Annual integrated report 2013

Standard Bank

About Standard Bank

Standard Bank Group (the group or SBG), also trading as Stanbic Bank, is a leading African financial services group with a unique footprint across 20 African countries. Headquartered in Johannesburg, we listed on the Johannesburg Stock Exchange (JSE) in 1970 and started building our southern African franchise in the early 1990s. Today, the group is the largest African banking group by assets and earnings.

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 for growth. The largest bank in the world by total assets, the Industrial and Commercial Bank of China (ICBC), is a 20.1% shareholder in the group, enabling a powerful relationship that connects us to this economic power.

Salient features*

Headline earnings
R17 194 million
2012: R14 918 million

Dividend per share
533 cents
2012: 455 cents

Return on equity
14.1%
2012: 14.0%

Tier I capital adequacy ratio
13.2%
2012: 11.2%

Total assets
R1,7 trillion
2012: R1,6 trillion

Net asset value per share
8 127 cents
2012: 7 136 cents

ATMs & ANAs[1]
8 077
2012: 8 103

Employees
48 808
2012: 49 017

Branches
1 283
2012: 1 249

* Normalised results. Further detail can be found on pages 72 to 74.
1 Automated notes acceptors.

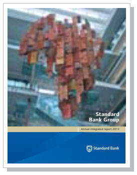
The financial results and related commentary is presented on a normalised basis, unless indicated as being on an IFRS basis.

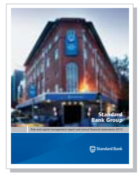
Contents

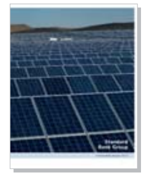
For the latest financial information, refer to our investor relations page at **www.standardbank.com/reporting** or scan the barcode to be taken there directly.

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 meet our readers' specific information requirements.







	Annual integrated report	Risk and capital management report	Annual financial statements	Sustainability report
	Provides an integrated assessment of the group's ability to create value over time. www.standardbank.com/reporting	Provides a detailed discussion of how we manage strategic financial and non-financial risks related to the group's banking and insurance operations, as well as capital and liquidity management and regulatory developments. www.standardbank.com/reporting	Sets out the full audited annual financial statements for the group, including the report of the group audit committee (GAC). www.standardbank.com/reporting	Presents a balanced and comprehensive analysis of the group's sustainability performance in relation to issues material to the group and our stakeholders. www.standardbank.com/sustainability
Frameworks applied	• International <IR> Framework • South African Companies Act 71 of 2008 (Companies Act) • JSE Listings Requirements • King Report on Corporate Governance (King Code) • South African Banks Act 94 of 1990 (Banks Act)	• Various regulations relating to financial services • International Financial Reporting Standards (IFRS) • King Code	• IFRS • Companies Act • JSE Listings Requirements • King Code	• Global Reporting Initiative G4
Assurance	While the annual integrated report is itself not audited, it contains information extracted from the audited consolidated financial statements. Certain externally assured information has been extracted from the sustainability report.	Selected information in the risk and capital management report forms part of the audited financial statements.	KPMG Inc. and PricewaterhouseCoopers Inc. have audited the financial statements and expressed an unmodified opinion for the year ended 31 December 2013.	KPMG Services Proprietary Limited have provided assurance over selected sustainability information in the 2013 sustainability report and expressed an unmodified opinion.

Cross-referencing

AIR PG | RCM AFS | SR

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

Indicates that additional information is available online.

(A) Denotes text in the risk and capital management report that forms part of the group's audited financial statements.

Standard Bank Group analysis of finance results

Provides management's analysis of financial results for the period and the performance of the group's businesses.
www.standardbank.com/reporting

The Standard Bank of South Africa Limited annual report

The Standard Bank of South Africa Limited (SBSA) is the group's largest subsidiary. The group's other subsidiaries, including Standard Bank Plc (SB 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, available at www.libertyholdings.co.za

About this report

> As an African financial services group we have a fundamental role to play in the development of the societies in which we operate. The success of our customers and stakeholders underpins our commercial sustainability and our ability to deliver returns to our stakeholders over the long term. This forms the basis for integrated thinking and integrated reporting for the group.

Scope and boundary

The 2013 annual integrated report covers the period 1 January 2013 to 31 December 2013. Any material events after this date and up to the group's board of directors (board) approval on 5 March 2014 have also been included.

The integrated report discusses our operations in South Africa, the rest of Africa and outside Africa, the geographic regions in which we operate.

Our annual financial statements are prepared in accordance with IFRS, and unless indicated otherwise, data refers to the group. Any restatements of comparable information are noted as such. While quantitative information relating to the group is prepared according to IFRS, this report discloses material information that may extend beyond the financial reporting boundary. Certain clearly marked information relates only to SBSA, the group's largest contributor to headline earnings (2013: 62%, 2012: 77%).

Reporting to stakeholders

We have a diverse range of stakeholders with varied information needs. This integrated report is our primary report and is principally aimed at the providers of capital. We provide a range of communication aimed at addressing our stakeholders' requirements. In assessing what is included in the integrated report, we apply the materiality principle.

Materiality

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.

During the year, we revised our material issues. The process followed to determine these issues and the interrelationship between them is set out on page 12.

Based on the material issues determination process and our additional engagement with stakeholders, including investors, we are confident that all material matters have been identified and disclosed in this report.

The GAC recommends the integrated report for approval to the board. The board and various subcommittees review the report to ensure all material matters have been identified and disclosed in this report.

SR **More information on our material issues and determination process can be found in our sustainability report, starting on page 14.**

Integrated thinking

In preparing our report, we were guided by the International <IR> Framework issued by the International Integrated Reporting Committee (IIRC) in December 2013. We will continue to embed the guiding principles and fundamental concepts contained in the International <IR> Framework to best serve the information needs of our stakeholders.

Our ability to create value depends on certain forms of capital, how we use them and our impact on them. We apply the capitals model, initially developed by Forum for the Future, in managing and assessing our ability to create value over time. Our report aims to explain how we use and affect the capitals. We recognise that the capitals are interrelated and fundamental to the long-term viability of our business. Intellectual capital is integrated into the human, financial and manufactured capitals as this better reflects the nature of our business as a financial services organisation.

Financial capital

Financial capital is the money we obtain from providers of capital that we use to support our business activities and invest in our strategy. Financial capital, which includes reserves generated through share capital, other equity-related funding and retained profits generated from our operations, is used to fund our business activities.

Human capital

Human capital refers to the selection, management and development of our people so they can utilise their skills, capabilities, knowledge and experience to improve and develop products and services for our customers and clients.

Manufactured capital

Manufactured capital is our tangible and intangible infrastructure that we use to conduct our business activities.

Intellectual capital includes the knowledge of our people and our intellectual property, brand and reputation and is integrated into the above capitals.

Social and relationship capital

Social and relationship capital is the cooperative relationships with our customers, clients, capital providers, regulators and other stakeholders that we create, develop and maintain to remain socially relevant and operate as a responsible corporate citizen.

Natural capital

Natural capital relates to the natural resources on which we depend to create value and returns for our stakeholders. As a financial services group we must deploy our financial capital in such a way that it promotes the preservation of available natural capital.

Assurance

The three lines of defence model forms the basis of the combined assurance approach required under the Code of Corporate Practices and Conduct of the King Code, which aims to provide a coordinated approach to all our assurance activities. We continue to make significant progress with the integration and alignment of assurance processes to optimise governance oversight, risk management and control.

Internal audit provides annual assurance to the GAC regarding the effectiveness of the group's overall control environment, including the effectiveness of the internal controls which support the financial statements.

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 2013 sustainability report has been assured by KPMG Services Proprietary Limited. Assurance was provided over 10 key performance indicators with six of these indicators assured at a reasonable assurance level and the remaining four at a limited assurance level. The full assurance report may be found in the group's sustainability report. The summarised sustainability information included in this report has been extracted from the group's sustainability report, but is itself not audited. The directors take full responsibility for the preparation of the integrated report and that the information has been correctly extracted from the underlying sustainability report.

SR

For a comprehensive understanding of the assurance carried out and our sustainability performance, refer to the full sustainability report.

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 post a copy to you.

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.

Fred Phaswana
Chairman
5 March 2014

Ben Kruger
Group chief executive
5 March 2014

Sim Tshabalala
Group chief executive
5 March 2014

How we make money

Inputs

The group creates value through various business activities, using the stocks of capital available.

- **Financial capital**
- **Human capital**
- **Manufactured capital**
- **Social and relationship capital**
- **Natural capital**

Business activity – PG For more detail refer to our business unit reviews starting on page 29.

Income statement impact – PG For more detail refer to page 65.

Risks arising from this activity – PG For more detail refer to page 89.

Income after credit impairments

Business activity	Income statement impact	Risks arising from this activity
We lend money to our customers and clients within the constraints of available capital and within our risk appetite and the prescribed regulatory environment. This creates assets for the group, from which we derive interest income over time.	Interest income and credit impairment charges	Credit risk; Interest risk rate
We source funding from deposits placed by customers and other funders to enable lending. This creates liabilities, which generate future expenses.	Interest expense	Interest risk rate; Liquidity risk
We provide transactional banking facilities and knowledge-based services to our customers and clients.	Net fee and commission revenue	
We offer market access and risk mitigation products to our clients to support their business requirements, including foreign exchange, commodity, credit, interest rate and equity instruments.	Trading revenue	Credit risk; Market risk
We earn revenue from other sources linked to our core business, including short- and long-term insurance operations and gains on property, private equity and strategic investment activities.	Other revenue	Credit risk; Market risk; Insurance risk
We offer long- and short-term insurance, investment products and advisory services through our 54.1% shareholding in Liberty.	Income from investment management and life insurance activities	Insurance risk

−

Expenses

Business activity	Income statement impact
We invest in developing and retaining our people in order to execute our strategy and deliver to our customers and clients.	Staff costs
We invest in our operations, which includes information technology systems and infrastructure, to improve efficiency and deliver excellent products and service to our customers and clients.	Other operating costs

Operational risk, including compliance, environmental and/or social risk

Business and reputational risk

=

Net profit − **Dividends to shareholders** as our primary providers of capital = **Retained equity** which is reinvested to sustain and grow our business

Our business structure, products and services

Personal & Business Banking (PBB)

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

Mortgage lending

- Residential accommodation loans to mainly personal market customers

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)

Lending products

- Lending products offered to both personal and business markets

Transactional products

- Comprehensive suite of transactional, savings and investment products, including deposit taking activities, electronic banking and debit card facilities

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 (CIB)

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

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.

Life insurance and investment management activities

- 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 group's black economic empowerment ownership (Tutuwa) initiative, group hedging activities, group capital instruments and group surplus capital, strategic acquisition costs and non-trading-related gains and losses on our Argentina discontinued operation.
- Includes the results of support functions (back office), which are either centralised or embedded in the business segments. The direct costs of support functions are recharged to the business segments, which enables the execution of their business strategies.

How we create value

We remain aware that, as a group providing banking and insurance services to the real economy, we are a part of and facilitate at a fundamental level the economic growth and social development of the economies we serve.

We create value through our business activities using the stocks of capital available to us. Understanding our dependence on, and contribution to these forms of capital is fundamental to our ability to continue creating value over the long term. Ultimately, the most significant outcomes of our business activities are in their contribution to socioeconomic development, which we can only achieve through remaining profitable and staying relevant to the societies we serve.

The Basel Capital Accord (Basel) requires banks to allocate financial capital to meet capital requirements, limiting the capital available for other activities. The transition of the group's South African bank to Basel III in 2013 was successful, and we are well positioned to continue lending responsibly into the future.

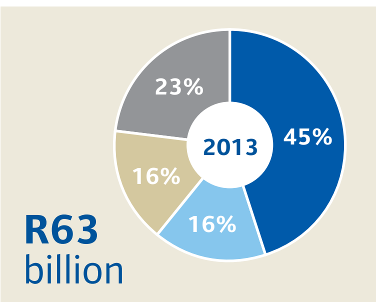
PG **Our specific socioeconomic outcomes for the year are set out on page 50.**

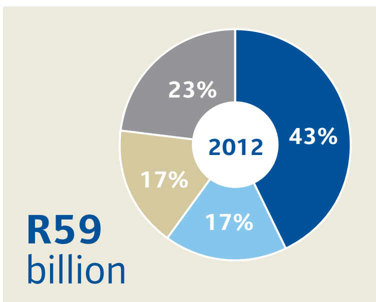
Wealth created

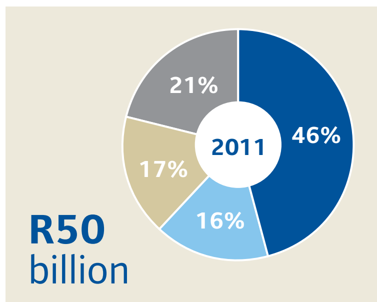
	2013 Rm	2012[1] Rm
Interest, commissions and other revenues	**109 749**	107 247
Income from investment management and life insurance activities	**85 406**	77 877
Interest paid to depositors	**(42 320)**	(44 155)
Benefits due to policyholders	**(63 295)**	(58 739)
Other operating expenses	**(26 395)**	(23 225)
Wealth created	**63 145**	59 005

[1] Restated.

Distribution of wealth







Employees (Rbn)

2013	2012	2011
28,4	25,4	23,1

We aim to be the employer of choice for talented people who can provide the insight we need to achieve our strategy. Our value proposition includes competitive remuneration and opportunities for development and growth.

Governments (Rbn)

2013	2012	2011
10,0	10,3	7,8

We contribute directly to host country governments through the taxes we pay. Through broader advocacy work, financing public infrastructure and banking public sector entities, we also contribute to building stronger economies.

Providers of capital (Rbn)

2013	2012	2011
10,3	9,9	8,5

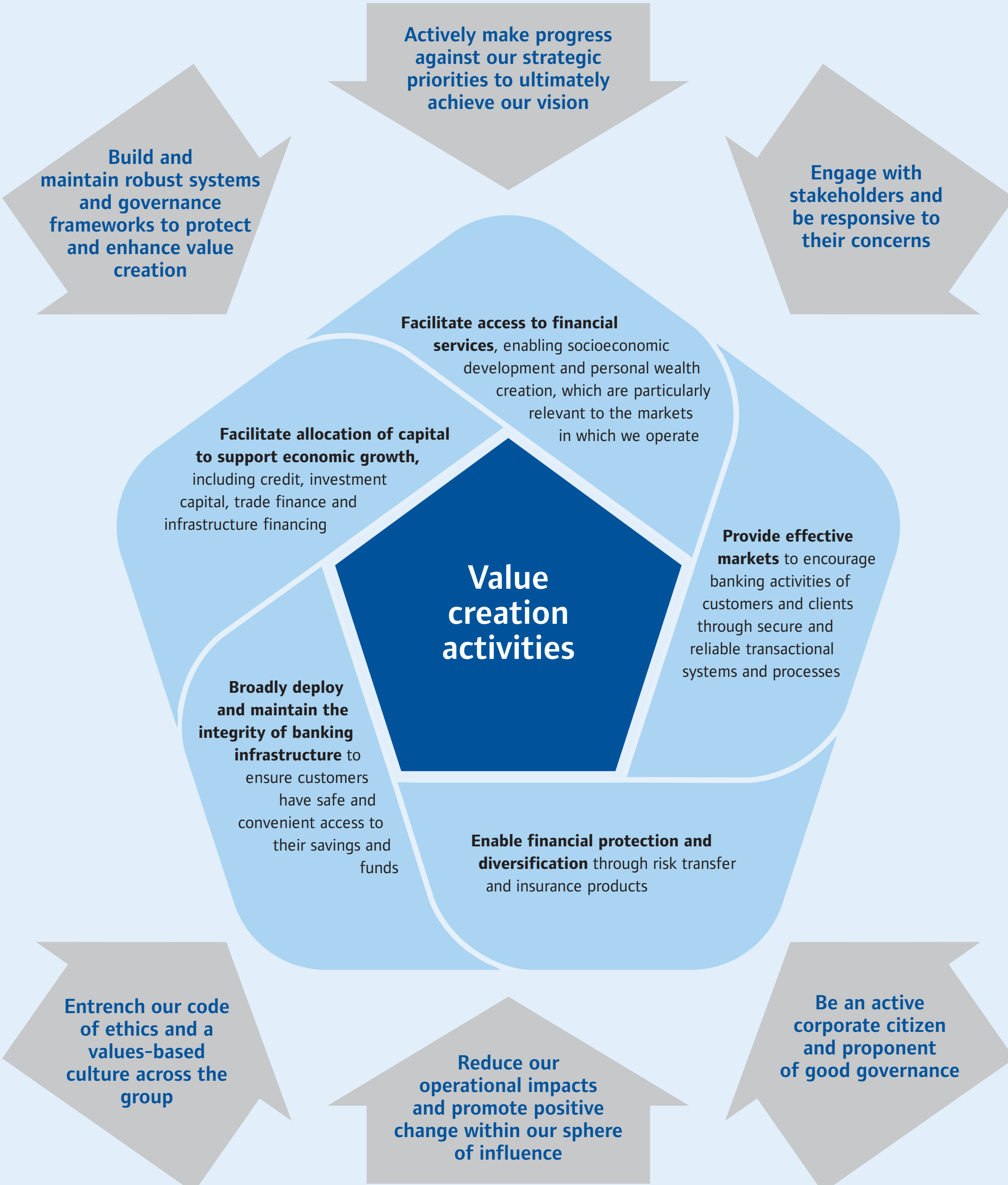
As a vehicle for sustainable returns, our shareholders benefit from dividend payments and from growth in the group's share price.

Retained wealth (Rbn)

2013	2012	2011
14,3	13,2	10,3

Wealth is retained to fund our strategy and grow our business, which over time should ultimately benefit all of our stakeholders.

As an international sector initiative with the aim of restoring trust in the financial services sector, the World Economic Forum's publication titled 'The Role of Financial Services in Society: A Multistakeholder Compact', clearly articulates the role of financial services in society. The outcomes of the roles we play in the course of our business activities, and the ways in which we actively ensure that value creation is maintained, are illustrated below:



A sustainable strategy

Our strategy is to build a 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 business opportunities available in Africa.
- Our strategic relationship with ICBC, the largest bank in the world by total assets, 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 sustainable shareholder value

by serving the needs of our customers through first-class on-the-ground operations in chosen countries in Africa. We will connect other selected markets to Africa and to each other, applying our sector expertise, particularly in natural resources.

- We understand our customers and clients' needs and our Africa 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 proven 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.

We depend on 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.

PG We have set six strategic priorities for executing our strategy, set out on page 14.

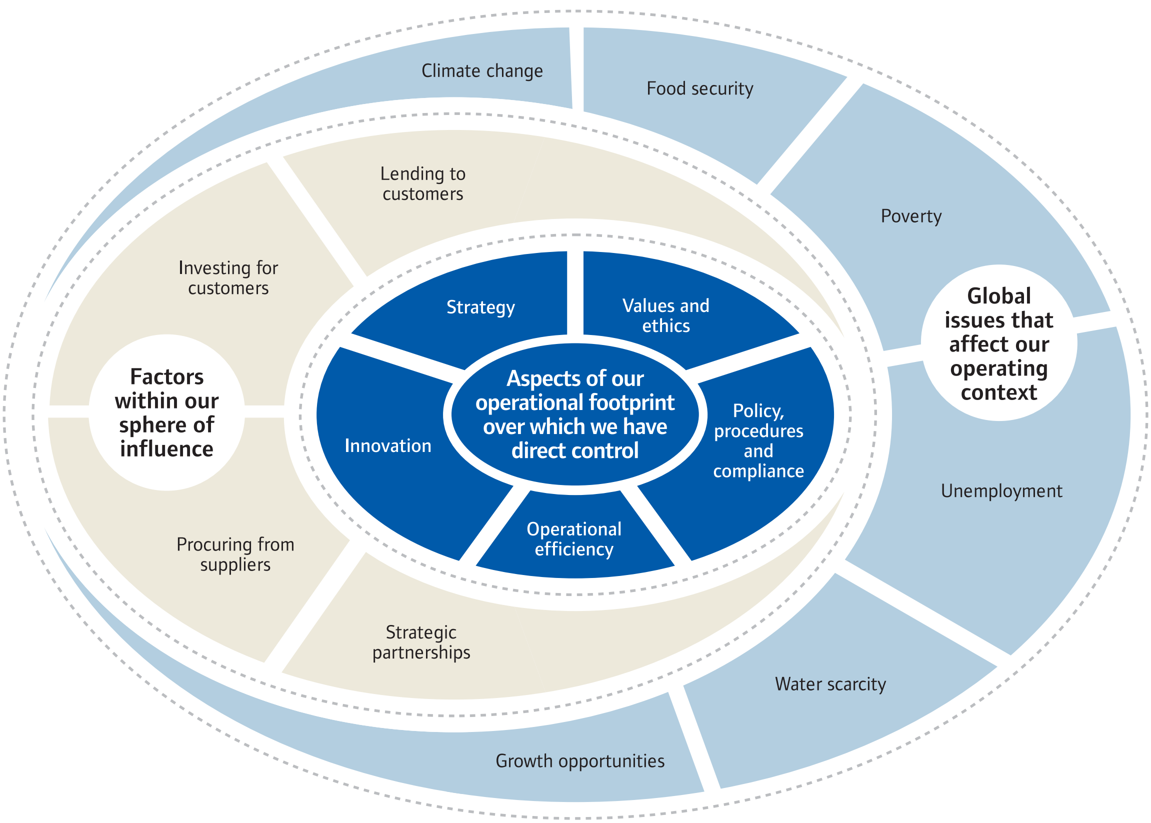
Our social compact underpins our long-term sustainability

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

Sustainability as an integral part of our business strategy

We proactively embed sustainability thinking and sustainable business practices at every level of our business. We believe that our most important contribution to sustainable development is to operate an effective, efficient and profitable group. By providing responsible access to credit, savings and insurance products, we enable individuals to improve their quality of life and enhance their financial security. By providing finance to large and small businesses we facilitate economic growth and job creation, and by financing infrastructure and the development of key sectors, we assist in resolving global challenges such as energy and food scarcity, resource depletion and climate change. The very nature of our business positions us to help our customers and stakeholders manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local markets and national economies. The success of our customers, clients and stakeholders guarantees future business, which underpins our sustainability.

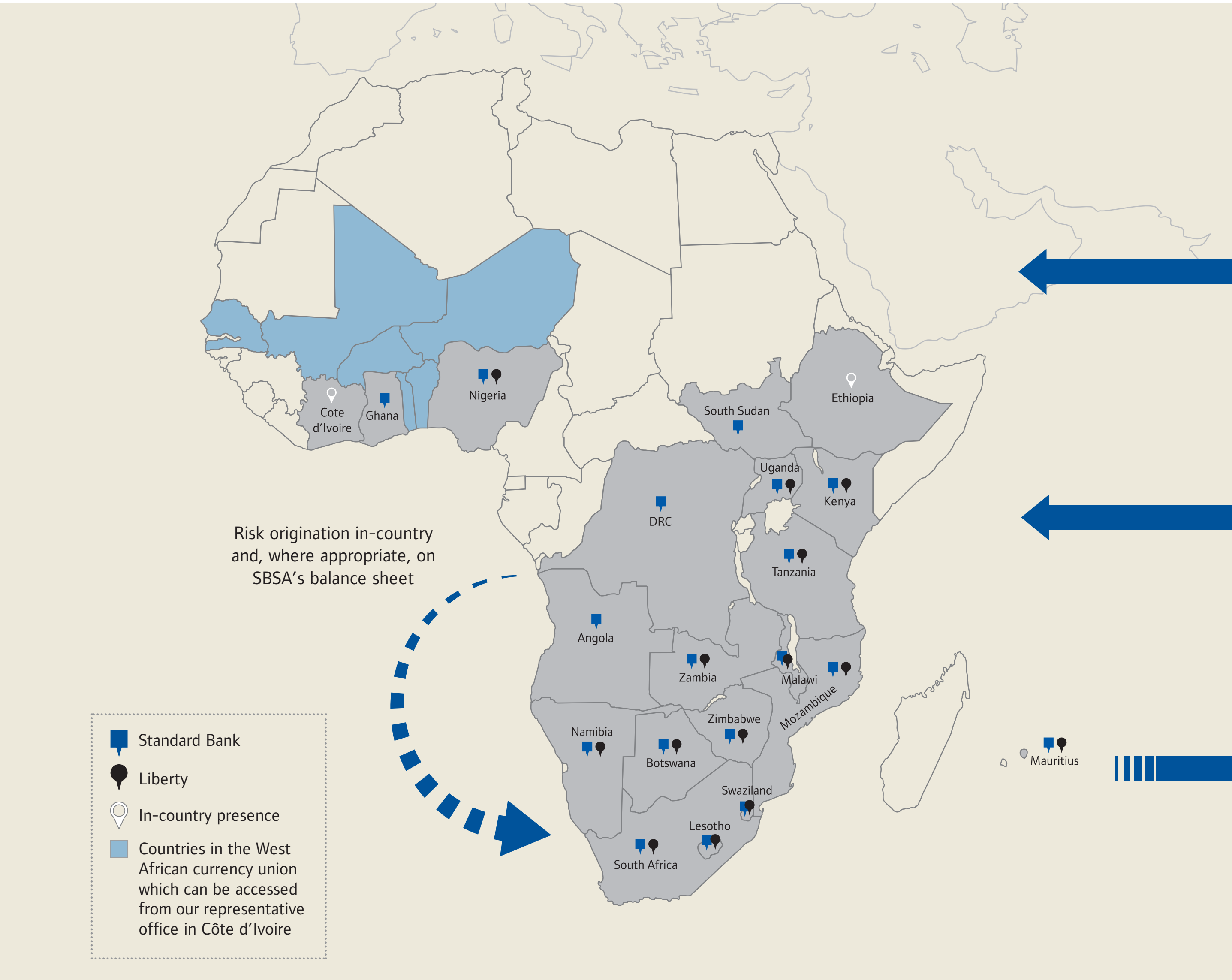
Influence and control over factors that impact our sustainability



Our strategy

In, for and across Africa

Our African focus and extensive network of operations is a key differentiator for the group. The majority of the group's African subsidiaries have achieved asset growth rates that have exceeded their respective countries' gross domestic product (GDP) growth.



Our strategic position enables us to connect Africa to other selected emerging markets as well as to pools of capital in developed markets.

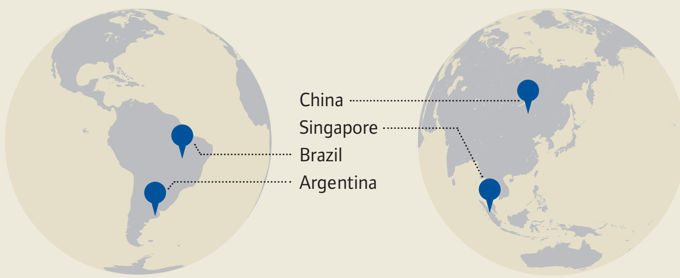
Trade flows

We are able to facilitate investment and development flows into Africa, and service emerging multinationals expanding into Africa, and consumers of natural resources, including China.

We are able to access pools of capital in the developed world, service multinationals with an interest in Africa and distribute risk originated in Africa, in line with group risk appetite and expected returns.

Developed markets

Selected emerging markets



Presence in pools of capital in developed markets

Presence in selected emerging markets

[1] The proposed sale of a 60% interest in SB Plc to ICBC is one of the final steps in realigning our international business to our Africa strategy. Retaining a minority shareholding in our London-based operation strengthens our ability to facilitate trade and investment flows between Africa and the rest of the world, and maintains our access to the pools of capital and expertise in this market.

Material issues impacting our sustainability

In formulating our strategy and determining our strategic priorities, we consider the full range of issues that influence the sustainability of our business and 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 business. Effectively managing our material issues is critical to achieving our strategic objectives.

During 2013, we undertook an extensive exercise to update our material issues. The process we followed produced the following six material issues that are interrelated and, therefore, not ranked in any particular order:

- managing the opportunities and risks of our Africa strategy
- pace, volume and scale of regulatory change
- establishing and maintaining cost-effective, efficient and relevant IT infrastructure
- knowing our customers and doing the right business with them in the right way
- recruiting, retaining and motivating our employees
- delivering sustainable long-term financial performance.

An example indicating the dependencies and trade-offs we employ in conducting our business, and in our material issues, is managing the pace, volume and scale of regulatory change which requires IT systems that are flexible enough to enable adaptations to processes and procedures, and allow for ongoing monitoring and compliance.
This has implications for the capabilities of our IT infrastructure and our investment decisions in relation to systems renewal. Changes in processes and procedures, and the underlying systems, also affect our customer and employee relationships, through potential disruptions to customer service and staff training. All of these factors have material cost implications that also affect our financial performance. Dealing with numerous jurisdictions across Africa and beyond, which have different regulatory regimes, together with our commitment to complying with the highest standards of international banking regulation, adds many layers of complexity.

How we identify material issues:

Identification

We interviewed over 85 internal stakeholders from across all business units, including:

- the chief executives of each business unit
- African regional heads
- group chief risk officer
- group compliance officer.

Prioritisation

The following inputs were used to verify and prioritise the various aspects of each material issue:

- a workshop with a selected group of external stakeholders
- day-to-day engagements with external stakeholders
- our code of ethics and values
- our strategy
- discussions among executive management
- risk management and regulation
- global challenges and national priorities
- sustainability indices.

Approval and review

Our material issues were reviewed and approved by the group social and ethics committee and informally communicated to two additional board members in a planning meeting, who agreed that the issues were correct and material. Assurance was obtained on certain key performance indicators.

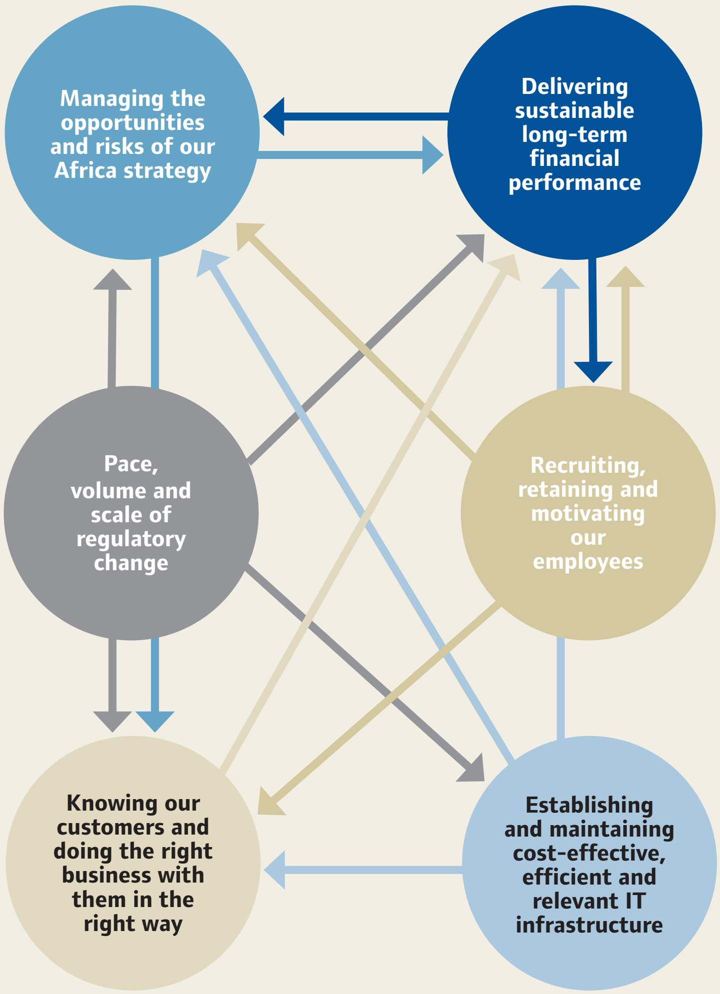
Our analysis of how we manage these material issues and their impact on our operations revealed the intricate interrelationships that exist between them.

Interrelationships between our material issues

- Presents opportunities for growing our customer base.
- Presents new business opportunities.

- Means we create value for shareholders.
- Means we are able to pay taxes that support the objectives of governments.
- Means we can continue paying salaries and wages.

- Impacts our ability to offer credit but also protects customers.
- Increases cost of capital which impacts how much we can lend and potentially changes current business lines.
- Requires IT capabilities to comply with regulatory requirements.



- Hiring people locally gives us on-the-ground insight and supports the economies of the countries we operate in.
- Succession planning supports long-term sustainability.
- Skilled employees are better able to meet customer needs.

- Enables us to target relevant products to our customers and grow our customer base through new acquisitions.

- Enables lower-cost channels and improved service.
- Enables innovation and contributes to competitiveness.

Executing our strategy

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

Embed customer and client centricity

Progress in 2013

- First phase of **customer relationship management capability** underway in South Africa.
- Sustained growth in transaction volumes on **self-service electronic channels**, with Nigeria and Mozambique launching their own banking apps.
- Launched our **UCount Rewards customer loyalty and rewards programme** in South Africa.
- Continued to roll out ATMs, contact centres and digital channels in PBB Africa, which, along with branches, are part of our **multi-channel strategy**.
- PBB SA introduced the globally accepted **net promoter score** as the key measure of customer loyalty.
- Training of customer contact centre staff resulted in a **marked improvement in customer satisfaction scores** for PBB South Africa.
- Introduced a **social media service desk** to deal with queries on these platforms.
- Achieved **one million personal banking customers in Nigeria.**

Focus moving forward

- **Customer relationship management system** in South Africa scheduled for implementation in 2015.
- **Integrate customer management** across different channels to provide a single view of customers.
- Continue to drive our **multi-channel strategy** in Africa.

Inspire and motivate our people

Progress in 2013

- Introduced **a groupwide employee value proposition programme** aimed at building an engaging and performance-driven culture across the business.
- **Engaged with employees** in Botswana, Kenya, Namibia and Uganda on the employee value proposition programme.
- **Scored 80% in an external engagement survey** for PBB South Africa. This score is above the benchmark for high-performing companies in South Africa.
- **Undertook talent reviews** across the group and put in place personal development plans for each identified individual.
- A total of **2 858 Standard Bank and Liberty employees participated in leadership development programmes** during the year.
- Between 2012 and 2013, **64% of our employees in South Africa underwent health assessments.**

Focus moving forward

- **Develop a new employment equity plan** for SBSA to assess past efforts and create effective interventions.
- Develop **graduate programmes for Botswana and Kenya**.
- Continue to **engage with our employees in the rest of Africa on our employee value proposition** and how it fits within their unique operating context.
- **Screen 90% of employees** in South Africa for health risks by 2015.

Achieve operational excellence

Progress in 2013

- **Migrated 4,3 million inclusive banking customer accounts** to a single AccessAccount on our new core banking platform in South Africa, bringing the number of customers on this system to seven million.
- Implemented the **Finacle core banking system in Botswana and Tanzania**, bringing the total number of countries using this system to five.
- In PBB, the appointment of new leadership and strengthening of management teams is resulting in **more effective execution of our strategy and improved operational efficiency**.
- **R1,6 billion of fraud was thwarted** through crime prevention initiatives.
- Achieved an **average ATM uptime of 96.5%** in South Africa, just short of our 97% target.
- **Improved risk management and internal control functions** in our international operations.

Focus moving forward

- **Migrate a further 4,5 million of customer accounts** in SBSA onto the new core banking system over the next two years.
- **Implement Finacle in Ghana** in 2014, and upgrade the system in Nigeria and Namibia.
- In 2014, pilot our Greening Building Interiors Tool with the goal of **achieving a four-star rating for our branches in South Africa.**

Capitalise on our strategic partnership with ICBC

- Reached an agreement with ICBC in terms of which it will **acquire 60% of our global markets business outside Africa and through which we will jointly optimise revenue opportunity**.
- Signed a **R20 billion funding support agreement for renewable energy projects** in South Africa. Under the agreement, ICBC will co-lend into renewable energy projects where Standard Bank is mandated as the lead arranger.
- Collaborated with ICBC to **share best practice in financial crime risk management**.
- Continue to **offer business customers in Africa renminbi accounts** in their own country or in China through our ICBC partnership.
- **Increasing cooperation** on all aspects of information technology as ICBC's IT know-how is made available to Standard Bank.

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

Deliver as a relevant corporate citizen

- Established **two diversity and inclusion forums**: a groupwide gender forum and a disability forum in South Africa.
- Launched the **150 Bursaries Fund** to serve as a source from which we plan to recruit 70% of our graduate intake in South Africa.
- **Financed major infrastructure deals** in Angola, Democratic Republic of Congo, Ghana, Mozambique and Swaziland helping to build sustainable long-term solutions for our clients in Africa.
- **Prioritised the banking-specific elements of the new financial sector codes**: empowerment financing and access to financial services.
- **Reduced the amount of paper statements** sent to clients in South Africa by 30%.
- Continued to **invest in energy efficiency initiatives** in our own operations and achieved a 4% reduction in purchased electricity consumption in South Africa.

- Implement **financial education interventions to help Tutuwa beneficiaries make good financial decisions** should they choose to sell their shares when the 10-year lock-in period ends in 2014.
- In line with the National Development Plan (NDP) in South Africa we will focus our corporate social investment (CSI) initiatives exclusively on projects that **enhance educational outcomes.**

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

- The sale of a 60% stake in SB Plc to ICBC is one of the final steps in **realigning our international business to our Africa strategy**.
- **Launched an internal treating customers fairly (TCF) programme** to create awareness and progress towards meeting TCF requirements.
- Continued to **optimise capital and liquidity requirements** to meet the new Basel III requirements, including balance sheet optimisation, strategically aligning our business operating models and risk-weighted asset optimisation.

- Pursue opportunities to **further realign our business to our Africa strategy**, specifically in relation to our operations in Brazil and Taiwan.
- Continue to ensure that the group complies with **Basel III requirements** as they are phased in.

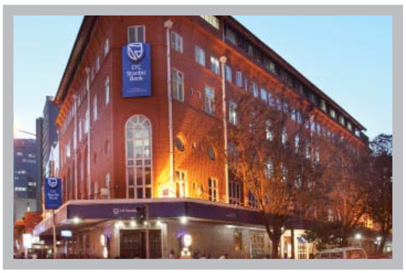
Realising the Africa opportunity

We are commercially and morally bound to serve Africa and her people well, in return for the long-term profitable growth we envisage as the leading financial services group on the continent.

The Africa opportunity is compelling as Africa continues to grow at a higher rate than most other regions, underpinned by its rich endowments in natural resources and increasing trade flows, both within the continent and with other economic powers, especially China. Our unique competitive position will enable us to benefit from and, indeed, to support Africa's growth story as we create effective solutions for our clients and sustain the improvement in our financial performance.

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

PG Refer to page 78

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. As a financial services provider, we facilitate a broad spectrum of economic activities that ultimately create and protect value for the countries in which we operate.

Renewable energy financing

PG Refer to page 25

Financing renewable energy is an opportunity for us to support real sustainable development at scale, underpinned by a strong business case. With a number of projects we support coming on stream, it is clear that renewable energy sources are fast taking their place as a substantial contributor to Africa's energy mix.

Inclusive financial services

PG Refer to page 28

Finding ways to include the millions of economically active people across Africa who have been historically underserviced is essential to our sustained profitability, and contributes to the broader socioeconomic development potential of the countries in which we operate. To achieve this we create affordable and accessible products that meet the needs of individual customers and SMEs across both our domestic markets and the African countries in which we operate.

Economic growth in sub-Saharan Africa for 2014 predicted at

6.1%

2013: 5.1%

Foreign direct investment (FDI) flows into African countries in 2012 up **11%** year-on-year, while global FDI was down 18%.

- With population growth expected to double by 2050 and GDP growth of more than 5% per annum, **Africa is the world's second fastest growing continent.**
- Sub-Saharan Africa economic growth has remained resilient, reflecting the **positive impact of better macroeconomic policies and institutions.**
- **Trade between Africa and its 14 largest partners increased to approximately USD850 billion in 2012** from USD200 billion in 2001.
- We estimate **portfolio capital inflows into Africa (excluding South Africa) have been over USD20 billion** since mid-2012.

Natural resources potential

PG
Refer to page 36

Africa's resource 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. Our deep expertise in resources on the continent positions us to assist our clients in realising this potential.

Infrastructure financing

PG
Refer to page 42

The backlog in national infrastructure persists in many African economies. While many governments in Africa have prioritised infrastructure development given its important role in driving growth and alleviating socioeconomic and developmental challenges, it is sometimes necessary for corporates operating on the continent to put in place the infrastructure required for the development of their business.

Agricultural financing

PG
Refer to page 47

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. Through financing agriculture, we have the opportunity to support food security on the continent.

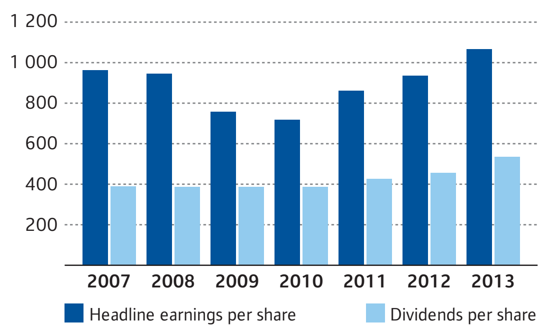
Key performance indicators

In a challenging environment, our positioning across the African continent has provided strong underlying momentum and we continue to build on the foundation laid in previous years.

The performance of our operations reflects their underlying strength and ability to adapt to change, specifically to remain relevant to their customers as their markets evolve. We have set realistic medium- to long-term target ranges for key financial performance indicators, disclosed below.

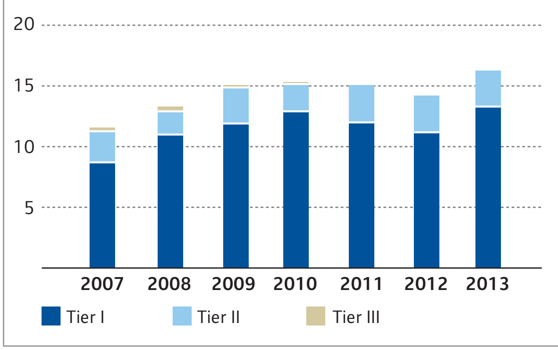
We believe that return on equity (ROE) encompasses our growth and cost management measures into a single metric while our tier I capital adequacy ratio works as both a regulatory measure and a measure of internal capital allocation and control.

Headline earnings and dividends per share (cents)



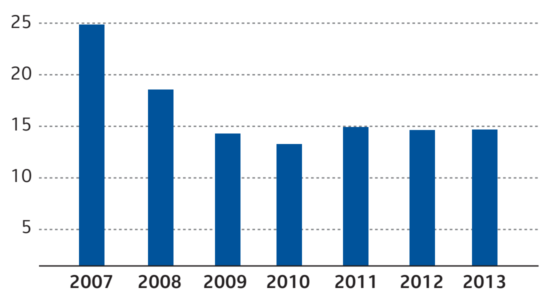
Capital adequacy ratio (%)

Medium- to long-term target tier I: 10.5% – 12.5%



ROE (%)

Medium- to long-term target ROE: 15% – 18%



R1,1 billion
in transformational infrastructure lending in South Africa

2012: R156 million

58.5%
cost-to-income ratio

2012: 58.9%

11,8 million
retail and business customers in South Africa

2012: 11,1 million

26% contribution by rest of Africa to total income

44% increase in headline earnings in the rest of Africa

R6,4 billion
committed to renewable energy deals in South Africa

2012: R9,5 billion

Approximately
300 000 registered UCount users

277
SMEs in South Africa received non-financial development support, of which 94% were black-owned businesses

26% increase in new advances to small and start-up enterprises in South Africa

6,8 million
inclusive banking customers in South Africa with a transactional account, representing 71% of our local personal banking customer base

81% of affordable housing loans were for first-time home buyers

5% increase in customer complaints

R4,5 billion
in funding extended to SMEs in Africa

2012: R3,9 billion

94,52
out of 107 BEE transformation score

Awards

Global Finance
Best trade finance bank in Africa (region) and country – South Africa and Nigeria for 2013

2013 global Top 500 Banking Brands
Most valuable banking brand in Africa

Bloomberg Markets
12th greenest bank in the world

Forbes' 2000 biggest companies
Highest ranked South African company at 231st globally

Financial Times
Sustainable bank of the year award for Africa and Middle East

Euromoney Awards for Excellence 2013
Best investment bank in Africa, best bank in South Africa, best risk manager in Africa, best equity house

The Banker 'Top 1 000 World Banks'
Highest ranked African bank at 109th globally and first in top 25 – Africa section

The Bankers 2013 'Deal of the year awards for Africa'
Equities deal of the year

2013 Sunday Times/TNS Top Brands survey
Number one in consumer banking category

Chairman's report to stakeholders

"The Standard Bank Group of today is better equipped to innovate – to consider and embrace new and better ways of doing things. This is rooted in greater collaboration, accountability and effectiveness that can counter the complexity that can so easily hamper large organisations."

Fred Phaswana
Chairman

Headline earnings per share
1 065 cents
2012
935 cents

Dividend per ordinary share
533 cents
2012
455 cents

The value we create for our people and our customers, and indeed all our other stakeholders, secures our commercial sustainability. Therefore, the most meaningful contribution we can make to the socioeconomic development of the continent at the centre of our strategy, is to remain profitable and stay relevant to the societies we serve.

The Standard Bank Group's performance in 2013, across financial and non-financial measures, attests to the inherent soundness of our strategic direction, the strength of our capital position and the resilience of our operations. It also gives cause for confidence in our ability to adapt effectively to the profound changes in our industry, in the markets in which we operate and in the needs of our customers.

The group produced a satisfactory performance in 2013, increasing headline earnings and net asset value per share by 14%. Group ROE increased to 14.1% from 14.0% in 2012 and the total dividend for the year of 533 cents per share increased by 17%.

As more fully set out in the summarised risk and capital management report starting on page 89, the group, through SB Plc, was fined GBP7,64 million for certain shortcomings relating to its anti-money laundering policies and procedures. The board takes such failures in regulatory compliance seriously and has implemented processes to respond to the noted shortcomings. Similar fines are being imposed on many of our local and international peers and, as an industry, we must embrace, uphold and support the objectives of such regulations. As I noted in my report last year, we continue to monitor and embed the regulatory requirements we are required to comply with, which continue to grow in number.

Managing the dynamics of risk and opportunity

The period since the global financial crisis in 2008 and the sustained economic downturn that followed in its wake has been characterised by fundamental shifts in our industry. Specifically, the implications of Basel III, adopted by South Africa on 1 January 2013, required that we adjust our business model to remain capital efficient and competitive in a more stringent regulatory environment.

Although the regulatory environment has begun to stabilise, new dynamics continue to reshape our competitive landscape. Chief among these is the digital revolution in financial services and the myriad of opportunities it offers for improving our engagement with customers, developing highly customised products and services, and enabling more cost-effective distribution platforms and faster and more reliable back-end processes. The group's response to this revolution has been to invest heavily in establishing and maintaining cost-effective, efficient and relevant IT infrastructure. As we undertake this quantum leap, we do so with full consideration of the risks involved.

Our strategic commitment to Africa remains firm. With GDP growth of more than 5% per annum, Africa is the world's second fastest growing continent and its population is expected to double by 2050. The pace of growth, hastened by rapid developments in the oil and gas, mining and metals, and power and energy sectors, and the anticipated economic benefits of a 'demographic dividend' present us with significant long-term opportunities.

As our focus has shifted in recent years to executing our Africa strategy, one of our key considerations has been whether we have adequate leadership capacity at the centre of our organisation and in each of our markets to implement our strategy in relation to the risks we face. As important, is whether our culture is evolving in support of the changes within our organisation, and in support of the agility and resilience we need to withstand the new pressures on our industry.

The appointment of Ben Kruger and Sim Tshabalala as chief executives in March 2013 is fulfilling our expectations in this regard. Their complementary skills enable them to navigate the scale and complexity of our organisation, while their open and collaborative leadership style is setting a precedent at the top of the organisation. Similarly, the appointment of new executive leadership in our PBB operation in the rest of Africa has been a key development.

It is also necessary that the board, in its depth of skill and breadth of perspectives, reflects these new realities. While our focus was largely on the succession of executive leadership in 2013, in the year ahead we will make appointments to alter the composition of the board to ensure it is adequately positioned to guide our future direction and manage the complexities of a constantly changing risk universe.

The Standard Bank Group of today is better equipped to innovate – to consider and embrace new and better ways of doing things. This is rooted in greater collaboration, accountability and effectiveness that can counter the complexity that can so easily hamper large organisations. Our industry is changing faster than ever before and we must be able to respond effectively to this change to stay relevant to the economies and societies we serve. For this, ultimately, underpins sustainable profitability and value creation.

Our people throughout the organisation, specifically their understanding of the markets we operate in, differentiate us from our competitors. The robust performances delivered by our operations and the progress we have made in executing our growth strategy bear testimony to their tenacity and talent. Standard Bank people are considered highly valuable candidates in the scramble for the best available talent in Africa and while this represents a competitive advantage, it also exposes us to the risk of losing key people.

To counter this threat, we have strengthened our focus on recruiting the right people in the right places, retaining them and keeping them motivated. We have found that high levels of employee engagement are associated with positive outcomes such as higher retention, greater customer satisfaction and improved financial performance. Significantly, engaged employees are also more resilient to change.

Directorate

The board's effectiveness is assessed annually against its mandate, as is the performance of its committees. During 2013, the board and its committees complied materially with their mandates. My performance and that of the chief executives is assessed annually, and our remuneration is determined accordingly. Specific detail can be found in the remuneration report.

Deputy chairman Hongli Zhang and Yagan Liu retired as non-executive directors in January 2014. At the same time, Messrs Yang Kaisheng and Wang Wenbin were appointed as non-executive directors in their stead. Mr Yang has also been appointed as deputy chairman.

Mr Yang joined ICBC in 1985 and served in several positions, including deputy chairman of the board of directors, executive director and president of ICBC from October 2005 to May 2013, chairman of the board of directors of ICBC Credit Suisse Asset Management Company Limited from 2005 to 2010, deputy chairman of the board and non-executive director of Standard Bank Group from 2008 to 2010.

Mr Wang joined ICBC in 2000. He served as senior executive vice president of ICBC Xi'an branch from November 2011 to September 2013. Mr Wang previously served in several positions in ICBC, including division head of network management in the human resource department, division head of strategic investment and IPO in the restructuring office, division head of mergers and acquisitions in the corporate strategy and investor relations department, and deputy general manager of the corporate strategy and investor relations department.

We welcome Messrs Yang Kaisheng and Wang Wenbin to the group and express our appreciation to Messrs Hongli Zhang and Yagan Liu for their contribution to the Standard Bank Group.

Koosum Kalyan resigned as non-executive director in March 2014. She was appointed to the board in December 2007. Doug Band and Chris Nissen are due to retire from office at the group's next annual general meeting (AGM) in May 2014. Both directors will not be standing for re-election. They have been valued independent board members and we wish to thank them for the contributions that they have made during their time with the group and wish them well in their future endeavours.

Appreciation

I wish to thank the people of Standard Bank for their commitment and contribution to the performance and wellbeing of the group during this exciting, and sometimes 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. On behalf of the Standard Bank Group, I extend our thanks to our customers, shareholders and other stakeholders for their continued support.

I assure all our stakeholders that in our pursuit of sustainable profitability, we remain bound to our social compact to contribute to the socioeconomic development of the countries in which we operate in a way that is consistent with the nature and size of our operations.

Group chief executives' report

"This is a defining period in the history of the Standard Bank Group. We have reaffirmed our vision to be the leading financial services group in Africa, and have made significant progress on the continent."

Ben Kruger | Sim Tshabalala
Group chief executives

Net asset value per share

8 127 cents

2012
7 136 cents

ROE

14.1%

2012
14.0%

The restructuring of our presence outside Africa, in line with our Africa-centred strategy, is largely complete and retains our ability to connect the continent to pools of capital and key skills in the developed and developing world. Our business and operating models have been realigned to improve our service and competitiveness in a much changed regulatory environment, and we continue to adapt to a competitive landscape that is being reshaped by the digital revolution.

Overview

The impact of sustained weakness in the global economy was evident in a generally lower appetite for credit in our domestic market and higher levels of impairment in some of our lending portfolios in South Africa and the rest of Africa. Emerging markets continued to produce an increasing share of world output and benefit from the shift in global trade and capital flows to economies in the east and the south during the year. As a consequence, African economies beyond South Africa continue to grow faster than most other world economies.

The group produced a satisfactory performance in 2013, increasing both headline earnings per share and net asset value per share by 14%. Group ROE increased to 14,1% from 14.0% in 2012. Total income and expenses grew by 10% while credit impairments rose just 5%, reflecting a more normalised level of corporate default. A final dividend of 300 cents per share was declared, bringing the total dividend for the year to 533 cents per share, a 17% increase on 2012.

South Africa adopted the requirements of Basel III on 1 January 2013 and was one of the first 11 countries in the world to do so, underpinning the strength of the domestic financial system. The group's capital adequacy and liquidity are strong and our revenue growth reflects the shift in focus to capital light transactional business. We continue to reallocate and optimise our capital utilisation.

We have reaffirmed our Africa-focused strategy and we have made significant progress in the execution of our strategy. We continue to focus on sustaining the strength of our South African business which provides the foundation of universal banking expertise that we use to grow our franchises in the rest of Africa. We are at an advanced stage of building a network of on-the-ground operations across sub-Saharan Africa capable of serving expected growth in demand for banking and non-banking products and services.

An important competitive advantage for the group is our access to pools of capital and key skills in the developed and developing world. As such we require a well-developed network of fit-for-purpose points of representation in the financial centres of the developed world as well as South America, the Middle East and East Asia. However, our strategic intent is dependent on deploying the majority of our capital in our growth markets in Africa and, as a consequence we have systematically restructured our international operations over the last few years.

In line with the intensified focus on Africa, we have entered into an agreement with ICBC in terms of which ICBC will acquire a controlling interest in our London-based global markets business. In partnership with ICBC, we intend to create a new and larger commodity and financial markets platform and to expand the strategic emphasis of the outside Africa global markets business to include a focus on China. We are currently working with the relevant regulatory authorities to obtain their approval and completion of the transaction is expected towards the end of 2014.

Over the last three years we have scaled back our operations outside Africa in a responsible and deliberate manner, positioning the group to pursue our Africa strategy more effectively. The proposed London-based global markets transaction substantially completes the restructuring necessary to align our resources to effectively serve our clients and customers on the African continent.

Our valued relationship with ICBC, as well as our presence in Beijing, Shanghai and Hong Kong, is supporting our interaction with Chinese investors in Africa. A key development in 2013 was ICBC's commitment, alongside Standard Bank, to mobilise R20 billion in funding for renewable energy projects in South Africa. ICBC disbursed approximately R180 million to the first such project, a 27 megawatt wind farm project in the Nelson Mandela Bay area.

Headline earnings by business unit

	Change %	**2013 Rm**	2012 Rm
Personal & Business Banking	14	**8 358**	7 343
Corporate & Investment Banking	49	**6 591**	4 419
Central and other	(93)	**34**	493
Banking activities – continuing operations	22	**14 983**	12 255
Discontinued operation – Argentina	(100)		673
Banking activities	16	**14 983**	12 928
Liberty	11	**2 211**	1 990
Standard Bank Group	15	**17 194**	14 918

PBB's concerted campaign to acquire and retain the primary transaction and deposit accounts of customers in the fiercely competitive environment in South Africa, as well as the increasingly competitive environment in markets in the rest of Africa, underpinned a good overall performance. Following on from the leadership appointments made in 2012, Zweli Manyathi was appointed chief executive of PBB's operations in the rest of Africa and we also strengthened the management of local operations. These changes will support the business and will drive a decisive move to acquire profitable customers with primary transaction accounts, rather than a lending-led strategy.

CIB recovered from a low base following a difficult period of restructuring and competitive repositioning. The strong growth in earnings achieved by some of its operations in the rest of Africa is testimony to the advances CIB has made in positioning its business to be the leading corporate and investment banking business in, for and across Africa. Key features of CIB's performance were improvements in customer engagement and the ongoing shift in its revenues from capital heavy complex derivative and private equity transactions to flow trades. The non-recurrence of material impairment charges, together with the cost-cutting benefits of restructuring our operations outside Africa, contributed to the improvement in CIB's profitability and ROE.

Liberty's core insurance and asset management businesses performed well again in 2013 and this translated into another good financial performance. The bancassurance arrangement between Liberty and Standard Bank worked well in 2013 and promises significant growth. We plan to replicate the success we have had in the bancassurance market in South Africa across the continent, focusing on the fastest growing countries.

Our intention is to build the leading wealth management and insurance business in Africa, by leveraging our group endowments and resources. After eight years at the helm of Liberty Holdings Group, Bruce Hemphill has been appointed to the new role of Chief Executive: Wealth, Insurance and Non-Bank Financial Services with effect from March 2014. Bruce has a deep experience in banking and in non-bank financial services and takes responsibility for shaping and implementing our wealth and insurance strategy.

Executing our Africa strategy

Our operations in Lesotho, Malawi, Namibia, Swaziland and Uganda are well established and are among the market leaders in these countries. In these franchises we continue to optimise our distribution platform, introduce new product offerings and drive cost efficiencies. In Botswana, Ghana, Tanzania and Zambia where we are building for scale, our investment is selective and focused on growing market share of profitable customers. In high-growth markets such as Nigeria, Angola, Mozambique and Kenya, we have incurred higher levels of investment to strengthen our competitive position and are gaining critical mass. During 2014, we will open a representative office in Ethiopia, having opened one in Ivory Coast during 2013 which provides access to the French-speaking countries of the West African Monetary Union.

Our current footprint across Africa (excluding South Africa) is extensive with approximately 3,8 million customers, 13 430 members of staff, 557 branches and 1 223 ATMs. A comparison with our position in Africa six years ago (8 505 members of staff, 306 branches and 486 ATMs), demonstrates the progress we have made since 2007 when we started accelerating the investment in building our African franchise.

Our operations in the rest of Africa have provided a significant boost to the group's overall growth over the past three years. The rest of Africa legal entities now account for 26% of revenue and 20% of headline earnings, compared to 17% and 12%, respectively in 2010, and ROE increased from 12.3% in 2010 to 19.7% in 2013. We expect this upward trend to continue as our investment on the continent starts to deliver the anticipated returns.

The contrast in the performances of our CIB and PBB franchises in Africa reflects the realities of establishing banking operations in different and challenging markets.

The PBB franchise forms the base of our presence in Africa and has, therefore, incurred the majority of the investment in infrastructure. We believe that the future prospects for retail banking are beyond doubt, but the reality is that building a retail banking franchise across the continent is a lengthy and expensive process. The challenges range from a lack of basic infrastructure, to underdeveloped regulatory regimes, to cultural differences that affect the development of relationships of trust with customers and the necessary understanding of risk profiles, all of which differ from country to country.

For CIB, the PBB franchise provides the branch infrastructure that is a necessary precursor to attracting corporate clients and facilitates CIB's growing transactional offerings. Unlike PBB, CIB has the advantage of more rapid customer acquisition in new markets due to its large network of customers that operate globally and have an interest in Africa.

These challenges notwithstanding, we continue to deepen our ability to navigate the complexities inherent in the Africa opportunity in the service of our customers, our employees and our shareholders, and indeed our other stakeholders such as regulators and the communities in which we live and work. Sub-Saharan Africa is expected to sustain relatively high levels of growth, with GDP growth of more than 5% forecast for 2014. The region, excluding South Africa, could grow twice as fast as South Africa until 2020, with the majority of growth concentrated in 10 key markets where we have an on-the-ground presence. The extensive universal banking presence which we are building in Africa, backed up by our 151-year reputation for trustworthy, real-economy banking, positions us well to serve these rapidly growing markets with a range of banking and non-banking financial services.

Aligning our operating model

To improve our customer service and remain competitive in the face of rapid change, we realigned our operating model in 2013. This involved flattening the management hierarchy to create a leaner and more responsive structure, and aligning enabling functions and resources to the operating units so that they are best positioned to serve their customers.

Underlying the execution of our strategy, and the reshaping of our business in a digitally enabled banking environment, is our core banking transformation. This major project to replace legacy systems that are now decades old will continue to place upward pressure on costs through to the end of 2016. The project involves the simultaneous development of our back- and front-end systems, which will ultimately reduce costs and underpin the optimisation of our business and operating models for sustainable growth. The new system is already strengthening our ability to adapt to constant changes in technology and has become central to our continuous improvement of the quality of our customer service and to our ability to acquire customers, cross-sell products and originate and service business more cost-effectively.

In South Africa, seven million customers have been migrated onto the new system and our customers in the middle market segment will follow in 2014. The first phase of our customer relationship management capability is underway. This will ultimately integrate customer management across different channels and provide a single view of customers, improving our speed, accuracy and responsiveness, and making it easier for customers to interact with us.

In the rest of Africa, where people are rapidly adopting new technology, innovating, and in many cases 'leapfrogging' those in the developed world, we have implemented the core banking platform in Namibia, Nigeria, Uganda, Botswana and Tanzania. There are now more than two million customers on the new Finacle platform. The implementation has been challenging and we have continuously re-engineered and optimised the system to achieve incremental improvements with each implementation. The Nigerian and Namibian systems will be upgraded in 2014 to standardise the platform and achieve greater economies of scale, and the system will be deployed in Ghana in 2014.

Our greatest competitive advantage

Our people remain our definitive competitive advantage and we continue to strengthen our people management practices. We conduct our business in an environment that now requires a more open and consultative approach to leadership, and a leadership that supports a culture of personal accountability and partnership. We believe it is important for our people to approach their areas of responsibility with the same commercial rigour business owners apply to their own enterprises. We expect all Standard Bank staff to display a firm commitment to the principles of personal accountability, partnership and business focus.

We have simplified our business, recognising that complexity can become one of the biggest barriers to success in large multinational organisations, and we are constantly reviewing and preparing our human resources for the challenges that the digital revolution is ushering in. Management stretch has been reduced and the focus of the executive team is on Africa.

We provided significant opportunity for personal advancement in the year. Our group expenditure on training amounted to R638 million (2012: R605 million), of which R19,6 million (2012: R17,7 million) was invested in our graduate programme. Of the 184 people (2012: 181) who participated in the 2013 graduate programme, 43% are women and 80% of the South African complement was black.

Our values and ethics remain well embedded. We believe that trust, integrity, confidence and excellence are the foundation for sustainable growth.

Prospects

The global economic outlook appears somewhat brighter in recent months due to the strengthening of US growth. However, the distribution of expected growth is unbalanced with the Eurozone struggling to lift economic activity. Robust economic growth of around 6% is expected generally across sub-Saharan Africa in 2014, but only a mild improvement to 2.2% is expected for South Africa assuming some negative impact from higher interest rates and subdued consumer demand.

We are confident of our positioning across Africa and of the quality and dedication of our people to serve and provide value for our clients. The considerable progress we have made in realigning our available resources and intensifying our focus on the expanding markets on the African continent has delivered an enviable franchise off which the group is able to drive sustainable growth. Competition is high in all the markets we serve and business operating environments remain challenging. However, the group's capital and liquidity strength, together with our firm commitment to our strategy which includes the building of world-class systems, provides substantial opportunity to elevate our ROE and deliver higher levels of economic value to our shareholders over the medium term.

Renewable energy financing

The South African Government aims to secure a total of 17 800 megawatts of renewable energy capacity by 2030 which will serve to lower electricity prices, reduce reliance on coal and lower pollution over time. To date, Standard Bank has committed R15,9 billion to renewable energy projects under the Renewable Energy Independent Power Producer Procurement Programme, with an installed renewable energy capacity of 960 megawatts. Pictured is the 72,5 megawatt Kalkbult photovoltaic project located in the Northern Cape Province.

Executive committee

as at 31 December 2013

Sim Tshabalala | Ben Kruger | Bruce Hemphill

Sim Tshabalala (46)

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 group chief executive of SBG, chief executive of SBSA, chairman of Stanbic Africa Holdings, a director of Tutuwa Community Holdings and Stanbic IBTC Bank and the chairman of the Banking Association of South Africa (BASA).

Sim joined the group in 2000 in the project finance division of Standard Corporate Merchant Bank (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 was appointed chief executive of SBSA. In 2009, he was appointed deputy chief executive of SBG. In 2013, he was appointed group chief executive of SBG.

Ben Kruger (54)

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

Joined the group in 1985, appointed to exco in 2000.

Ben is group chief executive of SBG, and an executive director of SBSA. He is chairman of SB Plc, and a director of 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. In 2013, he was appointed group chief executive of SBG.

Bruce Hemphill (50)

BA (Cape Town), CPE (London), Solicitor of England and Wales

Joined the group in 1993, appointed to exco in 2013.

Bruce has been appointed as chief executive of Wealth, Insurance and Non-Bank Financial Services, SBG effective 28 February 2014. Prior to this role, Bruce was chief executive of the Liberty Group since 2006. In 1993, he joined Standard Merchant Bank's corporate finance division. In 1997, he was appointed head of investment banking and managing director of SCMB Securities in 2000. In 2004, he was appointed as Stanlib's chief executive.

David Munro (42)

BCom PDGA (UCT), CA(SA), AMP (Harvard)

Joined the group in 1996, appointed to exco in 2013.

David is the chief executive officer CIB, SBG and SBSA.

In 2003, he was appointed deputy chief executive officer of CIB, South Africa and in 2006 was appointed chief executive, CIB South Africa. He was appointed global head, investment banking in 2009 and chief executive, global CIB in 2011. In 2014, he was appointed director, Standard Bank London Holdings Limited.

Simon Ridley (58)

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

Joined the group in 1999, appointed to exco in 2013.

Simon is the group's chief financial officer and 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 2014, he was appointed director, Standard Bank London Holdings Limited.

Peter Schlebusch (47)

BCom (Hons) (Wits), CA(SA), HDip Tax (RAU), Dip Banking Law (RAU)

Joined the group in 2002, appointed to exco in 2013.

Peter is the chief executive officer of PBB, SBG and SBSA. Peter joined the group in 2002 as director, retail products. In January 2006, he was appointed as deputy chief operations officer. In September 2006, he was appointed deputy chief executive of PBB SA. In 2008, he was appointed chief executive of PBB SA. In November 2012, he was appointed chief executive of global PBB.

Business unit reviews

Inclusive financial services

Michael 'Mike' Mashapa, a store owner in Tembisa, South Africa, believes that Standard Bank AccessBanking has brought about a positive change in both his business and his community. Hosting an AccessPoint has brought more customers to his store which has increased his general trade. Mike can now accept both cash and card payments and, as people can withdraw cash, he is keeping less cash on the premises and making fewer trips to the bank. Through his AccessPoint, Mike offers cash deposits and withdrawals, electricity and airtime purchases and balance inquiries, meaning AccessBanking customers no longer have to queue or conform to banking business hours.

Personal & Business Banking

PBB provides banking and other financial services to individual customers and small- to medium-sized enterprises in South Africa, the rest of Africa and the Channel Islands.

Headline earnings

R8 358 million

2012
R7 343 million

External net loans and advances

R541 billion

2012
R490 billion

	2013	2012
Headline earnings contribution to SBG	**49%**	49%
ROE	**18.5%**	19.4%
Credit loss ratio	**1.47%**	1.39%
Cost-to-income ratio	**60%**	60.1%

Priorities

- Deliver excellent customer experience
- The digital revolution is fundamentally changing the way in which consumers and businesses interact
  - simplify technology and standardise processes
  - deliver integrated channels and world-class efficient technology
  - investing in IT to renew our core banking systems
- Strong focus on cost control

Peter Schlebusch Chief executive – PBB

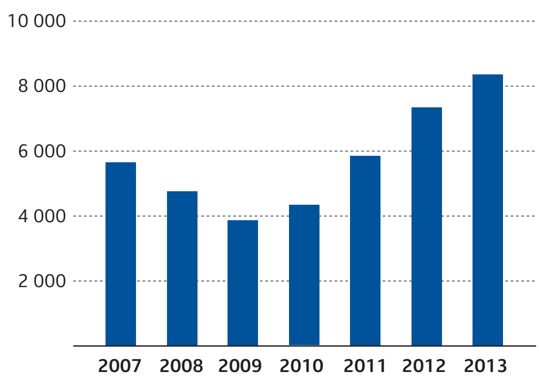
"We have largely completed building an enviable on-the-ground presence in sub-Saharan Africa, particularly in the high-growth markets which enables us to deliver banking products and services our customers need. We believe that our financial performance will increasingly reflect our unique positioning across the continent."

Overview

Personal & Business Banking continued to focus on building convenient and accessible customer channels with excellent consistent customer service, while balancing prudent cost management and investment for future growth. PBB achieved significant progress in its strategy to grow its customer base and develop an extensive operational platform in selected countries in the rest of Africa. Our South African business performed well in a muted macroeconomic environment and, despite the pressure on non-interest revenues as a result of price reductions to customers, produced a sound financial performance. On the other hand, we posted disappointing losses in the rest of Africa as a result of shortfalls in our credit risk management processes in certain markets and returns in key markets like Nigeria, Angola, Ghana, Mozambique and Kenya lagging upfront investment in building a universal bank in-country. However, key indicators in the rest of Africa, such as 6% growth in customer numbers to 3,8 million and retail priced deposits up 36% to more than R50 billion, are encouraging signs that 2014 will be a profitable year for PBB in the rest of Africa.

Overall, PBB's headline earnings of R8,4 billion were 14% higher than the prior year, driven largely by growth in net interest income but offset by higher credit impairments in South Africa and the rest of Africa. Our performance demonstrated the benefits of PBB's focus on transactional banking and its reduced appetite for inclusive banking's unsecured lending in the challenging South African economic environment. We achieved an ROE of 18.5% relative to 19.4% in 2012.

Headline earnings (Rm)



South Africa

South African households remained burdened by high levels of debt, sluggish personal disposable income growth and rising inflation. Growth in spending has continued to slow in response to these adverse factors as well as lower levels of unsecured lending to households as credit providers tightened their lending practices. Slow economic growth also constrained activity in the business banking environment.

Strategy

PBB's strategy in South Africa is to serve the full value chain of customers – from the most basic to the most sophisticated of financial services needs and to maintain high standards of customer experience and cost-effective delivery channels. We aspire to make a difference in the lives of our customers by delivering an excellent customer experience that moves them forward. We believe that, through banking, we can make a difference. Not through one dramatic act, but by changing our customers' lives one day, one conversation, and one rand at a time.

A key part of delivering this strategy is to leverage, on an increasing basis, the benefits of our core banking transformation in deploying technology to enable better customer service. The consistent application of this strategy has created a strong foundation for acquiring new customers and retaining existing customers. 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 good growth trend, even in challenging times. Our key focus areas are discussed below.

Consistent excellent customer experience

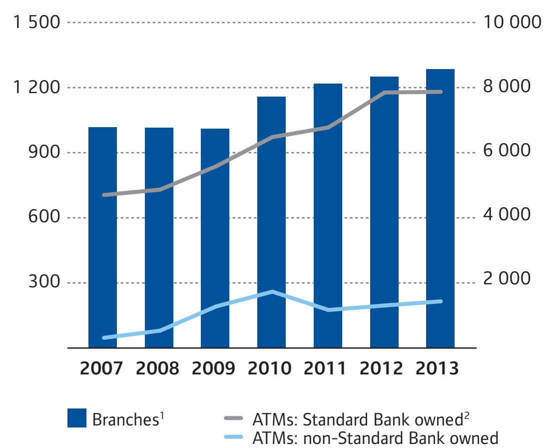
PBB South Africa operates in a fiercely competitive market. Customers are better informed, more demanding and if they feel the bank is not meeting their needs, they are quick to switch to another bank. The digital revolution is fundamentally transforming the way many customers transact with their banks by enabling them to conduct their business when and where they want, with increased convenience and accessibility. We need to be able to provide our customers with consistently excellent experiences to retain their loyalty and support them at every stage of their life or business journey. We offer customers cost-effective and integrated multiple channels and allow them to adopt a platform to suit their needs.

Over time, we envisage an appropriately-located, lower cost branch network. This is dependent on our ability to build and roll out stable digital self-service channels that can easily be used by customers to perform the transactions they would typically do in the branch. The number of ATMs in South Africa decreased slightly from 7 528 in 2012 to 7 141, however the number of automated notes acceptors (ANAs) increased to 936 (2012: 575). ANAs are effectively ATMs focused on taking customer deposits, counting and validating the authenticity of each note and providing real time value for the deposit. We have seen encouraging adoption in the use of these ANAs. Our mobile banking app, launched in South Africa in 2012, has been quickly adopted by customers and in 18 months we have about 140 000 active unique users processing monthly payments approaching R3 billion in almost five million transactions. Our new tablet mobile banking app, which will be released in March 2014, will further enhance customers' control over their banking world. Customers appreciate the convenience of these channels being available all the time without the need to go into a branch and this will go some way to reducing teller transactions in branches.

We continued to optimise our physical branch network during the year, and the number of branches in South Africa (including lower cost loan centres) remained flat on the prior year at 726. We opened eight 'new generation' branches which offer a 21st century banking environment with wireless self-service facilities and are focused on sales and customer advice and education. We recorded good traffic through these branches. Despite reducing the number of Access points utilised by our AccessBanking customers by 43%, 28 million transactions were processed, an increase of almost a third from the prior year, with 30% of these being done after hours, demonstrating that we are offering customers more accessibility and convenience.

We are alive to the ongoing threat of fraud, particularly the increasing amount of cybercrime, as customer transactions become increasingly digital. By the end of 2013, nearly nine million customers were registered MyUpdates users, which assisted customers to detect and prevent fraud early.

Points of representation



1 Including loan centres.
2 Including ANAs.

We are very pleased that PBB South Africa was recognised as the leading brand in consumer banking by the 2013 Sunday Times/TNS Top Brands survey and the bank of choice by the Star's Readers' Choice Awards. In contrast, we experienced a disappointing decline in our Ask Afrika Orange Index customer experience ratings in 2013. To ensure that we improve on this, we have restructured our enabling functions during the year to support more direct engagement between business units and customers. We have also introduced the globally accepted net promoter score as the key measure of customer loyalty.

Transaction-led customer acquisition

The emphasis in PBB South Africa is on primary transaction and deposit accounts. Our streamlined, simplified and highly focused portfolio of products that are consistently marketed and displayed, together with the value proposition to personal customers of no fee increases in 2013 for the second year contributed to 500 000 net new transactional accounts. The lucrative middle market – customers who earn between R15 000 and R60 000 per month – is the most contested segment in personal banking in South Africa. This group of customers accounts for more than 50% of all home loans, vehicle and asset finance and credit cards, and tends to have high levels of electronic banking adoption. We recovered and stabilised our market share in this segment in 2013 after a disappointing decline in 2012, through substantial price reductions, the roll-out of our mobile banking app and smart devices and the launch of our new loyalty programme, UCount. This rewards customers for having multiple products and interactions and for using their Standard Bank personal debit, cheque or credit cards, and by December 2013 had been taken up by approximately 300 000 customers since its launch in June 2013. We have also had a good customer response to a range of additional value-adding services.

In the inclusive banking segment, we introduced the AccessBanking suite of offerings, which offers fewer, easy to understand banking products that provide value for money with transparent pay-as-you-transact pricing. AccessAccount origination on our new core banking platform is fast, paperless and mobile and is therefore significantly cheaper than traditional origination. This provides an opportunity to improve profitability in the inclusive banking segment. PBB South Africa was recognised by the 2013 BAI Finacle Global Banking Innovation Awards for AccessBanking.

The primary transaction account enables us to have an intimate understanding of customer cash flows and risk profiles to facilitate the responsible extension of credit. Unsecured credit extension was sensibly managed given the pressures on customers. In the middle market, unsecured revolving credit plan account balances grew by 22% and personal overdraft facilities by 24%, compared with 56% and 35%, respectively, in the prior year. The majority of these unsecured loan accounts are extended to our own transactional account holders. In the inclusive banking market, we significantly adjusted our scorecards and risk appetite and the unsecured book declined from R3,7 billion at the end of 2012 to R2,7 billion at the end of 2013. It is necessary as a leading player in extending financial services in South Africa to service customers in the inclusive banking market but it is difficult to do so profitably, so we will be very selective in our credit extension and the book should remain at current levels going forward.

In business banking we won a number of public sector mandates during the year, as well as agricultural and commercial clients. The number of card acquiring merchants increased 11% and reflected acquisition of the accounts of major merchants such as Shoprite Checkers.

Core banking transformation

PBB has been undertaking a core banking transformation over several years. This has been more complicated and has taken more time at a greater cost than we initially expected. However, we have made considerable progress in delivering on our plan and we are steadily building a bank with reduced complexity that is more agile and better able to serve our customers.

Over 4,3 million of our inclusive banking customer accounts from multiple products and systems were migrated to the single AccessBanking suite of offerings in 2013, bringing the total number of customers on the new platform to over seven million.

The renewal of our core banking system is strengthening our ability to adapt to constant change and is central to the continuous improvement in the quality of our customer service. Our increased application of customer data is providing deeper insight into our customers, which is enabling us to tailor our services to the needs of individuals in our personal, business and inclusive banking segments. The rollout of our customer relationship management capability is underway and will ultimately provide a single view of customers. This will provide our staff with a powerful tool to improve our speed, accuracy and responsiveness and making it easier for customers to interact with us.

The transformation of our core banking system will continue to result in IT cost growth in excess of that of our peers to the end of 2016. However, it will provide an enhanced customer experience, replace our ageing legacy core banking systems, reduce costs and risks in the longer term and underpin the optimisation of our business and operating model.

Becoming the best bank to work for

Our people are critical to our strategy to maintain excellent customer service. We remain focused on ensuring that everyone understands that PBB exists to serve our customers, and that our people are engaged and committed. We are committed to best practice people management and creating a workplace where high performance is expected and rewarded. We invested R151 million in training and development to improve competence levels in 2013.

An external survey conducted during the year found that more than 80% of our people are engaged, committed and satisfied with management. This is above the benchmark for a high-performing company and we believe that the improved efficiency afforded by the core banking system renewal is a key contributor to the higher levels of satisfaction.

Transformation

PBB South Africa employs the largest staff complement in the group. 76% of junior staff, 64% of middle staff and 45% of senior staff are Black, Indian or Coloured. The executive team remains the most transformed in the local banking sector with 60% being women and two-thirds being Black, Indian or Coloured.

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.

Rest of Africa

There are many exciting opportunities for PBB in sub-Saharan Africa. There are, however, many challenges too. The portfolio of 14 countries in which we operate on the continent all present unique challenges given the size and maturity of the economies, as well as our own businesses. Many of our banks in the smaller markets are well-established market leaders and are profitable with high ROEs. Our businesses in the high-growth markets, particularly Nigeria and Angola, however, are still loss-making, given the higher levels of investment to strengthen our competitive position. While we have made great strides in gaining scale in these markets – in Nigeria we now have more than one million banking customers – we need each PBB business to succeed domestically. Our efforts to build scale in high-growth African markets in past years have resulted in high levels of lower income personal and business banking customers using costly branch platforms. While we must be realistic about the time it will take for PBB in the rest of Africa to generate a return above cost of capital, the business has been a drag on group ROE for some time and we understand that it is time for us to start delivering.

Strategy

We continue to strive to do the basics really well. We are building a deposit franchise through primary transaction accounts, winning new customers to get to scale and providing these customers with convenient, well-priced products and excellent service. During the year, we appointed new leadership and strengthened management teams. This has clarified areas of accountability and empowered leadership teams which has already resulted in more effective execution of our strategy and improved operational efficiency.

The key areas we are focusing on to strengthen our financial performance in the rest of Africa are discussed below.

Becoming the best bank to work for

We are keenly focused on ensuring our businesses are driven and managed by an empowered local leadership team that is committed and competent. Management teams in-country are responsible for hiring, developing and retaining local talent to ensure that their business succeeds domestically. We have invested R96 million in developing the skills and capabilities necessary to execute the strategy more effectively.

Consistent excellent customer experience

We have shifted our focus from a primarily branch-led strategy to a multi-channel approach, with increased investment in ATMs (we have 1 223 available to customers compared to 1 050 at the end of 2012), internet banking and mobile banking applications across some of our markets. Rising ATM volumes and the successful roll-out of a number of banking apps have confirmed customer preferences for automated and digital channels. Just as our customers in South Africa want to be able to transact whenever and wherever they like, so too do our customers in the rest of Africa, and this focus on self-service channels has improved turnaround times. An improved customer proposition and the consequent increase in customer loyalty and advocacy is strengthening our ability to attract more profitable customers and to cross-sell banking and insurance products and services.

Acquire profitable customers in our chosen segments

We are not at sufficient scale in many of the African countries in which we operate. In the past, while trying to grow customer numbers, we focused on the entry level customer in both personal and business banking. Our customer acquisition was often lending driven, but we now have an intensive focus on acquiring the valuable primary transaction account. Our targeted segments of high-value private clients and salaried employees earning more than USD500 per month has shown early signs of success, with sales increasing across all product lines. A similar shift from small and medium enterprises to higher value enterprises and commercial customers is driving growth in business banking. We are also strengthening our trade capability to facilitate increased trade flows in line with burgeoning economic growth in many of our markets. Appropriate, well-priced products, together with the extensive rollout of a convenient multi-channel platform, is improving our customer proposition and advancing our drive to reach critical mass of profitable clients conducting higher volumes of business on our platforms.

Core banking transformation

Our core banking platform, implemented in Nigeria, Namibia and Uganda in 2011 and 2012, went live in Botswana and Tanzania in 2013 and there are now more than two million customers on the new Finacle platform. The implementation process has been challenging and has impacted growth in some markets, but there have been improvements with each implementation. We are stabilising and optimising the existing installations to transform the businesses into more efficient and agile banks with substantially better processes, including digital platforms which will deliver a compelling customer experience. After the systems have been sufficiently optimised we will continue the roll-out of Finacle to our other rest of Africa operations. Hubs will be developed to serve the smaller southern African franchises that do not have sufficient critical mass to warrant full deployment.

Financial performance

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	**2013 Rm**	2012 Rm	Change %	**2013 Rm**	2012 Rm
Mortgage lending	21	**6 243**	5 161	57	**1 516**	966
Instalment sale and finance leases	15	**2 954**	2 565	(21)	**181**	229
Card products	13	**5 070**	4 472	11	**1 334**	1 199
Transactional products	8	**20 703**	19 188	(2)	**2 727**	2 789
Lending products	24	**8 520**	6 896	25	**785**	629
Bancassurance and wealth	20	**5 106**	4 262	19	**1 815**	1 531
Personal & Business Banking	14	**48 596**	42 544	14	**8 358**	7 343

Analysis of performance by region

PBB South Africa increased earnings by 15% to R8 538 million and PBB rest of Africa reported a loss of R361 million. PBB outside Africa, comprising the offshore banking operations in the Isle of Man, Jersey and the Mauritian trust company, performed well in 2013, growing headline earnings from R142 million to R181 million. The primary purpose of these operations is to serve the banking needs of our offshore clients, with a strong focus on our African connectivity.

Analysis of performance by product

Transactional products grew total income by 8% in spite of the implementation of various pricing-based measures to retain and attract customers in both 2012 and 2013. Good growth was achieved in transactional and saving products, and increased term deposits in the rest of Africa supported net interest income that was affected by lower endowment income in the rest of Africa. Headline earnings for transactional products fell marginally to R2 727 million in 2013 (2012: R2 789 million) due to higher operating costs and the lower endowment income.

Mortgages delivered a strong performance during 2013, lifting headline earnings to R1 516 million from R966 million in 2012. In South Africa higher pricing on the portfolio that more appropriately reflected underlying risk helped income increase by 21%, in spite of a low 3% increase in net mortgage balances. Credit impairments and non-performing loans both declined due to enhanced credit collection activities and a steady recovery in the South African housing market.

Within instalment sale and finance leases, headline earnings fell to R181 million from R229 million in 2012 in spite of 15% growth in total income during the year that was helped by good loan growth in certain African countries. Deterioration in the credit quality within personal markets led to an increase in both non-performing loans and credit impairments off a relatively low base in 2012.

Card products increased headline earnings by 11% to R1 334 million, in spite of a substantial increase in credit impairment charges which had been expected due to the low level of impairments in 2012. Income growth of 13% was driven by increased transaction volumes and the full-year impact of an increased number of high-value corporate merchants following account initiatives and upgrades. The credit loss ratio of 3.26% for 2013 (2012: 1.73%) reflects a more normalised level of impairments given the risk profile of business generated.

Strong income growth of 24% in lending products reflected the growth primarily in overdraft and revolving credit plan products following a focused approach on limit changes and higher limit utilisation in South Africa. Higher impairments were also recorded due to the loan book growth, but the credit loss ratio declined slightly in 2013. Headline earnings increased by 25% in 2013 to R785 million.

In the bancassurance and wealth product set, increased premiums following growth in the short-term insurance policy base as well as continued growth in the policy base in core banking products and in the joint venture with Liberty helped total income to grow 20%. Insurance profits improvement in certain African countries, moderate growth in expenses, and increased profitability in Standard Bank Offshore Group supported the 19% growth in headline earnings to R1 815 million.

Looking ahead

In spite of our expectations for subdued economic growth in South Africa and a difficult environment for our customers, we believe PBB will maintain its growth trend by adapting to a rapidly changing digital environment and continuously improving our responsiveness to customer needs across all market segments.

We have an enviable on-the-ground presence in sub-Saharan Africa, particularly in the high-growth markets, which is now largely complete. Our strategy to target the primary transaction accounts of profitable customers in high-growth countries in the rest of Africa is gaining traction and we have taken firm action to improve our businesses in countries which produced a weak result in 2013. Our revenue generation capability in the rest of Africa is good and, although it has taken longer than anticipated, we believe our businesses in the rest of Africa can achieve profitability in 2014 and become major contributors to the group's financial performance in the longer term.

Natural resources potential

Standard Bank is advising Mozambican national mining company Empresa Moçambicana de Exploração Mineira (EMEM) on its current and future shareholdings in Mozambican mining companies and in its work to develop the infrastructure required to unlock the full potential of mining projects in Mozambique. EMEM is seeking to boost the commercialisation of the Mozambican minerals sector for the benefit of the country. Pictured is Vale's Moatize coal project, in which EMEM has taken a 5% stake.

Corporate & Investment Banking

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

Headline earnings
R6 591 million
2012
R4 419 million

External net loans and advances
R405 billion
2012
R353 billion

	2013	2012
Headline earnings contribution to SBG	**38%**	30%
ROE	**14.3%**	9.6%
Credit loss ratio	**0.36%**	0.63%
Cost-to-income ratio	**61.8%**	65.3%

Priorities

- Focus on serving our clients
- Maintain financial performance momentum
- Risk-weighted asset (RWA) discipline
  - efficient use of capital
  - create shareholder value
- Work closely in partnership with ICBC to develop the global markets business in London
- Passionate and committed people

David Munro Chief executive – CIB

"Sub-Saharan Africa continues to grow at a higher rate than most other regions, underpinned by its rich endowments in natural resources and increasing trade flows, both within the continent and with other economic powers, especially China. Our unique competitive position will enable us to benefit from and, indeed, to support Africa's growth story as we create effective solutions for our clients and sustain the improvement in our financial performance."

Overview

Corporate & Investment Banking serves a wide range of clients in their banking, finance, trading, investment and advisory requirements. Our presence and experience across Africa, our specialisation in natural resources and our ability to connect African markets to each other and to international markets, combined with a strong reputation and product expertise, afford the group a unique competitive position.

CIB delivered a strong performance in 2013. Robust revenue growth in CIB's operations in Africa confirms the strong competitive position CIB occupies on the continent, supporting growth and development. CIB's improvement in ROE to 14.3% in 2013 from 9.6% in 2012 reflects this robust revenue growth and a strong focus on costs and balance sheet efficiency.

Operating environment

Global economic growth of 3.0% in 2013 remained constrained by ongoing frailty in the Eurozone, where economic output declined, but was helped by steady growth in China and an improving outlook for the US. The International Monetary Fund recently upgraded its forecast for global GDP growth in 2014 to 3.7%. Growth in developing country economies is expected to accelerate modestly to 5.1% in 2014 from 4.7% in 2013. World trade volumes and international capital flows continued to show robust growth in 2013, providing positive impetus to many of the sub-Saharan countries in which we operate, and growth in the region of 6.1% is expected in 2014, from 5.1% in 2013.

Strategy

CIB's vision 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 our clients, forming long-term, well-coordinated relationships and helping them to deliver on their strategic objectives. Our competitive advantages include our extensive presence and experience in Africa, our people who are passionate about the continent, our ability to connect African markets to each other and to international markets and our ability to access capital from the 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.

Africa's growth and development is underpinned by three key industry sectors: oil and gas, mining and metals, and power and infrastructure and CIB has chosen these three sectors to focus on growing.

The oil and gas sector in particular is growing rapidly and offers the potential to transform the socioeconomic profile of countries such as Angola, Nigeria, Ghana, Kenya and Uganda, and Mozambique where new discoveries of sizeable natural gas reserves have significantly increased the potential of Africa's proven gas reserves. Growth in these markets is reflected both in the increase in trade between Africa and its 14 largest partners from USD200 billion in 2001 to approximately USD850 billion in 2012 and in the rapid movement of China from a position of seventh largest trade partner in 2001 to the largest in 2013, accounting for almost USD200 billion of trade with Africa.

The growth and development momentum in these sectors depends on the availability of financial capital to facilitate trade, growth in foreign direct investments (FDI) by global multinationals in exploration, production, transport infrastructure, facilities maintenance and other downstream activities, and increasing portfolio capital inflows that facilitate the functioning of growing economies.

FDI flows into African countries increased by 11% to USD53 billion in 2012 from 2011 volumes, in stark contrast to global FDI which declined by 18%. There has also been an increase in portfolio capital flows into Africa as local debt and capital markets have matured. The group estimates that portfolio inflows into Africa (excluding South Africa) have been over USD20 billion since mid-2012, with approximately three-quarters going to Nigeria. The other main beneficiaries have been Kenya, Ghana, Uganda and Zambia, with African Eurobond issuances an important source of these flows. There has also been solid growth in portfolio capital flows into South African bonds and equities.

These are the market dynamics that drive our business today. The presence we have established in Africa, which we continue to expand, our expertise in the key sectors driving Africa's growth, together with the legitimacy that comes from being a 151-year old organisation, make us the trusted partner to both global and domestic clients conducting business in Africa.

Our presence in major financial centres across selected developed and emerging markets, which allows us to facilitate trade and investment from, to, and across Africa, further enhances our strategic positioning. These markets remain an important component of our strategy to support major international companies as well as to access global skills and investor demand for the benefit of our customers across Africa. However, the revenues we are able to generate on a stand-alone basis from our international operations are not sufficient to generate the required returns on investment given the high cost of operating in these markets. We believe the platform we have been developing for over 20 years has the potential to create considerably more value through growing its franchise and generating incremental revenues from a wider spectrum of opportunities than are currently available to it given our narrower strategic focus on Africa. We are delighted to have entered into an agreement with ICBC in terms of which ICBC will acquire a controlling interest in our London-based global markets business, focusing on commodities, fixed income, currencies, credit and equities products.

In partnership with ICBC, we will create a larger commodity and financial markets platform and expand the strategic emphasis for the outside Africa global markets business to include a focus on China by becoming part of China's leading banking group. We are currently working with the relevant regulatory authorities to obtain their approval. Completion of the transaction is expected towards the end of 2014.

Our relationship with Chinese investors is also progressing well as a result of our association with ICBC and our presence in Beijing and Hong Kong. A key development in 2013 was ICBC's commitment alongside Standard Bank to mobilise R20 billion in funding for renewable energy projects in South Africa. ICBC disbursed approximately R180 million to the first such project, a 27 megawatt wind farm project in the Nelson Mandela Bay area.

Client engagement

The strength of our performance in 2013 confirms the substantial progress we have made in executing our strategy. Our on-the-ground presence across the African continent, coupled with our corporate banking platform, has enabled us to offer our clients a unique value proposition.

Our corporate banking relationships open the door for our investment banking offerings. An analysis of our revenue per client shows that in 2013 we recorded a significant increase in the number of trades with our clients. This strengthens the resilience of our revenue base and also demonstrates higher levels of client engagement. We are a provider of transactional products and services (TPS) in the construction sector where we provide, among other services, cash management structures tailored to meet their needs, efficient, secure transactional capabilities and trade finance solutions. While corporate activity was muted in South Africa in line with domestic economic conditions, we recorded significant growth in revenues from a number of South African multinational clients which are growing their businesses in the rest of Africa.

Underlying our strategy is a client engagement model implemented in 2012 which we continue to refine. The objectives of the model are to strengthen our focus on clients whose business strategies are aligned with our Africa strategy, coordinate the manner in which we engage with these clients across CIB and the group, and ensure that we understand our clients' needs in order to provide them with the solutions they require to meet their strategic objectives. The client engagement model has enabled us to streamline our operations and collaborate more effectively across geographies, business lines and business units to connect our clients to each other and to global opportunities. A priority in 2014 will be to enhance our online capabilities across our markets and product lines.

A transaction that stands out as an example of our strategy in action was the acquisition of equity capital in Fan Milk International (FMI) by Danone. FMI is one of the leading convenience food and beverage companies in West Africa, with a rich heritage in the region that dates back as far as 50 years. Our Stanbic IBTC team in Nigeria provided advisory services to Danone, guiding the client through the process as well as structuring an equity and strategic partnership with the private equity partner. This transaction is a great example of how we used our on-the-ground African presence to execute a deal for a Nigerian company, to a global multinational, alongside a private equity investor.

In another major transaction that demonstrates a number of key elements of our strategy, China Development Bank, together with an equity contribution from the shareholders, China Africa Development Fund and China Guangdong Nuclear Power Company, provided a USD1,95 billion loan to finance the development of Swakop Uranium Proprietary Limited's Husab Project which is regarded as the most important uranium discovery in several decades. This transaction represented a significant opportunity for us to be involved in a large, strategic transaction within the sub-Saharan Africa region and in addition was aligned to our focus on natural resources in Africa and our strong links to China. We advised on and executed a large portion of the project's currency risk management strategy as well as transactional banking services. We were able to provide this key support using our local presence in Namibia, well-established relationships with local regulators, strong relationships with the Chinese shareholders through our office in Beijing and significant hedge execution capabilities in local African markets.

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

- Euromoney Awards of Excellence 2013 – Best Investment Bank in Africa
- Trade Finance Awards for Excellence 2013 – Best Trade Bank in sub-Saharan Africa
- EMEA Finance African Banking 2013 – Best Investment Bank in Africa
- Global Finance World's Best Banks 2013 – Best Bank in DRC, Namibia, South Africa and Uganda.

Passionate and committed people and culture

Our people are the critical success factor in our efforts to strengthen and maintain excellent client service. We supplement the depth of skills in our African employee base with the pools of talent we can access in global markets, specifically to strengthen our cross-border capacity. We offer interesting and rewarding careers to our people, and we are dedicated to their ongoing development. In return, we expect their commitment to a culture of high performance, honesty, transparency, teamwork and collaboration.

Efficient business operations

Our focus on growing our corporate banking revenues across Africa contributed to improved revenue growth, underpinned by our TPS business. The non-recurrence of material impairment charges together with the cost-cutting benefits of restructuring our operations outside Africa, contributed to the improvement in profitability. The deliberate shift in focus away from large complex and capital intensive transactions that attract punitive treatment under Basel III supported the significant increase in the level of flow business in Africa, as well as the 6% decline in RWA. As a result, CIB's return on average RWA improved sharply from 1.0% in 2012 to 1.4% in 2013.

Financial performance

Total income and headline earnings by product

	Total income			Headline earnings		
	Change %	**2013 Rm**	2012 Rm	Change %	**2013 Rm**	2012 Rm
Global markets	16	**11 934**	10 301	96	**2 403**	1 225
Investment banking	(7)	**6 140**	6 627	(6)	**1 672**	1 774
Transactional Products and Services	19	**8 884**	7 455	29	**2 212**	1 712
Real Estate and Principal Investment Management	(13)	**1 346**	1 544	24	**304**	246
Subtotal	9	**28 304**	25 927	33	**6 591**	4 957
Restructure charge				100		(538)
Corporate & Investment Banking	9	**28 304**	25 927	49	**6 591**	4 419

CIB recorded headline earnings of R6 591 million, representing a 49% increase on the prior year. Moderate revenue growth of 9% (2% on a constant currency basis) masks the continued strong growth in the CIB rest of Africa franchise which now accounts for 39% of total revenues generated. Credit impairments were substantially lower than 2012, as expected. Total costs were up 4%, and down by 6% on a constant currency basis, due to restructuring initiatives undertaken in our outside Africa business in 2012. CIB's ROE improved to 14.3% from 9.6% in 2012 following improved earnings and intensive focus on capital utilisation in the year.

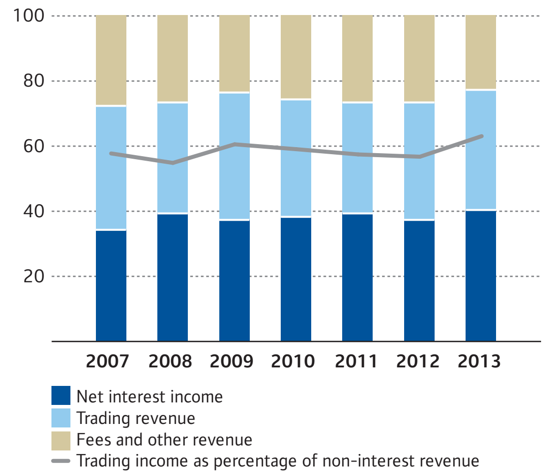
Our TPS business recorded a strong revenue performance in 2013, growing revenues by 19%, and now contributing 31% of CIB's overall revenues. This was primarily driven by higher net interest income in spite of a negative endowment impact notably in East Africa and certain other African countries where interest rates decreased significantly in 2013. All product areas performed well with cash management, trade finance and investor services growing revenues strongly. Rest of Africa now accounts for more than 50% of the overall TPS revenue generated.

Our global markets business increased revenues by 16% on 2012. This growth was as a result of strategic focus on the rest of Africa where revenues increased by over 50%, supported by a positive trading environment. It was a challenging year for global markets in South Africa, where increased regulation and competition compressed trading margins. Outside Africa also experienced difficult trading due to uncertainty relating to the reduction in the US Federal Reserve's quantitative easing programme. However, total headline earnings benefited from the well-contained cost growth, following the restructuring initiatives undertaken in our outside Africa business in 2012, and grew strongly from R1 225 million to R2 403 million.

Investment banking reported revenues of R6,1 billion, 7% below 2012 as a result of further progress made in its strategy to focus on Africa and its core sectors, while at the same time significantly reducing its portfolio outside Africa. The reduction in revenues lost was largely offset by strong revenue growth of 29% in the rest of Africa portfolio. The level of credit impairments improved off the high level of R1,7 billion in 2012 to R919 million consisting of a small number of large provisions. Headline earnings declined by 6% but return on capital increased as a result of better capital deployment.

Real estate and principal investment management revenues reduced by 13% mainly due to the non-recurrence of gains on principal investments recorded in 2012 and lower property revenue, but headline earnings rose 24% due to tax credits received in the current year.

Income contribution (%)



Looking ahead

Over the past few years, CIB has made steady progress in changing its business model to focus primarily on serving clients operating on the African continent, while adapting to the rapidly-shifting regulatory and competitive environment. Once the London-based global markets transaction with ICBC is finalised, we will have substantially completed the re-positioning necessary to deliver on the performance potential of our strong franchise.

CIB continues to sharpen its focus on South Africa, while maintaining the strength of its sector expertise and its focus on linking Africa to the rest of the world. We aim to deliver a consistent CIB client offering and experience, to optimise cross-selling opportunities, and to consolidate our culture of client excellence.

Although the global economic outlook remains uncertain, we are confident in the positioning and underlying strength of our businesses and the quality of our people. Africa's growth potential is clearly evident and we believe the execution of our strategy will enable us to sustain the improvement in our financial performance.

Infrastructure financing

Mining and metals is one of the key sectors that underpin Africa's growth and development. Access to reliable transport infrastructure is essential to the development of this sector on the continent. Standard Bank provided construction company Mota Engil with advance payment and performance guarantees worth over USD200 million to Vale in 2012, to enable the construction of a 150km section of railway as part of Vale's wider project to transport coal from Mozambique's Tete Province to Nacala Port. The line is expected to open in 2015.

Liberty

Life insurance and investment management activities of group companies in the Liberty Holdings Group

Headline earnings

R2 211 million

2012

R1 990 million

Third party funds under management

R323 billion

2012

R278 billion

	2013	2012
Headline earnings contribution to SBG	**13%**	13%
ROE	**24.7%**	24.7%
Normalised equity value	**R36 billion**	R33 billion

Priorities

- Maximise bancassurance, wealth and asset management synergies in South Africa
- Leverage
  - Standard Bank network and Liberty's products and expertise
  - insurance balance sheet and asset management competency

Bruce Hemphill Chief executive – Liberty

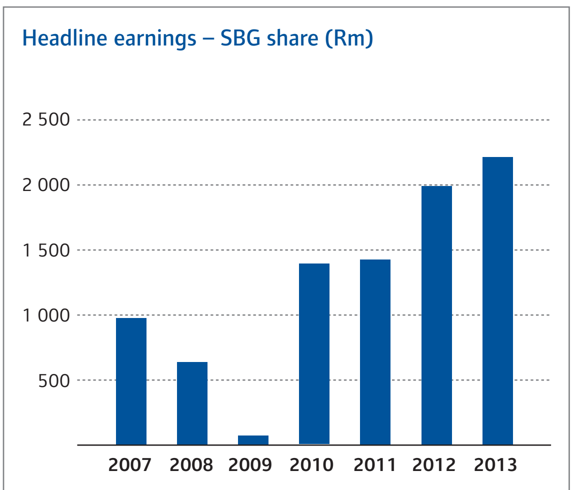
"Liberty's strong financial performance for the year continues to reflect the recent improvements in the core insurance and asset management businesses and ongoing delivery of strategic targets. This performance has been supported by innovative new products, gains in market share and demonstrated ability to manage within the model."

Overview

Liberty's 2013 financial performance is impressive across all indicators. A particular driver of this performance is the growth in value of new business from the South African insurance business despite higher discount rates, together with strong net client inflows in Stanlib's South African business and the overall growth in operating earnings and equity value.

Financial performance

The financial results reported in this section are the consolidated results of Standard Bank Group's 54.2% 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 2013, amounted to R4 076 million, up 11% from R3 688 million in 2012. Headline earnings attributable to the group were 11% higher at R2 211 million.



Operating earnings were up 28% on the prior year. Gross investment return on Liberty's shareholder investment portfolio of 14.6%, while lower than the 2012 return of 16.0% and in line with markets and the available capital base, exceeded the benchmark by 2.9% and translated into earnings of R1 878 million (2012: R1 965 million). The combination of strong South African long-term insurance indexed new business, up 15%, and good expense control led to the 21% growth in embedded value of insurance new business at an overall margin of 2.2%. In addition, Liberty's retail insurance business in South Africa (Retail SA) produced positive cash inflows of R6,9 billion and asset management net cash inflows of R15,7 billion were encouraging. Stanlib South Africa had a particularly good year, attracting R21,7 billion of net cash flows into higher margin assets. Assets under management across the Liberty Group grew by 16% to R611 billion.

Capital levels in Liberty's main licence remained strong at 2.6 times the required regulatory minimum.

Key developments

The 2013 result was very good overall, with long-term insurance sales, value of long-term new business, headline earnings, South African asset management client cash flows and assets under management all at new highs. Liberty's management continued to deliver successfully against the strategy and:

- gained significant market share at the right price in the traditional retail insurance market
- continued to reinforce Stanlib as a top asset manager, with the recently established franchise offerings starting to gain traction
- created world-class market risk management capabilities and alternative revenue generation capabilities utilising the balance sheet through Liberty Financial Solutions (LibFin)
- improved capabilities in East and sub-Saharan Africa and made some progress towards delivering the strategy for West Africa
- made significant progress in building direct platforms to support a multi-channel offering in the retail market
- considerably improved the product offerings in the corporate segment which led to winning two substantial mandates during 2013.

Black economic empowerment (BEE) normalised headline earnings by segment

	Change %	**2013 Rm**	2012 Rm
Retail SA	24	**1 467**	1 179
LibFin	(5)	**2 015**	2 116
Stanlib	18	**633**	537
Liberty Properties	(8)	**44**	48
Liberty Corporate	83	**121**	66
Liberty Health	5	**(40)**	(42)
Liberty Africa	>100	**52**	21
Other	9	**(216)**	(237)
BEE normalised headline earnings	11	**4 076**	3 688

Retail SA

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 the strong earnings performance were significant ongoing positive persistency variances, lower non-recurring expenses and lower new business strain as a result of the higher risk discount rate. Increased new business volumes, better product mix and acquisition expenses increasing at below new business volume increases led to a 15% increase in the embedded value of insurance new business at an improved margin.

LibFin

As part of Liberty group's 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 those asset managers who manage shareholder and policyholder assets. LibFin continued to manage Liberty's liability mismatches effectively. Market and credit risk exposure remained within risk appetite throughout the year. The shareholder investment portfolio was managed within risk appetite and the portfolio delivered a gross return of 14.6% (2012: 16.0%) which exceeded the benchmark by 2.9%.

Asset management and institutional cluster

Stanlib

Stanlib provides wealth and investment management solutions for individuals and institutional investors. Stanlib continued to deliver competitive investment returns during 2013 as evidenced by four Raging Bull awards and strong South African net cash inflows of R21,7 billion. Long-term investment performance remains well within target range despite weak short-term performance. During 2013, Stanlib assumed management responsibility for all Liberty owned asset management businesses across the African continent, launched new funds, agreed a new distribution contract with Liberty's tied channels and finalised plans to enable growth in the third party market.

Liberty Properties

Liberty Properties is responsible for developing and managing Liberty's extensive commercial, retail and hospitality property portfolio and provides property development services to third party clients. Liberty Properties benefited from growth in property management fees during the year but development income remained under pressure.

Liberty Corporate

Liberty Corporate provides financial security and wealth creation solutions to institutional customers and groups of employees and pensioners. Liberty Corporate increased its focus on new opportunities, including new business growth through the launch of competitive products and increased presence in the large corporate market. A good underwriting contribution and higher management fee income off the higher asset base resulted in improved earnings.

Liberty Health

Liberty Health provides health solutions, including administration, technology and insurance services to almost one million customers in emerging markets. Sales growth was below target and Liberty Health experienced a higher than anticipated claims loss ratio in the risk business outside South Africa. However, significant progress was made in meeting the strategic objectives of the business, with Africa operations now stabilised and membership growth achieved in South Africa.

Liberty Africa

Liberty Africa is responsible for developing opportunities and expanding Liberty's presence and business interests on the continent. Liberty Africa had a successful year, with good investment performance in Kenya. Effective cost control and good underwriting performance across most life and short-term business lines contributed to earnings of R52 million, well above the 2012 earnings of R21 million.

Bancassurance

Liberty has a sizeable footprint in Africa and leverages that of Standard Bank 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 its revenue base in South Africa and facilitate its entry into new markets on the African continent. The various sales campaigns and initiatives implemented in African countries during the year yielded positive results as reflected in the 21% growth in indexed new business. In South Africa, 2013 sales targets were achieved but persistency in the embedded sales channels reflected deterioration over the prior year.

Executive management changes

I have accepted a broader executive position in the Standard Bank Group and will be stepping down as chief executive of Liberty. The Liberty board appointed Thabo Dloti as the new chief executive and Steven Braudo as the deputy chief executive, both effective 1 March 2014. These appointments follow the implementation of a carefully considered succession plan which will enable the group to transition to the next phase of its growth and expansion. Thabo and Steven provide an exceptionally strong leadership combination to deliver Liberty's vision to be the trusted leader in insurance and investment across Africa in the future.

Looking ahead

Liberty's core insurance and asset management businesses are performing well. Liberty will focus on broadening and leveraging its dominant distribution, investment and risk products and grow market share and margin. Liberty's balance sheet management capability will enable it to continue managing investment market risk exposures within risk appetite and competently deal with volatility in investment markets, as well as the low interest rate environment. In 2014, we will leverage capabilities at Liberty and Standard Bank to realise the opportunities presented by the bancassurance partnership and implement initiatives that are focused on growth and persistency.

Agricultural financing

Commercial farming is crucial to food security and is an important employer in many developing economies. However, it is also capital intensive and depends on continuous re-investment in income-producing assets such as land, plant, and equipment. Standard Bank provides transactional banking services and funding for capital expansion projects to VKB Agriculture Limited, the largest independent producer of grain, fruit and livestock in South Africa's Free State Province. VKB supports agricultural producers across the agriculture value chain through its unique cooperative business model.

Stakeholder engagement

Our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation.

We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, minimise reputational risk and influence the environment in which we do business.

The ways in which we engage with our stakeholders, and the frequency with which we do so, varies according to each stakeholder group. Engagement is based on identified issues and areas of concern that may impact our stakeholders. We use a decentralised stakeholder engagement model in which individual business units undertake stakeholder engagement appropriate to their areas and are responsible for identifying stakeholder concerns and taking appropriate action. At the centre, the board, and in particular the group social and ethics committee, oversees all engagement and plays a key role in analysing

The following table broadly sets out issues raised by our stakeholders, and how we have responded.

Issues raised and our responses

Shareholders

- **Success of the Africa-focused strategy:** in 2013, the growth in aggregate headline earnings for our African subsidiaries was 44%. We are appropriately invested in key African countries and are leveraging off the South African platform to grow our businesses.
- **Intentions for London:** London remains an important component of our strategy to access global skills and investor demand for the benefit of our CIB clients across Africa. We have agreed to sell a controlling stake in our London-based global markets business to ICBC and will retain 40% of the business to support our strategy.
- **Cost-to-income ratio remains high:** the restructuring process undertaken in CIB's operations outside Africa in 2012 resulted in lower costs for these operations. However, translating these and other costs against a weaker rand, means that there is still pressure on our cost base which will continue over the next few years as we roll out our core banking system in South Africa.

Customers and clients

- **Complicated pricing structures:** our AccessAccount is one of the most competitive products in the inclusive banking segment. The penalty fee on debit orders in South Africa will not increase for 2014. Bundled pricing propositions are a focus for the group in Africa.
- **Need for financial education programmes:** we introduced two new consumer financial education programmes.
- **Access to funding for SMEs:** we fund SMEs with viable business models and are constantly exploring innovative ways to provide funding.
- **Access to electronic banking channels in the rest of Africa:** internet and mobile banking are being further developed.
- **Employees' ability to deal with complex transactions:** we have identified skills priorities per business area and are providing learning opportunities to further develop our employees.

Employees

- **Integrity within the banking sector and within Standard Bank:** we are committed to driving an organisational culture shaped by ethics and compliance, ensuring that we uphold the highest levels of integrity in all of our operations.
- **The complexity of the group's structure, systems and processes:** systems, processes and reporting lines are being simplified to ensure greater levels of accountability and more streamlined decision-making.
- **Transparency and fairness of reward and recognition:** we reward performance that delivers sustainable, long-term business results. Our reward principles and structures are open and accessible to all stakeholders in our remuneration report. We do not discriminate against employees based on diversity or physical difference, but focus rather on agreed goals and behaviours. We specifically reward those individuals and teams who make a consistent and sustainable contribution.

relevant issues and concerns and providing guidance on appropriate responses.

SR

More detail on stakeholder engagement, including our strategic business alliances and methods of engagement, can be found in our sustainability report.

Central functions and business units, where relevant, submit reports on their stakeholder engagement activities quarterly to the board. The reports describe the engagement activities undertaken and any issues raised, and how these have or will be responded to. In addition, our stakeholder relations forum, comprising business unit managers and executives, meets every second month to facilitate a coordinated approach to stakeholder engagement activities across the group and ensure consistency in the messages we communicate based on our code of ethics, values and strategy.

We actively identify and respond to misalignments, conflicts and concerns between our actions and our stakeholders' expectations. We aim to resolve such issues at the business unit or country level, with coordination, support and oversight provided by the group communications and stakeholder relations unit. Where appropriate, issues are escalated to executive level.

Governments and regulators

- **Engagement on upcoming legislation:** during 2013, we commented on the proposals to implement the Twin Peaks model of financial sector regulation and we engaged with the Financial Services Board (FSB) on TCF. We met with the National Treasury, FSB and the South African Reserve Bank (SARB) to discuss the appropriate regulatory framework for clearing over-the-counter derivatives in South Africa. We also engaged with National Treasury on depositor protection and a resolution regime and with the National Credit Regulator (NCR) on the consumer credit affordability assessment guidelines.
- **Regulatory compliance:** we will continue working to achieve full regulatory compliance in all operations.

Suppliers and communities

- **Procuring from SMEs in South Africa:** we identify prospective SMEs, with a focus on black SMEs, and our dedicated preferential procurement team assists our business units with selection. We reserve specific opportunities for SMEs.
- **Our procurement processes and requirements:** we are reviewing our payment and tender processes to align to the needs of SMEs.
- **Entrenching our values and ethics across numerous geographies and cultures:** our code of ethics applies across the group and ongoing ethics awareness-building and training is undertaken.
- **How we assess the impact of our CSI spend:** effectively understanding the impact that our CSI spend has on the communities we support is an ongoing challenge which we are working to improve.

Business organisations

- **Combating over-indebtedness:** our objective is to lend responsibly, in compliance with legislation and based on stringent affordability and credit-granting criteria.
- **Affordability assessment guidelines:** we engaged with the NCR on consumer credit affordability.
- **Environmental and social risk management and responsible financing:** we presented at the China-Africa banking dialogue held in Beijing and at the International Finance Corporation's (IFC) Environmental Performance and Market Development Programme. We engage with all our project finance clients on environmental and social issues.
- **Need for greener technology:** to date we have committed R15,9 billion to renewable energy projects in South Africa.
- **Short- to long-term environmental and social management targets:** we have set 2015 targets for electricity, water and paper consumption and general waste produced.

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 stimulate economic development and mitigate the risks posed by global challenges.

This section sets out our specific activities and achievements during the year that contribute positively to the societies we operate in.

SR The ways we contribute to more robust economies by virtue of running a stable and profitable bank are set out on page 6.

SR PG Our sustainability report provides more detail on how we create social and relationship capital, and is structured according to the capitals set out on page 2 of this report.

Standard Bank Group

Total procurement spend of

R35 billion

from a supplier base of 12 197 (2012: 16 881)

2012: R36 billion

Weighted procurement spend on BEE suppliers in 2013 of

R16,1 billion

Some 68% of our total procurement spend in South Africa is spent with our top 100 suppliers, 80% of whom have a level four BEE rating or better

2012: R11,7 billion

- **Sustain, directly and indirectly, around 107 800** jobs in the broader South African economy (2012: 109 800). Assuming each of these jobs supports a further four dependants, our activities could be seen to **support approximately 431 200 individuals**
- SBSA qualifies favourably as a **level 2 BEE contributor** in a 9-level model, with a verified overall score of **94,52 out of 107**, scoring particularly well with regards to empowerment financing and preferential procurement
- Tutuwa has **generated unrealised value of R6 billion** together with cash distributions amounting to R1,8 billion since inception. During 2013, our dividend payouts amounted to approximately R139 million to 6 188 Tutuwa Managers' Trusts beneficiaries and R43 million to the 261 black SMEs participating in the Tutuwa Community Trust. Of these black SMEs, 24 are 100% black women-owned and 39 have women ownership of 50% or higher
- Contributed **R104 million** to CSI

Liberty

- **USD150 million earmarked in Stanlib's Africa Direct Property Development Fund** to build commercial real estate in Ghana, Kenya, Nigeria and Uganda (R1,4 billion)
- Liberty continues to work to improve the proportion of its purchasing allocated to black-owned and black women-owned businesses and has **invested R2 million in the Association for Savings and Investment (ASISA) Enterprise Development Fund**

Invested

R10,1 million

in financial literacy training, with 48 802 people participating in workshops held in targeted communities and worksites

- **Liberty qualifies as a level 2 BEE contributor**, scoring 86,11 out of 107

CIB

- At December 2013, **our targeted investments amounted to R13,6 billion** which includes the debt and equity financing we provide to public or private sector infrastructure projects that support social and economic activity in historically underserviced areas, increasing productivity and bringing them into the mainstream economy

To bolster economic infrastructure development and stimulate job creation, we assisted the City of Tshwane in raising

R2,1 billion

through an inaugural bond issued in 2013

- In Ghana, we have **signed a USD9 million (R87 million) loan agreement to help develop the country's IT infrastructure**
- Concluded a transaction to **refinance the Ikeja Mall in Lagos**, Nigeria, for USD70 million (R675 million)
- In Angola, we are **providing finance to rebuild the Catumbela airport and to reinforce the stability of the electrical system**
- We were appointed as the management team and advisor to KIBO Mining's Rukwa coal mine and power station project in Tanzania, **estimated to generate 350 megawatts of electricity when complete**
- In Zimbabwe, we have provided funding of USD45 million (R434 million) to **support the continued supply of electricity from Hydro Cahora Bassa in Mozambique** and USD20 million (R193 million) to the Zimbabwe Power Company to pay an outstanding loan to the China Exim Bank which further unlocked USD354 million (R3,4 billion) for the Kariba South Power Station, a hydroelectric dam in the Kariba Gorge of the Zambezi river basin
- Early in 2014, we sealed a USD350 million (R3,4 billion) financing agreement with General Electric aimed at **increasing access to power infrastructure, targeting 10 countries in Africa**

PBB

- In 2013, we **banked more than 722 000 SMEs** in South Africa (2012: >678 000)
- **Increased spend on consumer education to R20,2 million** (2012: R15,1 million) with 96% of these interventions delivered face-to-face through classroom-based learning. 54% of programmes reached urban society with 46% directed at rural communities
- **Approximately 95 000** affordable housing loan accounts
- We financed **R4 billion in affordable housing loans**, 81% of which was disbursed to first-time home buyers
- **Acquired an average of approximately 100 000 inclusive banking customers per month**, bringing the total number of customers with a transactional account to 6,8 million (2012: 6,2 million), representing 71% (2012: 71%) of our personal banking customer base in South Africa
- **1 283 branches and service centres** (2012: 1 249)
- **ATM network** increased to 8 611 (2012: 8 464)
- **R69 billion in home loans** granted (2012: R64 billion)
- **26 019 distressed customers assisted** through our Credit Customer Assist function (2012: 36 720) with a total outstanding loan obligation of about R12,9 billion (2012: R11,9 billion)
- In South Africa, **we provide banking services to some 40% of provinces and 17% of local and district municipalities**

R2,9 billion

lent to our inclusive banking customers

Employee report

For us to achieve our business strategy, we need 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.

R10 million

spent on bursaries to assist 660 employees to further their careers.

- Introduced a groupwide **employee value proposition programme** aimed at building an engaging and performance-driven culture across the business
- **14%** increase in the number of employees participating in leadership development programmes
- **47%** of the identified executive talent are black South African employees

Key indicators

		2013	2012
Employee headcount		**48 808**[1]	49 017
Women employees	%	**57**[1]	57
Employee turnover rate	%	**13.2**[1]	10.2
Attendance in leadership and graduate development programmes			
Leadership development programme participants		**2 858**	2 498
Graduate development programme participants		**184**	181[2]
Training spend			
Standard Bank Group	Rm	**638**	605[3]
Training spend as a % of staff costs	%	**2.4**	2.6

1 Externally assured (refer to assurance statement on page 104 of the sustainability report).
2 Due to Liberty's graduate programme being discontinued, numbers have been readjusted to only reflect Standard Bank graduate participants.
3 Restated.

For more employee information, refer to our sustainability report, starting on page 70.

Employee engagement

Following rigorous research and analysis, we completed and introduced a groupwide employee value proposition programme with the following objectives:

- provide clear, credible and compelling employee engagement
- clarify what we expect of employees and what they can expect in return
- act as a reference point for people management processes and behaviours
- build an employment brand where we are acknowledged as being a responsible and attractive employer, where our staff demonstrate active pride in the organisation and are strong advocates of the brand to our customers.

All business units helped to develop the employee value proposition, thereby ensuring that it allows for nuanced understanding and application across all our primary business areas. Engaging with our employees in Africa is an area for improvement and we are building our understanding of the employee value proposition within the context of each country of operation. Botswana, Kenya, Namibia and Uganda were prioritised for 2013, with the balance of countries to be covered in 2014.

We do not conduct a groupwide employee engagement survey but instead undertake a number of business area engagement surveys. The results from the 2013 surveys show that there are varying levels of employee engagement within our business. Plans are being implemented to address identified gaps to drive a culture of high employee engagement across the group.

Talent management

Effective talent management ensures that we have the right people with the right capability in the right roles, enabling us to deliver on our business plans both now and in the future. This means we need to identify our talented individuals, have meaningful career conversations with them, provide them with relevant talent development propositions and understand the competitor landscape.

The executive talent committee is responsible for succession planning, as well as identifying and managing key management roles and critical skills required to achieve the group's strategy.

We are conscious that changes to our business platforms to increase operational efficiency may raise anxieties and lead to attrition. We actively identify talented individuals that we are at risk of losing and engage with them to address their concerns.

Talent resourcing

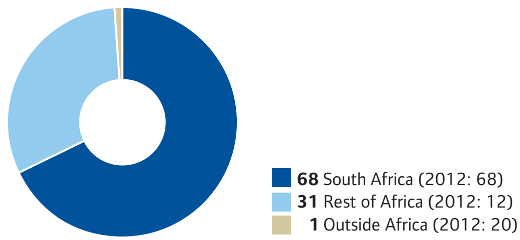
Our internal resourcing function enables us to source and redeploy talent internally and, where required, to recruit externally to address any skills gaps identified. We develop robust and pragmatic workforce planning scenarios to anticipate skills needs proactively. Each business unit has certain skills gaps which could range from sales skills in specific countries to general management experience in others. Key specialist skills requiring deep technical expertise is a common focus across the group.

We are currently designing and implementing a number of strategies to make our non-permanent resourcing model more sustainable and cost effective. We continue to be mindful of the recent amendments to the South African Labour Relations Act 66 of 1995 in respect of non-permanent employees and we will ensure that we comply fully with the changes in legislation.

Our graduate programmes are critical to our resourcing strategy as they allow us to proactively develop the required technical capabilities and act as an important source of future leaders for the group. An area which we identified for improvement was providing graduates across the continent with exposure to SBG's leadership.

In 2013, Standard Bank had 184 (2012: 181) graduate programme participants, of which 43% (2012: 33%) were women, and of the South African complement, 80% (2012: 49%) were black. Standard Bank's investment in graduate programmes for 2013 amounted to R19,6 million (2012: R17,7 million).

Graduate participation per geography (%)



Performance and reward

Performance management

We believe that defined responsibilities, clear accountability and effective performance management is critical to delivering our business strategy and helps each individual add value. By evaluating their contribution, we can reward our people for superior performance and identify and address their development needs. Our approach is to ensure that employees have a common understanding of the group's strategy and how it links to business unit and individual goals.

The Enduring Performance Management approach, introduced last year, has presented a few initial challenges, including inconsistent understanding and application. There is a growing realisation that performance management is not only about human resource processes but is increasingly about courageous leadership and line managers taking greater ownership.

Remuneration

We work to ensure that our remuneration philosophy and practices adequately motivate and reward performance, and meet developing regulatory requirements and stakeholder expectations, while maintaining market competitiveness and guarding against risk-taking beyond the group's stated risk appetite.

PG

Our remuneration structures and procedures are comprehensively set out in the remuneration report starting on page 123.

Minimum salary

Tough economic conditions have contributed to a somewhat difficult environment for negotiating salary increases with unions. We work with labour unions and government regulators to ensure a timeous resolution to salary negotiations. There were no incidents of strike action in any of our operations in 2013.

Recognition programmes

We recognise and competitively reward those individuals and teams who make a consistent, sustainable and balanced contribution to customers, employees and shareholders as we believe that this defines excellence and drives employee engagement.

Employee benefits

A key factor in our ability to attract, motivate and retain our people is the quality of the benefits we provide. We are aiming to align and standardise our benefits processes to SAP functionality across the group which will enable us to review the benefits offered to employees in respective countries.

Employee wellness

A focus on performance management at the expense of employees' health and wellness is not sustainable and creates risk for both our employees and the group. We, therefore, consider performance, engagement and organisational health when shaping and reviewing our people strategies.

Our approach facilitates access to appropriate health and wellness services for all employees in the group, while ensuring that solutions are customised to be relevant in different business areas and countries. Our employees are also provided with relevant health and wellness information, education and self-management tools to help them develop personal health improvement plans.

During 2013, we developed and adopted a targeted wellness framework aligned to local and international best practices. We also embarked on awareness-raising campaigns to inform employees of the health and wellness benefits available to them. We monitor all our health interventions to facilitate ongoing reporting and identify trends. We are seeing increasing levels of personal relationship issues, personal and work-related stress and absenteeism. We are developing an absenteeism tracking and reporting tool and working with our line managers to proactively identify and refer employees to the appropriate health and wellness intervention.

Through Independent Counselling and Advisory Services (ICAS), employees affected by workplace trauma such as acts of aggression by customers or bank robberies have access to onsite trauma management and debriefing. In our South African operation, ICAS also offers financial wellbeing solutions such as financial education, debt rehabilitation and assistance with wealth creation using sound financial management principles.

Creating a safe place to work

Our operations across the world operate according to different occupational health and safety (OHS) laws, but within group policy. During 2013, we completed an independent review of our OHS audit process, legal register and baseline risk assessment in South Africa.

The identification of contractors and service providers working in our premises at any given time is a challenge given the number of facilities we run across different countries. We are engaging with relevant stakeholders to determine how best to manage contractor incident reporting and are working to embed OHS principles in the contractor procurement process. We also started engaging with our operations across Africa to understand the level of OHS management in place. We have established that the majority of country operations have OHS systems in place albeit at different levels of maturity. We will work with these operations to assist them to develop robust OHS processes. While this is a work in progress, we have had a few successes; during the Westgate Mall attack in Nairobi, our staff in the branch managed the unprecedented situation, effectively invoking the business continuity plan and protecting the lives of customers present in the branch at the time of the attack. All our employees were accounted for, with one colleague suffering an injury. Counselling was provided to staff and customers in the aftermath. Successful practice drills were held in other countries of operation.

In 2013, we trained 2 360 (2012: 2 523) OHS officials across the group. In addition, 17 467 employees successfully completed our OHS e-learning programme available in South Africa.

We do not report on minor first aid injuries but only those that require medical intervention by a doctor. We count lost days from the day immediately following the incident. The day of the incident is excluded. During 2013, our work-related injuries in South Africa decreased by 19.8% compared to 2012. A total of 162 (2012: 202) injuries were reported with 102 injuries resulting in lost time. A total of 653 days were lost (2012: 989 days). The injury severity rating is low with no injury resulting in a permanent disability. SB Plc and Liberty recorded six (2012: eight) and 22 (2012: 22) injuries, respectively. There were no employee or contractor fatalities during the year.

Learning and development

The leadership and learning unit works closely with the various business areas across geographies to ensure that interventions are practical, relevant and meet strategic priorities. Having a consolidated view of learning activity across SBG is a challenge. During 2013, we implemented an integrated groupwide learning system which we hope will provide more reliable data and support better delivery of interventions to business units.

Our focus is to develop technical, product and customer interaction skills through our skills development programmes (learnerships), graduate programmes and core technical training programmes across all levels of employees. In 2013, SBG's training spend amounted to R638 million (2012: R605 million), 2.4% (2012: 2.6%) of total staff costs. A total of 33 574 Standard Bank employees participated in a training intervention during the year, of these 59% were women. The average number of training hours per employee in South Africa, rest of Africa and international was 30, 21 and 9,4 hours, respectively.

Out of a total of 27 535 (2012: 24 862) employees trained in South Africa, 70% (2012: 70%) and 63% (2012: 64%) were black employees and women employees, respectively.

Leadership capability

The scarcity of skills means that talented people can find themselves tasked with high levels of leadership accountability early in their careers, requiring that we have programmes in place to develop our leadership capability. These programmes, customised through the Global Leadership Centre, are driven from a central point to ensure a shared language and common set of competencies across all our operations. During 2013, 2 858 (2012: 2 498) leaders participated in formal training programmes of which 41% (2012: 50%) were women. In South Africa, 53% and 52% of Standard Bank and Liberty leadership programme participants, respectively, were black (Standard Bank 2012: 72%). Leadership capability within IT is a skills priority for SBG. We have implemented an accelerated leadership development programme for 31 candidates, with the aim of promoting them into executive management roles in the next two to three years. During 2013, 15 employees attended our IT technical leadership programme in South Africa and in the rest of Africa 26 regional heads of operations units attended the strategic one operations programme to develop their technical and strategic capability.

Skills development

Standard Bank and Liberty invest in learnerships for unemployed matriculants and university graduates as part of our contribution to alleviating youth unemployment in South Africa. Of the 523 (2011: 317) learners who started a learnership in 2012, 479 successfully completed their respective programmes in 2013 (2012: 275) and 306 (2012: 221) were offered employment at Standard Bank. In 2013, we offered learnership opportunities to 391 candidates and at the end of the year, 382 learners were still active on the programme. In 2014, we will roll out a programme targeted specifically at individuals living with disabilities. Over the longer term we hope to provide similar opportunities to employees through developing and implementing employed learnerships that are linked to our talent development proposition.

We also support the Banking Sector Education and Training Authority's Letsema and Kuyasa learnerships. In 2013, Standard Bank offered 121 (2012: 100) learners a place on one of these learnerships of which 110 were still on a programme at the end of the year. From the 2012 intake of learners, we employed 38 of the 94 learners and graduates that completed the programmes.

Diversity and inclusion

Employment equity in South Africa

Employment equity targets are set annually for the representation of black people, women and people with disabilities at all occupational levels. We met our top and junior management targets for the representation of black people and narrowly missed the targets for black representation at senior and middle management levels. We were very close to meeting our targets set for the representation of women overall at all levels of management and did not meet our target for the representation of black women in senior management.

Gender equity

We strive for equal representation of women at all levels of the workforce. Currently, women are under-represented in senior and executive management levels, as well as in senior governance structures. Our initiatives to drive an environment more inclusive of women include development programmes and networking forums.

The women in leadership programme aims to teach effective leadership skills to women in middle management roles with the view to moving them into senior management roles. During 2013, 57 women from eight countries across Africa participated in the programme.

Disability management

We are actively working to recruit and retain people with disabilities by incorporating disability considerations across our human resources processes and creating an environment in which people with disabilities can perform to their full potential. Our representation of people with disabilities in South Africa remains low despite our efforts to encourage employees to declare a disability and an improved declaration process. We suspect that many employees do not declare a disability because they are anxious about stigmatisation or discrimination.

At December 2013, 1.2% (2012: 2.0%) of our South African workforce had declared a disability that had been verified in our internal processes. Measured as a percentage of our South African workforce, 0.8% (2012: 1.2%) were black employees that had declared a disability, against a target of 1.5%.

Environment report

Underwrote

R6,4 billion

for five solar and wind projects with an installed renewable energy capacity of 353 megawatts in the second phase of the **South African government's Renewable Energy Independent Power Producer Procurement** (REIPPP) **Programme**.

- Standard Bank was voted the best primary originator of Kyoto credits in the **Environmental Finance** Annual Market Survey Awards for the second consecutive year
- **Reduced** our purchased electricity consumption by **4%** in South Africa
- **Reduced** the amount of paper statements sent to customers in South Africa by approximately **200 tons**
- 37 million tons of **greenhouse gas abatement** as a result of our carbon financing (2012: 19 million tons)

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 the potential impacts of these challenges and develop plans to reduce our own impacts and those of our customers and clients.

Although managing our direct impacts is an important ongoing focus, as a provider of finance, the greatest opportunity we have to positively influence environmental and social challenges lies in our indirect impact.

Our indirect impact

Lending responsibly

An important aspect of responsible lending is ensuring that the social and environmental risks of the projects and investments our clients undertake are adequately assessed and addressed. This is to ensure the sustainability of the investments we make and to mitigate against the potential risk of lender liability.

All CIB transactions go through the pre-credit committee which is responsible for ensuring that environmental and social risks are correctly identified in the application phase. The upfront screening outcome determines whether to proceed with a transaction or conduct further assessments. During 2013, no deals were declined at the assessment stage which is an indication that these efforts are working.

We use two approaches to screen and evaluate transactions; the Equator Principles and a transaction-specific process to assess transactions with no known use of proceeds and where the loan is not required to physically develop or expand a project. The Equator Principles are a set of standards for managing social and environmental risk and are applied to all new project finance loans of USD10 million (R96 million) or more, across all industry sectors. The Equator Principles process is also applicable to any advisory services we supply on project finance loans. In 2013, we financed 13 Equator Principles deals and played an advisory role in a further eight projects.

We are developing an environmental and social risk management system for PBB similar to that employed by CIB. The implementation is supported by an e-learning training module.

Climate finance

Clean Energy: In March 2013, we signed a R20 billion Funding Support Agreement for renewable energy projects in South Africa with ICBC. Under the agreement, ICBC will co-lend into renewable energy projects with Standard Bank, where Standard Bank is mandated as the lead arranger, through to 2025. ICBC's involvement will help to reduce liquidity and capital pressure and will provide a further diversification of our sources of funding in addition to domestic asset managers who are keen to invest in such projects.

In South Africa, we remain an active participant in the Department of Energy's REIPPP Programme, and underwrote a further R6,4 billion for five solar and wind projects with an installed renewable energy capacity of 353 megawatts in the second phase of the programme. Four of the bids we supported have successfully closed, representing an installed renewable energy capacity of 258 megawatts and a total financing requirement of R5,3 billion. In the third phase of the programme we were awarded one bid with an underwriting value of R1,5 billion.

We also signed a number of wind farm mandates in Kenya, and we are pursuing opportunities in the hydro and geothermal energy sectors in East Africa.

Bid process – South Africa

Bid submission Round 1 =

R33,7 billion

Standard Bank underwrote **R9,5 billion** for this round

Standard Bank was awarded **11 of the 28 projects** in the first round

43% of the projects **= 607MW**

28 projects to produce **1 416**MW

Standard Bank won **5** out of 8 wind projects awarded

Standard Bank won **6** out of 18 solar projects awarded

+

Bid submission Round 2 =

R22,3 billion

Standard Bank underwrote **R6,4 billion** for this round

Standard Bank was awarded **5 of the 19 projects** in the second round

34% of the projects **= 353MW**

19 projects to produce **1 044**MW

Standard Bank won **1** out of 7 wind projects awarded

Standard Bank won **4** out of 9 solar projects awarded

+

Bid submission Round 3

in progress

Standard Bank has committed **R1,5 billion** for this round

Standard Bank was awarded **1 of the 17 projects** in the third round

7% of the projects **= 100MW**

17 projects to produce **1 365**MW

Standard Bank won **1** out of 2 concentrated solar power projects awarded

Key indicators

		2013	2012
Carbon equivalent (SBSA)			
SBSA	metric tons	**392 159**[1]	412 089
Liberty	metric tons	**46 781**[1]	51 210
Equator Principles			
Number of projects financed		**13**[1]	16
Number of advisory services on project finance deals		**8**[1]	13
Total energy consumption of premises (SBSA)	kilowatt hours	**346 751 417**	369 094 656
Diesel to operate generators	kilowatt hours	**691 791**	799 709
Electricity purchased: buildings	kilowatt hours	**290 912 279**	303 323 037
Electricity purchased: ATMs	kilowatt hours	**5 245 725**	15 309 968
Electricity purchased: data centres	kilowatt hours	**49 658 033**	48 958 708
Renewable energy sourced	kilowatt hours	**243 589**	703 234
Water consumption (SBSA)[2]	kilolitres	**319 085**	319 055
Paper consumed and recycled (SBSA)			
Paper consumed	tons	**2 842**	3 336
Paper recycled	tons	**1 574**	653
Waste generated		**2 071**	1 609
Reused waste (non-hazardous and hazardous)	tons	**61**	69
Recycled waste (non-hazardous and hazardous)	tons	**1 247**	715
Waste to landfill (non-hazardous)	tons	**762**	824
Waste to landfill (hazardous)	tons	**1**	1

1 Externally assured (refer to assurance statement on page 104 of the sustainability report).
2 Water consumption covers approximately 11 head office buildings (2012: nine).

Clean Development Mechanism (CDM): In 2013, we were involved in 76 (2012: 73) CDM projects, of which 65% (2012: 60%) were in Africa and we expanded our carbon business into Ethiopia, Ghana, Uganda, Zambia and Zimbabwe. Our carbon programmes cover approximately 60% of all solar water heaters installed in South Africa.

Carbon trading: The current economic climate in Europe has caused heavy over-supply in the carbon markets, which over the past two years has resulted in carbon prices falling some 90%. This has restricted our ability to finance certain viable projects and in some cases has caused financial distress in existing projects. We actively participate in a number of initiatives to help support carbon prices.

We contribute to the development of international climate change policy through our relationships with various United Nations' agencies, the CDM executive board, European government agencies and African governments.

In South Africa, we engage with government on issues of national environmental law, policy and strategy through our membership of business associations such as the BASA, Business Unity South Africa and the National Business Initiative.

Our direct impact

Energy consumption

The increasing cost of electricity, security of supply in certain areas and reducing our carbon footprint are drivers of our energy management strategy. In our South African operation, the amount spent on electricity to perform our day-to-day activities is approximately R290 million a year. Managing this cost materially contributes to our sustainable long-term financial performance.

During 2013, the total amount of energy consumed in South Africa was 346 751 417 kilowatt hours (2012: 369 094 656 kilowatt hours). This equates to 0,01 kilowatt hours (2012: 0,01 kilowatt hours) of energy per rand of total income generated, 12 466 kilowatt hours (2012: 12 875 kilowatt hours) per permanent employee and 313 kilowatt hours (2012: 333 kilowatt hours) per square metre of floor space.

During 2013, we continued to deliver on a number of energy efficiency projects which have resulted in savings of over R17 million. One of the objectives for the construction of our new Rosebank office is to consolidate our Johannesburg head office into three campuses. To achieve this, we have had to redistribute employees across our office buildings, requiring the dual operation of office spaces for a number of months creating a temporary spike in the consumption of resources. Consolidation will be completed in 2014, resulting in operational and resource efficiencies.

Our new office building in Rosebank is the second building in South Africa to have a gas-powered tri-generation plant. The tri-generation plant generates about one megawatt of electricity, which is enough to power 2 500 homes a month based on an average household consuming 304 kilowatts hours a month, and is used to light, heat and cool the building. The gas generator powers the building's lights at night and the heat generated from the gas plant provides a further 0,8 megawatts of energy which is filtered into the air-conditioning system and used to heat and cool the building. The tri-generation plant makes commercial sense in terms of efficiency and in mitigating the sustained electricity price hikes currently experienced in South Africa.

Carbon footprint

Standard Bank's South African carbon dioxide (CO_2) equivalent for 2013 was 392 159 metric tons (2012: 412 089 metric tons), 5% lower than 2012. In relation to SBSA's total income of R50,9 billion in 2013 (2012: R46,6 billion), CO_2 generated per rand equates to 7,0 grams (2012: 8,0 grams). CO_2 generated per permanent employee and per square metre of floor space equates to approximately 12,7 tons (2012: 13,0 tons) and 0,32 tons (2012: 0,34 tons), respectively.

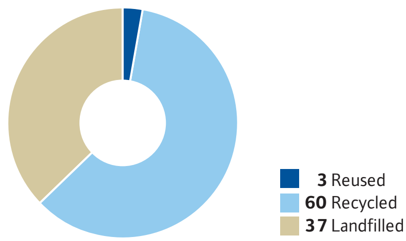
Our CO_2 equivalent for the our African operations outside South Africa was 44 220 metric tons (2012: 78 804 metric tons). In 2012, energy consumption was extrapolated and estimated while in 2013 we used actual data submitted by countries which accounts for the large variance. For the group's international operations, the CO_2 equivalent was 12 634 metric tons (2012: 2 367 metric tons), the increase resulting from the inclusion of business travel by air for the first time.

Paper consumption and waste management

We continue to improve our resource use and efficiency beyond energy management. We reduced paper use in our operations by 15% year-on-year from 3 336 tons in 2012 to 2 842 tons in 2013. Of this, the consumption of office paper alone amounted to 1 433 tons. We recycled a total of 1 574 tons (2012: 653 tons) of paper during the year, with the limited storage space available in the Rosebank building and the digital storage of old documents accounting for the 141% increase.

In South Africa, we are prioritising waste practices such as minimisation, reuse, recycling and responsible disposal. During 2012, we introduced an internal recycling initiative where individual waste bins were removed from underneath desks and recycling stations introduced throughout the general office areas in certain buildings, for employees to sort their waste. In 2013, we completed the rollout of this recycling system in all main offices in South Africa, covering approximately 25 000 employees and achieving measurable reductions in waste sent to landfill. Our operations in Malawi, Namibia and Zambia are also investigating recycling opportunities. During 2013, we generated 2 071 tons (2012: 1 609 tons) of waste, of which 63% (2012: 49%) was recycled or reused.

Waste sorting (%)



More comprehensive detail on energy and carbon footprint data can be found in the natural capital section of our 2013 sustainability report.

Green buildings

We implement green building principles where feasible to reduce our day-to-day operating costs and manage our buildings and branches in an environmentally sustainable way. Standard Bank Properties and Liberty Life Properties are members of the Green Building Council of South Africa (GBCSA) and when designing new buildings, we consider the Green Star SA building rating system that takes into account factors such as building management, indoor environmental quality, the building's energy and water consumption, users' transportation needs, materials used, land use and site emissions.

Our new office building in Rosebank, Johannesburg achieved a five-star preliminary design rating by the GBCSA and a five-star Green Star rating upon completion. Ratings range from four stars for best practice to six stars for world leadership. The building is one of eight in South Africa to have achieved a five-star rating on completion. It is estimated that attaining a Green Star five-star rating adds about 3% to a building's overall costs.

In Africa, our focus is mainly on improving the energy efficiency of our bank-owned properties. We are currently constructing two head office buildings, one in Ghana and another in Mozambique. Where feasible, we have introduced elements of green building design, for example the new head office in Mozambique includes elements such as fly-ash concrete and energy efficient lighting and airconditioning systems. The building management practices make provision for water and waste treatment and recycling. New branches built in Africa are typically smaller and more efficient than our older branches, generating savings in both construction and operating costs.

Financial review

"Standard Bank dealt successfully with the implementation of Basel III and by year end reported a strengthened tier I capital adequacy ratio of 13.2%. The finalisation of the restructure of our international operations in line with our Africa-centred strategy will further enhance the group's available capital that can be deployed across the African continent and assist the group in improving its ROE."

Simon Ridley
Group financial director

Headline earnings per share (HEPS)

1 065 cents

2012
935 cents

Net asset value per share

8 127 cents

2012
7 136 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 group's 2013 financial results
- an analysis of the group's financial performance and financial position
- details of the dividend to shareholders.

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The principal differences between normalised and IFRS results are set out on pages 72 to 74.

Financial results and ratios

		Change %	2013	2012
Headline earnings	Rm	15	**17 194**	14 918
Headline earnings per ordinary share	cents	14	**1 064,9**	934,9
Dividend per ordinary share	cents	17	**533,0**	455,0
ROE	%		**14.1**	14.0
Tier I capital adequacy ratio[1]	%		**13.2**	11.2
Net asset value per share	cents	14	**8 127**	7 136
Net interest margin[2]	%		**3.22**	3.09
Non-interest revenue to total income[2]	%		**48.3**	50.2
Credit loss ratio[2]	%		**1.04**	1.08
Cost-to-income ratio[2]	%		**58.5**	58.9

1 Capital ratios for 2013 are presented on a Basel III basis, with 2012 on a pro forma Basel III basis.
2 Banking activities.

Results overview

Conditions supporting revenue generation continued to be challenging but the group was nonetheless able to grow total income by 10%. This offset higher credit impairments and costs, despite cost growth being inflated by a weaker rand. Headline earnings per share was up 14% to 1 064,9 cents and net asset value per share rose 14%.

The underlying momentum in our businesses across Africa remained strong as we continued to build on the foundation laid in previous years.

Challenges and achievements for 2013

Whilst global economic activity and trade increased throughout the course of 2013, risks were still evident due to the unbalanced nature of global growth. The recovery in the US appeared to gain traction but economic conditions in the Eurozone remained fragile and doubts about the sustainability of China's economic expansion persist. The volatile performance of currencies, bonds and equities in emerging markets, particularly those countries with large current account deficits, reflect international concern over the impact of the removal of significant monetary support by the US Federal Reserve.

In South Africa, households continued to struggle despite the accommodative interest rate environment. Whilst growth in household consumption expenditure moderated further in 2013, consumer confidence moved sideways, disposable incomes stagnated on the back of rising inflation and personal debt levels declined slightly, while household net wealth improved. Despite the partial dependence on faltering commodity prices, expansion in sub-Saharan Africa economies remained resilient and has not been confined to resource-rich countries, reflecting the positive impact of better macroeconomic policies and institutions.

A further challenge in 2013 was the group's conversion to Basel III at 1 January 2013. South Africa was one of 11 countries to implement Basel III and it was pleasing that Standard Bank dealt successfully with this significant regulatory event, and by 31 December 2013 could report a strong tier I capital adequacy ratio of 13.2% and a total capital adequacy ratio of 16.2%.

RCM AFS

For further details on our risk and capital management information, refer to the summarised risk and capital management report on pages 89 to 99.

Cost management measures continued with significant cost savings being made in our operations outside Africa during the year and total operating expenses in 2013 increasing marginally by 4% on a constant currency basis. Structural changes within the business have resulted in simpler management structures and enhanced management capacity, allowing management to focus on the group's strategic priorities.

We continue to make extensive investments in our IT platforms for the future. Building digital channels in order to better serve our customers will continue to be a focus for the group. Although these investments in IT place pressure on our cost ratios, we expect to reap the benefits of more efficient processes in future.

Throughout 2013 the group worked extensively on a transaction with ICBC for the disposal of a controlling interest in its global markets business outside Africa through the sale of a controlling interest in SB Plc. The transaction was finally agreed to in January 2014 and is expected to be completed after the third quarter of 2014. Other transactions concluded in the context of our operations outside of Africa included the receipt of a contingent and final payment on the disposal of our interest in Russia and the disposal of a small infrastructure management company based in London. Importantly, the disposals in this and previous years have not been at significant variations from carrying value.

Looking ahead

We will continue to finalise the restructure of our international operations in line with our Africa-centred strategy. This includes further smaller disposals and obtaining all required regulatory approvals in order to complete the disposal of a controlling interest in SB Plc.

The restructure of our international operations will enhance the group's available capital that can be deployed across the African continent, including South Africa and assist the group in improving its return on equity.

The group's Tutuwa initiative lock-in period ends on 31 December 2014, after which participants are permitted to settle their outstanding debt either through the sale of their shares or through other means. The group expects that the majority of Tutuwa participants will repay their outstanding debt in early 2015. The repayment of the outstanding debt will result in a release of the group's empowerment reserve and will further enhance the group's capital position. Assuming this scenario, ordinary shares currently deemed by IFRS as treasury shares will be recognised as being in issue. In terms of the group's normalised basis of reporting, these shares have always been recognised as being in issue and the IFRS recognition of additional shares will not impact normalised earnings per share.

In our insurance business, work is ongoing in our readiness for the forthcoming solvency assessment management (SAM) regulations, focusing on the insurance risk components of the programme.

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 that influence these value drivers (assuming no management action), and indicates how these factors influenced the group's performance in 2013 and their expected impact in 2014.

The economic statistics relate to the group's South African operations, which generate the majority of the group's headline earnings.

KFI	Economic factors that impact the KFIs	**Economic factor in 2013**	**Impact of economic factor in 2013**	Expected economic factor in 2014	Expected impact of economic factor on 2014 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	↑	↑	↑	↑
	Interest rates	–	↑	↑	↓
Growth in fee and commission revenue	GDP growth	↑	↑	↑	↑
	Inflation	↑	↑	↑	↑
Growth in trading revenue	Market trading volumes	↑	↑	↑	↑
	Market price volatility	↑	↓	↑	↓
Growth in operating expenses	Average rand exchange rate against USD	↓[1]	↓	↓[1]	↓
	Inflation	↑	↓	↑	↓
Effective tax rate	Corporate tax rates	–	–	–	–
Impact of translating income from operations outside South Africa into rand	Average rand exchange rate against USD	↓[1]	↑	↑	↓
Growth in long-term insurance revenue	Equity market performance	↑	↑	↑	↑
	Debt-to-disposable income level	–	↑	↓	↓
Growth in ordinary shareholders' equity in operations outside South Africa	Closing exchange rate against USD	↓[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.

The analysis that follows is a simplified set of explanations of the key drivers of the group's financial results aimed at the general shareholder. For a more detailed analysis, refer to the Standard Bank Group analysis of financial results, available at www.standardbank.com/reporting

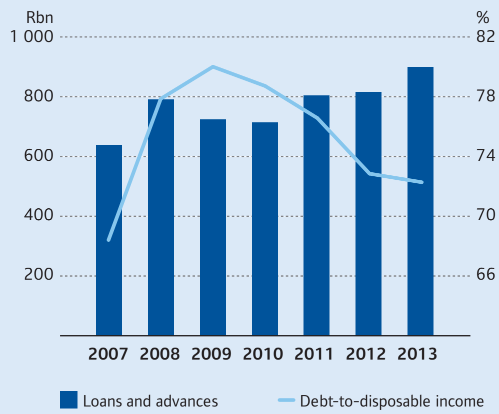
Growth in loans and advances

Loans and advances represent the largest asset class on the group's balance sheet. They provide the group's biggest source of revenue in the form of interest income, and create cross-selling opportunities to earn transactional fees and insurance-related revenues. Growing loans and advances within the group's accepted risk levels is, therefore, essential to growing revenue.

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

The graph below illustrates the rise in debt-to-disposable income up to 2008, which drove strong growth in loans and advances.

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



Since 2008, many retail customers have been rebuilding their balance sheets, evident from the gradual reduction in the debt-to-disposable income level.

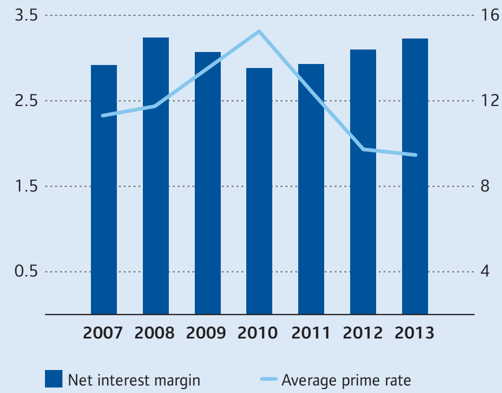
By growing loans and advances in countries outside South Africa, the group has managed to continue growing its loan book while the level of indebtedness in South Africa improves.

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. The movement in benchmark lending rates, such as the prime interest rate in South Africa, is a key factor that causes the net interest margin to vary.

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. Most of the group's South African loan book is prime-linked. However, the interest rate 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 prime-linked lending products, the margin between the interest earned on lending products and the 'free' or equity funding will increase when interest rates rise and reduce when interest rates decline.

During 2013, interest rates in South Africa remained at their lowest levels in 38 years. Interest rates, decreased in East Africa and Nigeria, resulting in a negative endowment impact. Interest rates in South Africa started to increase during 2014, which will have a positive endowment impact.

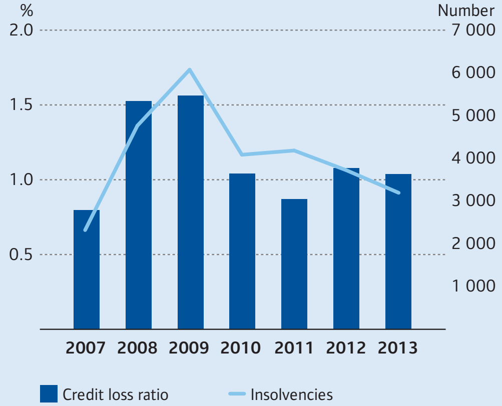
We will partially hedge the endowment risk as and when appropriate, using derivative instruments such as interest rate swaps and swaptions. Hedging strategies also factor in the partial offset of the endowment impact by the reduction in credit impairments due to lower interest rates. While low interest rates have 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. It indicates the loss to the group resulting from the inability of customers to repay loans. On average, in 2013, for every rand owed by customers, the group incurred a loss of 1,04 cents (2012: 1,08 cents).

Insolvencies and defaults recorded in the economy, and the debt-to-disposable income level described earlier, provide an indication of the stress that our customers and clients are experiencing. 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 net fee and commission revenue depends on transactional banking volumes, which are a function of economic activity and competition for banking services. Inflationary increases in the cost base are also considered in determining increases in fee and commission tariffs. Modest increases in South African GDP and inflation should support growth in non-interest revenue in the future.

Growth in trading revenue depends largely on trading volumes and how volatility affects trading spreads. The group's trading revenue is mainly a function of client trading volumes and the margin between bid and offer prices. The group trades products in a wide range of markets that may not always have quoted statistics on market volumes, and no single indicator can serve as a reasonable proxy for such activity levels. Trading revenue experienced additional volatility during the year due to the US Federal Reserve's announcement of an earlier than expected end to its fiscal stimulus programme. This volatility is expected to continue into 2014, further affecting emerging 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 a key external indicator that pushes up operating expenses. Many internal factors also affect the growth in operating expenses, such as growth in staff numbers, the attraction and retention of high-quality staff, investments in branch and IT infrastructure, and business volumes.

Average CPI inflation in South Africa rose from 5.6% in 2012 to 5.7% in 2013, lifting operating expenditure. Our investment in infrastructure and organic growth opportunities in the rest of Africa to support our strategy also affected operating expenditure.

The expected increase in the South African inflation rate will contribute to modest cost growth in 2014. The group will continue to focus on operational excellence to keep cost growth within acceptable levels. Ensuring that we can continue to invest in growing our businesses in markets such as Angola, Kenya and Nigeria, while controlling cost growth for the group as a whole, will continue to be a top priority.

The rand exchange rate is also a key factor affecting our operating expenses. The weaker exchange rate during the year resulted in costs increasing 10%, 4% on a constant currency basis, when translating costs incurred in our operations outside of South Africa. See below for more details.

Effective tax rate

Corporate tax rates remained unchanged in most of the countries in which the group operates. No significant changes are anticipated in 2014.

Growth in ordinary shareholders' equity in operations outside South Africa

The group's shareholders' funds are denominated largely in South African rand, with the non-rand based ordinary shareholders' funds being reflective of our operations outside South Africa. These are denominated largely in US dollars, along with the currencies of other African countries, materially being the Nigerian naira, Kenyan shilling, Zambian kwacha and Ugandan shilling.

Changes in the closing exchange rates, therefore, have an impact on the rand value of the group's ordinary shareholders' funds. We hedge this exchange rate risk as and when considered appropriate. In 2013, the combined impact of foreign currency movements, together with associated hedge gains and losses, resulted in a positive impact on shareholders' funds of R6 107 million, all of which is 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 average exchange rates 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 18% in 2013, contributing to Liberty's growth in earnings. In addition, the propensity of customers to continue making insurance payments improved due to sustained management intervention.

Income statement analysis

The income statement or statement of financial performance reflects the revenue generated by the group and the costs incurred in generating that revenue, for the year ended 31 December 2013. It is presented on a normalised basis, which reflects the basis on which management manages the group.

Consolidated normalised income statement

for the year ended 31 December 2013

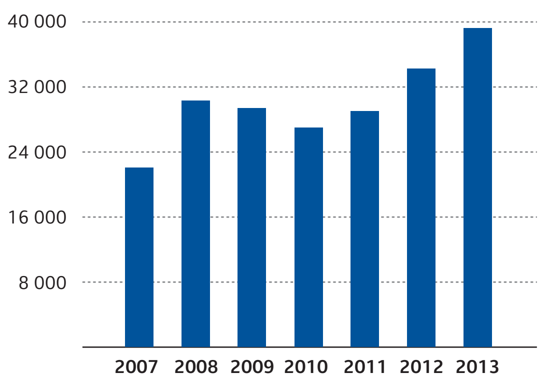
	Change %	**2013 Rm**	2012 Rm
Banking activities			
Net interest income	15	**39 225**	34 233
Non-interest revenue	6	**36 669**	34 474
Net fee and commission revenue	9	**23 147**	21 319
Trading revenue	15	**10 202**	8 868
Other revenue	(23)	**3 320**	4 287
Total income	10	**75 894**	68 707
Credit impairment charges	5	**9 214**	8 800
Specific credit impairments	1	**9 105**	9 040
Portfolio credit impairments	>100	**109**	(240)
Income after credit impairment charges	11	**66 680**	59 907
Operating expenses	10	**44 862**	40 826
Staff costs	11	**24 760**	22 265
Other operating expenses	13	**20 102**	17 803
Restructure charge	(100)		758
Net income before goodwill	14	**21 818**	19 081
Goodwill impairment	(100)		777
Net income before disposal of subsidiaries and equity accounted earnings	19	**21 818**	18 304
Profit/(loss) on disposal of subsidiaries	>100	**64**	(86)
Share of profit from associates and joint ventures	(0)	**673**	675
Net income before taxation	19	**22 555**	18 893
Taxation	8	**6 197**	5 745
Profit for the year from continuing operations	24	**16 358**	13 148
Discontinued operation – Argentina	(100)		2 435
Profit from discontinued operation	(100)		910
Profit from the disposal of discontinued operation	(100)		1 525
Profit for the year	5	**16 358**	15 583
Attributable to non-controlling interests	34	**1 146**	855
Attributable to preference shareholders	(3)	**348**	357
Attributable to ordinary shareholders – banking activities	3	**14 864**	14 371
Headline adjustable items – banking activities	>100	**119**	(1 443)
Headline earnings – banking activities	16	**14 983**	12 928
Headline earnings – Liberty	11	**2 211**	1 990
Standard Bank Group headline earnings	15	**17 194**	14 918

Banking operations

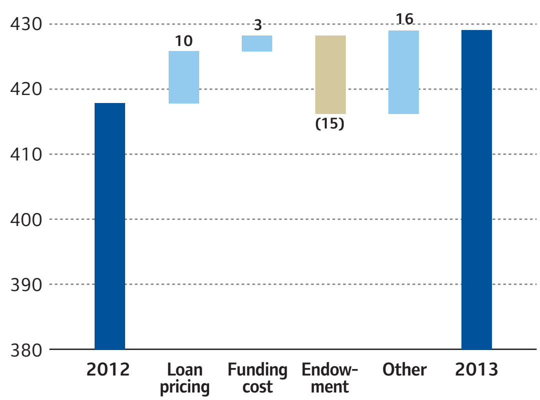
Net interest income

Net interest income was up 15% (12% on a constant currency basis) as a result of 10% growth in average margin expansion of 13 basis points (bps). Loan growth of 10% combined with the net interest margin on interest-earning assets improving from 4.15% in 2012 to 4.29% in 2013 resulted in the good growth in net interest income. The net increase in the net interest margin is principally attributable to a 10bps increase in pricing of loans to our customers and clients, an unfavourable 15bps due to the endowment effect (as explained earlier) and a 11bps increase as a result of the improved mix of balance sheet lending, which includes more higher-priced unsecured lending and higher-priced lending in our rest of Africa operations.

Net interest income (Rm)



Margin analysis (bps)

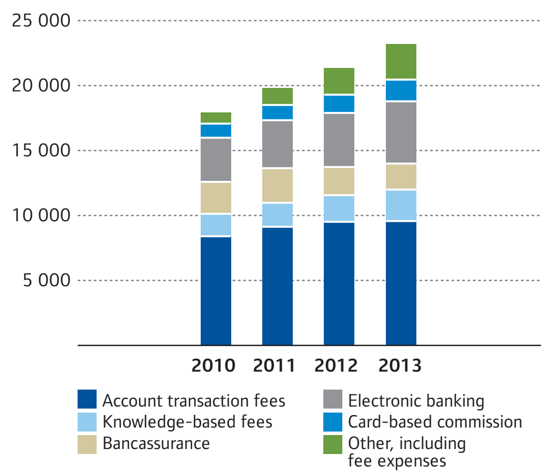


Non-interest revenue

Non-interest revenue grew by 6% during the year with net fee and commission revenue up by 9%, trading revenue up 15% while other revenue was down 23% on that of the prior year.

Growth in **net fee and commission revenue** of 9% was driven by a good performance in PBB, which achieved 11% growth despite not increasing in transactional account fees, partly offset by a decline in CIB's net fee and commission revenue. Other key contributors to the growth included higher card-based commissions due to higher turnover volumes; large merchant acquisitions in South Africa; the successful penetration of the card market in Nigeria; and the growth in the overall customer base. This growth was supported by the launch of the UCount customer reward programme in South Africa and strong growth in fees from electronic banking, bancassurance, and documentation and administration.

Net fee and commission revenue (Rm)



Trading revenue grew 15% off the back of a strong performance in the rest of Africa. Revenue from fixed income and currency (FIC) trading decreased 3%, with difficult conditions experienced as a result of lower client trading activity in South Africa and outside Africa. Commodity trading was up 28% on robust activity in base metal trading and market volatility. Equity trading benefited from the release of a provision following the successful outcome of a counterparty dispute. A weaker rand exchange rate during the year also contributed to trading revenue growth.

Trading revenue

	Change %	2013 Rm	2012 Rm
FIC	(3)	**7 039**	7 280
Commodities	28	**1 984**	1 553
Equities	>100	**1 179**	35
	15	**10 202**	8 868

Other revenue was down 23% as a result of the non-recurrence of certain banking and other related fair value gains and realisations in the prior period as well as a reduction in property-related revenue, both of which were offset by a 9% increase in bancassurance income.

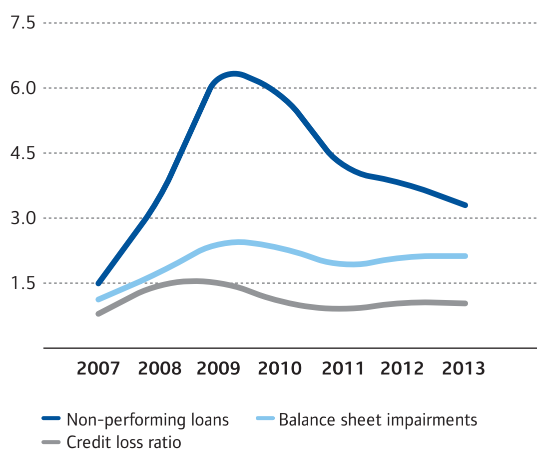
Other revenue

	Change %	2013 Rm	2012 Rm
Banking and other	(40)	**1 356**	2 253
Property-related revenue	(29)	**474**	663
Insurance – bancassurance income	9	**1 490**	1 371
	(23)	**3 320**	4 287

Credit impairment charges

Credit impairment charges were up 5% over the year, while gross average loans and advances increased 9%. This resulted in the group credit loss ratio improving to 1.04% from 1.08% in the prior year.

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



The increase in impairment charges was largely due to the deterioration in business and unsecured lending portfolios, although the second half of the year showed stabilisation in the inclusive personal loan portfolio in South Africa. PBB recorded an increase in impairments across all portfolios other than mortgage loans, as a result of loan book growth and increased customer strain. A decrease in CIB's credit impairment charge due to lower specific impairment charges, final settlement on a large exposure previously impaired and a general improvement in risk grades offset the higher impairments in PBB.

The total impairment charge for mortgages declined to 0.79% of the book (2012: 0.91%), due to a steady recovery in the South African housing market and rehabilitation strategies, whereas the coverage ratio on non-performing loans increased to 28.2% from 26.5% in the prior year.

During 2013, further enhancement of specific and portfolio impairment methodologies in the non-performing loans book was undertaken. This led to more risk being categorised as specific impairments rather than portfolio impairments. Further granulation of loss given default (LGD) rates of long outstanding items resulted, lifting the LGD rate to 25.6% (2012: 15.5%).

RCM AFS

A detailed analysis of performing and non-performing loans is provided in the risk and capital management report, starting on page 44.

Operating expenses

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

Staff costs grew 11%, 7% on a constant currency basis, for the year. Fixed remuneration was up 10% due to annual salary increases and the higher headcount required to expand our business in the rest of Africa. Staff costs also rose due to higher non-permanent headcount to support our extended branch hours and various change initiatives. Variable staff costs were up 15%, largely due to increased incentive remuneration given the improved performance in CIB and the rest of Africa. The weaker rand exchange rate contributed to this increase in staff costs.

Staff costs

	Change %	2013 Rm	2012 Rm
Fixed remuneration	10	**16 842**	15 290
Variable remuneration	15	**5 184**	4 513
Charge for incentive payments	18	**4 063**	3 432
Charge for deferred incentive schemes	(16)	**569**	677
IFRS 2 share-based payment expense	37	**552**	404
Other staff costs	11	**2 734**	2 462
Total staff costs	11	**24 760**	22 265
Variable remuneration as a % of total staff costs		**20.9**	20.3

Other operating expenses, excluding the non-recurring restructure charge of R758 million that was incurred during 2012 relating to the rationalisation of our operations outside Africa, were up 13% to R2,3 billion. This was largely due to increased investment in IT infrastructure and related depreciation, amortisation and impairment charges. The weaker average rand exchange rate contributed to higher marketing-related expenses due to new product campaigns and brand awareness strategies across the African countries in which we operate.

Other operating expenses

	Change %	2013 Rm	2012 Rm
Information technology[1]	23	**4 456**	3 636
Depreciation, amortisation and impairments	17	**3 895**	3 341
Communication	4	**1 463**	1 403
Premises	6	**3 335**	3 133
Professional fees	(18)	**1 742**	2 114
Other	25	**5 211**	4 176
Total other operating expenses	13	**20 102**	17 803

1 Information technology line increased due to outsourcing activity, but savings realised in other expense lines.

Analysis of total information technology function spend

	Change %	2013 Rm	2012 Rm
IT staff costs	8	**2 871**	2 669
Information technology licences, maintenance and related costs	23	**4 456**	3 636
Depreciation and amortisation	16	**2 945**	2 538
Other	6	**1 005**	951
Total	15	**11 277**	9 794

Share of profit from associates and joint ventures

Banking activities' share of profit from associates and joint ventures remained flat at R673 million (2012: R675 million). This was largely due to the additional equity accounted earnings of R249 million from Argentina, offset by the non-recurrence of prior year impairment reversals.

Headline earnings – Liberty

Liberty's normalised headline earnings for 2013 was R4 076 million (2012: R3 688 million), of which R2 211 million was attributable to the group (2012: R1 990 million). Liberty's financial performance was positive across most indicators and its business units are performing in line with or ahead of expectations. The performance reflected 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.

PG **Refer to page 43 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 R7,0 billion (2012: R1,7 billion) was significantly higher than the prior year. This was due to growth in headline earnings together with the significant increase in the group's FCTR as a result of the weaker rand, partly offset by a cost of equity charge as a result of higher average ordinary shareholders' equity. The cost of equity was 13.4% (2012: 13.7%).

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 2013, and reflects what the group owns, owes and the equity attributable to shareholders.

Consolidated normalised statement of financial position

as at 31 December 2013

	Change %	2013 Rm	2012 Rm
Assets			
Banking activities	7	**1 358 467**	1 274 234
Cash and balances with central banks	9	**67 409**	61 985
Financial investments, trading and pledged assets	5	**231 904**	220 670
Loans and advances	11	**899 375**	813 892
Current and deferred taxation assets	46	**1 844**	1 261
Derivative and other assets	(17)	**120 797**	145 325
Non-current asset held for sale	(100)		960
Interest in associates and joint ventures	62	**4 560**	2 810
Goodwill and other intangible assets	29	**17 949**	13 928
Property and equipment	9	**14 629**	13 403
Liberty	16	**335 826**	290 567
Total assets	8	**1 694 293**	1 564 801
Equity and liabilities			
Equity	15	**155 982**	135 267
Equity attributable to ordinary shareholders	15	**131 475**	114 619
Preference share capital and premium		**5 503**	5 503
Non-controlling interests	25	**19 004**	15 145
Liabilities	8	**1 538 311**	1 429 534
Banking activities	6	**1 224 696**	1 158 442
Deposit and current accounts	8	**999 854**	924 885
Derivative, trading and other liabilities	(4)	**195 299**	203 443
Subordinated debt	(2)	**29 543**	30 114
Liberty	16	**313 615**	271 092
Total equity and liabilities	10	**1 694 293**	1 564 801

Banking operations analysis

Loans and advances

Gross loans and advances grew 11%, with loans to customers up 9% and loans to banks up 22%.

In PBB, the growth of 11% in loans and advances was driven by: an increase of 3% in mortgage lending due to the higher value of new loans originated, offset by a higher average prepayment rate; 12% growth in instalment sale and finance leases in South Africa and in the rest of Africa; and 16% growth in card debtors due to higher turnover volumes, credit limit increases and account upgrades in line with our origination strategy and other new account initiatives.

In CIB, the weaker rand exchange rate and our strategy to contain growth in risk-weighted assets saw good loan growth of 14%.

Analysis of gross loans and advances

	2013 Rm	2012 Rm
PBB	**555 572**	502 168
Mortgage loans	**308 908**	299 675
Instalment leases and finance leases	**70 700**	62 860
Card debtors	**27 786**	24 052
Other loans and advances	**148 178**	115 581
Personal unsecured lending	**50 476**	42 653
Business lending and other	**97 702**	72 928
CIB	**409 718**	358 154
Loans to banks	**124 833**	100 763
Loans to customers	**284 885**	257 391
Central and other	**(46 467)**	(28 726)
	918 823	831 596

Financial investments, trading and pledged assets

Financial investments rose 11% or R10,1 billion largely as a result of placing excess liquidity in treasury bills and bonds in the rest of Africa.

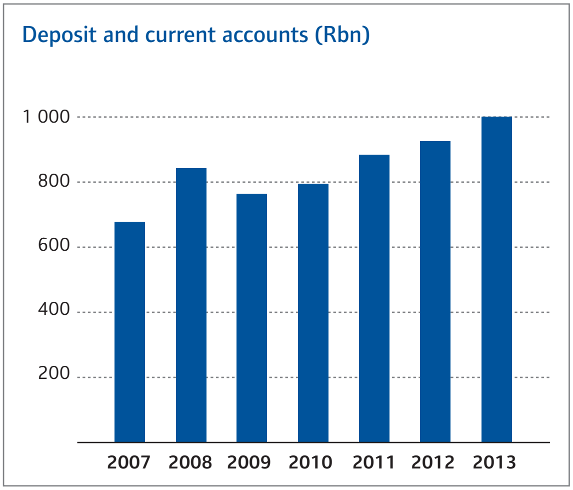
Pledged assets remained relatively flat at R11,9 billion (2012: R11,6 billion), as did trading assets at R115,1 billion (2012: R114,3 billion).

Cash balances and balances with central banks

Cash balances and balances with central banks grew by R5,4 billion, largely due to increased regulatory requirements for cash reserving throughout the group.

Deposit and current accounts

Deposit and current accounts grew 8% during the year with a low increase of 4% in more expensive wholesale deposits. PBB's retail price deposit base grew strongly by 20% mainly in current and call accounts.

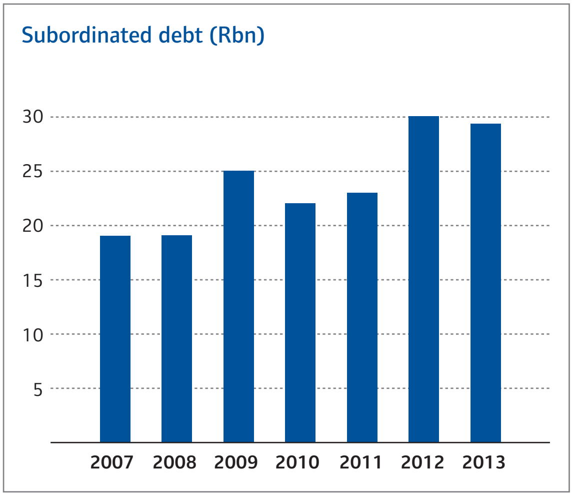


Derivative and other assets and liabilities

Derivative and other assets decreased by R24,5 billion to R121 billion, and derivative and other liabilities by R17 billion to R140 billion. These reductions were largely due to lower client flows in interest rate derivatives.

Subordinated debt

Subordinated debt decreased by R571 million from the prior year, primarily as a result of the redemption of SBK 8 tier II subordinated bonds during 2013.



Non-current assets held for sale

In the prior year, the intended disposal of our investment in RCS Investment Holdings Proprietary Limited (RCS) resulted in the associated asset being classified as a non-current asset held for sale as at 31 December 2012.

During 2013, market conditions resulted in the group and The Foschini Group, a 55% shareholder in RCS, no longer expecting a disposal of RCS and hence a sale of RCS was no longer expected to occur within the next financial year. RCS was accordingly reclassified back to the group's interest in associate and joint ventures from non-current assets held for sale.

Interest in associates and joint ventures

Interest in associates and joint ventures increased by R1,8 billion, largely due to the reclassification of RCS out of non-current assets held for sale and full year equity accounted earnings from our 20% interest retained in Argentina.

Goodwill and other intangible assets

Goodwill and other intangible assets increased 26%, largely due to the capitalisation of development costs on strategic IT projects, including the SAP core banking system in South Africa and Finacle core banking system in the rest of Africa. This was partially offset by impairments in certain operations in the rest of Africa.

Trading liabilities

Trading liabilities increased by R9,5 billion or 24% due to higher debt-related repurchase transactions and other trading book positions, together with higher trading-related positions due to transactions of outside Africa trading positions as a result of the rand's 24% depreciation year-on-year.

Capital, funding and liquidity

Throughout 2013, the group made considerable progress in building its common equity tier I (CET I) and tier I capital levels and is well placed to meet the rising capital adequacy ratios required by the SARB by 2016. The group's 31 December 2013 Basel III tier I ratio increased to 13.2% from the pro forma Basel III ratio of 11.2% at 31 December 2012. The effect of the weaker rand on capital invested in subsidiaries outside South Africa boosted shareholders' equity by approximately R6,3 billion and increased qualifying CET I capital by 8% over the year.

The group's liquidity position remains strong with appropriate liquidity buffers of R154,2 billion in excess of regulatory requirements at 31 December 2013. These significant levels of liquidity are appropriately conservative given the group's liquidity stress-testing philosophy and in view of potential change in regulatory requirements. The group's long-term funding ratio (which measures funding-related liabilities with a remaining maturity of six months or more as a percentage of total funding-related liabilities) declined to 19.4% during 2013. This is in line with reduced long-dated asset positions, particularly in CIB, and adopting a more active term asset distribution strategy to better utilise scarce and expensive capital and term funding resources.

Deposits increased by 8% over the year with a low increase of 4% in more expensive wholesale deposits which reflected the lower level of term deposits from asset managers and companies, mainly in South Africa. Good growth in call deposits, reflecting client preference for liquidity, only partially made up this term deposit decline. PBB continued to grow its retail priced deposit base strongly, increasing this source of funding by 20% over the year mainly in current accounts and call deposits across all geographies in which it operates.

The Basel Committee on Banking Supervision (BCBS) has proposed the two liquidity ratios, namely the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), as part of the Basel III requirements. The SARB confirmed that the LCR will be applied to the South African banking industry from 2015 and that a committed liquidity facility will also be made available, at a fee, to assist banks in meeting this ratio. The proposals for the NSFR, which will be implemented in 2018, have recently been moderated and initial analysis of the proposed changes across the group has been positive, resulting in a higher NSFR metric. Notwithstanding the changes, further term funding will have to be raised to fully meet the proposed Basel III liquidity regime in South Africa and certain other emerging markets.

Ordinary shareholders' funds

The group's ordinary shareholders' funds grew 15%. Shareholders' funds deployed outside South Africa are exposed to foreign currency translation movements resulting from the translation of these funds into rand.

The closing rand exchange rate weakened against the dollar to R10,49 (2012: R8,48) resulting in a foreign currency translation gain of R6,1 billion (2012: R1,2 billion), which includes related hedging activities.

Dividends

A final dividend of 300 cents per share has been declared, resulting in a total dividend for the year of 533 cents per share, an increase of 17% on the prior year. The dividend cover ratio decreased from 2.1 to 2.0 times. The final dividend has been declared as a cash distribution.

Discontinued operation

The group, on 8 November 2013, announced that it was in discussions regarding the disposal of a controlling stake in its global markets business outside Africa, through the sale of a controlling interest in SB Plc, the group's London banking operation. This was followed by an announcement on 29 January 2014 that transaction agreements had been signed with ICBC. The transaction is subject to Standard Bank shareholder approval and various regulatory approvals. While IFRS deems this business to be a discontinued operation, SB Plc was managed and reported as part of the group's continuing operations throughout 2013.

PG

Normalised financial results include the full results of SB Plc before the discontinued operation adjustments to meet IFRS as explained on pages 73 to 76.

Explanation of principal differences between normalised and IFRS results

Description of normalised adjustments

The financial results are prepared on a basis which normalises or adjusts the IFRS results to reflect the group's view of the economics and legal substance of the following two arrangements (the normalised adjustments):

- Deemed treasury share arrangements
  - the group's Tutuwa initiative
  - group shares held by Liberty for the benefit of policyholders or to facilitate client trading activities.
- Deemed disposal of the group's controlling interest in its global markets business outside Africa through the sale of a controlling interest in SB Plc, the group's London banking operation.

A common element in the deemed treasury share arrangements 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.

The normalised results reflect the basis on which management manages the group and is consistent with that reported in the group's segmental report.

Deemed treasury share adjustments

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 structured entities (SEs) controlled by SBG. These SEs purchased SBG shares. Subsequently, the SEs containing these shares were sold to black participants. The capital and dividends on the redeemable preference shares issued by the SEs 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 SEs 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:

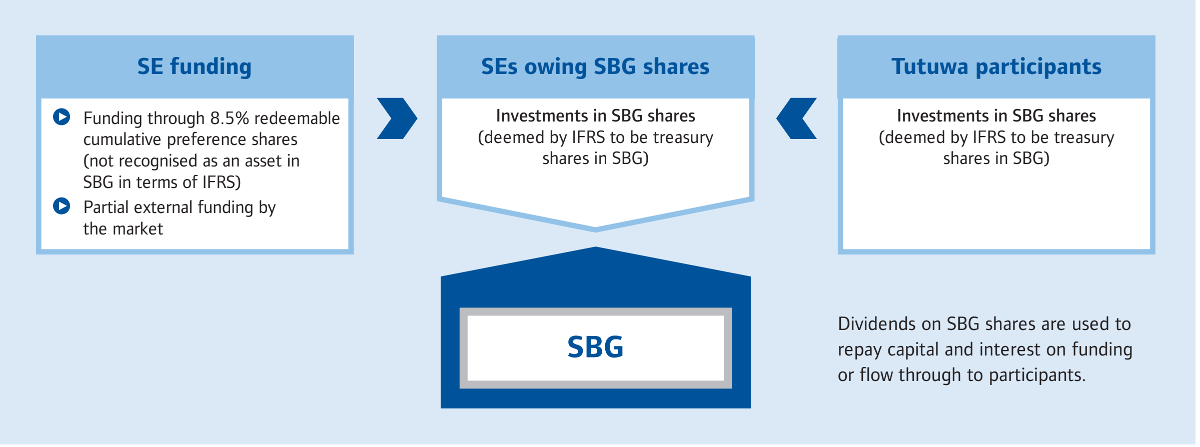
- the redeemable preference shares issued by the SEs and subscribed for by SBG are not recognised as financial assets, but eliminated against equity as a negative empowerment reserve.
- the negative empowerment reserve represents SBG shares held by the SEs that are deemed to be treasury shares in terms 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 SEs, these are eliminated against the ordinary dividends paid on the SBG shares held by the SEs.
- for purposes of the calculation of basic earnings per share, the weighted average number of shares in issue is reduced by the number of shares held by those SEs 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.

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, and
- adjusts dividends declared on perpetual preference shares to an accrual basis.

The group obtained external financing in December 2007 and a portion of the Tutuwa participants' shares were sold to ICBC in March 2008 (with the proceeds thereof being used for the repayment of the preference share liability). This resulted in 24,7 million and 11 million shares, respectively, no longer being deemed to be treasury shares for IFRS purposes.

In May and June 2013, transactions were concluded to refinance the group's funding of its Tutuwa transaction with external third-party financing. This resulted in the group's empowerment reserve decreasing by R1,7 billion and 35,8 million shares no longer being deemed to be treasury shares for IFRS purposes.



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 International Accounting Standard (IAS) 32 *Financial Instruments: Presentation*, 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 interest, 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, and
- 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 54.1% 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.

Deemed disposal of the group's controlling interest in its global markets business outside Africa

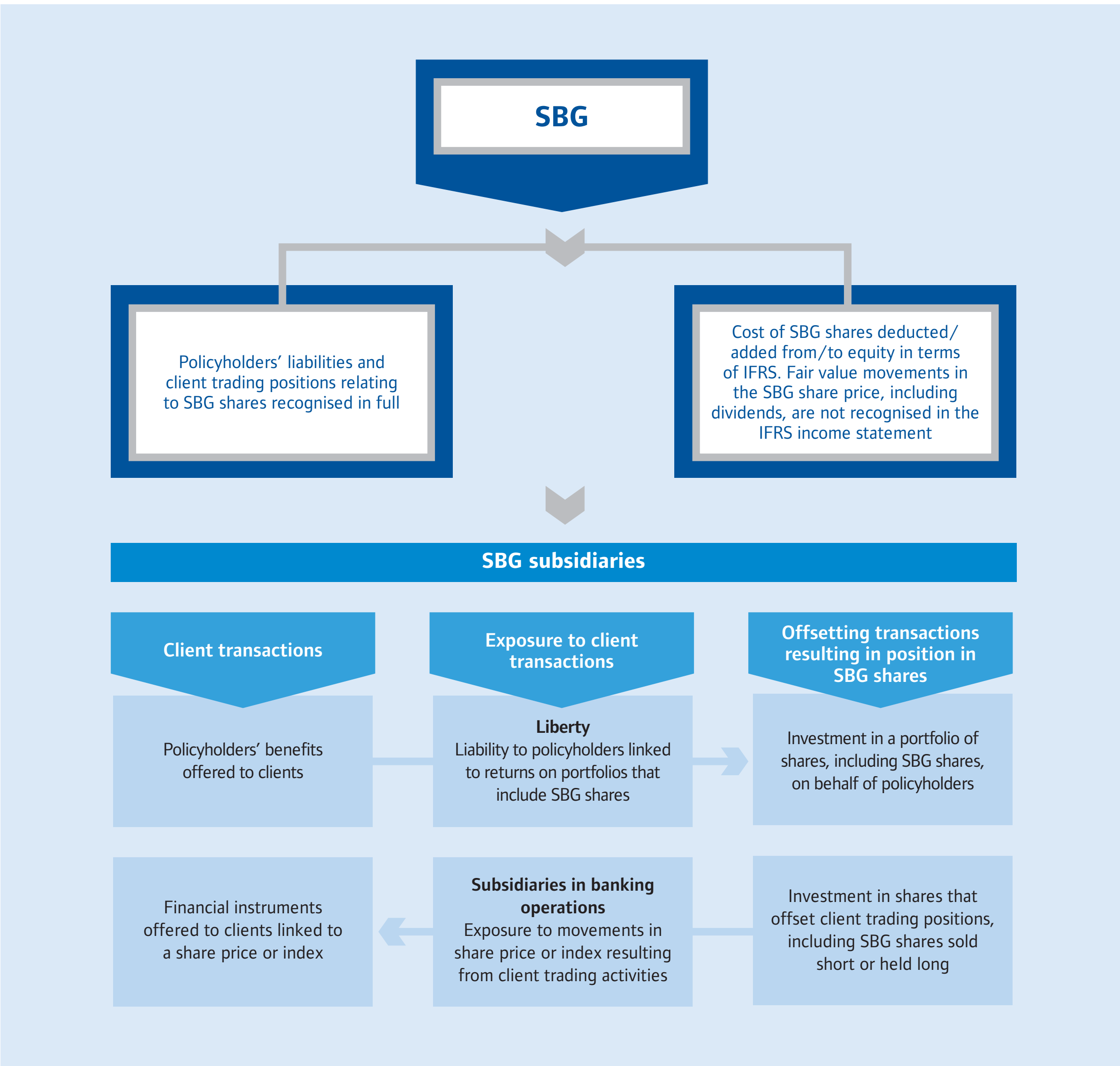
The group's disposal of a controlling stake in its global markets business outside Africa through the sale of a controlling interest in SB Plc to ICBC is subject to Standard Bank shareholder approval and various regulatory approvals. The group had not, for its 2013 financial reporting period, separately managed and internally reported for its discontinued operation's results, being that of its global markets business outside Africa, separately. The IFRS accounting treatment required is:

- presentation of SB Plc's 2013 assets and liabilities in the statement of financial position as single line items, namely non-current assets held for sale and non-current liabilities held for sale. Such classification has no effect on the group's reported net asset value measures.
- presentation of SB Plc's 2013 and 2012 results as a single line item in the group's income statement under the discontinued

operations section. The presentation of the group's continuing and discontinued operations has no impact on the group's earnings or headline earnings.

- recognition of previously eliminated intercompany transactions between the group's continuing and discontinued operations. These have been presented within the group's continuing and discontinued operations as applicable. This adjustment has no impact on the group's earnings or headline earnings.
- recognition of an impairment loss, being the difference between SB Plc's fair value less cost to sell and its recognised carrying value. This impairment loss has been limited to the value of SB Plc's non-financial assets, being its property and equipment and intangible assets. The remaining loss will be recognised in the income statement when the transaction is completed. The impairment loss has been excluded from the group's headline earnings.

The normalised adjustments reverse the above-mentioned IFRS adjustments in order to present the group's global markets business outside Africa's results as part of the group's 2013 and comparative year's continuing operations.



Reconciliation of income statement adjustments to meet IFRS

	Deemed treasury share adjustment		Deemed disposal adjustments		Total IFRS adjustments	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
Net interest income	**(153)**	(218)	**23**	(49)	**(130)**	(267)
Non-interest revenue	**54**	25	**(2 412)**	(2 074)	**(2 358)**	(2 049)
Net fee and commission revenue			**37**	375	**37**	375
Trading revenue	**54**	25	**(2 445)**	(2 104)	**(2 391)**	(2 079)
Other revenue			**(4)**	(345)	**(4)**	(345)
Income from investment management and life insurance activities	**(166)**	(297)			**(166)**	(297)
Total income	**(265)**	(490)	**(2 389)**	(2 123)	**(2 654)**	(2 613)
Specific credit impairment charges			**(56)**	(86)	**(56)**	(86)
Income after credit impairment charges	**(265)**	(490)	**(2 333)**	(2 037)	**(2 598)**	(2 527)
Revenue sharing agreements with group companies			**(142)**	(115)	**(142)**	(115)
Income after revenue sharing agreements and policyholders' benefits	**(265)**	(490)	**(2 475)**	(2 152)	**(2 740)**	(2 642)
Operating expenses in banking activities			**(2 807)**	(3 605)	**(2 807)**	(3 605)
Staff costs			**(1 673)**	(1 846)	**(1 673)**	(1 846)
Other operating costs			**(1 134)**	(1 320)	**(1 134)**	(1 320)
Restructure charge				(439)		(439)
Net income before indirect taxation	**(265)**	(490)	**332**	1 453	**67**	963
Indirect taxation			**(58)**	(145)	**(58)**	(145)
Net income before direct taxation	**(265)**	(490)	**390**	1 598	**125**	1 108
Direct taxation	**16**	4	**(29)**	(20)	**(13)**	(16)
Profit for the year from continuing operations	**(281)**	(494)	**419**	1 618	**138**	1 124
Discontinued operations			**(1 022)**	(1 618)	**(1 022)**	(1 618)
Profit for the year	**(281)**	(494)	**(603)**		**(884)**	(494)
Attributable to non-controlling interests	**(74)**	(135)			**(74)**	(135)
Attributable to preference shareholders	**1**	(5)			**1**	(5)
Attributable to ordinary shareholders	**(208)**	(354)	**(603)**		**(811)**	(354)
Headline adjustable items			**603**		**603**	
Standard Bank Group headline earnings	**(208)**	(354)			**(208)**	(354)

Reconciliation of statement of financial position adjustments to meet IFRS

	Deemed treasury share adjustment		Deemed disposal adjustments		Total IFRS adjustments	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
Assets						
Cash and balances with central banks			**(14 099)**		**(14 099)**	
Financial investments, trading and pledged assets	**(1 555)**	(1 731)	**(67 915)**		**(69 470)**	(1 731)
Loans and advances	**(1 199)**	(2 721)	**(58 556)**		**(59 755)**	(2 721)
Loans and advances to banks			**(30 655)**		**(30 655)**	
Loans and advances to customers	**(1 199)**	(2 821)	**(27 901)**		**(29 100)**	(2 821)
Derivative and other assets			**(42 714)**		**(42 714)**	
Intangible assets			**(339)**		**(339)**	
Property and equipment			**(271)**		**(271)**	
Non-current assets held for sale			**183 284**		**183 284**	
Total assets	**(2 754)**	(4 452)	**(610)**		**(3 364)**	(4 452)
Equity and liabilities						
Equity	**(2 724)**	(4 378)	**(610)**		**(3 334)**	(4 378)
Equity attributable to ordinary shareholders	**(1 929)**	(3 534)	**(610)**		**(2 539)**	(3 534)
Non-controlling interests	**(795)**	(844)			**(795)**	(844)
Liabilities	**(30)**	(74)			**(30)**	(74)
Deposit and current accounts			**(65 043)**		**(65 043)**	
Deposits from banks			**(41 756)**		**(41 756)**	
Deposits from customers			**(23 287)**		**(23 287)**	
Derivative, trading and other liabilities	**(30)**	(74)	**(62 014)**		**(62 044)**	(74)
Subordinated debt			**(7 447)**		**(7 447)**	
Non-current liabilities held for sale			**134 504**		**134 504**	
Total equity and liabilities	**(2 754)**	(4 452)	**(610)**		**(3 364)**	(4 452)

Summary of adjustments to IFRS results for headline earnings and ordinary shareholders' equity

	Banking activities Rm	Liberty Rm	Standard Bank Group Rm	Group ordinary shareholders' equity Rm
IFRS – 2013	**14 865**	**2 121**	**16 986**	**128 936**
Normalised adjustments:				
Tutuwa initiative	**154**	**34**	**188**	**1 544**
Share exposures held to facilitate client trading activities	**(36)**		**(36)**	**(108)**
Group shares held for the benefit of Liberty policyholders		**56**	**56**	**493**
Impairment of non-current assets held for sale				**610**
Normalised – 2013	**14 983**	**2 211**	**17 194**	**131 475**
IFRS – 2012	12 732	1 832	14 564	111 085
Normalised adjustments:				
Tutuwa initiative	213	33	246	3 127
Share exposures held to facilitate client trading activities	(17)		(17)	(92)
Group shares held for the benefit of Liberty policyholders		125	125	499
Normalised – 2012	12 928	1 990	14 918	114 619

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Refer to the headline earnings reconciliation on page 84 and the consolidated statement of financial position on page 82 for IFRS amounts disclosed above.

Facilitating stronger African economies

Our network of on-the-ground operations across sub-Saharan Africa is positioned to serve the anticipated growth in demand for banking and non-banking financial services. Our customer acquisition strategy is focused on profitable customers with primary transaction accounts. Our branch infrastructure remains strategically important in servicing this market in tandem with providing access to electronic banking channels. It is also necessary for attracting corporate clients requiring transactional banking services. By facilitating access to financial services we enable socioeconomic development and personal wealth creation in the countries in which we operate.

Summarised annual financial statements

The summary information presented on pages 81 to 85 of this report has been extracted from the audited annual consolidated financial statements. This report is itself not audited.

The annual consolidated financial statements, from which the summary information was derived, was audited by KPMG Inc. and PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The annual consolidated financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors of Standard Bank Group Limited take full responsibility for the preparation of the summary information and that the information has been correctly extracted from the underlying consolidated annual financial statements.

RCM AFS

The full 2013 annual financial results and related notes can be found in the risk and capital management report and annual financial statements.

Significant accounting policies

Basis of preparation

The group's annual financial statements are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Listings Requirements of the JSE, and the South African Companies Act.

Basis of consolidation

The group controls an investee when it has power over the investee; has exposure or rights to variable returns from its involvement with the investee; and has the ability to use its power to affect the returns from its involvement with the investee. Investees are consolidated from the date the group acquires control up to the date that control is lost.

Functional and presentation currency

The annual financial statements are presented in South African rand (rand). All foreign-denominated transactions are recognised at the rate at which the transaction arose and all foreign-denominated balances are translated at the closing exchange rate with any differences recognised in the income statement. The assets and liabilities of the group's foreign operations are translated into rand using the closing exchange rate and the income statement at the average exchange rate. Any resultant exchange differences are recognised in the group's foreign currency translation reserve.

Financial instruments

Financial instruments, which include all financial assets and liabilities, are initially recognised at fair value. Subsequent to initial recognition, financial instruments are measured either at fair value or amortised cost depending on the classification of the financial instrument which takes into account the purpose for which the group acquired or originated the financial instrument, the group's intention and various other accounting elections.

Non-current assets held for sale, disposal groups and discontinued operations

PG

The accounting treatment for non-current held for sale assets and discontinued operations is explained on pages 73 to 74.

Equity compensation plans

The fair value of equity-settled share options is determined on the grant date and recognised in staff costs over the vesting period with a corresponding increase in the share-based payment reserve. Cash-settled share-based payments are accounted for as liabilities at fair value until settled with the liability being recognised over the vesting period through staff costs.

Revenue and expenditure

Revenue is derived substantially from the business of banking and related activities. Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. Fee and commission revenue are recognised as the related services are performed. Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities. Other revenue typically includes gains and losses on equity instruments designated at fair value through profit or loss, underwriting profit from the group's short-term insurance operations and related insurance activities.

Policyholder insurance and investment contracts

Long-term insurance contracts and investment contracts with discretionary participation features (DPF), being discretionary bonuses provided by the group, are valued using actuarial cash flow methodologies in accordance with actuarial guidance requirements. For short-term insurance, premiums are accounted for as income when the risk related to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. A liability adequacy provision is recognised when it is anticipated that the unearned premium is insufficient to cover future claims. Investment contracts without DPF are accounted for as liabilities at fair value with all changes recognised in the income statement. All of these contracts are reflected as liabilities in the statement of financial position.

RCM AFS

Further detail on restatements and reclassifications can be found in annexure A of the annual financial statements.

Consolidated income statement – IFRS

for the year ended 31 December 2013

	Change %	2013 Rm	2012[1] Rm
Continuing operations			
Income from banking activities	11	**73 406**	66 252
Net interest income	15	**39 095**	33 966
Non-interest revenue	6	**34 311**	32 286
Income from investment management and life insurance activities	10	**85 240**	77 580
Total income	10	**158 646**	143 832
Credit impairment charges	5	**9 158**	8 714
Benefits due to policyholders	8	**63 295**	58 739
Income after credit impairment charges and policyholders' benefits	13	**86 193**	76 379
Revenue sharing agreements with group companies	23	**142**	115
Income before operating expenses	13	**86 051**	76 264
Operating expenses in banking activities	13	**42 055**	36 902
Staff costs	13	**23 087**	20 419
Other operating expenses	15	**18 968**	16 483
Restructure costs	100		319
Operating expenses in investment management and life insurance activities	18	**14 226**	12 080
Net income before goodwill impairment and gains on disposal of subsidiary	10	**29 770**	26 963
Goodwill impairment	(100)		777
Gains on disposal of subsidiary	(66)	**64**	188
Net income before share of profits from equity accounted earnings	13	**29 834**	26 374
Share of profit from associates and joint ventures	(2)	**685**	701
Net income before indirect taxation	13	**30 519**	27 075
Indirect taxation	18	**1 911**	1 621
Profit before direct taxation	12	**28 608**	25 454
Direct taxation	8	**7 580**	7 002
Profit for the year from continuing operations	14	**21 028**	18 452
Discontinued operations	(>100)	**(1 022)**	817
Profit for the year	4	**20 006**	19 269
Attributable to non-controlling interests	20	**3 451**	2 871
Continuing operations	30	**3 451**	2 644
Discontinued operations	(100)		227
Attributable to preference shareholders	(1)	**349**	352
Attributable to ordinary shareholders	1	**16 206**	16 046
Basic earnings per share (cents)	(2)	**1 034,4**	1 054,6
Continuing operations	8	**1 099,6**	1 015,8
Discontinued operations	(>100)	**(65,2)**	38,8
Diluted earnings per share (cents)	(1)	**1 008,6**	1 020,0
Continuing operations	9	**1 072,2**	982,5
Discontinued operations	(>100)	**(63,6)**	37,5

1 Restated.

Consolidated statement of financial position – IFRS

as at 31 December 2013

	Change %	2013 Rm	2012[1] Rm	2011[1] Rm
Assets				
Cash and balances with central banks	(14)	**53 310**	61 985	31 907
Financial investments, trading and pledged assets	(3)	**457 018**	473 216	413 433
Non-current assets held for sale[2]	>100	**183 284**	960	34 085
Loans and advances	4	**839 620**	811 171	801 308
Derivative and other assets	(42)	**90 635**	155 429	175 322
Interest in associates and joint ventures	58	**4 796**	3 035	1 849
Investment property	13	**27 299**	24 133	23 470
Goodwill and other intangible assets	23	**18 085**	14 687	12 754
Property and equipment	7	**16 882**	15 733	14 920
Total assets	8	**1 690 929**	1 560 349	1 509 048
Equity and liabilities				
Equity	17	**152 648**	130 889	117 897
Equity attributable to ordinary shareholders	16	**128 936**	111 085	99 450
Preference share capital and premium		**5 503**	5 503	5 503
Non-controlling interests	27	**18 209**	14 301	12 944
Liabilities	8	**1 538 281**	1 429 460	1 391 151
Deposit and current accounts	1	**921 738**	910 682	870 613
Derivative, trading and other liabilities	(23)	**193 579**	250 546	259 280
Non-current liabilities held for sale[2]	–	**134 504**		27 939
Policyholders' liabilities	12	**263 944**	236 684	208 565
Subordinated debt	(22)	**24 516**	31 548	24 754
Total equity and liabilities	8	**1 690 929**	1 560 349	1 509 048

1 Restated.

2 The intended disposal of our global markets business outside Africa, RCS Investment Holdings Proprietary Limited (RCS) and Standard Bank Argentina S.A. (SBA) resulted in their respective assets and, where applicable, liabilities being classified as held for sale at 31 December 2013, 31 December 2012 and 31 December 2011, respectively. The group's controlling interest in SBA was disposed of during 2012. The group's associate interest in RCS was reclassified out of non-current assets held for sale during 2013 to interest in associates and joint ventures.

Consolidated statement of other comprehensive income – IFRS

for the year ended 31 December 2013

	2013			2012[1]
	Ordinary shareholders' equity Rm	**Non-controlling interests and preference shareholders Rm**	**Total equity Rm**	Total equity Rm
Profit for the year	**16 206**	**3 800**	**20 006**	19 269
Other comprehensive income after tax for the year – continuing operations	**6 205**	**1 698**	**7 903**	1 070
Items that may be reclassified subsequently to profit or loss:				
Exchange rate differences on translating equity investments in foreign operations	**6 276**	**1 809**	**8 085**	544
Foreign currency hedge of net investment	**(176)**		**(176)**	181
Cash flow hedges	**298**	**(59)**	**239**	(230)
Available-for-sale financial assets	**69**	**22**	**91**	194
Items that may not be reclassified to profit or loss:				
Defined benefit fund remeasurements	**(202)**	**16**	**(186)**	383
Other losses	**(60)**	**(90)**	**(150)**	(2)
Other comprehensive income after tax for the year – discontinued operations				615
Total comprehensive income for the year	**22 411**	**5 498**	**27 909**	20 954
Attributable to non-controlling interests		**5 149**	**5 149**	3 178
Attributable to equity holders of the parent	**22 411**	**349**	**22 760**	17 776
Attributable to preference shareholders		**349**	**349**	352
Attributable to ordinary shareholders	**22 411**		**22 411**	17 424

1 Restated.

Headline earnings – IFRS

for the year ended 31 December 2013

	Change %	2013 Rm	2012[1] Rm
Profit for the year from continuing operations	11	**17 228**	15 456
Headline adjustable items added		**350**	21
Goodwill impairment – IAS 36			777
Profit on sale of property and equipment – IAS 16		**(4)**	(31)
Realised foreign currency translation profit on foreign operations – IAS 21		**(16)**	(119)
Gains on the disposal of businesses and divisions – IAS 27		**(91)**	(188)
Transactions with associates – IAS 28/IFRS 3			(217)
Impairment of intangible assets – IAS 36		**477**	264
Realised gains on available-for-sale assets – IAS 39		**(16)**	(595)
Loss on net investment hedge reclassification on disposal of associate – IAS 39			130
Taxation on headline earnings adjustable items		**(88)**	13
Non-controlling interests' share of headline earnings adjustable items		**(85)**	19
Standard Bank Group headline earnings from continuing operations	12	**17 405**	15 509
Profit for the year from discontinued operations	(>100)	**(1 022)**	590
Headline adjustable items reversed		**603**	(1 547)
Profit on sale of property and equipment – IAS 16			1
Realised gains on available-for-sale assets – IAS 39			(23)
Gain on the disposal of discontinued operation – IAS 27			(1 525)
Impairment of non-current assets held for sale – IFRS 5		**603**	
Taxation on headline earnings adjustable items			10
Non-controlling interests' share of headline earnings adjustable items			2
Standard Bank Group headline earnings from discontinued operations	(56)	**(419)**	(945)
Standard Bank Group headline earnings	17	**16 986**	14 564

1 Restated.

Financial statistics – IFRS

for the year ended 31 December 2013

	Change %	2013	2012[1]
Number of ordinary shares in issue (000's)			
End of period	3	**1 584 449**	1 535 917
Weighted average	3	**1 566 694**	1 521 510
Diluted weighted average	2	**1 606 782**	1 573 168
Cents per ordinary share			
Headline earnings	13	**1 084,2**	957,2
Continuing operations	9	**1 110,9**	1 019,3
Discontinued operations	(57)	**(26,7)**	(62,1)
Diluted headline earnings	14	**1 057,1**	925,8
Continuing operations	10	**1 083,2**	985,8
Discontinued operations	(57)	**(26,1)**	(60,0)
Dividend	17	**533,0**	455,0
Net asset value	13	**8 138**	7 232
Financial performance (%)			
ROE		**14.2**	14.2
Net interest margin on continuing operations[2]		**3.67**	3.62
Credit loss ratio on continuing operations[2]		**1.12**	1.19
Cost-to-income ratio[2]		**56.8**	55.7
Capital adequacy ratios (unaudited) (%)			
Basel III			
Tier I capital		**13.2**	11.2[3]
Total capital		**16.2**	14.3[3]

1 Restated.
2 Banking activities.
3 Pro forma Basel III.

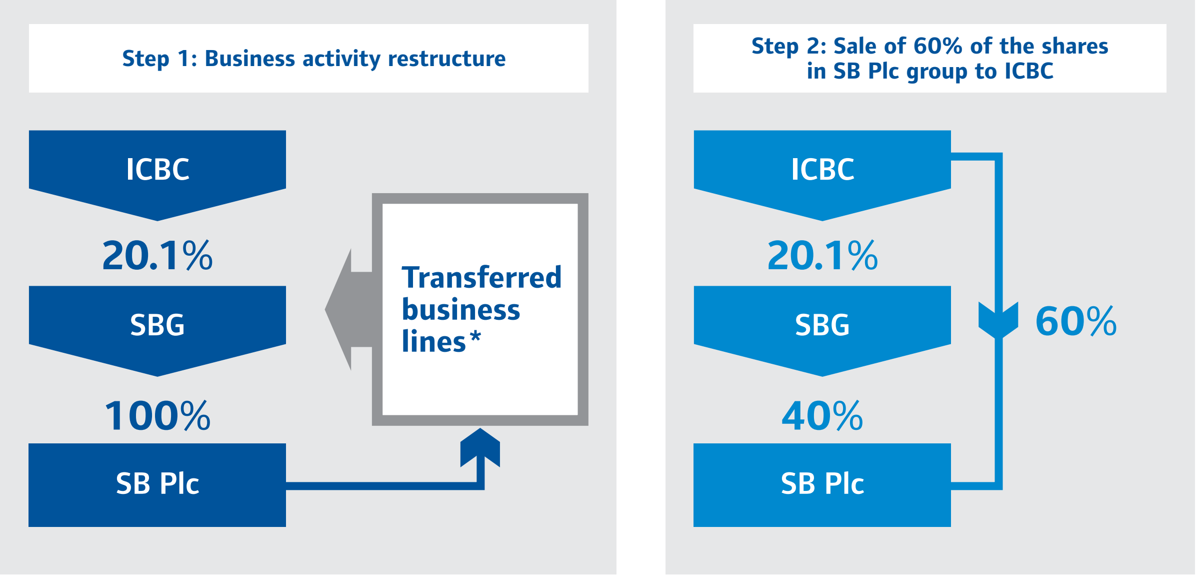
Key accounting concepts

As part of our efforts to make our integrated report accessible and understandable to our stakeholders, a guide to explain key accounting concepts that are fundamental to understanding our business has been provided.

Held for sale and discontinued operations

Strategic and operating context

On 29 January 2014, we announced that we had agreed terms to sell our London-based global markets business to our strategic partner and shareholder, ICBC. SB Plc is the principal group entity impacted by the proposed transaction. In terms of the agreement, certain business lines will be transferred to the group to restructure SB Plc as a focused outside Africa global markets business. Following this restructure, we will sell 60% of our interest in SB Plc to ICBC and retain a 40% shareholding.



* Transferred business lines include investment banking, TPS, principal investment management and service units of SB Plc.

PG Details of the accounting treatment for the transaction can be found on page 73 of the financial review.

Q What does the classification 'held for sale' mean?

The classification of non-current assets and liabilities as held for sale means that we intend to recover the value of those assets and liabilities through sale rather than continuing use. This allows us to differentiate between the assets and liabilities we intend to sell and those we intend to continue using.

In terms of the proposed transaction, we reclassified the held for sale assets and liabilities into separate line items in the statement of financial position (namely *'non-current assets held for sale'* and *'non-current liabilities held for sale'*) because:

- our board has approved the sale of SB Plc
- we entered into a sale agreement with ICBC in respect of the sale of control of SB Plc
- we expect that the proposed transaction will be completed after the third quarter of 2014, and
- we intend to realise the value of SB Plc's assets and liabilities through the proposed sale.

Q What is included in the held for sale classification?

SB Plc comprises the outside Africa global markets operations and other business operations, such as investment banking, TPS and principal investment management.

The disposal of SB Plc will include only the outside Africa global markets operations, with these assets and liabilities being classified as held for sale. These other business operations are excluded from the proposed transaction and will be absorbed into our other operations.

Although we will retain a 40% shareholding in SB Plc once the proposed transaction is completed, IFRS requires us to classify all of SB Plc's assets and liabilities (being the outside of Africa global markets operations as mentioned above) as held for sale. From an accounting perspective, IFRS regards the proposed transaction as being two unrelated transactions: firstly, a disposal of 100% of SB Plc, followed by the group acquiring an interest of 40% in SB Plc.

Q Why only show the held for sale disclosure for the current reporting period?

The statement of financial position reflects our intentions, rights and obligations with respect to our assets and liabilities at each financial year end. Since we did not intend to dispose of SB Plc at 31 December 2012, the statement of financial position needs to reflect our intention at that date to use the assets and liabilities as part of our continuing operations.

The 31 December 2013 financial position reflects our intention to dispose of the assets and liabilities of SB Plc within 12 months from our financial year end. Accordingly, the assets and liabilities of SB Plc are reclassified as held for sale in our financial statements for this period.

Q Does the transaction affect the income statement?

Yes it does. The held for sale classification will reflect an impairment loss to the group in the income statement and under IFRS, the results of SB Plc for the year are required to be separately disclosed as a discontinued operation.

Q How does the held for sale classification impact the income statement?

Once we classify SB Plc as held for sale, we re-measure the value of its assets and liabilities to the lower of its carrying amount (net asset value recorded in the statement of financial position) and its fair value less costs to sell.

The fair value less costs to sell can be determined based on the terms of the proposed transaction. As we are intending to dispose of a controlling interest in SB Plc at an amount that is less than its net asset value, this fair value less cost to sell is the relevant measure. This difference is an implied discount of USD133 million on the whole of SB Plc and is recognised as an impairment to the carrying value of our interest in SB Plc. IFRS limits the recognition of the full impairment in the 2013 income statement. The impairment is limited to the carrying value of SB Plc's recognised non-financial assets, being its property, equipment and intangible assets, which together total USD58 million (R603 million).

The balance of the impairment of USD75 million, or part thereof, will be recognised on completion of the transaction.

PG **The total loss recognised on the impairment of SB Plc is excluded from headline earnings, as per page 84.**

Q Why are SB Plc's results shown separately as a discontinued operation?

Once the proposed transaction is completed, we will still have global markets operations in South Africa and in other African operations. SB Plc's global markets operations are located outside of these geographic areas of operation. Where the disposal is material to our financial results, we show the results of these disposed operations separately as a single line in the income statement.

We believe that presenting the results in this manner is useful, as it shows how our results are likely to change after SB Plc is disposed of and the operating results of its global markets operations are no longer included in the group's results. For the same reason, we show the 2012 performance result for SB Plc's global markets operations as a single discontinued operations line.

The results for the other businesses that are excluded from the proposed transaction will be reported as part of the group's continuing operations.

For 2013, our income statement shows the USD58 million (R603 million) loss recognised in a separate line, and the total performance result for SB Plc for both 2013 and 2012 is presented under a discontinued operations line within the income statement.

Q What about transactions between the rest of the group and SB Plc?

IFRS requires transactions between the group (intragroup income and expenses) to be eliminated in full on consolidation. We have elected an accounting policy, in line with market practice, through which we report results from intercompany transactions between our continuing and discontinuing operations separately. We have done this to provide a more relevant view of the group's results after the completion of the transaction.

For example, SB Plc's global markets operations are funded by other group entities. The interest charge on this intragroup funding has historically been eliminated in full in presenting our income statement. To provide a better understanding of our results, the interest charge on intragroup funding relating to SB Plc's global markets operations has instead been included in the results for our discontinued operations. Similarly, the interest received by the group entities that have funded the global markets operations forms part of the group's continuing operations. This is also applied to all other intragroup transactions between the group's continuing and discontinued operations.

Q Which periods will SB Plc be classified as held for sale?

We will stop classifying SB Plc as held for sale once the proposed transaction has been completed, which is the date at which the group is no longer in control of SB Plc. We expect the transaction to be completed after the third quarter of 2014.

The following table illustrates to which financial periods the classification of the proposed transaction as held for sale will apply, assuming that the proposed transaction is completed in 2014:

Annual results	Current period	Comparative period
2013 financial results	✓	X
2014 financial results	X	✓
2015 financial results	X	X

Q Which periods will results from the discontinued operation be shown in the income statement?

The following table illustrates when the results of the discontinued operation will be included in the income statement, assuming that the proposed transaction is completed in 2014:

Annual results	Current period	Comparative period
2013 financial results	✓[1]	✓[1]
2014 financial results	✓[2]	✓[1]
2015 financial results	X	✓[2]

1 Results for the 12-month period.
2 Results for the period up to date of completion.

Q What other implications are there for the group's financial results?

The other accounting impacts on completion of the transaction include:

- SB Plc's assets and liabilities will be removed from the group's results, where they are currently disclosed as held for sale, as they will be considered sold. A new investment in SB Plc will be recognised and we will include our share of SB Plc's earnings in the income statement (known as equity accounting) from the date of completion of the proposed transaction.
- the balance of the impairment loss of USD75 million that was not recognised in the 2013 financial results will be recognised in the income statement at the USD to ZAR exchange rate at the date of completion.
- at a group level, certain equity reserves that relate to SB Plc which will be released to the income statement. These releases will be included in headline earnings, with the exception of the FCTR. FCTR is a group reserve that arises as a result of the difference between translating SB Plc's equity at historical exchange rates (the rates at which such equity arose) and the closing USD to rand exchange rate.

Summarised risk and capital management report

Introduction

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.

The role of the capital management function is to ensure that regulatory requirements are met at all times and that the group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ratios, both of which are approved by the board.

Both functions work with business to balance performance, growth and risk.

This report is a summary of the full risk and capital management report that complies with the requirements of Basel III and, where applicable IFRS.

RCM AFS

For further details, refer to the risk and capital management report starting on page 3.

How we manage our risks and capital

The group's approach to managing risk and capital is set out in the risk, compliance and capital management governance framework approved by the group risk and capital management committee (GRCMC). The framework has two components:

- governance committees
- governance documents.

Governance committees are in place at both a board and management level. They have clearly defined mandates and delegated authorities which are reviewed regularly. Board subcommittees responsible for the oversight of various aspects of risk and capital management are the GRCMC, the GAC, the group model approval committee and the SBSA large exposure credit committee.

The management committee responsible for the oversight of risk and capital management is the group risk oversight committee (GROC), which is supported by a number of subcommittees. The group IT steering committee, a management committee, provides assurance that management has implemented an efficient IT governance framework that supports the effective management of resources, optimisation of costs and the mitigation of risk in a secure and sustainable manner.

RCM AFS

For further details, refer to the overview section of the risk and capital management report starting on page 3.

Governance documents comprise standards, frameworks and policies which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks, and requirements for the effective management of capital.

The group uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks.

The first line of defence is made up of the management of business lines and legal entities as the originators of risk within the group's risk appetite framework. The second line of defence functions provide independent oversight of risks at a business line and legal entity level. They have resources at the centre and embedded within the business lines. Central resources provide groupwide oversight of risks, while resources embedded within the business lines support management in ensuring that their specific risks are effectively managed as close to the source as possible. The risk management functions, other than compliance, report to the group chief risk officer. Compliance reports are submitted to the group chief compliance officer.

Group internal audit (GIA) is the third line of defence and reports to and operates under a mandate from the GAC. In terms of its mandate, the GIA function's role is to provide independent and objective assurance. The GIA has the authority to independently determine the scope and extent of work to be performed. All the GIA employees in the group report operationally to the group chief audit officer and operationally to the management of their legal entity.

How we think about our reputation

Safeguarding the group's reputation is of paramount importance. There is growing emphasis on reputational risks arising from compliance breaches, as well as from ethical considerations linked to countries, clients and sectors, and environmental considerations.

The group's crisis management processes are designed to minimise the reputational impact of the event giving rise to reputational risk. Crisis management teams are in place both at executive and business unit level to ensure the effective management of any such events. This includes ensuring that the group's perspective is fairly represented in the media.

The group's code of ethics (the code) is an important reference point for all staff. The group ethics officer and joint chief executives are the formal custodians of the code of ethics.

For further details, refer to www.standardbank.com/ethics.aspx

How we deal with regulatory change

The breadth of our product offering as well as the number of developing and developed countries in which we operate licensed banks and insurance companies, and in which our clients are based, together mean the group is impacted by most of the regulatory changes facing the global financial services industry. Given the increasing pace and complexity of these global regulatory changes and the country-specific variations, the regulatory and legislative oversight committee, a group risk oversight subcommittee chaired by a co-chief executive officer, assesses the risks and opportunities associated with regulatory change and provides guidance to the group.

In recognition of the significance of the Basel III regulatory developments an update is provided below.

For more information on other material regulatory developments, refer to annexure A of the risk and capital management report starting on page 93.

Basel III update

Basel III is a comprehensive set of reform measures, developed by the BCBS, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:

- improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- improve risk management and governance
- strengthen banks' transparency and disclosures. (source: BCBS).

South Africa is one of the 11 BCBS member countries that adopted Basel III on 1 January 2013.

Most of these reform measures are subject to phase-in requirements. We have set out below the timelines of the two key components of the reform measures, being:

- more robust capital requirements
- more robust liquidity requirements.

The group has been compliant with the minimum requirements from 1 January 2013 and is well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

Basel III implementation timeline

Liquidity	2013	2014	2015	2016	2017	2018	2019
LCR	Bank disclosure starts		60% minimum standard	70% minimum standard	80% minimum standard	90% minimum standard	100%
NSFR	Bank disclosure starts					100%	100%

Capital management

Q What is capital management and what are its objectives?

The group's capital management framework is designed to ensure that regulatory requirements are met at all times and that the group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ratios, both of which are approved by the board.

The capital management division within treasury and capital management comprises:

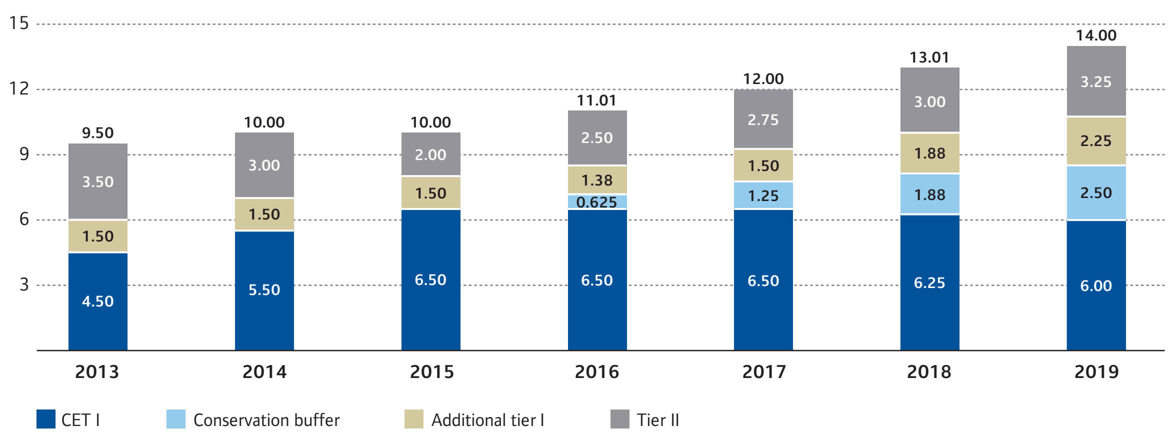
- **Strategic capital management function:** Key responsibilities include raising capital to enable growth opportunities and to provide an optimal capital structure, advising on the dividend policy, facilitating capital allocation, risk-adjusted performance measurement, and managing the internal capital adequacy assessment process (ICAAP), including stress testing of capital supply and demand.
- **Portfolio analysis and reporting function:** Key responsibilities are calculating and analysing regulatory and economic capital, and managing the capital budgeting process.
- **CIB and PBB capital management functions:** Key responsibilities include providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.
- **Regional capital management function:** Key responsibilities are supporting the group's operations in the rest of Africa and outside Africa.

Q How do we manage capital?

The primary GROC subcommittees that oversee the risks associated with capital management are the group asset and liability committee (ALCO) and its subcommittee, the group capital management committee.

The group manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.

SARB minimum ratios (capital as a percentage of risk-weighted assets)[1] effective 1 January each year (%)



[1] Graph excludes countercyclical buffer and confidential bank-specific pillar 2b capital requirement, but includes maximum potential D-SIB requirement, which is also bank specific and also confidential.

Q How is regulatory capital measured?

The main regulatory requirements to be complied with are those specified in the Banks Act and related regulations which are broadly consistent with Basel III.

Regulatory capital adequacy is measured through three risk-based ratios being CET I, tier I and total capital adequacy. These ratios are a measure of the capital supply relative to the capital demand as measured by the total risk-weighted assets, and are measured against internal targets and regulatory minimum requirements.

The group's capital supply consists of the following:

- **CET I:** ordinary share capital, share premium and appropriated retained earnings divided by total risk-weighted assets.
- **Tier I:** CET I plus perpetual, non-cumulative instruments with principal loss-absorption features issued under Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements over a 10-year period, effective on 1 January 2013.
- **Total capital adequacy:** Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III and subordinated debt instruments issued under Basel I and II rules divided by total risk-weighted assets. Subordinated debt is subject to regulatory phase-out requirements effective on 1 January 2013.

The capital demand is a function of the group's risk-weighted assets which is computed by applying risk weights as required in terms of the Banks Act regulations and internally derived risk parameters. The group's risk-weighted assets consist of both on- and off-balance sheet exposures. Capital requirements for market, operational and other risks are also included.

The group complied with all externally imposed capital requirements during the current and prior year.

The group's CET I capital, including unappropriated profit, is R105,8 billion as at 31 December 2013 (31 December 2012: R89,5 billion). The group's tier I capital, including unappropriated profit, is R110,8 billion as at 31 December 2013 (31 December 2012: R94,4 billion) and total capital, including unappropriated profit was R136,1 billion as at 31 December 2013 (31 December 2012: R120,2 billion). The above comparatives are disclosed on a Basel III pro forma basis.

Q How is economic capital measured?

Economic capital adequacy is the internal basis for measuring and reporting all quantifiable risks on a consistent risk-adjusted basis. The group assesses its economic capital adequacy by measuring its risk profile under both normal and stress conditions. Economic capital is a key input into the day-to-day management of the group's risks and, as an input to pricing, the ROE.

Economic capital adequacy is incorporated in the group's ICAAP. ICAAP is a Basel regulatory requirement which covers both quantitative and qualitative capital management processes within the group and includes risk management, capital management and financial planning governance.

Q What happened during 2013?

The group has successfully maintained its strong capital position, meeting or exceeding all target ratios. The SARB adopted the Basel III framework from 1 January 2013 and the group has been compliant with the minimum requirements to date.

Key indicators

		2013	2012
CET I capital adequacy ratio	%	**12.6**	10.6
Tier I capital adequacy ratio	%	**13.2**	11.2
Total capital adequacy ratio	%	**16.2**	14.3
Risk-weighted assets	Rbn	**841 272**	841 835
Economic capital coverage ratio	times	**1.63**	1.50

Looking ahead

Specific focus areas include:

- ensuring that the group is adequately positioned to respond to regulatory capital rules under the Basel III phase-in requirements
- providing an optimal capital mix for the group
- optimising capital and liquidity allocation between product lines, trading desks, industry sectors and legal entities to enhance the overall group economic profit and ROE.

RCM AFS

For further details, refer to the capital management section of the risk and capital management report starting on page 15.

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. Credit risk is composed of counterparty risk (including primary, pre-settlement, issuer and settlement risk) and concentration risk.

The group's credit risk arises from wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with our clients, and market counterparties.

How do we manage it?

The group manages credit risk through:

- maintaining a strong culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk clearly and accurately across the group, from the level of individual facilities up to the total portfolio
- defining, implementing and continually re-evaluating our risk appetite under actual and stress conditions
- monitoring the group's credit risk relative to limits
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

Primary responsibility for credit risk management resides with the group's business lines. This is complemented with an independent credit risk function embedded within the business units, in turn supported by the overarching group risk function.

What happened during 2013?

Net loans and advances to customers increased by 9% in 2013, while group credit impairments rose 5%, reflecting a more normalised level of corporate credit losses. PBB's credit loss ratio increased to 1.47% (2012: 1.39%), mainly due to small and medium enterprise lending in the rest of Africa and higher losses in card products and instalment sale and finance leases. The mortgage portfolio continued its improving trend with non-performing loans and credit losses declining in 2013. CIB's credit loss ratio declined to a more normalised 0.36% from the high level of 0.63% in 2012.

Key indicators

		2013[1]	2012
Credit loss ratio	%	**1.04**	1.08
Gross loans and advances	Rbn	**919**	832
Gross specific impairment coverage ratio	%	**48**	41
Non-performing loans ratio	%	**3.3**	3.8
Unsecured exposures as a percentage of total exposures	%	**35.9**	40.3

1 The 2013 key indicators include the discontinued operations.

RCM AFS

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

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. Focus will continue to be placed on standardising credit risk methodologies and processes across the group, and on enhancing stress-testing practices. Another key focus area will include refining the credit risk governance standard and supporting tools to align to the group's credit risk appetite and tolerance.

Country risk

Q What is country risk and how does it arise?

Country risk, also referred to as cross-border transfer risk, is the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfil its obligations to the group due to political or economic conditions in the host country.

Q How do we manage it?

All countries to which the group is exposed are reviewed at least annually. For each country to which the group has exposure, internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the group's network of operations, country visits and external information sources. These ratings are also a key input into the group's credit rating models, with credit loan conditions and covenants linked to country risk events.

The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a country risk grade (CR) from CR01 to CR25, or a sovereign risk grade, transfer and convertibility (SB) rating scale from or SB01 to SB25. Countries rated CR08 and higher, referred to as medium- and high-risk countries, are subject to increased analysis and monitoring.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance
- co-financing with multilateral institutions
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

Q What happened during 2013?

The relative concentration of cross-border exposure to the sub-Saharan region continued to increase, consistent with the group's strategic focus.

Key indicators

		2013	2012
Medium- and high-risk country risk exposures	%	**57.9**	48.7
Sub-Saharan Africa	%	**32.7**	19.7
Other	%	**25.2**	29.0
Low-risk country risk exposures	%	**42.1**	51.3
	%	**100.0**	100.0

Risk exposures exclude exposures to South Africa.

RCM AFS

For further details, refer to the country risk section of the risk and capital management report starting on page 57.

Looking ahead

- Country risk appetite and the mitigation of country-specific risks will be proactively managed in response to a challenging global economic and political risk environment.

Liquidity risk

What is liquidity risk?

Liquidity risk is the risk that the counterparties who provide the group with short-term funding will withdraw or not roll over that funding.

How do we manage it?

The nature of banking and trading gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This type of event may arise where counterparties who provide the group with short-term funding withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The group manages liquidity in accordance with applicable regulations and within the group's risk appetite. The group's liquidity risk management governance framework supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met by the group's legal entities, under both normal and stressed conditions. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The group's liquidity risk management framework differentiates between:

- **Tactical (shorter-term) risk management:** managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates in accordance with requirements.
- **Structural (long-term) liquidity risk management:** ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- **Contingent liquidity risk management:** monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

In periods of stable market conditions, the group's consolidated liquidity risk position is monitored at least quarterly by group ALCO. In periods of increased volatility, the frequency of meetings is increased as required to facilitate appropriate and timely management action.

The group's wholesale funding strategy is derived from projected net asset growth. Funding requirements and initiatives are assessed in accordance with ALCO's requirements for diversification, tenor and currency exposure, as well as the availability and pricing of alternative liquidity sources.

What happened during 2013?

During 2013, 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 implications of the proposed Basel III liquidity framework continued to be an area of focus, especially the LCR, with the support of the SARB's committed liquidity facility that was confirmed during 2013.

The group's liquidity contingency recovery plan was comprehensively reviewed and presented by the board to SARB during the year. The updates were completed in conjunction with the construction of an integrated recovery plan for the group. The integrated recovery plan framework will guide the board and management to reduce the group's risk profile during severe stress to ensure the group's survival.

Key indicators

		2013	2012
Long-term funding ratio	%	**19**	24
Total liquidity	Rbn	**223**	212
In excess of prudential requirements	Rbn	**154**	151
Prudential requirements	Rbn	**69**	61

For further details, refer to the liquidity risk section of the risk and capital management report starting on page 60.

Looking ahead

Specific focus areas include:

- refining funds transfer pricing methodologies across the group to accurately price and measure the internal cost of funding
- ensuring the group is adequately positioned for the Basel III liquidity phase-in requirements with effect from 1 January 2015
- extending SBSA's asset and liability management system and automated reporting to the group's rest of Africa banking entities.

The updates to the Banks Act were implemented in 2013 and are in line with Basel III. The updates require a number of changes to the group's liquidity reporting. These include additional tenor buckets, providing additional information on off-balance sheet exposures and submitting group LCR and NSFR calculations on a quarterly basis.

Market risk

Q What is market risk and how does it arise?

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

The group's key market risks are:

- trading book market risk, which results from financial instruments held on the trading book in support of global markets' trading activity
- interest rate risk in the banking book (IRRBB), which results from the different repricing characteristics of banking assets and liabilities
- equity risk in the banking book, which results from the group's investment in listed and unlisted equities
- foreign currency risk, which is the translation effect on the group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Q 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.

Q What happened during 2013?

From a trading book perspective, 2013 was a year of consolidation in Europe, mild recovery in the US, slowing down in Asia and initial actions by central banks to tighten monetary policy which resulted in acute volatility on emerging markets.

Trading book market risk remained within approved limits, despite very volatile conditions mid-2013 affecting emerging markets. Average value-at-risk (VaR) remained low and as the group continued to implement a conservative approach to market risk. The daily profit and loss results for the year showed a profit for 245 out of 259 trading days, which is reflective of CIB's client flow business model (2012: 248 out of 260 days).

The group's banking book interest rate risk remained within approved limits, with the largest exposure on the SBSA balance sheet.

Key indicators

		2013	2012
Trading book			
VaR model status from back-testing		**Satisfactory**	Satisfactory
Average VaR exposure	Rm	**45,8**	49,1
Average stressed VaR exposure	Rm	**396,7**	389,5
Closing VaR exposure	Rm	**37,8**	36,6
Closing stressed VaR exposure	Rm	**475,7**	447,8
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**	2 702
Equity risk in the banking book			
Total fair value of exposure	Rm	**2 852**	3 492
Foreign currency risk			
Impact of 10% (2012: 5%) depreciation in foreign currency rates on other comprehensive income and/or profit or loss – banking	Rm	**414**	(274)

Looking ahead

- From a trading book market risk perspective, particular emphasis will be placed on key upgrades of the group's risk system automation and integration within the risk systems, as well as policy and process harmonisation, and providing input into the Basel III fundamental trading book proposed regulations.
- The group 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.

RCM AFS

For further details, refer to the market risk section of the risk and capital management report starting on page 68.

Insurance risk

Q What is insurance risk and how does it arise?

Insurance risk is the risk that future demographic and related expense experience will exceed the allowance for expected demographic experience and expenses, as determined through measuring policyholder liabilities and ultimately against the product pricing basis.

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, policyholder behaviour or expense experience in the case of life products, or claims incidence and severity assumptions in the case of short-term insurance products.

Insurance risk applies to long-term insurance operations housed in Liberty and the short-term insurance operations housed in Liberty Africa and Standard Insurance Limited.

Q 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.

Q What happened during 2013?

The group focused on building capacity for the forthcoming SAM regulations, including embedding a number of insurance risk-related policies across the group's long- and short-term insurance operations.

Looking ahead

- Focus will continue to be placed on the insurance risk components of the SAM programme. These include implementation of economic capital methodologies.

RCM AFS

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

Operational risk

Q 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 number of subtypes:
- model risk
- tax risk
- legal risk
- compliance risk
- environmental and social risk
- business continuity management and resilience
- technology risk
- information risk
- financial crime control
- occupational health and safety.

Q How do we manage it?

Operational risk exists in the natural course of business activity. It is not the objective to eliminate all exposure to operational risk, as this would be neither commercially viable nor possible. The group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile, while maximising their operational performance and efficiency.

The operational risk management function is independent from business line management and is part of the second line of defence. It is responsible for:
- development and maintenance of the operational risk governance framework
- facilitating business's adoption of the framework, oversight and reporting
- challenging the risk profile.

The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions.

Individual teams are dedicated to each business line and enabling functions such as finance, information technology and human capital. These teams work alongside their business areas and facilitate the adoption of the operational risk governance framework. As part of the second line of defence, they also monitor and challenge the business units' and enabling functions' management of their operational risk profile.

A central function, based at a group level, provides groupwide oversight and reporting. It is also responsible for developing and maintaining the operational risk governance framework.

The group buys insurance to mitigate operational risk. This cover is reviewed annually. The group insurance committee oversees a substantial insurance programme. The primary insurance policies in place are the group crime, professional indemnity, and group directors' and officers' liability insurance policies. The group does not include insurance as a mitigant in the calculation of regulatory capital.

Q What happened during 2013?

The group adopted an integrated approach to risk management, consolidating the group financial crime control, group physical security, security risk management and operational risk management units into a single integrated operational risk management unit. This integrated approach will equip the group to deal with the increased complexity and challenges facing operational risk management. Cyber-crime is on the rise as technology becomes more readily available. The US's Federal Bureau of Investigations listed South Africa as the sixth most active country in terms of cyber-crime. As we move banking to digital and mobile channels, the number of risks increase exponentially, especially as fraudsters use advancing technology. The group continues to monitor and manage these risks as it increasingly adopts both digital and mobile technology.

Progress continues to be made in terms of implementing the integrated operational risk (IOR) framework to support the introduction of the advanced measurement approach throughout the group.

The group expanded its fraud awareness initiative, which proved to be an effective deterrent mechanism. Other initiatives include the introduction of a risk grading system to support the group's proactive approach to combatting financial crime and investing in IT capabilities. A cyber security operations centre was established.

The group's risk, compliance and capital management (RCCM) framework was extended to include an informational technology risk governance standard, which is overseen by a dedicated executive.

Personal loss suffered by Standard Bank clients due to robberies has decreased by 4%. ATM attacks also decreased by 5% and the cash losses suffered as a result thereof by 5%. The overall year to date number of violent crime incidents has decreased by 8%. SBSA's share of industry violent crime incidents was 18.4% (2012: 18.5%).

Compliance continued the embedding of a culture of compliance throughout the group. This was manifested in training and awareness initiatives and increased automation of systems introduced to enhance regulatory compliance, especially in the money laundering and sanctions control areas. The regulatory focus on market conduct compliance gave rise to the establishment of a privacy office, the introduction of a protection of personal information project, and the implementation of a revised conflicts control model. Alignment of the compliance framework in our African banking operations gained momentum and continues to be a focus area for 2014. There has been an increased intensity in regulatory supervision of banks internationally. The group's UK subsidiary, SB Plc, was fined by the UK regulator for not applying its own anti-money laundering policies and procedures. Extensive remediation exercises were undertaken to address these shortcomings.

There was a significant increase in litigation against certain of our African businesses, all of which are being defended and none of which are expected to have a material adverse impact on the group. Legal resources were restructured and enhanced to improve the processes and controls to manage legal risks.

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.

Looking ahead

- Increasing complexity in banking coupled with the evolving landscape facing banking today, increases the significance of sound operational risk management. Effective operational risk focus not only reduces the financial impact of losses but in effect drives the reduction in regulatory and reputational risk. Stakeholders demand safe and secure banking.
- Areas of focus include ensuring secure physical and system infrastructure, promoting continuous customer and employee awareness of financial crime, and fighting crime through supporting industry initiatives in all presence countries and the South African Banking Risk Information Centre.
- Quantitative methodologies will be refined to better measure the operational risk profile in relation to risk appetite and tolerance. These will be piloted in SBSA and rolled out to other group entities.
- Authentication and authorisation controls for critical banking systems will be strengthened. Internal access controls will be improved through external partnerships to contain and frustrate cyber-crime attempts. The improved management, use and communication of sensitive information will also be a key focus. The cyber security operations centre will operate on an around-the-clock basis.
- Technical solutions for the monitoring of physical security and response to incidents across all branch networks will be enhanced.
- Environmental and social risk mitigation will be enhanced through improving the 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.
- The 2014 compliance focus areas will be driven by supervisory expectations, international best practice and legislative developments impacting the financial services sector. The development of automated regulatory surveillance capability will continue in the areas of anti-money laundering and combating the financing of terrorism, sanctions management and market abuse, which are focus areas of regulators internationally.
- TCF regulatory regime is being introduced in South Africa and an internal TCF programme has been created to assist in meeting the TCF outcomes. Other areas of focus in South Africa include the Financial Advisory and Intermediary Services Act, the South African Consumer Protection Act 71 of 2008, the National Credit Act and the recently promulgated Protection of Personal Information Act 4 of 2013 (PoPI). Training and awareness initiatives will continue to be undertaken to ensure that staff members are aware of their regulatory responsibilities relating to relevant legislation.
- As the regulatory environment continues to evolve, we recognise the need to continuously prepare for the impending changes. The group's regulatory engagement and preparation will remain a focus for the year ahead.
- In addition to managing the risks arising in the ordinary course of business, the group has identified the key potential operational risk threats for 2014, which will be addressed within the group's risk management framework, namely financial crime, cyber security, technology risks, internal controls and regulatory risks.

RCM AFS

For further details, refer to the operational risk section of the risk and capital management report starting on page 85.

Chairman's overview

Fred Phaswana
Chairman

Dear stakeholder

On behalf of the Standard Bank Group board, I am pleased to present the group's corporate governance statement for 2013. This report gives details on our progress, achievements, challenges and areas in which we seek to improve.

We aim to ensure that good corporate governance continues to provide a solid basis for our business, in promoting transparent and ethical business conduct at all levels and continuing to add value for our stakeholders. We hold the view that while governance structures and processes are important, it is how well they are implemented and function within the group that is the question that we must carefully consider. The group's directors' affairs committee has been mandated by the board to review the effectiveness and adequacy of the group's governance structures at least annually.

The board

The board dealt with a number of important matters during 2013, from implementing the chief executive succession plans to evaluating the evolution of the board's performance over the last three years. This took into account the evaluation reports and recommended action plans implemented over this period, which will inform the next cycle of the board programme.

Following a board decision over two years ago to commence the chief executive succession plans for the group, the process culminated in the appointment of Ben Kruger and Sim Tshabalala as the group chief executives on 7 March 2013.

On behalf of the board, I once again pay tribute to Jacko Maree, under whose leadership the group flourished for 13 years. He has left an indelible mark on Standard Bank Group, a legacy which we continue to build upon.

As the board's primary link between the group chief executives and the board, I am pleased to note how Ben and Sim complement each other's skills in navigating the scale and complexity of the organisation. I am confident in their ability to lead the group forward as we continue to face great change in the sector.

PG **Further details on the role of the chairman and group chief executives are contained in the corporate governance report on page 109.**

The board, committees and directors' evaluation affords us the opportunity to continuously improve and evolve governance in the group. We engaged the services of an independent service provider to assist the board in its self-evaluation for three successive years, and in 2013 we extended the mandate to include an assessment of how the board has evolved and the extent of implementation of findings from previous years. This was augmented by a director peer review process to provide constructive feedback to each director to support continuous improvement at an individual level.

PG **The results of the 2013 board evaluation are contained within the corporate governance report on page 111.**

I am pleased with the progress the board has made, in working as an effective and cohesive unit that draws on the strengths of each director without placing undue reliance on any one individual. We consider the board's strength to be its ability to leverage its collective experience and wisdom, and its willingness to ask the seemingly simple questions that ensure that all avenues have been explored prior to making a decision on matters of strategy and the assessment of risk.

The board held its annual strategy review in October 2013, a seminal event in many respects. Having accepted an invitation from the group's major shareholder, ICBC, to visit its operations in China to better understand its strategy, plans and culture, the board spent a day prior to the strategy session interacting with ICBC senior leadership.

We reviewed the achievements to date for our strategic partnership, and looked at plans for deepening cooperation between the two entities. While it is difficult to fully express the value of this interaction, we are pleased to note that cooperation between the group and ICBC continues to move from strength to strength. This was recently demonstrated in the transaction announced in respect of our Standard Bank Plc global markets operations.

The board strategy review included in-depth discussions on the impact of technology on banking, particularly retail banking, together with opportunities and challenges presented by this technology revolution. We also reviewed progress achieved against the strategic objectives agreed between the board and senior leadership.

Our values and culture continue to be the cornerstone of governance across the group. There is no substitute for ethical leadership in living the values and embedding the correct institutional culture in the life of any institution. The evaluation of each employee's performance includes an assessment of how well they demonstrated our values in performing their day-to-day business. How this is, in turn, linked to reward and remuneration is more fully discussed in the remuneration report.

The challenges

The period in review proved to be a challenging year for the group and the banking sector as a whole, measured against the backdrop of difficult market conditions and a fast-changing regulatory environment. The board and the group audit and risk and capital management committees, in particular, have committed extensive time to ensuring that we meet all regulatory requirements, including Basel III that was adopted by the SARB with effect from 1 January 2013.

There is constant tension in addressing the challenge of ever-increasing regulations in the financial services sector and the matters required to be presented for consideration by boards. This challenge cannot be simply dealt with by producing templates and concise summaries, and the chairman of our risk and capital management committee, Myles Ruck, is working with the executive team in an ongoing effort to reduce the size of board packs and prioritise matters for the board's consideration.

As mentioned in my previous letter to shareholders, we continue trying to keep abreast of regulatory developments in the different jurisdictions in which the group operates. The complexities of managing regulatory compliance continue to increase, and over the last few years we have substantially increased efforts to ensure that full compliance is achieved in all jurisdictions. We continue to address all these challenges as they arise. The costs associated with these changes continues to escalate.

An unintended consequence of the amount of regulation in the financial services sector is being seen in the reduction of suitable candidates willing to serve as non-executive directors of banks globally. As we continue to implement board succession plans, this is proving to be a challenge that is impacting the timelines we had set. However, we have achieved our target for 2013.

Focus areas

During the year, the board focused on embedding the group's corporate governance structure given the appointment of the group chief executives. Accordingly, the group executive committee was reconstituted and is primarily responsible for helping the group chief executives oversee the execution of strategy and direction of the group as agreed with the board.

A new structure, the group management committee, was constituted and is primarily responsible for guiding the practical working of the group's business units and operational implementation of strategy. This structure brings together key leaders from business units, geographic entities and enabling functions to ensure groupwide alignment.

We schedule director education sessions in advance to ensure full director participation. One of the sessions held in the period in review was with the JSE team, looking at the proactive monitoring processes and typical errors the monitoring team encounters in other issuers' annual financial statements. We also spent time conducting an in-depth analysis of our IT strategy and IT governance as envisaged in the King Code.

As regulations continue to evolve, we constantly look for ways to enhance directors' knowledge. This also happens at board committee level, where time is spent on in-depth discussions on relevant topics such as TCF and impending legislation. This allows the group an opportunity to proactively engage with relevant stakeholders on matters that have a potential to impact our strategy.

We remain committed to the highest standards of corporate governance, integrity and professionalism, and maintain a commercial mindset across the group. Our governance framework operates across our business units, functional operating structures and in the regions where we operate. In the year under review, we continued to monitor the implementation of our subsidiary governance framework and, where necessary, introduced principles of engagement with boards of directors of subsidiary entities.

PG

Our statement of compliance with the King Code is set out on page 121.

Looking ahead

The governance programme for 2014 includes:

- continue implementing board succession plans, taking into account the current and future needs of the group
- continue supporting the group chief executives and executive team as they embed the operating model
- monitor the group's operational and financial performance in line with agreed objectives.

Fred Phaswana

Corporate governance report

Good corporate governance remains integral to the way the group operates. We are committed to operating in a correct, principled and commercially astute manner and staying accountable to our stakeholders. We hold the view that transparency and accountability are essential for our group to thrive and succeed in the short, medium and long term.

This report includes, amongst others:

Our governance framework

The group operates within a clearly defined governance framework. Through this framework, the board balances its role of providing risk oversight and strategic counsel with ensuring adherence to regulatory requirements and risk tolerance.

The governance framework provides for delegation of authority while enabling the board to retain effective control. The board delegates authority to relevant board committees and the group chief executives with clearly defined mandates and authorities, while preserving its accountability.

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 once a year. Mandates for each committee set out its role, responsibilities, scope of authority, composition, terms of reference and procedures.

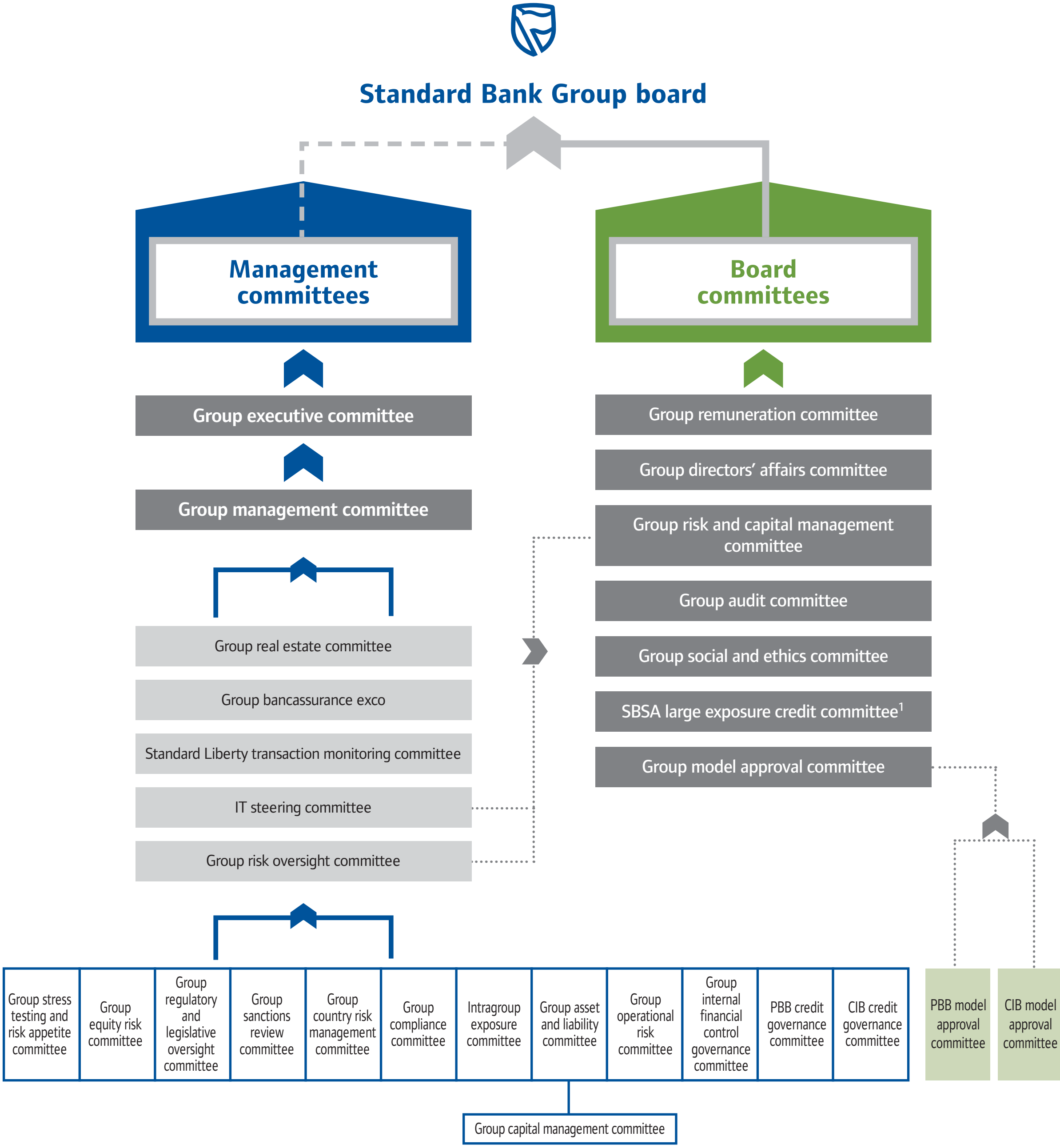
PG **A summary of each committee's key terms of reference, key focus areas for 2013 and the year ahead is set out on pages 112 to 118, and on page 129 for the group remuneration committee (Remco).**

The committees report to the board through their respective chairmen and minutes of all committee meetings are submitted to the board.

The board delegates authority to the group chief executives to manage the business and affairs of the group. This delegated authority is set out in writing, together with the matters reserved for board decision. The group exco assists the group chief executives in the day-to-day management of the affairs of the group, subject to statutory parameters and matters reserved for the board. The group governance office monitors board-delegated authorities. In the period under review the board approved the group's delegation of authority framework for implementation across the group.

PG **The composition of the group exco is set out on pages 26 to 27.**

The board reviewed and approved the 2013 annual integrated report for publication on 5 March 2014.



1 A subcommittee of SBSA.
Solid line: direct reporting line
Dotted line: indirect reporting line

Board of directors

as at 31 December 2013

Fred Phaswana (69) – Chairman of SBG and SBSA

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

Appointed 2009

Fred Phaswana 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 the World Wildlife Fund South Africa and Business Leadership South Africa, and was the honorary president of the Cape Town Press Club.

Board 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

External appointments

- South African Institute of International Affairs (chairman)
- Mondi Plc (joint chairman)
- Mondi Limited (joint chairman)
- Naspers

Doug Band (69) – Independent non-executive director of SBG and SBSA

BCom (Wits), CA(SA)

Appointed 1997

Doug Band previously served as managing director of CNA Gallo, chief executive of Argus Holdings Group and chairman and chief executive of Premier Group.

Board committee memberships

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

External appointments

- Bidvest Group
- Gymnogene Investments

Richard Dunne (65) – Independent non-executive director of SBG and SBSA

CTA (Wits), CA(SA)

Appointed 2009

Richard Dunne was previously the chief operating officer of Deloitte, South Africa.

Board committee memberships

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

External appointments

- Anglo American Platinum
- AECI
- Tiger Brands

Thulani Gcabashe (56) – Independent non-executive director of SBG and SBSA

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

Appointed 2003

Previously, Thulani Gcabashe was chief executive of Eskom and a director of the National Research Foundation.

Board committee memberships

- group/SBSA directors' affairs committees
- group/SBSA audit committees

External appointments

- Imperial Holdings (chairman)
- Built Environment Africa Capital (executive chairman)
- MTN Zakhele (chairman)

Koosum Kalyan (58) – Independent non-executive director of SBG and SBSA

BCom (Hons) (Durban-Westville)

Appointed 2007, resigned 3 March 2014

Koosum Kalyan was a non-executive director until her resignation. She 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.

Board committee memberships

- group social and ethics committee

External appointments

- Edgo Merap (chairman)
- AOS Orwell (Nigeria)
- Aker Solutions Oil and Gas
- MTN Group
- Omega Risk Solutions
- Hayleys Energy Services
- Petmin Mining
- South Africa Bank Note Company, a subsidiary of SARB

Ben Kruger (54) – Group chief executive of SBG, and an executive director of SBSA

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

Appointed 2013

Ben is group chief executive of SBG, and an executive director of SBSA. He is chairman of Standard Bank Plc, and a director of Stanbic Africa Holdings. In 2013, Ben was appointed group chief executive of SBG.

PG

Refer to exco page 26 for full CV.

Board committee memberships

- group social and ethics committee
- group model approval committee (chairman)
- SBSA large exposure credit committee

Other appointments

- Standard Bank Plc (chairman)
- Stanbic Africa Holdings

Yagan Liu (40) – Non-executive director of SBG

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, resigned 16 January 2014

Yagan Liu was a non-executive director of SBG until his resignation from the board. He was chief representative of the ICBC Africa representative office, and the leader of the ICBC work team in SBG.

Board committee memberships

- group directors' affairs committee (alternate director to Hongli Zhang)
- group risk and capital management committee (alternate director to Hongli Zhang)

Saki Macozoma (56) – Joint deputy chairman of SBG and non-executive director of SBSA

BA (Unisa)

Appointed 1998

Saki Macozoma is a member of the board of governors of Rhodes University. He is chairman of the KwaZulu-Natal Philharmonic Orchestra. In 1997, he was appointed as managing director of Transnet, until his resignation in early 2001.

Board committee memberships

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

External appointments

- Liberty Holdings (chairman)
- Stanlib (chairman)
- Tshipi é Ntle Manganese Mining (chairman)
- Ntsimbintle Mining (chairman)
- Safika Holdings (chairman)
- VW South Africa
- Business Leadership South Africa (president)

Kgomotso Moroka (59) – Independent non-executive director of SBG and SBSA

BProc (University of the North), LLB (Wits)

Appointed 2003

Kgomotso Moroka is a senior advocate who 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 and the Apartheid Museum.

Board committee memberships

- group/SBSA directors' affairs committees

External appointments

- Gobodo Forensic and Investigative Accounting (chairman)
- Royal Bafokeng Platinum (chairman)
- South African Breweries
- Multichoice South Africa Holdings
- Netcare

Chris Nissen (55) – Independent non-executive director of SBG and SBSA

BA (Hons), MA Humanities (Cape Town), Diploma in Theology

Appointed 2003

Chris Nissen was previously the chief executive officer of Umoya Fishing Limited. He also served as chairman of Boschendal Limited and the South African Maritime Safety Authority.

Board committee memberships

- group social and ethics committee

External appointments

- Cape Empowerment (chairman)
- Ascension Properties (chairman)
- Woolworths

Simon Ridley (58) – Group finance director and executive director of SBG and SBSA

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

Appointed 2009

Simon Ridley is the group's chief financial officer and 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 2014, he was appointed director, Standard Bank London Holdings Limited.

Board committee memberships

- group model approval committee
- SBSA large exposure credit committee

Other appointments

- Standard International Holdings
- Stanbic Africa Holdings
- SBIC Investments
- Standard Bank London Holdings
- Tutuwa Staff Holdings
- Tutuwa Community Holdings

Myles Ruck (58) – Independent non-executive director of SBG and SBSA

BBusSC (Cape Town), PMD (Harvard)

Appointed 2002

Myles Ruck was previously chief executive of SCMB, deputy chief executive of SBG and chief executive of Liberty Group.

Board committee memberships

- group/SBSA risk and capital management committees (chairman)
- SBSA large exposure credit committee (chairman)

External appointments

- ICBC (Argentina) (vice chairman)
- Mr Price Group
- Thesele Group

Lord Smith of Kelvin, KT (69) – Independent non-executive director of SBG and SBSA

CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)

Appointed 2003

Lord Smith was formerly chairman of the Weir Group Plc, 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 positions in the financial services industry and is past president of the Institute of Chartered Accountants of Scotland.

Board committee memberships

- group/SBSA audit committees

External appointments

- Scottish and Southern Energy (chairman)
- Glasgow 2014 Commonwealth Games Organising Committee (chairman)
- UK Green Investment Bank (chairman)

Peter Sullivan (65) – Independent non-executive director of SBG and SBSA

BSc (Physical Education) (University of NSW)

Appointed 2013

Peter Sullivan was previously chief executive of Standard Chartered Bank, Africa and an executive director and chief executive of Standard Chartered Bank, Hong Kong.

Board committee memberships

- group/SBSA audit committees
- group/SBSA risk and capital management committees

External appointments

- Healthcare Locums Plc (chairman)
- Winton Capital Management Limited (chairman)
- Techtronic Industries
- AXA China Region
- AXA Asia
- Standard Bank Plc

Sim Tshabalala (46) – Group chief executive of SBG and chief executive of SBSA

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

Appointed 2013

Sim is group chief executive of SBG, chief executive of SBSA, a director of Tutuwa Community Holdings and the chairman of BASA. In 2013, Sim was appointed group chief executive of SBG.

PG Refer to exco page 26 for full CV.

Board committee memberships

- group social and ethics committee
- SBSA large exposure credit committee

Other appointments

- Liberty Holdings
- Liberty Group
- Stanbic IBTC Bank
- Stanbic Africa Holdings (chairman)
- Tutuwa Community Holdings
- BASA (chairman)

Ted Woods (67) – Independent non-executive director of SBG and SBSA

BCom (Wits), CA(SA), MBA (Cape Town), CFA

Appointed 2007

Ted Woods was previously chairman of Deutsche Securities, South Africa.

Board committee memberships

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

Hongli Zhang (49) – Joint deputy chairman of SBG

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

Appointed 2010, resigned 16 January 2014

Hongli Zhang was the joint deputy chairman of SBG until his resignation from the board. 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.

Board committee memberships

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

Changes to board composition

Hongli Zhang and Dr Yagan Liu resigned from the board effective 16 January 2014.
Koosum Kalyan resigned from the boards of SBG and SBSA effective 3 March 2014.
Kaisheng Yang and Wenbin Wang were appointed as directors of SBG effective 16 January 2014.

Board of directors

The role of the board

The board provides effective leadership based on an ethical foundation. It strives to balance the interests of the company and those of its various stakeholders.

The board is constituted in terms of Standard Bank Group Limited's memorandum of incorporation (MOI). It is the highest decision-making body in the company and is responsible for the group's strategic direction. It ensures that strategy is aligned with the group's values and monitors strategy implementation and performance targets in relation to the group's risk profile. It is collectively responsible for the long-term success of the group and is accountable to shareholders for financial and operational performance.

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.

The board's terms of reference are set out in a written charter – the board mandate. The mandate is reviewed at least annually and complies with the provisions of the Companies Act and Banks Act, as well as the company's MOI. It sets out processes for the:

- composition of the board
- term of office, including the requirement for at least one-third of directors to retire at each AGM
- reporting responsibilities
- rules of engagement
- matters reserved for board decision.

PG The board's key terms of reference are set out on page 112.

Board meetings allow sufficient time for consideration of all items. Board meetings are normally scheduled for a full day with attendance by directors set out on page 119. Care is taken to ensure that the board attends to matters critical to the group's success, with sufficient attention to compliance and administrative matters. In line with the provisions of the board mandate, board papers are circulated a week before a board meeting.

Composition of the board

The group has a unitary board structure with executive and non-executive directors.

The board functions effectively and efficiently and is considered to be of an appropriate size for the group, taking into account, among other considerations, the need to have sufficient directors to structure board committees appropriately, regulatory requirements as well as the need to adequately address the board's succession plans. Non-executive directors bring diverse perspectives to board deliberations, and constructive challenging of the views of executive directors and management is encouraged.

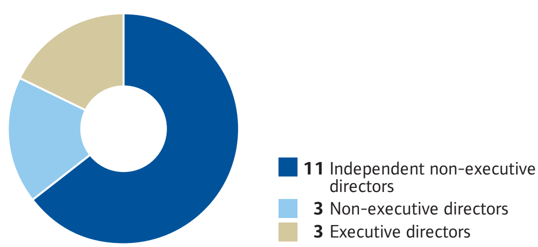
The board understands that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The board members' collective experience and expertise provide a balanced mix of attributes for it to fulfil its duties and responsibilities.

There were four directors appointed to the board in 2013, namely Peter Sullivan (independent non-executive director), Sim Tshabalala (group chief executive), Ben Kruger (group chief executive) and Peter Wharton-Hood (group chief operating officer). Peter Wharton-Hood subsequently resigned from the group and the board in August 2013.

A further two directors retired from the board in the reporting period, namely Cyril Ramaphosa (non-executive director) who retired at the company's AGM and Jacko Maree (executive director) who retired from the board with effect from 7 March 2013. The chairman and the board extend their appreciation to these directors for their immensely valuable contribution over the years.

Following the appointment of Peter Sullivan to the board in January 2013, the implementation of executive succession plans in March 2013 and Cyril Ramaphosa's retirement at the AGM, the group's unitary board structure comprised 17 directors, 11 (64%) of whom are independent non-executive directors, three (18%) of whom are non-executive directors and three (18%) of whom are executive directors (group chief executives and the group financial director).

Mix of directors



Independent non-executive directors

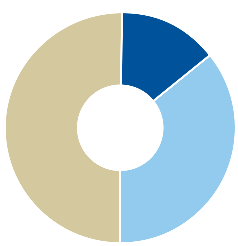
The group directors' affairs committee evaluates the independence of board members for board approval. Independence is determined against the criteria set out in the King Code. It defines an independent director as one who, among others, is not a representative of a shareholder who has the ability to control or significantly influence management or the board; does not have a direct or indirect interest in the company which is less than 5% of the group's total number of shares in issue, but is material to his personal wealth; is free from any business or other relationship which could be seen by an objective outsider to interfere materially with an individual's capacity to act in an independent manner or does not receive remuneration contingent upon the performance of the company. An independent director should be independent in character and judgement and there should be no relationship or circumstances which are likely to affect, or could appear to affect, their independence.

Saki Macozoma is not considered independent due to his interest in the group's strategic empowerment partner, Safika. Hongli Zhang and Yagan Liu, the non-executive directors who represented ICBC, the group's largest shareholder in the period in review, are similarly not considered independent.

The King Code further provides that any term beyond nine years for an independent non-executive director should be subject to a particularly rigorous review by the board, of not only their performance, but also the factors that may impair their independence. The assessment should show that the independent director's independence of character and judgement is not in any way affected or impaired by the length of service. Accordingly, an annual review is conducted of all directors who have served for longer than nine years. The directors being assessed recuse themselves from the meeting.

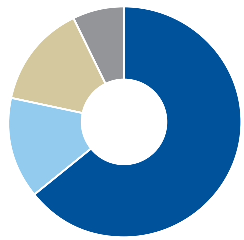
In this respect, the board assessed and has concluded that Doug Band, Thulani Gcabashe, Kgomotso Moroka, Chris Nissen, Lord Smith and Myles Ruck continue to be independent both in character and judgement, notwithstanding tenure. The chairman and all other non-executive directors are independent.

Length of tenure of non-executive directors (years)



The board considers diversity of views and experience to be an essential part of ensuring that all aspects of strategy and plans are fully considered, particularly given that the group has operations across the continent and outside Africa. The board continues to work towards increasing its gender diversity.

Mix of non-executive directors' nationalities



PG **Directors' qualifications and brief curricula vitae are provided on pages 104 to 107.**

Separation of roles of chairman and group chief executives

The roles of chairman and group chief executives continue to be substantively different and separated. The chairman, Fred Phaswana, is an independent non-executive director charged with leading the board, ensuring its effective functioning and setting its agenda, in consultation with the group secretary, the group chief executives and the directors. His duties include facilitating dialogue at board meetings, ensuring proper functioning of the group chief executive structure, setting the board's annual work plan, conveying feedback in a balanced and accurate manner between the board and group chief executives, and assessing the individual performance of directors.

During the chief executive succession process, the board decided that the priorities were both operating experience and the ability to lead the group on a trajectory of long-term value creation. As a result, the board appointed Ben Kruger and Sim Tshabalala as group chief executives. The board has delegated authority to the group chief executives for the day-to-day operations of the company.

The group chief executives are responsible for fostering a corporate culture that promotes sustainable ethical practices, encourages individual integrity and fulfils social responsibility objectives and imperatives, whilst ensuring all employees maintain a commercial mindset. The board holds the group chief executives jointly and severally accountable and responsible for the operational and financial performance of the group.

Closed sessions

After every board meeting, non-executive directors meet without the executive directors present in closed sessions led by the chairman. The sessions commence with the group chief executives present but without other executive directors and prescribed officers, to answer questions or raise any matters necessary.

The primary objective of these sessions is to provide non-executive directors with an opportunity to test thoughts and insights among peers. The chairman, as the primary link between the board and executive management, provides feedback from the closed sessions to the group chief executives.

Board appointment process

Directors are nominated by the directors' affairs committee, which is composed of a majority of independent non-executive directors. A human resources placement agency supports the committee in identifying a broad pool of relevant candidates. Apart from a candidate's experience, availability and fit, the committee also considers other directorships and commitments of the individual to ensure that they will have sufficient capacity to discharge their roles properly. Candidates must also satisfactorily meet the fit and proper test, as required by the Banks Act. The committee also considers appropriate demographic and gender diversity in its assessment.

Suitable candidates are submitted to the board for consideration and appointment in terms of the company's MOI. A director appointed by the board holds office until the next AGM where they must retire and stand for election by shareholders.

Shareholders are provided with information on directors' qualifications, experience and other key directorships.

PG

Information on directors presented for election is set out in the notice to members on page 157.

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 the potential for conflicts of interest and helps ensure that management devotes sufficient time and focus to group business.

Conflicts of interest and other commitments

In terms of the Companies Act, if a director has a personal financial interest in respect of a matter to be considered at a meeting of the board or knows that a related person has a personal financial interest, the director is obliged to disclose the interest and its general nature, recuse themselves and not take part in the consideration of the matter.

The board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The group secretary maintains a register of directors' interests, which is tabled to the board annually and any changes are submitted to the board as they occur. The group complies with the provisions of the Companies Act.

Induction and ongoing education

Induction of new directors and ongoing education of directors is the responsibility of the group secretary. The directors' affairs committee is responsible for monitoring the implementation of director induction and training plans.

On appointment, directors are provided with the group's governance manual containing all relevant governance information, including the company 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. The remainder of the induction programme is tailored to the new director's specific requirements.

To ensure maximum participation in ongoing director training, dates for training are scheduled in advance and form part of the board approved annual calendar. The directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations. Ongoing director training topics covered in 2013 included an in-depth review of IT governance, JSE accounting and auditing issues, risk appetite.

Board access to information and resources

There is ongoing engagement between executive management and the board. In addition to the executive directors, the company's prescribed officers, as defined in the Companies Act, attend all board meetings. External auditors are invited to attend GAC and GRCMC meetings. 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

Carefully managing the board succession process is vital to the successful evolution of the board. As the body with primary responsibility for board succession plans, the directors' affairs committee has taken the view that it must ensure that as directors retire, candidates with sufficient skills and experience have been identified to ensure that the board's competence and balance is either maintained or enhanced, taking into account the group's current and future needs.

Given that new non-executive directors need time to acquaint themselves with the business of the group and its strategy, the committee takes the view that it is preferable to appoint replacement independent non-executive directors before the directors being replaced vacate office. While this temporarily increases the number of directors on the board, this is rebalanced as the retiring directors reach the end of their term. At this point, the appointed directors are fully inducted in the business of the group and are able to ensure seamless continuation of the business of the board.

The two non-executive directors nominated by the group's major shareholder, ICBC, were rotated in January 2014. Accordingly, deputy chairman Hongli Zhang and Yagan Liu resigned from the board on 16 January 2014 and were replaced by deputy chairman Kaisheng Wang and Wenbin Wang. In line with the provisions of the company's MOI, directors appointed to the board since the previous AGM are required to retire at the AGM following their appointment and offer themselves for re-election. Koosum Kalyan resigned from the board on 3 March 2014.

Doug Band reaches the mandatory retirement age set in the group's MOI in April 2014 and accordingly he will retire from the board.

Chris Nissen will retire from office at the company's AGM to be held on 29 May 2014 and will not stand for re-election.

In addition to managing non-executive director succession, the board considers the strength and development of the senior leadership team. The directors' affairs committee ensures that the group has adequate executive succession plans. The board is satisfied with the depth of the group's senior leadership team.

Board evaluation

The chairman is responsible for ensuring that the group has an effective board. Supported by the directors' affairs committee and group secretary, he ensures that the board's effectiveness and execution of its mandate is reviewed annually.

The board and its committees' performance is assessed in a number of ways. A detailed assessment of each committee and the board's compliance with all the provisions of the respective mandates is done annually, with the findings reported to the directors' affairs committee. The group's external auditors conduct a limited assurance assessment on the review and express an opinion in this regard. During 2013, the board and its committees complied with their mandates.

In addition to this review, external, independent consultants conduct an annual board and committee evaluation focusing on matters that would not necessarily be apparent from an assessment of compliance with mandates. As noted in the chairman's letter to stakeholders on page 100, the board engaged Korn/Ferry International to assist with the board evaluation for the third year. The objective of appointing the same facilitator in succession was for the board to measure the extent of its evolution over a three-year cycle, which is one term in the life of a board.

Therefore, the 2013 review addressed all areas that were identified as opportunities for improvement and change in previous reports, as well as emerging topics and issues for the board to consider.

The scope of the review encompassed:

- evaluation of board and board committees
- review of specific recommendations arising from the previous board and committee evaluations in 2011 and 2012
- investigating the extent to which board and committees had addressed recommendations
- highlighting areas where the board had developed and become more effective
- identifying topics and issues that the board should now address to continue to improve
- identifying new and emerging topics and issues for the board to consider.

In aggregate, the directors had a positive view of the overall performance of the board. Directors who had participated in the 2011 and 2012 evaluations agreed that the outcome of the reviews and actions taken by the board had been beneficial. A positive theme arising from the current year's review was the board's rapid evolution and progress on its journey of continuous improvement.

The recommendations from the 2013 board evaluation exercise indicate that the board should, amongst others:

- continue to review its composition, taking into account identified skills gaps such as IT
- focus on accessing external advice in areas where it would improve the understanding and level of debate
- continue with focused training on relevant issues so that the general level of understanding of banking, regulatory, compliance and risk issues are improved, with the chairman reinforcing the importance of attendance and making it mandatory
- consider holding board meetings in different locations, affording the board an opportunity to meet local management and better understand critical risks and issues in each geography.

Finally, the chairman led the individual director peer review process for all directors on the board. A confidential questionnaire was completed by each director and discussed with the chairman in one-on-one sessions. The objective was to provide constructive feedback to directors on their contribution to the board.

IT governance

The board is responsible for ensuring that prudent and reasonable steps have been taken with respect to IT governance, including aligning the IT strategy to the group's strategic objectives. The GRCMC has been delegated the authority to ensure the implementation of the IT governance framework. Its design, implementation and execution has been assigned to the group chief technology officer (CTO) as appointed by the group chief executives. The IT steering committee, a subcommittee of the group management committee, is chaired by the group chief executive with the primary responsibility for IT. The steering committee is tasked with IT governance oversight and is supported by the IT risk and compliance committee, the IT architecture governance committee and several management committees that focus on specific aspects of IT governance.

The CTO provides regular updates to the GRCMC and board on the status of material IT projects, as well as other governance-related matters.

The GRCMC ensures that risks are adequately addressed through risk monitoring and assurance processes, and the GAC considers the impact of IT on financial controls in its annual audit plan. Material findings are reported to the GAC which monitors remedial actions implemented by management.

Taking into account how IT has evolved in the group and feedback from the 2013 board evaluation process, the board has decided, with effect from 5 March 2014, to constitute a new committee, the group IT committee, comprising independent non-executive and executive directors. This committee will be responsible for overseeing IT governance at board level and will report to the board through its chairman.

Board and committees as at 31 December 2013

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

Board

Chairman
Fred Phaswana[1]
Members
Doug Band[1]
Richard Dunne[1]
Thulani Gcabashe[1]
Koosum Kalyan[1,5]
Ben Kruger,[2]
Yagan Liu[3,4,6]
Saki Macozoma[3]
Kgomotso Moroka[1]
Chris Nissen[1]
Simon Ridley[2]
Myles Ruck[1]
Lord Smith of Kelvin, KT[1]
Peter Sullivan[1]
Sim Tshabalala[2]
Ted Woods[1]
Hongli Zhang[3,6]

1 Independent non-executive director.
2 Executive director.
3 Non-executive director.
4 Alternate to Hongli Zhang.
5 Resigned 3 March 2014.
6 Resigned 16 January 2014.

Summary of key terms of reference

- provides effective leadership based on an ethical foundation
- approves the strategy and ensures that the group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders
- reviews the corporate governance and risk and capital management processes and ensures that there is an effective risk management process throughout the group
- delegates relevant authority to the group chief executives and monitors their performance
- determines the terms of reference and procedures of all board committees, reviews the board's and committees' performance annually, and reviews their reports and minutes
- ensures that the GAC is effective and independent
- ensures consideration is given to succession planning for the board, group chief executives and executive management
- 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
- monitors stakeholder relations
- approves significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances
- assumes ultimate responsibility for financial and IT governance, operational and internal systems of control, and ensures adequate reporting on these by respective committees.

Summary of key focus areas in 2013

- implementation of executive succession plans
- IT governance and strategic priorities
- financial performance against approved plans and budgets to ensure sustainable profitability
- board succession plans also taking into account diversity and appropriate balance between executive and non-executive directors
- changes to the group's governance framework and alignment in the group chief executive structure.

The year ahead

- continue to implement board succession plans
- continue to support the executive team as it embeds the operating model
- consider the impact of regulatory changes, including the imminent implementation of the Twin Peaks model of financial regulation in South Africa
- continue to monitor the implementation of the approved IT governance framework
- measure progress against strategic objectives
- continue to monitor the group's operational and financial performance
- continue to monitor the implementation of the TCF framework.

Group directors' affairs committee

Chairman
Fred Phaswana[1]

Members
Doug Band[1]
Thulani Gcabashe[1]
Yagan Liu[2,3,4]
Saki Macozoma[3]
Kgomotso Moroka[1]
Hongli Zhang[3,4]

1 Independent non-executive director.
2 Alternate to Hongli Zhang.
3 Non-executive director.
4 Resigned 16 January 2014.

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 in 2013

- considered the composition of the board and committees and developed non-executive director specifications for approval by the board
- monitored the implementation of action plans arising from the board and committee evaluations
- monitored local and international corporate governance trends and considered the group's self-assessment on board governance practices
- implemented the board succession plans, including shortlisting and conducting interviews of prospective non-executive directors
- managed the process for assessing the effectiveness and functioning of the board and its committees.

The year ahead

- continue to monitor the implementation of the group's operating model
- lead the annual board and committee evaluation process as well as monitor the implementation of action plans from the previous year's process
- consider progress on implementation of the group subsidiary governance framework
- continue to implement board succession plans
- carry out board-delegated authority in respect of the black ownership initiative.

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

Group audit committee

Chairman
Richard Dunne[1,2]

Members
Thulani Gcabashe[1,3]
Lord Smith of Kelvin, KT[1,4]
Peter Sullivan[1,5]
Ted Woods[1,6]

1 Independent non-executive director.
2 Appointed 3 December 2009.
3 Appointed 1 May 2008.
4 Appointed 1 January 2009.
5 Appointed 6 March 2013.
6 Appointed 22 May 2008.

Summary of key terms of reference

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 annual financial statements, summarised financial information, dividend announcements and all financial information in the integrated report and recommends them to the board for approval
- 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 determination as a going concern
- 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 charter, as per the board's delegated authority
- considers and reviews the internal auditors' significant findings and management's 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
- reviews reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks.

Integrated report
- recommends the integrated report to the board for approval
- evaluates management's judgements and reporting decisions in relation to the integrated report and ensures that all material disclosures are included
- reviews forward-looking statements, financial and sustainability information.

Compliance
- reviews, approves and monitors the group compliance plan
- monitors compliance with the Companies Act, Banks Act, the JSE Listings Requirements, and all other applicable legislations and governance codes.

Summary of key terms of reference continued

Risk management

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

Information technology

- considers the auditors' use of relevant technology and techniques to improve audit coverage and audit efficiency
- oversees IT risk in relation to financial reporting
- considers the impact of IT on financial controls.

Summary of key focus areas in 2013

- 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 group
- reviewed, approved and monitored the external audit, internal audit and compliance plans
- considered current and upcoming tax legislation
- monitored the group's internal control framework and the results of activities of the group internal financial control governance committee
- considered reports from internal audit, compliance and financial crime control, and monitored responses from management where required
- considered and approved the appointment of the chief audit officer
- 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.

RCM AFS

The fees for audit and non-audit services are set out on page 215 of the annual financial statements.

- reviewed minutes of the GRCMC and the audit committee minutes of key subsidiaries, including SB 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
- noted the results of significant IT audit findings escalated to the committee, and remedial plans and their progress
- reviewed the coverage of IT risks as they related to financial reporting from internal and external audit
- held closed sessions with external auditors, the chief audit officer and chief compliance officer.

RCM AFS

Further details on the committee's fulfilment of its statutory obligations are set out on pages 110 to 111 of the annual financial statements.

The year ahead

- continue to monitor internal financial controls and key accounting developments that are likely to affect the group
- continue to 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
- review reports from management and subsidiary audit committees.

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

Group risk and capital management committee

Chairman
Myles Ruck[1]

Members
Doug Band[1]
Richard Dunne[1]
Yagan Liu[2,3,4]
Saki Macozoma[3]
Fred Phaswana[1]
Peter Sullivan[1]
Ted Woods[1]
Hongli Zhang[3,4]

1 Independent non-executive director.
2 Alternate to Hongli Zhang.
3 Non-executive director.
4 Resigned 16 January 2014.

Summary of key terms of reference

- determines the group's risk appetite as set out in the risk appetite framework and risk appetite statement
- monitors the current and future risk profile to ensure that the group is managed within risk appetite
- considers and approves the macroeconomic scenarios used for stress testing, and evaluates the results of stress testing
- approves all risk governance standards, frameworks and relevant policies in terms of the group's RCCM governance framework
- monitors all risk types
- approves risk disclosure in published reports
- reviews and recommends the ICAAP and internal capital target ratio ranges to the board for approval
- reviews the impact on capital of significant transactions entered into by the group
- oversees the implementation of IT policies to establish IT governance and ensure effective management of information assets
- monitors and evaluates significant IT investment and expenditure
- promotes an ethical IT governance culture and awareness.

Summary of key focus areas in 2013

- considered 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 risk profile
- considered reports from management that covered key risks, including credit, equity, compliance, country, capital and liquidity, market, operational, and insurance risk
- considered management presentations on debt counselling and unsecured lending
- considered and approved the risk appetite statement for the banking operations of the group
- approved all risk governance standards, frameworks and relevant policies
- considered and approved the macroeconomic scenarios that would be used in the budget 2014 group stress testing
- recommended the ICAAP and internal capital target ratio ranges to the board for approval
- reviewed the impact of Basel III SARB capital and liquidity ratios on the group
- evaluated and approved significant outsourcing arrangements
- considered management's report on legal matters significant to the group
- reviewed and approved the implementation of an IT risk governance framework
- noted the IT steering committee mandate
- received regular updates from the CTO on the status of all material IT projects and expenditure
- reviewed minutes of key subsidiaries risk management meetings, including SB Plc, Stanbic IBTC Bank PLC, Liberty Holdings Limited and Liberty Group Limited
- reviewed minutes of GROC meetings and received regular summaries from the group chief risk officer on important points raised at GROC
- reviewed minutes of the group model approval committee.

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, starting on page 4.

The year ahead

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

Group social and ethics committee

Chairman
Saki Macozoma[1]

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

1 Non-executive director.
2 Independent non-executive director.
3 Executive director.
4 Chief executive SBSA.
5 Resigned 3 March 2014.

Summary of key terms of reference

- constituted as a committee of the board in terms of section 72 of the Companies Act and Regulation 43
- monitors social and economic development activities, including CSI
- 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 implementation, reporting, and training and awareness of the group's code of ethics and ethics in general
- 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 2013

- monitored transformation progress according to the new Financial Sector Code
- monitored 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
- reviewed the group's CSI strategy, which has changed to focus primarily on education initiatives
- conducted an in-depth examination of the TCF framework and recommended that the board approve the six outcomes of the framework and that these be taken into account in the strategy and business plans
- considered feedback from stakeholder engagement sessions in respect of emerging themes and key focus areas for the group's sustainability report

We encourage readers to refer to the 2013 group sustainability report that sets out our social, economic and environmental intent and initiatives, which can be accessed on our website at www.standardbank.com/sustainability

The year ahead

- continue to monitor how the group contributes to socioeconomic development in areas where it operates in a way which is consistent with the nature and size of operations
- monitor the 2014 ethics implementation plan, which is broken down into nine building blocks, including leadership commitment, custodianship, code of ethics and its supporting policies, prevention, and reporting and disclosure
- continue to monitor the group's transformation progress according to the Financial Sector Code
- monitor procedures in place to comply with the Banking Association Code of Banking Practice
- monitor the implementation of the group's refocused CSI strategy.

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

Group model approval committee

Chairman
Ben Kruger[1]

Members
David Munro[2]
Simon Ridley[1]
Peter Schlebusch[3]
Paul Smith[4]

1 Executive director.
2 Chief executive, CIB
3 Chief executive, PBB
4 Group chief risk officer

Summary of key terms of reference

- 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 country 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 the GIA's independent assurance report on the internal controls for the development and validation of credit risk models.

Summary of key focus areas in 2013

- reviewed and approved material new and the ongoing use of existing credit risk models
- reviewed validation findings of material and significant models, as defined in the group's credit model governance policy
- reviewed management's actions to address findings relating to specific models that were reviewed
- reviewed independent assurance reports on internal controls for the development and validation of credit risk models
- monitored the activities of the CIB and PBB model approval committees.

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 independent assurance reports
- review and approve new material credit models and ongoing use of 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.

Group remuneration committee

Chairman
Ted Woods[1]

Members
Doug Band[1]
Saki Macozoma[2]
Fred Phaswana[1]

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

PG

The remuneration report, starting on page 123, sets out the terms of reference, work of the remuneration committee (Remco) in 2013 and focus areas for 2014.

Board and committee meetings

Seven board meetings were held during 2013, with one meeting dedicated to reviewing the bank's strategy.

Board of directors – meeting attendance

	Board (including SARB and 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	7	7	4	5	4	4	4
Attendance							
Chairman							
TMF Phaswana	7		4	5	4	4	
Deputy chairmen							
SJ Macozoma[1]	7		4	5	4	4	
Hongli Zhang[1]	6		4	4			
Independent non-executive directors							
DDB Band	7		4	5	4		
RMW Dunne	7	7	4				
TS Gcabashe	7	7		5			
KP Kalyan	7					3	
KD Moroka[2]	7			2			
AC Nissen	7					3	
MJD Ruck	7		4				
Lord Smith of Kelvin, KT	7	6					
PD Sullivan[3]	7	5	4				
EM Woods	7	7	4		4		
Non-executive directors							
Yagan Liu[4]	7		4	5			
MC Ramaphosa[5]	1			2			
Executive directors							
BJ Kruger[6,7]	5					3	2
JH Maree[8]	1					1	1
SP Ridley[9]	6						4
SK Tshabalala[6,10]	5					4	2
PG Wharton-Hood[11]	3						

1 Non-executive director.
2 Kgomotso Moroka appointed to directors' affairs committee on 29 May 2013.
3 Peter Sullivan appointed to the GAC and GRCMC on 6 March 2013.
4 Alternate director to Hongli Zhang.
5 Cyril Ramaphosa retired as director on 30 May 2013.
6 Ben Kruger and Sim Tshabalala appointed directors and group chief executives on 7 March 2013.
7 Ben Kruger appointed to group social and ethics committee and group model approval committee on 29 May 2013.
8 Jacko Maree retired as director on 7 March 2013.
9 Recused from board meeting in February – non-executive directors attendance only.
10 Sim Tshabalala resigned from group model approval committee on 14 August 2013.
11 Peter Wharton-Hood appointed as director on 7 March 2013 and resigned as director on 14 August 2013.

Prescribed officers

As set out in the Companies Act regulations, a person is a prescribed officer if such person exercises general executive control over and management of the whole, or a significant portion of, the business and activities of the company or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or significant portion, of the activities of the company. Accordingly, the group directors' affairs committee confirmed the classification of the group's prescribed officers as envisaged in the Companies Act. Besides the executive directors, namely Ben Kruger, group chief executive, Sim Tshabalala, group chief executive, and Simon Ridley, group financial director, the group's prescribed officers are:

- David Munro, the chief executive for CIB
- Peter Schlebusch, the chief executive for PBB
- Bruce Hemphill, who was for the period in review, the chief executive of Liberty and was, therefore, responsible for the management of the group's significant South African listed subsidiary.

PG Disclosure of remuneration for the prescribed officers is contained on page 144.

Governance in our subsidiaries

The group has a governance framework for key operating subsidiaries to ensure consistent standards are achieved. This is 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. In all jurisdictions, corporate governance developments are monitored on an ongoing basis to ensure that local requirements are met. Implementation of the governance framework is at various stages of maturity in the different countries, and the group governance office continues to work with subsidiaries on embedding the framework.

SBSA is a major subsidiary of the group as defined in the JSE Listings Requirements.

Liberty Holdings is a major subsidiary, governed by specific regulatory and legislative requirements. Its compliance with these requirements is documented in its annual report available at www.libertyholdings.co.za.

RCM AFS The group structure, including material local and international subsidiaries, is set out in the annual financial statements starting on page 251.

Group secretary

The board is satisfied that an arm's length relationship exists between it and the group secretary, Zola Stephen, who is not a member of the board or a prescribed officer of the group.

In addition to guiding the board on discharging its duties and responsibilities, the group secretary keeps the board abreast of relevant changes in legislation and governance best practice.

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.

In line with the JSE Listings Requirements, the board has assessed the competence, qualifications and experience of the group secretary and concluded that she is competent to carry out her duties.

The board remains responsible for the appointment and removal of the group secretary.

Ensuring the highest levels of 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, and any material regulatory issues are escalated to 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. The group chief compliance officer provides a quarterly report on the status of compliance risk management in the group and 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

Standard Bank is a member of BASA. Endorsed by the members of BASA, the code of banking practice safeguards the interests of consumers. It is based on four key principles: fairness, transparency, accountability and reliability. These principles resonate with the group's values and will ensure 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 57.

Codes of conduct

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.

Standard Bank has also adopted BASA's code for selling 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.

King Code

The group continues to apply the principles of the King Code which adopts an 'apply or explain' approach whereby a reasonable explanation for not applying a principle is required. Exceptions and differences to the application of the King Code are monitored and reviewed annually, and the board is satisfied with the group's compliance in this regard. Instances of non-compliance have been considered and explained below.

Exceptions to the application of the King Code principles

- Principle 2.19 (paragraph 88.7): King III requires disclosure of actual or potential political connections or exposure for directors. The group does not discourage directors from being affiliated to political parties and the board believes this contributes to strengthening South Africa's democracy. Some of the group's directors are involved in political parties but are not office bearers of any political party in South Africa.
- 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 has agreed that the current fee structure of a single comprehensive annual fee is more appropriate for the group board and committees. It is 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. However, the deferred bonus scheme (DBS), which is settled in Standard Bank equity shares, has an initial vesting period shorter than three years. The average vesting period for deferred bonuses is approximately three years.

PG

Further information on the DBS can be found in the detailed remuneration report starting on page 131.

Statement of difference to the King Code

- Principle 7.1 (paragraph 5): The King Code recommends that the board approve the GIA charter. The board has delegated this responsibility to the GAC.

Dealing in securities

The group is committed to conducting its business professionally and ethically. It has a personal account trading policy and a dealing policy for directors and prescribed officers in place to prohibit directors and employees from trading in securities during closed periods. Closed periods are in effect from 1 June until the publication of the interim results and 1 December until the publication of year end 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 their share dealings and approvals.

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

The group has complied with all Listings Requirements and disclosure requirements prescribed by the JSE.

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 stakeholders. Building and maintaining good stakeholder relationships help us manage and respond to expectations, minimise reputational risk and form strong partnerships, all of which support commercial sustainability.

Individual business units undertake stakeholder engagement activities appropriate to their particular areas. At group level, the stakeholder relations unit engages with key stakeholders in the public and private sectors. The stakeholder relations forum comprising business unit managers and executives meet every second month. It is responsible for facilitating a coordinated approach to stakeholder engagement activities across the group, and ensuring that the group communicates a consistent message based on our code, values and strategy.

Board meetings include oversight of stakeholder engagement activities as a standing item. The board receives a quarterly stakeholder engagement report that collates input from the group's business units and provides an overview of activities across the group.

The investor relations department facilitates regular and pertinent communication with shareholders. The chairman also encourages shareholders to attend the AGM where interaction is welcomed.

Political party contributions

As part of its commitment to supporting South Africa's democratic processes, the group makes financial contributions to political parties represented in the National Assembly. In terms of the policy agreed by the board in 2005, fund distributions are based on the Independent Electoral Commission's funding formula. Parties are required to submit a written report to the bank outlining how they have used the previous year's donation and 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 2013.

Ethics and organisational integrity

The board aims to provide effective and ethical leadership, and ensure that its conduct and that of management is aligned to the group's values and the code. The board subscribes to the group's values and the code. The 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 at www.standardbank.com/ethics.aspx

In ensuring that the group operates ethically, the board uses the inclusive stakeholder model of governance that considers and promotes the interests of all the group's stakeholders.

Management has set up an ethics management framework in which:

- the group chief executives 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 employees may raise
- the ethics officers takes responsibility for the internal reporting of ethics-related incidents to management and the board through the group social and ethics committee and GAC
- the code is applicable 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 capital 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 are included in leadership and management training, employee orientation programmes and the employee handbook
- values and ethics are incorporated in the bank's performance management approach, where team members hold themselves and each other accountable for following the required values-based behaviours.

PG

Refer to the section on stakeholder engagement on page 48 for further details.

The group is a member of the Ethics Institute of South Africa, which advances the practice of ethics in South Africa and a number of other countries in Africa. The Ethics Institute 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 bank is in the process of developing an e-learning training programme on ethics to be rolled out across the group.

Information on accessibility, anonymity, processes and the policy relating to the whistle-blowing service was published in all business units and geographical publications during the year. Overall, the group's financial crime control unit held over 1 162 awareness sessions and 856 disclosures were made to the hotline, representing a decrease of 15% compared to 2012.

The ethics line contact details are:

Hotline SA only:	**0800 113 443**
Hotfax SA only:	**0800 200 796**
Hotfax international:	**+27 12 543 1547**
Hotmail international:	**fraud@kpmg.co.za**

Liberty has its own code of ethics, policy and ethics line, which is operated by an independent service provider.

The PoPI Act was signed into law in 2013. While a commencement date for PoPI is yet to be decided, organisations will need to be compliant within one year of its commencement. A groupwide regulatory change management programme to implement PoPI is currently underway within Standard Bank.

The group is focused on bringing positive change to the markets in which we operate. As a result, we have a supportive governance framework to enable the highest standards of responsible business practice in our interactions with all our stakeholders.

Going concern

The board considers and assesses the group's status as a going concern in the preparation of the annual financial statements at year end. During the interim reporting period, a similar process is followed. 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 status of the group can be found in the directors' responsibility statement for financial reporting on page 109.

Sustainability

The sustainability report sets out a detailed analysis of the sustainability performance for the year and can be found at www.standardbank.com/sustainability

SR

Details on the group's commitment to transformation can be found in our sustainability report.

Remuneration report

Our people are a key differentiator for the group. We work to ensure that our remuneration framework supports a philosophy that motivates and rewards performance while at the same time meeting regulatory requirements and stakeholder expectations.

This report includes:

Review of the remuneration policy

Focus areas and achievements in 2013

- Refinement of the executive evaluation process
- Lift minimum salaries in South Africa and review all minimum salaries across Africa
- Narrowing of the wage gap by ensuring that salary increases awarded to the lowest levels of employees exceeded salary increases awarded to managers and executives
- Changes to the equity growth scheme (EGS) which included removing the extension to the vesting period to test the real earnings growth, smoothing the vesting percentages and instituting a share buyback policy to prevent any shareholder dilution
- Engagement was undertaken with several shareholders on the group's remuneration policy
- Approval of remuneration policy at the AGM (91% acceptance achieved in the non-binding advisory vote).

Focus areas for 2014

- Refinement of the risk-adjusted remuneration process and reporting
- Continued focus on the wage gap – salary increases awarded to the lowest levels of employees again exceeded those awarded to managers and executives in March 2014
- The introduction of a new long-term, performance-driven share plan, the performance reward plan (PRP), in March 2014. The plan is 100% conditional on the achievement of specific targets
- Continued engagement with shareholders on the remuneration policy.

Chairman's letter

Ted Woods
Chairman, remuneration committee

Dear Shareholder

You may have read my letter to shareholders last year[1] in which I gave a high level sense of our executive evaluation principles and spheres of required delivery. Those principles endure and, again in 2013, they provided fundamental evidence used in determining remuneration for our senior people.

Heat and light continue to surround remuneration paid to top bank executives globally. Heat because some believe that remuneration levels have broken away from risk-adjusted returns. Light because the heat has provoked new, healthy paradigms of measurement and transparency.

Beyond all argument about remuneration, however, the African giant is moving and growing. Critical to its growth is effective banking, intermediating and carrying life blood – savings and finance – to feed economic growth and consequent human employment and incomes.

But we know from the global financial crisis that banking, by its inherent design, carries within its core the potential for widespread damage to economies and people.

A skills imperative thus exists in banking. There is simply no substitute for knowledgeable people. But knowledge alone can fail. Vital for sustained growth are men and women who have, in their careers, faced reality in crucibles of fire and crystallised in their memories the dynamics of risk and return through different economic cycles.

Increasingly complex regulatory and governance demands on banks add another deep but unavoidable layer to the skills imperative.

Managing large banks, controlling complex risks and financing growth-enhancing industries such as power, infrastructure, mining, telecoms and many others – this entire spectrum demands people who bring specific knowledge, skills and experience. Securing them is a top challenge for banks in Africa. The pool is shallow. Demand is intense. The price for talent will respond as a consequence.

A new reality is, therefore, emerging in Africa. Market pressures are driving remuneration for top, specialised banking and financial services talent upward, toward developed market norms.

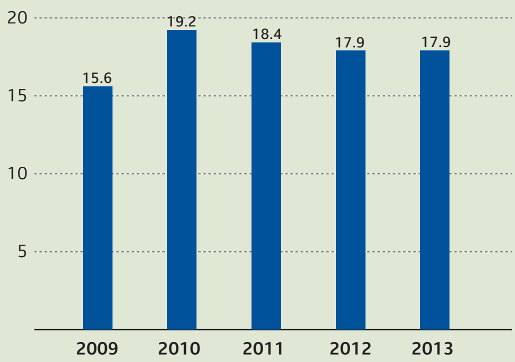
You, as a Standard Bank shareholder, have a vested interest in the depth, breadth and quality of the human resource in your group. But you also demand sensible and sustainable returns relative to remuneration paid to the people of Standard Bank. How effectively does your group balance incentive payments to its people with earnings for its shareholders?

1 Standard Bank Group 2012 remuneration committee chairman's letter to shareholders: http://annualreport2012.standardbank.com/ensuring-our-sustainability/remuneration-report/

We pay close attention to the proportion of pre-tax profits allocated to variable remuneration year by year. Employees use the resources of your bank to generate profit. What slice of that profit, then, goes to those people as variable remuneration? The Remuneration Committee (Remco) tracks this aspect using several measures across various levels of the organisation, ensuring that prudence rules across the economic cycle.

In 2013, headline earnings from continuing operations grew by 22% while the year's bonus pool increased by 16%. Taking a longer view, the chart below shows variable remuneration as a percentage of pre-tax profits after accounting for all costs but before charging variable remuneration.

SBG Banking Group: variable remuneration / profit before variable remuneration and tax (%)



Two observations are appropriate. Firstly, we do not force variable remuneration slavishly to follow changes to profits year by year. The global crisis in banking and consequent re-design of the regulatory framework affected bank profits profoundly. In that environment, your group's Remco allowed 'flex' in the percentage shown in the chart, particularly in 2010, to protect our human resource. This, we believe, was sensible and prudent.

Secondly – and this is important evidence for you as a shareholder – we are maintaining the allocation of profits to variable remuneration within a prudent range.

Turning now to a different but important subject, your group launched a new long term performance-driven remuneration plan in March 2014. Details of this Performance Reward Plan (PRP) are set out in the remuneration report which follows. I would, however, like to give you a few perspectives that shaped the design.

Our first objective is to focus and align executive energies and actions toward big, groupwide performance goals that matter to you as a shareholder. In essence:

Each year's awards will have a three year life, creating rolling exposure for each individual executive.

Each year's awards will have one growth measure and one return metric for performance measurement.

Each metric in each year will have its own 'ladder' of three year performance targets. Once set, those targets cannot change.

Each year's initial awards of shares could increase over three years up to a ceiling or reduce to zero depending on actual outcomes against targets.

Future delivery against known targets, therefore, determines what value, if any, the participating executives will earn from the PRP.

Choice of performance yardsticks can make or break a remuneration scheme. Remco studied shareholder value added, total shareholder return, return on average equity, return on assets, return on risk-weighted assets, returns against peers, returns against indices and several other metrics.

We have selected the following performance measures for the March 2014 awards:

Average headline earnings per share growth rate over the vesting period and

Improvement in average ROE over the vesting period.

Headline earnings growth through time is the foundation upon which share price appreciation and shareholder wealth creation rests. It is an effective and enduring target, particularly on a rolling basis.

Selecting a return measure is more complex. Each possible performance yardstick is useful but imperfect.

Why, you might ask, has Remco chosen ROE as the return metric for the March 2014 awards? Many analysts would argue persuasively for return on risk-weighted assets, or RORWA. It blends together management of asset mix, risk decisions, revenue generation and cost control, but it does ignore 'lazy' capital.

ROE, on the other hand, captures overall performance on the equity owned by shareholders. Financial analysts monitor ROE closely and the prominence of this measure in the market affected our choice.

But we are cautious. ROE appears to be a simple, elegant summary of management delivery. In reality, it is the final confluence of multiple, swirling cross-currents, both within and outside the business.

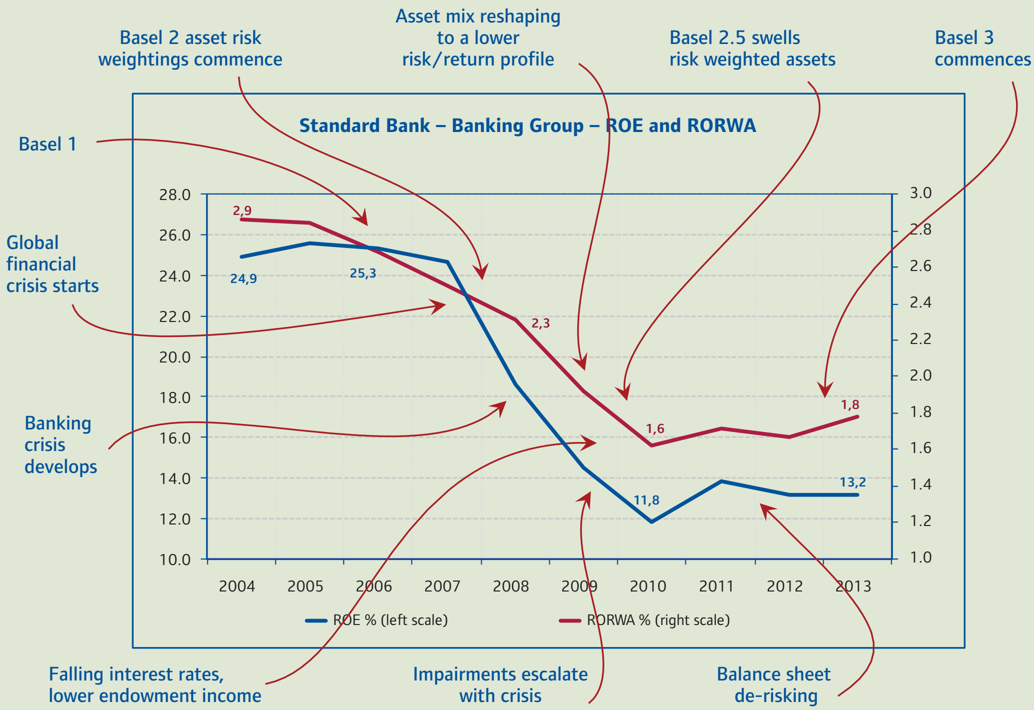
Consider the chart below. The blue line is Standard Bank's banking activities ROE over 10 years. The red line is banking activities RORWA. I have added comments on the myriad of external pressures that have affected these ratios.

This chart illustrates that two major external forces can shape the ROEs of banks significantly over time: macroeconomic cycles and regulatory interventions. Changes to Basel requirements alone, for example, depressed your group's ROE by more than 6% between 2007 and 2013. The conditional performance design of the PRP over three years, therefore, makes the possible vesting of shares vulnerable to such external forces.

For this reason, Remco and your board will, in each successive year, select and publish the most appropriate three-year performance measures for that year's awards. For each measure so chosen, a demanding three year performance target ladder will be set. Projected economic and regulatory conditions will be vital input, as will progress expected by the board toward group strategic objectives.

Remco members understand the potential for unintended consequences in the PRP's operation. But we expect benefits of the PRP significantly to outweigh the risks.

Finally in the PRP design, actual performance in the two measures over the three years relative to their performance 'ladders' will determine what percentage of the shares initially awarded will



actually vest. The range extends from zero vesting up to double the number of shares conditionally awarded for the highest levels of delivery against targets.

For any shares that do vest, share price movements during the period will also affect value outcomes significantly. Both downside and upside potentials are substantial. This is what we want.

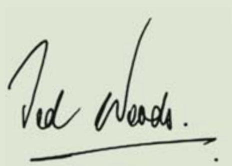
With regard to long-term incentive plans, I should note three points: The first is that your group's policy from May 2013 is to prevent dilution from the operation of these schemes – shares are either purchased in the market or re-purchased if issuance is a feature of the scheme.

Secondly, we require top executives to build and maintain personal shareholdings in Standard Bank Group to specified value levels. This reinforces executive alignment with shareholder objectives. Where shortfalls exist, the executive retains all after-tax vestings of shares under deferred remuneration plans until the required shareholding is reached.

The final point is that our option-type Equity Growth Scheme remains in place, but we have not made any EGS awards in this first year of the Performance Reward Plan. These two share incentive schemes will together comprise our long-term incentive plan design and we expect to make awards under both schemes in March 2015. Participant groups in each scheme will not necessarily be identical because of the different dynamics of option and performance share schemes.

The new Performance Reward Plan is merely a structure. But structures like this shape thinking, motivations and consequent actions. Remco's purpose is strongly to support our chief executives as they work to unify vision, align objectives, energise people and inspire concerted and sustained progress toward strategic destinations. Additional value generated will benefit both shareholders of Standard Bank Group and the men and women who commit their careers to your group. This potential excites us.

Yours sincerely,



Ted Woods

Remuneration framework

Remuneration strategy

People are our key differentiator in accomplishing our aim of building the leading African financial services organisation. Highly skilled and experienced people, both business generators and enablers, are essential in delivering sustainable growth for shareholders within the group's risk boundaries.

One of our strategic focus areas is to continually build the depth, breadth and calibre of human capital required to deliver the group's strategy.

PG **Our employee report, starting on page 52, describes how we develop and retain our human capital. Part of this process is how we remunerate our people.**

We have four key objectives guiding our remuneration strategy:

1. We reward for **value delivered** and adjust for the risk assumed.
2. We aim to be **competitive in remuneration** in the global marketplace for skills.
3. We **reward our people fairly**, both to the individual and to shareholders, while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk taking.
4. We **promote and reward teamwork**.

Principles that underpin our remuneration strategy

Our remuneration committee (Remco) is firmly committed to appropriate disclosure of reward principles and structures to all relevant stakeholders, including employees, unions, regulators and shareholders. This is aimed at enabling stakeholders to make a reasonable assessment of our reward strategy, structures and associated governance processes. The reward principles are embodied in the following paragraphs.

Remuneration principles

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 unfairly 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.

PG **The performance criteria for awards made in 2013 are described on page 133 and page 137 discusses the remuneration of directors, executives and prescribed officers.**

Remuneration governance

Remco, with a majority membership of independent non-executive directors, is mandated to:

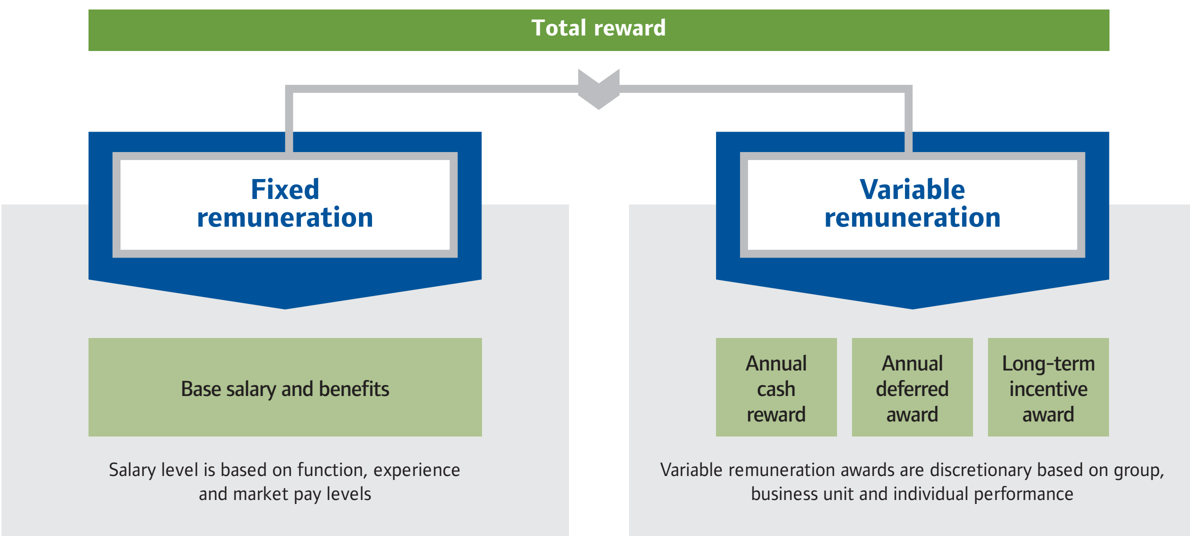
- review and approve the remuneration policy and strategy in the long-term interests of the group
- approve general principles relating to terms and conditions of employment contracts
- approve terms of contracts of employment with key employees of the group
- determine remuneration for key executives and propose remuneration for non-executive directors for shareholder approval
- review the group chairman's assessment of the performance of the chief executive officers as a function of setting their remuneration
- review the chief executives officers' assessment of the performance of key executive management
- review the guaranteed and variable remuneration for key executives
- review and approve all proposals for incentive scheme design and modifications
- review incentive schemes for continued alignment with shareholder interests and linkage of reward to performance over the long term
- approve criteria and applicable terms for participation in annual incentive bonuses
- review performance measures to be used for purposes of the annual incentive bonuses for all employees
- approve recommendations for awards in terms of approved long-term incentive plans
- monitor adequacy of other benefits for key executives
- monitor compulsory employee benefits applicable at all levels and categories of employees in the group
- approve general terms and mandates of subsidiary remuneration committees and review the mandates and
- review and consider reports from subsidiary remuneration committees on changes in remuneration practices or philosophy.

PG

Refer to pages 135 and 136 for more detail on the governance of the remuneration process and how we ensure our remuneration practices do not encourage excessive or irresponsible risk-taking.

Remuneration structure

Our reward strategies and remuneration structures are designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. We consider the total reward given and strive for the appropriate balance between fixed and variable pay for all employees, depending on seniority and roles. The diagram below shows the composition of our total reward. The material elements of this diagram are explained in the sections that follow.



Fixed remuneration

The group operates in a host of countries. Local statutory and regulatory requirements often dictate how we structure our fixed remuneration, however, the table below summarises the purpose and key components of our typical reward arrangements.

Elements of fixed remuneration

Element	Purpose	Detail
Base salary	To attract and retain employees.	We seek to remain competitive and our annual base salary review takes into account available market data. Increases take effect on 1 March each year and are based on individual and business unit performance.
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 before 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 group's existing providers.

Variable remuneration

We provide annual incentives to reward performance. Variable remuneration consists of annual cash awards, annual deferred awards and long-term incentive awards. All variable remuneration awards are discretionary. Incentive pools are made available for major business units and enabling functions.

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.	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. PG See page 133 for details.
Long-term incentive award	To incentivise key senior executives and critical mid-level management to take decisions based on the long-term interests of the group.	Awards for senior executives take into account the importance of long-term performance and are thus totally conditional. PG See page 133 for details of the new long-term incentive scheme for senior executives.

How we determine variable incentive awards

Remco determines the group's primary incentive pools annually. Remco 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 (where applicable) 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.

Remco incorporates quantitative, 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. This is covered in the chairman's letter, starting on page 124.

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 officers 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 integrated into the individual performance management process and, at a business unit and group level, into the annual planning and reporting processes. In general, the performance criteria for individual employees are set at the start of each year as part of the performance management process. Individual's performance criteria align personal goals to group strategic objectives. Performance is then monitored during the year, with adjustments made if an individual's role changes.

Following its detailed evaluation of all relevant aspects of the group's 2013 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 16%.

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 250 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.

Deferral schemes

In principle, Remco wants senior executives to be significantly invested in the group over time, strengthening the alignment between management and shareholders. In terms of good governance, all incentive awards, above a minimum level, are deferred in part and the deferred portion is linked 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 2014 have been maintained at those levels.

The group currently runs two deferral schemes, DBS and the Quanto scheme.

PG

Vesting conditions attached to both deferred awards and long-term incentives make provision for the clawback and forfeiture of unvested awards, as detailed on page 136.

Deferred bonus scheme award

In 2008, we implemented the DBS for management and executives based in South Africa. This was later extended across Africa. Remco reviews the deferral threshold, rates and vesting periods annually.

The deferred portion is linked to the group's share price during the deferral period and, for awards made from March 2012, accrues notional dividends during deferral, which are payable at vesting. Pre-March 2012 awards were settled in cash determined with reference to the group's share price at the vesting date and post-March 2012 awards are settled in shares.

The deferral levels were increased in March 2012 for the 2011 performance year and have been maintained for the 2013 performance 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 2014.

Types of deferral schemes

Scheme:

DBS

– employees in Africa (including South Africa)

Purpose

To encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.

Detail

- Employees granted an annual performance award over a threshold of R1 million (or equivalent) have part of their award deferred over a 42-month period. Awards made after 2011 are indexed to the group's share price and accrue notional dividends during deferral, which are payable at vesting. The awards vest in three equal tranches 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.
- The maximum marginal DBS deferral rates have been maintained at 50%.

Scheme:

Quanto stock unit scheme

– employees in businesses outside Africa

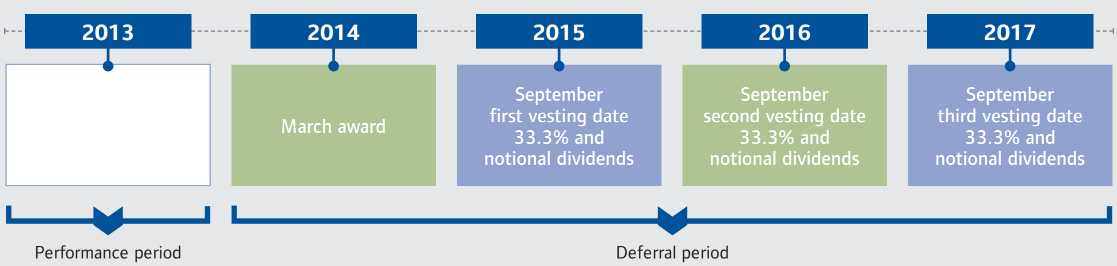
Purpose

To encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.

Detail

- All Code Staff and other employees granted an annual performance award over a threshold of USD150 000 have part of their award deferred in Quanto stock units which are 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.
- 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.
- 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.

The release of deferred incentive awards made from March 2014 under the DBS for employees in South Africa and the rest of Africa is illustrated below.



How DBS is deferred

Award value			
R0 to ≤R1 million	**>R1** million **to ≤R3** million	**>R3** million **to ≤R5,5** million	**>R5,5** million
Cash award	Cash to R1 million	Cash to R1 million	Cash to R1 million
	Over R1 million deferred at 30%	R1 million up to R3 million deferred at 30%	R1 million to R3 million deferred at 30%
		Over R3 million deferred at 40%	R3 million to R5,5 million deferred at 40%
			Over R5,5 million deferred at 50%

Long-term incentive awards

Performance reward plan

A new long-term performance-driven share plan commenced in March 2014. The new plan will reward value delivered against specific targets and is named the performance reward plan. It will operate alongside the existing conditional, equity-settled long-term plans, namely the EGS for South African operations and the group share incentive scheme (GSIS) for non-South African operations.

However, in the first year of PRP awards, Remco resolved that participants in the PRP may not be granted awards under any of the other existing conditional plans. Therefore, Remco did not approve any March 2014 EGS or GSIS awards for key senior executives. The first awards with respect to future performance years under the PRP were made in March 2014. The PRP pool and individual recommendations will be determined annually by Remco.

Details of the PRP are provided in the table below.

Scheme:

PRP

Purpose

To incentivise a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills.

Detail

- Participation is limited to senior executives occupying roles able to influence the achievement of the performance conditions, as well as senior executives who fulfil roles requiring long-term decision-making.
- All awards are discretionary.
- Annual conditional share awards with a three-year vesting period (individuals may not necessarily receive an award each year). Notional dividends will accrue during the vesting period and be payable on vesting.
- Awards are fully subject to performance conditions. These conditions are to be set annually by Remco. Conditions include a minimum threshold to achieve any vesting, a target and a stretch target, with interpolation between targets. In order to encourage higher performance, the payout curve steepens only after target is achieved. Once targets are set at the commencement of an award, they cannot be changed during the three-year vesting period. The scheme also has a maximum cap on vesting.
- Awards are granted such that the achievement of stretch targets will lead to total reward levels at the upper quartile market level.
- Awards that exceed the minimum threshold for vesting, vest fully after three years, based on performance targets against equally weighted growth in HEPS and ROE targets over the performance period. Shares are purchased on vesting, preventing any shareholder dilution.
- All awards are subject to clawback and forfeiture.

Equity growth scheme

Although no employees were awarded conditional EGS awards in March 2014, the scheme continues in existence. 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 category %	Expiry
A (granted in 2012)	3	50	10 years
	4	75	
	5	100	

EGS vesting category	Year	Cumulative vesting category %	Expiry
D	2	33	10 years
	3	67	
	4	100	

EGS vesting category	Year	Cumulative vesting category %	Expiry
E (granted in 2013)	3	33	10 years
	4	67	
	5	100	

The release of EGS for staff in South Africa and the rest of Africa, under vesting category D, who elect EGS, is illustrated below:

2014	2015	2016	2017	2018	2024
March award		March award first vesting date 33%	March award second vesting date 33%	March award third vesting date 33%	Option/right must be exercised within 10 years of the award date

In aggregate no more than 10% of issued share capital may be allocated. No more than 2.5% of issued share capital may be allocated to any individual.

In the EGS scheme, shares will be bought back to prevent any shareholder dilution arising on the exercise of EGS awards.

RCM AFS **Refer to annexure D on page 271 of the annual financial statements for details of all vesting categories.**

Performance conditions for long-term incentive awards

Long-term incentive awards granted to senior executives under the PRP are subject to vesting conditions. The performance metrics are described below.

Performance reward plan

The PRP award is settled in shares to the employee on the applicable vesting dates together with notional dividends that are settled in cash. The shares that vest (if any) and that are delivered to the employee are conditional on the performance metrics as set out in the table below:

Average growth in HEPS		ROE improvement
HEPS growth in relation to average CPI*	**Vesting percentage**	For each 0.1% increase in average ROE over the performance period above a threshold (14.1% for the March 2014 awards), 8% of the ROE-related conditional units awarded are released.
Zero HEPS growth	0% of conditionally allocated units will vest	
HEPS growth from zero to average CPI	For each 1% above zero, 8% of conditionally allocated units will vest	
HEPS growth from average CPI up to average CPI plus 5%	For each 1% above average CPI, 10% of conditionally allocated units will vest	
HEPS growth above average CPI plus 5%	For each 1% above average CPI plus 5%, 15% of conditionally allocated units will vest	
Maximum vesting at 200% of initial HEPS-related conditional units awarded.		Maximum vesting at 200% of initial ROE-related conditional units awarded.

* Average CPI is the arithmetic mean of the South African headline CPI annual inflation rate as at each December during the performance period.

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 we expect that shareholdings will be accumulated over time.

Where the required shareholding falls short, the full after-tax value of senior executives' deferred compensation that vests is 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.

Risk management and remuneration

The group actively manages its current and future risks in pursuit of its chosen strategy. Remco ensures that individuals, particularly senior employees and employees whose actions may have a material impact on the current and future risk profile are not rewarded for exposing the group beyond its stated risk appetite. Bonus pools and individual bonus awards are subjected to an *ex ante* risk adjustment in terms of the process described below.

The group chief risk officer formally reports twice a year to Remco on the application of the group's RCCM framework across major business lines and on any significant breaches of RCCM policies or limits by individuals. These reports cover the group's risk appetite and the current and future risk profile in relation to risk appetite, and provide a qualitative and quantitative measure that informs Remco's determination of the overall incentive pools for business units both before and after full year results. The individual incentive awards of senior managers and executives are reviewed against these 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 also formally 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.

The report of the group financial director will include consideration of headline earnings, ROE, risk-adjusted performance (economic profit and return on economic capital). This additional analysis will quantify the cost of capital and take into account credit, market and operational risk.

Remco considers risk-adjusted return information when setting incentive pools before full year results and approving business unit incentive pools, once the full year results are available. Specific risk-adjusted performance targets are not formulaically applied in determining these pools.

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.

The group head of human capital 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 could result in reduced incentives, removing incentive awards and/or removing salary increases. Serious breaches may result in dismissal.

A clawback provision on all deferral schemes was introduced with effect from 2009 and amended in 2011. In terms of the revised clawback conditions, individual unvested awards of DBS, Quanto or EGS may be subject to ex post risk adjustments through reduction or forfeiture, in full or in part in Remco's judgement, if any of the following apply:

- 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
- any other circumstance, at Remco's discretion, applies.

The rules governing the relevant deferred awards also allow flexibility for Remco to decide whether there are other circumstances where reduction or forfeiture should apply.

In advance of share vesting dates in March and September each year, Remco will determine whether there are any events that might lead to the forfeiture of unvested stocks.

During 2013, Remco found no cause to implement clawbacks.

PG **The summarised risk and capital management report, starting on page 89, describes the material risk types the group is exposed to and how it measures and manages these risks.**

Governance

Effective governance is essential to ensure that the remuneration process is fair and supports the group's strategy.

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 ensuring that they are able to monitor risk trends across the group.

There were no changes to the composition of Remco during the year.

The group 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.

PG **Refer to page 119 for details of the Remco meeting attendance.**

Access to information and advisers

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.

In 2013, 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, as well as regulatory and compliance matters as these pertain to remuneration. Information and guidance was received from PwC, PwC Remchannel, Global Remuneration Solutions – Mercer, 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 group's 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 provide supporting information and documentation relating to matters considered by Remco.

Terms of employment for executive directors and prescribed officers

The notice period for the group chief executives, 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.

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.

PG **The corporate governance statement on page 109 provides a review of independence of those directors who have served on the board for more than nine years.**

Disclosure of directors' and prescribed officers' remuneration

Remco scrutinises total reward proposals, with underlying elements of fixed and variable remuneration, for over 250 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.

Evaluation of executive directors, prescribed officers and senior management

Executive remuneration is an area of considerable stakeholder interest, and as such, additional information explaining how our executives are evaluated has been supplied.

We pay for value delivered to shareholders over time. Remco does not believe that arithmetic scorecards and weightings yield good outcomes at the executive level. Remco make informed value judgements. Spheres of required executive delivery considered by Remco include:

- earnings performance which includes strategy and execution, financial gearing, returns on assets and equity, management of risk assumed, management skill, yield curve level and shape, economic cycle, and performance relative to peer group
- share price performance which includes change in earnings announced, future earnings and risk forecasts, change in company price/earnings, and change in stock market price/earnings
- leadership, skill and character which includes innovation, imagination and inventiveness, effective leadership of people, deep understanding of risk, personal integrity, and a passion for strategic delivery
- business relative complexity which includes geographic, strategic and business complexity as well as size, competitive intensity and regulatory control
- external context which includes fair relative remuneration, scarcity of required skills and experience, hiring aggression by competitors, and perceptions of fairness by both shareholders and executives.

In parallel with Remco's individual remuneration decisions, Remco tracks and controls the relationship between aggregate remuneration and profitability. Remco allows some flex in this relationship across economic cycles because this is prudent in protecting and retaining our human capital. However, in seeking to deliver the 'win' for shareholders, our employees and society, Remco ensures that total remuneration and profitability relate one with the other through time.

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 2014, are based on a carefully considered assessment of non-executive directors' responsibility, including the significant amount of work involved at committee level. The board and particularly its committees, chairmen and committee members spend a significant amount of time on in-depth analysis of matters relevant to the group's performance and regulatory requirements.

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 2013, a meeting fee totalling R195 000 was paid to five 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.

Regulatory disclosures

All regulatory disclosures covered under this section are made in terms of the Companies Act, JSE Listings Requirements, Banks Act, FSB Principles for Sound Compensation Practices and the King Code.

Distribution of material risk takers and employees with deferred remuneration

The FSB 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 89 individuals, out of a population of 1 348 employees with deferred remuneration, were identified as material risk takers in 2013 (2012: 97 out of 1 181).

Material risk takers and all employees with deferred variable remuneration

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 (%)
2013						
A. Senior executives and prescribed officers	**5**	**77.8**	**52.6**	**1 – 7**	**52.6**	**52.6**
B. Other senior executives	**38**	**68.0**	**53.4**	**1 – 7**	**53.4**	**53.4**
C. Other employees whose individual actions have a material impact on the risk exposure of the group	**46**	**77.1**	**59.3**[2]	**1 – 7**	**59.3**	**59.3**
D. All other employees receiving variable remuneration that is subject to deferral	**1 259**	**52.7**	**31.9**	**1 – 7**	**31.9**	**31.9**
Total	**1 348**	**57.3**	**38.7**	**1 – 7**	**38.7**	**38.7**
2012						
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, or
- significantly influence other material risks.

D. All other employees receiving any deferred variable pay and for whom 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

	2013		2012	
	Number of employees	**Total remuneration Rm**	Number of employees	Total remuneration Rm
Fixed remuneration	**89**	**296**	97	297
Senior management[1]	**43**	**159**	28	113
Other material risk takers	**46**	**137**	69	184
Variable remuneration	**87**	**882**	97	749
Senior management	**41**	**392**	28	286
Cash-based	**41**	**184**	28	110
Shares or share-linked instruments	**41**	**208**	28	176
Deferred remuneration[2]	**41**	**208**	28	161
Other – EGS[3]			7	15
Other material risk takers	**46**	**490**	69	463
Cash-based	**46**	**199**	69	226
Shares or share-linked instruments				
– Deferred remuneration[2]	**45**	**291**	69	237

1 Senior executives and prescribed officers of the banking operations as defined under category A and B in the table on the previous page.
2 The value of units in the DBS post 2011 and Quanto as at award date. More information on the schemes are available in annexure D of the annual financial statements on page 271.
3 The Black-Scholes value at award date for participation rights awarded in the EGS.

Analysis of total amount of deferred remuneration of material risk takers for the financial year

	2013		2012	
	Number of employees	**Deferred remuneration Rm**	Number of employees	Deferred remuneration Rm
Awarded during the year[1]	**86**	**499**	97	398
Senior management	**41**	**208**	28	161
Other material risk takers	**45**	**291**	69	237
Paid during the year[2]	**80**	**412**	63	217
Senior management	**36**	**136**	23	122
Other material risk takers	**44**	**276**	40	95
Outstanding at the end of the year[3]	**89**	**1 304**	97	1 134
Senior management	**43**	**491**	28	451
Other material risk takers	**46**	**813**	69	683

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. Rand equivalent value of Quanto Stock units sold during 2013.
3 Value of the balance of units in the DBS and DBS post 2011. Rand 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 2013 or 2012 as a result of ex-post explicit (such as clawbacks) and implicit adjustments.

Annual grant share prices

	Price (R)
March 2014	**126,87**
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 a reduction in the value of holdings.

Remuneration review foreign exchange rates

	USD1/ZAR
2013 financial year[1]	**9,5496**
2012 financial year	8,2305

[1] Exchange rates as applied in the group's November 2013 Remco remuneration review.

Quantitative disclosures on material risk takers with respect to employment awards made

	2013		2012	
	Number of employees	**Value of awards Rm**	Number of employees	Value of awards Rm
Guaranteed bonuses	**1**	**3**	3	18
Senior management			1	4
Other material risk takers	**1**	**3**	2	14
Sign-on awards/buy-out awards[1]	**2**	**10**		
Senior management	**1**	**9**		
Other material risk takers	**1**	**1**		
Severance payments	**7**	**21**	2	10
Senior management	**2**	**1**	1	6
Other material risk takers	**5**	**20**	1	4

[1] No employment awards in the form of sign-on awards or cash buy-out awards were made for 2012.

Retention agreements and payments

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.

Employment awards

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 paid 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 are subject to the same deferral requirements as annual discretionary incentives.

PG

Refer to page 131 for details on deferral of annual 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 on the previous page.

The severance payments in the table on the previous page 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 before termination.

Non-executive directors' emoluments

		Fixed remuneration					
		Services as directors of SBG R'000	SBG committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Otherwise in connection with the affairs of SBG and its subsidiaries R'000	Total compensation for the year R'000
Non-executive directors							
DDB Band	**2013**	**204**	**442**	**379**			**1 025**
	2012	189	410	315		473[1]	1 387
RMW Dunne	**2013**	**204**	**806**	**204**			**1 214**
	2012	189	746	189			1 124
TS Gcabashe	**2013**	**204**	**318**	**243**			**765**
	2012	189	280	225			694
KP Kalyan	**2013**	**204**	**91**	**204**			**499**
	2012	189	84	189			462
Dr Y Liu	**2013**	**669**	**176**				**845**
	2012	533	180				713
SJ Macozoma	**2013**	**204**	**626**	**2 462**			**3 292**
	2012	189	580	2 287			3 056
Adv KD Moroka	**2013**	**204**	**52**	**204**			**460**
	2012	189		189			378
AC Nissen	**2013**	**204**	**91**	**204**			**499**
	2012	189	84	189			462
TMF Phaswana	**2013**	**4 750**			**352[2]**		**5 102**
	2012	4 400			416[2]		4 816
MJD Ruck	**2013**	**204**	**576**	**1 401**			**2 181**
	2012	189	533	1 352			2 074
Lord Smith of Kelvin, KT	**2013**	**669**	**230**	**669**			**1 568**
	2012	533	213	533			1 279
PD Sullivan	**2013**	**643**	**378**	**662**			**1 683**
	2012						
EM Woods	**2013**	**204**	**775**	**282**			**1 261**
	2012	189	679	207			1 075
H Zhang	**2013**	**669**	**318**				**987**
	2012	533	295				828
Total	**2013**	**9 236**	**4 879**	**6 914**	**352**		**21 381**
Total	2012	7 700	4 084	5 675	416	473	18 348

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 the group. 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 the group. 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 the group.

2 Use of motor vehicle and club subscriptions.

		Fixed remuneration					
		Services as directors of SBG R'000	SBG committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Otherwise in connection with the affairs of SBG and its subsidiaries R'000	Total compensation for the year R'000
Former non-executive directors							
MC Ramaphosa[1]	**2013**	**85**	**37**	**84**			**206**
	2012	189	82	189			460
SE Jonah KBE[2]	**2013**						
	2012	78		78			156
Sir PR Judge[2]	**2013**						
	2012	222		221			443
Total	**2013**	**85**	**37**	**84**			**206**
Total	2012	489	82	488			1 059

1 Retired on 30 May 2013.
2 Retired on 31 May 2012.

Executive directors' and prescribed officers' emoluments

		Fixed remuneration				
		Cash portion of package R'000	Other benefits R'000	Pension contributions R'000	Total fixed remuneration R'000	% change
Executive directors*						
BJ Kruger	**2013**	**6 559**	**315**	**1 088**	**7 962**	**12**
	2012	6 014	132	963	7 109	
SK Tshabalala	**2013**	**6 384**	**274**	**990**	**7 648**	**31**
	2012	5 098	270	482	5 850	
SP Ridley	**2013**	**4 900**	**286**	**624**	**5 810**	**7**
	2012	4 617	246	572	5 435	
Prescribed officers						
JB Hemphill	**2013**	**4 657**	**160**	**295**	**5 112**	**3**
	2012	4 424	387	132	4 943	
Former executive directors*						
JH Maree[5]	**2013**	**1 119**	**90**	**185**	**1 394**	
	2012	6 345	470	997	7 812	
PG Wharton-Hood[6]	**2013**	**4 558**	**225**	**767**	**5 550**	
	2012	6 008	191	966	7 165	

1 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.
2 The DBS post 2011, described on page 131, is an equity-settled share scheme. The final value of the award is dependent on the performance of the group's share price. The deferred award is issued in the following financial year.
3 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 134, over and above the duration of service.
4 Awards are made in terms of the Liberty Holdings Group Restricted Share Plan. Details are available in the Liberty Holdings Limited integrated report.
5 Resigned as executive director on 7 March 2013.
6 Resigned as an executive director from the board on 14 August 2013.
* All executive directors were also prescribed officers of the group for 2012 and 2013, and former executive directors until the date of their resignation.

Variable remuneration					
Cash bonus R'000	**Incremental payments and notional dividends**	**Deferred bonus R'000**	**Value of rights granted EGS R'000**	**Total compensation for the year R'000**	**Black-Scholes value of conditional awards forfeited R'000**
9 400[1]	**344**	**11 100[2]**		**28 806**	**(4 758)**
5 900[1]		5 100[2]	2 000[3]	20 109	(3 697)
9 400	**534**	**11 100[2]**		**28 682**	**(2 774)**
8 250[1]		7 450[2]	2 500[3]	24 050	(2 547)
6 150[1]	**429**	**7 850[2]**		**20 239**	**(2 537)**
5 500[1]		4 700[2]	1 500[3]	17 135	(2 128)
8 350[1]		**4 150[4]**	**9 400[3,4]**	**27 012**	**(395)**
7 900[1]		3 850[4]	7 000[3,4]	23 693	(669)
790[1]		**658**		**2 842**	**(9 919)**
4 500[1]		3 700[2]	2 000[3]	18 012	(5 748)
	551			**6 101**	
7 500[1]		6 700[2]	2 500[3]	23 865	(3 697)

Prescribed officers appointed in 2013

		Fixed remuneration			
		Cash portion of package R'000	Other benefits R'000	Pension contributions R'000	Total fixed remuneration R'000
Prescribed officers					
DC Munro	**2013**	**4 596**	**200**	**641**	**5 437**
PL Schlebusch	**2013**	**4 476**	**199**	**595**	**5 270**

1 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.

2 In terms of the DBS post 2011, described on page 131, the amount finally payable is dependent on the performance of the group's share price. The deferred award is issued in the following financial year.

Share incentives

Group share incentive scheme

The GSIS confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted.

Standard Bank equity growth scheme

The EGS allocates participation rights to participate in the future growth of the SBG share price. The eventual value of the right is settled by the receipt of SBG shares equivalent to the full value of the participation rights.

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 SBG share price on the date of payment.

Deferred bonus post 2011 scheme

Employees are awarded shares in Standard Bank Group Limited, either as a mandatory deferral of their short-term incentive or as a discretionary award, into the DBS post 2011 scheme. The deferred bonus is unitised into a number of units with respect to the group's share price on the date of award. These shares are delivered to the employees on the vesting date. Notional dividends on the units are paid to the employees on the vesting date.

Performance reward plan

The group's PRP is an equity-settled share scheme, which is in effect from March 2014, designed to incentivise the group's senior executives, whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic long-term objectives and to align the interests of those executives with overall group performance in both earnings growth and ROE. These are the most important financial metrics to create shareholder value and, therefore, aligns the interests of management and shareholders.

Annual conditional share awards are issued with a three-year vesting period. Notional dividends accrue during the vesting period and will be payable on vesting date. The awards are subject to the achievement of performance conditions set at award date and that determine the number of shares that ultimately vest. The awards will only vest in future in terms of the rules of the PRP.

RCM AFS

Refer to note 32 in the annual financial statements for information on the potential dilutive impact of shares issued under incentive awards.

Variable remuneration					
Cash bonus R'000	Incremental payments and notional dividend R'000	Deferred bonus R'000	Value of rights granted EGS R'000	Total compensation for the year R'000	Black-Scholes value of conditional awards forfeited R'000
15 150[1]	1 167	14 850[2]		36 604	(1 585)
10 150[1]	392	10 850[2]		26 662	

Share incentives continued

The table below includes the number of conditional units allocated in March 2014 to prescribed officers. The vesting (if any) of these units will be deferred to March 2017.

Director's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited	Black-Scholes value of participation rights forfeited[1] (R)	Number of share incentives exercised or accepted during the year (R)
SK Tshabalala[2]	**GSIS**						
	2013	**25 000**					
	2012	25 000					
	EGS						
	2013	**1 019 305**	**302 109**	**2013/03/07**	**(56 250)**	**(2 774 438)**	
	2012	795 000	274 305	2012/03/08	(50 000)	(2 547 250)	
	PRP						
	2014		**98 500[4]**	**2014/03/06**			
BJ Kruger	**EGS**						
	2013	**1 186 471**	**56 594**	**2013/03/07**	**(100 000)**	**(4 758 250)**	
	2012	1 231 500	61 471	2012/03/08	(75 000)	(3 696 750)	(31 500)
	PRP						
	2014		**98 500[4]**	**2014/03/06**			

1 Forfeiture as a result of the underlying EGS award's performance conditions not being met.
2 SK Tshabalala has a right to 698 339 (2012: 698 339) shares as a beneficiary of the Tutuwa Managers' Trusts. There is a current liability of R48,21 (2012: R44,36) per share. Special conditions apply to the shares.
3 Conditional awards.
4 The approved PRP awards relate to future performance years and the financial effect thereof will be included in the group's executive director and prescribed officer emoluments disclosure in future financial periods.

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 2013	Issue date	Issue or offer price (R)	Vesting category	Expiry date
		25 000	**25 000**	**2004/03/11**	**40,65**	**A**	**2014/03/11**
		25 000					
115,51		**1 265 164**	**50 000**	**2005/03/10**	**65,60**	**B**	**2015/03/10**
108,90		1 019 305	**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**
			100 000	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			25 000[3]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			18 750[3]	**2009/03/06**	**62,39**	**A**	**2019/03/06**
			75 000[3]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			62 500[3]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			62 500[3]	**2010/03/05**	**111,94**	**B**	**2020/03/05**
			100 000[3]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			100 000[3]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			61471[3]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
			212 834	**2012/03/08**	**108,90**	**D**	**2022/03/08**
			70 742[3]	**2013/03/07**	**115,51**	**E**	**2023/03/07**
			231 367	**2013/03/07**	**115,51**	**D**	**2023/03/07**
		1 143 065	**300 000**	**2006/03/10**	**79,50**	**B**	**2016/03/10**
7 990	1 441 440	1 186 471	**150 000**	**2007/03/07**	**98,00**	**B**	**2017/03/07**
			50 000[3]	**2008/03/06**	**92,00**	**B**	**2018/03/06**
			25 000[3]	**2009/03/06**	**62,39**	**A**	**2019/03/06**
			100 000[3]	**2009/03/06**	**62,39**	**B**	**2019/03/06**
			100 000[3]	**2010/03/05**	**111,94**	**A**	**2020/03/05**
			100 000[3]	**2010/03/05**	**111,94**	**B**	**2020/03/05**
			100 000[3]	**2011/03/04**	**98,80**	**A**	**2021/03/04**
			100 000[3]	**2011/03/04**	**98,80**	**B**	**2021/03/04**
			61 471[3]	**2012/03/08**	**108,90**	**A**	**2022/03/08**
			56 594[3]	**2013/03/07**	**115,51**	**E**	**2023/03/07**

Share incentives continued

Director's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited	Black-Scholes value of participation rights forfeited[1] (R)	Number of share incentives exercised or accepted during the year
SP Ridley	EGS						
	2013	**669 383**	**42 445**	**2013/03/07**	**(52 500)**	**(2 537 250)**	**(75 000)**
	2012	725 000	36 883	2012/03/08	(42 500)	(2 127 925)	(50 000)
	PRP						
	2014		**63 100[3]**	**2014/03/06**			
JB Hemphill	EGS						
	2013	**237 500**			**(6 250)**	**(395 312)**	
	2012	250 000			(12 500)	(698 875)	
	PRP						
	2014		**78 800[3]**	**2014/03/06**			
DC Munro	EGS						
	2013	**765 221**	**131 690**	**2013/03/07**	**(31 250)**	**(1 584 875)**	
	PRP						
	2014		**78 800[3]**	**2014/03/06**			

1 Forfeiture as a result of the underlying EGS award's performance conditions not being met.
2 Conditional awards.
3 The approved PRP awards relate to future performance years and the financial effect thereof will be included in the group's executive director and prescribed officer emoluments disclosure in future financial periods.

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 2013	Issue date	Issue or offer price (R)	Vesting category	Expiry date
20 358	2 962 500	584 328	75 000	2006/03/10	79,50	B	2016/03/10
12 175	2 170 000	669 383	15 000	2007/03/07	98,00	A	2017/03/07
			15 000	2007/03/07	98,00	B	2017/03/07
			25 000[2]	2008/03/06	92,00	B	2018/03/06
			15 000[2]	2009/03/06	62,39	A	2019/03/06
			60 000[2]	2009/03/06	62,39	B	2019/03/06
			100 000[2]	2010/03/05	111,94	A	2020/03/05
			100 000[2]	2011/03/04	98,80	A	2021/03/04
			100 000[2]	2011/03/04	98,80	B	2021/03/04
			36 883[2]	2012/03/08	108,90	A	2022/03/08
			42 445[2]	2013/03/07	115,51	E	2023/03/07
		231 250	5 000	2005/04/21	60,35	A	2015/04/21
		237 500	20 000	2005/04/21	60,35	B	2015/04/21
			6 250[2]	2009/03/06	62,39	A	2019/03/06
			25 000[2]	2009/03/06	62,39	B	2019/03/06
			75 000[2]	2010/03/05	111,94	A	2020/03/05
			75 000[2]	2010/03/05	111,94	B	2020/03/05
			12 500[2]	2011/03/04	98,80	A	2021/03/04
			12 500[2]	2011/03/04	98,80	B	2021/03/04
115,51		865 661	50 000	2005/03/10	65,60	B	2015/03/10
			250 000	2006/03/10	79,50	B	2016/03/10
			23 750	2007/03/07	98,00	A	2017/03/07
			23 750	2007/03/07	98,00	B	2017/03/07
			12 500[2]	2008/03/06	92,00	B	2018/03/06
			50 000	2008/03/06	92,00	B	2018/03/06
			12 500[2]	2009/03/06	62,39	A	2019/03/06
			50 000[2]	2009/03/06	62,39	B	2019/03/06
			50 000	2010/03/05	111,94	A	2020/03/05
			50 000	2010/03/05	111,94	B	2020/03/05
			50 000[2]	2011/03/04	98,80	A	2021/03/04
			50 000[2]	2011/03/04	98,80	B	2021/03/04
			61 471[2]	2012/03/08	108,90	A	2022/03/08
			60 948	2013/03/07	115,51	D	2023/03/07
			70 742[2]	2013/03/07	115,51	E	2023/03/07

Share incentives continued

Director's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited	Black-Scholes value of participation rights forfeited[1] (R)	Number of share incentives exercised or accepted during the year
PL Schlebusch	**EGS**						
	2013	**411 258**	**56 594**	**2013/03/07**			
	PRP						
	2014		**78 800[3]**	**2014/03/06**			
JH Maree	**EGS**						
	2013	**1 561 471**	**56 594**	**2013/03/07**	**(218 750)**	**(9 919 063)**	
	2012	1 625 000	61 471	2012/03/08	(125 000)	(5 747 500)	
PG Wharton-Hood	**GSIS**						
	2013	**125 000**					**(125 000)**
	2012	250 000					(125 000)
	EGS						
	2013	**1 236 471**	**70 742**	**2013/03/07**	**(738 463)[4]**		**(50 000)** **(125 000)** **(300 000)** **(93 750)**
	2012	1 250 000	61 471	2012/03/08	(75 000)	(3 696 750)	

1 Forfeiture as a result of the underlying EGS award's performance conditions not being met.
2 Conditional awards.
3 The approved PRP awards relate to future performance years and the financial effect thereof will be included in the group's executive director and prescribed officer emoluments disclosure in future financial periods.
4 Forfeiture as a result of resignation as an executive director from the board on 14 August 2013.

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 2013	Issue date	Issue or offer price (R)	Vesting category	Expiry date
115,51		467 852	20 000	2007/03/07	98,00	A	2017/03/07
			20 000	2007/03/07	98,00	B	2017/03/07
			9 375	2008/03/06	92,00	A	2018/03/06
			37 500	2008/03/06	92,00	B	2018/03/06
			25 000	2008/03/06	92,00	B	2018/03/06
			12 500	2009/03/06	62,39	A	2019/03/06
			50 000	2009/03/06	62,39	B	2019/03/06
			50 000	2010/03/05	111,94	A	2020/03/05
			50 000	2010/03/05	111,94	B	2020/03/05
			50 000[2]	2011/03/04	98,80	A	2021/03/04
			50 000[2]	2011/03/04	98,80	B	2021/03/04
			36 883[2]	2012/03/08	108,90	A	2022/03/08
			56 594[2]	2013/03/07	115,51	E	2023/03/07
115,51		1 399 315	375 000	2006/03/10	79,50	A	2016/03/10
108,90		1 561 471	125 000	2006/03/10	79,50	B	2016/03/10
			125 000[2]	2008/03/06	92,00	B	2018/03/06
			31 250[2]	2009/03/06	62,39	A	2019/03/06
			125 000[2]	2009/03/06	62,39	B	2019/03/06
			500 000[2]	2010/03/05	111,94	A	2020/03/05
			61 471[2]	2012/03/08	108,90	A	2022/03/08
			56 594[2]	2013/03/07	115,51	E	2023/03/08
40,65	9 322 500						
27,90	10 641 250	125 000					
242	100 500						
34 544	6 043 750						
63 270	10 335 000						
8 966	1 495 312						
108,90		1 236 471					

Deferred bonus scheme

The table below reflects bonus awards issued in the 2013 and prior financial years. The awards will only vest in future in terms of the rules of the DBS and DBS post 2011. The deferred bonus awards for the 2013 performance year are only issued in the 2014 financial year, are still subject to choice and are reflected in the table below.

	Performance year	Issue date	Amount deferred (R)	Award price (R)	Units awarded
SK Tshabalala	2008	2009/03/06[1]	1 750 000	62,39	28 050
	2009	2010/03/05[1]	1 930 000	111,94	17 241
	2013	2014/03/06[2]	11 100 000		
BJ Kruger	2009	2010/03/05[1]	1 075 000	111,94	9 603
	2010	2011/03/04[1]	2 310 000	98,80	23 381
	2011	2012/03/08[3]	9 762 558	108,90	89 647
	2012	2013/03/07[3]	5 100 000	115,51	44 153
	2013	2014/03/06[2]	11 100 000		
SP Ridley	2008	2009/03/06[1]	887 500	62,39	14 226
	2009	2010/03/05[1]	817 500	111,94	7 303
	2010	2011/03/04[1]	552 875	98,80	5 596
	2011	2012/03/08[3]	5 600 074	108,90	51 424
	2012	2013/03/07[3]	4 700 000	115,51	40 690
	2013	2014/03/06[2]	7 850 000		
DC Munro	2008	2009/03/06[1]	2 852 500	62,39	45 721
	2009	2010/03/05[1]	2 936 500	111,94	26 233
	2010	2011/03/04[1]	3 850 000	98,80	38 968
	2011	2012/03/08[3]	10 334 000	108,90	94 895
	2012	2013/03/07[3]	5 887 500	115,51	50 970
	2013	2014/03/06[2]	14 850 000		
PL Schlebusch	2008	2009/03/06[1]	675 000	62,39	10 820
	2009	2010/03/05[1]	990 000	111,94	8 844
	2010	2011/03/04[1]	1 962 000	98,80	19 858
	2011	2012/03/08[3]	5 850 000	108,90	53 720
	2012	2013/03/07[3]	6 225 000	115,51	53 892
	2013	2014/03/06[2]	10 850 000		
JH Maree	2008	2009/03/06[1]	2 593 000	62,39	41 561
	2011	2012/03/08[3]	9 043 512	108,90	83 035
	2012	2013/03/07[3]	3 700 000	115,51	32 032
PG Wharton-Hood	2008	2009/03/06[1]	967 500	62,39	15 508
	2009	2010/03/05[1]	887 500	111,94	7 928
	2010	2011/03/04[1]	5 184 600	98,80	52 476
	2011	2012/03/08[3]	8 887 547	108,90	81 612
	2012	2013/03/07[3]	6 700 000	115,51	58 004

1 Units are granted in DBS and vest after three years from date of award.
2 Deferred bonus amounts awarded in March 2014 are still subject to choice. Participants can elect to have the value of the deferred award, or a part thereof, invested in the EGS rather than the default DBS. To the extent that EGS is selected, a 10% premium of the value of the award is added. Deferred bonus amounts not invested in EGS will be unitised with respect to the group's closing share price on 6 March 2014. This award will be updated in the group's 2014 annual financial statements to reflect the choices made and units/rights awarded.
3 Units are granted in DBS post 2011 and vest in three equal tranches at 18, 30 and 42 months from date of award.
The units were exercised to settle taxes due on vesting date.
* Forfeited.

JB Hemphill was awarded a deferred bonus, issued in Liberty Holdings Limited. Full details are available in the Liberty Holdings Limited annual financial statements.

Expiry date/final vesting date	Balance of units 1 January	Number of units exercised during the year	Share price (R)	Value of units exercised (R)	Balance of units 31 December
2013/11/30	16 830	16 830	119,32	2 008 156	
2014/11/30	17 241	6 897	118,39	816 536	10 344[#]
2017/09/30					
2014/11/30	9 603	3 842	118,39	454 854	5 761[#]
2015/11/30	23 381				23 381
2015/09/30	89 647	29 882	120,80	3 609 746	59 765
2016/09/30					44 153
2017/09/30					
2013/11/30	8 535	8 535	122,00	1 041 270	
2014/11/30	7 303	2 922	118,39	345 936	4 381
2015/11/30	5 596				5 596
2015/09/30	51 424	17 141	120,80	2 070 633	34 283
2016/09/30					40 690
2017/09/30					
2013/11/30	27 432	27 432	122,00	3 346 704	
2014/11/30	26 233	10 494	118,39	1 242 385	15 739[#]
2015/11/30	38 968				38 968
2015/09/30	94 895	31 631	120,80	3 821 025	63 264
2016/09/30					50 970
2017/09/30					
2013/11/30	6 492	6 492	118,39	768 588	
2014/11/30	8 844	3 538	118,39	418 864	5 306[#]
2015/11/30	19 858				19 858
2015/09/30	53 720	17 906	120,80	2 163 045	35 814
2016/09/30					53 892
2017/09/30					
2013/11/30	41 561	41 561	112,90	4 692 237	
2015/09/30	83 035	27 678	120,80	3 343 502	55 357
2016/09/30					32 032
2013/11/30	9 304	9 304	113,95	1 060 191	
2014/11/30	7 928	3 172	118,39	375 533	
		4 756	113,95	541 946	
2015/11/30	52 476	52 476*			
2015/09/08	81 612	27 204	120,80	3 286 243	
		54 408*			
2016/09/30		58 004*			

Chairman's letter to shareholders

Dear Shareholder

I extend an invitation to you to attend the 45th 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, 29 May 2014 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 2013. 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 Depository 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 2013 (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 up to a maximum of 5% of the ordinary shares in issue at 31 December 2013
- 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 2014, which have been considered by the group remuneration committee and recommended by the board (resolution number 7)
- 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 of the JSE Limited (resolution number 8)
- a general authority by shareholders to permit the repurchase of the company's non-redeemable preference 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 9) 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 10).

I look forward to welcoming you at the AGM.

Fred Phaswana
Chairman
5 March 2014

Notice to members

Notice is hereby given that the 45th 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, 29 May 2014 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, 23 May 2014.

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 2013, 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.

Saki Macozoma, Lord Smith and Ted Woods, being eligible, offer themselves for re-election. Doug Band and Chris Nissen will retire at the end of this meeting.

Francine-Ann du Plessis, André Parker, Bajabulile (Swazi) Tshabalala, Kaisheng Yang and Wenbin Wang, 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.

Francine-Ann du Plessis, André Parker, Lord Smith, Swazi Tshabalala and Ted Woods are independent non-executive directors. Details of the directors offering themselves for re-election are as follows:

2.1 Francine-Ann du Plessis (59)

Qualifications: BCom, BCom (Hons), LLB, CA(SA)

Date of appointment: 2014

Directorships: Standard Bank Group, The Standard Bank of South Africa, Arcelor Mittal South Africa, Heemstede Beleggings, Karstens Group Holdings, Keeromstraat Beleggings, KWV Holdings, LDP Chartered Accountants & Auditors, LDP Compliance, Life Healthcare Group Holdings, Naspers, Palabora Mining Company, Royal Bafokeng Holdings.

2.2 Saki Macozoma (56)

Qualifications: BA (Unisa)

Date of appointment: 1998

Directorships: Standard Bank Group, The Standard Bank of South Africa, Liberty Holdings (chairman), Stanlib (chairman), Tshipi é Ntle Manganese Mining (chairman), Ntsimbintle Mining (chairman), Safika Holdings (chairman), VW South Africa, Business Leadership South Africa (president).

Committee membership: group social and ethics (chairman), group/SBSA directors' affairs, group/SBSA risk and capital management and group remuneration committees

2.3 Lord Smith of Kelvin, KT (69)

Qualifications: CA, Fellow of the Institute of Bankers (Scotland), Honorary degrees (Edinburgh, Glasgow, Paisley)

Date of appointment: 2003

Directorships: Standard Bank Group, The Standard Bank of South Africa, Scottish and Southern Energy (chairman), 2014 Glascow Commonwealth Games Organising Committee (chairman), UK Green Investment Bank (chairman)

Committee membership: group/SBSA audit committees

2.4 André Parker (62)

Qualifications: B Econ, B Econ (Hons), MCom

Date of appointment: 2014

Directorships: Standard Bank Group, The Standard Bank of South Africa, Tiger Brands (chairman), Distell, Development Partners International (advisory board)

2.5 Swazi Tshabalala (48)

Qualifications: BA (Economics), MBA

Date of appointment: 2014

Directorships: Standard Bank Group, The Standard Bank of South Africa, Liberty Group, Liberty Holdings, Council for Scientific & Industrial Research, Industrial Development Corporation (Executive Officer), Kupanua Investments, Luxehold, Majestic Silver Trading 175, Top Form Trading 7, Vermogen Holdings, Vermogen SA, XAU Investments

2.6 Kaisheng Yang (65)

Qualifications: Doctorate in Economics (Wuhan University), Chinese Certified Public Accountant

Date of appointment: 2014

Directorships: Standard Bank Group

Committee membership: group directors' affairs and group risk and capital management committees

2.7 Wenbin Wang (39)

Qualifications: Bachelor's degree in Economics, MBA, PhD (Management)

Date of appointment: 2014

Directorships: Standard Bank Group

Committee membership: group directors' affairs (alternate to Kaisheng Yang) and group risk and capital management (alternate to Kaisheng Yang) committees

2.8 Ted Woods (67)

Qualifications: BCom (Wits), CA(SA), MBA (Cape Town), CFA

Date of appointment: 2007

Directorships: Standard Bank Group and The Standard Bank of South Africa

Committee membership: group remuneration (chairman), group/SBSA audit, group/SBSA risk and capital management committees

In order for resolution numbers 2.1 to 2.8 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 2014."

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 be and are hereby placed under the control of the directors of the company who are authorised to 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 issued in terms of this resolution being limited to five percent (5%) of the number of ordinary shares in issue at 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.

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 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 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 123 of the annual integrated report.

"Remuneration policy:

Remuneration strategy

People are our key differentiator in accomplishing our aim of building the leading African financial services organisation. Highly skilled and experienced people are both business generators and enablers, and are thus essential in delivering sustainable growth for shareholders within the group's risk boundaries.

One of our strategic focus areas is to continually build the depth, breadth and calibre of human capital required to deliver group strategy. Our employee report describes how we develop and retain our human capital. Part of this process is how we remunerate our staff.

We have four key objectives guiding our remuneration strategy:

- We reward for value delivered and adjust for the risk assumed.
- We aim to be competitive in remuneration in the global marketplace for skills.
- We reward our people fairly, both to the individual and to shareholders, while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk-taking.
- We promote and reward teamwork.

Principles that underpin our remuneration strategy

Remco is firmly committed to appropriate disclosure of reward principles and structures to all relevant stakeholders, including employees, unions, regulators and shareholders. This is aimed at enabling stakeholders to make a reasonable assessment of our reward strategy, structures and associated governance processes. The reward principles are embodied in the following paragraph.

Remuneration principles

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 unfairly 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 behaviors, 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 behavioral 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.

Remuneration governance

Remco, with a majority membership of non-executive directors, is mandated to:

- review and approve the remuneration policy and strategy in the long-term interests of the group
- approve general principles relating to terms and conditions of employment contracts
- approve terms of contracts of employment with key employees of the group
- determine remuneration for key executives and propose remuneration for non-executive directors for shareholder approval
- review the group chairman's assessment of the performance of the joint chief executive officers
- review the joint chief executives officers' assessment of the performance of key executive management
- review the guaranteed and variable remuneration for key executives
- review and approve all proposals for incentive scheme design and modifications
- review incentive schemes for continued alignment with shareholder interests
- approve criteria and applicable terms for participation in annual incentive bonuses
- review performance measures to be used for purposes of the annual incentive bonuses for all employees

- approve recommendations for awards in terms of approved long-term incentive plans
- monitor adequacy of other benefits for key executives
- monitor compulsory employee benefits applicable at all levels and categories of employees in the group
- approve general terms and mandates of subsidiary remuneration committees and review the mandates
- review and consider reports from subsidiary remuneration committees on changes in remuneration practices or philosophy
- consider and approve the remuneration of select individuals who are included in subsidiary remuneration committee approval processes.

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** – R5 320 000 per annum[2]
7.2 **Director of Standard Bank Group** – R220 000 per annum
7.3 **International director of Standard Bank Group** – £45 450 per annum.
7.4 **Group directors' affairs committee:**
7.4.1 **Chairman** – R324 500 per annum
7.4.2 **Member** – R98 500 per annum.
7.5 **Group risk and capital management committee:**
7.5.1 **Chairman** – R662 000 per annum
7.5.2 **Member** – R257 600 per annum.
7.6 **Group remuneration committee:**
7.6.1 **Chairman** – R463 500 per annum
7.6.2 **Member** – R139 000 per annum.
7.7 **Group social and ethics committee:**
7.7.1 **Chairman** – R324 500 per annum
7.7.2 **Member** – R101 500 per annum.
7.8 **Group audit committee:**
7.8.1 **Chairman** – R662 000 per annum
7.8.2 **Member** – R257 600 per annum.
7.9 **IT committee:**
7.9.1 **Chairman** – R463 500 per annum
7.9.2 **Member** – R139 000 per annum.
7.10 **Ad hoc meeting attendance[3]** – R21 800 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.

1 Fee increase effective from 1 January 2014.
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.

8. General authority to acquire the company's ordinary 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 ("the Companies Act"), as amended or replaced 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.

9. General authority to acquire the company's non-redeemable preference shares

The directors of the company intend, if the circumstances are appropriate, to implement repurchases of the company's non-redeemable, non-cumulative, non-participating, variable rate par value preference shares ("the preference 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) by the company by means of general repurchases as defined in the Listings Requirements.

The purpose of this special resolution is to generally approve, in terms of the provisions of the Companies Act, the acquisition by the company of preference shares, subject to the Listings Requirements.

The directors of the company are of the opinion that taking into consideration the maximum number of preference 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 acquisition by the company from time to time, of such number of non-redeemable, non-cumulative, non-participating, variable rate par value preference shares ("the preference 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 preference 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 preference 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 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 has 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.

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. 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 10

1. Details of directors

Directors' details as required by the Listings Requirements are set out on pages 104 to 107 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 104 to 107 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.

3. Interests of directors

The interests of the directors in the share capital of the company are set out on pages 177 and 178 of the annual financial statements.

4. Major shareholders

Details of major shareholders of the company are set out on page 171 of the annual integrated report.

5. Share capital of the company

Details of the share capital of the company are set out on pages 175 to 180 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

There was a significant increase in litigation against certain of our African businesses, all of which are being defended and none of which are expected to have a material adverse impact on the group. Legal resources were restructured and enhanced to improve the processes and controls to manage legal risks.

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 09h00 on Tuesday, 27 May 2014.

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.

In regard to resolution number 9, the holders of the preference shares shall be entitled to vote. Subject to the provisions of the memorandum of incorporation the holders of the preference shares shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by such holders bear to the aggregate amount of the nominal value of the ordinary and preference shares issued by the company.

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
5 March 2014

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 – ordinary shareholders

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 ordinary 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, 29 May 2014, 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	Francine-Anne du Plessis			
2.2	Saki Macozoma			
2.3	Lord Smith KT			
2.4	André Parker			
2.5	Swazi Tshabalala			
2.6	Kaisheng Yang			
2.7	Wang Wenbin			
2.8	Ted Woods			
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 (2014):			
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	IT Committee			
7.9.1	Chairman			
7.9.2	Member			
7.10	Ad hoc meeting attendance			
8	Grant: General authority to acquire the company's ordinary shares			
9	Grant: General authority to acquire the company's non-redeemable preference shares			
10	Approve: 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 2014

Signature

Assisted by (where applicable) (State capacity and full name)

Please provide contact details: Tel: ( ) Fax: ( )

E-mail:

Notes to the proxy form – ordinary shareholders

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, 27 May 2014 with either the transfer secretaries or the registered office:

   South Africa:
   Computershare Investor Services Proprietary Limited
   Ground Floor, 70 Marshall Street
   Johannesburg, 2001
   PO Box 61051, Marshalltown, 2107
   Fax number +27 11 688 5238

   Namibia:
   Transfer Secretaries Proprietary Limited
   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:
   - any one holder may sign the proxy form and
   - 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, 27 May 2014. 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, 27 May 2014. 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, 27 May 2014.

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.

Proxy form – preference shareholders

Standard Bank Group Limited

(Registration number 1969/017128/06) ("the company")
JSE share code: SBPP ISIN: ZAE000056339

To be completed by certificated preference shares shareholders and dematerialised preference shares 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 non-redeemable shares of 1 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, 29 May 2014, 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***
9	General authority to acquire the company's non-redeemable preference shares			

* 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 2014

Signature

Assisted by (where applicable) (State capacity and full name)

Please provide contact details: Tel: ( ) Fax: ( )

E-mail:

Notes to the proxy form: preference shares

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, 27 May 2014 with either the transfer secretaries or the registered office:

   South Africa:
   Computershare Investor Services Proprietary Limited
   Ground Floor, 70 Marshall Street
   Johannesburg
   PO Box 61051, Marshalltown, 2001
   Fax number +27 11 688 5238

   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 non-redeemable preference 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 non-redeemable preference shares:
   - any one holder may sign the proxy form; and
   - the vote of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the non-redeemable preference 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 non-redeemable preference 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, 27 May 2014. 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, 27 May 2014. 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, 27 May 2014.

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

	2013		2012	
	Number of shares (million)	**% holding**	Number of shares (million)	% holding
Ten major shareholders[1]				
ICBC	**325,0**	**20.1**	322,0	20.0
Public Investment Corporation	**222,8**	**13.8**	233,7	14.6
Tutuwa participants	**88,2**	**5.5**	88,2	5.5
Staff	**34,5**	**2.2**	34,5	2.2
Strategic partners	**35,8**	**2.2**	35,8	2.2
Communities and regional businesses	**17,9**	**1.1**	17,9	1.1
Dodge & Cox	**28,2**	**1.7**	25,9	1.6
Investment Solutions	**23,7**	**1.5**	25,2	1.6
Vanguard Emerging Markets Fund	**23,5**	**1.5**	23,9	1.5
Allan Gray Balanced Fund	**23,4**	**1.4**	12,3	0.8
Government Singapore Investment Corp	**22,4**	**1.4**	14,9	0.9
Allan Gray Equity Fund	**21,7**	**1.3**	14,1	0.9
Old Mutual Life Assurance	**20,5**	**1.2**	38,6	2.4
	799,4	**49.4**	798,8	49.9
Geographic spread of shareholders				
South Africa	**859,4**	**53.1**	864,6	53.8
Foreign shareholders	**758,6**	**46.9**	741,5	46.2
China	**326,9**	**20.2**	323,5	20.1
United States of America	**217,8**	**13.5**	217,5	13.5
United Kingdom	**73,7**	**4.5**	49,9	3.1
Singapore	**25,1**	**1.6**	17,6	1.1
Ireland	**16,0**	**1.0**	12,1	0.8
Australia	**13,6**	**0.8**	11,1	0.7
Namibia	**11,8**	**0.7**	16,7	1.0
Saudi Arabia	**9,1**	**0.6**	10,0	0.6
Netherlands	**8,7**	**0.5**	10,4	0.6
Canada	**8,4**	**0.5**	9,6	0.6
Norway	**8,0**	**0.5**	12,3	0.8
Luxembourg	**7,5**	**0.5**	11,1	0.7
United Arab Emirates	**5,0**	**0.3**	12,8	0.8
Other	**27,0**	**1.7**	26,9	1.7
	1 618,0	**100.0**	1 606,1	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.

	2013		2012	
	Number of shares	**% holding**	Number of shares	% holding
Spread of ordinary shareholders (million)				
Public[1]	**978,4**	**60.5**	957,8	59.6
Non-public[1]	**639,6**	**39.5**	648,3	40.4
Directors and prescribed officers of SBG, and its subsidiaries[2]	**1,3**	**0.1**	2,3	0.2
ICBC	**325,0**	**20.1**	322,0	20.0
Public Investment Corporation	**222,8**	**13.7**	233,7	14.6
Standard Bank Group retirement funds	**2,2**	**0.1**	1,4	0.1
Tutuwa participants[3]	**88,2**	**5.5**	88,2	5.5
Associates of directors	**0,1**		0,7	
	1 618,0	**100.0**	1 606,1	100.0
Spread of 6.5% cumulative preference shareholders (million)				
Public[1]	**8**	**100.0**	8	100.0
Spread of non-redeemable, non-cumulative, non-participating preference shareholders				
Public[1]	**52 908 285**	**99.9**	52 743 071	99.6
Non-public[1]	**73 963**	**0.1**	239 177	0.4
Directors and prescribed officers of SBG, and its subsidiaries[2]	**72 963**	**0.1**	234 643	0.4
Associates of directors	**1 000**		4 534	
	52 982 248	**100.0**	52 982 248	100.0

1 As per JSE Listings Requirements.
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

	2013	2012
Ordinary shareholders	**66 499**	67 614
Public	**66 449**	67 560
Non-public	**50**	54
6.5% first cumulative preference shareholders	**352**	352
Public	**352**	352
Non-redeemable, non-cumulative, non-participating preference shareholders	**9 689**	10 339
Public	**9 683**	10 328
Non-public	**6**	11

Share statistics

		2013	2012
Market indicators			
JSE All Share Index		**46 256**	39 250
JSE Banks Index		**57 745**	53 362
MSCI Emerging Markets Index		**1 003**	1 055
Share price			
High for the year	cents	**13 054**	12 030
Low for the year	cents	**10 316**	9 876
Closing	cents	**12 942**	11 888
Shares traded			
Number of shares	thousands	**1 012 189**	938 187
Value of shares	Rm	**116 482**	103 232
Turnover in shares traded (annualised)	%	**62,7**	58,8

Shareholders' diary

2013 financial year

Annual general meeting	29 May 2014

2014 financial year

Financial year end	31 December
Annual general meeting	May 2015
Reports	
Interim report and declaration of interim dividend	August 2014
Summarised annual financial statements and declaration of dividend	March 2015
Publication of annual report	April 2015

Dividend payments

Ordinary shares:	
Interim	September 2014
Final	April 2015
6.5% first cumulative preference shares:	
Six months ending 30 June 2014	September 2014
Six months ending 31 December 2014	April 2015
Non-redeemable, non-cumulative, non-participating preference shares:	
Six months ending 30 June 2014	September 2014
Six months ending 31 December 2014	April 2015

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

Subordinated debt

SBK 7: ZAG000024894

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 9: ZAG000069329

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

Namibian Stock Exchange (NSX)

Ordinary shares

Share code: SNB

ISIN code: ZAE000109815

Directorate of key subsidiaries

as at 31 December 2013

The Standard Bank of South Africa Limited

TMF Phaswana
Chairman

SK Tshabalala[1]
Chief executive

DDB Band
RMW Dunne[2]
TS Gcabashe
KP Kalyan[4]
BJ Kruger[1]
SJ Macozoma
KD Moroka
AC Nissen
SP Ridley[1]
MJD Ruck
Lord Smith of Kelvin, KT[2]
PD Sullivan[3]
EM Woods

1 Executive
2 British
3 Australian
4 Resigned March 2014

Standard Bank Plc

BJ Kruger
Chairman

JK Knott[1,2]
Chief executive

ME Austen[2]
DPH Burgess[2]
GAR Joyce[2]
JH Maree
CJ Sheridan[2]
HE Staunton[2]

1 Executive
2 British

Liberty Holdings Limited

SJ Macozoma
Chairman

JB Hemphill[1]
Chief executive

AWB Band
SL Botha
AP Cunningham[2]
MW Hlahla
MP Moyo
TDA Ross
SP Sibisi
JH Sutcliffe[2]
CG Troskie[1]
BS Tshabalala
SK Tshabalala

1 Executive
2 British

Stanbic IBTC Bank PLC

ANA Peterside, CON[3]
Chairman

Y Sanni[1,3]
Chief executive

S David-Borha[3]
OU Abajue[1,3]
M Adedoyin[3]
OA Adeniyi[1,3]
D Bruynseels[2]
AS Cookey[3]
I Esiri[3]
AG Gain
RI Mahtani[3]
SK Tshabalala
M Uwais, MFR[3]
V Williams[4]

1 Executive
2 British
3 Nigerian
4 American

Credit ratings

Ratings as at 6 March 2014 for entities within Standard Bank Group:

	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
National rating	F1+ (ZAF)	AA (ZAF)	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	RWE[1]
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			
Standard Bank Group Limited			
Foreign currency issuer default rating		Baa1	Negative
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	Negative
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	RUR[2]
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
Stanbic IBTC Bank PLC (Nigeria)			
Foreign currency	B	BB-	Stable
National rating	ngA-1	ngAA-	

1 Rating watch evolving (RWE).
2 Rating under review (RUR) with direction uncertain.

Financial and other definitions

Standard Bank Group	
Basic earnings per share (EPS) (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
Board	Standard Bank Group board of directors.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Diluted earnings per ordinary share (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 year end.
Profit attributable to ordinary shareholders (Rm)	Profit for the year attributable to ordinary shareholders, calculated as profit for the year less dividends on non-redeemable, non-cumulative, non-participating preference shares declared before year end, less 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 earnings 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.

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).
Black economic empowerment (BEE)	Socioeconomic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups to participate gainfully and equitably in the mainstream economy.
CPI (%)	A South African index of prices used to measure the change in the cost of basic goods and services.

Discretionary participation features (DPF)	A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits that are:
	• likely to be a significant portion of the total contractual benefits
	• whose amount or timing is contractually at the discretion of the issuer, and
	• that are contractually based on the:
	  ◦ performance of a specified pool of contracts or a specified type of contract
	  ◦ realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
	  ◦ profit or loss of the company, fund or other entity that issues the contract.

Exposure at default (EAD)	Counterparty's expected exposure to the group at the time a default occurs.
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 pages 72 to 77 of the annual integrated report for further detail.
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.
Structured entity (SE)	An entity created to accomplish a narrow and well-defined objective.
Tutuwa initiative	Tutuwa is the group's black economic empowerment ownership initiative entered into in terms of the Financial Sector Charter.

Acronyms and abbreviations

A	
AGM	Annual general meeting
ALCO	Asset and liability committee
ANA	Automated notes acceptor
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
BEE	Black economic empowerment
Board	Standard Bank Group Board of Directors
C	
CDM	Clean Development Mechanism
CET I	Common equity tier I
CIB	Corporate & Investment Banking
Companies Act/the Act	South African Companies Act 71 of 2008
CR	Country risk grade
CSDP	Central Securities Depository Participant
CSI	Corporate social investment
CTO	Chief technology officer
The code	The group's code of ethics
The company	Standard Bank Group Limited
CPI	Consumer price index
D	
DBS	Deferred bonus scheme
DPF	Discretionary participation feature
E	
EGS	Equity growth scheme
Exco	Group executive committee
F	
FCTR	Foreign currency translation reserve
FDI	Foreign direct investment
FMI	Fan Milk International
FSB	Financial Services Board

G	
GAC	Group audit committee
GBP	British pound sterling
GBCSA	Green Building Counsel of South Africa
GDP	Gross domestic product
GIA	Group internal audit
GRCMC	Group risk and capital management committee
GROC	Group risk oversight committee
GSIS	Group share incentive scheme
The group	Standard Bank Group
I	
IA	Internal audit
IAS	International Accounting Standards
ICAAP	Internal capital adequacy assessment process
ICAS	Independent Counselling and Advisory Services
ICBC	Industrial and Commercial Bank of China Limited
IFC	International Finance Corporation
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
LGD	Loss given default
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	
NCR	National Credit Regulator
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
O	
OHS	Occupational health and safety
P	
PBB	Personal & Business Banking
PoPI	Protection of personal information
Prime	The prime interest rate
PRP	Performance reward plan
R	
R	South African rand
Rbn	Billions of rand
RCS	RCS Investment Holdings Proprietary Limited
RCCM	Risk compliance and capital management
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
RoRWA	Return on risk-weighted assets
RUR	Rating under review
RWE	Rating watch evolving
S	
SBG	Standard Bank Group
SBSA	The Standard Bank of South Africa Limited
SB Plc	Standard Bank Plc
SCMB	Standard Corporate and Merchant Bank
SME	Small and medium enterprises
SE	Structured entity
STRATE	Strate Limited – 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
Tier III	Tertiary capital
TPS	Transactional products and services
Tutuwa	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

Africa representation

Angola

Standard Bank de Angola S.A.
Via Talatona
8th floor Condominio
Belas Business Park
Edifício Cuando Cubango
7º Andar Avenue
Luanda
Angola

P Coelho – Chief executive

Botswana

Stanbic Bank Botswana Limited
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Kinshasa 1
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E Mboma – Chief executive

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A Andani – Chief executive

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CfC Stanbic Centre
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Westlands
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G Brackenridge – Chief executive

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Maseru
Lesotho

M Vumbukani – Chief executive

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Ebene
Mauritius

L Bheenick – Chief executive

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B Fok Chow – Head: Trust

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M Pupuma – Chief executive

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Y Sanni – Chief executive

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V Otieno – Director

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K Cockerill – Chief executive

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P Odera – Chief executive

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C Mudiwa – Chief executive

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The constant currency information disclosed is the responsibility of the group’s directors and has been presented to illustrate the impact of changes in currency rates on the group’s results and hence may not fairly present the group’s results of operations. In determining the change in constant currency terms, the comparative financial reporting period’s results have been adjusted for the difference between the current and prior period’s average exchange rates (determined as the average of the daily exchange rates). The measurement has been performed for each of the group’s currencies, materially that of the US dollar, Nigerian naira, Kenyan shilling, Zambian kwacha and Ugandan shilling. The constant currency information has been reviewed by the group’s external auditors and their unmodified review report is available for inspection at the company’s registered office.

An African perspective – Seed by Marco Cianfanelli

Measuring 34,33m high, 9,85m wide and 8,55m deep, Seed is made up of 229 individual plywood panels with laser cut designs, telling the stories of people and places, and is pigmented with sand from regions where Standard Bank has an on-the-ground operating presence. Seed epitomises our Africa strategy, bringing together the opportunities and potential that we see in the dynamic African continent. Seed is proudly displayed in our Rosebank office.

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