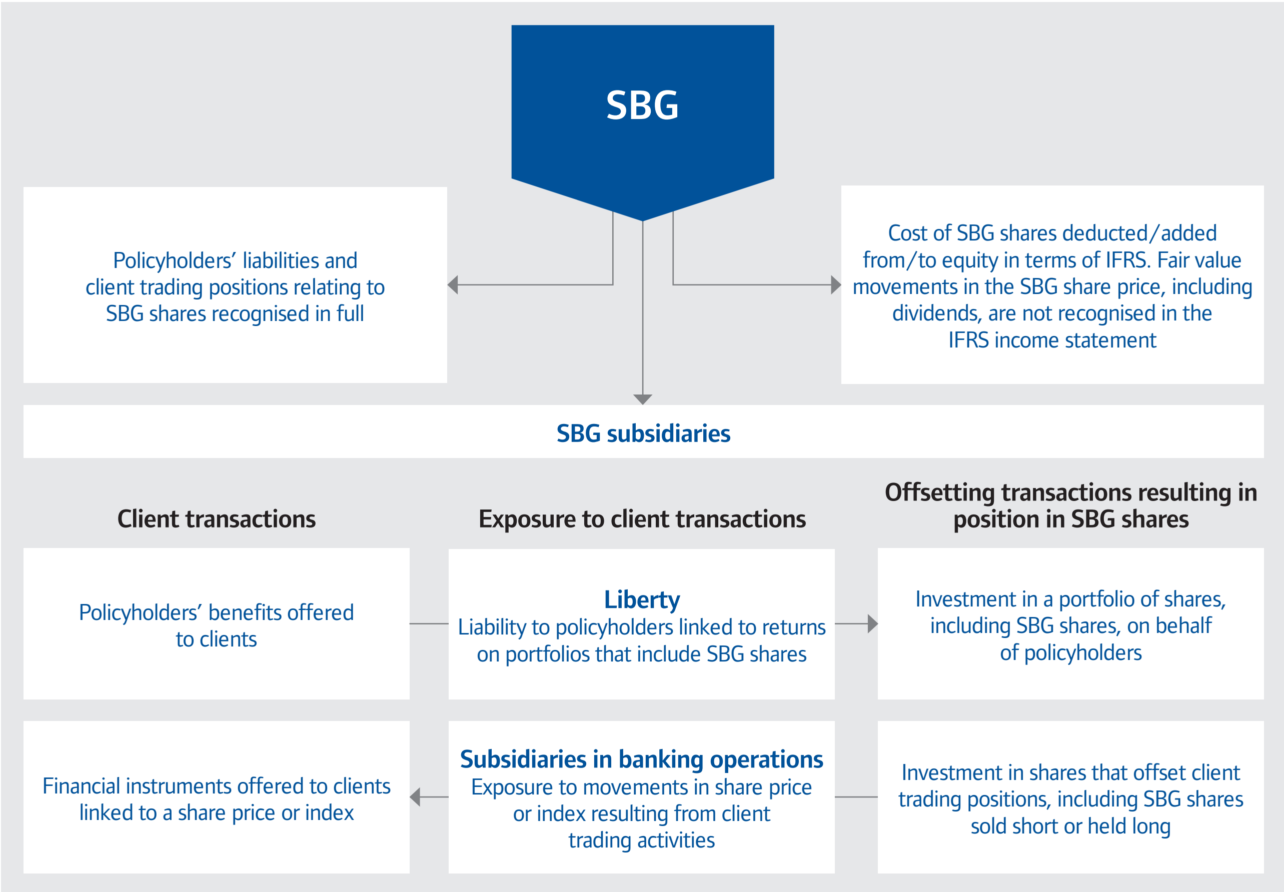
Financial review continued

The normalised adjustment:

- recognises a loan asset by reversing the elimination of the redeemable preference shares against equity
- accrues for preference dividends receivable on the loan asset within interest income
- adds back the number of shares held by the black participants to the weighted number of shares in issue, for purposes of calculating normalised per share ratios
- adjusts dividends declared on perpetual preference shares to an accrual basis.

In December 2007, the group obtained financing, external to SBG, for a portion of the financing provided to the SPEs. As a result, the negative empowerment reserve was reduced by the value of the external financing obtained of R1 billion, and a proportion of the SBG shares held by the SPEs (24,7 million shares) are no longer deemed to be treasury shares for accounting purposes.

In March 2008, 11.1% of the Tutuwa participants' shares were sold to ICBC with the proceeds being partly utilised for the repayment of their preference share liability, thereby releasing a further 11,0 million ordinary shares previously deemed by IFRS to be treasury shares.



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

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

The group acquires or sells short shares in SBG for two distinct business reasons:

- Group companies' shares held by Liberty are invested for the risk and reward of its policyholders, not its shareholders, and consequently the group's shareholders are exposed to an insignificant portion of the fair value changes on these shares.
- The group enters into transactions in its own shares to facilitate client trading activities. As part of its normal trading operations, the group offers clients trading positions over listed shares, including its own shares. To hedge the risk on these trades, the group buys or sells short its own shares in the market. The group's shareholders are therefore exposed to an insignificant portion of the fair value changes on these shares.

In terms of IAS 32 *Financial Instruments: Presentation* (IAS 32), trades by subsidiaries in the group's shares held on behalf of policyholders and group share exposures to facilitate client trading activities are deemed to be treasury shares for accounting purposes. The accounting consequences in the consolidated IFRS group financial statements are:

- the cost price of shares purchased by subsidiaries as well as any funds received by subsidiaries from selling the group's shares short are deducted from or added to ordinary shareholders' equity and non-controlling interests respectively in the group's financial statements
- all the fair value movements are eliminated from the income statement, reserves and non-controlling interests where applicable
- dividends received on group shares are eliminated against dividends paid.

No corresponding adjustment is made to the policyholders' liabilities or trading positions with clients. As a result, the application of IAS 32 gives rise to a mismatch in the overall equity and income statement of the group. The liability to policyholders and client trading positions, along with the change in policyholders' liabilities and profit or loss recognised on the client trading positions, is therefore not eliminated, even though the corresponding interest in the group's shares is eliminated and treated as treasury shares acquired or issued. With regard to the group shares held for the benefit of Liberty policyholders, the weighted average number of shares in issue for per share figures is calculated by deducting the full number of group shares held (100%), not the IFRS-effective 54.4% owned by the group, as IAS 33 *Earnings per Share* does not contemplate non-controlling interest portions of treasury shares. This treatment exaggerates the reduction in the weighted average number of shares used to calculate per share ratios.

For purposes of calculating the normalised results, the adjustments described above are reversed, and the group shares held on behalf of policyholders and to facilitate client trading activities are treated as issued to parties external to the group.

Summarised annual financial statements

RCM AFS **The financial information presented on pages 72 to 79 of this report has been extracted from the group's audited annual financial statements starting on page 95, unless otherwise specified**

Consolidated income statement – IFRS

for the year ended 31 December 2012

	Change %	**2012 Rm**	2011 Rm
Continuing operations			
Income from banking activities	17	**68 375**	58 552
Net interest income	18	**34 015**	28 827
Non-interest revenue	16	**34 360**	29 725
Income from investment management and life insurance activities	55	**75 716**	48 835
Total income	34	**144 091**	107 387
Credit impairment charges	37	**8 800**	6 436
Benefits due to policyholders	68	**56 878**	33 799
Income after credit impairment charges and policyholders' benefits	17	**78 413**	67 152
Operating expenses in banking activities	15	**39 998**	34 725
Staff costs	16	**22 195**	19 141
Other operating expenses	14	**17 803**	15 584
Restructuring costs	100	**758**	
Operating expenses in investment management and life insurance activities	15	**11 952**	10 410
Net income before goodwill impairment and gains on disposal of subsidiaries	17	**25 705**	22 017
Goodwill impairment	(>100)	**(777)**	(61)
Gains on disposal of subsidiaries	100	**188**	
Net income before share of profits from associates and joint ventures	14	**25 116**	21 956
Share of profits from associates and joint ventures	>100	**701**	284
Net income before indirect taxation	16	**25 817**	22 240
Indirect taxation	28	**1 766**	1 384
Profit before direct taxation	15	**24 051**	20 856
Direct taxation	24	**7 075**	5 713
Profit for the year from continuing operations	12	**16 976**	15 143
Discontinued operation[1]	>100	**2 435**	641
Profit for the year from discontinued operation	42	**910**	641
Profit from disposal of discontinued operation	100	**1 525**	
Profit for the year	23	**19 411**	15 784
Attributable to non-controlling interests	32	**2 913**	2 213
Continuing operations	31	**2 686**	2 053
Discontinued operation	42	**227**	160
Attributable to preference shareholders	2	**352**	345
Attributable to ordinary shareholders	22	**16 146**	13 226
Basic earnings per share (cents)	21	**1 060,7**	875,7
Continuing operations	9	**915,7**	843,9
Discontinued operation	>100	**145,0**	31,8
Diluted earnings per share (cents)	21	**1 025,9**	849,2
Continuing operations	8	**885,6**	818,3
Discontinued operation	>100	**140,3**	30,9

[1] The income and expenses relating to the group's investment in SBA have been presented as a single amount relating to its after-tax profit for 2011 and 2012.

Consolidated statement of financial position – IFRS

at 31 December 2012

	Change %	2012 Rm	2011[1] Rm	2010[1] Rm
Assets				
Cash and balances with central banks	94	**61 985**	31 907	28 675
Financial investments, trading and pledged assets	15	**444 217**	385 881	366 465
Non-current assets held for sale[2,3]	(97)	**960**	34 085	
Loans and advances	1	**811 171**	801 308	710 722
Derivative and other assets	(12)	**154 088**	174 569	169 203
Interest in associates and joint ventures	24	**17 246**	13 935	10 533
Investment property	3	**24 133**	23 470	21 521
Goodwill and other intangible assets	15	**14 687**	12 754	10 383
Property and equipment	5	**15 733**	14 920	14 907
Total assets	3	**1 544 220**	1 492 829	1 332 409
Equity and liabilities				
Equity	11	**130 173**	117 533	103 198
Equity attributable to ordinary shareholders	11	**110 370**	99 042	87 073
Preference share capital and premium	–	**5 503**	5 503	5 503
Non-controlling interest	10	**14 300**	12 988	10 622
Liabilities	3	**1 414 047**	1 375 296	1 229 211
Deposit and current accounts	5	**918 533**	878 922	786 494
Derivative, trading and other liabilities	(3)	**227 282**	235 116	221 701
Non-current liabilities held for sale[3]	(100)		27 939	
Policyholders' liabilities	13	**236 684**	208 565	197 878
Subordinated debt	27	**31 548**	24 754	23 138
Total equity and liabilities	3	**1 544 220**	1 492 829	1 332 409

[1] 2011 and 2010 figures restated.
[2] The intended disposal of the group's associated interest in RCS Investment Holdings Proprietary Limited (2011: Troika) resulted in the carrying value being classified as held for sale as at 31 December 2012 and 2011, respectively.
[3] The intended disposal of the group's investment in SBA resulted in the assets and liabilities being classified as held for sale as at 31 December 2011.

Summarised annual financial statements continued

Consolidated statement of other comprehensive income – IFRS

for the year ended 31 December 2012

	2012			2011
	Ordinary share-holders' equity Rm	**Non-controlling interests and preference shareholders Rm**	**Total equity Rm**	Total equity Rm
Profit for the year	**16 146**	**3 265**	**19 411**	15 784
Other comprehensive income after tax for the year from continuing operations	**523**	**164**	**687**	4 856
Items that may be reclassified subsequently to profit or loss:				
Exchange rate differences on translating equity investment in foreign operations	**523**	**21**	**544**	5 531
Foreign currency hedge of net investment	**181**		**181**	(279)
Cash flow hedges	**(221)**	**(9)**	**(230)**	61
Available-for-sale financial assets	**43**	**151**	**194**	(538)
Items that may not be reclassified to profit or loss:				
Other (losses)/gains	**(3)**	**1**	**(2)**	81
Other comprehensive income after tax for the year from discontinued operation	**509**	**106**	**615**	162
Total comprehensive income for the year	**17 178**	**3 535**	**20 713**	20 802
Attributable to non-controlling interests		**3 183**	**3 183**	3 068
Attributable to equity holders of the parent	**17 178**	**352**	**17 530**	17 734
Attributable to preference shareholders		**352**	**352**	345
Attributable to ordinary shareholders	**17 178**		**17 178**	17 389

Consolidated statement of changes in equity – IFRS
for the year ended 31 December 2012

	Ordinary shareholders' equity Rm	Preference share capital and premium Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2011	87 073	5 503	10 622	103 198
Total comprehensive income for the year	17 389	345	3 068	20 802
Transactions with owners, recorded directly in equity	(5 420)	(345)	(702)	(6 467)
Equity-settled share-based payment transactions	336		30	366
Deferred tax on share-based payment transactions	(83)			(83)
Transactions with non-controlling shareholders	(89)		(98)	(187)
Issue of share capital and share premium and capitalisation of reserves	142			142
Net decrease in treasury shares	309		237	546
Net dividends paid	(6 035)	(345)	(871)	(7 251)
Balance at 31 December 2011	99 042	5 503	12 988	117 533
Balance at 1 January 2012	**99 042**	**5 503**	**12 988**	**117 533**
Total comprehensive income for the year	**17 178**	**352**	**3 183**	**20 713**
Transactions with owners, recorded directly in equity	**(5 850)**	**(352)**	**(1 455)**	**(7 657)**
Equity-settled share-based payment transactions	**282**		**46**	**328**
Deferred tax on share-based payment transactions	**69**			**69**
Transactions with non-controlling shareholders	**(74)**		**(970)**	**(1 044)**
Issue of share capital and share premium and capitalisation of reserves	**125**			**125**
Net decrease in treasury shares	**212**		**196**	**408**
Net dividends paid	**(6 464)**	**(352)**	**(727)**	**(7 543)**
Unincorporated property partnerships capital reductions and distributions			**(182)**	**(182)**
Disposal of property partnership			**(234)**	**(234)**
Balance at 31 December 2012	**110 370**	**5 503**	**14 300**	**130 173**

Summarised annual financial statements continued

Headline earnings – IFRS
for the year ended 31 December 2012

	Change %	2012 Rm	2011 Rm
Profit for the year from continuing operations	9	**13 938**	12 745
Headline adjustable items added/(reversed)	(91)	**21**	231
Goodwill impairment – IAS 36	>100	**777**	61
Profit on sale of property and equipment – IAS 16	50	**(31)**	(62)
Impairment of property and equipment – IAS 36	(100)		29
Impairment of non-current assets held for sale – IFRS 5	(100)		37
Realised foreign currency translation profit on foreign operations – IAS 21	(100)	**(119)**	
Gains on the disposal of subsidiaries – IAS 27	(100)	**(188)**	
Transactions with associates – IAS 28/IFRS 3	(>100)	**(217)**	22
Impairment of intangible assets – IAS 36	>100	**264**	109
Realised (gains)/losses on available-for-sale assets – IAS 39	(>100)	**(595)**	35
Loss on net investment hedge reclassification on disposal of associate – IAS 39	100	**130**	
Taxation on headline adjustable items	>100	**13**	(33)
Non-controlling interests' share of headline adjustable items	100	**19**	
Standard Bank Group headline earnings from continuing operations	8	**13 991**	12 943
Profit for the year from discontinued operation	>100	**2 208**	481
Headline adjustable items reversed	(>100)	**(1 547)**	(49)
Loss/(profit) on sale of property and equipment – IAS 16	>100	**1**	(1)
Realised gains on available-for-sale assets – IAS 39	52	**(23)**	(48)
Gain on the disposal of subsidiaries – IAS 27	(100)	**(1 525)**	
Taxation on headline adjustable items	(41)	**10**	17
Non-controlling interests' share of headline adjustable items	(75)	**2**	8
Standard Bank Group headline earnings from discontinued operation	47	**673**	457
Standard Bank Group headline earnings	9	**14 664**	13 400

Segment report – IFRS

for the year ended 31 December 2012

	Change %	2012 Rm	2011[1] Rm
Revenue contribution by business unit			
Personal & Business Banking	14	**42 280**	37 017
Corporate & Investment Banking	20	**26 938**	22 479
Central and other	31	**(511)**	(745)
Banking activities	17	**68 707**	58 751
Liberty	55	**75 861**	48 806
Standard Bank Group – normalised	34	**144 568**	107 557
Adjustments for IFRS	(>100)	**(477)**	(170)
Standard Bank Group – IFRS	34	**144 091**	107 387
Profit attributable to ordinary shareholders			
Personal & Business Banking	31	**7 648**	5 839
Corporate & Investment Banking	(7)	**4 959**	5 337
Central and other	>100	**1 813**	821
Banking activities	20	**14 420**	11 997
Liberty	45	**2 072**	1 428
Standard Bank Group – normalised	23	**16 492**	13 425
Adjustments for IFRS	(74)	**(346)**	(199)
Standard Bank Group – IFRS	22	**16 146**	13 226

[1] Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis comparative figures are reclassified accordingly.

Summarised annual financial statements continued

Contingent liabilities and capital commitments – IFRS
at 31 December 2012

	2012 Rm	2011 Rm
Letters of credit and bankers' acceptances	**14 218**	15 345
Guarantees	**45 247**	36 307
Contingent liabilities	**59 465**	51 652
Contracted capital expenditure	**2 153**	2 846
Capital expenditure authorised but not yet contracted	**8 832**	7 901
Capital commitments	**10 985**	10 747

Private equity associates and joint ventures – IFRS
at 31 December 2012

	2012 Rm	2011 Rm
Cost	**159**	287
Carrying value	**540**	613
Fair value	**454**	591
Loans to associates and joint ventures	**6**	195
Equity accounted income	**94**	83

Consolidated cash flow information – IFRS
for the year ended 31 December 2012

	2012 Rm	2011 Rm
Net cash flows from operating activities	**42 954**	24 605
Net cash flows used in investing activities	**(14 514)**	(10 138)
Net cash flows used in financing activities	**(3 820)**	(8 388)
Effect of exchange rate changes on cash and cash equivalents	**609**	2 002
Net increase in cash and cash equivalents	**25 229**	8 081
Cash and cash equivalents at the beginning of the year	**36 756**	28 675
Cash and cash equivalents at the end of the year	**61 985**	36 756
Comprising:		
Cash and balances with central banks	**61 985**	31 907
Cash and balances with central banks held for sale		4 849
Cash and cash equivalents at the end of the year	**61 985**	36 756

Financial statistics
for the year ended 31 December 2012

		Change %	2012	2011
Number of ordinary shares in issue				
End of period	000's	1	**1 535 917**	1 514 097
Weighted average	000's	1	**1 522 177**	1 510 352
Diluted weighted average	000's	1	**1 573 835**	1 557 415
Share statistics per ordinary share				
Headline earnings	cents	9	**963,4**	887,2
Continuing operations	cents	7	**919,1**	857,0
Discontinued operation	cents	47	**44,3**	30,2
Diluted headline earnings	cents	8	**931,7**	860,4
Continuing operations	cents	7	**888,9**	831,1
Discontinued operation	cents	46	**42,8**	29,3
Dividend	cents	7	**455,0**	425,0
Net asset value per share[1]	cents	10	**7 186**	6 541
Financial performance				
Return on equity[1]	%		**14.4**	14.6
Net interest margin on continuing operations[1]	%		**3.1**	2.9
Credit loss ratio on continuing operations[1]	%		**1.1**	0.9
Cost-to-income ratio[1]	%		**59.0**	59.0
Capital adequacy				
Capital ratios				
Tier I capital[1]	%		**11.7**	12.0
Total capital[1]	%		**14.6**	14.3

[1] Unaudited.

Risk and capital management summary

Effective risk and capital management is fundamental to the sustainability of the group.
The role of the risk management function is to identify, assess, measure and manage those risks that arise in the pursuit of the group's strategic goals. In pursuit of earning sustainable shareholder returns, we must carefully balance performance, growth and risk.

RCM AFS **Refer to the full risk and capital management report for more information, which complies with the requirements of Basel II pillar 3 and IFRS, and provides a detailed analysis of the group's approach to risk and capital management**

How we manage our risks

We aim to be the leading African financial services organisation. This gives rise to risks of varying types and materiality. Below are the material risks the group faces.

Our approach to managing risk is to adopt a risk framework that enables management to identify and manage risk within the board-approved risk appetite and risk tolerance levels. This risk framework comprises four components:

- risk governance committees at board and management level
- a management organisation structure to support the three lines of defence model
- governance standards for each risk type, detailing risk principles and minimum control requirements
- policies to support the governance standards.

The group uses the industry standard three lines of defence model. Reporting lines reinforce segregation of duties and independence within the model.

The three lines of defence model

	First line of defence	Second line of defence	Third line of defence
Consists of	■ management of business lines and legal entities.	■ finance function ■ risk management function ■ legal function ■ governance and assurance function excluding GIA.	■ GIA function (administratively part of governance and assurance).
Responsibilities	■ measures, assesses and controls risks through the day-to-day activities of the business within the governance framework.	■ supports the governance framework ■ provides independent oversight of the first line of defence ■ reports to management and board governance committees.	■ supports the governance framework ■ provides independent assessment of first and second lines of defence ■ reports to GAC.

The year in review

Despite the challenging macroeconomic environment, the group's risk and capital management functions focused on supporting business operations to maximise returns to shareholders within the group's risk appetite and risk tolerance.

On the regulatory front, many uncertainties pertaining to Basel III have been resolved. The group finalised its preparation for Basel III in terms of its systems, pricing and business model. There was extensive industry and bilateral engagement with regulatory bodies regarding Basel III. New common equity tier I, tier I and total capital ratio targets have been set, taking the proposed Basel III requirements into account.

Pro forma Basel III regulatory capital (including unappropriated profit)

	Basel III 2013 minimum regulatory requirement %	Basel III 2013 – 2015 target ratio %	**Pro forma Basel III %**
Total capital adequacy ratio	9.5	11.5 – 15.0	**14.1**
Tier I capital adequacy ratio	6.1875	9.5 – 12.0	**11.0**
Common equity tier I capital adequacy ratio	4.625	8.0 – 10.5	**10.4**

During the year, the group undertook a comprehensive liquidity stress testing exercise. This supported the enhancement of the group's existing recovery planning process and confirmed the robustness of the group's liquidity buffers.

To align and accurately quantify the group's cost of funding, we have implemented a revised funds transfer pricing methodology in South Africa. This will assist with accurate risk-based pricing and improved allocation of funding.

Banking operations in Nigeria, Kenya and Uganda successfully managed their liquidity positions, given the increased liquidity constraints in local currency.

Risk and capital management summary continued

Basel III update

Basel III is a comprehensive set of measures, developed by the Basel Committee on Banking Supervision (BCBS), to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the global banking sector's ability to absorb shocks arising from financial and economic stress, improve risk management and governance, and improve banks' transparency and disclosures.

Basel III consists of the following building blocks:

Higher quality and levels of capital to ensure banks can better absorb losses during a stress period

Better coverage of risk-taking activities, especially for capital markets

An internationally consistent leverage ratio to constrain excessive risk taking and to complement the risk-based capital measure

Capital buffers, which should be built up in good times so that they can be drawn on in periods of stress

Minimum global liquidity standards to improve resilience to acute short-term stress and to improve longer-term funding

Enhanced standards for supervision, public disclosures and risk management

Basel III implementation in South Africa

In May 2012, the SARB confirmed that it would assist banks in meeting the new Basel III liquidity coverage ratio (LCR) requirement through providing a committed liquidity facility. The mechanics and details of this facility are under discussion between the banking industry and the SARB. The facility will significantly reduce uncertainty around the LCR as the banking industry approaches the phased-in implementation date of this requirement starting in 2015.

The LCR is planned to be introduced on 1 January 2015, but the minimum requirement will begin at 60%, rising in equal annual steps of 10 percentage points to reach 100% on 1 January 2019. This graduated approach is designed to ensure that the LCR can be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity.

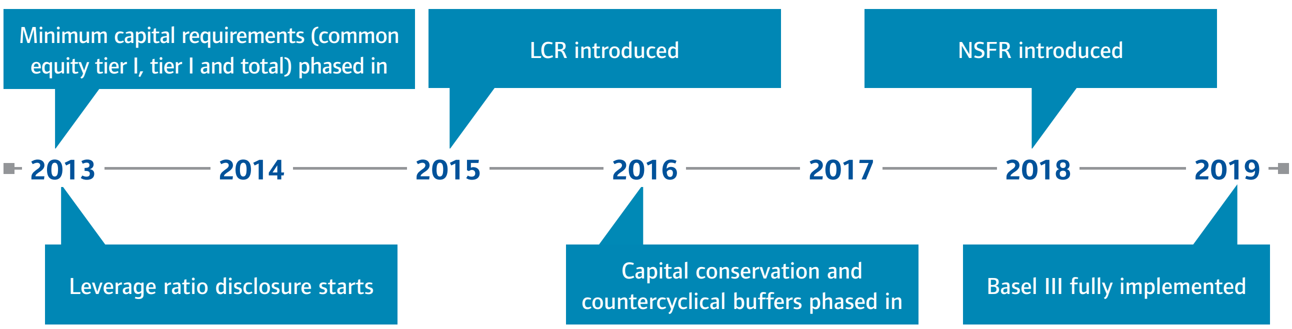
The global banking industry still expects to face significant challenges in meeting the Basel III 2018 net stable funding ratio (NSFR) requirements and continues to engage with the relevant authorities in this regard.

The group participated in the 2012 Basel III quantitative impact assessments as required by the SARB and the BCBS. The results of the assessment reflect a reduction in the group's capital adequacy ratios under the proposed framework, however, the group will remain adequately capitalised to meet the new Basel III requirements at each milestone as laid out in the timeline below.

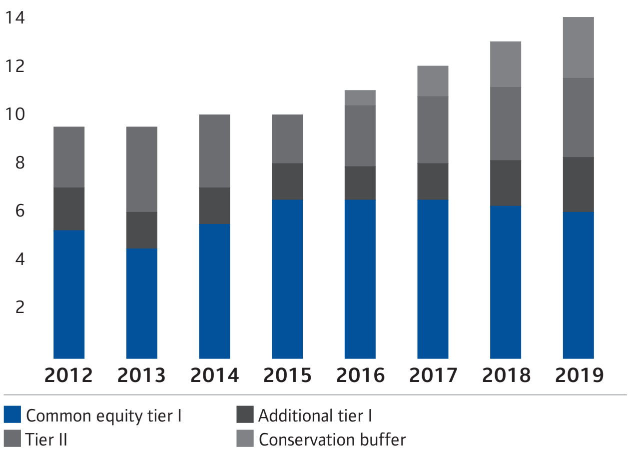
Capital allocation to our business units has been refined. The new capital allocation approach supports a sharper focus on efficient capital utilisation by business units and can be adapted easily to reflect the impact of the proposed increases in tier I capital ratios.

In December 2012, the amended regulations relating to banks were approved by parliament, replacing the current regulations.

Basel III implementation timeline



Basel III minimum capital ratios as a percentage of risk-weighted assets (%)



Looking ahead

The group will continue to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated country-specific economic conditions and risk appetite. We will focus on standardising credit risk methodologies and processes across the group, with particular focus on the group's African operations and Liberty. This will enable the integrated management of credit risk across the group.

We will manage country risk appetite and mitigate country specific risks in response to a challenging global economic and applicable political risk environment.

The group is Basel III compliant effective 1 January 2013. Specific focus areas for 2013 onwards include:

- ongoing optimisation of the group's business model
- optimising capital and liquidity allocation to ensure financial resources are allocated in a manner that enhances the overall group economic profit and ROE
- participating in industry discussions with the SARB regarding the committed liquidity facility being made available to South African banks
- further embedding risk-adjusted performance measurement into the group's performance measurement and reporting processes
- extending the SBSA asset and liability management system to include the group's rest of Africa banking entities while automating reporting
- active involvement in providing input on Basel III global impact studies and finalisation of aspects such as the NSFR
- ensuring that capital management practices in all our banking operations are consistent with the group's standards
- evaluating and adopting new host-country Basel II and Basel III regulations, specifically in the rest of Africa.

The group will make use of the advanced measurement approach (AMA) operational risk management framework to further advance business decision-making and ensure capital optimisation. The group aims to implement risk-based quantitative methodologies in the banking operations across the rest of Africa, as a part of the group's AMA implementation programme.

We will focus on monitoring and managing the banking book interest rate risk and associated hedges in the context of current market volatility and monetary policy expectations.

The methodologies for calculating sensitivities to an interest rate shock will be enhanced to better reflect the current extremely low interest rate levels.

Trading book market risk processes and systems will be aligned across the group.

Liquidity risk

What is liquidity risk and how does it arise?

Liquidity risk takes two forms. The first is the risk that the group will not be able to effectively meet both expected and unexpected current and future cash flow and collateral requirements without negatively affecting the daily operations or financial condition of the group. This is known as funding liquidity risk. The second is the risk that the group cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. This is known as market liquidity risk and is dealt with under market risk.

Inherent in the nature of banking and trading is the continuous exposure to funding liquidity risk. The extreme form of this exposure manifests when there is a general disruption in asset markets that renders normally liquid assets illiquid.

How do we manage it?

The group manages liquidity risk in accordance with applicable regulations and within the group's risk appetite and risk tolerance for liquidity risk. The management of liquidity risk is undertaken by the group asset and liability committee (ALCO) which reports into the group risk oversight committee (GROC).

The group's liquidity risk management framework is designed to measure and manage liquidity positions to ensure that payment obligations can be met, under both normal and stressed conditions. The group's liquidity risk management framework comprises:

- **tactical liquidity risk management,** which is the management and monitoring of shorter-term liquidity
- **structural liquidity risk management** that addresses longer term and structural requirements
- **contingency liquidity risk management** that addresses the management of liquidity risk in the event of extreme events caused by market disruptions.

What happened during 2012?

- During 2012, the group maintained its liquidity positions within the approved limits. Appropriate liquidity buffers were held in excess of regulatory, prudential and internal stress-testing requirements, taking into account ongoing global risk appetite and market conditions.
- The group used 2012 to finalise its Basel III readiness in terms of systems, pricing and business planning to ensure that we can meet the new liquidity and capital ratios, as they are phased in over the next six years.
- The group's liquidity contingency recovery plan was comprehensively reviewed and updated in 2012. The updates were completed in conjunction with the development of a recovery plan for the group.
- During the year, a liquidity stress-testing exercise was undertaken. A crisis was simulated to assess its impact on the group and the viability of the various contingent liquidity plans. The simulation provided valuable learnings and supported the enhancement of the group's existing recovery planning and process, and confirmed the robustness of the group's liquidity buffers.
- To align and accurately quantify the cost of funding across the group, we implemented a revised funds transfer pricing methodology in South Africa. The update to the methodology will assist with accurate pricing and improved allocation of funding.
- In line with our stated strategy, we have reduced risk and general balance sheet activity in Standard Bank Plc, resulting in a smaller regulatory requirement in terms of the liquid asset buffer.

Key indicators

		2012	2011
Liquidity risk			
Long-term funding ratio	%	**24.3**	25.3
Total liquidity	Rbn	**186,0**	187,5
In excess of prudential requirements	Rbn	**143,5**	148,1
Total marketable assets	Rbn	**140,1**	143,9
Other readily accessible liquidity	Rbn	**3,4**	4,2
Prudential requirements	Rbn	**42,5**	39,4

Looking ahead

The SARB has formally adopted Basel III with effect from 1 January 2013 and, while certain aspects are only in the reporting phase, this has led the group to focus on the following specific areas in respect of liquidity:

- resolving remaining areas of national discretion with the SARB in order to accurately report on the LCR from January 2013
- finalising, together with the banking industry, the details around the committed contingent liquidity facility proposed by the SARB in May 2012
- planning and optimising liquidity allocation between product lines, trading desks, industry sectors and legal entities to ensure financial resources are allocated in a manner that enhances the overall group economic profit and ROE
- extending the SBSA asset and liability management system to include the group's other African banking entities
- ensuring that the South African balance sheet is well positioned to manage increased booking of deals originated by other group entities, including adequacy of the South African regulatory macro-prudential limit, dollar funding and structural lending capacity.

RCM AFS **For further details, refer to the liquidity risk section of the risk and capital management report starting on page 57**

Credit risk

What is credit risk and how does it arise?

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due, for any reason.

Exposure to credit risk predominantly arises through the group's lending and trading operations. It is actively originated and managed in order to earn a return commensurate with the risks incurred.

How do we manage it?

New business originated is assessed to ensure that credit quality and pricing aligns to our risk appetite. Credit policies, procedures and measures are continually improved and aligned to ensure best practice throughout the group. This extends to the introduction of new products and our entry into new markets.

Responsibility for credit risk management for the group's banking operations resides in the group's business lines, supported by the credit risk function with executive oversight by the credit governance committees and GROC.

What happened during 2012?

- The South African retail portfolio grew steadily across all product types. In general, the quality of the portfolio improved, continuing the positive trend experienced in 2011, albeit at a slower pace.
- Corporate credit demand remained weak and the impact of low economic growth in European markets, moderate slowing in demand from China, and relatively subdued capital and investment flows were experienced.
- Portfolios outside South Africa were particularly impacted by tough economic conditions, high inflation and volatile exchange rates. Credit quality deteriorated and impairments increased.

Key indicators

		2012	2011
Credit risk			
Credit loss ratio	%	**1.08**	0.87
Gross loans and advances	Rbn	**832**	840
Gross specific impairment coverage ratio	%	**41**	30
Non-performing loans ratio	%	**3.8**	4.1
Unsecured exposures	%	**40.3**	43.1

Looking ahead

- The group will continue to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated country-specific economic conditions and risk appetite.
- We will continue to focus on standardising credit risk methodologies and processes across the group, with particular focus on operations in the rest of Africa and Liberty. This will further enhance the integrated management of credit risk across the group.
- Another key focus area will include refining the credit risk framework and supporting tools to manage risk against the group's credit risk appetite and tolerance.

RCM AFS For further details, refer to the credit risk section of the risk and capital management report starting on page 25

Country risk

What is country risk and how does it arise?

Country risk is the risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet their financial obligations to the group as they fall due. Country risk encompasses cross-border risk, which is the risk that government actions may restrict convertibility of local currency into non-local currency and the transfer of funds, thereby impacting the ability of counterparties to meet financial obligations to the group.

Country risk arises by virtue of our exposures to counterparties outside of the sovereign jurisdiction in which the exposure is booked. It is an integral part of our lending and trading activities.

How do we manage it?

Primary oversight of country risk is undertaken by the group country risk management committee.

This committee recommends to GROC the risk appetite for individual countries. It ensures, through compliance with the country risk governance standard, that country risk exposures are effectively managed.

What happened during 2012?

The relative concentration of cross-border exposure to the sub-Saharan region continued to increase consistent with the group's strategic focus. The group's direct exposure to troubled European periphery economies remained limited and tightly managed.

Key indicators

		2012	2011
Country risk exposure			
Exposure to Europe	%	**32.8**	37.7
Low risk	%	**24.1**	30.7
Medium- and high-risk	%	**8.7**	7.0
Medium- and high-risk country risk exposures	%	**56.9**	46.7
Low-risk country risk exposures	%	**43.1**	53.3

Country risk exposures exclude exposures to South Africa.

Looking ahead

- We will proactively manage country risk appetite and mitigate country specific risks in response to a challenging global economic and political risk environment. A revised risk appetite setting framework will be implemented which will take account of a more geographically focused strategy.
- The group will implement a revised country risk modelling suite that takes account of structural changes in the global economy, especially in developed markets, and this will provide more targeted measurement of transfer and convertibility risk.

RCM AFS **For further details, refer to the country risk section of the risk and capital management report starting on page 55**

Market risk

What is market risk and how does it arise?

Market risk is the risk of a change in the actual or effective market value, earnings or expected future cash flows of a portfolio of financial instruments, including commodities, caused by movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and, in the case of options, implied volatilities in all of these risk drivers.

Market risk principally exists in the following four forms:

- Trading book market risk arises from the group's trading activities in various markets and asset classes which comprise market making, arbitrage and, to a much lesser extent, proprietary trading.
- Interest rate risk in the banking book results from the different repricing characteristics of banking book assets and liabilities.
- Equity investment risk results from price changes in listed and unlisted equity investments held in the banking book. These investments are typically made for strategic reasons, and in this respect differ from trading book equity activities.
- Foreign currency risk in the banking book arises from the group's exposures to foreign currency exchange rates as well as the impact these have on translating the group's net assets in foreign operations.

How do we manage it?

Market risk is managed in accordance with a comprehensive internal risk governance standard, with oversight from the group ALCOs and GROC.

What happened during 2012?

- The group's banking book interest rate risk remained within approved limits, with the largest exposure held on the SBSA balance sheet.
- Trading book market risk remained within approved limits. Average value-at-risk (VaR) was low and largely unchanged from the prior year. The daily profit and loss results for the year showed a profit for 248 out of 260 trading days, which is reflective of the group's client flow business model.

Key indicators

		2012	2011
Market risk			
Trading book			
VaR model status from back-testing		**Satisfactory**	Satisfactory
Average VaR exposure	Rm	**49,1**	51,0
Closing VaR exposure	Rm	**36,6**	52,2
Interest rate risk in the banking book			
Effect of 1% and 2% downward parallel interest rate shock across all foreign currency and rand yield curves, respectively, on interest income	Rm	**2 702**	1 878
Equity risk in the banking book			
Total fair value of exposure	Rm	**3 492**	4 119
Foreign currency risk			
Impact of a 5% depreciation in foreign currency rates on other comprehensive income and/or profit or loss – banking	Rm	**(274)**	(223)

Looking ahead

- The group will continue to adopt a prudent approach to monitoring and managing market risk exposures in the trading and banking books. Risk measurement methodologies, calculations and stress-testing scenarios will continue to be updated to take account of current market conditions.
- Trading book market risk processes, methodologies and systems will be aligned across the group.

RCM AFS For further details, refer to the market risk section of the risk and capital management report starting on page 66

Operational risk

What is operational risk and how does it arise?

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk includes a variety of risk sub-types. These include, among others, financial crime, sustainability and legal risk.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible.

How do we manage it?

The group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist management in understanding their inherent risk and reducing their risk profile.

Operational risk management is overseen by the group operational risk committee which in turn reports into GROC.

What happened during 2012?

- The operational risk management framework, previously deployed in SBSA, was embedded throughout the group's banking operations. This framework forms the basis of SBSA's compliance with the AMA criteria under Basel II.
- As part of the submission of an AMA application to the SARB in 2012, SBSA ran the AMA capital model for the calculation of regulatory capital for operational risk in parallel with the existing standardised approach. The group expects this approval process to conclude in 2013.

Financial crime control

- The group recorded an overall decrease of net fraud losses of 18% compared to 2011.
- The increase in global staff awareness campaigns and the publication of staff dismissals have produced good results.
- The increase in utilisation of FraudStop and the whistle-blowing hotline resulted in fraud prevention and recovery improvements of 32% in 2012.
- The money laundering surveillance capability was enhanced in the group's South African operations and is being rolled out to the rest of Africa.
- The introduction of new minimum technology standards in our ATM safes resulted in the reduction of ATM attacks during the latter part of 2012.

Sustainability

- Significant changes in environmental legislation and regulation, combined with progressively higher enforcement and penalties, placed increased pressure on screening of lending and operational activities across the global banking sector.
- The group contributed to the development of a South African Banking Association code to address environmental and social risk. This code has been incorporated into the group's policies.

SR **For more information on sustainability issues facing the group, refer to the full sustainability report**

Legal risk

- During 2012, there was a significant increase in litigation against some of our businesses in the rest of Africa, all of which were defended and none of which are expected to have a material adverse impact on the group.
- In South Africa, the curator of a pension fund has instituted legal proceedings in which he claims return of various listed securities delivered to SBSA in 2002 on the grounds that the applicable contract was void. In February 2013, a competent tribunal ruled that the contract was not void but only voidable. The dispute will proceed to arbitration in April 2013.

Risk and capital management summary continued

Looking ahead

- The group will make use of the AMA framework to further advance business decision-making and ensure capital optimisation. The group will implement increasingly risk-based quantitative methodologies in the group's banking operations across the rest of Africa, as these entities progress towards AMA implementation.
- The operational risk framework for Liberty will be enhanced in line with the solvency assessment management requirements and will leverage off the group's banking operations.
- The group also plans to introduce a groupwide IT system to support the minimum standards for business continuity management.

Financial crime control

- The group aims to extend the rollout of the staff dismissal broadcast system in Africa, whereby the details of individuals dismissed due to fraud and related misconduct, are disclosed on the intranet.
- During 2013, the group will focus on the facilitation of customer migration out of the branches by promoting the usage of the self-service channels, without compromising customer safety and security.
- Group physical security will explore sustainable and cost-effective operational solutions to ensure the reduction of value losses and number of incidents. Financial crime risk assessments will be conducted across the group which will be aligned to the group's policies. Money laundering surveillance system rollouts will continue to be implemented across our operations in the rest of Africa.

Sustainability

- Group sustainability aims to further reduce our sustainability risk, which includes occupational health and safety, and environmental and social risk. This will be achieved by improving internal management of such risks, including those posed by climate change, energy and water security, and by providing products and services to clients who are also faced with these challenges.

Compliance risk

- Legislative change continues to be driven mainly by consumer protection and reforms to support increasing supervisory and customer expectations. With this in mind, the compliance function will place particular emphasis on initiatives relating to treating customers fairly, customer confidentiality, anti-money laundering and combatting the financing of terrorism, conflicts management and surveillance systems to support both customers and supervisory expectations.
- A key strategic enabler to support our compliance risk management objectives will be the attention given to our regulatory surveillance, reporting systems and staff training.

Legal risk

- The legal network will be improved to ensure minimum and uniform standards of legal support and more efficient access groupwide to available legal expertise.

RCM AFS For further details, refer to the operational risk section of the risk and capital management report starting on page 84

Insurance risk

What is insurance risk and how does it arise?

Insurance risk is the risk that future demographics, policyholder behaviour, such as discontinuances, and related expense experience will exceed the expected allowances priced into insurance products.

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity or persistency experience in the case of life products, or claims incidence and severity assumptions in the case of short-term insurance products.

How do we manage it?

The management of insurance risk is essentially the management of deviations of actual experience from the assumed best estimate of future experience, on which product pricing is based.

All insurance business units are responsible for the day-to-day identification, management and monitoring of insurance risk. Management is also responsible for reporting any material insurance risks, risk events and issues identified to senior management through predefined escalation procedures.

The statutory actuaries and the Liberty chief risk officer provide independent oversight of compliance with risk management policies and procedures and the effectiveness of the company's insurance risk management processes.

Long-term insurance risks are managed through underwriting procedures, pricing, reinsurance and customer retention processes.

Short-term insurance risk is managed through underwriting limits, approval procedures for transactions that involve new products or that exceed limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

What happened during 2012?

The governance structure for insurance risk was aligned with the other risk types in the group through the creation of a head of insurance risk role. Additionally, the group insurance risk committee, a subcommittee of GROC, was established and an insurance risk governance standard was introduced, supported by policies on reinsurance and product development.

Looking ahead

The group will focus on developing the insurance risk component of the solvency assessment management programme and will continue to develop policies that support the insurance risk governance standard. In an effort to manage insurance risk, the group will continue to develop insights into the insurance risk profile of the insurance businesses through the group insurance risk oversight function.

RCM AFS **For further details, refer to the insurance risk section of the risk and capital management report starting on page 79**

Capital management

What is capital management and what are its objectives?

Capital management is a key contributor to shareholder value. The capital management framework is designed to ensure that the group and its principal subsidiaries are capitalised in line with external regulatory requirements and internal risk appetite, risk tolerance, economic capital requirements and target ratios approved by the board.

The objectives of capital management are to:

- allocate capital to businesses using risk-based capital allocation, in line with the group's strategic objectives, including optimising returns on economic and regulatory capital
- manage the group's dividend policy and dividend declarations while taking into consideration shareholder and regulatory expectations
- develop, review and approve the internal capital adequacy assessment process including short- to medium-term capital planning and stress testing.

How do we manage capital?

Capital is managed through the group capital management committee, a subcommittee of the group ALCO and GROC.

This committee ensures that both the supply and demand of capital is managed to achieve a prudent level of capital adequacy that meets both internal and regulatory requirements.

How is regulatory capital measured?

Regulatory capital adequacy is measured through three risk-based ratios:

- core tier I (or common equity tier I under Basel III)
- tier I
- total capital adequacy.

These ratios are a measure of the capital supply relative to the demand as measured by total risk-weighted assets, and are measured against internal targets and regulatory minimum requirements.

Capital supply: Core tier I capital represents ordinary share capital, share premium and appropriated retained earnings. Tier I capital comprises core tier I and perpetual, non-cumulative preference shares. Total capital includes other items such as subordinated debt, the general allowance for credit impairments and revaluation reserves.

Capital demand: Risk-weighted assets are derived by applying risk weights calculated from prescribed or internally derived risk parameters within the regulatory framework:

- both on- and off-balance sheet exposures are included in the overall credit risk-weighted assets of the group
- risk-weighted assets for equity risk are modelled on the market-based and probability of default/loss given default approaches
- capital requirements for market, operational and other risks are converted into notional risk-weighted assets for the purpose of determining total risk-weighted assets.

How is economic capital measured?

Economic capital is the potential loss quantified on a confidence level of 99.92% for all risk types that are statistically quantifiable. This confidence level is commensurate with the group's target credit rating of A-.

Economic capital demand is used for measuring and reporting all quantifiable risks faced by the group on a consistent risk-adjusted basis. The group assesses its economic capital requirements by measuring its risk profile using both internally and externally developed models.

Economic capital is used for risk management, capital management, capital planning, capital allocation, evaluation of new business and performance measurement.

What happened during 2012?

The group has successfully maintained its strong capital position, exceeding all target ratios. The group dedicated significant resources to ensure that it is Basel III compliant from 1 January 2013.

During 2012 we focused on the following:

- participation in the quantitative impact assessments and Basel III parallel run tests initiated by the SARB
- working with BASA and the SARB in finalising and interpreting various aspects of the Basel III regulations
- setting internal capital adequacy target ratios for 2013 to 2019 in line with the final capital framework issued by the SARB
- bolstering the SBSA capital ratios in line with our strategy of using the SBSA balance sheet as the group's primary balance sheet
- revision of capital allocations to business in line with the capital adequacy target ratios
- incorporation of the Basel III requirements into the group's capital forecasts
- enhancements to regulatory reporting systems.

Key indicators

		2012	2011
Core tier I capital adequacy ratio	%	**11.0**	11.3
Tier I capital adequacy ratio	%	**11.7**	12.0
Total capital adequacy ratio	%	**14.6**	14.3
Risk-weighted assets	Rbn	**790**	711
Economic capital coverage ratio	times	**1.50**	1.43

Looking ahead

The group will be Basel III compliant with effect from 1 January 2013. Specific focus areas include:

- ensuring that the group is adequately positioned to respond to regulatory capital rules under the Basel III phase-in requirements and considering different Basel III adoption timelines by regulators in the different jurisdictions that the group operates in
- optimising capital and liquidity allocation between product lines, trading desks, industry sectors and legal entities that result in financial resources being allocated in a manner that enhances the overall group economic profit and ROE
- further embedding risk-adjusted performance measurement into the performance management processes of the group
- ensuring that capital management practices in the group's operations in the rest of Africa are consistent with the group's standards.

RCM AFS

For further details, refer to the capital management section of the risk and capital management report starting on page 19

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. Agricultural enterprises are also among the most notable employers in Africa. As the continent has largely untapped agricultural resources, agriculture financing offers us the opportunity to develop innovative solutions for this sector and help stimulate rural development.

Image: Vegpro – Naivasha, Kenya

Corporate governance

Chairman's overview

Dear Stakeholder

I am pleased to present the group's corporate governance statement for 2012 on behalf of my fellow board members. This governance statement provides an update on our progress and sets out the highlights and challenges we faced during the year. The board sees its role as not only to ensure that the group succeeds well beyond our term, but that it can prosper through economic cycles and changing market conditions, and is sustainable into the future. In the year under review, we celebrated the bank's 150th anniversary, which bears testament to the bank's resilience.

Good corporate governance remains integral to the way the group operates. Our commitment to operating in an ethical and transparent manner and staying accountable to our stakeholders is resolute. The group subscribes to the principles of the King Code and continued to implement its recommendations within the group and its subsidiaries as appropriate. Where we have decided that the recommendations of the King Code will not be applied, reasons are given on page 111.

Key highlights during 2012 included the board's annual strategy session, which included an in-depth assessment of where we are as a group, the external environment, and the risks and opportunities we face. This session was followed by a two-day conference with the group's boards of directors from all its subsidiary operations outside South Africa. The conference provided an opportunity to discuss the group's strategy, share ideas and experiences, and obtain feedback on developments in the different countries in which we operate.

Continuing director education remained a focus with training sessions incorporated into the board's annual schedule. The topics covered in the 2012 programme included recovery and resolution plans, transactional products and services, and executive remuneration. Recovery and resolution plans are a response to a call that has been made on all jurisdictions to put into place an ongoing recovery and resolution planning process to reduce the potential for failure as part of the supervisory process. These sessions were aimed at equipping directors with skills to discharge their duties and obligations, and to ensure we remain appraised of local and international developments.

There were also challenges during 2012, most notably staying abreast of regulatory developments in the different jurisdictions in which the group operates. With the rate at which new and changing regulations are being implemented, the complexities of managing regulatory compliance have increased, sometimes to the point of dealing with conflicting regulatory requirements in different jurisdictions. Another challenge has been the scrutiny placed on executive remuneration from civil society and regulators alike. This is discussed in more detail in the remuneration report from page 120.

Further highlights during 2012 included:

- redrafting and adopting the group's memorandum of incorporation (MOI), in line with the Companies Act
- rolling out a standardised corporate governance framework to key subsidiaries
- staying abreast of local and international corporate governance best practices through ongoing research
- monitoring and, where appropriate, adopting regulatory developments such as the new Financial Sector Code and the Financial Services Board's (FSB) TCF initiative
- appointing an additional non-executive director with international banking experience, in line with the board's succession plans
- introducing a secure online portal to enable directors to access board papers electronically as they become available
- evaluating the board and its committees' performance, with the assistance of independent consultants, Korn/Ferry International, and developing an action plan to address the gaps identified
- implementation of the executive succession plans which culminated in the appointment of the joint group chief executives.

Fred Phaswana
Chairman

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

The programme for 2013 includes:

- continuing to implement the board's succession plans regard being had to, among others, diversity and the need to ensure balance
- rolling out director education on relevant topics including TCF, Basel III and its implications on our operations, recovery and resolution plans and an in-depth analysis of our IT strategy
- embedding the group's corporate governance structure particularly given the appointment of joint group chief executive officers. Further details on this change can be found in the section on succession planning on page 97.

Fred Phaswana
Chairman

Corporate governance continued

Board of directors

Role and composition

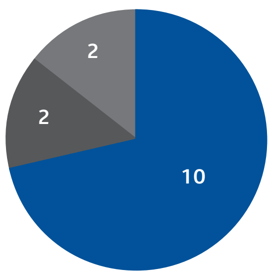
The board is the group's highest decision-making body and is ultimately responsible for governance. The board is responsible to shareholders for setting economic, social and environmental direction through strategic objectives and key policies. It monitors the implementation thereof through structured reporting systems including its various subcommittees established.

For 2012, the group had a unitary board structure comprising 16 directors, 10 (63%) of whom are independent non-executive directors, four (25%) of whom are non-executive directors and two (13%) of whom are executive directors (the group chief executive and the group financial director). The group's shareholders elect the directors.

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 comprises 19 directors, 11 (58%) of whom are independent non-executive directors, four (21%) of whom are non-executive directors and four (21%) of whom are executive directors (joint group chief executives, the group financial director and the chief operating officer).

The board considers diversity of views and experiences an essential part of ensuring that all aspects of strategies and plans are fully considered, particularly given that the group has operations across the continent and outside Africa.

Mix of non-executive director nationalities
as at 31 December 2012 (number)



Sam Jonah KBE, Ghanaian, was a non-executive director in 2011.

The composition of the board ensures there is a balance of power, so no individual or group can dominate board processes or decision-making, and stimulates robust challenge and debate. The non-executive directors bring different perspectives to board deliberations, and the constructive challenging of the views of executive directors and management is encouraged.

The board operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The board's collective experience and expertise provides a balanced mix of attributes that enables it to fulfil its duties and responsibilities. The board monitors performance continually in relation to agreed strategic objectives and associated targets.

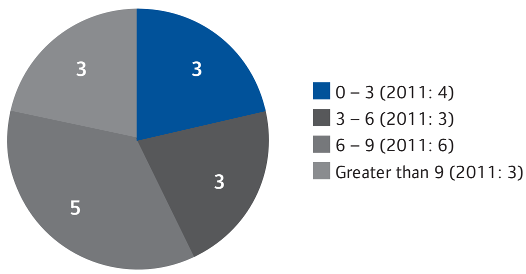
AIR **Directors' qualifications and brief curricula vitae are provided on pages 114 to 117**

Independent non-executive directors

The group directors' affairs committee evaluates the independence of board members for board approval. Independence is determined according to the definitions in the King Code, which includes the number of years a director has served on the board. An annual review, in terms of an agreed methodology, is conducted of all directors who have served longer than nine years.

In this respect, the board has concluded that Doug Band and Myles Ruck continue to be independent both in character and judgement, notwithstanding tenure. Saki Macozoma and Cyril Ramaphosa are not considered to be independent due to their respective interests in the group's strategic empowerment partners, Safika and Shanduka. Hongli Zhang and Yagan Liu, the non-executive directors representing ICBC, the group's largest shareholder, are similarly not considered independent. All other non-executive directors are independent.

Length of tenure of non-executive directors
as at 31 December 2012 (years)



Chairman and chief executive

The chairman is an independent non-executive director, and the roles of chairman and chief executive are separate, with their responsibilities clearly defined. The chairman is responsible for leading the board and ensuring its effectiveness. The group chief executive is responsible for the execution of the group's strategy and the day-to-day business of the group, supported by the executive committee which he chairs.

On 7 March 2013, the board announced the retirement of Jacko Maree as chief executive of the group after more than 13 years at the helm. He remains employed as a senior banker focusing on key client relationships. He does not perform any day-to-day managerial or executive role. Ben Kruger and Sim Tshabalala were appointed as joint group chief executives. They are jointly and severally accountable for the management and performance of the group.

With this appointment of joint group chief executives, it is planned that there will be meetings twice a month between the chairman and joint group chief executives to ensure alignment. The chairman will lead the process of agreeing performance objectives and evaluation of the joint group chief executives, providing feedback to the directors' affairs committee, group remuneration committee (remco) and board in line with the mandates of the group's governance structure.

Appointment policy

The board regularly reviews the group's nominations and appointments policy, which is aligned with applicable legislation and regulations. These include, but are not limited to, the requirements of the Companies Act, Banks Act 94 of 1990 (Banks Act) and JSE Listings Requirements. The policy sets out the process for nominating and appointing directors and key executives. Shareholders are provided with information on the directors' education, qualifications, experience and other key directorships. In making an appointment, the board takes cognisance of the knowledge, skills, experience and other commitments of the candidate, as well as other attributes considered necessary for directorship. The board also considers the need for appropriate demographic and gender representation. Candidates are subject to a fit-and-proper questionnaire, as required by the Banks Act.

In terms of the nominations and appointments policy, management requires permission to accept external board appointments, which is only granted in exceptional circumstances. This reduces potential conflicts of interest and helps ensure that management devotes sufficient time and focus to group business.

Induction and ongoing education

On appointment, directors receive the group's governance manual containing all relevant governance information such as founding documents, mandates, governance structures, significant reports, relevant legislation and policies. One-on-one meetings and site visits are scheduled with management to introduce new directors to the company and its operations.

Ongoing director education remains a focus. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations. The directors' education programme continued to focus on business issues and additional time was scheduled outside of board meetings for sessions on pertinent issues. Topics covered included recovery and resolution plans, transactional products and services, and executive remuneration. In addition, three non-executive directors attended the Gordon Institute of Business Science Banking Board Leadership Programme.

The group secretary is responsible for the induction and ongoing education of directors.

Access to information and resources

There is ongoing engagement between executive management and the board. The members of the group executive committee (exco) attend all board meetings. External auditors are invited to attend GAC and group risk and capital management committee (GRCMC) meetings. Non-executive directors meet without the executive directors in closed sessions at each board meeting. Directors have unrestricted access to group management and company information, as well as the resources to carry out their duties and responsibilities. This includes access to external specialist advice, at the group's expense, in terms of the board approved policy on independent professional advice.

Succession planning

Succession planning is a key focus and the group directors' affairs committee continually considers the composition of the board and its committees. This review, based on the group's strategic objectives, is aimed at ensuring that the board is able to meet the current and future needs of the group. Retaining board members with considerable experience is seen as imperative in ensuring continuity and maintaining appropriate levels of oversight. The board's future needs are considered on an ongoing basis to ensure adequate succession planning.

One of the areas identified in the 2011 board evaluation process was the need to strengthen the board's expertise in international banking. The board mandated the directors' affairs committee to oversee a selection process which culminated in the appointment of Peter Sullivan to the board on 15 January 2013. Peter was previously chief executive officer of Standard Chartered Bank (Africa) and executive director and chief executive officer of Standard Chartered (Hong Kong).

With the implementation of the carefully planned executive succession plan which culminated in the appointment of Ben Kruger and Sim Tshabalala as joint group chief executives, Peter Wharton-Hood, the chief operating officer, was also appointed executive director to the SBG and SBSA boards.

The board is satisfied that the current leadership pipeline available to the group and the ongoing work being done to strengthen it, provide adequate succession depth to lead the group through the next phase of growth.

At the group's AGM on 31 May 2012, Sir Paul Judge and Sam Jonah KBE retired from office, in terms of the MOI and did not stand for re-election. Cyril Ramaphosa is due to retire by rotation at the group's AGM on 30 May 2013. He has advised the group that he will not be standing for re-election. The chairman and board extend their appreciation to these directors for their immense contribution over the years.

Strategy

The board is responsible for the group's strategic direction. Management presents the group strategy annually for the board's approval. The board ensures the strategy is aligned with the group's values and performance targets, and monitors its implementation in relation to the group's risk profile. Financial performance is monitored by way of, among others, quarterly management reports.

Corporate governance continued

In line with banking regulations, the board decides on the group's corporate governance and risk management objectives for the year ahead. The directors' affairs committee and the relevant risk committees monitor performance against governance and risk objectives respectively, and reports are submitted to the board. Self-assessment is conducted annually to establish whether the group has achieved these objectives.

Ethics and organisational integrity

The board aims to provide effective and ethical leadership and ensures that its conduct and that of management is aligned to the group's values and code of ethics (the code). The board subscribes to the group's values and the code. The group's code is designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles and values.

The code of ethics is available on the group's website as follows: www.standardbank.com/ethics.aspx

The group is a member of the Ethics Institute of South Africa, which has certified that the group's code meets the highest standards of international best practice. The code is aligned with and supported by other group policies and procedures, and supports compliance with the relevant industry regulations and laws.

The code applies in all countries in which the group has banking operations. Ethical incidents are reported through the ethics and fraud hotline, the group financial crime control unit, the human resources department, the ethics mailbox, business unit ethics officers and line managers. An independent service provider operates a confidential and anonymous hotline on behalf of the group. Awareness building and training is provided throughout the organisation to ensure employees are aware of the ethics reporting options available to them. The group's values and code have been incorporated in the global leadership centre foundation leadership and team leader training programmes within the group.

During 2012, the independent ethics and fraud hotline was rolled out to the banking subsidiaries in Angola, Mauritius and London. A whistle-blowing awareness campaign was conducted in a number of countries in the rest of Africa. Overall, the group's financial crime control unit held over 850 awareness sessions and 969 disclosures were made to the hotline, representing an increase of 92% compared to 2011.

The ethics line contact methods are as follows:
Hotline SA only: 0800 113 443
Hotfax SA only: 0800 200 796
Hotfax international: +27 12 543 1547
Hotmail international: fraud@kpmg.co.za

Ethics and fraud hotline web-based report: www.surveys.kpmg.com/mmi/2wZTS4P/Link.html

The group chief executive and group ethics officer are the formal custodians of the code and are ultimately responsible for entrenching it throughout the group. Each business unit has an ethics officer who is responsible for building awareness of the code and providing guidance on individual ethical concerns that staff may raise. Liberty has its own code of ethics, policy and ethics line, which is operated by an independent service provider.

Standard Bank launched a Protection of Personal Information (PoPi) programme in 2011 to ensure compliance with PoPi once it is introduced as law. An information protection culture assessment was conducted during 2012, to measure employee perception and attitude in this regard. The assessment has provided the basis for a structured approach across the group to handling personal information in line with PoPi legislation and which also supports key elements of our values and code of ethics.

Governance framework

AIR **The group operates within a clearly defined governance framework, shown on page 99**

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

Delegation of authority

The board retains effective control through its governance framework that provides for delegation of authority. In discharging its duties, the board delegates authority to relevant board committees and the group chief executive with clearly defined mandates and authorities, although the board retains its accountability. The board has reviewed and approved the 2012 annual integrated report for publication on 6 March 2013.

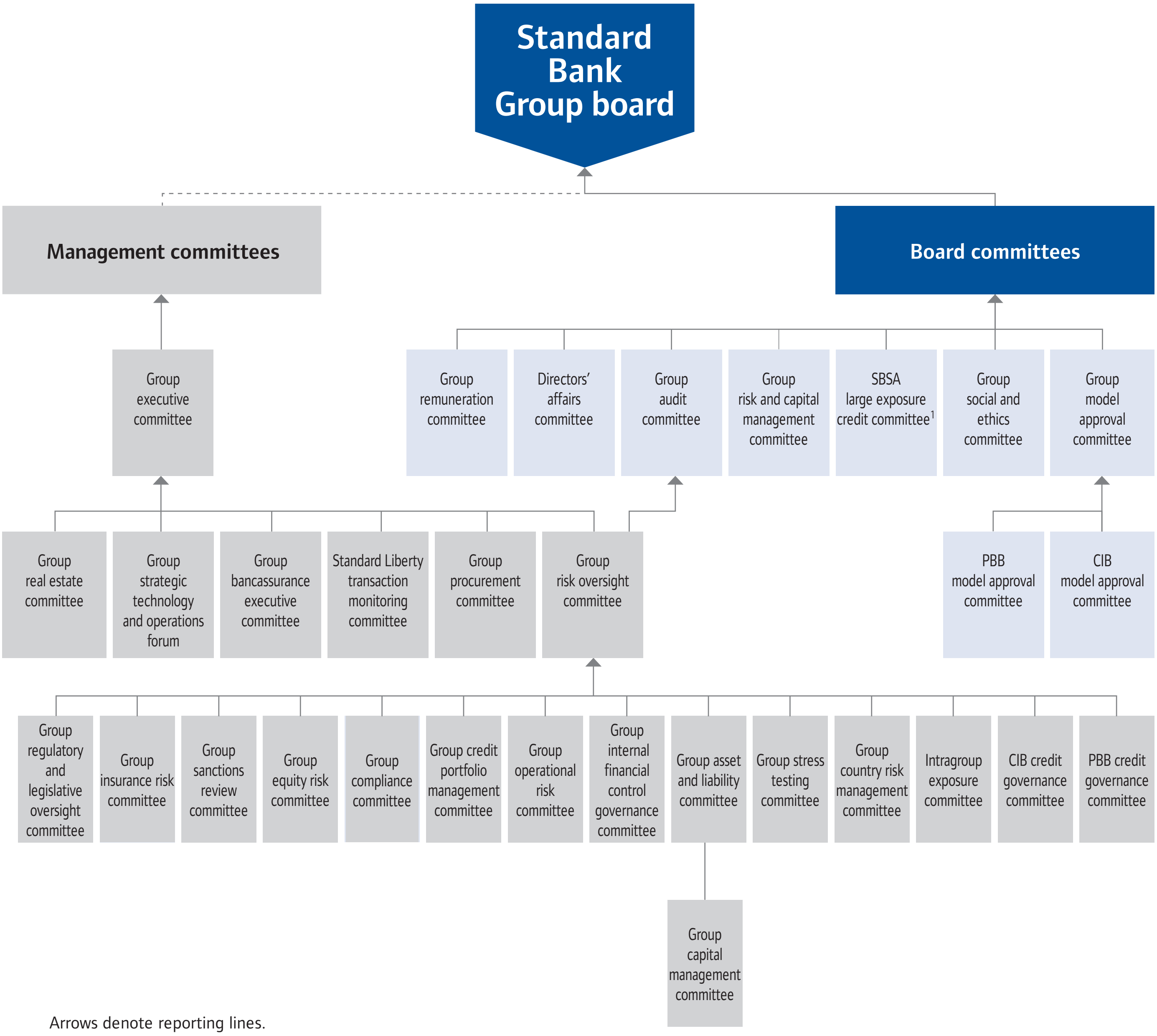
Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the board reviews at least annually. Each mandate sets out the role, responsibilities, scope of authority, composition, terms of reference and procedures.

AIR **A summary of each subcommittees' key terms of reference, key focus areas in 2012 and the year ahead is set out on pages 100 to 107**

The board delegates authority to the group chief executive to manage the business and affairs of the group. The group exco assists the group chief executive in the day-to-day management of the affairs of the group, subject to statutory parameters and the limits on the delegation of authority to the group chief executive. The group governance office monitors board-delegated authorities.

AIR **The composition of the group exco is set out on page 118**

Governance framework



Arrows denote reporting lines.

1 A subcommittee of The Standard Bank of South Africa board.
— Direct reporting line.
-- Indirect reporting line.

Corporate governance continued

Board and committees as at 31 December 2012

Summary of key terms of reference, focus areas and the year ahead

<table>
<tr><th>Board</th><th>Summary of key terms of reference</th></tr>
<tr><td rowspan="3">Chairman
Fred Phaswana[1]

Members
Doug Band[1]
Richard Dunne[1]
Thulani Gcabashe[1]
Koosum Kalyan[1]
Yagan Liu[2,3]
Saki Macozoma[3]
Jacko Maree[4,5]
Kgomotso Moroka[1]
Chris Nissen[1]
Cyril Ramaphosa[3]
Simon Ridley[4]
Myles Ruck[1]
Lord Smith of Kelvin, Kt[1]
Ted Woods[1]
Hongli Zhang[3]</td>
<td>■ provides effective leadership based on an ethical foundation
■ agrees and monitors the group's strategy and objectives
■ reviews the corporate governance and risk and capital management processes
■ delegates relevant authority to the chief executive
■ determines the terms of reference and procedures of all board committees, reviews the board's and committee's performance annually and reviews their reports and minutes
■ ensures that the audit committee is effective and independent
■ reviews and monitors the performance of the chief executive and executive management
■ ensures consideration is given to succession planning for the board, chief executive and executive management
■ considers the remuneration of non-executive directors, based on the remco proposals, and makes recommendations to shareholders for approval
■ ensures that an adequate budget and planning process exists, measures performance against budgets and plans, and approves annual budgets for the group
■ considers and approves the annual financial statements and the annual integrated report, results, dividend announcements and notice to shareholders
■ ensures that an effective and robust risk management process is in place that is linked to strategy, performance and sustainability
■ monitors stakeholder relations
■ approves significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances
■ assumes ultimate responsibility for financial and information technology governance, operational and internal systems of control, and ensures adequate reporting on these by respective committees.</td></tr>
<tr><th>Summary of key focus areas for 2012</th></tr>
<tr><td>■ adopting and recommending the group's memorandum of incorporation for shareholder approval in line with the Companies Act requirements
■ ensuring that the board continued to provide effective leadership and that the executive team was sufficiently empowered
■ considering progress in the implementation of the group's Africa-centred strategy and noting progress achieved against objectives
■ reviewing the effectiveness of the board committees and compliance with mandates
■ implementing executive and board succession plans culminating in the appointment of joint group chief executives and an additional non-executive director with international banking experience
■ keeping abreast of regulatory developments in the different jurisdictions in which the group operates
■ conducting a board evaluation exercise and utilising the report as a tool for improving board performance
■ rolling out a standard corporate governance framework for key subsidiaries.</td></tr>
</table>

1 Independent non-executive director.
2 Alternate to Hongli Zhang.
3 Non-executive director.
4 Executive director.
5 Retired on 7 March 2013.

Board continued	**The year ahead**
	■ continuing to promote a culture of collaboration, transparency and accountability that is based on a sound ethical foundation ■ monitoring the financial performance against approved plans and budgets to ensure sustainable profitability ■ implementing board succession plans with regard being had to, among others, diversity and appropriate balance between executive and non-executive directors ■ ensuring that there is adequate management succession depth across the group ■ embedding the group's governance framework and ensuring proper alignment in the joint group chief executive structure.

Group directors' affairs committee

Chairman
Fred Phaswana[1]

Members
Doug Band[1]
Thulani Gcabashe[1]
Yagan Liu[2,3]
Saki Macozoma[3]
Cyril Ramaphosa[3]
Hongli Zhang[3]

Summary of key terms of reference

To assist the board in:

- evaluating the adequacy, efficiency and appropriateness of the governance framework and practices across the group
- establishing director induction and training programmes
- approving the board evaluation methodology
- nominating directors as part of succession planning
- ensuring corporate governance best practice and statutory compliance
- reviewing and approving allocations in respect of the black ownership initiative.

Summary of key focus areas for 2012

- recommended a proposal to strengthen the credit governance process by inviting non-executive directors to participate in certain credit decision-making processes
- recommended a guide for interaction and communication between the group and Standard Bank Plc boards
- reviewed proposed non-executive director candidates and recommended a director for appointment to the board
- reviewed the changes made to the directors and prescribed officers' dealings in securities policy to align with the Companies Act and revised credit governance process
- monitored local and international corporate governance trends and legislation including revisions to the United Kingdom (UK) Code, gender equality and amendments to the JSE Listings Requirements
- considered the items of non-compliance in terms of the King Code
- approved the nomination of seven new SMEs and awarded 20 000 participation rights in the Tutuwa scheme to each SME
- Considered executive succession plans.

The year ahead

- implement action plans arising from the board and committee evaluations
- monitor local and international corporate governance trends that may impact the group
- implement the board succession plans
- assess the effectiveness and functioning of the board and its committees.

[1] Independent non-executive director.
[2] Alternate to Hongli Zhang.
[3] Non-executive director.

Corporate governance continued

Group audit committee	Summary of key terms of reference
Chairman Richard Dunne[1,2] **Members** Thulani Gcabashe[1,3] Lord Smith of Kelvin, Kt[1,4] Ted Woods[1,5]	Combined assurance model ■ ensures the group applies a combined assurance model to provide a coordinated approach to all assurance activities. Financial reporting and financial control ■ reviews the group's interim and audited financial statements, summarised financial information, dividend announcements and all financial information in the integrated report ■ evaluates the adequacy and effectiveness of the group's accounting policies and all proposed changes in accounting policies and practices ■ satisfies itself of the expertise, resources and experience of the group's finance function and the expertise of the group financial director ■ reviews the basis for the going concern determination ■ reviews the effectiveness of financial management including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls ■ reviews the impact of new financial systems, tax and litigation matters on financial reporting. External audit ■ reviews and approves the group external audit plan ■ assesses the independence and effectiveness of the external auditors on an annual basis ■ oversees the appointment of external auditors, their terms of engagement and fees ■ reviews significant differences of opinion between external auditors and management ■ reviews the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensures that management takes appropriate action to satisfactorily resolve issues ■ reviews and pre-approves annually the policy setting out the nature and extent for using external auditors for non-audit work. Internal audit and financial crime ■ reviews, approves and monitors the internal audit plan ■ reviews and approves the internal audit mandate, as per the board's delegated authority ■ considers and reviews the internal auditors' significant findings and managements' response ■ evaluates annually the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system ■ monitors the maintenance of proper and adequate accounting records and the overall financial and operational environment. Integrated report ■ recommends the integrated report for the board's approval ■ evaluates management's judgements and reporting decisions in relation to the integrated report and ensures that all material disclosure is included ■ reviews forward-looking statements, financial and sustainability information.

1 Independent non-executive director.
2 Appointed 3 December 2009.
3 Appointed 1 May 2008.
4 Appointed 1 January 2009.
5 Appointed 22 May 2008.

Group audit committee continued

Summary of key terms of reference

Risk management

- reviews the minutes of the GRCMC, noting all significant financial and non-financial risks that may impact the integrated report
- considers any significant matters raised at GRCMC meetings.

Information technology

- ensures the use of relevant technology and techniques to improve audit coverage and audit efficiency
- oversees IT risk in relation to financial reporting.

Summary of key focus areas in 2012

- reviewed the financial information published by the group, including the content of the integrated report, and recommended the integrated report to the board for approval
- evaluated the accounting issues that affected the bank
- reviewed, approved and monitored the external audit, internal audit and compliance plans
- reviewed current and upcoming tax legislation including Transfer Pricing, Securities Transfer Tax and the Foreign Account Tax Compliance Act
- monitored the group's internal control framework, noting that a group internal finance control governance forum had been established by finance to bolster the current internal controls framework
- considered reports from internal audit, compliance and financial crime control, and monitored responses from management where required
- considered the Companies Act requirements in respect of assessing the independence of external auditors
- monitored compliance with relevant legislation, including Regulation 40(4) of the Banks Act requiring directors to report annually to the Registrar of Banks on the status of internal controls, any material malfunctions and the going concern determination
- approved the GAC report for publication in the integrated report
- reviewed and approved non-audit fees as per the policy on non-audit services. The chairman of the audit committee approved, on a case-by-case basis, significant services outside the scope of the pre-approved audit plan, which were then ratified by the committee.

RCM AFS **The fees for audit and non-audit services are set out on page 182 of the annual financial statements**

- reviewed minutes of the GRCMC and the audit committee minutes of key subsidiaries including Standard Bank Plc, Stanbic Africa Holdings Limited, Stanbic IBTC Bank PLC, Liberty Holdings Limited and Liberty Group Limited
- reviewed management reports on IT strategy, including key IT projects
- held closed sessions with external auditors and the head of GIA.

RCM AFS **Further details on the committee's fulfilment of its statutory obligations are set out on page 96 of the annual financial statements**

The year ahead

- monitor internal financial controls and key accounting developments that are likely to affect the group
- monitor the activities of external audit, internal audit, compliance and financial crime control as they pertain to the regulatory and internal control environment of the group
- monitor the SARB's flavour-of-the-year topics, including the impact of Basel 2.5 and Basel III on banks' business models and strategy, recovery planning, anti-money laundering and combating the financing of terrorism controls
- review reports from management and subsidiary audit committees.

Corporate governance continued

Group risk and capital management committee

Chairman
Myles Ruck[1]

Members
Doug Band[1]
Richard Dunne[1]
Yagan Liu[2,3]
Saki Macozoma[3]
Fred Phaswana[1]
Ted Woods[1]
Hongli Zhang[3]

Summary of key terms of reference

- ensures independent risk and capital functions are established
- reviews the risk management framework and provides assurance to the board
- approves risk disclosure in published reports
- monitors all risk types
- approves all risk governance standards and relevant policies
- approves the internal capital adequacy assessment process, including stress testing scenarios and results, capital buffers and risk appetite
- ensures IT policies are established and implemented to ensure effective management of information assets
- monitors and evaluates significant IT investment and expenditure
- ensures that the group and individual entities are adequately capitalised.

Summary of key focus areas in 2012

- considered the strategic risk overviews from the chief risk officer on events and risks that had occurred or were emerging, which were expected to have a direct or indirect impact on the group's operations and markets
- considered management presentations on unsecured lending
- considered reports from management that covered key risks including credit, equity, compliance, country, capital and liquidity, market, operational and insurance risk
- approved risk governance standards
- considered the SARB's flavour-of-the-year topics at special risk and capital management meetings where topics included the liquidity recovery plan, capital recovery plan and the business continuity plan
- considered and approved the risk appetite statement for the banking operations of the group and for SBSA
- considered and approved the macroeconomic scenarios that would be used in the budget 2013 group stress testing
- recommended the internal capital adequacy assessment process to the board for approval
- reviewed the impact of the proposed Basel III SARB capital and liquidity ratios on the group and SBSA
- received regular updates from the chief information officer on the status of all material IT projects and expenditure
- reviewed minutes of key subsidiaries' risk management meetings including Standard Bank Plc, Stanbic IBTC Bank PLC, Liberty Holdings Limited and Liberty Group Limited
- reviewed minutes of the GROC, the key risk oversight management committee, and received regular summaries from the group chief risk officer on important points raised at the GROC
- approved the operational risk advanced measurement approach.

RCM AFS **Further details on this committee and the chairman's overview of its activities are set out in the risk and capital management report on pages 2 and 3**

The year ahead

- consider the risk profile of the group to ensure the group is managed within risk appetite relative to the strategy
- monitor the capital adequacy of the group and review the impact of significant transactions on capital
- monitor IT strategy and management of objectives as delegated by the board.

[1] Independent non-executive director.
[2] Alternate to Hongli Zhang.
[3] Non-executive director.

Group social and ethics committee

Chairman
Saki Macozoma[1]

Members
Koosum Kalyan[2]
Jacko Maree[3,4]
Chris Nissen[2]
Fred Phaswana[2]
Sim Tshabalala[5]

Summary of key terms of reference

- monitors social and economic development activities including corporate social investment
- monitors efforts to prevent and combat corruption
- monitors environmental, health and safety activities, including the impact of products and services
- monitors consumer relationships, including advertising and compliance with consumer protection laws
- monitors the group's implementation, reporting, and training and awareness of ethics and the group's code of ethics
- monitors the group's transformation approach and policy, initiatives and targets
- reports annually to shareholders on the committee's activities.

Summary of key focus areas in 2012

- considered transformation presentations on employment equity and skills development, preferential procurement, enterprise development, agricultural banking, transformational infrastructure and black economic empowerment finance
- monitored the group's transformation progress in South Africa in terms of the generic codes as well as the group's preparedness for the legislated Financial Sector Codes
- monitored the FSB's TCF framework and the impact on the group's operations
- considered the revised Code of Banking Practice, a voluntary code for the members of BASA, effective 1 January 2012
- monitored the group's systems and controls in place to handle customer complaints through the customer dispute adjudicator and complaints centre
- monitored the group's project financing activities in relation to the Equator Principles, to which the group is a signatory
- reviewed the group's sustainability report, to ensure all material issues were addressed
- monitored the group's engagement with its labour partners
- revised the committee's mandate to include certain ethics-related terms of reference from the group directors' affairs, group audit and group risk and capital management committees. The group's ethics officer gave a presentation on the code of ethics, noting training and awareness plans for 2012.

SR

We encourage readers to refer to the 2012 group sustainability report, which sets out its social, economic and environmental intent and initiatives, and can be accessed on our website at www.standardbank.com/sustainability

The year ahead

- monitor transformation progress according to the new Financial Sector Code
- monitor the group's activities relating to social and economic development including prevention and combating of corrupt activities and contribution to development of the communities in which we operate
- review the group's transformation and corporate social investment strategies
- conduct an in-depth examination of the TCF framework and the group's progress in implementing it.

[1] Non-executive director.
[2] Independent non-executive director.
[3] Executive director.
[4] Retired on 7 March 2013.
[5] Chief executive SBSA.

Corporate governance continued

Group remuneration committee	Summary of key terms of reference
Chairman Ted Woods[1] **Members** Doug Band[1] Saki Macozoma[2] Fred Phaswana[1]	■ reviews and approves the group remuneration strategy and policy in the long-term interest of the group ■ monitors the adequacy of benefits for executive directors and executive management ■ reviews the remuneration of the chairman, chief executive and senior executives in relation to performance ■ reviews and approves incentive schemes, share-based payments and other benefits ■ reviews remuneration within key operating subsidiaries ■ compares reward structures applicable to group, to counterparts in local and international organisations ■ ensures compliance with applicable legislation and codes.
	Summary of key focus areas in 2012
	■ monitored the performance of key subsidiaries' remcos including Standard Bank Plc and Stanbic IBTC Bank PLC and noted the remuneration for the Liberty Group's executive members ■ considered reports on the latest regulatory views on banking remuneration including developments in the UK through the Financial Services Authority Remuneration Code, and developments in the European Union through the Financial Stability Board and BCBS ■ considered and agreed the framework for determining the remuneration of senior executives ■ considered the chief risk officer's report on the application of the group's risk framework across major business lines and on significant breaches of risk management policies by individuals ■ considered the group financial director's report on risk-adjusted performance and remuneration ■ reviewed and approved the incentive schemes, share-based payments and other benefits ■ approved the remuneration report, starting on page 120 of this report ■ reviewed group governance's benchmarking exercise in respect of non-executive directors' board and committee fees ■ considered and agreed remuneration for the chief executive and senior executives based on their performance. AIR **Further details on the committee's activities can be found in the remuneration report starting on page 120**
	The year ahead
	■ continue to assist the board in ensuring that directors and executives are fairly and responsibly remunerated ■ monitor developments locally and internationally on executive remuneration ■ review and approve the group's remuneration policy and practices ■ continue to monitor and ensure compliance with all applicable laws and codes.

[1] Independent non-executive director.
[2] Non-executive director.

Group model approval committee	Summary of key terms of reference
Chairman Jacko Maree[1,2] **Members** Richard Pantcheff[3] Simon Ridley[1] Sim Tshabalala[4]	■ approves a governance and operations framework for credit modelling across the group ■ reviews interaction with and any concerns raised by SARB and other home or host regulators relating to credit risk models across the group ■ reviews and approves all material credit risk models and revisions to them ■ reviews the findings of the validation of material credit models ■ reviews the effectiveness of criteria used to determine credit risk ratings ■ challenges aspects of credit risk model development and validation ■ reviews the status of credit models and has oversight of action plans to address model inefficiencies and progress as measured against these plans ■ reviews GIA's independent assurance report on the internal controls for the development and validation of credit risk models. **Summary of key focus areas for 2012** ■ constituted the group model approval committee as a committee of the board as envisaged in the Banks Act regulations ■ recommended the group model approval committee's mandate to the board for approval ■ monitored the activities of the CIB and PBB model approval committees ■ reviewed and approved material new, and ongoing use of existing, credit risk models ■ reviewed validation findings of material and significant models, as defined in the group's credit risk model governance policy ■ reviewed the external auditors' reports and management's actions to address findings relating to specific models that were reviewed. **The year ahead** ■ review independent assurance reports on internal controls for the development and validation of credit risk models ■ monitor the implementation of actions to address findings raised in the external auditors' reports ■ review and approve new material credit models and changes to existing models in line with regulatory requirements ■ continue to monitor the performance of credit models in operation, in conjunction with the CIB and PBB model approval committees.

[1] Executive director.
[2] Retired on 7 March 2013.
[3] Group chief credit officer.
[4] Chief executive, SBSA.

Corporate governance continued

Board and committee meetings

Six board meetings were held during 2012, with one meeting dedicated to reviewing the group's strategy. The table below shows each director's attendance at the board and committee meetings.

Board of directors – meeting attendance

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

1 Independent non-executive director.
2 Non-executive director.
3 Saki Macozoma and Cyril Ramaphosa recused from the group directors' affairs committee and board meetings in November 2012.
4 Thulani Gcabashe appointed to the directors' affairs committee on 7 March 2012.
5 Alternate director to Hongli Zhang.
6 Group chief executive and director until 7 March 2013.
7 Group financial director.

Board and committee effectiveness and evaluation

The board measures its effectiveness in a number of ways. Its performance and that of its subcommittees is assessed annually by the external auditors against the relevant mandates. Findings are reported to the group directors' affairs committee. The board and respective committees consider each of the detailed reviews and feedback is provided to the board. The evaluation of board and committee mandates conducted in 2012 identified no material concerns.

Independent consultants, Korn/Ferry International, were engaged in 2012 to assist the board in evaluating the effectiveness of its committees by way of a confidential online questionnaire that was completed by the main board and committee members. The areas covered included:

- agenda and terms of reference
- effectiveness of information sharing
- effectiveness and quality of debate
- follow-through and accountability for actions
- overall performance
- feedback to, and interaction with, the main board.

The results of this evaluation revealed that all board committees were working well and their performance fully met the board's expectations. An area identified as requiring improvement was the level of engagement and debate between the board and the committees.

The performance of the group chairman and chief executive is assessed annually, and their remuneration is determined accordingly.

AIR **Specific detail on remuneration is provided in the remuneration report starting on page 120**

Governance in subsidiaries

During 2011, the group finalised a governance framework for key operating subsidiaries to ensure consistent standards across jurisdictions, in line with the King Code recommendation that a holding company should have a governance framework policy which applies to, and is accepted by, its subsidiary companies. This governance framework was adopted by our key operating subsidiaries in 2012. In addition, the group approved a guide for interaction and communication between the group and the Standard Bank Plc boards. In all jurisdictions, corporate governance developments are monitored on an ongoing basis to ensure that local requirements are met.

Continuing director education was provided to subsidiary board members in the rest of Africa and included credit, market and liquidity risk management. Furthermore, board members attended the group board strategy session.

The programme for 2013 includes embedding standardised processes such as director induction, policy guidelines, the structure of board packs, and continuing director education.

SBSA is a major subsidiary of the group as defined in the JSE Listings Requirements. Liberty Holdings is likewise a significant subsidiary of the group, governed by specific regulatory and legislative requirements.

Liberty Holdings' compliance with the relevant requirements is documented in its annual report available at www.libertyholdings.co.za

RCM AFS **The group structure, including local and international subsidiaries, is set out in the annual financial statements on pages 213 to 217**

Group secretary

The group secretary ensures the board remains cognisant of its duties. In addition to guiding the board on discharging its responsibilities, the group secretary keeps the board abreast of relevant changes in legislation and governance best practice. The group secretary also oversees the induction of new directors, as well as the ongoing education of directors.

To enable the board to function effectively, all directors have full and timely access to information that may be relevant in the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments that may affect the group and its operations. All directors have access to the services of the group secretary.

Loren Wulfsohn (BCom) (LLB) (LLM Banking & Stock Exchange Law) was the group secretary from 2002 until her resignation on 31 October 2012. Zola Stephen (BProc) (LLB) was appointed group secretary on 1 November 2012, having joined the group in August 2012.

Prior to joining the group, Zola spent 13 years at Transnet in various roles. In her last role, she was a member of the group exco responsible for legal, corporate and public affairs, company secretariat and corporate governance and group compliance. Zola served as group secretary from 2005 to 2009 and is, therefore, well experienced in corporate governance.

In line with the JSE Listings Requirements, the board has assessed the competence, qualifications and experience of both group secretaries and concluded that they were competent to carry out their duties.

Corporate governance continued

The steps taken to arrive at this conclusion included:

- a review of the competence, qualifications and experience of both group secretaries
- an extensive recruitment process to seek and hire the newly appointed group secretary.

The board is satisfied that an arm's length relationship exists between it and the group secretary owing to the following reasons:

- neither Loren Wulfsohn nor Zola Stephen are members of the board
- the group secretary is not involved in the day-to-day operations of the group but ensures that good corporate governance is practiced by the group
- the board is responsible for appointing the group secretary and similarly, her removal shall be a matter for the board
- the group secretary is not a prescribed officer of the group.

Codes, regulations and compliance

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy. The board delegates responsibility for compliance to management and monitors this through the compliance function. The regulatory and legislative oversight committee assesses the impact of proposed legislation and regulation. Material regulatory issues are escalated to the GROC and the GRCMC.

Oversight of compliance risk management is delegated to the GAC which reviews and approves the mandate of the group chief compliance officer, who reports on a quarterly basis on, among others, the status of compliance risk management in the group, significant areas of non-compliance, as well as providing feedback on interaction with regulators. GIA reviews and audits the group compliance function as well as the compliance policy and governance standards.

Code of banking practice

A code of banking practice endorsed by the members of BASA, of which Standard Bank is a member, safeguards the interests of consumers. The revised code of banking practice came into effect on 1 January 2012 and is based on four key principles, namely fairness, transparency, accountability and reliability. These principles resonate with the group's values and will assist in ensuring that the FSB's TCF framework is met when it becomes effective in 2014. TCF seeks to create a more meaningful focus on the fair treatment of customers.

SR **An update on the work performed by the group to achieve TCF compliance can be found in the sustainability report starting on page 47**

Codes of conduct

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

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

Companies Act

Memorandum of incorporation

The progress made during 2012 in implementing the requirements of the Companies Act included obtaining shareholders' approval of the group's MOI at the AGM held on 31 May 2012. SBSA's MOI was approved at its AGM held on 30 May 2012 and the MOIs of the group's subsidiaries located in South Africa are in the process of being approved and filed with the Companies and Intellectual Properties Commission office.

Prescribed officers

The group directors' affairs committee confirmed the definition of prescribed officers as those key executives who are responsible for and have control over major business lines and participate in strategic decisions relating to those business lines. Based on this definition there were no changes to the prescribed officers of the group and SBSA in 2012. Besides the executive directors, namely Jacko Maree, group chief executive, and Simon Ridley, group financial director, the group's prescribed officers were:

- Ben Kruger, who was the deputy group chief executive responsible for the group's two major banking business lines, CIB and PBB, and for optimising client relationships and revenue generation across the banking group.
- Sim Tshabalala, who was the deputy group chief executive and chief executive of SBSA, responsible for ensuring the preservation and growth of the group's domestic franchise. South Africa remains the group's largest banking operation and the springboard for its expansion.
- Peter Wharton-Hood, who was the deputy group chief executive and chief operating officer for the group responsible for operations, IT and group enabling functions across the banking group, and for the effective and efficient operation of all banks outside South Africa.
- Bruce Hemphill, the chief executive of Liberty, is responsible for the management of the group's significant South African listed subsidiary.

AIR **Disclosure of remuneration for the prescribed officers can be found on page 136**

With effect from 7 March 2013, Ben Kruger, Peter Wharton-Hood and Sim Tshabalala were appointed as executive directors of the group.

The King Code

The group continues to apply the principles of the King Code which adopts an 'apply or explain' principle whereby a reasonable explanation for not applying the principles of the King Code is required. The board was satisfied with the group's compliance in this regard. The instances of non-compliance have been considered and explained below.

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

Exceptions to the application of the King Code

Principle 2.19 (paragraph 88.7): The King Code requires disclosure of actual or potential political connections or exposure for the board of directors. The group does not discourage directors from being affiliated to political parties, which we believe contributes to strengthening South Africa's democracy. A number of the group's directors are involved in various political parties but are not office bearers of any political party in South Africa, with the exception of Cyril Ramaphosa who was appointed as deputy president of the African National Congress in December 2012. Cyril Ramaphosa is due to retire by rotation at the group's AGM on 30 May 2013. He has advised the group that he will not be standing for re-election.

Principle 2.25 (paragraph 153): The board has considered the King Code requirement that non-executive remuneration should comprise a base fee and an attendance fee per meeting and agreed that the current fee structure of a single comprehensive annual fee is more appropriate for the group board and committees, and better reflects member contribution. It remains the group's view that the contribution of directors cannot only be judged by attendance at board and committee meetings.

Principle 2.25 (paragraph 173): The King Code requires that options or other conditional share awards should not vest or be exercisable within three years from the date of grant.

AIR **In terms of the detailed remuneration report starting on page 120, the design of the deferred bonus scheme, which is settled in Standard Bank equity shares, has an initial vesting period shorter than three years**

However, the average vesting period for deferred bonuses is approximately three years.

Statement of difference to the King Code

Principle 3.1 (paragraph 6): The King Code recommends that the board approve the GIA mandate, whereas the board has delegated this to the GAC.

IT governance

The board is responsible for ensuring that prudent and reasonable steps have been taken with regard to IT governance, including aligning the IT strategy with the group's strategic objectives and performance targets. The group audit and the GRCMCs assist the board in discharging its duties in this respect. The group strategic technology and operations forum, chaired by the chief operating officer, is tasked with IT governance and oversight, and is supported in its duties by several management committees focused on specific aspects of IT governance.

The chief operating and chief information officers provide regular updates to the group audit, and risk and capital management committees on the status of all material IT projects and expenditure as well as other IT governance-related matters.

During 2012, a results management office and a four-tier IT investment management structure were established with the group strategic technology and operations forum providing ultimate oversight. In addition, consolidating service delivery and enterprise architecture IT operations across the group has strengthened IT governance further.

AIR **Further information on IT implementations for the year can be found in the group chief operating officer's report on page 42**

The board is comfortable with the overall focus and effectiveness of IT governance, which in collaboration with group audit and risk functions will ensure that good IT governance practices continue to be strengthened in 2013.

Dealing in securities

In line with its commitment to conducting business professionally and ethically, the group has policies in place that restrict directors and embargoed employees in dealing in its securities. A personal account trading policy, and directors and prescribed officers' dealing policy are in place to prohibit directors and employees from trading in securities during closed periods. Closed periods are in effect between 1 June until the publication of the interim results and 1 December until the publication of yearend results. Closed periods also include any period where the group is trading under a cautionary announcement.

All directors' dealings require the prior approval of the chairman, and the group secretary retains a record of all such share dealings and approvals.

Certain nominated employees are prohibited from trading in designated securities due to the price-sensitive information they may obtain by virtue of their positions. Compliance with the policies is monitored on an ongoing basis and any breaches of policy are dealt with in line with the provisions of the policy and the JSE Listings Requirements.

Corporate governance continued

During 2012, the directors and prescribed officers' dealing policy was updated for alignment with the Companies Act and to further strengthen the governance process. The amendments were considered by the directors' affairs committee and approved by the board.

Connecting with our stakeholders

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

The board recognises the importance of promoting mutual understanding between the group and its stakeholders through effective engagement. Board meetings include the consideration of stakeholder engagement as a standing item. A quarterly stakeholder engagement report collates input from the group's business units, for review and discussion at board level. At a group level, the stakeholder relations management unit is tasked with ensuring consistent engagement with the group's various stakeholders. A government engagement committee, established in 2011, coordinates the group's interactions with government stakeholders in South Africa, with a particular focus on policy and regulatory advocacy and public sector business development. We intend to broaden the mandate of this committee in 2013 to cover all key stakeholders.

The investor relations department facilitates regular and pertinent communication with shareholders and the group chairman encourages shareholders to attend the AGM where interaction is welcomed. The chairmen of the group's audit, remuneration and social and ethics committees are available at the AGM to respond to questions from shareholders.

Voting at general meetings is conducted by ballot. The results of voting are released on SENS (the JSE's electronic news service).

The group aims to resolve stakeholder disputes in the most beneficial manner. The group has a robust dispute resolution process in place, which involves a well-developed complaints management process and an internal customer dispute adjudicator. Every effort is made to arbitrate rather than to resort to legal action.

SR **Issues raised by stakeholders and the group's response can be found on pages 18 and 19 of the group sustainability report**

Numerous stakeholder engagement initiatives took place during the year.

More information on these initiatives can be found in the group sustainability report, available at www.standardbank.com/sustainability

Sustainability

The group's 2012 sustainability report aims to present a balanced analysis of the group's sustainability performance in relation to issues that are relevant and material to the group and its stakeholders. The Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines informs the preparation of the report, and the GRI Financial Services Sector Supplement indicators are disclosed. Our sustainability reporting consists of a succinct sustainability report and a more detailed website version which covers:

- an overview of the group's sustainability performance in 2012
- an overview of stakeholder interaction during the year
- material issues affecting the group
- performance indicators and relevant statistical information.

Key sustainability performance indicators contained in the annual integrated report were independently assured by external assurance providers and by GIA.

AIR **The external assurance report can be found on page 47**

Building on the group's non-financial disclosure in its past annual reports, the group has aimed to continue improving disclosure of non-financial information on the issues that are material to stakeholders and the group's long-term sustainability.

Printed copies of the group's sustainability report can be obtained from Karin Ireton, group head of sustainability management, whose contact details can be found on the inside back cover of this report.

Alternatively, stakeholders are encouraged to visit our sustainability website at www.standardbank.com/sustainability, which provides more detail on the group's sustainability performance

This website is updated annually, and articles of interest are posted throughout the year.

Transformation

SR

Details on the group's commitment to transformation can be found in the sustainability report on page 24

Memberships and associations

The group is a member of BASA. Through BASA, Business Unity South Africa (BUSA) and the National Business Initiative, the group engages with government on issues of national environmental law, policy and strategy. Through BASA, the group has adopted a code of conduct for managing environmental and social risk.

The group is actively involved in international climate change policy. Key relationships in this regard include the United Nations agencies, Clean Development Mechanism Executive Board, African governments and their climate change focal points, key European government agencies and other governments. The group is a member of and holds a board seat on the Carbon Markets and Investors Association. The group is also a member of the International Emissions Trading Association, United Nations Environment Programme Finance Initiative and participates in the CDP, an independent initiative encouraging transparency on all climate change-related issues and emissions performance.

A list of the group's other memberships in business organisations and industry associations and organisations sponsored by Standard Bank in 2012 can be found on www.standardbank.com/sustainability > stakeholders

Going concern

The board considers and assesses the going-concern basis in the preparation of the annual financial statements at yearend. At the interim reporting period, a similar process is followed to enable the board to consider whether or not there is sufficient reason for this conclusion to be affirmed. In addition, the board considers the solvency and liquidity requirements in line with the provisions of the Companies Act.

RCM AFS

The board's conclusion regarding the going concern of the group can be found in the directors' responsibility for financial reporting on page 95

Political party contributions

As part of the group's commitment to support South Africa's democratic processes, the group makes financial contributions to political parties. In terms of the group's policy, agreed by the board in 2005, funds are distributed based on the Independent Electoral Commission's funding formula. In line with this formula, Standard Bank makes annual donations to political parties in proportion to their representation in the National Assembly. Parties are required to submit a written report to the bank outlining how they have used the previous year's donation. The funding policy is reviewed after every general election. In 2010, the board confirmed its commitment to political party funding for the 2010 to 2014 election cycle. The total allocation to political parties for this cycle is R13,5 million, with R2,1 million donated in 2012.

Board of directors

as at 31 December 2012

1 Fred Phaswana (68)

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

Appointed 2009

Fred Phaswana is the chairman of SBG and SBSA. He is also the chairman of the South African Institute of International Affairs and a non-executive director on the board of Naspers.

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

Committee memberships

- group/SBSA directors' affairs committees (chairman)
- group/SBSA risk and capital management committees
- group remuneration committee
- group social and ethics committee
- SBSA large exposure credit committee

2 Hongli Zhang (48)

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

Appointed 2010

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

Committee memberships

- group directors' affairs committee
- group risk and capital management committee

3 Saki Macozoma (55)

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

Appointed 1998

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

Committee memberships

- group social and ethics committee (chairman)
- group remuneration committee
- group/SBSA directors' affairs committees
- group/SBSA risk and capital management committees

4 Jacko Maree (57)

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

Appointed 1997

Retired 7 March 2013[1]

Jacko Maree was the chief executive of SBG and a director of SBSA, Liberty Holdings, Stanbic Africa Holdings and Stanbic IBTC Bank. He is a director of Standard Bank Plc and a member of the board of the Institute of International Finance.

[1] On 7 March 2013 Jacko Maree retired as the chief executive of SBG and resigned from the SBG, SBSA, Liberty Holdings, Stanbic Africa Holdings and Stanbic IBTC Bank boards of directors.

5 Doug Band (68)

BCom (Wits), CA (SA)

Appointed 1997

Doug Band is an independent non-executive director of SBG and SBSA. He currently serves as a director of Bidvest Group, Gymnogene Investments and MIH Holdings. Previously, Doug served as managing director of CNA Gallo, chief executive of Argus Holdings Group and chairman and chief executive of Premier Group.

Committee memberships

- group/SBSA directors' affairs committees
- group/SBSA risk and capital management committees
- group remuneration committee
- SBSA large exposure credit committee

5

6 Richard Dunne (64)

CTA (Wits), CA (SA)

Appointed 2009

Richard Dunne is an independent non-executive director of SBG and SBSA. He currently serves on the boards of Anglo American Platinum, AECI and Tiger Brands, and was previously the chief operating officer of Deloitte, South Africa.

Committee memberships

- group/SBSA audit committees (chairman)
- group/SBSA risk and capital management committees

6

7 Thulani Gcabashe (55)

BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)

Appointed 2003

Thulani Gcabashe is an independent non-executive director of SBG and SBSA. He is currently chairman of Imperial Holdings and executive chairman of Built Environment Africa Capital. He serves on the boards of MTN-Zakhele and Passenger Rail Agency of South Africa. Previously, he was chief executive of Eskom and a director of the National Research Foundation.

Committee memberships

- group/SBSA directors' affairs committees
- group/SBSA audit committees

7

8 Koosum Kalyan (57)

BCom (Hons) (Durban-Westville)

Appointed 2007

Koosum Kalyan is an independent non-executive director of SBG and SBSA. She is chairman of Edgo Merap and a director of AOS Orwell (Nigeria), MTN Group, Omega Risk Solutions, Hayleys Energy Services, Petmin Mining, and South African Mint Company and South African Bank Note Company, both subsidiaries of SARB.

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

Committee memberships

- group social and ethics committee

8

Board of directors continued

9 Yagan Liu (39)

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

Appointed 2008

Yagan Liu is a non-executive director of SBG. He is currently chief representative of ICBC African representative office and is the leader of the ICBC work team in SBG.

Committee memberships
- group directors' affairs committee (alternate director to Hongli Zhang)
- group risk and capital management committee (alternate director to Hongli Zhang)

10 Kgomotso Moroka (58)

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

Appointed 2003

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

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

11 Chris Nissen (54)

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

Appointed 2003

Chris Nissen is an independent non-executive director of SBG and SBSA. He is chairman of Cape Empowerment and Ascension Properties and a director of Woolworths.

Committee memberships
- group social and ethics committee

12 Cyril Ramaphosa (60)

BProc (Unisa)

Appointed 2004

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

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

Committee memberships
- group/SBSA directors' affairs committees

13 Simon Ridley (57)

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

Appointed 2009

Simon Ridley is an executive director of SBG and SBSA. He serves as a director of Standard International Holdings, Stanbic Africa Holdings and SBIC Investments, as well as Tutuwa Staff Holdings and Tutuwa Community Holdings. In addition, Simon is the group's financial director.

Committee memberships

- SBSA large exposure credit committee

14 Myles Ruck (57)

BBusSc (Cape Town), PMD (Harvard)

Appointed 2002

Myles Ruck is an independent non-executive director of SBG and SBSA. He is director of Industrial and Commercial Bank of China (Argentina), Aveng, Mr Price Group and Thesele Group.

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

Committee memberships

- group/SBSA risk and capital management committees (chairman)
- SBSA large exposure credit committee (chairman)

15 Lord Smith of Kelvin, Kt (68)

CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)

Appointed 2003

Lord Smith is an independent non-executive director of SBG and SBSA. He is chairman of Scottish and Southern Energy, The Weir Group, 2014 Glasgow Commonwealth Games Organising Committee and UK Green Investment Bank.

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

Committee memberships

- group/SBSA audit committees

16 Ted Woods (66)

BCom (Wits), CA (SA), MBA (Cape Town), CFA

Appointed 2007

Ted Woods is an independent non-executive director of SBG and SBSA. He was previously chairman of Deutsche Securities, South Africa.

Committee memberships

- group remuneration committee (chairman)
- group/SBSA audit committees
- group/SBSA risk and capital management committees

Note: On 7 March 2013, Ben Kruger and Sim Tshabalala were appointed as joint group chief executives and directors of SBG. Peter Sullivan and Peter Wharton-Hood were appointed as directors on the SBG and SBSA boards on 15 January 2013 and 7 March 2013, respectively.

Executive committee

as at 31 December 2012

1 Jacko Maree (57)

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

Joined the group in 1980, appointed to exco in 1995

Retired on 7 March 2013

Jacko Maree started his career with SBG in 1980 in the corporate finance department and was appointed assistant general manager, corporate finance department in 1985. In 1991 he was appointed managing director of Standard Merchant Bank Limited. In 1995, he became the managing director of Standard Corporate and Merchant Bank (SCMB, now known as CIB) and was appointed an executive director of SBSA. In 1999, he was appointed chief executive of SBG.

Jacko currently holds directorships in Standard Bank Plc and the Institute of International Finance. He retired as chief executive of SBG and stepped down from the boards of SBG, SBSA, Liberty Holdings, Stanbic Africa Holdings and Stanbic IBTC Bank on 7 March 2013.


1

2 Sim Tshabalala (45)

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

Joined the group in 2000, appointed to exco in 2001

Sim is the incoming joint group chief executive of SBG, current chief executive of SBSA, an executive director of SBG and SBSA, a director of Tutuwa Community Holdings and the chairman of BASA.

Sim joined the group in 2000 in the project finance division of SCMB. From 2001 to 2006 he was managing director of Stanbic Africa, and from 2003 he served concurrently as deputy chief executive of PBB. He was appointed chief executive of PBB in 2006. In June 2008, he became chief executive of SBSA. In 2009, Sim was appointed deputy chief executive of SBG.

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


2

3 Ben Kruger (53)

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

Joined the group in 1985, appointed to exco in 2000

Ben is the incoming joint group chief executive of SBG, and an executive director of SBG and SBSA. He is chairman of Standard Bank Plc, and a director of Stanbic IBTC Bank and Stanbic Africa Holdings.

Ben joined the group in 1985 taking up various roles in SCMB. In 1998, he was appointed deputy chief executive of SCMB and chief executive of SCMB in 2001. From 2006 to 2008, he held the position of chief executive of global CIB and assumed the position of deputy group chief executive of SBG in 2009. In 2011, in his capacity as deputy group chief executive, Ben assumed responsibility for both the CIB and PBB business lines.


3

4 Peter Wharton-Hood (47)

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

Joined the group in 1997, appointed to exco in 1999

Peter is chief operating officer and an incoming executive director of SBG and SBSA. He is a director of SBIC Investments S.A., Stanbic Africa Holdings, Standard Bank Plc, Standard International Holdings and Liberty Holdings.

Peter joined the group in 1997 as head of finance and head of the financial asset services division of SCMB. In 1999, he took responsibility for the group's bancassurance initiatives and was also appointed as head of group technology and e-commerce. In 2005, he was appointed chief executive of PBB and head of the group's African operations. In 2006, Peter was appointed chief executive of global PBB. In 2009, Peter was appointed deputy group chief executive and he was appointed group chief operating officer in 2011.


4

Executive committee structure for 2013

The executive committee has been reconstituted and now comprises the joint group chief executives (Ben Kruger and Sim Tshabalala), the chief operating officer (Peter Wharton-Hood), group financial director (Simon Ridley), chief executive, PBB (Peter Schlebusch), chief executive, CIB (David Munro) and chief executive, Liberty (Bruce Hemphill).

Joint group chief executives

As noted in the chairman's report, having obtained the requisite corporate and regulatory approvals, the board appointed Ben Kruger and Sim Tshabalala as joint group chief executives of Standard Bank Group with effect from 7 March 2013. They are held accountable and responsible, jointly and severally, for the management and performance of the group.

To take advantage of each of the joint group chief executive's skills, knowledge and talent, they have split the main duties as follows:

Sim Tshabalala	Ben Kruger
The Standard Bank of South Africa Limited	Corporate & Investment Banking
Rest of Africa banking operations	Personal & Business Banking
Wealth businesses	Group risk
Group finance	Information technology and operations
Governance and legal	Human resources and marketing

Chairman and joint group chief executives

The chairman will lead the process of agreeing performance objectives and evaluation of the joint group chief executives providing feedback to the directors' affairs committee, group remuneration committee and the board in line with the board and committees' mandates.

The chairman and the joint group chief executives hold bi-weekly meetings to ensure alignment.

Remuneration report

Dear Shareholder

Spotlights continue to illuminate bank remuneration across the world. Transparency has increased and compensation cultures have shifted significantly. The principle that reward practices must integrate with risk governance has crystallised. Inevitably, that principle manifests in different remuneration designs across the banking sector.

Continuous refinements in remuneration architecture are a central thrust in your group's remuneration committee (remco). In this process, the members of remco value constructive shareholder feedback, integrating it into the analyses we undertake. Ultimately, our decisions must be consistent with our stated remuneration principles and moulded by the strategy and specific needs of your group.

Ted Woods
Chairman, remuneration committee

Several shareholders have asked whether we would publish details of the financial metrics and numeric targets used to measure senior executives. Arithmetic scorecards do not yield good outcomes at the executive level in Standard Bank Group in our judgement. Therefore, we do not use them. Few banks do.

How then, do we evaluate senior executives? On behalf of remco, I should like to give you a high-level sense of our executive evaluation process. At the outset I should note that we cannot cover every aspect of executive evaluation in this letter.

Spheres of required executive delivery, together with selected causative elements within each sphere, are illustrated alongside the text that follows.

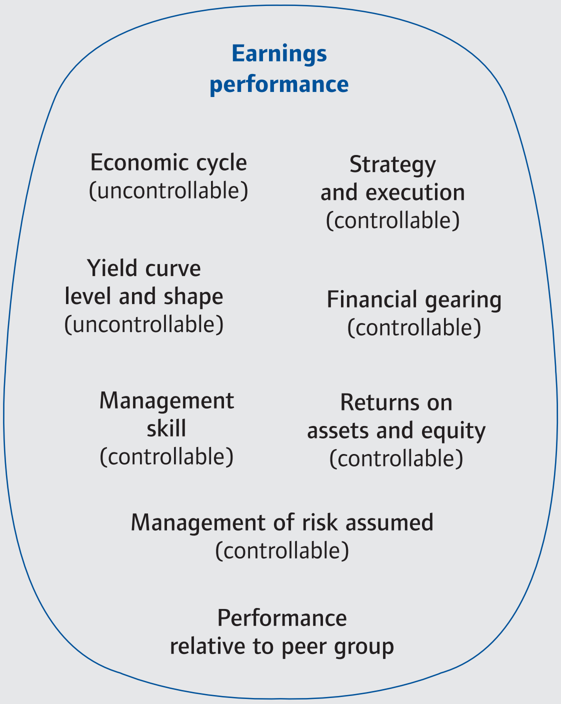
Earnings performance flows both from internal, management-controlled factors and external environmental forces. We assess the former on a multi-year basis, and set rewards accordingly. External environmental forces affect earnings continuously, sometimes dramatically. They are beyond executive control and have more limited effects on executive remuneration.

Skill in growing revenues across the spectrum of products, building customer loyalty, discipline in cost management and the pursuit of board approved strategy are all vital components of earnings delivery.

Remco must, however, judge earnings relative to resources used to generate those earnings. Management's efficiency in delivering returns on assets and equity, within the context of group strategy, affects remuneration significantly.

Earnings performance and sound risk management work in tandem. Banking involves risk, and executives must demonstrate a record of sound risk analysis leading on to mature risk judgements. An innate commitment to conduct business strictly within group risk governance must be without compromise.

Comparisons to competitor performance, where appropriate, are important markers for us.



Share price performance is a second area of prime interest to shareholders. Many Standard Bank employees, too, have a personal interest in share price performance because all deferred compensation is linked to the group's share price over the vesting periods.

In addition, our top executives are required to build and maintain personal shareholdings in Standard Bank Group valued at least at the average of their last three years' total reward.

But, as a measure of executive performance, share price changes over shorter time spans are not a good yardstick. This is because price/earnings multiples change, sometimes quite sharply, in response to a wide spectrum of forces that extend far beyond Standard Bank itself.

Over longer time spans, however, earnings growth is the foundation upon which share price appreciation rests. This is why the performance vesting condition for our equity growth scheme (EGS) is real or inflation-adjusted growth in normalised earnings per share across rolling vesting periods. We are targeting long-term shareholder wealth creation.

Share price performance

Change in earnings announced
(mostly controllable)

Future earnings and risk forecasts
(estimated by market)

Change in company price/earnings
(set by market)

Change in stock market price/earnings
(set by market)

Leadership abilities, underpinned by skill and character are strong determinants of remuneration.

Effective, even inspirational leadership of people can be decisive in organisations. Furthermore, superior judgement by leaders in selecting high-potential people to promote or hire builds enduring strength. We assess such evidence.

Leadership, skill and character

Effective leadership of people

Passion for strategic delivery

Innovation, imagination and inventiveness

A deep, dependable understanding of risk

Personal integrity

Consistently sound judgement

Innovation, imagination and inventiveness flow freely from a few leaders. They initiate quantum leaps in organisational competitiveness. Remco understands and rewards the value they create.

Personal passion and durable determination in driving toward Standard Bank Group's long-term strategic goals is vital in remco's assessment of executives. A clear, dependable understanding of the dynamics of risk and return must, however, always be evident in strategic delivery.

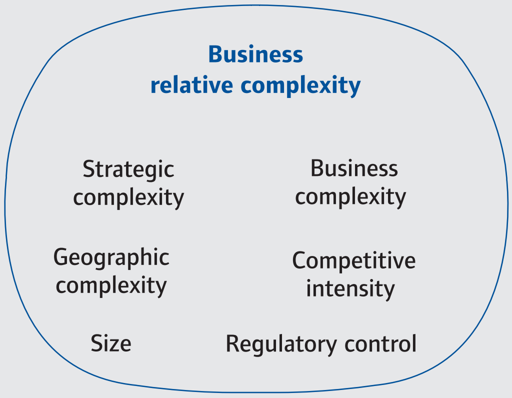
We look beyond the numeric aspects of earnings achieved. What behaviour stood behind the earnings outcome? Individual integrity is assumed. But we expect to see consistent evidence of integrity and ethical behaviour in those ambiguous areas of decision-making and choices that may arise in the conduct of business.

Finally in this sphere, we seek out leaders who have an intrinsic desire and determination to advance your group's relevance to the societies in which we operate.

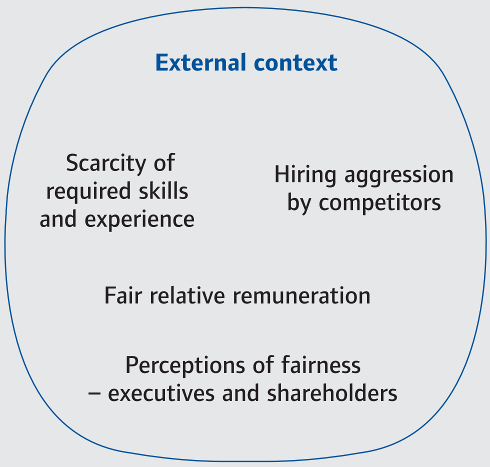
Remuneration report continued

The **relative complexity of the business** under an executive's leadership clearly affects how that person is rewarded. Some areas of Standard Bank Group are far more complex than others. Some teams use the balance sheet, risk capacity and the bank's resources and networks more than others. Some are subject to highly rigorous regulatory oversight, whereas others are less affected.

Standard Bank's board-approved strategy includes a long-standing expansion into African markets, working in teams that have deep reach into global capital markets and clients. Certain African and international operating environments are more demanding of individual skill and stamina than others. Remco takes all these relative performance factors into account in its individual reward judgements.



Separately, we do not operate in a cocoon for talent. The **external context** is relevant in setting executive compensation levels. International mobility of high-level banking talent within the wider financial services industry is a reality. Top talent knows no boundaries.



Few critics of remuneration analyse the overall cost of losing a senior executive to a competitor. But it is greater than many believe.

When evaluating an individual executive, remco considers the scarcity of the person's knowledge and skills and the premium placed on such a resource in the marketplace.

Despite remco's best efforts at making informed, sensible judgements on individual remuneration, however, 'fair remuneration' will remain a fluid concept, riding on people's differing perceptions.

You, as a shareholder, might ask, "What weights do you give to these many elements in deciding amounts of remuneration?". We do not use scorecards, as I have explained. Rather, remco members each apply their independent assessments primarily to the information I describe above. We make informed value judgements. We pay for value delivered to shareholders through time.

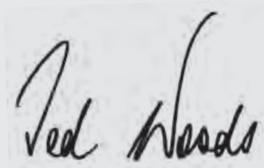
In addition to individual executive delivery and remuneration, it is appropriate that our most senior leaders share in overall outcomes in your group. Global financial stress and Basel III triggered sweeping changes in the economics of some of your group's international businesses, demanding costly rationalisations. This, together with the ongoing refinement of the group's strategy, suppressed returns on assets and equity.

It was within this overall context that our recently-retired chief executive, Jacko Maree, received a zero bonus in both 2009 and 2010. In 2012 his variable remuneration reduced substantially, despite strong successes in most areas of your group. The senior executive bonus pool was also significantly reduced in 2012 compared with 2011.

There is a final dimension. Remco considers evidence across several financial years in executive evaluation. While commentators may be absorbed in a few current year data points, we know that our judgements of longer-term value creation are relevant to fair remuneration and the motivation of our people.

In parallel with remco's individual remuneration decisions, remco tracks and controls the relationship between aggregate remuneration and profitability. We allow some flex in this relationship across economic cycles because this is prudent in protecting and retaining our human capital. But, in seeking to deliver the 'win' for shareholders, our employees and society, we ensure that total remuneration and profitability relate one with the other through time.

We would like you, as a shareholder, to have a clear, high-level understanding of Standard Bank's remuneration governance. I hope that this letter, together with our remuneration report that follows, reflects the seriousness and care with which remco members analyse and take decisions on remuneration for all our people.



Ted Woods
6 March 2013

Remuneration report continued

Introduction

During the past year, we engaged with stakeholders on the contents of the 2011 remuneration report. These engagements provided insights and suggestions which were formally considered by remco and, where appropriate, incorporated in either remuneration design or disclosures in this report.

Building on our sound remuneration governance remains a key focus area of remco. For this reason, remco monitors and evaluates the development of regulatory requirements in respect of remuneration in several geographies, as remco takes overall responsibility for remuneration policies and structures across the group. This evaluation has resulted in ongoing refinements in matters such as the analysis of group and business unit risk-adjusted metrics across a range of risk types and their relationships to incentive pools.

Remco also addressed the important issue of increasing minimum salaries in South Africa during the year. A mutually agreed settlement was reached with our union, Sasbo, to effect this, amidst significant labour unrest in South Africa. Minimum salaries were also reviewed across the rest of Africa.

Changes to remuneration structure

Remco reviews the remuneration design and structure annually.

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

- The executive evaluation process has been refined and is fully set out in the chairman's letter.
- Minimum salaries have been reviewed across Africa. South African minimum salaries have been raised across all the employee salary bands at the lower levels.
- Salary increases awarded to the lowest levels of employees exceeded salary increases awarded to managers and executives. This has narrowed the wage gap relative to the previous year.
- Vesting periods in the EGS are no longer extended if the real earnings growth condition is not met over the relevant period.
- The vesting percentages for the conditional awards in EGS have been reduced to vest evenly over a period of three to five years under vesting category E detailed in this report.
- The board has resolved to buy back shares to prevent any shareholder dilution arising on the exercise of EGS awards. Previously when EGS awards were exercised, shares were issued to participants without a concomitant buy-back.

Remuneration framework

Remuneration strategy

Standard Bank's board-approved strategy includes a long-standing expansion into African markets, working in teams that have deep reach into global capital markets and clients. At the heart of our strategy is the value we place on our people as a primary differentiator. Highly skilled and experienced people, both business generators and enablers, are essential in delivering sustainable growth for shareholders within prudent risk boundaries.

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

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

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

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

Within this wider strategic context, remco seeks to design and implement structures and practices that are specifically tailored to the group's business strategy.

Principles that underpin our remuneration strategy

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

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

Remco is firmly committed to appropriate disclosure of reward principles and structures to all relevant stakeholders, including employees, unions and shareholders. This is aimed at enabling stakeholders to make a reasonable assessment of reward strategy, structures and associated governance processes.

Remuneration report continued

Remuneration structure

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

Total reward

Fixed remuneration

- **Base salary and benefits**

Salary level is based on function, experience and market pay levels

Variable remuneration

- **Annual cash award**
- **Annual deferred award**
- **Long-term incentive award**

Variable remuneration awards are discretionary based on group, business unit and individual performance

Fixed remuneration

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

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

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

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

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

Variable remuneration

The group provides annual incentives to reward performance appropriately. Incentive pools are made available for major business units and enabling functions.

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

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

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

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

Deferral schemes

In principle, remco wants senior executives to be significantly invested in Standard Bank Group over time, thereby strengthening alignment between management and shareholders. Therefore, all incentive awards, above a minimum level, are deferred in part and the deferred portion linked in value to the group's share price during the deferral period. The percentage of deferred remuneration was increased in March 2012 for awards made on that date and varies with the amount and by geography. The deferral rates in March 2013 have been maintained at those levels.

AIR **Vesting conditions attached to deferred awards and long-term incentives make provision for clawback and forfeiture of unvested awards, as detailed on page 129**

Deferred bonus scheme (DBS) award

From the 2008 financial year, the bank implemented the DBS for management and executives based in South Africa and this was later extended across Africa. Remco reviews the deferral threshold, rates and vesting periods annually. The deferral levels were increased in March 2012 for the 2011 financial year and have been maintained for the 2012 financial year at a maximum marginal rate of 50%.

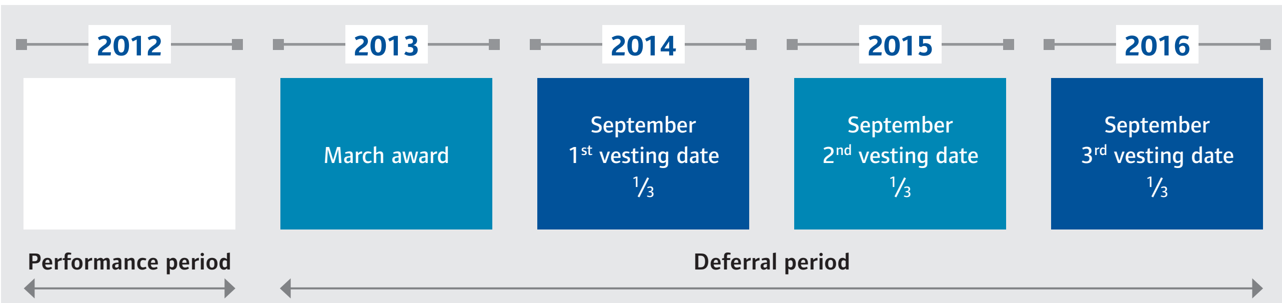
Quanto stock unit plan award

Our businesses outside Africa operate a deferred share plan in the form of the Quanto stock unit plan. The scheme was developed in 2007 to retain employees and promote equity ownership. The scheme will continue as the deferral mechanism for staff outside Africa in 2013.

Remuneration report continued

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

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



Schedule of DBS payments

Award value	Payment method	September 2013	September 2014	September 2015	September 2016
< R1 million	Cash in March 2013				
> R1 million, ≤ R3 million	Cash to R1 million, over R1 million deferred at 30%		$^1/_3$ of deferred amount indexed to group share price plus notional dividends	$^1/_3$ of deferred amount indexed to group share price plus notional dividends	$^1/_3$ of deferred amount indexed to group share price plus notional dividends
> R3 million, ≤ R5,5 million	Cash to R1 million, R1 million up to R3 million deferred at 30%, over R3 million deferred at 40%		$^1/_3$ of deferred amount indexed to group share price plus notional dividends	$^1/_3$ of deferred amount indexed to group share price plus notional dividends	$^1/_3$ of deferred amount indexed to group share price plus notional dividends
> R5,5 million	Cash to R1 million, R1 million up to R3 million deferred at 30%, R3 million to R5,5 million deferred at 40%, over R5,5 million deferred at 50%		$^1/_3$ of deferred amount indexed to group share price plus notional dividends	$^1/_3$ of deferred amount indexed to group share price plus notional dividends	$^1/_3$ of deferred amount indexed to group share price plus notional dividends

Clawback provision

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

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

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

Long-term incentive awards

In the past, the group has granted qualifying employees, including executive directors, participation rights under EGS, for South African operations, and share options under the group share incentive scheme (GSIS), for non-South African operations.

AIR Key senior executives were subject to additional performance conditions, detailed on page 131

In March 2013 in respect of the 2012 performance year, seven senior executives received EGS awards but the vesting percentages have been amended to vest equally in three tranches and have been granted under vesting category E, shown in the table on the next page. No GSIS awards were made.

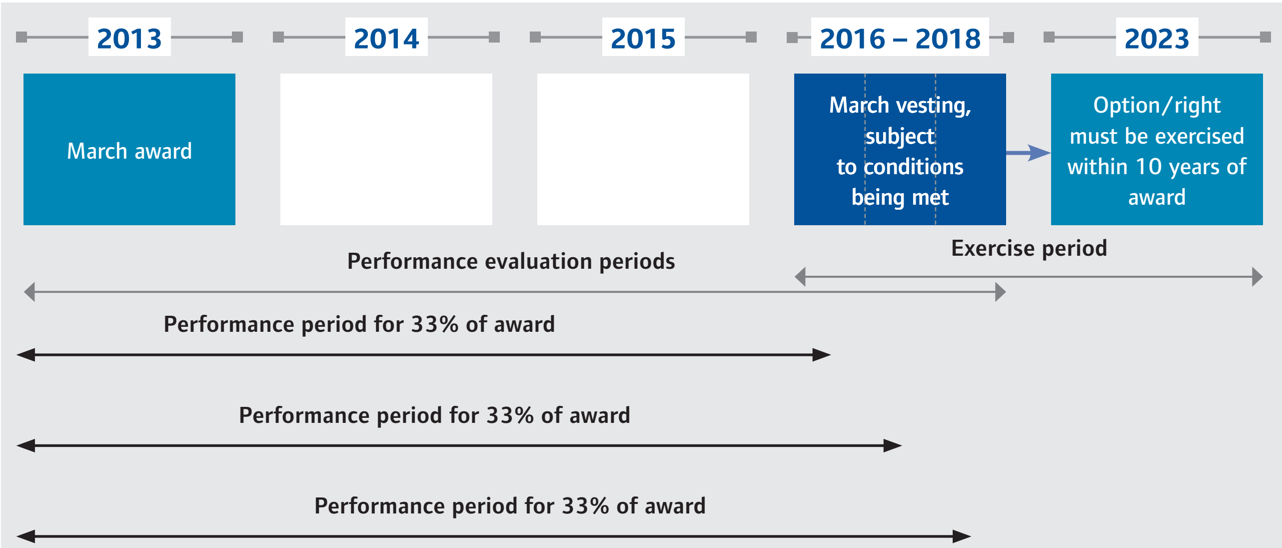
In March 2012, eight senior executives received EGS conditional awards under vesting category A. No GSIS awards were made.

Remuneration report continued

Vesting periods in EGS are no longer extended if the real earnings growth condition is not met over the relevant period. This applies to EGS awards made from March 2013 onwards.

Vesting category	Year	Cumulative vesting percentage	Expiry
A (granted in March 2012)	3, 4, 5	50, 75, 100	10 years
E (granted in March 2013)	3, 4, 5	33, 67, 100	10 years

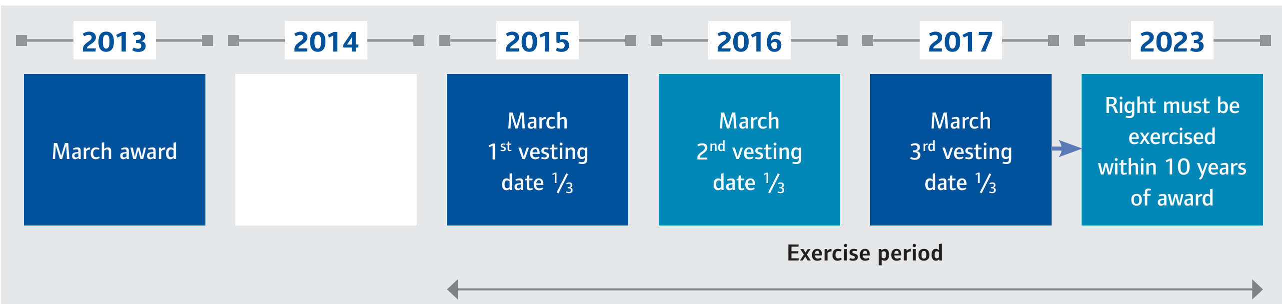
The release of EGS rights subject to conditions under vesting category E is illustrated below.



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

Vesting category	Year	Cumulative vesting percentage	Expiry
D	2, 3, 4	33, 67, 100	10 years

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



The combined maximum award to an employee, in terms of the EGS and GSIS, may not exceed 2.5% of the total number of shares reserved for both schemes.

In March 2013, in respect of the 2012 financial year, the number of conditional awards made to key senior executives under EGS was 424 453 (March 2012: 430 298) worth R15 million (March 2012: R17 million), using the Black-Scholes valuation method and no awards were made under GSIS.

The board has resolved to buy back shares to prevent any shareholder dilution arising on the exercise of EGS awards. Previously when EGS awards were exercised, shares were issued to participants without a concomitant buy-back.

Minimum shareholding requirement

Key senior executives are required to maintain shareholdings valued at least at the average of their last three years' total reward. This is a long-term requirement and shareholdings may be accumulated over time.

Where valuation shortfalls occur, the full after-tax value of deferred compensation that vests will be applied in acquiring additional shares until the required shareholding is in place. This provision applies to incentive awards granted from March 2012. Remco monitors these shareholdings annually.

Performance criteria for 2012

AIR **The chairman's letter starting on page 120 comprehensively addresses the executive evaluation process**

Remco incorporates both quantitative and qualitative, and sustainability measures into performance criteria. Variable remuneration is not linked to revenue or profit targets in a formulaic way. However, remco tracks and controls the relationship between aggregate remuneration and profitability with the objective of being fair and prudent to all stakeholders.

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

During 2012, the group rolled out a new performance management policy and system. This has ensured consistency of approach in alignment of personal goals to strategic objectives, managing performance and the linkage of performance to remuneration within the group.

Performance conditions for long-term incentive awards

Long-term incentive awards granted to key senior executives are subject to a vesting condition over and above duration of service. The condition is that real growth in group normalised headline earnings per share, calculated on a compound annual growth basis, must be achieved during each of the vesting periods in question.

Vesting periods in EGS are no longer extended if the real earnings growth condition is not met over the relevant period. This applies to EGS awards made from March 2013 onwards.

Where vesting conditions were not met, remco has the right to exercise discretion to allow a percentage of the award to vest (limited to 50% of the award). Remco decided not to exercise this discretion, resulting in the forfeiture of 380 000 conditional EGS awards worth R18,5 million, based on the Black-Scholes valuation method, in respect of previous awards made to executive directors and prescribed officers.

Risk management and remuneration

AIR RCM AFS **The risk and capital management summary on page 80 of this report and the separate risk and capital management report provide comprehensive details on all the risk types the group is exposed to and describes the methods used to measure, manage and report them**

The group chief risk officer formally reports twice a year to remco on the application of the group's risk framework across major business lines. Significant breaches of risk management policies by individuals is also reported. This report provides a qualitative measure that informs remco's determination of the overall incentive pools for business units both prior to and after results. This has been formulated into a policy. The individual incentive awards of senior managers and executives are reviewed against risk breaches and adjusted where required. The group chief risk officer is consulted when changes are made to the design of remuneration plans.

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

Remuneration report continued

The group head of human resources reports annually to remco on all significant governance breaches and their impact on individual remuneration. These impacts depend on the nature of the breach but may result in incentive reduction, removal of incentive award and/or removal of salary increase. Serious breaches may result in dismissal.

Remco pays specific attention to:

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

Remco ensures that individuals, particularly senior employees, are not rewarded for exposing the group beyond its stated risk appetite. During 2012, remco found no cause to implement clawbacks.

Distribution of material risk takers and employees with deferred remuneration

The Financial Stability Board's Principles for Sound Compensation Practices defines material risk takers as those employees (including Code Staff) whose professional activities could have a material impact on the group's risk profile. A total of 97 individuals, out of a population of 1 181 employees with deferred remuneration, were identified as material risk takers in 2012. The SARB set out requirements for information on the group for 2012. This information is disclosed in this report.

Quantitative disclosures on employees considered material risk takers

Proportion of variable remuneration deferred and subject to risk adjustment

Description	Number of employees	Variable remuneration as a % of total remuneration (%)	% of variable remuneration subject to deferral[1] (%)	Deferral period (years)	% of variable remuneration in shares or share-linked instruments (%)	% of variable remuneration subject to risk adjustment (%)
A. Senior executives and prescribed officers	**5**	**68.6**	**54.7**	**1 – 7**	**54.7**	**54.7**
B. Other senior executives	**23**	**71.5**	**63.8**[2]	**1 – 7**	**63.8**	**63.8**
C. Other employees whose individual actions have a material impact on the risk exposure of the group	**69**	**70.6**	**51.2**	**1 – 7**	**51.2**	**51.2**
D. All other employees receiving variable remuneration that is subject to deferral	**1 084**	**53.2**	**31.6**	**1 – 7**	**31.6**	**31.6**
Total	**1 181**	**57.2**	**38.3**	**1 – 7**	**38.3**	**38.3**

Key:

A. The executive directors and prescribed officers of Standard Bank Group Limited and The Standard Bank of South Africa Limited, for banking operations only.

B. Heads of major business units/lines, major geographic regions and heads of risk and control, and other enabling functions.

C. This group includes staff whose individual actions have a material impact on the risk exposure of the group as a whole, based on ability to:
- commit a significant amount of the group's risk capital
- significantly influence the group's overall liquidity position
- significantly influence other material risks, or
- managers of significant business units.

D. All other employees receiving any deferred variable pay and for who the variable pay award is linked to personal or business unit performance.

Notes:

[1] Includes long-term incentive award.

[2] Percentage is higher due to the inclusion of Code Staff outside Africa.

Analysis of total amount of remuneration of material risk takers for the financial year

	2012		2011	
	Number of employees	**Total remuneration Rm**	Number of employees	Total remuneration Rm
Fixed remuneration	**97**	**297**	103	293
Senior management[1]	**28**	**113**	28	113
Other material risk takers	**69**	**184**	75	180
Variable remuneration	**97**	**749**	103	822
Senior management	**28**	**286**	28	336
Cash-based	**28**	**110**	28	125
Shares or share-linked instruments	**28**	**176**	28	211
Deferred remuneration[2]	**28**	**161**	28	195
Other – EGS[3]	**7**	**15**	7	16
Other material risk takers	**69**	**463**		486
Cash-based	**69**	**226**	75	223
Shares or share-linked instruments	**69**	**237**	75	263
Deferred remuneration[2]	**69**	**237**	75	261
Other – EGS[3]			1	2

[1] Senior executives and prescribed officers of the banking operations as defined under category A and B on page 132.
[2] The value of units in the DBS 2012 and Quanto as at award date. More information on the schemes are available in annexure D of the annual financial statements on page 221.
[3] The Black-Scholes value at award date for participation rights awarded in the EGS.

Remuneration report continued

Analysis of total amount of deferred remuneration of material risk takers for the financial year

	2012		2011	
	Number of employees	**Deferred remuneration Rm**	Number of employees	Deferred remuneration Rm
Awarded during the year[1]	**97**	**398**	103	456
Senior management	**28**	**161**	28	195
Other material risk takers	**69**	**237**	75	261
Paid during the year[2]	**63**	**217**	17	80
Senior management	**23**	**122**	8	53
Other material risk takers	**40**	**95**	9	27
Outstanding at the end of the year[3]	**97**	**1 134**	103	1 018
Senior management	**28**	**451**	28	460
Other material risk takers	**69**	**683**	75	558

1 Award value of amounts deferred in the deferral schemes (all share linked).
2 Gross value of DBS awards exercised by participants during the financial year, as well as additional incremental payments made in terms of the rules of the DBS. ZAR equivalent value of Quanto Stock units sold during 2012.
3 Value of the balance of units in the DBS and DBS 2012. ZAR equivalent value balance of Quanto Stock units held from prior year award.

All deferred remuneration and EGS awards are exposed to ex post explicit and implicit adjustments. No reductions occurred during either 2012 or 2011 as a result of ex post explicit (such as clawbacks) and implicit adjustments.

Annual grant share prices	**Price (R)**
March 2013	**115,51**
March 2012	**108,90**
March 2011	**98,80**
March 2010	**111,94**
March 2009	**62,39**

As all deferred remuneration is share linked, a reduction in share price results in reduction in value of holdings.

Remuneration review foreign exchange rates	**USD1/ZAR**
2012 financial year	**8,2305**
2011 financial year	7,5381

Reward decisions made in respect of the 2012 performance period

Following its detailed evaluation of all relevant aspects of the group's 2012 financial and risk-adjusted performance and delivery against board-approved strategy, remco approved an increase to the total group incentive pool for banking operations (excluding Liberty) of 4%. This increase in incentive pool size incorporated the growth in employee numbers, particularly in Africa, as well as the effect of the devaluation of the rand. It also incorporated a slightly higher incentive pool for unionised employees in South Africa.

However, the incentive pool for the most senior executives was significantly lower than the prior year.

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

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

Non-executive directors

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

Proposed fees, effective from 1 January 2013, are based on a carefully considered assessment of the increased responsibility placed on non-executive directors, due to:

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

Fees

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

During 2012, a meeting fee totalling R54 000 was paid to three non-executive directors who had been required to attend and participate in the group's governance structures as part of the board discharging its responsibilities.

The board agreed that the current fee structure of a single annual fee, rather than a retainer and meeting attendance fee, was more appropriate for the group board and committees, and the contribution of members. It remains the group's view that the contribution of directors cannot only be judged by attendance at board and committee meetings.

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

Remuneration report continued

Directors' and prescribed officers' emoluments 2012

	Fixed remuneration				
	Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Cash portion of package R'000	Other benefits R'000
Non-executive directors					
DDB Band	189	410	315		
RMW Dunne	189	746	189		
TS Gcabashe	189	280	225		
KP Kalyan	189	84	189		
Yagan Liu	533	180			
SJ Macozoma	189	580	2 287		
KD Moroka	189		189		
AC Nissen	189	84	189		
TMF Phaswana	4 400				416[2]
MC Ramaphosa	189	82	189		
MJD Ruck	189	533	1 352		
Lord Smith of Kelvin, Kt	533	213	533		
EM Woods	189	679	207		
Hongli Zhang	533	295			
Subtotal	**7 889**	**4 166**	**5 864**		**416**
Former non-executive directors					
SE Jonah KBE[3]	78		78		
Sir Paul Judge[3]	222		221		
Subtotal	**300**		**299**		
Executive directors					
JH Maree				6 345	470
SP Ridley				4 617	246
Subtotal				**10 962**	**716**
Subtotal board	**8 189**	**4 166**	**6 163**	**10 962**	**1 132**
Prescribed officers					
BJ Kruger				6 014	132
PG Wharton-Hood				6 008	191
SK Tshabalala				5 098	270
JB Hemphill				4 424	387
Subtotal				**21 544**	**980**
Total	**8 189**	**4 166**	**6 163**	**32 506**	**2 112**

1 This amount was payable to DDB Band by Gymnogene Investments, a company in which he is a 33% shareholder and which had a contractual relationship with SBSA. The payment arises from a share of the profit on disposal of private equity investments in a portfolio sourced and arranged by Gymnogene Investments on behalf of SBSA. Although the contractual relationship expired on 31 December 2004, payments of this nature are likely to recur if and when the remaining investments in this portfolio are realised on a profitable basis to SBSA.

2 Use of motor vehicle and club subscriptions.

3 Retired on 31 May 2012.

4 In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.

5 In terms of the DBS 2012, described on page 128, the amount finally payable is dependent on the performance of the group's share price. The awards deferred for the 2012 performance year are only issued in the 2013 financial year.

6 Awards granted to key senior executives in March 2013 for the EGS are valued using the Black-Scholes methodology and are subject to a performance condition as set out on page 131, over and above the duration of service.

			Variable remuneration			
Pension contributions R'000	Otherwise in connection with the affairs of Standard Bank Group and its subsidiaries R'000	Total fixed remuneration R'000	Cash award R'000	Deferred award R'000	Value of options/ rights granted EGS R'000	Total remuneration for the year R'000
	473[1]	1 387				1 387
		1 124				1 124
		694				694
		462				462
		713				713
		3 056				3 056
		378				378
		462				462
		4 816				4 816
		460				460
		2 074				2 074
		1 279				1 279
		1 075				1 075
		828				828
	473	18 808				18 808
		156				156
		443				443
		599				599
997		7 812	4 500[4]	3 700[5]	2 000[6,8]	18 012
572		5 435	5 500[4]	4 700[5]	1 500[6,8]	17 135
1 569		13 247	10 000	8 400	3 500	35 147
1 569	473	32 654	10 000	8 400	3 500	54 554
963		7 109	5 900[4]	5 100[5]	2 000[6,8]	20 109
966		7 165	7 500[4]	6 700[5]	2 500[6,8]	23 865
482		5 850	8 250[4]	7 450[5]	2 500[6,8]	24 050
132		4 943	7 900[4]	3 850[7]	7 000[7,8]	23 693
2 543		25 067	29 550	23 100	14 000	91 717
4 112	473	57 721	39 550	31 500	17 500	146 271

7 Awards are made in terms of the Liberty Holdings Group Restricted Share Plan. Details are available in the Liberty Holdings Limited annual integrated report.

8 Black-Scholes value of conditional awards forfeited. Detail of award listed on pages 144 to 149.

Name	Value R'000
JH Maree	(5 748)
SP Ridley	(2 128)
BJ Kruger	(3 697)
PG Wharton-Hood	(3 697)
SK Tshabalala	(2 547)
JB Hemphill	(699)
Total	**(18 516)**

Remuneration report continued

Directors' and prescribed officers' emoluments 2011

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

1 Use of motor vehicle.
2 Resigned on 4 February 2011.
3 In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.
4 In terms of the DBS 2012, described on page 128, the amount finally payable is dependent on the performance of the group's share price. The awards deferred for the 2011 performance year are only issued in the 2012 financial year.
5 Awards granted to key senior executives in March 2012 for the EGS are valued using the Black-Scholes methodology and are subject to a performance condition as set out on page 131, over and above the duration of service.
6 SK Tshabalala elected to have the value of his deferred award for the performance year 2011 invested in the EGS rather than DBS 2012. Details are on page 146.
7 Awards are made in terms of the Liberty Group DBS and EGS. Details are available in the Liberty Holdings Limited annual integrated report.

			Variable remuneration			
Other benefits R'000	Pension contributions R'000	Total fixed remuneration R'000	Cash award R'000	Deferred award R'000	Value of options/rights granted EGS R'000	Total remuneration for the year R'000
		862				862
		1 054				1 054
		537				537
		343				343
		860				860
		420				420
		593				593
		2 781				2 781
		343				343
		420				420
284[1]		4 284				4 284
		417				417
		2 064				2 064
		1 054				1 054
		829				829
		714				714
284		17 575				17 575
		59				59
		59				59
423	895	6 913	8 786[3]	9 043[4]	2 500[5]	27 242
212	514	4 813	5 881[3]	5 600[4]	1 500[5]	17 794
635	1 409	11 726	14 667	14 643	4 000	45 036
919	1 409	29 360	14 667	14 643	4 000	62 670
143	858	6 269	9 506[3]	9 763[4]	2 500[5]	28 038
227	454	5 394	8 200[3]	7 900[6]	2 500[5]	23 994
152	840	6 329	8 631[3]	8 888[4]	2 500[5]	26 348
110	394	4 712	7 332[3]	2 713[7]	6 000[7]	20 757
632	2 546	22 704	33 669	29 264	13 500	99 137
1 551	3 955	52 064	48 336	43 907	17 500	161 807

Remuneration report continued

Governance

Remco composition

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

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

There were no changes to the composition of remco during the year.

Attendance at scheduled meetings of remco and other committee memberships in 2012 is set out below.

Member	February	August	November	Other committees
EM Woods (chairman)[a]	✓✓	✓	✓	**1, 2, 3[#]**
DDB Band[a]	✓✓	✓	✓	**2, 3, 4**
SJ Macozoma[b]	✓✓	✓	✓	**2, 3[#], 4, 5[*]**
TMF Phaswana[a]	✓✓	✓	✓	**2, 3, 4, 5**

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

Footnotes:
[a] Independent non-executive member.
[b] Non-executive member.
* Chairman of committee.
\# Attended to meet quorum. Not a member.

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

Terms of reference

During the course of the year, the remco mandate was reviewed in light of global regulatory developments, the adoption of the Companies Act in South Africa and with reference to the recommendations of the King Code. Minor changes were made to the terms of reference, to align the mandate to the Companies Act and the key core recommendations. Remco terms of reference include to:

- Review and recommend to the board for approval the overall remuneration philosophy, policy and practices of the group. The policy is then put to shareholders for a non-binding vote at the AGM.
- Based on a review of performance, agree the individual remuneration packages of the chairman, group chief executive, SBSA chief executive and other key senior executives.
- Review and recommend the fees payable to the chairman and non-executive directors that are subject to board and shareholder approval.
- Review and approve any major changes to the design of employee remuneration throughout Standard Bank Group.
- Review remuneration structures for subsidiary companies and ensure that their approaches and policies are in line with group policy and practice.
- Consider the fixed and variable remuneration of the group's highest-paid executives and managers.
- Consider the average percentage increase of the fixed remuneration of executive management across the group, as well as variable incentives.
- Agree incentive schemes and award incentive pools across the group.
- Review the performance measures and criteria used in variable remuneration awards for all employees.

Advisers

In 2012, remco and management sought guidance on, and benchmarking of, remuneration from a number of advisers, in relation to both international and South African remuneration and benefits, and regulatory and compliance matters as they pertain to remuneration. Information and guidance was received from Deloitte, Hay Group, Remchannel (now part of PricewaterhouseCoopers), PricewaterhouseCoopers, Employment Conditions Abroad, McLagan and Towers Watson. In terms of market comparisons and benchmarking, reviews are made against other major South African, African and international banks and top listed companies.

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

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

Overview of subsidiaries and group operations

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

Terms of employment for executive directors and prescribed officers

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

Retention agreements

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

Restrictive covenants

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

Remuneration report continued

Quantitative disclosure on material risk takers with respect to employment awards made

	2012		2011	
	Number of employees	**Value of awards Rm**	Number of employees	Value of awards Rm
Guaranteed bonuses	**3**	**18**	3	31
Senior management	**1**	**4**		
Other material risk takers	**2**	**14**	3	31
Sign-on awards/buy-out awards[1]				
Senior management				
Other material risk takers				
Severance payments	**2**	**10**		
Senior management	**1**	**6**		
Other material risk takers	**1**	**4**		

[1] No employment awards in the form of sign-on awards or cash buy-out awards have been made for 2012 or 2011.

Awards are made across the group in local currency but are reported in rand. Award values are, therefore, subject to prevailing exchange rates at the time of the award.

Guaranteed bonuses

Guaranteed bonuses are made by exception in the context of hiring and only in relation to the first year. All guaranteed bonuses are funded from the total performance incentive pools and subject to the same levels of deferral as annual discretionary incentives. Payments of guaranteed bonuses are subject to meeting required performance standards.

Sign-on awards/buy-out awards made on hiring

To attract key employees it is sometimes necessary to compensate for the loss of unvested awards in their previous company. This would normally be through the appropriate group scheme subject to normal vesting terms. In certain situations, cash buy-out awards may be made on joining, subject to repayment if the employee leaves the group within a certain period. Sign-on awards without reference to losses at a previous company are discouraged.

Severance payments

Local legislation, market practice and, where applicable, agreements with recognised trade unions or other employee forums determine severance payments. The number of terminations and the total rand values are set out above.

The severance payments in the table above comprise the following elements:

- contractual severance amounts (inclusive of statutory requirements)
- any ex-gratia cash severance amount (if remco approved)
- any cash amount in lieu of notice (if remco approved).

The severance amounts exclude:

- long-term incentive awards which vest on normal vesting dates after retrenchment
- cash short-term incentives awarded in respect of the period prior to termination.

Terms for non-executive directors

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

In terms of the MOI, non-executive directors are required to retire at the AGM following their 70th birthday. The board has discretion to extend the tenure of directors who have not completed five years of service by the time they turn 70 to a period of five years of service.

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

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

AIR **The corporate governance statement provides a review of independence of those directors who have served on the board for more than nine years.** **Refer to page 96**

Remuneration report continued

Share incentives

Group share incentive scheme

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

Equity growth scheme

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

Director's or prescribed officer's name			Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of partici-pation rights forfeited for the current performance year	Black-Scholes value of participation rights forfeited (R)	Number of share incentives exercised or accepted during the year
JH Maree	GSIS							
		2012	**300 000**					**300 000**
		2011	325 000					25 000
	EGS							
		2012	**1 625 000**	**61 471**	**2012/03/08**	**(125 000)**	**(5 747 500)**	
		2011	1 625 000					
SP Ridley	GSIS							
		2012						
		2011	77 500					17 500 60 000
	EGS							
		2012	**725 000**	**36 883**	**2012/03/08**	**(42 500)**	**(2 127 925)**	**50 000**
		2011	525 000	200 000	2011/03/04			

[1] Conditional awards.

Deferred bonus scheme

Employees who are awarded a short-term incentive over a certain threshold are subject to a mandatory deferral of a percentage of their incentive into the DBS. The final payment is calculated with reference to the number of units multiplied by the Standard Bank Group share price on the date of payment.

Deferred bonus scheme 2012

Employees are awarded shares in Standard Bank Group Limited, either as a mandatory deferral of their short-term incentive or as a discretionary award. These shares are delivered to the employees on the vesting date.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2012	Issue date	Issue or offer price (R)	Vesting category	Expiry date
40,65	**20 661 000**						
33,50	1 621 250	300 000					
108,90		**1 561 471**	**375 000**	**2006/03/10**	**79,50**	**A**	**2016/03/10**
		1 625 000	**125 000**	**2006/03/10**	**79,50**	**B**	**2016/03/10**
			62 500[1]	**2008/03/06**	**92,00**	**A**	**2018/03/06**
			250 000[1]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			62 500[1]	**2009/03/06**	**62,39**	**A**	**2019/03/06**
			125 000[1]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			500 000[1]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			61 471[1]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
27,90	1 232 350						
40,65	3 460 200						
12 175	**2 170 000**	**669 383**	**150 000**	**2006/03/10**	**79,50**	**B**	**2016/03/10**
		725 000	**15 000**	**2007/03/07**	**98,00**	**A**	**2017/03/07**
			15 000	**2007/03/07**	**98,00**	**B**	**2017/03/07**
			12 500[1]	**2008/03/06**	**92,00**	**A**	**2018/03/06**
			50 000[1]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			30 000[1]	**2009/03/06**	**62,39**	**A**	**2019/03/06**
			60 000[1]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			100 000[1]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			100 000[1]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			100 000[1]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			36 883[1]	**2012/03/08**	**108,90**	**A**	**2022/03/08**

Remuneration report continued

Director's or prescribed officer's name			Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited for the current performance year	Black-Scholes value of participation rights forfeited (R)	Number of share incentives exercised or accepted during the year
PG Wharton-Hood	**GSIS**							
		2012	**250 000**					**125 000**
		2011	300 000					50 000
	EGS							
		2012	**1 250 000**	**61 471**	**2012/03/08**	**(75 000)**	**(3 696 750)**	
		2011	1 100 000	150 000	2011/03/04			
SK Tshabalala[2]	**GSIS**							
		2012	**25 000**					
		2011	25 000					
	EGS							
		2012	**795 000**	**274 305**	**2012/03/08**	**(50 000)**	**(2 547 250)**	
		2011	595 000	200 000	2011/03/04			

1 Conditional awards.
2 SK Tshabalala, has a right to 698 339 shares as a beneficiary of the Tutuwa Manager's Trusts. There is a current liability of R44,36 per share. Special conditions apply to the shares.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2012	Issue date	Issue or offer price (R)	Vesting category	Expiry date
27,90	**10 641 250**	**125 000**	**125 000**	**2004/03/11**	**40,65**	**A**	**2014/03/11**
27,80	3 408 200	250 000					
108,90		**1 236 471**	**125 000**	**2005/03/10**	**65,60**	**B**	**2015/03/10**
		1 250 000	**300 000**	**2006/03/10**	**79,50**	**B**	**2016/03/10**
			125 000	**2007/03/07**	**98,00**	**B**	**2017/03/07**
			25 000[1]	**2008/03/06**	**92,00**	**A**	**2018/03/06**
			100 000[1]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			50 000[1]	**2009/03/06**	**62,39**	**A**	**2019/03/06**
			100 000[1]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			100 000[1]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			100 000[1]	**2010/03/05**	**111,94**	**B**	**2020/03/05**
			75 000[1]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			75 000[1]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			61 471[1]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
		25 000	**25 000**	**2004/03/11**	**40,65**	**A**	**2014/03/11**
		25 000					
108,90		**1 019 305**	**50 000**	**2005/03/10**	**65,60**	**B**	**2015/03/10**
		795 000	**22 500**	**2006/03/10**	**79,50**	**A**	**2016/03/10**
			22 500	**2006/03/10**	**79,50**	**B**	**2016/03/10**
			25 000	**2007/03/07**	**98,00**	**A**	**2017/03/07**
			25 000	**2007/03/07**	**98,00**	**B**	**2017/03/07**
			12 500[1]	**2008/03/06**	**92,00**	**A**	**2018/03/06**
			100 000[1]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			50 000[1]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			37 500[1]	**2009/03/06**	**62,39**	**A**	**2019/03/06**
			75 000[1]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			62 500[1]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			62 500[1]	**2010/03/05**	**111,94**	**B**	**2020/03/05**
			100 000[1]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			100 000[1]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			61 471[1]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
			212 834	**2012/03/08**	**108,90**	**D**	**2022/03/08**

Remuneration report continued

Director's or prescribed officer's name			Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of partici-pation rights forfeited for the current performance year	Black-Scholes value of participation rights forfeited (R)	Number of share incentives exercised or accepted during the year
BJ Kruger	**GSIS**							
		2012						
		2011	15 700					15 700
	EGS							
		2012	**1 231 500**	**61 471**	**2012/03/08**	**(75 000)**	**(3 696 750)**	**31 500**
		2011	1 062 500	200 000	2011/03/04			31 000
JB Hemphill	**GSIS**							
		2012						
		2011						
	EGS							
		2012	**250 000**			**(12 500)**	**(698 875)**	
		2011	225 000	25 000	2011/03/04			

[1] Conditional awards.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2012	Issue date	Issue or offer price (R)	Vesting category	Expiry date
40,65	960 309						
7 990	1 441 440	1 186 471	300 000	2006/03/10	79,50	B	2016/03/10
7 243	262 341	1 231 500	150 000	2007/03/07	98,00	B	2017/03/07
			50 000[1]	2008/03/06	92,00	A	2018/03/06
			100 000[1]	2008/03/06	92,00	B	2018/03/06
			25 000[1]	2009/03/06	62,39	A	2019/03/06
			100 000[1]	2009/03/06	62,39	B	2019/03/06
			100 000[1]	2010/03/05	111,94	A	2020/03/05
			100 000[1]	2010/03/05	111,94	B	2020/03/05
			100 000[1]	2011/03/04	98,80	A	2021/03/04
			100 000[1]	2011/03/04	98,80	B	2021/03/04
			61 471[1]	2012/03/08	108,90	A	2022/03/08
		237 500	5 000	2005/04/21	60,35	A	2015/04/21
		250 000	20 000	2005/04/21	60,35	B	2015/04/21
			12 500[1]	2009/03/06	62,39	A	2019/03/06
			25 000[1]	2009/03/06	62,39	B	2019/03/06
			75 000[1]	2010/03/05	111,94	A	2020/03/05
			75 000[1]	2010/03/05	111,94	B	2020/03/05
			12 500[1]	2011/03/04	98,80	A	2021/03/04
			12 500[1]	2011/03/04	98,80	B	2021/03/04

Remuneration report continued

Deferred bonus scheme

The table below reflects bonus awards issued in the 2012 and prior financial years and relate to past years' performance. The awards will only vest in future in terms of the rules of the DBS and DBS 2012. The bonus awards payable and bonus awards deferred for the 2012 performance year are only issued in the 2013 financial year and are reflected on page 136.

	Performance year	Issue date	Amount deferred (R)	Award price (R)
JH Maree	2008	2009/03/06[1]	2 593 000	62,39
	2011	2012/03/08[2]	9 043 512	108,90
SP Ridley	2008	2009/03/06[1]	887 500	62,39
	2009	2010/03/05[1]	817 500	111,94
	2010	2011/03/04[1]	552 875	98,80
	2011	2012/03/08[2]	5 600 074	108,90
PG Wharton-Hood	2008	2009/03/06[1]	967 500	62,39
	2009	2010/03/05[1]	887 500	111,94
	2010	2011/03/04[1]	5 184 600	98,80
	2011	2012/03/08[2]	8 887 547	108,90
SK Tshabalala[3]	2008	2009/03/06[1]	1 750 000	62,39
	2009	2010/03/05[1]	1 930 000	111,94
BJ Kruger	2008	2009/03/06[1]	1 870 000	62,39
	2009	2010/03/05[1]	1 075 000	111,94
	2010	2011/03/04[1]	2 310 000	98,80
	2011	2012/03/08[2]	9 762 558	108,90
JB Hemphill[4]				

[1] Units are granted in DBS and vest after three years from date of award.
[2] Units are granted in DBS 2012 and vest in three equal tranches at 18, 30 and 42 months from date of award.
[3] SK Tshabalala elected to have the value of his deferred award for the performance year 2011 invested in the EGS rather than DBS 2012. Details are on page 146.
[4] JB Hemphill was awarded a deferred bonus, issued in Liberty Holdings Limited. Full details are available in the Liberty annual integrated report.
[#] The units were exercised to settle taxes due on vesting date.

Units	Expiry date/final vesting date	Number of units exercised during the year	Share price (R)	Value of units exercised (R)	Balance of units 31 December
41 561	2013/11/30				**41 561**
83 035	2015/09/08				**83 035**
14 226	2013/11/30	**5 691**	**111,36**	**633 750**	**8 535#**
7 303	2014/11/30				**7 303**
5 596	2015/11/30				**5 596**
51 424	2015/09/08				**51 424**
15 508	2013/11/30	**6 204**	**111,36**	**690 877**	**9 304#**
7 928	2014/11/30				**7 928**
52 476	2015/11/30				**52 476**
81 612	2015/09/08				**81 612**
28 050	2013/11/30	**11 220**	**111,36**	**1 249 459**	**16 830#**
17 241	2014/11/30				**17 241**
29 973	2013/11/30	**29 973**	**111,36**	**3 337 793**	
9 603	2014/11/30				**9 603**
23 381	2015/11/30				**23 381**
89 647	2015/09/08				**89 647**

Directorate of key subsidiaries

as at 31 December 2012

The Standard Bank of South Africa Limited

TMF Phaswana
Chairman

SK Tshabalala[1]
Chief executive

DDB Band

RMW Dunne[2]

TS Gcabashe

KP Kalyan

SJ Macozoma

JH Maree[1,4]

KD Moroka

AC Nissen

MC Ramaphosa

SP Ridley[1]

MJD Ruck

Lord Smith of Kelvin, Kt[2]

EM Woods

Standard Bank Plc

BJ Kruger
Chairman

JK Knott[1,2]
Chief executive

GM Vogel[1]

ME Austen[2]

DPH Burgess[2]

JH Maree

CJ Sheridan[2]

HE Staunton[2]

PG Wharton-Hood

Liberty Holdings Limited

SJ Macozoma
Chairman

JB Hemphill[1]
Chief executive

AWB Band

AP Cunningham[2]

MW Hlahla

JH Maree[4]

MP Moyo

TDA Ross

SP Sibisi

JH Sutcliffe[2]

CG Troskie[1]

BS Tshabalala

PG Wharton-Hood

Stanbic IBTC Bank PLC

ANA Peterside, OON[3]
Chairman

S David-Borha[1,3]
Chief executive

Y Sanni[1,3]
Deputy chief executive

PO Solola[1,5]

OU Abajue[1]

M Adedoyin[3]

OA Adeniyi[1]

D Bruynseels[1]

AS Cookey[3]

I Esiri[3]

AG Gain

BJ Kruger

RI Mahtani[3]

JH Maree[4]

M Uwais[3]

[1] Executive
[2] British
[3] Nigerian
[4] Resigned 2013/03/07
[5] Resigned 2013/02/01

Credit ratings

Ratings as at 6 March 2013 for entities within Standard Bank Group are detailed below:

	Short term	Long term	Outlook
Fitch Ratings			
Standard Bank Group Limited			
Foreign currency issuer default rating	F3	BBB	Stable
Local currency issuer default rating		BBB	Stable
The Standard Bank of South Africa			
Foreign currency issuer default rating	F3	BBB	Stable
Local currency issuer default rating		BBB	Stable
National rating	F1+ (ZAF)	AA (ZAF)	Stable
RSA Sovereign rating			
Foreign currency issuer default rating	F3	BBB	Stable
Local currency issuer default rating		BBB+	Stable
Standard Bank Plc			
Foreign currency issuer default rating	F3	BBB	Stable
Banco Standard de Investimentos S.A. (Brazil)			
National rating	F1+ (BRA)	AA- (BRA)	Stable
Stanbic IBTC Bank PLC (Nigeria)			
National rating	F1+ (NGA)	AAA (NGA)	
CfC Stanbic Bank (Kenya)			
Issuer default rating	B	BB-	Stable
National rating	F1+ (KEN)	AAA (KEN)	Stable
Liberty Group			
National rating		AA- (ZAF)	Stable
National Insurer Financial Strength		AA (ZAF)	Stable
Moody's Investor Services			
The Standard Bank of South Africa			
Foreign currency deposit rating	P-2	Baa1	Negative
Local currency deposit rating	P-2	A3	Negative
National rating	P-1.za	Aa2.za	
RSA Sovereign ratings			
Foreign currency	P-2	Baa1	Negative
Local currency		Baa1	Negative
Standard Bank Plc			
Foreign and local currency deposit rating	P-2	Baa2	Negative
Standard & Poor's			
The Standard Bank of South Africa			
Unsolicited issuer rating	A-2	BBB	Negative
RSA Sovereign ratings			
Foreign currency	A-2	BBB	Negative
Local currency	A-2	A-	Negative

Financial and other definitions

Standard Bank Group	
Board	Standard Bank Group board of directors.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Diluted earnings per ordinary share (DEPS) (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of shares, adjusted for potential dilutive ordinary shares resulting from share-based payments and related hedges.
Dividend cover (times)	Headline earnings per share divided by dividend per share.
Dividend per share (cents)	Total dividends to ordinary shareholders in respect of the year. Dividend is calculated using the cash component of any distribution where an election to receive scrip was available.
Headline earnings (Rm)	Determined, in terms of the circular issued by the South Africa Institute of Chartered Accountants at the request of the JSE, by excluding from reported earnings specific separately identifiable remeasurements net of related tax and non-controlling interests.
Headline earnings per ordinary share (HEPS) (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Net asset value (Rm)	Equity attributable to ordinary shareholders.
Net asset value per share (cents)	Net asset value divided by the number of ordinary shares in issue at yearend.
Profit attributable to ordinary shareholders (Rm)	Profit for the year attributable to ordinary shareholders, calculated as profit for the year less dividends on non-redeemable, non-cumulative, non-participating preference shares declared before yearend, less non-controlling interests.
Profit for the year (Rm)	Income statement profit attributable to ordinary shareholders, non-controlling interests and preference shareholders for the year.
Return on equity (ROE) (%)	Headline earnings as a percentage of monthly average ordinary shareholders’ funds.
Shares in issue (number)	Number of ordinary shares in issue as listed on the exchange operated by the JSE.
SBG or the group	Standard Bank Group.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the year as listed on the JSE.

Banking activities	
Cost-to-income ratio (%)	Operating expenses as a percentage of total income including share of profit from associates and joint ventures and gains of the disposal of subsidiaries.
Credit loss ratio (%)	Total impairment charges on loans and advances per the income statement as a percentage of average daily and monthly gross loans and advances.
Effective tax rate (%)	Direct and indirect taxation as a percentage of income before taxation.
Gross specific impairment coverage ratio (%)	Balance sheet impairments for non-performing specifically impaired loans as a percentage of specifically impaired loans.
Net interest margin (%)	Net interest income as a percentage of daily and monthly average total assets, excluding derivative assets.
Non-interest revenue to total income (%)	Non-interest revenue as a percentage of total income.
Portfolio credit impairments (Rm)	Impairment for latent losses inherent in groups of loans and advances that have not yet been specifically impaired.
Return on equity (ROE) (%)	Headline earning as a percentage of monthly average ordinary shareholders' funds. Liberty's headline earnings and capital are excluded.
Risk-weighted assets (Rm)	Determined by applying prescribed risk weightings to on- and off-balance sheet exposures according to the relative credit risk of the counterparty.
Specific credit impairments (Rm)	Impairment for loans and advances that have been classified as non-performing and specifically impaired, net of the present value of estimated recoveries.

Financial and other definitions continued

Other definitions	
Black	African, Coloured, Indian and South African Chinese people (who fall within the ambit of the definition of black people in the relevant legislation as determined by court ruling).
Code Staff	In terms of the UK Financial Services Authority (FSA) regulations, all staff members who have a material impact on the firm's risk profile, including a person who performs a significant influence function for a firm, risk takers and a person given responsibility for management and supervision by the entity's governing body. Code Staff are identified as those business units outside Africa that fall under the jurisdiction of the FSA.
CPI (%)	A South African index of prices used to measure the change in the cost of basic goods and services.
Embedded value (EV)	The net worth of an insurer plus the value of in-force business less the cost of solvency capital. The net worth of an insurer includes financial services subsidiaries, other than life companies, at fair value.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
Loss given default (LGD)	Amount of a counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the EAD.
Normalised results	The financial results and ratios restated on an economic substance basis to reflect the group's view of the economic and legal substance of certain defined arrangements – refer to page 69.
Probability of default (PD)	Probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon.
Reinsurance	Insurance or investment risk that is ceded to another insurer in return for premiums. The ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Risk appetite	An expression of the maximum level of residual risk that the group is prepared to accept in order to deliver its business objectives.
Tutuwa	Tutuwa is the group's black economic empowerment ownership initiative entered into in terms of the Financial Sector Charter.

Acronyms and abbreviations

A	
ACAD	African Carbon Asset Development
AGM	Annual general meeting
ALCO	Asset and liability committee
AMA	Advanced management approach
ATM	Automated teller machine
B	
Banks Act	South African Banks Act 94 of 1990
BASA	Banking Association of South Africa
Basel	Basel Capital Accord
BCBS	Basel Committee on Banking Supervision
Board	Standard Bank Group Board of Directors
C	
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CIB	Corporate & Investment Banking
Companies Act/ the Act	South African Companies Act 71 of 2008
CSDP	Central Securities Depository Participant
CVA	Credit valuation adjustment
The charter	Financial Sector Charter
The code	The group's code of ethics
The company	Standard Bank Group Limited
CPI	Consumer price index
D	
DBS	Deferred bonus scheme
E	
EGS	Equity growth scheme
Exco	Group executive committee
F	
FSA	Financial Services Authority
FSB	Financial Services Board
G	
GAC	Group audit committee
GBP	British pound sterling
GDP	Gross domestic product
GIA	Group internal audit
GIBS	Gordon Institute of Business Science
GRI	Global Reporting Initiative
GRCMC	Group risk and capital management committee
GROC	Group risk oversight committee
GSIS	Group share incentive scheme
The group	Standard Bank Group
H	
HIV	Human immunodeficiency virus
I	
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICBC	Industrial and Commercial Bank of China Limited
IFRS	International Financial Reporting Standards
IT	Information technology
J	
JSE	JSE Limited, the licensed securities exchange in Johannesburg
K	
KFI	Key financial indicator
King Code	The Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2009
L	
LCR	Liquidity coverage ratio
LibFin	Liberty Financial Solutions
Liberty	Liberty Holdings Limited and its subsidiaries
M	
MSCI	An index created by Morgan Stanley Capital International (MSCI) which is designed to measure equity market performance in global emerging markets
MOI	Memorandum of Incorporation
N	
NCA	National Credit Act 34 of 2005
NDP	National Development Plan
NICC	National Industrial Credit Corporation
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
O	
OCI	Other comprehensive income
P	
PBB	Personal & Business Banking
Pillar 3	Basel II pillar 3
PoPi	Protection of personal information
Prime	The prime interest rate

Acronyms and abbreviations continued

R	
R	South African rand
Rbn	Billions of rand
REIPPP Programme	Renewable Energy Independent Power Producer Procurement Programme
Remco	Remuneration committee
Retail SA	Liberty's retail business in South Africa
Rm	Millions of rand
ROE	Return on equity

S	
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SBA	Collectively refers to the group's shareholding in Standard Bank Argentina S.A. and Standard Bank Argentina's affiliates namely, Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión (SI) and Inversora Diagonal S.A. (ID)
SBG	Standard Bank Group
SBSA	The Standard Bank of South Africa Limited
SCMB	Standard Corporate and Merchant Bank
SENS	Securities exchange news service of the JSE Limited
SME	Small and medium enterprises
SPE	Special purpose entity
SRI	Socially responsible investment
STRATE	Strate Ltd – Central Securities Depository for electronic settlement of financial instruments in South Africa

T	
TCF	Treating Customers Fairly
Tier I	Primary capital
Tier II	Secondary capital
Troika	Troika Dialog Group Limited
Tutuwa initiative	Black economic empowerment ownership initiative

U	
UK	United Kingdom
US	United States of America
USD	United States dollar

V	
VaR	Value-at-risk

Z	
ZAR	South African rand

International representation

Angola

Standard Bank de Angola S.A.

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Angola

P Coelho
Chief executive

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Gaborone
Botswana

L Gabaraane
Chief executive

Brazil

Banco Standard de Investimentos S.A.

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Brazil

A Menezes
Chief executive

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The People's Republic of China

C Tasker
Chief executive

Standard Resources (China) Limited

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V Yu
General manager

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B Yao
Representative

Democratic Republic of Congo

Stanbic Bank RDC SARL

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Kinshasa 1
Democratic Republic of Congo

E Mboma
Chief executive

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Stanbic Bank Ghana Limited

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Accra
Ghana

A Andani
Chief executive

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JT Chenoweth
Chief executive

Standard Securities (Asia) Limited

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JT Chenoweth
Director

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Isle of Man
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J Coyle
Chief executive

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Japan

Y Ikemizu
Branch manager

International representation continued

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M Hucker
Chief executive

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Kenya

G Brackenridge
Chief executive

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M Vumbukani
Chief executive

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C Mudiwa
Chief executive

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Ebene
Mauritius

L Bheenick
Chief executive

Standard Bank Trust Company (Mauritius) Limited
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Ebene
Mauritius

W Ainger
Chief executive

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A Coutinho
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Namibia

M Pupuma
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S David-Borha
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P Hurley
Chief executive

Standard Bank Plc – Singapore branch
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P Hurley
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V Otieno
Director

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P Mnisi
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J Hsu
General manager

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Tanzania

B Awale
Chief executive

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P Odera
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United Kingdom

J Knott
Chief executive

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Standard Americas, Inc.
Standard New York Securities, Inc.

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USA

A Maartens
Director

The Standard Bank of South Africa Limited – New York representative office

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M Chiaviello
Representative

Zambia

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Zambia

D Kennedy
Chief executive

Zimbabwe

Stanbic Bank Zimbabwe Limited

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Harare
Zimbabwe

J Tapambgwa
Chief executive

Chairman's letter to shareholders

Dear Shareholder

I extend an invitation to you to attend the 44th annual general meeting (AGM) of Standard Bank Group Limited (the company) to be held in the H P de Villiers Auditorium, Ground Floor, Standard Bank Centre, 6 Simmonds Street, Johannesburg on Thursday, 30 May 2013 at 9:00.

This is your opportunity to meet and question members of the Standard Bank Group Limited board regarding the group's performance for the year ended 31 December 2012.

If you are not able to attend the AGM and hold shares in certificated form or if you have dematerialised your shares and have elected "own-name" registration through a Central Securities Participant (CSDP) or broker, I would urge you to complete and submit the proxy form in accordance with the instructions and return it to the address indicated.

If you are not able to attend the AGM and have dematerialised your shares on STRATE and have not elected "own-name" registration, I would likewise urge you to submit your voting instructions to your CSDP or broker. You will need to contact them regarding their particular cut-off time for votes to be lodged with us.

If you wish to attend the AGM and have dematerialised your shares on STRATE, and you have not elected "own-name" registration, you will have to approach your CSDP or broker to provide you with the necessary authority in terms of the agreement that you have entered into with them.

Explanatory note on resolutions to be tabled at the AGM

The AGM will deal with the following ordinary business:

- To receive and adopt the annual financial statements for the year ended 31 December 2012 (resolution number 1);
- The company's memorandum of incorporation makes provision for the annual retirement of a certain proportion of the board of directors. The directors who retire in terms of this provision and who offer themselves for re-election have their abridged curriculum vitae included in the notice (resolution number 2);
- The reappointment of the company's joint auditors, KPMG Inc. and PricewaterhouseCoopers Inc. (resolution number 3);
- Resolution 4 provides the directors with the ability to allot and issue ordinary shares (other than those required for the operation of the share incentive schemes as dealt with in resolutions 8 and 9) up to a maximum of 5% of the ordinary shares in issue at 31 December 2012;
- The directors' ability to allot and issue non-redeemable, non-cumulative, non-participating preference shares is contained in the provisions of ordinary resolution 5; and
- To consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy (resolution number 6).

The following special resolutions will be tabled for consideration at the AGM:

- To approve the non-executive directors' fees in respect of 2013, which have been considered by the group remuneration committee and recommended by the board (resolution number 7);
- Resolutions 8 and 9 provide the directors with the ability to allot and issue ordinary shares for the practical functioning of the Standard Bank Equity Growth and Standard Bank Share Incentive Schemes. Please note that in terms of the rules of both schemes, an individual employee may not acquire in the aggregate in excess of 2.5% of the maximum number of shares reserved for the operation of both schemes;
- A renewal of the authority given by shareholders at the previous AGM that will allow the repurchase of the company's securities by the company or any subsidiary during the course of the year should the directors feel that the circumstances are appropriate. Any repurchases made will be in accordance with the Companies Act, 2008 and the Listings Requirements (resolution number 10); and
- To give the directors of the company authority to provide financial assistance to any company that is related or inter-related to the company (resolution number 11).

I look forward to welcoming you at the AGM.

Fred Phaswana
Chairman
6 March 2013

Notice to members

Notice is hereby given that the 44th annual general meeting ("the meeting") of Standard Bank Group Limited ("Standard Bank Group" or "SBG" or "the company") will be held in the HP de Villiers Auditorium, Ground Floor, Standard Bank Centre, 6 Simmonds Street, Johannesburg, on Thursday, 30 May 2013 at 09h00.

The record date on which members must be recorded as such in the register maintained by the transfer secretaries of the company for the purposes of being entitled to attend and vote at the meeting is Friday, 24 May 2013.

All meeting participants will be required to provide identification reasonably satisfactory to the chairman of the meeting.

The purpose of the meeting is to transact the business set out below, and to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below:

1. Presentation of annual financial statements

To present the annual financial statements for the year ended 31 December 2012, including the reports of the directors and the audit committee.

In order for this resolution to be approved, it must be supported by more than 50% of the voting rights exercised on the resolution.

2. Re-election of directors

To elect directors in place of those retiring in accordance with the provisions of the company's memorandum of incorporation.

DDB Band, AC Nissen, MJD Ruck retire by rotation. AC Nissen and MJD Ruck, being eligible, offer themselves for re-election. In view of the fact that he will reach his mandatory retirement age in April 2014, DDB Band being eligible, only offers himself for re-election for a period of one year.

MC Ramaphosa is also due to retire from office by rotation at the company's annual general meeting to be held on 30 May 2013 and will not be standing for re-election. BJ Kruger, PD Sullivan, SK Tshabalala and PG Wharton-Hood, appointed to the board since the previous annual general meeting, are required to retire at the annual general meeting following their appointments and are also eligible for re-election.

DDB Band, AC Nissen, MJD Ruck and PD Sullivan are independent non-executive directors. BJ Kruger, SK Tshabalala and P Wharton-Hood are executive directors. Details of the directors offering themselves for re-election are as follows:

2.1 Doug Band (68)

BCom (Wits), CA (SA) Appointed 1997

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

Committee memberships

- group/SBSA directors' affairs committees
- group remuneration committee
- group/SBSA risk and capital management committees
- SBSA large exposure credit committee

2.2 Ben Kruger (53)

BCom (Hons) (Pretoria), CA (SA), AMP (Harvard) Joined the group in 1985, appointed to exco in 2000
Appointed 7 March 2013

Ben is the incoming joint group chief executive, and an executive director of SBG and SBSA. He is chairman of Standard Bank Plc, and a director of Stanbic IBTC Bank and Stanbic Africa Holdings.

Ben joined the group in 1985 taking up various roles in Standard Corporate and Merchant Bank ("SCMB"). In 1998, he was appointed deputy chief executive of SCMB and chief executive of SCMB in 2001. From 2006 to 2008, he held the position of chief executive of global CIB and assumed the position of deputy group chief executive of SBG in 2009. In 2011, in his capacity as deputy group chief executive, Ben assumed responsibility for both the CIB and PBB business lines.

Notice to members continued

2.3 Chris Nissen (54)

BA (Hons), MA Humanities (Cape Town), Diploma in Theology **Appointed 2003**

Chris Nissen is an independent non-executive director of SBG and SBSA. He is chairman of Cape Empowerment and Ascension Properties and a director of Woolworths.

Committee memberships

– group social and ethics committee

2.4 Myles Ruck (57)

BBusSc (Cape Town), PMD (Harvard) **Appointed 2002**

Myles Ruck is an independent non-executive director of SBG and SBSA. He is director of Standard Bank Argentina, Aveng, Mr Price Group and Thesele Group.

Myles was previously chief executive of SCMB, deputy chief executive of SBG and chief executive of Liberty Group.

Committee memberships

– group/SBSA risk and capital management committees (chairman)
– SBSA large exposure credit committee (chairman)

2.5 Peter Sullivan (65)

BSc (Physical Education) (University of NSW) **Appointed 15 January 2013**

Peter Sullivan is an independent non-executive director of SBG and SBSA. He is chairman of Healthcare Locums and a director of Techtronic Industries, AXA China Region, AXA Asia, JPMorgan India Investment Trust and Bankers Investment Trust.

Peter was previously chief executive of Standard Chartered Bank, Africa and an executive director and chief executive of Standard Chartered Bank, Hong Kong.

Committee memberships

– group/SBSA risk and capital management committees
– group/SBSA audit committees

2.6 Sim Tshabalala (45)

BA LLB (Rhodes), LLM (University of Notre Dame USA), HDip Tax (Wits), AMP (Harvard)
Joined the group in 2000, appointed to exco in 2001
Appointed 7 March 2013

Sim is the incoming joint chief executive of SBG, current chief executive of SBSA, an executive director of SBG and SBSA, a director of Tutuwa Community Holdings and the chairman of BASA.

Sim joined the group in 2000 in the project finance division of SCMB. From 2001 to 2006 he was managing director of Stanbic Africa, and from 2003 he served concurrently as deputy chief executive of PBB. He was appointed chief executive of PBB in 2006. In June 2008, he became chief executive of SBSA. In 2009, Sim was appointed deputy chief executive of SBG.

Committee memberships

– group social and ethics committee
– SBSA large exposure credit committee
– group model approval committee

2.7 Peter Wharton-Hood (47)

BCom (Hons) (Wits), CA (SA), AMP (Harvard) **Joined the group in 1997, appointed to exco in 1999**
Appointed 7 March 2013

Peter is chief operating officer and an incoming executive director of SBG and SBSA. He is a director of SBIC Investments SA, Stanbic Africa Holdings, Standard Bank Plc, Standard International Holdings and Liberty Holdings.

Peter joined the group in 1997 as head of finance and head of the financial asset services division of SCMB. In 1999, he took responsibility for the group's bancassurance initiatives and was also appointed as head of group technology and e-commerce. In 2005 he was appointed chief executive of PBB and head of the group's African operations. In 2006, Peter was appointed chief executive of global PBB. In 2009 Peter was appointed deputy group chief executive and he was appointed group chief operating officer in 2011.

In order for resolution numbers 2.1 to 2.7 to be approved, each resolution must be supported by more than 50% of the voting rights exercised on the resolution.

3. Reappointment of auditors

The board and audit committee have evaluated the performance of KPMG Inc and PricewaterhouseCoopers Inc and recommend their reappointment as auditors of the company.

"Resolved to reappoint KPMG Inc. (with the designated registered auditor being Peter MacDonald) and PricewaterhouseCoopers Inc. (with the designated registered auditor being Fulvio Tonelli) as the auditors of Standard Bank Group Limited for the year ending 31 December 2013."

In order for this resolution to be approved, it must be supported by more than 50% of the voting rights exercised on the resolution.

4. Placing the authorised but unissued ordinary shares under the control of the directors

"Resolved that the unissued ordinary shares in the authorised share capital of the company (other than those specifically identified in resolutions number 8 and 9) be and are hereby placed under the control of the directors of the company who are authorised to allot and issue the ordinary shares at their discretion until the next annual general meeting of the company, subject to the provisions of the Companies Act 2008, as amended or replaced from time to time, the Banks Act, No 94 of 1990, as amended and the Listings Requirements of the JSE Limited as amended and subject to the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution being limited to five percent (5%) of the number of ordinary shares in issue at 31 December 2012."

In order for this resolution to be approved, it must be supported by more than 50% of the voting rights exercised on the resolution.

5. Placing the authorised but unissued non-redeemable preference shares under the control of the directors

"Resolved that the unissued non-redeemable, non-cumulative, non-participating preference shares (non-redeemable preference shares) in the authorised share capital of the company be and are hereby placed under the control of the directors of the company who are authorised to allot and issue the non-redeemable preference shares at their discretion until the next annual general meeting of the company, subject to the provisions of the Companies Act 2008, as amended or replaced from time to time and the Listings Requirements of the JSE Limited as amended."

In order for this resolution to be approved, it must be supported by more than 50% of the voting rights exercised on the resolution.

6. Non-binding advisory vote on remuneration policy

To consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy as set out on the next page.

At the heart of Standard Bank Group's strategy lies the value we place on our people. Consequently, effective management of our groupwide human resource must be a core competency.

The group's remuneration policies, stated on the next page, are foundational to our human resource management.

The group remuneration committee (remco), as an integral part of its wider mandate, regularly examines the group's remuneration structures and practices to ensure that they are aligned with these policies. The group's remuneration structures and practices are described in remco's formal report to shareholders starting on page 120 of the annual integrated report.

Notice to members continued

"Remuneration policy:

Remuneration strategy

Standard Bank's board-approved strategy includes a long-standing expansion into African markets, working in teams that have deep reach into global capital markets and clients. At the heart of our strategy is the value we place on our people as a primary differentiator. Highly skilled and experienced people, both business generators and enablers, are essential in delivering sustainable growth for shareholders within prudent risk boundaries.

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

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

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

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

Within this wider strategic context, remco seeks to design and implement structures and practices that are specifically tailored to the group's business strategy.

Principles that underpin our remuneration strategy

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

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

In order for this resolution to be approved, it must be supported by more than 50% of the voting rights exercised on the resolution.

7. Approval of non-executive directors' fees

"Resolved as a special resolution that the following fees payable to the non-executive directors be approved[1]:

7.1 **Chairman of Standard Bank Group** – R4 750 000 per annum[2].

7.2 **Director of Standard Bank Group** – R203 800 per annum.

7.3 **International director of Standard Bank Group** – £44 300 per annum.

7.4 **Group directors' affairs committee:**

7.4.1 **Chairman** – R175 800 per annum;

7.4.1 **Member** – R88 000 per annum.

7.5 **Group risk and capital management committee:**

7.5.1 **Chairman** – R575 600 per annum;

7.5.2 **Member** – R230 000 per annum.

7.6 **Group remuneration committee:**

7.6.1 **Chairman** – R315 000 per annum;

7.6.2 **Member** – R124 200 per annum.

7.7 **Group social and ethics committee:**

7.7.1 **Chairman** – R183 600 per annum;

7.7.2 **Member** – R90 800 per annum.

7.8 **Group audit committee:**

7.8.1 **Chairman** – R575 600 per annum;

7.8.2 **Member** – R230 000 per annum.

7.9 **Ad hoc meeting attendance[3]** – R19 500 per meeting."

The reason for this resolution is to grant the company the authority to pay fees to its directors for their services as directors.

In order for this resolution to be approved, it must be supported by more than 75% of the voting rights exercised on the resolution.

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1 Fee increase effective from 1 January 2013.

2 The chairman's fees include the board, subsidiary board and all committee memberships. The chairman is also the chairman of the group directors' affairs committee. A company motor vehicle, against which fringe benefit tax is levied, is made available for use by the current chairman.

3 Fee per meeting for attendance by non-executive director or persons acting in an alternate capacity (not a member of the committee) or non-executive director attendance at management/subsidiary board or committee meeting where no other fee is specifically approved. This same fee is applicable to all committees where attendance is in an ad hoc or alternate capacity.

Notice to members continued

8. Equity Growth Scheme

In terms of the Companies Act, 2008, a special resolution is required for the allotment and issue of ordinary shares from the Equity Growth Scheme to directors and officers of the company. The ordinary shares to be allotted and issued pursuant to the passing of this resolution were awarded to participants in the past in terms of the rules of the scheme that were approved by ordinary shareholders. Details of awards made in terms of the Equity Growth Scheme are contained in the remuneration report on pages 144 to 149 of the annual integrated report.

"Resolved as a special resolution that all the ordinary shares required for the purpose of carrying out the terms of the Standard Bank Equity Growth Scheme, other than those which have specifically been appropriated for the Equity Growth Scheme in terms of resolutions duly passed at previous annual general meetings of the company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to issue those shares in terms of the Equity Growth Scheme, including the issue to persons contemplated in section 41(1) of the Companies Act, 2008."

In order for this resolution to be approved, it must be supported by more than 75% of the voting rights exercised on the resolution.

9. Standard Bank Group Share Incentive Scheme

In terms of the Companies Act, 2008, a special resolution is required for the allotment and issue of ordinary shares from the Scheme to directors and officers of the company. The ordinary shares to be allotted and issued pursuant to the passing of this resolution were awarded to participants in the past in terms of the rules of the Scheme that were approved by ordinary shareholders. Details of awards made in terms of the Scheme are contained in the remuneration report on pages 144 to 149 of the annual integrated report.

"Resolved as a special resolution that all the ordinary shares required for the purpose of carrying out the terms of the Standard Bank Group Share Incentive Scheme (the Scheme), other than those which have specifically been appropriated for the Scheme in terms of resolutions duly passed at annual general meetings of the company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to issue those shares in terms of the Share Incentive Scheme, including the issue to persons contemplated in section 41(1) of the Companies Act, 2008."

In order for this resolution to be approved, it must be supported by more than 75% of the voting rights exercised on the resolution.

10. General authority to acquire the company's shares

The directors of the company intend, if the circumstances are appropriate, to implement a repurchase of the company's ordinary shares as permitted in terms of the Companies Act, 2008, ("the Companies Act"), the Banks Act, No 94 of 1990, as amended and the Listings Requirements of the JSE Limited as amended from time to time (the Listings Requirements) either by the company or one of its subsidiaries.

The purpose of this special resolution is to generally approve, in terms of the provisions of the Companies Act, the acquisition by the company and/or a subsidiary of the company, of ordinary shares issued by it subject to the Listings Requirements.

The directors of the company are of the opinion that taking into consideration the maximum number of ordinary shares that could be repurchased:

- the company and the group would be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the notice of this annual general meeting ("the Next Year");
- the assets of the company and group, fairly valued in accordance with International Financial Reporting Standards, would be in excess of the liabilities of the company and the group for the Next Year; and
- the share capital and reserves of the company and the group for the Next Year will be adequate.

"Resolved as a special resolution that the company approves, with effect from the date of this annual general meeting, as a general approval in terms of the provisions of the Companies Act, 2008, as amended or replaced (the Companies Act), the acquisition by the company and, in terms of the Companies Act, the acquisition by any subsidiary of the company from time to time, of such number of ordinary shares issued by the company and at such price and on such other terms and conditions as the directors may from time to time determine, subject to the requirements of the Banks Act, No 94 of 1990, as amended and the Listings Requirements, which at the date of this notice include, amongst others, the following:

- the authority shall be valid only until the next annual general meeting of the company or 15 months from the date on which this resolution is passed, whichever is the earlier;
- any such acquisition will be implemented through the order book operated by the trading system of the JSE Limited and done without any prior understanding or arrangement between the company and the counterparty (reported trades being prohibited);
- the acquisition must be authorised by the company's memorandum of incorporation;
- the authority is limited to the purchase of a maximum of 10% of the company's issued ordinary share capital in any one financial year;
- acquisition must not be made at a price more than 10% above the weighted average of the market value for the ordinary shares of the company for the five business days immediately preceding the date of acquisition;
- at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company or its subsidiary may not repurchase securities during a prohibited period, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over the stock exchange news service of the JSE prior to the commencement of the prohibited period;
- that an announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, three percent (3%) of the number of shares in issue at the date of the general meeting at which this special resolution is considered and, if approved, passed, and for each three percent (3%) in aggregate of the initial number acquired thereafter; and
- in the case of an acquisition by a subsidiary of the company, the authority shall be valid only if:
  - the subsidiary is authorised by its memorandum of incorporation;
  - the shareholders of the subsidiary have passed a special resolution authorising the acquisition; and
  - the number of shares to be acquired is not more than 10% in the aggregate of the number of issued shares of the company."

In order for this resolution to be approved, it must be supported by more than 75% of the voting rights exercised on the resolution.

11. Loans or other financial assistance to related or inter-related companies

"Resolved as a special resolution that the provision of any financial assistance by the company, subject to the provisions of the Companies Act, 2008, to any company or corporation which is related or inter-related to the company (as defined in the Companies Act, 2008), on the terms and conditions which the directors of the company may determine, be and is hereby approved."

Companies within the group receive and provide loan financing and other support in the course of business. The reason for this special resolution is to grant the directors of the company the authority to provide financial assistance to any company or corporation which is related or inter-related to the company.

In order for this special resolution to be approved, it must be supported by more than 75% of the voting rights exercised on the resolution.

Notes in regard to other Listings Requirements applying to resolutions 4 to 11

1. Details of directors

Directors' details as required by the Listings Requirements are set out on pages 114 to 117 of the annual integrated report that accompanies this notice of annual general meeting (the annual integrated report).

2. Directors' responsibility statement

The directors, whose names are given on pages 114 to 117 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information given in these notes 1 to 7 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement in these notes 1 to 7 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the Listings Requirements.

Notice to members continued

3. Interests of directors

The interests of the directors in the share capital of the company are set out on pages 155 and 156 of the annual financial statements.

4. Major shareholders

Details of major shareholders of the company are set out on page 156 of the annual financial statements.

5. Share capital of the company

Details of the share capital of the company are set out on pages 153 to 158 of the annual financial statements.

6. Material change

There has been no material change in the financial or trading position of the company and its subsidiaries since the date of publication of the company's annual results on 6 March 2013.

7. Litigation

In South Africa, the curator of a pension fund has instituted legal proceedings in which he claims return of various listed securities delivered to SBSA in 2002 on the grounds that the applicable contract was void. In February 2013, a competent tribunal ruled that the contract was not void but only voidable. The dispute will proceed to arbitration in April 2013.

Standard Bank Group shareholders holding certificated shares and shareholders of the company who have dematerialised their shares and have elected own name registration in the sub-register maintained by the CSDP, may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, participate and vote at the annual general meeting on behalf of the such shareholder. A proxy form is attached to this notice of annual general meeting. Duly completed proxy forms must be returned to the transfer secretaries of Standard Bank Group or the registered office of the company to the addresses set out below, to be received by no later than 09:00 on Tuesday, 28 May 2012.

Standard Bank Group shareholders who have dematerialised their shares through a CSDP or broker and who have not elected own name registration in the sub-register maintained by a CSDP and who wish to attend the annual general meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the annual general meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

Identification

In terms of section 63(1) of the Companies Act, 2008, any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at annual general meeting must be reasonably satisfied that the right of any person to participate in and vote whether as a shareholder or as a proxy for a shareholder has been reasonably verified. Acceptable forms of identification include identity documents, driver's licences and passports.

On behalf of the board

Z Stephen
Group secretary
6 March 2013

Registered office

9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
(PO Box 7725, Johannesburg, 2000)
Fax: +27 11 636 4207

Transfer secretaries in South Africa

Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Fax: +27 11 688 5238

Transfer secretaries in Namibia

Transfer Secretaries Proprietary Limited
4 Robert Mugabe Avenue
(Entrance in Burg Street)
Windhoek, 9000
(PO Box 2401, Windhoek)
Fax: +264 61 248 531

Proxy form

Standard Bank Group Limited

(Registration number 1969/017128/06) ("the company")
JSE share code: SBK NSX share code: SNB ISIN: ZAE000109815

To be completed by certificated shareholders and dematerialised shareholders with "own name" registrations only.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

I/We (Name in block letters)

of (Address in block letters)

being a shareholder(s) and the holder(s) of ordinary shares of 10 cents each and entitled to vote hereby appoint (see note 1)

1 or, failing him/her

2 or, failing him/her

the Chairman of the annual general meeting,

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of shareholders to be held at 09h00 on Thursday, 30 May 2013, in the HP de Villiers Auditorium, Standard Bank Centre, 6 Simmonds Street, Johannesburg, and at any adjournment thereof as follows:

		Number of Votes		
		For*	Against*	Abstain*
Ordinary resolution to:				
1.	Adopt annual financial statements			
2.	To elect directors:			
2.1	DDB Band			
2.2	BJ Kruger			
2.3	AC Nissen			
2.3	MJD Ruck			
2.4	PD Sullivan			
2.5	SK Tshabalala			
2.6	PG Wharton-Hood			
3.	Reappointment of Auditors			
4.	Place unissued ordinary shares under control of directors			
5.	Place unissued preference shares under control of directors			
6.	Non binding advisory vote on remuneration policy			
Special resolutions to:				
7.	Remuneration: Approve non-executive directors' fees (2013):			
7.1	Standard Bank Group Chairman			
7.2	Standard Bank Group Director			
7.3	Standard Bank Group International Director			
7.4	Group Directors' Affairs Committee			
7.4.1	Chairman			
7.4.2	Member			
7.5	Group Risk and Capital Management Committee			
7.5.1	Chairman			
7.5.2	Member			
7.6	Group Remuneration Committee			
7.6.1	Chairman			
7.6.2	Member			
7.7	Group Social and Ethics Committee			
7.7.1	Chairman			
7.7.2	Member			
7.8	Group Audit Committee			
7.8.1	Chairman			
7.8.2	Member			
7.9	Ad hoc meeting attendance			
8	Place shares for the Standard Bank Equity Growth Scheme under control of directors			
9	Place shares for the Group Share Incentive Scheme under control of directors			
10	General authority to acquire the company's shares			
11	Loans or other financial assistance to related or inter-related companies			

* Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.

Signed at on 2013

Signature

Assisted by (where applicable) (State capacity and full name)

Please provide contact details: Tel: ( )

Fax: ( )

Email:

Notes to the proxy form

Please read the notes below:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. To be effective, completed proxy forms must be lodged by not later than 09h00 on Tuesday, 28 May 2013 with either the transfer secretaries or the registered office:

   South Africa:
   Computershare Investor Services (Pty) Ltd
   Ground Floor, 70 Marshall Street
   Johannesburg
   PO Box 61051, Marshalltown, 2001
   Fax number +27 11 688 5238

   Namibia:
   Transfer Secretaries (Pty) Ltd
   4 Robert Mugabe Avenue
   (Entrance in Burg Street), Windhoek
   PO Box 2401, Windhoek
   Fax number +264 61 248 531

   Registered office:
   9th Floor, Standard Bank Centre
   5 Simmonds Street, Johannesburg
   PO Box 7725, Johannesburg, 2000
   Fax number +27 11 636 4207

3. The completion and lodging of this form of proxy will not prevent the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person at the annual general meeting instead of the proxy.

4. The chairman of the annual general meeting may accept or reject any proxy form which is completed and/or received other than in compliance with these notes.

5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.

6. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company.

7. Where there are joint holders of ordinary shares:

   (a) any one holder may sign the proxy form; and

   (b) the vote of the senior ordinary shareholder (for that purpose seniority will be determined by the order in which the names of the ordinary shareholders who tender a vote (whether in person or by proxy) appear in the company's register) will be accepted as to the exclusion of the vote(s) of the other joint shareholders.

8. All beneficial shareholders of ordinary shares who have dematerialised their shares through a CSDP or broker, other than those shareholders who have elected to dematerialise their shares in "own-name" registrations, must provide their CSDP or broker with their voting instructions. Voting instructions must reach the CSDP or broker in sufficient time to allow the CSDP or broker to advise the company or its transfer secretaries of this instruction by no later than 09h00 on Tuesday, 28 May 2013. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   If you have dematerialised your shares and wish to attend the meeting in person, you may do so by requesting your CSDP or broker to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP or broker. Letters of representation must be lodged with the Company's transfer secretaries or at the registered office of the Company by no later than 09h00 on Tuesday, 28 May 2013. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   Shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own-name" registrations, must lodge their completed proxy forms with the Company's transfer secretaries or at the registered office of the Company by not later than 09h00 on Tuesday, 28 May 2013.

9. Summary in terms of section 58(8)(b)(i) of the Companies Act, 2008:

   Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, which summary is set out below:

   - A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
   - A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
   - A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
   - A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
   - A shareholder may revoke a proxy appointment in writing.
   - A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
   - A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

Shareholder analysis

	2012		2011	
	Number of shares (million)	**% holding**	Number of shares (million)	% holding
10 major shareholders[1]				
Industrial and Commercial Bank of China	**322,0**	**20.1**	318,5	20.1
Public Investment Corporation	**233,7**	**14.6**	213,5	13.4
Tutuwa participants	**88,2**	**5.5**	88,4	5.6
Staff	**34,5**	**2.2**	34,7	2.2
Strategic partners	**35,8**	**2.2**	35,8	2.3
Communities and regional businesses	**17,9**	**1.1**	17,9	1.1
Old Mutual Group	**29,8**	**1.9**	33,2	2.0
Dodge & Cox	**25,9**	**1.6**	48,1	3.0
Investment Solutions	**25,2**	**1.6**	26,4	1.7
Vanguard Emerging Markets Fund	**23,9**	**1.5**	19,7	1.2
Sanlam Group	**23,2**	**1.4**	25,0	1.6
Dimensional Emerging Markets Value Fund	**16,8**	**1.0**	14,9	0.9
Allan Gray Equity Fund	**14,1**	**0.9**	13,1	0.8
	802,8	**50.1**	800,8	50.3
Geographic spread of shareholders				
South Africa	**864,6**	**53.8**	860,2	54.1
Foreign shareholders	**741,5**	**46.2**	728,5	45.9
China	**323,5**	**20.1**	318,7	20.1
United States of America	**217,5**	**13.6**	224,8	14.2
United Kingdom	**62,8**	**3.9**	60,7	3.8
Singapore	**17,6**	**1.1**	20,5	1.3
Namibia	**16,7**	**1.0**	15,6	1.0
United Arab Emirates	**12,8**	**0.8**	11,7	0.7
Australia	**11,1**	**0.7**	9,7	0.6
Luxembourg	**11,1**	**0.7**	7,8	0.5
Netherlands	**10,4**	**0.7**	7,8	0.5
Saudi Arabia	**10,0**	**0.6**	10,2	0.6
Canada	**9,6**	**0.6**	8,1	0.5
Other	**38,4**	**2.4**	32,9	2.1
	1 606,1	**100.0**	1 588,7	100.0

[1] Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of section 56 of the Companies Act.

Shareholder analysis continued

	2012 Number of shares (million)	2012 % holding	2011 Number of shares (million)	2011 % holding
Spread of ordinary shareholders				
Public[1]	**957,8**	**59.6**	962,4	60.6
Non-public[1]	**648,3**	**40.4**	626,3	39.4
Directors and prescribed officers of Standard Bank Group, and its subsidiaries[2]	**2,3**	**0.2**	3,4	0.2
Industrial and Commercial Bank of China	**322,0**	**20.0**	318,5	20.1
Public Investment Corporation	**233,7**	**14.6**	213,5	13.4
Standard Bank Group retirement funds	**1,4**	**0.1**	1,9	0.1
Tutuwa participants[3]	**88,2**	**5.5**	88,3	5.6
Associates of directors	**0,7**		0,7	
	1 606,1	**100.0**	1 588,7	100.0
Spread of 6.5% cumulative preference shareholders				
Public[1]	**8 000 000**	**100.0**	7 996 000	100.0
Non-public[1]			4 000	0.05
Directors and prescribed officers of Standard Bank Group, and its subsidiaries[2]			4 000	0.05
	8 000 000	**100.0**	8 000 000	100.0
Spread of non-redeemable, non-cumulative, non-participating preference shareholders				
Public[1]	**52 743 071**	**99.6**	52 653 386	99.4
Non-public[1]	**239 177**	**0.4**	328 862	0.6
Directors and prescribed officers of Standard Bank Group, and its subsidiaries[2]	**234 643**	**0.4**	324 828	0.6
Associates of directors	**4 534**		4 034	
	52 982 248	**100.0**	52 982 248	100.0

[1] As per JSE.
[2] Excludes indirect holdings of strategic partners which are included in Tutuwa participants.
[3] Includes Tutuwa Strategic Holdings 1 and 2, Tutuwa Staff Holdings 1, 2 and 3, Tutuwa Community and General Staff Share Trust.

Number of shareholders	2012	2011
Ordinary shareholders	**67 560**	66 810
Public	**67 506**	65 898
Non-public	**54**	912
6.5% first cumulative preference shareholders	**352**	374
Public	**352**	373
Non-public		1
Non-redeemable, non-cumulative, non-participating preference shareholders	**10 339**	10 420
Public	**10 328**	10 390
Non-public	**11**	30

Share statistics

		2012	2011
Market indicators			
JSE All Share Index (closing)		**39 250**	31 986
JSE Banks Index (closing)		**53 362**	41 178
MSCI Emerging Markets Index (closing)		**1 055**	916
Share price			
High for the year	cents	**12 030**	11 000
Low for the year	cents	**9 876**	8 775
Closing	cents	**11 888**	9 875
Shares traded			
Number of shares	thousands	**938 187**	959 375
Value of shares	Rm	**103 232**	94 649
Turnover in shares traded	%	**58.8**	60.5

Shareholders' diary

2012 financial year

Annual general meeting	30 May 2013

2013 financial year

Financial year end	31 December

Reports

Interim report and declaration of interim dividend	August 2013
Summarised annual financial statements and declaration of final dividend	March 2014
Publication of annual report	April 2014

Dividend payments

Ordinary shares:	
Interim	September 2013
Final	April 2014
6.5% first cumulative preference shares:	
Six months ending 30 June 2013	September 2013
Six months ending 31 December 2013	April 2014
Non-redeemable, non-cumulative, non-participating preference shares:	
Six months ending 30 June 2013	September 2013
Six months ending 31 December 2013	April 2014

Annual general meeting

May 2014

Instrument codes

JSE Limited
Ordinary shares
Share code: SBK
ISIN code: ZAE000109815
6.5% cumulative preference shares
Share code: SBKP
ISIN code: ZAE000038881
Non-redeemable, non-cumulative, non-participating preference shares
Share code: SBPP
ISIN code: ZAE000056339
Deposit notes
SBR003: ZAE000128195

Namibian Stock Exchange (NSX)
Ordinary shares
Share code: SNB
ISIN code: ZAE000109815

Subordinated debt
SBK 7: ZAG000024894
SBK 8: ZAG000029679
SBK 9: ZAG000029687
SBKI 11: ZAG000066382
SBK 12: ZAG000073388
SBK 13: ZAG000073396
SBK 14: ZAG000091018
SBK 15: ZAG000092339
SBK 16: ZAG000093741
SBK 17: ZAG000097619
SBK 18: ZAG000100827
SBK 19: ZAG000100835

Senior debt
SBS 3: ZAG000030586
SBS 4: ZAG000035049
SBS 7: ZAG000051483
SBS 9: ZAG000069329
SBSI 10: ZAG000069063
SBSI 11: ZAG000075789
SBSI 12: ZAG000080847
SBS 13: ZAG000080839
SBS 14: ZAG000083940
SBS 15: ZAG000085556
SBS 16: ZAG000086729
SBS 18: ZAG000086745
SBS 19: ZAG000086752
SBS 20: ZAG000095365
SBS 21: ZAG000095373
SBS 22: ZAG000095514
SBS 23: ZAG000095522
SBS 24: ZAG000095530
SBS 25: ZAG000095548

Contact details

Standard Bank Group Limited
Registration No. 1969/017128/06
Incorporated in the Republic of South Africa
Website: **www.standardbank.com**

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Group financial director
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Tel: +27 11 636 3756

Group secretary
Zola Stephen
Tel: +27 11 631 9106

Head: Group sustainability management
Karin Ireton
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Johannesburg 2000

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Transfer secretaries in Namibia
Transfer Secretaries (Pty) Limited
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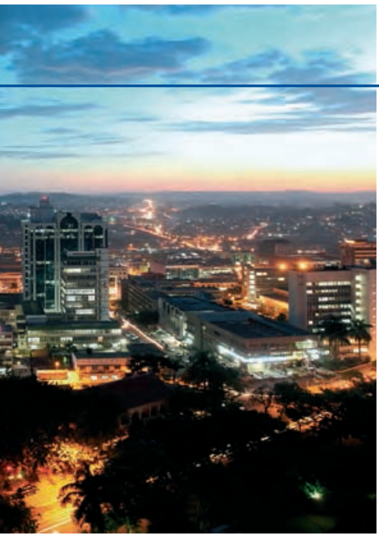
Please direct all annual report queries and comments to:
Annual.Report@standardbank.co.za

Please direct all customer related queries and comments to:
information@standardbank.co.za

Please direct all investor relations queries and comments to:
InvestorRelations@standardbank.co.za

www.standardbank.com



Kampala city centre

In Uganda, we acted as transaction advisor, sole international book-runner and lead receiving bank for the Umeme initial public offering and listing on the Uganda Stock Exchange (USE) and as transaction advisor and lead sponsoring broker for its cross-listing on the Nairobi Securities Exchange. Umeme Limited is the primary power distributor in Uganda and the second-largest company by market capitalisation on the USE. This transaction reaffirms our position as the leading equity capital markets bank in Africa.